

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

Department of Children's Services

**For the Year Ended
June 30, 2007**

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, 2007**

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Department of Children's Services
For the Year Ended June 30, 2007

EXECUTIVE SUMMARY

Findings

- FINDING 1** Since 2002, the department did not adequately mitigate the risks of Adoption Assistance overpayments, and the adopted children's files have not contained adequate documentation to support the subsidies paid to some adoptive parents. Our review of 150 adopted children's files disclosed that for 22 adoption files (15%) the department had improperly allocated non-reimbursable payments made on behalf of adopted children to Title IV-E. The federal questioned costs totaled \$100,425 and state's matching funds were \$57,183 (page 6).
- FINDING 2** Since 1999, children's files have not contained adequate documentation of case manager's visitation with children and timeliness of case recordings for foster children as required by departmental policies, thereby increasing the risk that the foster children may not receive appropriate care or services. A report prepared by management disclosed Brian A Class children in state custody who did not receive one or more required monthly face-to-face contacts by a case manager during the audit period. We analyzed the report and followed up on all children who had missed a contact for three or more months. There were 13 children who had not seen by a case manager for three or more monthly visits. In addition to the above information provided by management, we tested a sample of 129 children to review their case recordings in the TNKids database to determine if there were time lapses in the face-to-face contacts between case managers and children. For the 129 children, testwork disclosed that for 13 (10%) the case recordings did not contain documentation of monthly face-to-face contacts between case managers and children. We also reviewed the sample to determine whether the case managers entered the children's casework activity into the TNKids database timely. For the 129 children whose case recordings were tested, there were 54 instances (42%) in which the case notes in TNKids were recorded more than 30 days after the casework activity occurred (page 11).
- FINDING 3** The department allocated non-reimbursable payments made on behalf of foster children to Title IV-E. (Foster Care Program). We examined a sample of 137 foster care children's files and 120 foster parents' files. Based on examination of these files, we noted that some of the children's files did not contain documentation to support the foster care payments and some of the foster parent files did not contain all of the documentation required. Our examination disclosed that the department had allocated non-reimbursable payments made on behalf of foster care children to Title IV-E. The federal questioned costs for these

payments totaled \$4,698, with an additional \$2,671 in state matching funds (page 16).

This report addresses significant deficiencies 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, 2007, and the State of Tennessee *Single Audit Report* for the year ended June 30, 2007. The scope of our audit procedures at the Department of Children's Services was limited. During the audit for the year ended June 30, 2007, 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

April 29, 2008

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, 2007, 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/cj
08/012



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December 7, 2007

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, 2007. 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.

**Major Federal Programs Administered by the
Department of Children’s Services*
For the Year Ended June 30, 2007
(in thousands)**

CFDA Number	Program Name	Federal Disbursements
93.658	Foster Care Title IV-E	\$35,542
93.659	Adoption Assistance	\$30,267

Source: State of Tennessee’s Schedule of Federal Financial Assistance for the year ended June 30, 2007.

*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 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.

We have issued an unqualified opinion, dated December 7, 2007, on the State of Tennessee’s financial statements for the year ended June 30, 2007. We will issue, at a later date, the State of Tennessee *Single Audit Report* for the same period. In accordance with *Government Auditing Standards*, we will report 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 will also contain 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.

The Honorable John G. Morgan
December 7, 2007
Page 3

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,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA
Director

AAH/cj

FINDINGS AND RECOMMENDATIONS

1. **Since 2002, the department has not adequately mitigated the risks to prevent Adoption Assistance overpayments, the adopted children's files have not always contained adequate documentation to support the subsidies paid to adoptive parents, and payments that should have been made with state funds were sometimes made with federal funds**

Finding

As noted in the five previous audits covering the period July 1, 2001, through June 30, 2006, the adoption assistance case files did not contain adequate documentation to support the adoption assistance subsidies paid to the adoptive parents. Also, as discussed below, our examination of adopted children's files disclosed that the Department of Children's Services (DCS) inappropriately paid at least \$189,853 to adoptive parents using federal and state funds. Adoptive parents were paid with federal funds for children whose files indicated that subsidies should have been paid with state funds, at rates exceeding the foster care maintenance payment rates, for children over 18, for children who had reentered state custody, and for a child who was on runaway status. The total federal share of the Adoption Assistance Program for the current audit period exceeded \$30,000,000.

