

**Audit Results From
CAFR and Single Audit Procedures**

Department of Children's Services

**For the Year Ended
June 30, 2006**

**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

Department of Audit

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**Department of Children's Services
For the Year Ended June 30, 2006**

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**Department of Children's Services
For the Year Ended June 30, 2006**

EXECUTIVE SUMMARY

Findings

- FINDING 1 Since 1994, the department still has not identified ineligible adoption assistance payments timely and continues to have difficulty collecting over \$1 million in overpayments from foster care and adoption assistance parents (page 6).
- FINDING 2 Since 2002, Adoption Assistance files have not contained adequate documentation to support the subsidies paid to adoptive parents, thus increasing the risk of inappropriate payments. Our review of 169 Adoption Assistance files disclosed that 19 files (11%) did not have the necessary documentation to support the Adoption Assistance payments. In the 19 case files, 20 problems were noted. The unduplicated federal questioned cost for these payments totaled \$21,796 with an additional \$11,847 in state matching funds (page 9).
- FINDING 3 Since 1999, children's case files have not contained adequate documentation of case manager compliance with departmental policies regarding contacts and timeliness of case recordings for foster children, thereby increasing the risk that foster children may not receive appropriate care or services. A report prepared by management disclosed that 2,582 Brian A Class children in state custody did not receive one or more required monthly face-to-face contacts by a case manager during the audit period. In addition, our review revealed that 11 of 128 children's case recordings tested (9%) did not contain documentation of face-to-face contact with a case manager for one month while the child was in custody during the audit period. The gaps in which these children were not seen by the case managers ranged from 35 to 64 days. For the sampled 128 children whose case recordings were tested, there were 31 instances (24%) where the case notes in TNKids were recorded more than 30 days after the casework activity. Time lapses between the case activity and the date that the information was entered into TNKids for the 31 children ranged from 4 to 200 days past the 30-day deadline, with an average of 37 days late (page 13).
- FINDING 4 Management has not fulfilled its responsibility to formally assess and document the department's risks of errors, fraud, waste, and abuse. An ongoing risk assessment process is a basic tenet of internal control for any organization. Our discussions with management disclosed that management, as of December 21, 2006, has not performed and documented assessments of the department's risk of errors, fraud, waste, and abuse. This responsibility is of paramount importance (page 21).

This report addresses reportable conditions in internal control and noncompliance issues found at the Department of Children's Services during our annual audit of the state's financial statements and major federal programs. For the complete results of our audit of the State of Tennessee, please see the State of Tennessee *Comprehensive Annual Financial Report* for the year ended June 30, 2006, and the State of Tennessee *Single Audit Report* for the year ended June 30, 2006. The scope of our audit procedures at the Department of Children's Services was limited. During the audit for the year ended June 30, 2006, our work at the Department of Children's Services focused on two major federal programs: Foster Care Title IV-E and Adoption Assistance. We audited these federally funded programs to determine whether the department complied with certain federal requirements and whether the department had an adequate system of internal control over the programs to ensure compliance. Management's response is included following each finding.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

May 3, 2007

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
The Honorable Viola P. Miller, Commissioner
Department of Children's Services
Cordell Hull Building, Seventh Floor
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith are the results of certain limited procedures performed at the Department of Children's Services as a part of our audit of the *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2006, and our audit of compliance with the requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement.

Our review of management's controls and compliance with laws, regulations, and the provisions of contracts and grants resulted in certain findings which are detailed in the Findings and Recommendations section.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/to
06/111



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December 21, 2006

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have performed certain audit procedures at the Department of Children's Services as part of our audit of the financial statements of the State of Tennessee as of and for the year ended June 30, 2006. Our objective was to obtain reasonable assurance about whether the State of Tennessee's financial statements were free of material misstatement. We emphasize that this has not been a comprehensive audit of the Department of Children's Services.

We also have audited certain federal financial assistance programs as part of our audit of the state's compliance with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. The following table identifies the State of Tennessee's major federal programs administered by the Department of Children's Services. We performed certain audit procedures on these programs as part of our objective to obtain reasonable assurance about whether the State of Tennessee complied with the types of requirements that are applicable to each of its major federal programs.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Major Federal Programs Administered by the
Department of Children's Services *
For the Year Ended June 30, 2005
(in thousands)**

CFDA Number	Program Name	Federal Disbursements
93.658	Foster Care Title IV-E	\$30,810
93.659	Adoption Assistance	\$27,151

Source: State of Tennessee's Schedule of Federal Financial Assistance for the year ended June 30, 2006.

* The department also received funding from the Bureau of TennCare for the care of children in state custody. A significant portion of these funds are from the Medical Assistance Program (CFDA Number 93.778), a major federal program administered by the Department of Finance and Administration, Bureau of TennCare.

We have issued an unqualified opinion, dated December 21, 2006, on the State of Tennessee's financial statements for the year ended June 30, 2006. We issued the State of Tennessee *Single Audit Report* for the same period. In accordance with *Government Auditing Standards*, we reported on our consideration of the State of Tennessee's internal control over financial reporting and our tests of its compliance with certain laws, regulations, and provisions of contracts and grants in the *Single Audit Report*. That report also contained our report on the State of Tennessee's compliance with requirements applicable to each major federal program and internal control over compliance in accordance with OMB Circular A-133.

As a result of our procedures, we identified certain internal control and compliance issues related to the major federal programs at the Department of Children's Services. Those issues, along with management's response, are described immediately following this letter. We have reported other less significant matters involving the department's internal control and instances of noncompliance to the Department of Children's Services' management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,



Arthur A. Hayes, Jr., CPA
Director

AAH/to

FINDINGS AND RECOMMENDATIONS

1. **Since 1994, the department still has not identified ineligible payments timely and continues to have difficulty collecting over \$1 million in overpayments from foster care and adoption assistance parents**

Finding

As noted in the previous twelve audits, the Department of Children's Services (DCS) has had difficulty collecting the large outstanding balance of state-funded adoption assistance and foster care overpayments. As of June 30, 2006, the department's records indicated an outstanding accounts receivable balance for these parents totaling \$1,017,628, an increase of \$18,912 over the prior year's total. The department performed collection and write-off efforts during the audit period; however, neither resulted in a reduction of the balance during the current audit period.

Two requests were sent to the Department of Finance and Administration (F&A) for write-off approval during the audit period. One request for 71 accounts totaling \$358,618 was sent to a collection agency and returned closed because of failure to collect, bankruptcy, or death of the debtor. As the department had complied with F&A guidelines in an effort to collect the receivables, F&A approved the \$358,618 for write-off in September 2006. Collection attempts were also made for 410 other accounts totaling \$202,659. These attempts resulted in repayments of \$2,697. Management subsequently submitted a request to F&A for approval of the remaining \$199,962 of these accounts for write-off as uncollectible. This request was approved in November 2006.

Furthermore, there were still problems with preventing and detecting overpayments on a timely basis. Management responded to the prior audit finding and stated,

The department concurs to an extent. We disagree that we have difficulty collecting overpayments. All procedures agreed to in previous audits and in accordance with Finance and Administration Policy 23 are followed to collect overpayments. The department has for at least two years implemented the recommendation outlined in the 2005 audit report. The department is currently seeking the advice of the Attorney General's office concerning the write-off of the account receivable that has been returned from the collection agency. The most current amount submitted for write off is \$607,035, and of this amount \$539,914 was created prior to FY-2000.

Adoption contracts will be updated to reflect by May 1, 2006 stronger language that requires the adoptive parents notify DCS when the adoption disrupts or terminates. Follow up training will occur to ensure that these contracts are being used throughout Tennessee by July 1, 2006. The performance steps

outlined in the business process mapping which is currently underway for Adoption Assistance will be incorporated into DCS policy and follow up training will occur to ensure that this policy is being implemented throughout Tennessee by no later than December 2006. These steps include a face-to-face meeting between a regional representative and the adoptive family as a part of the annual re-determination.

The Executive Director of Finance and Program Support will place this finding and all associated documentation and policy communication matters on the agenda for the State Continuous Quality Improvement (CQI) Team agenda during the month of March 2006, and at least quarterly thereafter. The State CQI Team through the Executive Director of Finance and Program support will ensure that this finding is addressed by all appropriate regional and central office CQI Teams, and the Executive Directors of Regional Support will ensure this finding is included in all of the Regional Administrator CQI Team meetings.

The Executive Directors of Regional Support will have the primary responsibility for ensuring appropriate follow up regarding specific cases in non-compliance.

Management's comments for this finding are exhibited for prior audits in the appendix on pages 25 through 31.

During the past three years, the department has taken action which has significantly reduced the instances and duration of overpayments to foster parents, also resulting in improved collection of the current overpayment balances. However, in spite of management's continually concurring with the need for attention to the much larger balance of prior overpayments, these balances have largely remained uncollected and not written off. Furthermore, the department continued to have difficulty in the prevention and timely detection of overpayments, especially with adoption assistance payments. Activity during the year resulted in a net decrease in the foster care overpayment balance of \$14,215 and a net increase in the adoption assistance overpayment balance of \$33,127.

From the adoption assistance and foster care receivable account balances at June 30, 2006, we selected all new overpayment balances greater than \$2,000 for review. There were two foster care balances totaling \$7,470 and nine adoption assistance balances totaling \$74,095. The results of testwork on these accounts indicated one account with two unusually large erroneous payments and four accounts with overpayments that occurred for six months or longer before detection.

- Overpayments of adoption assistance for two months on one account resulted from erroneous input data entered in the payment system. The erroneous input resulted in payments of \$31,000 per month for two months when the correct amount should have been \$441 per month. In addition, the child left the home during the third month. These overpayments totaled \$61,360, and \$17,727 had been repaid at June 30, 2006. The payment system neither detected the erroneous input data nor alerted

management of these unusually large payments.

