
Follow-Up Audit of the Foster Board Payment Program

A Report to the
Governor
and the
Legislature of
the State of
Hawai`i

Report No. 05-07
August 2005



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

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OVERVIEW

Follow-Up Audit of the Foster Board Payment Program

Report No. 05-07, August 2005

Summary

The Foster Board Payment Program supports the mission of the Department of Human Services' Child Welfare Services Branch to ensure the safety and permanency of children in their own homes or, when necessary, in out-of-home placements. The program is a payment system for a foster child's room and board and other items or services a child might need while in foster placement. Payments are also made for adoption assistance to those parents who adopt children with special needs. In 1994, we conducted a financial and management audit of the State's Foster Board Payment Program and recommended improvements in Report No. 94-28, *Management and Financial Audit of the Foster Board Payment Program*. We found the department's management of the program, especially its financial management, required considerable attention and improvement. We conducted this follow-up audit to assess the progress made with regard to our previous findings.

We found that the Department of Human Services is better managing the Foster Board Payment Program. Program administrators are paying more attention to budgeting and the financial requirements and constraints of the payment program. We found, for example, that the department has created a separate budget category (HMS 303) for the program, allowing for better tracking of associated expenditures. It also followed our recommendations to assign budget projection responsibility to the Committee on Payment Projections and implement guidelines to control expenditures. In addition, we found that the department has clarified the scope of the payment program by articulating its responsibilities for making payments for foster children under the care of the Department of Health.

However, we found that, despite these improvements in managing the program, the department continues to lack complete and consistent data on foster children. We reviewed the Child Protective Services System database and case records for accuracy, completeness, and timeliness, and found numerous deficiencies. These discrepancies include inaccurate names, dates of birth, social security numbers, service initiation dates, and placement services. In some cases, we were unable to verify certain demographic and identifying information because either the social security card or birth certificate, or both, were missing from the case file. This oversight was true for 28 percent (45 of 161) of the cases reviewed. Our review also included confirmation that a special form was in the file and that the dates of placement and removal of a child were recorded properly. We found that in 33 percent (53 of 161) of cases the form was missing, but in nearly all cases payments to foster care providers were still made. Accordingly, we could not verify the date these children were placed in or removed from foster care homes for many of the cases reviewed, placing the propriety of payments to foster care providers in question.

We also found that the Department of Human Services continues to make overpayments and procedures for recoupment are still inadequate. The department is not adequately



monitoring board and board-related payments. Specifically, case files are not consistently reviewed for accuracy, the review of monthly payment reports is not thorough, and a procedure for periodic supervisory reviews of case files for accuracy and appropriateness of services has not been fully implemented. Further, the department has no system to monitor and recover reimbursements to the Foster Board Payment Program from Supplemental Security Income (SSI) receipts and child support collections. It cannot determine the total amounts owed to the State in reimbursements from these two sources. In addition, private fund accounts are not properly maintained for children who receive child support payments in excess of the cost of their foster care.

In our 1994 audit, we criticized the department for underutilizing the potential to claim federal funding for foster care. In our current review, we found that, since FY1997-98, the department has made improvements in securing and increasing federal reimbursements for Title IV-E funds. In FY1997-98, federal reimbursements totaled approximately \$12 million. This figure has more than doubled in FY2003-04, to over \$26 million.

Recommendations and Response

We made several recommendations regarding the Department of Human Services' management of the Foster Board Payment Program. Among these, we recommended that the Child Welfare Services Branch ensure that: 1) social workers update case files and Child Protective Services System records in a timely manner; 2) supervisory reviews are regularly conducted to ensure the accuracy, completeness, and timeliness of the information maintained by the branch; 3) social workers document children's foster care placement and removal in their case files and update the Child Protective Services System with placement information on a timely basis; and 4) social workers routinely contact foster children to ensure that payments do not continue to families after a child has left a foster home. We also suggested that the Child Welfare Services Branch work with the Child Support Enforcement Agency to coordinate and monitor child support collections, and receive reports on those children for whom child support is collectible. We recommended that the Department of Human Services establish policies and procedures to ensure that all amounts due to the Foster Board Payment Program are properly monitored and recovered and that private fund accounts for child support collections are maintained. Finally, we recommended that the department continue its efforts to maximize federal fund reimbursements.

In its response to our draft report, the department generally agreed with our findings. The department also concurred with the recommendations and identified corrective actions that will be taken. The department also provided other information and clarifications, some of which are included in the final report.

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Submitted by

THE AUDITOR
STATE OF HAWAI`I

Report No. 05-07
August 2005

Foreword

This audit assesses the progress of the Department of Human Services in improving the State's Foster Board Payment Program, as we recommended in Report No. 94-28, *Management and Financial Audit of the Foster Board Payment Program*. This follow-up audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the State Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Department of Human Services. We also appreciate the assistance of the Child Support Enforcement Agency.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

The Foster Board Payment Program is a payment system for a foster child's room and board and other items or services a child might need while in foster placement. Payments are also made for adoption assistance to those parents who adopt children with special needs.

The Foster Board Payment Program supports the mission of the Department of Human Services' Child Welfare Services Branch to ensure the safety and permanency of children in their own homes or, when necessary, in out-of-home placements. In 1994, the Legislature expressed concerns about the department's inability to justify sufficiently its request for an emergency appropriation to cover a shortfall in foster board payments for FY1993-94. These concerns resulted in a financial and management audit of the program by the Office of the Auditor, the findings of which are set forth in Report No. 94-28, *Management and Financial Audit of the Foster Board Payment Program*. The 1994 audit found that the department's management of the program, especially its financial management, needed considerable attention and improvement.

This follow-up audit was conducted to assess the progress made with regard to our previous findings, in light of the various changes in organization and circumstances that have occurred since our last audit. In 1997, the Department of Human Services reorganized, creating a new Social Services Division that absorbed the social services programs of the Family and Adult Services Division, including the Child Placement Board and Related Client Payments Program (state budget category HMS 303). In addition, the growing number of children entering foster care and reports of the department's lack of adequate financial and human resources provided little assurance that the department is capable of managing the Foster Board Payment Program to meet the needs of its clients. Accordingly, we initiated this follow-up to our 1994 audit pursuant to Section 23-4, Hawai'i Revised Statutes (HRS), which requires the State Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State.

Background

The Foster Board Payment Program is administered by the Department of Human Services' Child Welfare Services Branch. This branch comprises nine sections—one statewide section and eight geographically assigned sections on O`ahu, Hawai`i, Maui, and Kaua`i—and employs

about 490 workers. Of the total staff, 257 social workers and an additional 134 social service aides or assistants, case support aides, and family service assistants help provide services. The branch also employs 12 income maintenance workers who identify children in foster care who are eligible for federal funds. Exhibit 1.1 shows the existing organizational structure of the Child Welfare Services Branch.