The Department of Children's Services has established certain policies and procedures to monitor the Adoption Assistance Program. According to DCS Policy 15.11, the adoptive families must renew their adoption assistance annually by completing a notarized renewal agreement. Adoption assistance is available until the child reaches age 18 or up to age 21 if the child has a mental or physical handicap condition that warrants the adoption assistance subsidy as established in the initial adoption assistance agreement.

Management concurred with the prior audit finding and stated,

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. . . .

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.

Management's comments for this finding are exhibited for prior audits in the appendix on pages 23 through 31.

In August 2006, management implemented changes to its policies as addressed above in management's response to the prior-year finding. Also, certain additional procedures were implemented in October 2007, and DCS management informed us that other procedural revisions to Policy 15.11 may occur. We did not evaluate policy revisions or implementation that occurred after the audit period.

During the current audit period of July 1, 2006, through June 30, 2007, we examined a non-statistical sample of federal adoption assistance subsidies for 150 adopted children and reviewed the related children's files. Our review found 20 adoption files (13%) where the department had improperly allocated non-reimbursable payments made on behalf of adopted children to Title IV-E. The total payments associated with these children were \$157,608, consisting of federal questioned costs of \$100,425, with an additional \$57,183 in state matching funds.

The following are the details of the exceptions noted:

- The adoption assistance annual renewals, required by DCS Policy 15.11, in five files were missing certain required signatures, were over 15 days late, or could not be located. Payments on behalf of these children during the periods without renewal documentation totaled \$20,076; the federal questioned costs were \$12,793, and the state matching funds were \$7,283.
- The adoption assistance agreements in five files indicate that case managers determined that the subsidy was to be paid with state funds. However, the subsidy was allocated to Title IV-E. Payments on behalf of these children totaled \$31,687; the federal questioned costs were \$20,196, and the state matching funds were \$11,491.
- The adoption assistance payments in four files exceeded the foster care maintenance payment rates. According to the U.S. Department of Health and Human Services Adoption Assistance Program (IV-E) compliance requirements, adoption assistance subsidy payments cannot exceed the foster care maintenance payment the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100 percent of the foster care maintenance payment rate (42 USC

673[a][3]). Excess payments on behalf of these children totaled \$49,776; the federal questioned costs were \$31,725, and the state matching funds were \$18,051.

- The adopted children in three files were over 18 years of age and not physically or mentally handicapped to warrant Title IV-E assistance. U.S. Department of Health and Human Services Adoption Assistance Program (IV-E) compliance requirements and DCS Policy 15.11 state that adoption assistance is available until the child reaches age 18 or up to age 21 if the child has a mental or physical handicap condition that warrants the adoption assistance subsidy as established in the initial adoption assistance agreement. Payments on behalf of these children totaled \$10,685; the federal questioned costs were \$6,811, and the state matching funds were \$3,874.
- The adopted children in two files came back into the legal custody of the state. Also during the files review, it came to our attention that the adopted brother of one of these children was also in state custody. However, the adoptive parents continued to receive payments. According to the adoption agreement within DCS Policy 15.11, if the adoptive parents are receiving adoption assistance and their adopted child enters state custody, the adoption assistance subsidy will be reduced to three cents (\$0.03) per day until the child is reunited with the adoptive parents. Payments on behalf of these children (including the adopted brother) totaled \$38,321; the federal questioned costs were \$24,398, and the state matching funds were \$13,923.
- The adopted child in one file was a runaway from the adoptive parents' home and not supported by the adoptive parents. According to Section 473 of the Social Security Act, parents are required to inform the department of circumstances which would make them ineligible to receive payments. Not receiving support from the adoptive parents is one of the criteria for payment termination. Payments on behalf of this child while on runaway status totaled \$7,063; the federal questioned costs were \$4,502, and the state matching funds were \$2,561.

In addition to our sample testwork, we obtained information about other adopted children who reentered state custody during the audit period. Based on inquiries and review of DCS funding databases, during the audit period, 55 adopted children reentered state custody after their adoptions were finalized. Our review of this information identified seven additional adopted children who reentered state custody while DCS continued to pay the adoptive parents the full Title IV-E adoption assistance subsidy. Payments on behalf of these seven children totaled \$32,245. The total federal questioned costs were \$20,533, with additional state matching funds of \$11,712.