- One account was for the overpayment of adoption assistance for seven months after the adoption was dissolved. The overpayments of adoption assistance for this occurrence totaled \$4,034 and no repayments had been received as of June 30, 2006. According to management, the overpayment was due to the case manager's failure to notify regional personnel of the dissolved adoption.
- Overpayments of adoption assistance for fifteen months on one account resulted when the family did not report benefits received from the Social Security Administration. These overpayments totaled \$7,470 and \$2.00 had been repaid at June 30, 2006. Adoption Assistance contract provisions require parents to report these benefits to DCS. In addition, payment of these benefits was not detected during the department's annual renewal process for adoption assistance payments.
- Foster care overpayments for ten months on one account totaling \$5,044 resulted when the child left the program. TNKids records indicate the removal of the child from DCS custody, and that the case manager would notify the DCS team leader and close the case. However, there is no evidence that the case was formally closed. There is no record of face-to-face contacts with a case manager for the overpayment period. According to central office management, a case manager who was unaware of the change in circumstances continued to approve the payments during the overpayment period. No repayments had been received as of June 30, 2006.
- Overpayments of adoption assistance occurred for six months on one account after the 18 year old child graduated from high school. The overpayments totaled \$3,835, and \$254 was repaid at June 30, 2006.

One of these instances could have been prevented if the payment system had sufficient edits within the system to prevent erroneous data entry and alert management of unusually large payment amounts. The other overpayments could have been detected sooner if case managers had formally documented communication of changes in children's cases that affect eligibility for adoption assistance and foster care payments.

Recommendation

The Executive Director of Program Support should continue efforts, as required by Department of Finance and Administration (F&A) Policy 23, "Accounts Receivable – Recording, Collection, and Write-Offs," to recover all funds from foster care or adoption assistance parents who received overpayments but are no longer keeping children. After management has taken all appropriate steps to try to collect the outstanding receivable, the Executive Director of Program Support should promptly request through F&A that the remaining uncollectible accounts be written off. The Commissioner of DCS should develop protocol for the different divisions within the department—particularly between DCS Fiscal Services, DCS

Adoption Services, DCS Foster Care Services, DCS regional offices' adoption and foster care units, and Child Protective Services—so that the proper individuals are informed in a timely manner of changes in children's cases and/or changes that affect adoption assistance and foster care eligibility. The Executive Director of Child Permanency should ensure that adoption assistance and foster care payments to parents are terminated when eligibility terminates. Since adoption assistance payments are based on information entered on the Subsidized Adoption Turnaround Document (Form 16), regional designees should verify this information before authorizing payments. Foster care payments are based on information called in by the parents, and the case manager responsible for child visitation should confirm residency prior to payment.

Management should ensure that risks such as these noted in this finding are adequately identified and assessed in their documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

Management's Comment

We concur. Regarding the uncollected and outstanding receivable, 481 accounts totaling \$558,580 have been written off in accordance with F&A Policy 23. Most of these outstanding accounts were dated 2001 and prior. The remaining outstanding receivable balance is now \$459,047. DCS will continue timely collection efforts per F&A Policy 23 to minimize and appropriately manage its receivable balance relative to overpayments.

To monitor the overpayments for adoption assistance, please see the response to finding 2.

Risk assessment activities are ongoing. See response to finding 4 for a summary of risk assessment activities.

2. **Since 2002, Adoption Assistance files have not contained adequate documentation to support the subsidies paid to adoptive parents, thus increasing the risk of inappropriate payments**

Finding

As noted in the four previous audits covering the period July 1, 2001, through June 30, 2005, Adoption Assistance case files did not contain adequate documentation to support the Adoption Assistance subsidies paid to the adoptive parents. The total federal share of the Adoption Assistance Program exceeded \$27,000,000. Management concurred with the prior audit finding and stated,

The federal questioned cost of \$21,376 has been processed and will be reflected this quarter.

The Executive Director of Finance and Program Support will place the lack of adoption assistance documentation on the agenda for the State Continuous Quality Improvement (CQI) Team agenda during the month of March 2006, and at least quarterly thereafter. The State CQI Team through the Executive Director of Finance and Program support will ensure that this finding is addressed by all appropriate regional and central office CQI Teams, and the Executive Directors of Regional Support will ensure this finding is included in all of the Regional Administrator CQI Team meetings.

As part of the proposed requirement for an annual face-to-face meeting, the department will ensure there is proper documentation in the case files. In addition, the department will also develop and implement the same process for adoption assistance case file review and documentation as outlined with the resource parent file and foster care files. Internal Audit will also conduct annual adoption assistance case file reviews as previously outlined. This will be completed by no later than December 2006.

The Executive Directors of Regional Support will have the primary responsibility for ensuring appropriate follow up regarding specific cases in non-compliance.

The Department is aware of the current status of this finding and is assessing departmental risk.

Management's comments for this finding are exhibited for prior audits in the appendix on pages 31 through 33.

The Adoption Assistance Program contributes financially to assist families, otherwise lacking the financial resources, in adopting eligible children with special needs. According to Department of Children's Services (DCS) Policy 15.11, families must renew assistance annually by completing an application, agreement, and a notarized affidavit. Federal regulations require the state to make reasonable efforts to place a child for adoption without a subsidy. According to departmental policy, the case manager must ask prospective adoptive parents if they are willing to adopt without Adoption Assistance payments. If the family says it cannot adopt without Adoption Assistance payments, the department considers the reasonable efforts requirement to have been met, and the process for obtaining Adoption Assistance begins. Title IV-E federally funded Adoption Assistance is available until the child reaches age 18 or up to age 21 if the child has a mental or physical handicapping condition as established in the initial Adoption Assistance Agreement. If the child does not meet handicapping conditions at age 18, the Title IV-E Adoption Assistance payments cease. However, the adoptive parents may receive state-funded adoption assistance if the child remains in high school and the original adoption assistance agreement was created after October 1997. The adoptive parents may also receive state-funded adoption assistance if the child is in any full-time school and the original adoption assistance agreement was created prior to October 1997. Department of Children's Services Policy 15.10, "Adoption Assistance Agreements Created Prior to October, 1997," states, "School attendance or handicapping condition must be verified and documented in the adoption assistance case file."

Management implemented the changes addressed above in management's response to the prior-year finding. However, since implementation of the changes occurred late in the audit period, we were unable to evaluate their effectiveness. During the audit period, Adoption Assistance files still did not contain adequate documentation related to the applications, agreements, and yearly renewal affidavits that must be completed by the adoptive parents, as required by the department's *Adoption Services Procedures Manual*. We selected 171 case files for testing. Of the 171 files, the department was unable to locate 2 (1%). Our review of the other 169 Adoption Assistance files disclosed that 19 files (11%) did not have the necessary documentation to support the Adoption Assistance payments. In the 19 case files, the following 20 problems were noted. The unduplicated federal questioned cost for these payments totaled \$21,796 with an additional \$11,847 in state matching funds.

- The adoption assistance agreement between DCS and the adoptive parents in one file was missing the agreement's approval page containing the signatures of the adoptive parents and the team coordinator. The missing approval page was submitted to the auditors subsequent to field work.
- There were problems with Adoption Assistance Renewal Affidavits in four files. One affidavit was missing the adoptive parents' declaration that the adoptive child's special needs still existed. However, there was other evidence present that supported the child's special needs status. Three files had no affidavits present. One of the missing affidavits was submitted to the auditors subsequent to field work. The costs associated with the two children whose affidavits were not located are questioned. Federal questioned costs were \$5,061 and additional state matching funds were \$2,760.
- The special needs of children during the initial adoption application for Title IV-E eligibility were not documented in eleven files. Six children's files did not have the required documentation from a licensed medical professional concerning their special needs. However, there are no questioned costs associated with these files since they were eligible for adoption assistance payments under other criteria and standard rates were used to make payments. Five children's files did not have documentation from a licensed medical professional to support payments in excess of the standard rates. Three received a negotiated rate, and the other two received extraordinary rates. Documentation from licensed medical professionals was subsequently provided to support the rates paid for two of these children. The federal questioned costs for the three remaining children totaled \$1,632 with an additional \$886 in state matching funds.
- Eligibility for IV-E funding was not documented in four files. Documentation reviewed such as applications, desk reviews, etc., in the files failed to establish that these adoptive children were eligible for Title IV-E funding. The federal questioned costs for these payments totaled \$15,103 with an additional \$8,201 in state matching funds.

Recommendation

The Executive Director of the Office of Child Permanency and the Director of Foster Care, Adoptions, & Kinship Care should evaluate the effectiveness of their current procedures to ensure that Adoption Assistance case files are complete and that renewals and extensions of agreements are current and adequately supported. Any changes in eligibility for Adoption Assistance funding should be documented in the case file, and related adjustments in funding should be made immediately. Management should ensure that risks such as these noted in this finding are adequately identified and assessed in their documented risk assessment activities.

Management should assess the effectiveness of the design and implementation of the internal controls referred to in its previous response, and ascertain whether those controls prevent and detect exceptions timely. Staff responsible for ongoing monitoring for compliance with all requirements should take prompt action on exceptions, and propose additional controls if warranted.

Management's Comment

We concur. To monitor the overpayments for those who are no longer in school and are between the ages of 18-20, DCS will begin to terminate any contract that does not have documentation of full-time school attendance. DCS will review these files on a quarterly basis and continue documentation of full-time school attendance. For any adoption completed after 1997, the school requirement is for high school attendance only and will terminate upon graduation. Adoptive parents will receive a letter from Central Office indicating these requirements and the responsibility to continue payments will be on the adoptive parents. This letter will be sent to adoptive parents by the end of March 2007.

DCS does have some young adults that may not be able to meet the school requirements due to severe mental health issues or medical issues but may still qualify for adoption assistance. DCS will require current documentation from a mental health professional or a medical professional that indicates the severity of the mental and/or medical needs. The documentation will be gathered on a quarterly basis and will be the responsibility of the parent to provide the documentation.

In order for the quarterly review of the adoption assistance cases, DCS must be prepared to dedicate staff to complete this task and to monitor the medical/mental health needs on an on-going basis. The staff will be able to review the documentation submitted from the parent to ensure that the criteria for continued assistance is met. Permanency Specialist (formerly Adoption Specialist) and Adoption Assistance Designee should be partnered together to complete all quarterly and yearly reviews and to be held accountable for the documentation to be located in each AA [Adoption Assistance] file. Permanency Specialist will be held accountable for ensuring the file has all the required documentation on the front end.