Functions of the Child Welfare Services Branch

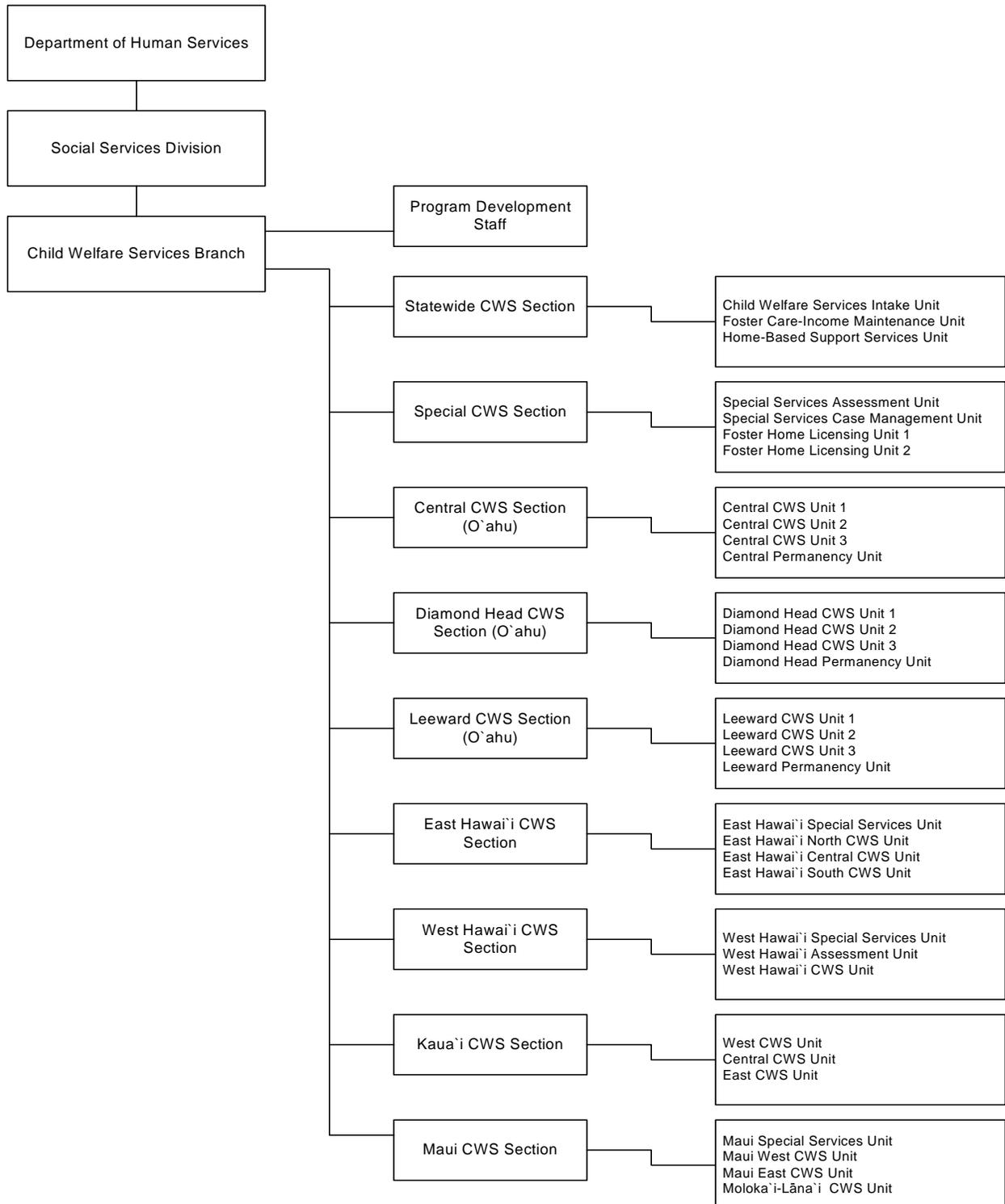
The Child Welfare Services Branch manages development and implementation of plans, policies, procedures, and regulations of the State's child welfare services program. Services include protection of at-risk children, facilitation of adoption, and management of existing abuse cases.

The Child Welfare Services Branch also provides abused or neglected children and their families with contracted support and treatment services, including emergency shelters, individual and family counseling, sex abuse treatment, and home-based and outreach services. Services are often required by court-ordered service plans directed at facilitating a child's return to, or maintenance in, a safe family home.

The Statewide Child Welfare Services Section oversees intake, income maintenance eligibility, and home-based support services for child welfare services clients. Its Child Welfare Services Intake Unit provides services statewide for greater consistency and standardization at intake. The intake unit determines a child's eligibility for welfare services according to established departmental policies and procedures; the unit also receives, assesses, and processes all reports of child abuse and neglect 24 hours a day, seven days a week. Although the statewide section's Foster Care-Income Maintenance Unit is based on O`ahu, income maintenance workers are also located on Hawai`i and Maui. These workers determine, through referrals from social services staff, children's eligibility for federal funding; they also initiate reviews of ongoing eligibility for federal and state child welfare benefits and payment programs. The Home-Based Support Services Unit provides in-home assistance to O`ahu families with parent-child relationship problems to develop parenting, childcare, and household management skills.

Child welfare services sections on each island provide assessment, case management, and permanency services through units in specific geographic areas; while some of the units provide all these services, each of the other geographical units may handle only a certain service. Assessment units evaluate reports of child abuse and neglect, provide short-term counseling services, and work with local law enforcement and others to investigate reports and initiate appropriate intervention. Case management units provide outreach services to prevent further abuse or

**Exhibit 1.1
Organization of Child Welfare Services (CWS) Branch in the Department of Human Services**



Source: Department of Human Services, Child Welfare Services Branch

neglect of children. These units also prepare and present cases for court hearings when necessary. Permanency units provide casework services to children in foster care to facilitate permanent substitute placements and enhance their independent living skills. These units also provide pre-adoption, adoption, and post-adoption services to children and families.

Program appropriations

The Foster Board Payment Program is largely state-funded. Under the State's budgeting system, the Foster Board Payment Program is categorized as HMS 303, Child Placement Board and Related Client Payments Program. Federal funds under Title IV-E of the Social Security Act are also available for reimbursements of foster care payments, administrative and training costs, and adoption assistance payments. Other federal funds include: (1) incentive payments to states that increase the number of child welfare adoptions based on targeted standards and (2) moneys to improve child welfare services to keep families together, to reunify families, to support foster care by relatives, and to promote and support adoptions.

Exhibit 1.2 presents the history of appropriations for the Foster Board Payment Program from FY1993-94 to FY2004-05. Over the past 11 years, general fund appropriations have increased more than twofold, from more than \$15 million for FY1994-95 to more than \$36 million in FY2004-05. Earlier, an even larger increase occurred between FY1986-87 and FY1994-95. During that nine-year period, appropriations for the Foster Board Payment Program increased more than fivefold. Despite the increase in appropriations, the Department of Human Services required emergency appropriations to cover shortfalls in FY1995-96, FY2000-01, and FY2001-02 for foster board and board-related costs, permanency assistance, and difficulty-of-care payments for foster and adoptive parents, permanent custodians, and guardians of children with special needs.

Types of payments

Under the Foster Board Payment Program, payments are made for children who are in foster care or in the care of relatives or living with permanent custodians. Payments are made until the child reaches age 18, or age 21 if the child is a full-time student at an accredited institution of higher education.

Department administrative rules set a flat monthly board payment rate of \$529 to foster parents and other caregivers licensed or approved by the Department of Human Services (i.e., family homes, group homes, and child caring institutions). Emergency shelters may also receive monthly or per diem payments calculated on length of stay. The flat board payment is intended to cover costs for the following: food, shelter, use of

Exhibit 1.2 Appropriations for Foster Board Payments

<u>Year</u>	<u>Program ID</u>	<u>Program</u>	<u>Appropriations</u>		<u>Comments</u>
1994	HMS 303	Child Foster Care Services	28.17*		Emergency appropriation of \$1,960,353
			14,931,052	(A)	
			5.83*		
			1,126,261	(N)	
1995	HMS 303	Child Foster Care Services	29.17*		Administrative costs removed in 1995
			15,565,405	(A)	
			5.83*		
			935,821	(N)	
1996**	HMS 303	Child Placement Board and Related Client Payments	11,986,770	(A)	Emergency appropriation of \$800,000
			5,286,861	(N)	
1997	HMS 303	Child Placement Board and Related Client Payments	11,986,770	(A)	
			7,738,775	(N)	
1998	HMS 303	Child Placement Board and Related Client Payments	11,986,770	(A)	
			7,738,775	(N)	
1999	HMS 303	Child Placement Board and Related Client Payments	11,986,770	(A)	
			7,738,775	(N)	
2000	HMS 303	Child Placement Board and Related Client Payments	14,574,464	(A)	
			9,132,148	(N)	
2001	HMS 303	Child Placement Board and Related Client Payments	18,306,722	(A)	Emergency appropriation of \$4,882,863 (A) and \$2,711,014 (N)
			10,211,401	(N)	
2002	HMS 303	Child Placement Board and Related Client Payments	23,581,347	(A)	Emergency appropriation of \$2,268,663 (A) and \$1,538,194 (N)
			13,264,507	(N)	
2003	HMS 303	Child Placement Board and Related Client Payments	26,290,829	(A)	
			15,106,574	(N)	
2004	HMS 303	Child Placement Board and Related Client Payments	30,579,126	(A)	
			14,681,586	(N)	
2005	HMS 303	Child Placement Board and Related Client Payments	36,827,090	(A)	
			15,884,108	(N)	

Legend:

A = general funds

N = federal funds

* = position count

** = After FY1994-95, the program is used strictly for board and board-related payments.

Source: Session Laws of Hawai'i, 1994 - 2004

household furnishings and equipment, expenses involved in household operations, personal essentials, reading and educational supplies, recreational and community activities, transportation (for shopping, church, and school events), medical supplies, allowance, babysitting, and infant care.