We discussed the information obtained on the reentry of adopted children into state custody with fiscal staff. Our discussion and inquiries disclosed that while the information had been compiled and had been available, it had been used for other purposes and had not been communicated to fiscal staff for the purpose of identifying or controlling payments to adoptive parents.

We also reviewed DCS databases to determine the rate of assistance paid to the foster parents when the 55 adopted children noted above reentered state custody. We compared the adoption assistance subsidy rate paid to the adoptive parents with the foster care maintenance rate paid to the foster parents after the same adopted children reentered state custody. We noted that DCS placed four children in foster homes with a foster care maintenance rate considerably less than the adoption assistance subsidy paid to the adoptive parents. Differences in the rates ranged from \$5.98 to \$43.16 per day, averaging \$23.33 per day. Although payments for three of these children were not made with Title IV-E funds, the data indicate that the department's subsidies to adoptive parents exceed those to foster parents. The Title IV-E payments for the fourth child were included in the amount questioned in the second preceding paragraph because Adoption Assistance payments were made after the child reentered state custody.

We discussed the issues noted above with management. Management informed us that during the current audit period, the department has improved the transfer of children from foster homes into adoptive homes. The increase in the number of adopted children has resulted in a reduction of the number of children in foster homes or residential treatment facilities. With a higher number of adopted children, more errors in documentation may occur. Also, management informed us that the department has increased its efforts in adoption recruitment. As a result, there has been an increase in adoption from 891 children in 2004 to 1,225 children in 2007.

In summary, federal questioned costs for the current audit period totaled \$120,958. These expenditures should have been made with state funds or, in some cases, should not have been made at all.

Recommendation

The Executive Director of the Office of Child Permanency and the Director of Foster Care, Adoptions, & Kinship Care should evaluate the effectiveness of the current procedures to ensure that Adoption Assistance files are complete and that renewals and extensions of agreements are current and adequately supported. Also, the Director of Foster Care, Adoptions, & Kinship Care should ensure adequate communication exists between Regional Office staff and fiscal personnel at the Central Office related to adopted children who reenter state custody. Any changes in the eligibility status for Adoption Assistance funding should be documented in the children's files and communicated to the fiscal staff at the Central Office. The related adjustments in funding should be made immediately.

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

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. Specific controls should be implemented to ensure that federal Adoption Assistance payments do not

exceed the applicable foster care maintenance rates. 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 pending further conversations with the Administration for Children and Families (ACF). Based on our conversation with ACF on February 19, 2008, we believe that a critical rate issue is that the rate cannot exceed the foster care maintenance payment which would have been paid during the same period if the child for whom the payment is made had been in a foster family home, pursuant to Section 473 of the Social Security Act. The operative issue is using the DCS foster family home rate as the benchmark. The ACF indicated there were only three circumstances that were terminating events related to adoption assistance. They were the death of the adoptive parent, the termination of the adoptive parent's legal rights, and the child reaching adult status. Absent one of these three terminating events, the family should receive the adoption assistance. However, the state agency can pursue child support or negotiate for a reduced rate. We will continue to work with both the Federal IV-E Staff and our state auditors to clarify these issues.

Immediately upon learning of adoption assistance overpayments for Fiscal Year 2006 - 2007, the Executive Director of the Office of Child Permanency convened a representative workgroup to assess the areas of vulnerability and develop an action plan for addressing these issues. This team includes a regional adoption assistance designee, regional fiscal director, regional permanency specialist, as well as central office persons with responsibilities for fiscal, adoption, child welfare benefits, and IV-E claiming. The Commissioner is an active member of this ongoing workgroup.

Much has already been accomplished.

- The Department has initiated steps to ensure that adoption assistance payments are made based on eligibility for youth 18, 19, and 20 years old. First quarter verifications have already been received in Central Office and based on a review of required documentation, only 75 percent of these youth will continue to receive funding.
- The Department has entered into a contractual relationship with the Social Security Administration and negotiations are underway to explore a data sharing agreement to reduce duplicate payments.
- All twelve Regional Administrators will standardize the role and responsibilities for regional staff in the adoption assistance process. The expectation is that we will have statewide uniformity in the process.