Upon the signing of the Intent to Adopt, the Permanency Specialist will ensure that the resource parents of children eligible for SSI [Supplemental Security Income] complete the

application to receive SSI. The Permanency Specialist will continue to monitor these cases on a quarterly basis to determine if the SSI has been approved and the AA rate will be reduced by the SSI amount.

The Executive Director of Regional Support will have the primary responsibility for ensuring appropriate follow up regarding specific cases in non-compliance. Regional Support will ensure this finding is included in all of the Regional Administrator CQI [Continuous Quality Improvement] Team meetings.

As part of the proposed requirement for an annual face-to-face meeting, Internal Audit will also conduct an adoption assistance case file review as previously outlined. The audit program has been written and is in the review stage. Based on current staffing and current priorities, the completion of this audit is estimated to be within the calendar year 2007.

3. **Since 1999, children's case files have not contained adequate documentation of case manager compliance with departmental policies regarding contacts and timeliness of case recordings for foster children, thereby increasing the risk that foster children may not receive appropriate care or services**

Finding

As noted in the prior seven audits covering the period July 1, 1998, through June 30, 2005, the Department of Children's Services (DCS) did not have adequate documentation in the children's case files showing case manager contact with the child, family, or other individuals. DCS also did not maintain timely case note recordings.

Management concurred with the prior audit finding and stated,

The department concurs. The department, however, has focused a good deal of attention to this area. DCS has provided management-reporting tools to assist Regional Administrators in monitoring compliance. In recent months, DCS staff initiated corrective action on some data entry issues, and began distributing to Regional Administrators twice-monthly reports that showed case recordings that were late and required remedial action. For a twelve-month period Dec.-Jan. 2005, a monthly average of 93% of the children in custody had a face-to-face visit. The Executive Director of Finance and Program Support will place the issue of face-to-face contact and all associated documentation on the agenda for the State Continuous Quality Improvement (CQI) Team agenda during the month of March 2006, and at least quarterly thereafter. The State CQI Team through the Executive Director of Finance and Program support will ensure that this finding is addressed by all appropriate regional and central office CQI Teams, and the Executive Directors of Regional Support will ensure this finding is included in all of the Regional Administrator CQI Team meetings.

Per the Brian A. court settlement, the department is required to perform an

annual audit of TNKIDS to assess in part whether case recordings and other required information is entered and done timely and accurately. Internal audit is responsible for the audit that was released in January 2006. The department will use the information contained in the audit finding to drive improved performance and compliance. The department acknowledges that more development work is needed to produce a regular report that helps monitor compliance with the timeliness of casework recordings.

The Executive Directors of Regional Support will have the primary responsibility for ensuring appropriate follow up regarding specific cases in non-compliance.

Management’s comments for this finding are exhibited for prior audits in the appendix on pages 33 through 38.

As stated in the above comments, DCS generates face-to-face contact reports which are designed to serve as a control to ensure policy compliance by identifying the children who lack the required case manager contacts. In order to determine whether individual children were not being contacted for extended periods of time, at the beginning of field work we requested a compilation of all zero face-to-face contact reports for the audit period. Not until December 19, 2006, was management able to provide us with a compilation of zero face-to-face contact reports. And, the report provided by management was not for all children, but was limited to the department’s Brian A Class children during the audit period. The report disclosed that 2,582 Brian A Class children in state custody did not receive one or more required monthly face-to-face contacts by a case manager during the audit period. The number of children who, according to management’s report, did not have sufficient face-to-face contacts is summarized below:

Children With No Face-To-Face Contact	Months Without Contact
1,830	1
443	2
171	3
60	4
36	5
17	6
16	7
5	8
4	9
Total 2,582	

Again, it should be noted that these exceptions are only for the Brian A Class children. Furthermore, the information is limited to the months that these children were in state custody and DCS policy required at least one face-to-face contact during the month. The above results do not necessarily represent a number of consecutive months without contact. It should also be noted that the report is based on the capture of data entered in specific fields in the TNKIDS

system. Management acknowledged that insufficient or erroneous case manager input could result in errors in the above data. However, it was also acknowledged by management that no compilation of contact information to detect patterns or periods without face-to-face contact had ever been attempted or requested by management. Therefore, management had no analytical data or procedures in place to detect patterns in the lack of face-to-face contact, either by child or by case manager, over extended periods of time.

DCS Policy 16.38-BA (A) regarding face-to-face visits with children in foster homes or other DCS residential facilities states,

If a child moves to a new DCS placement at any time following his/her initial placement, the child shall be visited as if he/she were just entering care and shall be visited and seen face-to-face: (a) Six (6) times during the first eight (8) weeks of the new placement, (b) Once every two weeks for the second eight (8) weeks, and (c) Not less than two (2) times per month thereafter. The Case Manager shall have face-to-face contacts with the foster parents or agency staff as often as necessary but no less than once each month.

In addition to the above information provided by management, the current audit sample of case recordings in the TNKids database disclosed time lapses in the face-to-face contact between case managers and children. We reviewed the case recordings in the TNKids database for a sample of 128 children. We noted that for 11 of the 128 children (9%), the case recordings tested did not contain documentation of face-to-face contact with a case manager for one month while the child was in custody during the audit period. The gaps, in which these children were not seen by the case managers, ranged from 35 to 64 days.

The prior audit finding disclosed inadequate documentation of case managers' visits in 22 of 132 (17%) of the case files examined; the gaps in which these children were not visited by the case managers ranged from one to four months.

DCS Policy 31.14 states,

Each contact (successful or unsuccessful) with or on behalf of clients will be documented in TNKids case recordings within thirty (30) days from the date of the contact. Case recordings serve as the official record of efforts made to serve DCS client children/youth and families. . . . Regardless of whether or not TNKids case recordings are printed and placed in the child/youth's record, the official case recordings are those in TNKids.

We also reviewed the sample to determine whether the case managers entered the children's casework activity into the TNKids database timely. When comparing the date of entry with the date of the casework activity, we noted several instances of untimely entries. For the sampled 128 children whose case recordings were tested, there were 31 instances (24%) where the case notes in TNKids were recorded more than 30 days after the casework activity. Time lapses between the case activity and the date that the information was entered into TNKids for the 31 children ranged from 4 to 200 days past the 30-day deadline, with an average of 37 days late.

The prior audit finding disclosed that time lapses between the case activity and the date that the information was entered into TNKids, for 21 of 132 children's case recordings tested (16%), ranged from 2 to 210 days past the 30-day deadline.

Recommendation

The Commissioner should ensure that case managers make the required face-to-face contacts with children in state custody and document the contacts made. Proper documentation of the casework activity, as described by DCS policies and procedures, should be entered into TNKids within 30 days of the casework activity. In addition, quarterly monitoring of case files by field supervisors and case file reviews by central office staff from the Division of Program Operations should specifically address compliance with DCS policies and procedures. Controls should be established to detect children not receiving and case managers not performing face-to-face contacts for extended periods of time. In addition, management should stress the need for timely casework activity recordings.

In addition, management should ensure that risks such as these noted in this finding are adequately identified and assessed in their documented risk assessment activities. Management should identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. Management should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and taking prompt action should exceptions occur.

Management's Comment

We concur. Beginning in 2005, DCS produced monthly reports on visitation for each region. These reports include number and percentage of zero face to face contacts, one visit, two visits, etc. The summary report totals are forwarded to the regions along with child specific detail. A summary of the Brian A. Face to Face Contacts from April 2005 through January 2007 is attached. The regions have been and are expected to review these reports, identify areas of concern and work with their Executive Director of Regional Services to correct any issues identified. Since early 2005, the percentage of zero face to face contacts has declined from as much as 15% to less than 3% and has remained at that approximate level for the past 12 months. DCS is currently achieving a visitation rate of approximately 65% of all children receiving 2 or more visits per month. The agency has set a goal of increasing that to 80% while maintaining at the 95% rate or higher level of at least one visit. The current rate for one or more visits is 97%. Whenever a region shows any level of increase in zero contacts or a decrease in visitation percentages, they are asked to review each case, identify weakness and rectify the issues.

The Department is developing a report tracking trends in visits across children, highlighting on a quarterly basis, those children for whom visits appear to have been missed for more than one month. This report will become available every quarter beginning the 4th quarter of Fiscal Year 2006–2007 (April 2007-June 2007). In tandem, with the development of this report, the Executive Directors of Regional Support will work with the regions to use this data to improve practice. See attached report.

To support this work, DCS has implemented a Case Process Review, which is a supervisory review of a child's case record (both the hard file and the TNKids file) to assure compliance with DCS policy. This supervisory review was fully implemented in FY 2005–2006. In 2006, DCS began a process of retraining regional staff on the use of the review process as a performance management and quality assurance tool. Central Office has also developed a quality assurance process for the review itself, whereby-each quarter-a sample of the files reviewed by Team Leaders will also be reviewed by Team Coordinators, and a sample of files reviewed by Team Coordinators will be reviewed by Central Office staff.

In addition to the Case Review, the Department also implemented in 2005-2006, a Quality Service Review (QSR). Although this review is a qualitative review aimed at measuring outcomes, it is a comprehensive review that involves a review of case records and interviews with key stakeholders. Regional weaknesses in system performance, which would include implementing policies, procedures, and/or best practice standards related to child welfare practice, are reflected in marginal and/or unacceptable outcomes. Regional CQI [Continuous Quality Improvement] teams are charged with developing action plans aimed at addressing the underlying causes of poor QSR outcomes in the area of system performance. Progress in realizing improvement goals is reviewed at least quarterly.

Per the Brian A. court settlement, the data in TNKids shall be audited no less frequently than every 12 months. Internal Audit released an audit in January 2006 and is currently auditing TNKids for the 2006 calendar year. Field work has been completed in several regions. Internal Audit plans to issue memos to management for each region as completed. The audit report will be released subsequent to the completion of the audit of all twelve regions. Based on the current staffing and current priorities, the TNKids audit is estimated to be completed in calendar year 2007.