In addition to the flat rate payment, the department will cover the cost of board-related items on an as-needed basis. These items include clothing—for initial supplies to meet immediate needs and for maintenance and special circumstances—and additional transportation for medical care, school transport when free services are not available, child placement, and family visitations. Medical care and treatment for the foster family up to \$500 per incident or per person, depending on a doctor’s recommendation, are also covered, as well as cleaning supplies, related to the physical condition of the child.

In addition, the Foster Board Payment Program makes difficulty-of-care payments to cover the cost of special services needed by children with caregivers in an approved foster home or an approved adoptive or prospective adoptive home, or with caregivers who are legal guardians or permanent custodians. The department pays caregivers who participate as treatment team members to modify a disturbed child’s behavior, train a developmentally disabled child in personal care and self-help skills, or provide physical therapy and special exercises for a handicapped child. A caregiver is paid \$4.75 per hour for no more than 120 hours per month, or a maximum of \$570 per month. The amount of time to be spent on caring for a child with special needs is recommended by the child’s treating professional and determined by the assigned social worker and the caregiver.

Children living with permanent custodians receive “permanency assistance payments” and are allowed additional payments for other eligible costs on an as-needed basis. Such costs cover clothing for maintenance and special circumstances and transportation to school, for medical care, or for moving to a new state of residence with a permanent custodian or legal guardian.

The program also provides family assistance payments for “wraparound services” to prevent the out-of-home placement of a child or, if the child is in an out-of-home placement, to facilitate reunification. Temporary assistance is provided when the specific service required is not offered by the department or available within the community. Family assistance payments are not to exceed the flat board rate of \$529 and are made on a monthly basis for a period not to exceed six months.

Although not considered part of foster care, adoption assistance payments are part of the same budget category (HMS 303) as the Foster

Board Payment Program. The department pays subsidies to parents who adopt a child with special needs. This payment may not exceed the flat board rate of \$529 or a total of \$1,099 if the child is eligible for difficulty-to-care payments up to \$570. Payments are made on a monthly basis until the child reaches age 18, or age 21 in special circumstances. Other expenses may also be covered: nonrecurring adoption expenses (reasonable and necessary adoption fees, court costs, attorney fees, and other costs directly related to the adoption of a child with special needs) and other adoption-related expenses (adoption home study, health and psychological exams, supervision of placement prior to adoption, transportation and lodging costs, and food during the adoption process). Payments covering nonrecurring and other expenses are limited to a total of \$2,000.

Generally, permanency assistance, foster board, and board-related costs and difficulty-of-care payments have steadily increased between FY1998-99 and FY2003-04. On the other hand, adoption assistance payments and higher education board allowances have grown significantly within the past few years—increasing more than threefold from FY1998-99 to FY2003-04. The total board and board-related payments authorized under the Foster Board Payment Program for FY1998-99 to FY2003-04 are shown in Exhibit 1.3.

Data on foster care children

For FY1998-99 through FY2003-04, the number of children in Hawai`i entering foster care each year has been greater than the number of children exiting foster care. Exhibit 1.4 sets forth the number of children in the State entering, exiting, and in foster care on the last day of each fiscal year for FY1998-99 to FY2003-04. The amounts provided in the table are unduplicated counts—i.e., each child is counted only once, regardless of the number of interactions the child may have with the department during a year.

Further, except between FY2002-03 and FY2003-04, the number of children entering foster care in Hawai`i has increased during these fiscal years. The number of children in foster care on the last day of each fiscal year has also increased during this time period.

Previous Reports

In our previous audit of the State's Foster Board Payment Program conducted in 1994, we evaluated expenditures made under the program and examined the manner by which foster board payments are formulated, projected and budgeted, approved, issued, and accounted for. We also assessed the impact of the Families Together Initiative on Foster Board Payment Program expenditures and retained KPMG Peat Marwick LLP (KPMG) to conduct a financial audit of the Child Foster Care Services Program.

Exhibit 1.3**Total Board and Board-Related Payments Authorized Under the Foster Board Payment Program for Fiscal Years 1999 to 2004**

Payment Type	1999	2000	2001	2002	2003	2004
Foster Board:						
Non-Relative Foster Care	\$8,153,918	\$8,129,033	\$8,698,689	\$9,553,770	\$10,129,090	\$10,446,942
Relative Foster Care	5,529,465	5,571,310	5,994,870	6,669,763	7,144,614	7,764,106
Emergency Shelter Homes	592,452	578,475	566,892	589,509	887,796	863,928
Board-Related	877,285	1,116,563	1,291,091	1,861,099	1,700,466	1,974,800
Permanency Assistance	1,345,858	1,933,908	2,814,866	3,868,644	4,924,014	5,923,400
Difficulty-of-Care:						
Non-Relative Foster Care	1,642,622	2,038,064	2,401,228	2,620,247	2,726,815	3,196,552
Relative Foster Care	177,438	225,846	289,738	463,343	544,257	719,179
Permanency Assistance	284,871	443,739	660,324	863,484	1,153,472	1,469,207
Adoption Assistance	5,595,362	7,208,360	10,045,261	12,022,718	14,457,013	16,965,820
Higher Education	192,131	271,260	340,435	303,714	498,986	680,638
Wraparound Services	288,906	208,811	216,669	169,744	136,858	186,422
Total	24,680,308	27,725,369	33,320,063	38,986,035	44,303,381	50,190,994

Note: Adoption assistance difficulty-of-care payments are combined with adoption assistance payments because they are considered, by the department, to be a part of the adoption assistance maintenance payment.

Source: Department of Human Services, Child Welfare Services Branch's Child Protective Services System

Exhibit 1.4**Number of Children Entering, Exiting, and in Foster Care for the State of Hawai'i for Fiscal Years 1999 to 2004**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Entries	1,652	1,915	2,052	2,321	2,374	2,335
Exits	1,636	1,755	1,942	2,160	2,227	2,241
In Care on the Last Day of the Fiscal Year	2,283	2,488	2,660	2,890	3,089	3,217

Source: Department of Human Services, Child Welfare Services Branch

We found that the Department of Human Services had not planned or managed the Foster Board Payment Program so that it could budget for it in a responsible manner. Our audit also revealed that the department lacked guidelines to control expenditures, that complete and consistent data on foster children did not exist, and that federal reimbursements could be increased. We also found that the impact of the Families Together Initiative on foster care was unclear. Further, the financial audit by KPMG concluded that the department had not adequately monitored and administered the financial operations of the program, allowing overpayments to occur without a system to adequately monitor and recover reimbursements.

Subsequent to our 1994 audit of the Foster Board Payment Program, which serves as the basis for this follow-up audit, we issued a number of reports related to the program. In 1995, our *Study of the Families Together Initiative, Final Report*, Report No. 95-6, found, among other things, that the Department of Human Services had not demonstrated the Families Together Initiative program could reduce foster care caseload; no direct link between the program and foster care caseload had been established.

In 1997, our *Management Audit of the Department of Human Services*, Report No. 97-18, found that the Foster Board Payment Program was being administered with little regard for fiscal constraints. Expenditures for services, other than flat monthly board payments, were made largely at the discretion of individual social workers. Our report also found that the Department of Human Services' Social Services Division could not readily produce reliable information on the children being served through the Foster Board Payment Program.

In 1998, our *Financial Audit of the Department of Human Services*, Report No. 98-14, noted that the foster care program lacked the necessary data to develop good budget projections and used an ineffective cost forecasting model.

In 1999, our *Audit of the Child Protective Services System*, Report No. 99-5, revealed that untimely permanency planning increased foster care costs. We also found that, although the department had made progress in increasing Title IV-E reimbursements, the timeliness in determining eligibility and the accuracy of its reimbursement claims could have been improved. We identified a lack of management controls to prevent unnecessary foster care payments. Furthermore, we found that the department had not sufficiently identified and tracked foster care overpayments.

In 2001, our *Audit of the Department of Human Services' Information System*, Report No. 01-05, found that inaccurate data and limited

usefulness of the Social Services Division's computer system, known as the Child Protective Services System, undermined the computer system's effectiveness. The discrepancies we uncovered negatively affected the computer system's reliability, user efficiency, and program functionality.