- A protocol has been developed and went into effect on Feb. 1, 2008, mandating standardized organization for adoption assistance case records. In addition to regional monitoring, central office permanency staff will review a random sample of adoption assistance files annually.
- The “Protocol for Adoption Assistance for Children Who Reenter Care,” has been developed to guide the process related to a child reentering state custody who was previously adopted. This protocol will be mandatory March 1, 2008.
- The Department has developed a report to validate the data between the payment system and TNKids. This report is currently being used to clean up duplicate social security numbers or multiple name spellings. Once clean, this report will allow the Department to identify duplicate payments for the same child.
- The Division of Internal Audit has completed a review of adoption assistance files in three (3) regions and is on target to complete the remaining regions by June 30, 2008.
- Training has already begun for the primary persons responsible for adoption and guardianship assistance regarding the protocol for reentry, case file documentation, and negotiation process. This will be complete by March 1.

2. **Since 1999, children’s files have not always contained adequate documentation of case managers’ visitation with children and timeliness of case recordings for foster children as required by departmental policies, thereby increasing the risk that the foster children may not receive appropriate care or services**

Finding

As noted in the prior eight audits covering the period July 1, 1998, through June 30, 2006, the Department of Children’s Services (DCS) did not always have adequate documentation in the children’s files showing case manager contact with the child, family, or other related individuals. DCS case managers also did not always maintain timely case note recordings.

Management concurred with the prior audit finding and stated,

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. . . .

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.

Management's comments for this finding are exhibited for prior audits in the appendix on pages 23 through 31.

As stated in the above comments, DCS management generates face-to-face contact reports which are designed to serve as a control to ensure policy compliance by identifying children who lack the required case manager contacts. At the beginning of field work, we requested from management a compilation of all zero face-to-face contact reports for the audit period to determine if there were individual children who had not been contacted for extended periods of time. According to the report, there were 55 children, from a population of approximately 6,400 children (0.8%) who had not been seen by a case manager as required by policy for three or more monthly visits within the year.

We analyzed the report and followed up on all children listed who had missed a contact for three or more months within the year. After our analysis and adjustment for allowable exceptions to policy, there were 13 children who had not been seen by a case manager as required by policy for three or more monthly visits within the year. A total of 44 monthly visits were missed for these 13 children (5 visits for 2 children, 4 visits for one child, and 3 visits for 10 children). The information in the report was limited to the months the children were in state custody, and the above results did not necessarily represent consecutive months without a contact. However, DCS policy generally requires at least one face-to-face contact each month. The report was based on the capture of data entered into specific fields in the TNKids database. Management acknowledged that insufficient or erroneous case manager input could result in errors in the data.

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.

We also tested a non-statistical sample of 129 children and reviewed their case recordings in the TNKids database to determine if there were time lapses in the face-to-face contacts between case managers and children. Our review of TNKids disclosed that 13 of the 129 children's case recordings (10%) did not contain documentation of monthly face-to-face contacts with case managers. These 13 children were not contacted face-to-face by the case managers in 20 of the 148 required monthly face-to-face contacts during the audit period. The time for which these children were not seen by the case managers ranged from 35 to 88 days. None of the 13 children noted in this sample missed at least 3 face-to-face contacts. Therefore, they are not included with the children noted above who missed at least 3 face-to-face contacts.

The prior audit finding disclosed inadequate documentation of case managers' face-to-face contacts in 11 of 128 case files examined (9%); the time for which these children were not contacted face-to-face by the case managers ranged from 35 to 64 days.

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.

In addition, we reviewed the above sample of case recordings 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 casework activity, we noted many instances of untimely entries. For the 129 children whose case recordings were tested, there were 54 instances (42%) in which the case notes in TNKids were recorded more than 30 days after the casework activity occurred. Time lapses between the case activity and the date that the information was entered into TNKids for the 54 children ranged from 3 to 291 days past the 30-day deadline, and averaged 39 days past the deadline.

The prior audit finding disclosed that for 128 children's case recordings tested, 31 (24%) had time lapses between the case activity and the date the information was entered into TNKids that ranged from 4 to 200 days past the 30-day deadline.

Without strengthening the procedures established to monitor the case managers and other staff overseeing the health and welfare of children in the state's custody, the risks to the safety and well-being of these children could be high.

Recommendation

The Commissioner should ensure that the case managers make the required face-to-face contacts and document those contacts for children in state custody. 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. 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. Regional administrators should insist on timely casework activity recordings. Individuals who exhibit a pattern of noncompliance with required contacts and timely documentation should be identified and appropriately disciplined. Also, management should strengthen the procedures established to monitor the case managers and other staff overseeing the health and welfare of the children.