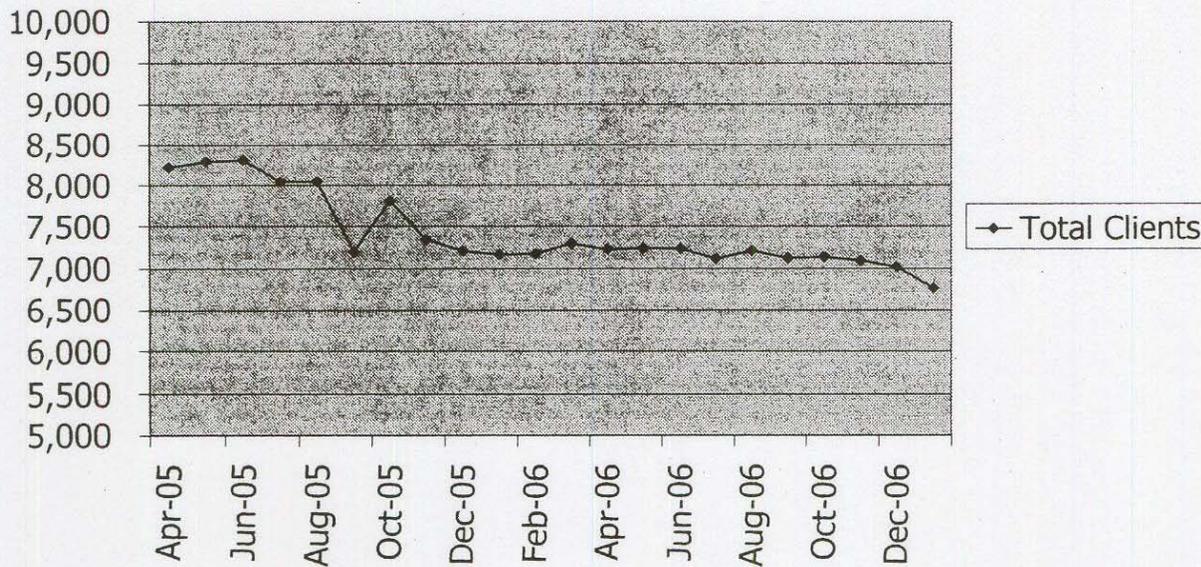
Department of Children's Services
Office of Information Services



Brian A Face-to-Face Contact Totals April 2005 through January 2007

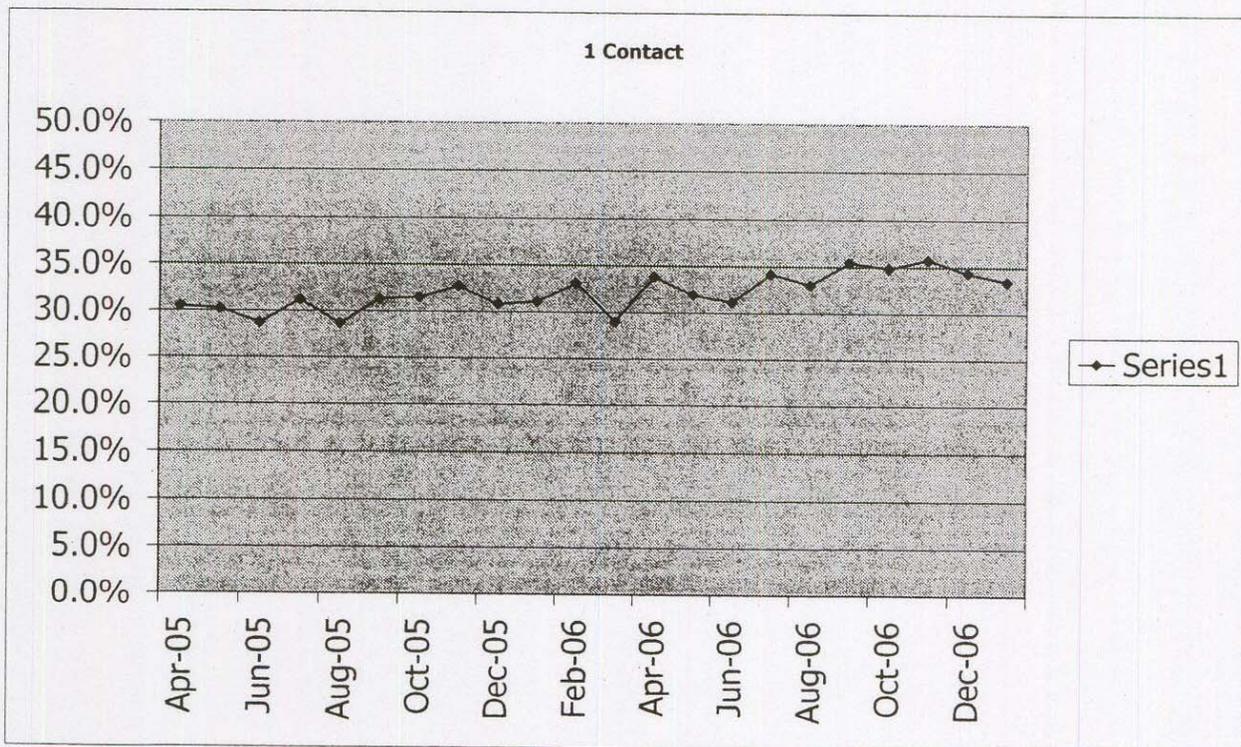
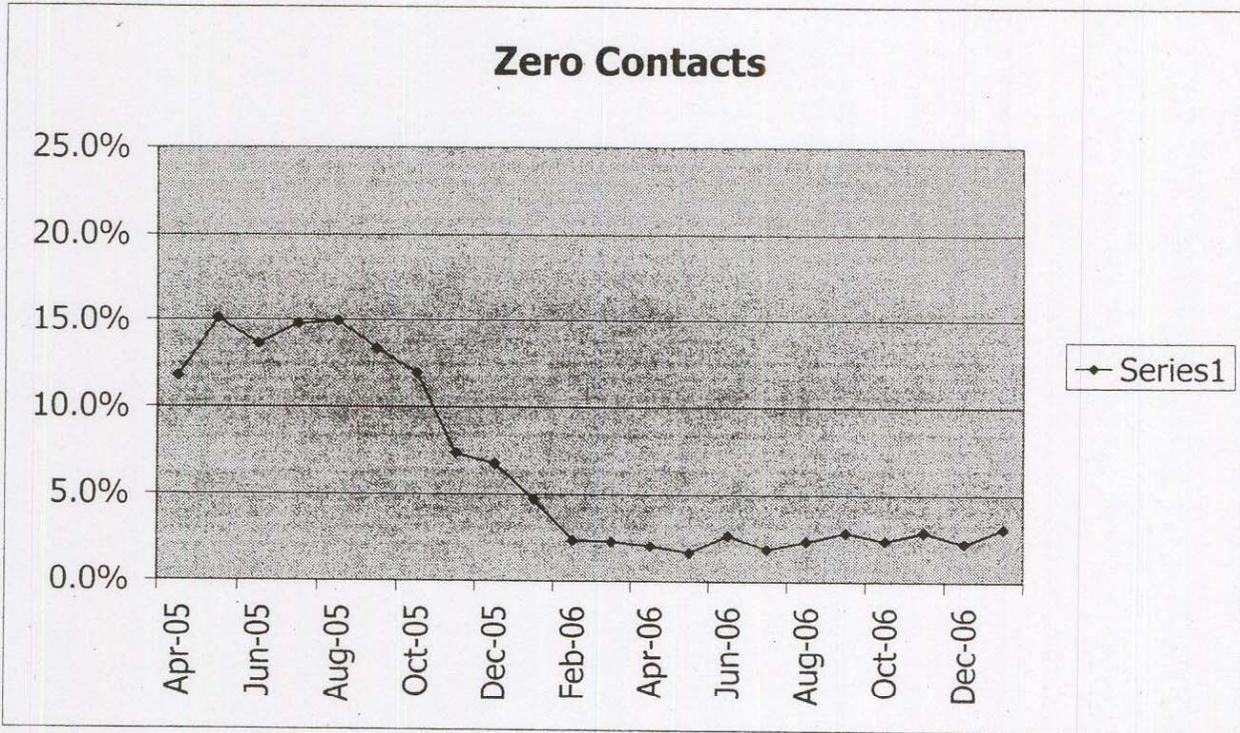
Date	Total Clients	0 Face to Face		1 Face-to-Face Contact		2 Face-to-Face Contact		3-4 Face-to-Face Contact		5+ Face-to-Face Contact		2 or More Contacts	
4/30/2005	8,219	967	11.8%	2,502	30.4%	2,573	31.3%	1,610	19.6%	567	6.9%	4,750	57.8%
5/31/2005	8,290	1,249	15.1%	2,504	30.2%	2,523	30.4%	1,481	17.9%	533	6.4%	4,537	54.7%
6/30/2005	8,307	1,130	13.6%	2,384	28.7%	2,561	30.8%	1,722	20.7%	510	6.1%	4,793	57.7%
7/31/2005	8,043	1,188	14.8%	2,505	31.1%	2,564	31.9%	1,406	17.5%	380	4.7%	4,350	54.1%
8/31/2005	8,042	1,200	14.9%	2,302	28.6%	2,601	32.3%	1,525	19.0%	414	5.1%	4,540	56.5%
9/30/2005	7,191	959	13.3%	2,248	31.3%	2,348	32.7%	1,265	17.6%	371	5.2%	3,984	55.4%
10/31/2005	7,810	932	11.9%	2,458	31.5%	2,749	35.2%	1,333	17.1%	338	4.3%	4,420	56.6%
11/30/2005	7,337	537	7.3%	2,398	32.7%	2,660	36.3%	1,329	18.1%	413	5.6%	4,402	60.0%
12/31/2005	7,209	486	6.7%	2,217	30.8%	2,608	36.2%	1,496	20.8%	402	5.6%	4,506	62.5%
1/31/2006	7,162	338	4.7%	2,225	31.1%	2,622	36.6%	1,572	21.9%	405	5.7%	4,599	64.2%
2/28/2006	7,175	170	2.4%	2,372	33.1%	2,813	39.2%	1,369	19.1%	451	6.3%	4,633	64.6%
3/31/2006	7,292	167	2.3%	2,113	29.0%	2,803	38.4%	1,629	22.3%	580	8.0%	5,012	68.7%
4/30/2006	7,223	146	2.0%	2,443	33.8%	2,916	40.4%	1,318	18.2%	400	5.5%	4,634	64.2%
5/31/2006	7,239	119	1.6%	2,308	31.9%	2,786	38.5%	1,559	21.5%	467	6.5%	4,812	66.5%
6/30/2006	7,236	192	2.7%	2,251	31.1%	2,811	38.8%	1,540	21.3%	442	6.1%	4,793	66.2%
7/31/2006	7,114	131	1.8%	2,428	34.1%	2,828	39.8%	1,367	19.2%	360	5.1%	4,555	64.0%
8/31/2006	7,206	166	2.3%	2,380	33.0%	2,732	37.9%	1,446	20.1%	482	6.7%	4,660	64.7%
9/30/2006	7,122	200	2.8%	2,518	35.4%	2,726	38.3%	1,325	18.6%	353	5.0%	4,404	61.8%
10/31/2006	7,132	169	2.4%	2,484	34.8%	2,599	36.4%	1,437	20.1%	443	6.2%	4,479	62.8%
11/30/2006	7,094	201	2.8%	2,532	35.7%	2,708	38.2%	1,292	18.2%	361	5.1%	4,361	61.5%
12/31/2006	7,015	154	2.2%	2,407	34.3%	2,830	40.3%	1,326	18.9%	298	4.2%	4,454	63.5%
1/31/2007	6,759	205	3.0%	2,259	33.4%	2,600	38.5%	1,310	19.4%	385	5.7%	4,295	63.5%