In 2003, our *Follow-up Audit of the Child Protective Services System*, Report No. 03-12, found that despite the department's efforts to improve overall delivery of child protective services, many of the deficiencies revealed in our 1999 audit of the child protective services system remained. We noted that the crux of these problems stemmed from a lack or disregard of department management controls. Our report revealed that the Child Protective Services System continued to be unreliable, resulting in inaccurate, incomplete, and outdated case information for decision-makers. We also found that the department tolerated permanency planning delays and made questionable foster care payments.

Objectives of the Audit

The objectives of the audit were to:

1. Assess the extent to which findings and recommendations contained in Report No. 94-28, *Management and Financial Audit of the Foster Board Payment Program*, as updated by subsequent audit reports, are being addressed.
2. Make recommendations as appropriate.

Scope and Methodology

Focusing on FY2003-04 to present, and prior years as necessary, we examined the Department of Human Services' efforts in addressing previous audit findings and implementing previous audit recommendations from Report No. 94-28, *Management and Financial Audit of the Foster Board Payment Program*. We focused on how foster board payments are formulated, projected and budgeted, approved, issued, and accounted for. We also evaluated expenditures made under the program and assessed whether improvements have been made in the department's management of the Foster Board Payment Program. We also reviewed the measures, if any, implemented by the department to continue necessary services under the Families Together Initiative program, which was terminated in 1996. In addition, we assessed whether the department has implemented controls and procedures to ensure the proper management of federal funding, private fund accounts, and foster care payments—including the proper management of its supporting data systems.

We reviewed program expenditures, examined the roles and responsibilities of the Department of Human Services' personnel involved with foster board payments, evaluated how the Foster Board Payment Program is budgeted and managed, and obtained caseload information on the children being served through the Foster Board Payment Program.

We reviewed pertinent state and federal laws and rules, and relevant literature, memoranda, documents, and forms. We interviewed personnel of state agencies involved in the Foster Board Payment Program. We also reviewed the case files for a statistically valid sample of children under the placement responsibility of the Department of Human Services to determine the timeliness and appropriateness of payments and to assess the accuracy of case file data in comparison with data maintained in the Child Protective Services System.

Our audit was conducted from February 2005 through June 2005 according to generally accepted government auditing standards.

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Chapter 2

Problems Remain Despite Improvements

In 1994, we conducted a financial and management audit of the State's Foster Board Payment Program administered by the Department of Human Services. We found the department's management of the program, especially its financial management, to be in need of considerable attention and improvement. Our current audit revealed that while the department has implemented some of the recommendations from our 1994 audit, there is still much room for improvement.

We found that the Department of Human Services is better managing the Foster Board Payment Program. Program administrators are paying more attention to budgeting and the requirements of the program. We found that program administrators have created guidelines to control expenditures. Further, the department has clarified the scope of the payment program by articulating its responsibilities for making payments for foster children under the Department of Health's care and creating a separate budget category for the program. However, data discrepancies continue to undermine the reliability of the department's database, and incomplete case file documentation places in question the accuracy of client status. We also found that the department continues to make overpayments, and procedures for recoupment are still inadequate. Appendix A summarizes the status of our 1994 recommendations in relation to our current findings.

Summary of Findings

1. Although better managed, the Foster Board Payment Program requires more accurate information for decision making.
2. The department continues to make overpayments, and procedures for recoupment continue to be inadequate.
3. The department has improved securing and increasing federal reimbursements.

Management Has Improved, But the Program Requires More Accurate Decision Making Information

The Department of Human Services has improved its management of the Foster Board Payment Program. This improvement is evident in the department’s ability to maintain recent years’ expenditures close to forecasted levels—varying from budgeted amounts by no more than 12 percent. Exhibit 2.1 shows a comparison of Foster Board Payment Program appropriations to the program’s actual expenditures for FY1999-2000 to FY2003-04. According to the department, the variance between budgeted and actual amounts is in part due to increasing numbers of children entering foster care and a growing need for both permanency and adoption assistance.

**Exhibit 2.1
Comparison of Foster Board Payment Program Appropriations to Actual Expenditure Amounts for Fiscal Years 2000 to 2004**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Appropriations	23,706,612	28,518,123	36,845,854	41,397,376	45,260,712
Expenditures	26,503,437	26,969,856	34,821,247	38,620,235	48,268,921
% Difference	11.80%	-5.43%	-5.49%	-6.71%	6.65%

Source: Department of Human Services, Child Welfare Services Branch

The improvements in budgeting can be attributed to the attention program administrators have given to the financial requirements and constraints of the payment program. We found, for example, that the department has created a separate budget category (HMS 303) for the program, allowing for better tracking of associated expenditures. It also followed our recommendation to assign budget projection responsibility to the Committee on Payment Projections. In addition, we found that the department has clarified the scope of the payment program by articulating its responsibilities for making payments for foster children under the care of the Department of Health. Further, the department has developed guidelines to control expenditures. However, we found that, despite these improvements in managing the program, the department continues to lack complete and consistent data on foster children.

Program administrators are paying better attention to budgeting

Developing a budget for this program requires coordination among, and data from, a number of Department of Human Services agencies. Currently, budget projection development involves the Social Services Division, Fiscal Management Office, Management Services Office, and the Support Services Office. Data on payment processing and expenditure tracking involve the Fiscal Management Office's Accounting Section and Collection and Recovery Section. Using this data, the Accounting Section provides actual and projected expenditure and encumbrance information for the fiscal year in question.

The Support Services Office coordinates with the Fiscal Management Office to provide information and analysis on the availability of funds, including short-range projections and recommendations on the usage of funds. However, because information from the Fiscal Management Office does not include specifics on clients and related expenditures, the research and statistics staff of the Management Services Office develops projections on clients and related expenditures by service type using data from the Child Protective Services System. All this information on the Foster Board Payment Program is then provided to the Committee on Payment Projections.

Committee is responsible for budget projections

Our 1994 audit report of the Foster Board Payment Program noted that the department had only begun to develop a budget projection model for the program. We found that this time-series regression model being used, which tracks expenditures over time, was inadequate because it did not take into consideration factors other than expenditures.

In 1995, the responsibilities of the Social Services Division's Child Welfare Services Committee on Payment Projections were expanded to include the development of budget projections for foster board payments and board-related expenditures. The committee meets every other month to compare budgeted and actual amounts and discuss the causes of any variances. The committee also considers factors that may affect budget projections for future years and modifies the projections accordingly.

Budget projections are currently developed utilizing a statistical package that generates a number of time-series projections for each type of service based on caseload and expenditure data. Previously, the projections were developed using Ordinary Least Squares regressions for each type of service. Calculating the budget projections for each service using a number of different time-series procedures minimizes the mean absolute error and accommodates the non-linear trend of projected expenditures.

Program requirements are being scrutinized

As part of the committee's evaluation of the Foster Board Payment Program's budget projections, program development staff of the Child Welfare Services Branch also review information regarding program expenditures, projections, availability of funds, and program needs. Based on its review, together with the recommendations of the Support Services Office and the Fiscal Management Office, the program development staff approves a course of action, such as curtailing discretionary payments, deferring end-of-fiscal-year expenditures to the following year, or providing the director of the Department of Human Services with a recommendation to request emergency or supplemental appropriations. These measures provide increased scrutiny over the program's budget requirements.

Program scope is now more clearly defined

Our 1994 audit report noted that under the State's budgeting system, the Foster Board Payment Program was categorized as "HMS 303 WP," which fell under the broader program category "HMS 303, Child Foster Care Services Program." The broader HMS 303 program category was administered by the Department of Human Services' Family and Adult Services Division, the responsibilities of which have since been assumed by the Child Welfare Services Branch. The program funded child foster care services staff, purchase of services contracts, and other current expenses for these services. We encouraged the department to create a separate budget program category for the Foster Board Payment Program, apart from the larger HMS 303 program category, to give the program greater clarity and emphasis. In 1995, the program category HMS 303 was designated specifically for the payment program, Child Placement Board and Related Client Payments Program. Adoption assistance, permanency assistance, relative foster board, non-relative foster board, and board-related costs and difficulty-of-care payments are all currently included in the HMS 303 program category.

In 1994, we also found that the program administrator could not provide detailed information on how much the department pays for foster children placed by other agencies. This information deficiency further complicated the difficulty of budgeting for the program. We recommended that the department's responsibilities for such payments be clearly identified and that sufficient data on these children be maintained in the department's computer system. In this current audit, we found that the department has implemented our recommendations.