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. DCS has initiated multiple strategies to ensure that caseworkers are making face-to-face contacts with children in state custody and documenting these contacts.

- DCS is producing monthly reports on visitation that include detail and summary data on the number and percentage of face-to-face visits between the DCS Family Service Worker (FSW) and children in custody during the reported month. These reports include data based on the number of contacts made during the month including children with no face-to-face contact, multiple contacts and two or more face-to-face contacts. Children on runaway status or placed out of state and not contacted are excluded from the summary data. Each Regional Administrator is responsible for using the data to inform and improve practice.
- Additional monthly reports on all face-to-face contacts are produced mid-month summarizing and providing child detail on face-to-face contacts made during the prior month and during the first half of the current month. These reports provide regions the opportunity to monitor current progress on documenting and scheduling face-to-face contacts and to ensure all children in custody at the mid-point of the current month are seen in that month.

- In addition to reports on face-to-face contacts between the FSW and all children in state custody, the regions receive monthly reports summarizing face-to-face contacts between the FSW and children in DCS placements or where the last placement in the month was a DCS non-contract type placement. Children in custody 5 days or less, on runaway status or placed out of state and not contacted, are excluded from the summary data.
- Both DCS regions and Private Providers receive monthly reports on the status of face-to-face contacts made by the individual Private Providers and children in their care during that month.
- Each region also receives an aggregated report each month that is designed to track all face-to-face contacts for children in state custody by region and provider. The reports are monthly snapshots tracking face-to-face contacts made by either the DCS FSW or Private Provider caseworker for children during the reported month. Children on runaway status or placed out of state and not contacted by either the DCS FSW or Private Provider are excluded from the summary data.
- A report, “Children with Zero Face to Face Contact Months,” has been developed to track trends on a quarterly and yearly basis. This report summarizes all missed face-to-face contacts between the FSW and children in custody over a 12-month period and is updated each month. A graph indicating the total number of missed (no contact recorded) contacts during each month in the 12-month reporting period is provided for each region and statewide. A child must be in custody at least 15 days during a month to be considered eligible for a contact during that month. A 12-month client summary is provided to the regions indicating any months where a child did not receive a contact and was in custody at least 15 days during that month. Any consecutive months with no contact are highlighted and the case manager summary shows the number of children where contacts were missed in any of the 12 months in the reporting period. A child detail is also provided to the regions to assist in reviewing individual children. The Executive Directors of Regional Support and Regional Administrators use this information to monitor and improve practice around consistently visiting children in state custody.
- Whenever any of the above-mentioned reports reflect any level of increase in zero contacts or a decrease in visitation, the Executive Directors of Regional Support work with Regional Leadership to review each case, identify weaknesses and rectify the issues.
- The Program Accountability Review (PAR) unit monitors contract agencies providing placements for children (residential and foster home) for face-to-face visits between the FSW and children in state custody. If non-compliance is found, a Corrective Action Plan (CAP) is required and monitored by the Performance Quality Team.

- The Department completed its second round of Quality Service Reviews (QSR) in each region in May 2007, and the third round of statewide QSR is now underway. Additionally, central office has conducted several special, targeted QSR since July 2007. The trend is improving system performance. We have institutionalized monitoring.
- A feature of the new SACWIS (State Automated Child Welfare Information System) will provide the capability to generate system alerts based upon user actions taken (or not taken) in the system. The alerts will notify the user first and then progress through a pre-defined hierarchy of management staff to allow instant notification to supervisors. Visitation documentation alerts are included in the new system and should significantly improve timeliness of data entry and monitoring.

The most recent review of missed visits indicated that a common documentation error was occurring and accounted for a substantial portion of missed visits. This error involved visits made with sibling groups. Caseworkers were entering the contact (visit) for one sibling but not taking the necessary data entry steps to ensure the information was entered for all siblings visited. This error was limited to a few caseworkers and additional data entry training is occurring. There were also several children who did not have a recorded visit who were in custody for five days or less during the month.

Visitation is being monitored closely by the agency. DCS now also is able to monitor the direct data entry from visits made by private providers. These data indicate that 86-88% of all children are having two or more visits per month.