Total Brian A Clients



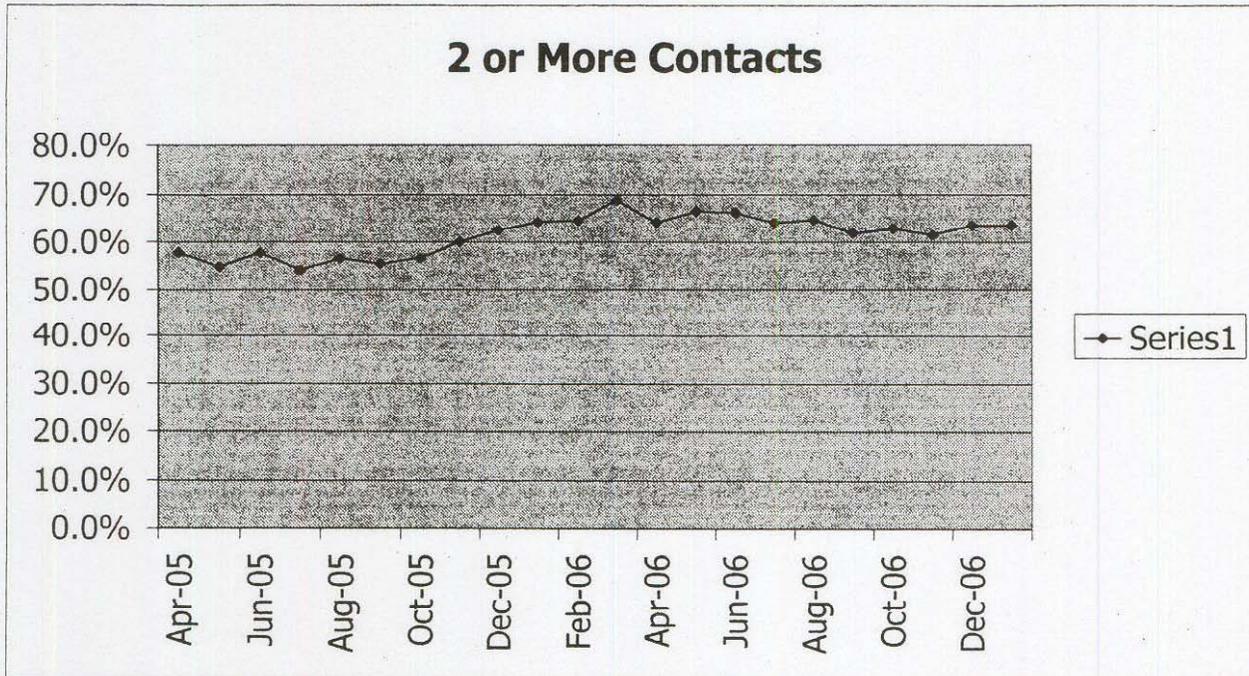


Brian A Face-to-Face Contact Totals April 2005 through January 2007





Brian A Face-to-Face Contact Totals April 2005 through January 2007



4. **Management has not fulfilled its responsibility to assess and document the department's risks of errors or fraud**

Finding

Management of the Department of Children's Services has not fulfilled its responsibility to formally assess and document the department's risks of errors, fraud, waste, and abuse. An ongoing risk assessment process is a basic tenet of internal control for any organization.

The 2005 edition of *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association summarizes management's basic responsibilities as follows:

All managers share certain basic responsibilities, which include: 1) achieving the entity's purpose (effectiveness); 2) making optimal use of scarce resources (efficiency); 3) observing restrictions on the use of resources (compliance); and 4) periodically demonstrating accountability for the stewardship of resources placed in their care (reporting). Internal control comprises the tools management uses to ensure that it fulfills these important responsibilities.

A comprehensive framework of internal control must possess five essential elements. It must: 1) provide a favorable *control environment*; 2) provide for the *continuing assessment of risk*; 3) provide for the design, implementation, and maintenance of effective *control-related policies and procedures*; 4) provide for the effective *communication* of information; and 5) provide for the ongoing *monitoring* of the effectiveness of control-related policies and procedures, as well as the resolution of potential problems identified by controls.

The above elements are also mentioned in Statements on Auditing Standards Number 55, as amended, promulgated in April, 1988.

The GAAFR explains why this must be a continuous process by stating:

Changes in a government's circumstances can render once satisfactory control-related policies and procedures inadequate or obsolete. Also, controls have a natural tendency to deteriorate over time unless management properly maintains them. Accordingly, governments must periodically evaluate control-related policies and procedures to determine whether they have been properly designed and implemented and are still adequate and functioning.

Our discussions with management disclosed that management, as of December 21, 2006, has not performed and documented assessments of the department's risk of errors, fraud, waste, and abuse. This responsibility is of paramount importance.

Recommendation

Management should conduct regular periodic risk assessments. Each assessment should be well documented, complete, and clear. The process should involve the active participation of staff; however, management is ultimately responsible for the results of the assessment.

The risk assessment should include consideration of the risks of errors, fraud, waste, and abuse related to the department. Management should begin with prior audit findings, ensuring that corrective actions recommended by us have been fully implemented. Management should also think about the general types of problems that can occur in practical terms of “what could go wrong,” such as providing services to ineligible children, overpayments to vendors, and theft of funds. The relative materiality of the risks should be considered as well. Qualitative as well as quantitative materiality should be considered. The results of the risk assessment should be used by management to design appropriate internal controls to mitigate the identified risks. As such, the risks should be prioritized, so that management can focus their initial attention on the greatest risks. Risks and related controls should be directly and clearly linked.

During the next audit, we will review the risk assessment documentation prepared by management. The results of this review will be part of the basis of our conclusions about the control environment of the entity.

Management’s Comment

We concur in part. We concur that management of the department has not completed the process of formally assessing and documenting the department’s risks of errors, fraud, waste, and abuse.

We do not concur that the department is not fulfilling its responsibility to formally assess and document the department’s risks. The department is working on a comprehensive risk management plan. The management plan seeks to fulfill the risk assessment process as a component of internal control per audit standards and to fulfill accreditation standards. The essential requirements of these objectives are the same. We consider the sharing of risk assessment tools and results to be the most effective and efficient method of complying with and reporting on the department’s management of risk.

Management has begun the process of seeking accreditation from the Council on Accreditation in 2005. Accreditation standards require the department, in relevant part, to identify and reduce potential loss and liability and to conduct an internal assessment of overall risk at least annually. This assessment includes areas such as financial risk, compliance with legal requirements, contracting practices, security of information, conflicts of interest, and staff training regarding risk. Risk assessment planning and tools are in place and interviews are occurring. The department’s management plan will address prior audit findings and will ensure that corrective actions recommended have been fully implemented. Management is requiring that each division discuss problems that can occur in practical terms and to prioritize those risks. The results of the risk assessment will be used by management to design and appropriate internal

controls to mitigate the identified risks and will be presented to the State Continuous Quality Improvement (CQI) Team as a resource document.

Thus, both responsibilities will be met.

Accreditation by the Council on Accreditation is estimated to be a multiple year process. The department's Risk Management Plan is estimated to be in compliance within the calendar year and risk assessment will be an ongoing process.

Auditor's Comment

Management stated in its response to the finding that it had not completed the process of formally assessing and documenting the department's risks of errors, fraud, waste, and abuse. However, management further stated that it believes that it is fulfilling its responsibility to formally assess and document the department's risks. At no time during or after the audit did management provide any documentation of its efforts other than verbal statements that it was in the discussion phase of risk assessment. Management's comments further describe what it is and what it will be doing to develop a comprehensive risk management plan. Management states that it expects this plan to be completed within the calendar year. As stated in our recommendation we will review, during the next audit, the risk assessment documentation prepared by management. The results of this review will be part of the basis of our conclusions about the control environment of the entity.

STATUS OF PRIOR AUDIT FINDINGS

State of Tennessee *Single Audit Report* for the year ended June 30, 2005

Audit findings pertaining to the Department of Children's Services were included in the *Single Audit Report*. The updated status of these findings as determined by our audit procedures is described below.

Resolved Audit Findings

The current audit disclosed that the Department of Children's Services has corrected previous audit findings concerning charging the Title IV-E program for children's expenditures that were not Title IV-E reimbursable, lacking documentation of criminal background checks of approved foster parents, lacking documentation of annual foster home reassessments, and lacking documentation of foster parents completion of PATH training.