Payment responsibilities for children placed by other agencies have been articulated

The Department of Human Services makes board and board-related

payments for foster children under the placement responsibility of the Family Court and other private institutions and those under the care of the Department of Health. The Department of Human Services also makes payments for children placed by the Office of Youth Services, which is administratively attached to the department.

The department's Child Protective Services System allows for the identification of children placed in foster care by other agencies and private institutions for whom the department makes payments. According to information from the Child Protective Services System database, there were 228 children placed in foster care by other agencies and private institutions in FY2003-04.

Foster board and board-related payments are made by the department for children placed by the Office of Youth Services and those under the care of the Family Court and other private institutions that meet the department's eligibility requirements for foster care services. These agencies and institutions maintain responsibility for managing cases while the Department of Human Services makes payments. On the other hand, services to children under the care of the Department of Health are therapeutic in nature and fall outside of the department's scope of services. As such, the Department of Human Services and the Department of Health have entered into two agreements defining the responsibilities of both departments.

The Interagency Agreement, effective as of January 1, 1998, between the Department of Human Services and the Department of Health provides for the Department of Human Services' transfer of federal reimbursements to the Department of Health. Such transfers are made for expenditures of the Department of Health for provision of board and board-related services to foster children in the custody of the Department of Human Services. The agreement between the Department of Human Services and the Department of Health requires the Department of Human Services to claim federal funding for board and board-related costs for children who are placed in therapeutic family homes (family foster homes with therapeutic services) and therapeutic living programs (group foster homes) and who are eligible for Title IV-E funding. The Department of Human Services is responsible for verifying Title IV-E eligibility of children receiving community-based treatment services from the Department of Health, for providing guidance regarding Title IV-E eligibility requirements, and for transferring to the Department of Health's special fund the reimbursed federal share of board and board-related costs associated with the provision of community-based treatment services.

Under another agreement between the Department of Human Services and the Department of Health, the Department of Human Services is to

reimburse the Department of Health for foster care maintenance payments covering children who are not eligible for Title IV-E funding but who are under the placement responsibility of the Department of Human Services. The reimbursements are made for those children whose placement in the Department of Health's therapeutic treatment placement for a period exceeding six months is in the child's best interest even though treatment is no longer required. These foster care maintenance payments consist of foster board payments at the monthly rate of \$529 and difficulty-of-care payments up to the maximum monthly rate of \$570.

Program administrators have created expenditure control guidelines

In our prior audit, we found that division administrators had not developed guidelines for social workers to ensure consistency in making payments and managing expenditures. Expenditures for services, other than the flat monthly board payments, were made largely at the discretion of individual social workers. We also found that budget constraints were not recognized, and there were few limits on spending. We recommended that the division implement internal expenditure guidelines to keep spending within budget. Our current audit found that the department has set monetary guidelines for certain service payments and has required approval for other services.

To better control discretionary payments, the department has developed ceiling amounts for certain foster board-related expenditures such as clothing. However, the department reported that ceiling amounts for other foster board-related expenditures, such as child placement transportation costs, are not established due to the wide variations among and costs related to individual cases. Expenditures for these services are instead based on actual service costs. Although ceiling amounts for these expenditures have not been set, payments are no longer made at the discretion of individual social workers.

All service payments related to clients and cases are processed through the Child Protective Services System. The system will issue payments only after the required levels of authorization are acquired. Each type of service payment is associated with an authorization level. Authorization levels assigned to staff range from Level 0 (no authorization permitted) to Level 4 (section administrator authorization required) and are assigned to staff based on their experience and position. For example, "routine" benefits such as room and board payments, adoption assistance, and clothing—for which ceiling amounts have been established—only require a social worker's authorization, Level 1. However, more exceptional benefits, such as transportation for staff or foster parents, require a section administrator's approval.

We also found that the department is monitoring program expenditures. The Social Services Division's Child Welfare Services Committee on Payment Projections monitors actual program expenditures against program appropriations. Although certain expenditures, such as board payments, must be paid, the Child Welfare Services Branch will advise staff to curtail discretionary payments when budget shortfalls are anticipated.

Data are still not complete and consistent

We found that data discrepancies and incomplete case file documentation continue to undermine the reliability of the information used by decision-makers. Chapter 350, HRS, requires the department to maintain a central registry of child abuse and neglect cases. Case records, which consist of both hard copy and electronic versions, must contain standardized basic information in the form of dictation, intake data, computer entries, and documents. Case records serve many functions, including assisting social workers in completing assessments; providing a record of service delivery to, and efforts made by, families; serving as the basis for evaluating service effectiveness; helping social workers in case planning; documenting compliance with state and federal mandates; providing a family's history; and acting as a tool for supervisors to evaluate social workers. The branch procedures manual requires timely maintenance of all case records and timely system updates.

Furthermore, the federal government requires states to have a data reporting system that electronically maintains certain data regarding children in foster care and adoption. Data on each child in foster care and each child adopted during the reporting period are transmitted semiannually to the federal government and must meet reporting requirements of the Adoption and Foster Care Analysis and Reporting System (AFCARS). Monetary penalties may be assessed for failure to meet these standards. Federal AFCARS penalties will be assessed on the department if the State's data reporting system is ever found to be noncompliant with AFCARS requirements.

Data discrepancies undermine information reliability

The Child Protective Services System, an electronic database, is used statewide and stores information related to child welfare, adult protective services, and licensed providers of adult day care and child foster care services. The system maintains historical reports on alleged child abuse that help investigators determine whether to remove a child from an abusive environment for the child's protection. If removal is necessary, the system tracks information related to court hearings and foster care services. The system also maintains information on foster care services

provided and related payments. For foster care services, the computer system helps to determine eligibility of applicants and federal government reimbursements. Accordingly, inaccurate system data can have drastic programmatic and financial consequences.

We reviewed the Child Protective Services System database and the case records for a sample of 161 children for accuracy, completeness, and timeliness, and found numerous deficiencies. These discrepancies include inaccurate names, dates of birth, social security numbers, service initiation dates, and placement services. Such inaccuracies negatively affect computer system reliability. For example, we found that 9 percent (14 of 161) of the statewide cases had not been updated by caseworkers with proper social security numbers. We found eight occurrences where the child's name or date of birth was incorrectly inputted into the database. Further, in some cases we were unable to verify certain demographic and identifying information because either the social security card or birth certificate, or both, were missing from the case file. This oversight was true for 28 percent (45 of 161) of the cases reviewed.

We also found that information maintained in the Child Protective Services System on service initiation dates and types of placement service for 12 percent (19 of 161) of cases was inaccurate. For example, in one case, documentation in the case file revealed that the child was adopted on January 14, 2004; however, according to the Child Protective Services System, as of February 2005, the department continued to make foster board payments on the child's behalf. We were informed that the child's record in the Child Protective Services System has since been updated to reflect that the department's placement responsibilities were terminated upon the child's adoption. Other discrepancies involved the incorrect use of the service action codes used by the system to distinguish between the different types of board payments. Payments to relative foster care providers (service action code K225) were recorded as non-relative foster care payments (service action code K221). Although the amount of the board payment made to relative and non-relative foster care providers is the same, this distinction affects the program's budget projections, which are based on caseload and expenditure data by service type.

The results of the recent assessment of Hawai'i's Adoption and Foster Care Analysis and Reporting System conducted by the Children's Bureau of the federal Administration for Children and Families and the Office of Information Services from September 13 to 16, 2004, are equally telling. According to the report, although the State was found to be mostly in compliance with AFCARS standards, the most significant area that the State needs to address is the quality of data. The report explained that several items were given a low rating because of underreporting of information and will require additional training for

caseworkers and monitoring by supervisors to ensure accurate data entry. Although some improvements to data accuracy and quality will result from changes made to the system, the Administration for Children and Families suggested that the State consider reviewing the data during periodic reviews to better ensure accuracy and currency, which the department has begun to address.

Timely filing and database input are management controls for accurate case file and database maintenance. The failure to properly record information impacts a database's reliability. According to the Child Welfare Services Branch, several factors impact the department's ability to update the Child Protective Services System in a timely manner, including the lack of adequate staffing, staff turnover, higher priority given to providing for a child's safety, removal or return of a child, and placement disruptions. However, an unreliable database means that decision-makers may lack key information at crucial times, placing children, families, resources, and the State at risk. In addition, because of the threat of an assessment of a penalty resulting from a federal review, it behooves the department to achieve and maintain a reliable database.