Late data entry is also a chronic problem in child welfare. Staff focuses on direct work with families and children and struggle with consistent and timely data entry. DCS has copious monitoring processes in place and disciplinary action is taken when appropriate. Timely data entry will never be perfect in a child welfare system. We are committed to continuing to monitor, provide feedback, develop corrective action plans and take appropriate disciplinary action.

3. **The department allocated non-reimbursable payments made on behalf of foster children to Title IV-E (Foster Care Program)**

Finding

The Department of Children's Services (DCS) allocated non-reimbursable payments made on behalf of foster children to Title IV-E (Foster Care Program). The children's files either contained evidence that the children were not Title IV-E reimbursable or did not contain adequate documentation to support the foster care maintenance payments to foster parents and other services providers. The total federal share of the Foster Care Program for the fiscal year ended June 30, 2007, exceeded \$35,000,000.

During the current audit period of July 1, 2006, through June 30, 2007, we examined a non-statistical sample of expenditures for 137 foster children whose foster care payments were

made to the foster parents and/or other service providers that were allocated to Title IV-E. The sample represented 137 foster care children's files and 120 foster parents' files, and represented approximately \$583,000 of expenditures charged to Title IV-E. Based on examination of these files, we noted that some did not contain sufficient documentation to support these payments, and some contained documentation that the children were not Title IV-E reimbursable. A total of \$7,369 was paid to foster parents and/or services providers and inappropriately allocated to Title IV-E. The federal questioned costs for these payments totaled \$4,698, with an additional \$2,671 in state matching funds.

The following discrepancies were noted in the children's files that were examined:

- Four children's files tested indicated that the children were on runaway status when the payments on their behalf were made. Therefore, these children's expenses were not Title IV-E reimbursable. The total payment on behalf of these children was \$637. The federal questioned costs were \$407, and the state matching funds were \$230.
- One of the files tested did not contain a judicial determination that included ongoing reasonable efforts 12 months after the child entered state custody and every 12 months thereafter to finalize the child's permanency plan. Therefore, the child's expenses were not Title IV-E reimbursable. The total payment on behalf of this child was \$1,445. The federal questioned costs were \$920, and the state matching funds were \$525.
- Four children's files tested indicated that the Permanency Plan hearing was not held timely before a judge to finalize the goal of the plan. The hearings were held between one and four months late. Although the children were otherwise eligible for Title IV-E participation, costs for the periods when the hearings were late were not eligible for Title IV-E reimbursement and were not charged to the program.
- One child left DCS custody; however, the parents continued to receive payments. Therefore, this child's payments were not Title IV-E reimbursable. The payments on behalf of this child totaled \$485. The federal questioned costs were \$309, and the state matching funds were \$176.

The following discrepancy was noted in the foster parents' files that were examined:

- One foster parent file did not contain adequate evidence that a criminal background check was performed on the family home provider. The payments on behalf of the child totaled \$4,802. The federal questioned costs were \$3,062, and the state matching funds were \$1,740. In addition, the file did not contain evidence that the annual reassessment of the foster home had been performed.

Office of Management and Budget Circular A-133 requires us to report all known questioned costs when likely questioned costs exceed \$10,000 for a federal compliance requirement. We believe likely questioned costs for eligibility would exceed \$10,000. In

addition to the questioned costs, the welfare of the child is at risk in the absence of criminal background checks and progress toward a completed Permanency Plan.

Recommendation

The Executive Director of the Office of Child Permanency and the Director of Foster Care, Adoptions, & Kinship Care should ensure that responsible staff update the Children's Plan Financial System (ChiPFinS) with the proper children's status, work with judges to ensure children's court permanency hearings are held timely, and ensure that foster parents' files contain proper and complete documentation. Case file monitoring should specifically address and identify these matters. Individuals who exhibit a pattern of noncompliance with reporting children's proper status, and inadequate file maintenance for children and foster parents should be identified and appropriately disciplined.