Repeated Audit Findings

The current audit disclosed that the Department of Children's Services has not corrected the

previous audit findings concerning overpayments due from foster care and adoption assistance parents, case manager compliance with departmental policies in case files, and maintaining adequate documentation in adoption assistance files. These findings will be repeated in the *Single Audit Report* for the year ended June 30, 2006.

Most Recent Financial and Compliance Audit

Audit report number 06/060 for the Department of Children's Services, issued in March 2007, contained certain audit findings that were not included in the State of Tennessee *Single Audit Report*. These findings were not relevant to our current audit and, as a result, we did not pursue their status as a part of this audit.

OBSERVATIONS AND COMMENTS

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

Auditors and management are required to assess the risk of fraud in the operations of the entity. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the entity is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the entity.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the entity. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic. The assessment and the controls should be reviewed and approved by the head of the entity.

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99 promulgated by the American Institute of Certified Public Accountants requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, and not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

APPENDIX

MANAGEMENT'S COMMENTS FROM PRIOR AUDITS

The Department of Children's Services was created by 1996 Public Acts Chapter 1079 on May 21, 1996. The former Department of Youth Development and the Department of Finance and Administration's Office of Children's Services Administration were combined along with certain functions from the Departments of Human Services and Health concerning the welfare of children. Therefore, comments on conditions occurring in other departments prior to the creation of the Department of Children's Services have not been included in this appendix.

Current Finding

Since 1994, the department still has not identified ineligible payments timely and continues to have difficulty collecting over \$1 million in overpayments from foster care and adoption assistance parents

Management's Comments

For the Year Ended June 30, 1996

We concur. An accountant was hired the latter part of 1996 calendar year to work with the accounts receivable project. The department is developing procedures to collect overpayments made to foster parents in the CITS system as of June 30, 1996. We have been working with General Counsel to develop procedures to notify people who received overpayments in the CITS system as to how the department plans to collect these overpayments and provide an appeal process. Letters should be sent to the people who received the CITS overpayments in the early part of fiscal year 1997-98. We will then begin addressing the collection process for the overpayments in the ChipFins system that were identified in December, 1996. ChipFins currently has the capability to withhold overpayments for active foster care parents in ChipFins. When a case manager initiates an adjustment form for the overpayment, the system will incorporate, document and withhold the overpayment from the current foster care payment until the full amount is withheld. Information Resources staff have been asked to determine what would be involved in modifying the ChipFins remittance advice.

The commissioner has approved a reorganization of the fiscal unit into three sections: (1) Payables, (2) Receivables and (3) Accounting. The directors of each section will be working together with management to develop procedures to ensure that accounts receivable are identified, that vendors are notified if there is a receivable balance, and that repayment of the receivable is monitored and properly recorded.

For the Year Ended June 30, 1997

We concur. In the Fall of 1997 letters were sent to about 1,000 former foster care parents who were overpaid \$565,000 in the CITS foster care parents payment system. This system ended in early 1995 and the accounts receivable in the system were not transferred to ChipFins when it became operational in early 1995.

The CITS foster parents were notified that our records showed they have an accounts receivable balance. We asked them to share information with us if they did not agree with this overpayment on our records. If they agreed with the overpayment, they were asked to send us a check for the amount of the overpayment or agree to a repayment plan. Fiscal and Information Resources staff were able to generate a report from the CITS system showing the source of the overpayment by child for each foster care parent who had a CITS accounts receivable balance. Over 400 letters from CITS foster parents requesting more information were sent to fiscal which have been researched, answered or referred to program staff, where appropriate. As of May 28, 1998, 12 have agreed to repay \$7,129.62; 104 have repaid their full balance of \$24,790.51; 22 have made partial payments of \$16,051.44; 18 have set up a payment plan to repay \$14,079.33; 15 submitted information supporting adjustments of \$5,710.94 and 19 submitted information supporting partial adjustments of \$12,309.15. Work on this project is ongoing.

A DCS policy on overpayments made to DCS adoption assistance parents was drafted and approved this year. An amendment to the IV-E plan was sent to the Atlanta regional office which would permit the department to recover overpayments from adoption assistance parents

without first having their written approval. The ChipFins system does not have the capability of generating a report from the ChipFins system showing the source of overpayment by child for each foster care or adoption assistance parent who has a ChipFins account receivable balance. That information will have to be compiled manually on a case-by-case basis by two payables staff with ChipFins experience. They will begin with adoption assistance parents with large account receivable balances. As those statements are prepared they will be sent to the adoption assistance parents with a letter advising them of their account receivable balance and giving them a specified time to respond to us. Fiscal staff will begin withholding a portion of the adoption assistance payments to recover the overpayment.

Effective July 1, 1998 the ChipFins program will withhold 50% of the foster care payment for a current ChipFins foster parent with a ChipFins accounts receivable balance.

The remittance advice has been modified. The remittance advice now shows the current balance due and gives an address where correspondence should be sent and a telephone number. In the Spring of 1997 fiscal staff began giving a monthly report to program staff that shows the DCS foster care home placements on a county basis. Each region is responsible for verifying that report and sending any corrections to program and fiscal staff. There is a central office program staff employee assigned to oversee this process. During late 1997 and early 1998, residential case managers for DCS foster children were trained on entering information themselves directly into ChipFins rather than have another employee key the information.

Information about overpayments is being sent to receivables staff. The receivables staff are responsible for notifying the vendor of the overpayment and monitoring the status of accounts receivable.

Foster care contracts will be amended to include a clause clarifying foster parents responsibilities to notify the department and to return checks when there is an overpayment. This information will also be added to the foster parent handbook.

For the Year Ended June 30, 1998

We concur in part. It is true that the department has not developed policies and procedures for the collection of overpayments from vendors other than foster and adoption assistance parents, however, it has made policies and procedures available to all staff for the latter. The department has inherited numerous problems and is trying to address these as time permits while continuing to process daily transactions and handle immediate crises. The department continues to move toward a complete manual of fiscal policies and procedures.

The Fiscal Division prepares a monthly report of the requested ChipFins adjustments necessary to correctly reflect the location and, therefore, payments connected with foster children. This report identifies by county adjustments that result in overpayments. This report is utilized by the Fiscal Division to implement collection procedures and by the program staff to address case management that has resulted in the overpayment. The total dollar amount of ChipFins adjustment reports received from January 1998 through January 1999 amounts to approximately \$365,000 in overpayments. During this period there were on average 1673 DCS

foster parents serving an estimated 3667 foster children. The total annual DCS foster care payments are about \$17 million at approximately \$1,350,000 monthly. This indicates that the total of the reported ChipFins adjustments received for 12 months is roughly equal to 2% of the annual DCS foster care payments (\$365,000/\$17,000,000).

An accounts receivable software package has been requested for use until the completion of the financial management phase of the TnKids system. This phase of TnKids has been approved and will be started immediately after the eligibility phase is completed which is expected to be completed in 6 months. The ChipFins system for foster care parents payments does show a balance due which is reduced for each pay period (50% of each of the two payments made monthly) by the amount recovered until the amount due from that individual foster parent is indicated to be zero. ChipFins is also used for adoption assistance parents with payments made once a month. Please see finding 13 for the department's efforts to eliminate overpayments to foster care parents by case file reviews.

The Information Resources staff, for fiscal year 1998-1999, developed a monthly report which is being sent to the Director of Regional Services to identify overlapping dates of service for foster care children and residential providers information concerning the location of a child. These reports are being distributed to the Regional Administrators to be reviewed (effective April 1999) and corrections made. Notification of any corrections are to be furnished to the fiscal office. At that point the fiscal division will take action to collect any overpayments.

The write-off issue resulted from a miscommunication between the Fiscal Director and accounting staff. The department will make every effort in the future to be sure instructions are clearly communicated. In addition, regarding the legal issue, the department will determine the action to be taken after the Department of Finance and Administration releases the final draft of its comprehensive accounts receivable policy. The department sees no benefit from developing a policy at this time which may be unnecessary after the issuance of this accounts receivable policy.

For the Year Ended June 30, 1999

We concur. As represented in the finding the department has attempted to adjust all federal reports so that any overpayment has been refunded to the federal government. The differences represented in the finding were correctly identified as a result of the ChipFins program's inability to make the needed adjustments based on the historical eligibility of the child at the time of the overpayment. Remittance notices are sent to every vendor with an overpayment indicated after each pay-run showing the balance due and requesting reimbursement to the department. An accounts receivable is set up prior to this notice in ChipFins. The department will continue its current efforts of collecting overpayments for accounts where no child remains in the home. The department will explore additional options for collecting these overpayments.

The department has completed the development of a ChipFins Prepayment Authorization system which will require each pay period the approval by all case managers for foster care children in their case load. Testing for this system has completed and training will begin shortly. The Prepayment Authorization system should be in full operation by the end of this fiscal year.

In addition, the department is anticipating the development of a call-in phone system which will require the foster parents and adoption assistance parents to call in each pay period to enter information which will be verified and will result in the generation of their payment for the children currently in their home. This information and the information obtained from the case managers will be compared electronically for agreement. For data that does not agree, an error report will be generated. This error report will be sent to the Assistant Commissioner of Field Operations to verify the accuracy of the information. Once the information has been verified and all needed corrections have been made, a payment will be generated. It is anticipated that the use of both of these systems will virtually eliminate ChipFins overpayments.

For the Year Ended June 30, 2000

We concur. It should be noted that the Department of Children's Services did not exist in 1993, but has only been in operation since July 1, 1996. Prior to July 1, 1996, all payments were done through the Children's Plan under the Department of Finance and Administration. The department promulgated policies for collection of foster care and adoption assistance overpayments on April 1, 1998. As part of the policy, once an overpayment is discovered a letter is sent to the foster care or adoption assistance parent who has been overpaid. In addition, each month a remittance advice is sent to the overpaid parent noting the balance due to the state. This remittance advice includes information about how to contact the state concerning questions or remit payment to the state. As noted in the finding, departmental policy is to withhold up to 50% of future payments for current foster care or adoption assistance parents until their overpayment is recovered. This policy has been strictly followed.