Incomplete documentation raises question of client status accuracy

From the 161 cases selected to determine the accuracy of information maintained in the Child Protective Services System, we judgmentally selected 20 cases for further review. These cases were examined to determine the completeness of documentation in case files. We found that many of the case files did not contain sufficient documentation to demonstrate compliance with federal eligibility requirements. Of the 20 case files examined, we found that nine did not have adequate documentation of the most recent Title IV-E eligibility review. We also found that four of the case files did not contain either a police booking form, police report, or Voluntary Foster Custody Agreement authorizing the child's removal from the family home. Social workers are required by federal guidelines to obtain certain kinds of documentation to verify that recipients meet eligibility requirements, and case files should contain evidence of such verification.

We also found, in some cases, a lack of documentation on the child's placement. The Child Welfare Services Branch staff are responsible for documenting the date of placement and removal of a child on a special form. Unit-level social workers then update the Child Protective Services System database by adjusting the foster care payment, and the form is placed in the child's case file as documentation of the placement or removal. In assessing the Child Protective Services System database and case records for accuracy, we reviewed the case files to locate this form and confirm the dates of placement and removal. We found that in

33 percent (53 of 161) of cases, the form was missing, but in nearly all cases payments to foster care providers were still made. Accordingly, we could not verify the date these children were placed in or removed from foster care homes for many of the cases reviewed, placing the propriety of payments to foster care providers in question.

Failure to use the form precludes verification of the accuracy of any date entered in the database. When the required form is missing from the case file, there is no way to confirm or verify the date of removal, and, consequently, the correct amount of any payments. As of March 2005, the Child Welfare Services Branch had \$816,053 in overpayments, against which the branch has made overpayment claims for \$213,617, many to foster care providers. Unless branch social workers use and file the designated form, overpayments to foster care providers may occur.

Overpayments Continue and Recoupment Is Still Inadequate

Overpayments to foster care providers can accumulate over time and reduce funds available to children and providers who should be receiving such assistance. Uncollected overpayments are eventually written off the agency's books and lost. Our current review found that the Child Welfare Services Branch has been unsuccessful in preventing overpayments from occurring, thereby placing these funds at risk of loss.

We also found that the department's procedures for monitoring overpayments continue to be inadequate. The Department of Human Services has no system to monitor and recover reimbursements to the Foster Board Payment Program from Supplemental Security Income (SSI) receipts and child support collections. It cannot determine the total amounts owed to the State in reimbursements from these two sources. In addition, private fund accounts are not properly maintained for children who receive child support payments in excess of the cost of their foster care.

No system is in place to monitor continued payment eligibility

Payments are made when social workers initiate and authorize services using the Child Protective Services System. Once payment initiation is entered into the system, monthly payments are automatically generated and continue until the service or payment is terminated. Overpayments occur when payments are not terminated in a timely manner. Accordingly, if a social worker does not update the system with a service termination date, the system will continue to process incorrect board payments. We found that the Department of Human Services is not adequately monitoring board and board-related payments. There is no assurance that all board payments are appropriate, causing overpayments to continue.

Board overpayments are not adequately monitored when: 1) case files are not consistently reviewed; 2) the review of monthly payment reports is not thorough; and 3) a procedure for periodic supervisory reviews of case files for accuracy and appropriateness of services has not been fully implemented.

Case files are not consistently reviewed

Currently, supervisory reviews occur when specific decisions are made by the social workers, approval of payments requires a supervisor's authorization, and when a case is closed. According to the Child Welfare Services Branch, its procedures manual provides general directions for reviewing and monitoring payments and data entered into the Child Protective Services System. However, the manner in which these procedures are used by each section depends on an individual section's protocol and staffing. For example, the Maui Child Welfare Services Section conducts daily morning briefings with staff to discuss significant events for all cases (e.g., a child was placed, changed placements, or returned home) and requires monthly progress reports from social workers to ensure that board and board-related payments are initiated and terminated in a timely manner. Although other sections also hold regular meetings with staff, measures to ensure the accuracy of payments only include a review of payment reports for possible errors. As a result, sections vary in the degree to which case files are current and accurate.

The review of monthly payment reports is not thorough

According to the Child Welfare Services Branch, it is common practice for a supervisor to review all monthly payment reports and then share specific reports with the social worker or assistant to whom a case is assigned. However, monthly payment reports generated by the Child Protective Services System are reviewed primarily to identify possible exceptions and, for the most part, are not compared to case file documentation by social workers or unit supervisors. If carried out, this procedure would ensure that payments processed are properly authorized by the social worker and may identify potential payments to ineligible recipients. As the process stands, however, there is no assurance that all payments generated by the Child Protective Services System are proper, which may result in board overpayments.

Supervisory review procedure has not been fully implemented

The value of case file reviews to help identify processing problems and overpayments has been proven. Without these control measures, the risk of undetected benefit overpayments is substantially increased. Further, the ability to obtain useful data such as error rates, reasons for such errors, and potential corrective actions to be taken, is hampered. Our

1994 audit report noted that the quality control staff of the Department of Human Services' Evaluation Office performed monthly reviews of the Foster Board Payment Program case files to ensure the accuracy of eligibility and payments. After 1994, the department reduced its quality assurance reviews. In response to our request for information in October 1995 on the actions the department had taken on our recommendations in our 1994 audit report, the department reported that the reviews had been eliminated.

The department has only recently begun development of a quality assurance system in response to the federal Child and Family Services Review, which found that the department did not have a uniform and consistent statewide quality assurance system. Each month supervisors, or section administrators for supervisors under review, will evaluate one randomly selected case per staff member. The review of the case is documented in the Child Protective Services System. The information from the database will be used to generate reports used to identify strengths and areas needing improvement. Recommendations made as a result of the reports will be followed up on, and the department is to ensure that appropriate corrective actions (e.g., conducting additional training or revising the Child Welfare Services Branch's procedures) are taken. Information for the development of action plans for this system is currently being reviewed.

Another component of the department's quality assurance system involves comprehensive quality case reviews. On a quarterly basis, a total of fifty cases are randomly selected from each of the four sections under review—two sections from O`ahu and two sections from the neighbor islands. These reviews are conducted to ensure that agency practices conform to federal child welfare requirements, assess actual case developments, and improve the department's ability to help children and families achieve positive outcomes. The review process includes a review of the case file and database as well as interviews with foster parents, biological parents, social workers, supervisors, children, and service providers. The first review was conducted in January 2005; however, no findings or recommendations have yet been developed. The findings from the quality case reviews will be compiled with those from the supervisory reviews for follow-up and corrective actions.

Both the supervisory review and quality case review are primarily focused on federal Child and Family Services Review outcomes. The Child and Family Services Review assesses the states for conformity with certain federal requirements for child protective, foster care, adoption, family preservation and family support, and independent living services. As such, the discovery of data inaccuracies is incidental.

The department lacks a system for recoupment, and private fund accounts for child support collections are not maintained

Cash receipts of the program consist primarily of state appropriations and federal assistance. Other types of cash receipts are foster board reimbursements, which include board overpayments, collections from the Child Support Enforcement Agency for child support, and Supplemental Security Income, or SSI, receipts.

The Department of Human Services has implemented a new computer application, the Hawai`i Accounts Receivable Information System, or HARI, for managing benefit overpayments; however, the department's procedures for the new system and the Collection and Recovery Section are outdated. Without current policies and procedures, the department cannot ensure that overpayment reimbursements are processed consistently and systematically. Nevertheless, the Collection and Recovery Section is properly recording and depositing collections on a timely basis.

The Child Welfare Services Branch is now responsible for monitoring board overpayments. However, the department is still unable to determine the total amount of outstanding board reimbursements from child support collections and SSI payments since it does not have a system to adequately monitor and recover the reimbursements due. Furthermore, the Collection and Recovery Section is not carrying out its fiduciary responsibility to maintain private fund accounts for foster children whose child support payments exceed their foster care expenditures.

The department has implemented a new computer application, but related procedures manuals are outdated

The Hawai`i Accounts Receivable Information System was implemented on April 23, 2003. The HARI system is based on the application program used by the State of Arizona to process billing and collection of welfare overpayments. The department has modified the application program to support the Collection and Recovery Section in recovering benefit overpayments, including board overpayments.