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. The total of \$7,369 (1.26% of \$583,000 of expenditures tested) paid to foster parents and/or service providers and inappropriately allocated to IV-E has been examined. The discrepancies indicated have been duly noted with the following corrective actions to be put in place with oversight provided by the Executive Director of Child Permanency, Executive Directors of Regional Support, Executive Director of Finance and Support, and other DCS management, accordingly:

- Update to ChiPFinS, proper and complete documentation of files – child and resource home – scheduling court reviews
- Hold appropriate staff accountable for ensuring that ChiPFinS is updated with the proper child status (i.e., ensuring that policy is adhered to for children on runaway status allowing no more than the maximum number of days to reserve placements)
- Ensure that staff persons make every effort to coordinate accordingly with the appropriate staff internally, to schedule with the courts for timely reviews
- Provide guidance, oversight, and monitoring of case files to ensure that home assessments of foster homes are completed timely, appropriate documentation to support approval of homes are in the files and when inappropriately maintained, disciplined as appropriate

Timeliness of Permanency Plan Hearings

- Work with judges and court systems to ensure that permanency hearings are held timely. With consideration to the fact that DCS does not manage or control the court dockets and though DCS encourages timeliness, there are limited corrective actions that can be put in place to address scheduling supervised by the courts.

Oversight of foster care payments

- Work to develop a report to validate that placement status in TNKids (child tracking system) is consistent and logical with payment type in ChiPFinS (payment system). The feature will also be addressed as a requirement in the new SACWIS (State Automated Child Welfare Information System) estimated implementation 2010. The new SACWIS will provide the capability to generate system alerts based upon user actions taken (or not taken) in the system. The alerts will notify the user first and then progress through a pre-defined hierarchy of management staff to allow instant notification to those who need to know. This will provide management the necessary tool to take the appropriate corrective actions where needed.

Private Provider Requirements

- In accordance with DCS and provider policy, private providers have full responsibility for ensuring the approval and continued eligibility of their resource homes. Providers also must adhere to all other applicable DCS policies, as well as the Provider Policy Manual, which outlines professional best practice. A provider's resource home is not considered approved and eligible to receive children for placement until all these State requirements are met.
- In addition to the approval requirements mandated by both *Tennessee Code Annotated* as well as DCS policy and procedure, resource homes must also meet all applicable Federal requirements for eligibility. DCS is implementing a new initiative, the Resource Home Eligibility Team (RHET). This initiative will allow the Department the ability to maintain all documents relating to the IV-E eligibility of provider resource homes in accordance with Federal statute surrounding the State's draw-down of IV-E funding. Adhering to the Federal guidelines outlined in the IV-E Plan allows the Department to assure providers continued payment for services rendered.
- The Resource Homes Eligibility Team (RHET) will be responsible for reviewing and maintaining IV-E eligibility documents of each provider resource home both initially (new homes) and annually through the re-evaluation process. In addition, RHET will review the home studies that are submitted as part of the eligibility and maintenance requirement.
- RHET will consist of a Program Coordinator and a Program Specialist. The positions will be a part of the Child Placement & Private Providers Division (CPPP). The

Coordinator will supervise this process as well as the Program Specialist position. The team will provide oversight, management and confirmation of provider resource home eligibility.

- Providers will have 10 business days from the date they approved the home in the Web Application to submit the required eligibility documentation to RHET for review and maintenance. Documentation submitted to RHET is to be provided via email to CPPP or by mail.
- Monetary penalties will be assessed for non-compliance under the following provision. If a child (or children) is/are placed in a provider-approved home and that home is later found by RHET review to be ineligible, monetary penalties will be applied.

STATUS OF PRIOR AUDIT FINDINGS

State of Tennessee *Single Audit Report* for the year ended June 30, 2006

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 the previous audit findings concerning collecting overpayments from foster care and adoption assistance parents and its responsibilities to assess and document the department's risks of errors or fraud.

Repeated Audit Findings

The current audit disclosed that the Department of Children's Services has not corrected the previous audit findings concerning preventing overpayments to adoption assistance parents, case manager compliance with departmental policies in case files, and maintaining adequate documentation in adoption assistance files. 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. These findings will be repeated in the *Single Audit Report* for the year ended June 30, 2007.

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 2002, the department has not adequately mitigated the risks to prevent Adoption Assistance overpayments, the adopted children's files have not always contained adequate documentation to support the subsidies paid to adoptive parents, and payments that should have been made with state funds were sometimes made with federal funds

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.

For the Year Ended June 30, 2005

The Department concurs. 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.

Current Finding

Since 1999, children's files have not always contained adequate documentation of case managers' visitation with children and timeliness of case recordings for foster children as required by departmental policies, thereby increasing the risk that the 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.

For the Year Ended June 30, 2005

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.