The department has collected some of the overpayments from the foster care and adoption assistance parents. In addition to the overpayments collected through the withholding of 50% of payments from current foster care and adoption assistance parents in fiscal year 2000, the department collected \$55,703.71 and \$7,686.53 from foster care and adoption assistance parents, respectively. In fiscal year 1999, the department collected \$106,713.64 and \$2,790.10 from foster care and adoption assistance parents, respectively, in addition to the overpayments collected through the withholding of 50% of payments from current foster care and adoption assistance parents.

The department has also had discussions with the Department of Finance and Administration concerning the State's ability to contract with a collection agency to address the issue of overpayments to parents that are no longer receiving any foster care or adoption assistance payments. At this time, the department believes that it will be able to contract with a collection agency through the state request for proposal policy, but is unsure at this time whether this would be cost-effective. In addition, the department is consulting with its legal division to determine whether legal action would be cost beneficial. The department's solution to future problems of this nature is to prevent (as indicated in actions described in finding 10) overpayments and be able to identify one, if it should occur, in a timely manner so recovery can be immediate.

For the Year Ended June 30, 2001

We concur. The department has been communicating with the Department of Finance and Administration (F&A) during fiscal year 2001 to monitor progress in the implementation of a statewide collections contract. F&A consistently pursued the completion of this contracting process throughout fiscal year 2001. DCS monitored this progress and determined that a separate departmental contract would not be necessary. A vendor has been selected for statewide collections and F&A is developing the contract at the time of this response. This contract negates the need for a separate departmental contract. DCS will be utilizing the statewide contract as soon as it is fully executed to resolve these outstanding overpayment accounts.

For the Year Ended June 30, 2002

We concur. Although slight progress in the collection of overpayments has been made, management agrees that this progress is not acceptable. During the months of November and December 2002, the Fiscal and Administrative Services Division experienced technical difficulties with formatting the data file containing the account information necessary to submit to Finance and Administration and the contracted collection agency. These difficulties have now been resolved. Given the length of time that some of the overpayments have been outstanding, the Assistant Commissioner of the Fiscal and Administrative Services Division has directed staff to stratify the overpayments by age and by the dollar amounts described in Finance and Administration Policy Statement 23. Each overpayment will be examined, along with documentation of past collection efforts. Although this process is laborious, it is necessary to confirm the validity of each overpayment comprising the total balance. In accordance with Finance and Administration Policy 23, the department will pursue collection both through its own efforts and through file transmission to the contracted collection agency. If all reasonable collection efforts are not successful, the department will request write-off of the receivables under the auspices of the aforementioned policy.

It is important to note that the overpayments discussed in this finding are from prior fiscal years. The department is confident that the controls currently in place drastically limit the amount of overpayments to foster care and adoption assistance parents. In addition, the system currently in place allows for timely collection of any overpayments made to these parents.

For the Year Ended June 30, 2003

We concur. Controls in place were not effective for reducing the amount of or improving the timely collection of overpayments to foster care parents. Controls regarding adoption assistance payments have not been effective. To address this issue the Department of Children's Services, Director of Fiscal Services will establish a team from Accounts Payable and Accounts Receivable to assure timely compliance with the Department of Finance and Administration's Policy 23 concerning the collection of accounts receivable. Beginning February 2004, monthly letters will be mailed to the last known address for persons with accounts that have had no collection activity in the ninety days prior to January 31, 2004. The number of monthly letters mailed will comply with Finance and Administration's Policy 23 based on the dollar amount to be collected. Mailing of all letters required by Policy 23 will be completed prior to April 30,

2004. A file of all accounts adhering to the requirements of Policy 23 that remain uncollected as of May 31, 2004, will be submitted to the Department of Finance and Administration to be turned over to the assigned collection agency prior to June 30, 2004. All accounts returned uncollected by the assigned collection agency will be reviewed by DCS legal staff to determine the appropriate legal action, if any. This referral will be completed within thirty days from the date the accounts have been returned by the Department of Finance and Administration. At the time that all collection activities have been exhausted, uncollected accounts will be written off in compliance with Policy 23. The balances due will be marked in CHIPFINS as written off. However, the balance will remain active in CHIPFINS to facilitate collection if the person becomes a foster or adoption parent at a later date. In addition to the above actions, the Commissioner has instructed DCS Fiscal and Program Operations to form a management team to address issues related to timely notification of placement disruptions by foster and adoptive parents and to facilitate timely recordings to these events in DCS records.

For the Year Ended June 30, 2004

We concur. The department continues to make progress toward recovering uncollected overpayments, and when all reasonable efforts are exhausted, obtain permission to write-off these outstanding accounts. In September 2002, the department initiated collection activities with collection agency for some of these overpayments. After the collection agency concluded its work, the department forwarded these uncollected accounts to the department's legal counsel to further attempt collection. The department's legal counsel determined that \$75,000 was uncollectible. The department will request permission from the Department of Finance and Administration in March 2005 to "write-off" this amount. Of the total outstanding, 55% (\$648,610) is currently being handled by the collection agency prior to turning these accounts over to the department's legal division, and if necessary, to the Department of Finance and Administration to write-off. The department has recovered \$21,229 from the collection agency and \$10,333 from DCS efforts. There are 290 remaining accounts currently at the department for recovery. The department will continue to make progress with these overpayments, as resources within the agency allow.

The department has strengthened controls and improved intra-agency coordination to reduce adoption assistance overpayments, which account for the greatest portion of the overpayment cited in the audit finding. Prior to the conclusion of the audit, the department finalized procedures effective May 2004 that require the submission of copies of any revised, renewed, or new agreements along with the payment request (Form 16). No payment is made until a copy of the agreement is received. Procedures were also strengthened to address payments inadvertently made on behalf of children turning age 18, 21 or 3. Additional documentation is required with the submission of payment, plus joint signatures by the parent and field staff attesting to the accuracy of the child's status.

Current Finding

Since 2002, Adoption Assistance files have not contained adequate documentation to support the subsidies paid to adoptive parents, thus increasing the risk of inappropriate payments

Management's Comments

For the Year Ended June 30, 2002

We concur. The Department of Children's Services will draft a policy to govern adoption assistance case files that parallels the current DCS Policy 9.1 for foster care case files. This policy will include a listing of items located in the file, procedures for periodic case file review and scheduled redeterminations of eligibility for adoption assistance. Procedures will be put in place to periodically review files to insure the propriety of continuing adoption assistance payments for children in state custody.

For the Year Ended June 30, 2003

We concur. The Department of Children's Services will implement more internal controls over adoption assistance case files by instituting the following procedures. Beginning February 2004, regional staff will perform a desk review of all current Adoption Assistance Agreements against a list of current payments made through fiscal services. Regional staff will be required to provide a report of the findings and suggest a corrective action plan for all discrepancies. To ensure the accuracy of payment rates, field staff will be required to submit copies of all new agreements and any renewals or revisions with the Subsidized Adoption Turnaround Document (Form 16) to fiscal services for payment and funding verification purposes.

In addition to the above procedures, Adoption Services staff is reviewing all policies, procedures, and Adoption Assistance form instructions. These documents will be revised to clarify the requirements for review, approval, and signatures by supervisory staff. Also, Policy, "Contents of Adoption Assistance Case File" has been drafted. This policy addresses the requirement of the notarized affidavit and outlines all requirements for Adoption Assistance files. This policy will be finalized in March 2004. Beginning March 2004, training for all DCS staff and provider agency staff will be conducted. All training will be completed by December 2004.

To address payments made for children turning 18, 21, or 3 years of age, the department plans to implement better internal controls and more communication between the fiscal services staff and adoptions services staff located in the field. In April 2003 the department began distributing a monthly report of all children who will turn three, eighteen, or twenty-one within three months of the report date. Beginning March 2004, Adoption Services Team Coordinators are required to review the adoption assistance case file to ensure that payment adjustments are appropriate for children turning three years of age and that appropriate documentation is included for continuing eligibility for children turning eighteen years of age. The regional list of three and eighteen year olds and any supporting documentation must be submitted to Central Office Adoption Services staff. When all items are correct and have the proper documentation, the regional report and documentation will be submitted to Fiscal Services. All information must be submitted prior to the payment period. Fiscal Services will make no payments until the regional list of three and eighteen-year olds and any supporting documentation are submitted. Policy "Contents of Adoption Assistance Case File" will include the above process. In addition, the CHIPFINS system will be enhanced to automatically stop payments for children twenty-one

years of age and for children turning three years old where there is no decrease in the regular and special circumstances rate. This will begin in April 2004. Finally, revisions will be made to the Adoption Assistance Agreement. The current adoption assistance agreement will be revised to emphasize the parents' responsibilities in reporting changes within the family's circumstances that would impact the child's eligibility for adoption assistance. It will also state that failure to comply could result in personal liability and legal action.

For the Year Ended June 30, 2004

We concur. Adoption policies have been revised to advise staff of required contents of Adoption Assistance case files and any changes in eligibility for Adoption Assistance funding should be documented in the case file, and related adjustments in funding should be made immediately.

In addition, the department's regional staff completed a desk review of all Adoption Assistance Agreements against a list of current payments made through fiscal services. As noted previously, field staff now submits copies of all new agreements and any renewals or revisions with the Form 16 to Fiscal Services for payment and funding verification.

Currently a monthly report is produced and distributed to Central Office and field staff for children turning 18, 21, or 3 years of age. Adoption Services Team Coordinators are required to review the adoption assistance case file to ensure that payment adjustments are appropriate for children turning three years of age and that appropriate documentation is included for continuing eligibility for children turning eighteen years of age.

The department refunded \$19,016 of the federal questioned cost in August 2004, and refunded the other \$32,077 in questioned cost in March 2005.