The new computer application is more efficient than its predecessor because of its ability to interface with the department's lockbox collection system and the Hawai`i Automated Welfare Information System (HAWI), which is used by the department's welfare programs. However, related procedures manuals are out-of-date. First, a procedures manual for HARI has yet to be developed. Secondly, the Collection and Recovery Section's procedures manual describes procedures used with the Automated Recovery System, the predecessor of HARI. An administrator indicated that certain portions of the manual definitely do not apply to procedures under HARI.

Branch staff need to strengthen management controls related to new responsibilities

An overpayment occurs when benefits are paid to a provider in excess of the amount the provider is actually due. Overpayments are generated by the Child Protective Services System when a service is changed after the benefit has been paid and the change results in a benefit that is less than the amount already paid out.

The Child Welfare Services Branch staff is responsible for generating claims for overpayments and documenting the recovery of repayments. According to the branch's procedures, the basic steps in addressing an overpayment include: 1) determining that an overpayment has occurred; 2) generating a claim based on the overpayment; and 3) recording recoupment of the overpayment. According to the Child Welfare Services Branch, claims for overpayments are recorded in the Child Protective Services System after the social worker has determined the validity of the overpayment and contacted the payee, and the payee has agreed to a repayment plan.

The department accounts for overpayments in both the Child Protective Services System and the Hawai'i Accounts Receivable Information System. The Child Welfare Services Branch staff enters data on an overpayment, claim, and recovery into the Child Protective Services System. However, if the Child Welfare Services Branch is unable to recover the overpayment, the overpayment may be referred to the Collection and Recovery Section by a special form. The Collection and Recovery Section then enters the overpayment information into HARI. Payments can be made either directly to the Collection and Recovery Section, through the Child Welfare Services Branch staff, or into the department's lockbox collection system.

Foster care payments to a foster parent or provider should be made only during the period a child actually resides in the foster home. When children are moved from one foster home to another, the department must accurately track each move to ensure payments are made to the appropriate foster parent or provider. The department has established a management control within the Child Protective Services System that permits only one payment to be issued for each child in foster care. However, controls to ensure that payments to foster home providers are verified are inadequate. Child welfare services staff are responsible for updating the Child Protective Services System with changes in foster placement information. However, as noted above, these changes are not always made in a timely manner.

The Child Protective Services System generates a monthly report detailing outstanding foster care overpayments and claims. The report

we received indicates that overpayments as of March 2005 amounted to about \$816,000. Overpayments of this magnitude cannot be ignored. The report, however, contains substantial errors, limiting its usefulness. In one case, the report incorrectly indicated that the department overpaid \$10,290 for a child's foster care over 20 months. Actually, the foster parent was not overpaid, but the instance was reported as an overpayment due to data input errors. We also found some transactions dating as far back as 1995. If collection is unlikely or not cost-effective, the department should consult with the attorney general about writing off such accounts. Section 40-82, HRS, authorizes a department, with the approval of the attorney general, to delete from its accounts receivable those uncollectible accounts that have been delinquent for two consecutive years.

Furthermore, the report continues to report as overpayments certain entries that have already been recovered. Between April 23, 2003, and March 31, 2005, the reports generated by HARI did not contain the information needed by the Child Welfare Services Branch to record into the Child Protective Services System those payments received by the Collection and Recovery Section. When HARI was implemented, the system only generated an accounts receivable report for the entire department, with no segregation by program. As a result, the collection of payments received by mail or at the Collections and Recovery Office was not communicated to the Child Welfare Services Branch. To address this situation, a request was submitted to the department's Office of Information Technology to modify HARI to generate a monthly report detailing the transactions and account balances of each client of the Social Services Division's programs, including the Foster Board Payment Program. This report will be used by the Social Services Division to post into the Child Protective Services System those payments collected by the Collection and Recovery Section. The first of these reports was generated for the month of March 2005.

The department needs to improve its management controls to prevent overpayments for foster care. It should also improve the management of its overpayment and expenditure reports to ensure that losses are properly identified and pursued in a timely manner. For the longer term, the department ought to consider interfacing the Child Protective Services System with HARI to achieve greater efficiency and accuracy.

Supplemental Security Income payments and child support collections are not monitored

Foster care children who have special needs may qualify for SSI payments from the federal government. Children in the foster care and adoption assistance program can receive both federally funded board payments and SSI payments.

Legally responsible parents or guardians are required to contribute to their child's foster care financial requirements. Payments received from financially able parents or guardians are used to reimburse the program for foster care expenditures. When a child enters the program, the Foster Care-Income Maintenance Unit prepares a Child Support Enforcement Agency referral form. This form is then forwarded to the Child Support Enforcement Agency of the Department of the Attorney General, and the agency is responsible for determining and collecting foster board payment refunds from responsible parents and guardians.

These payments, if monitored and collected properly, could reduce program expenditures and the amount of emergency appropriations that may be required. However, no one in the Child Welfare Services Branch or the Department of Human Service is monitoring Child Support Enforcement Agency or Social Security Administration collection and remittance functions. The Child Welfare Services Branch does not receive a report from the Child Support Enforcement Agency detailing board refunds due from financially able parents or guardians. Consequently, no one in the department has knowledge about the total amount of board refunds owed to the program.

Collections are recorded properly and deposited on a timely basis

The Collection and Recovery Section is responsible for collecting, recording, securing, and depositing all cash receipts and monitoring all receivables for the department, including the Foster Board Payment Program. In 1994, we found that the department had significant internal control deficiencies relating to the cash receipts function. A specific problem area dealt with deposits of child support receipts from the Child Support Enforcement Agency for the Foster Board Payment Program. The Collection and Recovery Section would ignore breakouts designated by the Child Support Enforcement Agency for federal assistance, Medicaid, and foster care and deposit all receipts into the federal assistance general fund account. Other internal control deficiencies included an accumulation of receipts that had not been deposited; the accessibility of cash, checks, and food stamps kept in a safe or locked in file cabinets; and the lack of supervision and guidance for the Collection and Recovery Section's personnel. During our current review, we found that the department has addressed the internal control deficiencies identified in our prior audit.

The Child Support Enforcement Agency continues to submit to the Collection and Recovery Section monthly reports along with the monthly receipts for the program as well as receipts for federal assistance and Medicaid programs. The Child Support Enforcement Agency provides

the Collection and Recovery Section with a breakout of the specific amounts collected for federal assistance, Medicaid, and foster care.

The Collection and Recovery Section currently deposits the receipts for federal assistance, Medicaid, and foster care into their respective accounts. These receipts are logged with the use of an Excel spreadsheet, then prepared for deposit. The deposits are collected through a secured means on every other day of the work-week. Based on the documentation we reviewed, the Collection and Recovery Section appears to be depositing receipts in a timely manner. The section also confirmed that it no longer has any backlog in depositing receipts.

In 1994, we recommended that the department's Administrative Services Office limit access to receipts in the safe or locked file cabinets to authorized personnel. Today, access to receipts in the safe is limited to authorized Collection and Recovery Section personnel. The section has developed internal control policies requiring all undeposited collections to be placed and locked in the safe after office hours. Opening the safe requires two staff members—one staff member with a key to unlock the safe knob and a second staff member with the combination to open the safe.

Additionally, the department hired a supervisor on March 19, 2001 to manage the Collection and Recovery Section. We were told by the supervisor that the section's personnel are aware of their responsibilities, which are defined by their position descriptions. However, we were also informed that the section's procedures manual needs to be updated, staff do not receive regular training, and the cashier clerk position continues to have high turnover. These factors indicate that the Collection and Recovery Section still needs to provide better guidance for its personnel.

The Collection and Recovery Section should continue to ensure that all cash receipts are properly recorded and deposited on a timely basis. The timely recording and depositing of cash receipts ensures that the program's expenditures are properly reimbursed and that funds become available for other program expenditures.

Private fund accounts are not maintained for child support collections

Section 17-828-7, Hawai'i Administrative Rules, requires the department to set up a private fund account for each foster child who receives resources in excess of the amount expended by the department. Available resources include SSI collections and child support collections by Child Support Enforcement Agency. However, the department continues to improperly deposit these child support collections in an account along with all other foster care reimbursements, rather than in individual private fund accounts.