Current Finding

Since 1999, children's case files have not contained adequate documentation of case manager compliance with departmental policies regarding contacts and timeliness of case recordings for foster children, thereby increasing the risk that foster children may not receive appropriate care or services

Management's Comments

For the Year Ended June 30, 1999

We concur. Case file reviews conducted by central office staff from the Division of Program Operations documented similar findings. Historically, part of the documentation problem is related to the number of cases assigned to each case manager. During the past year, the department has hired 121 new case manager positions and 22 new supervisor positions. These recent improvements in staffing and subsequent reductions in caseloads are expected to result in improvement in the timeliness and completeness of case documentation. In the past,

when case manager vacancies occurred, the department had problems ensuring that the terminating case manager's cases were being documented properly. When this occurs, the field has been directed to reassign cases to existing case managers or to team leaders who are to handle the cases. This is a stop gap measure that enables staff to deal with emergencies regarding a case and provide an appropriate level of documentation regarding significant events. The Division of Program will also modify policy 9.1, "Program Operations-Child Case Files" to establish a formal policy expectation regarding the timeliness of casework documentation

For the Year Ended June 30, 2000

We concur. Case file reviews conducted by central office staff from the Division of Program Operations documented similar findings. The standard established by the Division of Program Operations and communicated to field staff is that case documentation should never lag more than 30 days behind specific case activities. Management will continue to stress its policy regarding timeliness of case documentation and the necessity of case documentation for each month that a child is in care. In addition to quarterly monitoring of case files by field supervisors, central office staff from the Division of Program Operations will continue to monitor case recording during their case file reviews.

In addition to the 121 new case managers and 22 new supervisors documented in the auditor's report, the department received an additional 189 case manager and supervisor positions in fiscal year 2000/2001. The additional positions provide further verification of the legislature's recognition of staffing problems in the Division of Program Operations and it is felt that these additional positions will be another step toward improvement of casework and documentation of services for children.

The auditors also noted that case notes were provided to the auditors after the auditor's initial field visit. This circumstance was due to case notes being in different files (residential case manager files, resource case manager files, and home county case manager files). In December 2000, the final region transitioning to TNKIDS completed training. In the future, all case recordings, regardless of the individual producing that recording, will be contained in a single electronic case file. Problems of case documentation being in different files will be eliminated.

For the Year Ended June 30, 2001

We concur in part. Case file reviews conducted by central office staff from the Division of Program Operations documented situations where case recordings were absent for periods of time and late (after 30 days) entry of case recordings. However the absence of case recordings is not an indication that documentation of services provided, progress, and movement of the child is not included in the child's case file or TNKIDS. Many hard copy items, in addition to case recordings, serve to document services provided, progress, and movement of a child. A child's case receives periodic review by foster care review boards and the juvenile court. To facilitate those reviews, the case managers provide either written or verbal progress reports to the review board and juvenile court. The written progress reports contained in the case file provide documentation of services, progress and movement of the child. Court orders and reports completed by the foster care review board also serve to document case activity. The reports

prepared by case managers for the reviews, court orders, and foster care review board reports may not be referenced in case recordings as the case file contains a hard copy of the report.

Each child in DCS custody is also required to have a permanency plan. The permanency plan references the issues that brought a child into custody and activities that must be completed in order to assist that child to return home, if appropriate, or have permanency in some other manner. Permanency plans are periodically updated and the original, as well as, revised permanency plans are contained in hard copy form in a child's file. Also, in TNKIDS, there is a Permanency Plan screen that indicates the review type, staffing date, goal type, target date, whether or not the court has ratified the permanency goal, and whether or not the parent/guardian has approved the permanency goal. The permanency plan is the primary document by which a case manager identifies the services that need to be provided for a child and the timeframe within which the services are to be provided.

In addition, correspondence produced by a case manager or received by a case manager is included in hard copy form in a child's case file. Correspondence may include progress reports from service providers or residential treatment facilities. Correspondence may also document placement of a child in a new treatment program or foster home. Correspondence can provide documentation of services, progress and movement of the child.

Each child's case file contains a section devoted to medical information. A report from a physician regarding an EPSDT screening, immunization records from a public health clinic, documentation of a visit to the dentist, etc. may be contained in this section of the file. Also, in TNKIDS, there is a Medical screen that indicates the evaluation type and date of each doctor's visit a child has while in custody. Each health evaluation represents an action taken by the case manager that stands alone to document casework activity on behalf of the child.

As for a child's movement within the system, TNKIDS contains a separate section, called the Placement screen, regarding a child's placements. The information in TNKIDS provides a history of the child's placements as well as the child's current placement. No additional documentation of a child's placement or movement within the system is necessary. The Department will continue to stress its policy regarding timeliness of case documentation and the necessity of case documentation for each month that a child is in care. In addition to quarterly monitoring of case files by field supervisors, central office staff from the Division of Program Operations will continue to monitor case recording during their case file reviews. In addition to a review of case recordings, we will continue to monitor other items contained within the hard copy case file that are a clear documentation of casework activity, progress of the child, services provided, and movement of the child within the system.

Auditor's Comment

Management's response partially concurs with the finding and mentions several of the other sections within its case files and the documents maintained therein. However, as it relates to the documentation of case manager contact and compliance with its policy regarding case recordings, it acknowledges that its own case file reviews documented the condition noted in the finding. The quarterly monitoring of case files by field supervisors and the central office reviews

conducted during the audit period may have disclosed the failure to comply with the department's case recording policy. However, these actions did not correct the condition noted in the finding. The results of this year's testwork indicate no improvement in the number of problem files or the gaps in the case recordings over last year. Management's comments to this year's audit finding offer the same corrective action as it did last year. It is unclear how management expects its continuation of actions that did not result in correction of the problem during 2001 will correct the problem in 2002.

For the Year Ended June 30, 2002

We concur. The department is encouraged that the number of children not having monthly case recordings has dropped by 73% from the previous year's finding. Management will continue its emphasis on making required contact with children in state custody and to document this contact timely in TNKIDS. We believe that some of the errors found concerning the timeliness of documenting case activity is due to an ongoing clean-up effort that the department instituted in June 2001. The department began producing regional monthly reports of all children in state custody containing the last date of case recording activity. The regional staff then examined the paper case files to determine whether any case activity had been omitted from TNKIDS. If there were any omissions, they were then added to TNKIDS. Since this was a clean-up effort, one would anticipate that the case recordings would be entered after the 30-day requirement.

Management will heighten its emphasis on the importance of performing and documenting criminal background checks for foster parents. Management feels very strongly that these background checks should have been performed. Additional and ongoing training shall be provided to field staff in this area.

The department does not have control over when the Permanency Planning Hearings are placed on the juvenile courts' dockets. Departmental staff will continue to prepare cases for Permanency Planning Hearings and file the necessary paperwork with the courts to have the case placed on the court docket. All efforts to secure a date for the hearings should be documented in the case file.

For the Year Ended June 30, 2003

We concur. The department continues to improve its performance regarding contacts, timeliness of case recordings, and permanency plans for foster children. DCS is encouraged that the average number of days between documented contacts was reduced from 62 days to 47 days. Also, the department has reduced the percentage error rate for entering case recordings into TNKIDS within thirty days by 12% and decreased the average number of days to enter recordings to 30 days. In the prior audit it was averaging 51 days. To continue to improve the process, DCS began production of a TNKIDS report on contacts in December 2003. The report is based on case recordings that document case manager-child visits, parent-child visits, sibling visits, and case manager-parent visits. This is a live report on TNKIDS available to all TNKIDS users. Supervisors can use this report to easily identify case managers who may be struggling to comply with contact and visitation standards. Quality assurance will continue to review 120

cases each month for compliance with contact and visitation standards. Regional Administrators will be required to use available data to more closely monitor case manager and team performance, and to provide support and leadership in this area. Job Performance Plans will be revised for case managers and supervisors specifically listing contact and visitation standards. In occurrences of extended non-compliance progressive discipline can be exercised. In the six month follow-up dated September 16, 2003 the Permanency Plan Support Unit was conducting statewide training to all case management staff on quality case recordings. This training was completed statewide in December 2003. In addition, Policy 31.14, "Case Recordings for Foster Care, Adoption Services, and Juvenile Justice Cases," became effective September 1, 2003.

In order to address the timeliness of permanency plan hearings, the department will continue to send notice or file motions to set permanency plan hearings sufficiently in advance of the 12-month date. DCS will track the due dates of the hearings and re-schedule hearings one month earlier in rural counties to allow for scheduling issues. When the court staff sets permanency hearings, the department will work with the court staff to assure the court is scheduling hearings timely. When parties are missing at the annual hearings, DCS staff will urge the court to hear the evidence from the people that are present and enter an order regarding reasonable efforts by DCS. If necessary, the Court can continue the hearing until the next month in order for the absent parties to be heard and amend or supplement the order to reflect any new testimony. DCS will contact the Tennessee Juvenile and Family Court Judges Association and request their cooperation in holding hearings and issuing orders that mirror the statutory requirements, including Title IV-E reimbursement.

For the Year Ended June 30, 2004

The department began new efforts to ensure that case managers make the required contacts with children in state custody and document the contacts made. The department has recently embarked on a Continuous Quality Improvement (CQI) initiative, and also enhanced its reporting tools to better monitor case manager activities. Each region has identified and hired a CQI Coordinator and the coordinators are in the process of building CQI teams in each region. These teams will focus on improving core performance in areas such as contacts and adequate documentation.

The "Zero Contact Report" has been generated, tested and refined over the past several months. The report as of March 2005 is now fully operational and will assist Regional Administrators with holding staff accountable for making the required contact. Regional Administrators will use the report to monitor activities and provide timely intervention with team leaders and case managers regarding performance. Regional Administrators will incorporate the review of this monthly report with the CQI process.

Another report generated on a monthly basis for the Regional Administrators is the "Performance Improvement Tool (Case Recording Report)" that provides data on every case manager and their cases. This report includes the following categories: Date last event occurred, Days since last event, Date event was recorded in TNKIDS, #Days between event and recording. The last two columns were recently added in order to detect and address delays in proper documentation.

Regions will develop a plan to identify and assure scheduling of the permanency plan hearings within the 12-month requirement, and will work with the legal staff in each region to meet this requirement. To address timely permanency plans, a report titled “DCS Permanency Plans Over 12 Months Old” was developed, and is being sent monthly to the regional offices. The Director of Permanency Planning identifies for each region the increase/decrease of those plans over 12 months old and the average number of months overdue for each region.