The Collection and Recovery Section is responsible for establishing private fund accounts. Upon receipt of SSI checks, section clerks will automatically deposit any portion of a check in excess of \$1,099 into a private fund account. An individual private fund account is created by entering information into the State's accounting system, the Financial Accounting and Management Information System (FAMIS), and depositing the money into a trust account. Every private fund account has corresponding codes to identify the account in the State's accounting system and yield account balance information. The accounts amounted to approximately \$115,600 as of June 30, 2004.

At the end of each month, the total balance in private fund accounts maintained in FAMIS is reconciled to the total of all deposits, refunds, and adjustments made during the month. The private fund account balance is also reconciled to an Excel spreadsheet maintained by a Collection and Recovery Section employee. The Excel spreadsheet also contains information on individual private fund account balances.

No private fund accounts have yet been created for foster children who have received child support payments in excess of foster board costs. Further, as noted previously, the Collection and Recovery Section deposited all Child Support Enforcement Agency collections directly into the federal assistance account for FY1993-94. The section has yet to determine whether any portion of these collections should also be deposited into private fund accounts.

The Department Has Improved on Federal Reimbursements

The Department of Human Services is eligible to receive federal funds for foster care under Title IV, Parts B and E of the Social Security Act. Title IV-E allows federal reimbursements for foster care maintenance payments (foster board and care costs), adoption assistance payments to parents who adopt children with special needs, child welfare training costs, and costs related to the administration of the foster care program. There is no limit to the amount of Title IV-E funds that can be claimed if the state is eligible, costs are allowable, and state matching funds are available.

To be eligible for Title IV-E funds, a child must have received or been eligible for federal assistance at the time of removal from the family home and placement in foster care. The child must also be less than 18 years old, under the department's placement responsibility when removed from the home, and live in a licensed foster home. In addition, the Family Court must find that living in the family home is contrary to the child's best interest and that reasonable efforts were made to prevent placement and reunify the family.

In our 1994 *Management and Financial Audit of the Foster Board Payment Program*, Report No. 94-28, we criticized the department for underutilizing the potential to claim federal funding for foster care. In our current review, we found that the department has made improvements in securing and increasing federal reimbursements for Title IV-E funds. Since FY1997-98, the department has made significant progress by increasing federal reimbursements for Title IV-E funds. In FY1997-98, federal reimbursements totaled approximately \$12 million. This figure has more than doubled in FY2003-04, to over \$26 million.

One of the ways that the department has bettered its Title IV-E eligibility determination process is to use the Preponderance of Evidence Method. The Title IV-E reimbursements may be claimed after eligibility is determined. Therefore, delays in completing eligibility determinations will delay receipt of reimbursements. Untimely Title IV-E determinations have been attributed to difficulties in documenting financial assistance eligibility.

To establish eligibility for federal assistance, the department must identify the parents of the child and whether they meet certain financial deprivation requirements. Even if there is substantial evidence to qualify a child, without documented proof, eligibility determinations will likely be delayed. This requirement becomes problematic in cases where the paternity of a child has not been established, the parents have abandoned the child, or the parents are uncooperative with the department. The Preponderance of Evidence Method allows decisions on eligibility to be made in these situations where obtaining verifiable evidence may not be possible. Using the Preponderance of Evidence Method, eligibility determinations are based on the reasonable conclusion that no or insufficient income and assets exist after due diligence to identify income and assets has been performed.

The department has also maximized Title IV-E reimbursements by converting state-funded adoption cases, coordinating child placement responsibilities with other agencies, obtaining detailed information for board payments, and continuing discussions with the federal government to maximize the recovery of administrative costs. Additionally, modifications to the department's Child Protective Services System allow for the identification of Title IV-E eligible children and facilitate in claiming administrative costs. The Child Protective Services System's License Resource File, the subsystem that maintains information on foster homes, child caring facilities, prospective adoptive homes and child placing organizations licensed by the Department of Human Services, also recognizes whether a foster home for a particular child is unconditionally licensed—a requirement for additional Title IV-E claimable costs.

Conclusion

Enabling children at risk of abuse or neglect to live in a safe and secure environment is not only a matter of public policy but also the mission of the Department of Human Services through its Child Welfare Services Branch. However, without proper management of the Foster Board Payment Program, the department cannot ensure that it is meeting the needs of its clients.

Data discrepancies and incomplete case file documentation continue to undermine the reliability of the information used by decision-makers, placing children, families, resources, and the State at risk. Weaknesses in the program's financial management also result in overpayments to ineligible families and providers, inadequate monitoring of program reimbursements, and a disregard for the department's fiduciary responsibility to children receiving child support payments in excess of their financial requirements. Although the Department of Human Services has made improvements to its Foster Board Payment Program, the problems that remain demonstrate that there is still much room for improvement.

Recommendations

1. The Child Welfare Services Branch administrators should ensure that:
 - a. Social workers maintain all case records in a timely manner and Child Protective Services System updates are performed on a timely basis;
 - b. Supervisory reviews are regularly conducted to ensure the accuracy, completeness, and timeliness of the information maintained by the branch;
 - c. Social workers document children's foster care placement and removal in their case files and update the Child Protective Services System with placement information on a timely basis; and
 - d. Social workers routinely contact foster children to ensure that payments do not continue to families after a child has left a foster home.
2. The Child Welfare Services Branch should also work with the Child Support Enforcement Agency to coordinate and monitor child support collections. It should also request reports from Child Support Enforcement Agency on those children for whom child support is collectible.

3. The Department of Human Services should establish policies and procedures to ensure that all amounts due to the Foster Board Payment Program are properly monitored and recovered and that private fund accounts for child support collections are maintained.
4. The Department of Human Services should also continue its efforts to maximize federal fund reimbursements.

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Appendix A
Status of 1994 Recommendations

<i>Management and Financial Audit of the Foster Board Payment Program, Report No. 94-28</i> Recommendations	Current Follow-up Findings
<p>1. The director of human services should make sure that the Department of Human Services begins to budget responsibly for the Foster Board Payment Program. Specifically, the director should:</p> <p>a. Direct the administrators of the Family and Adult Services Division (FASD) and Social Services Program Development Office to oversee and coordinate efforts to generate accurate demographic data on foster children and their expenditures so that a sound data base is available for budgeting. The data should include foster children and youths placed by other agencies and private institutions;</p> <p>b. Assign responsibility for developing budget projections for the Foster Board Payment Program to the Committee on Payment Projections; and</p> <p>c. Clearly identify the scope of the program in terms of the department's responsibilities for making payments for children placed by other agencies.</p>	<p>In 1997, the Department of Human Services reorganized, creating a new Social Services Division, which includes the Child Welfare Services Branch. The new division absorbed the social services programs of the Family and Adult Services Division, including the Foster Board Payment Program.</p> <p>The Child Protective Services System (CPSS) contains demographic data on foster children and their expenditures. CPSS is able to generate a report that displays the total number of foster children under the department's placement responsibility and identify foster children and youths placed by other agencies and private institutions. However, the database continues to be unreliable.</p> <p>Since February 1995, the role of the Committee on Payment Projections expanded to cover projections for board and board-related costs.</p> <p>CPSS is able to provide a clear differentiation between the department's children and children placed by other agencies. The Department of Human Services and the Department of Health have entered into agreements defining the responsibilities of each department.</p>
<p>2. The Family and Adult Services Division should:</p> <p>a. Implement internal expenditure guidelines based on funding available to keep spending within budget. These guidelines should be uniformly and consistently implemented and amended when necessary;</p> <p>b. Ensure that case files are reviewed on a timely basis;</p> <p>c. Ensure that monthly payment reports are reviewed by the appropriate social worker or FASD unit supervisor;</p>	<p>The department has set monetary guidelines for special service payments and has required supervisory approval for some services. Further, when budget shortfalls are anticipated, staff are advised to curtail discretionary payments.</p> <p>Supervisory review of case files are performed once a month on a random basis as part of the department's newly developed quality assurance system. However, overpayments continue to occur.</p> <p>The thoroughness of monthly payment report reviews varies by section.</p>

<p><i>Management and Financial Audit of the Foster Board Payment Program, Report No. 94-28</i> Recommendations</p>	<p>Current Follow-up Findings</p>
<p>d. Require a second or supervisory review of authorization for payment and data entered into the computer system;</p> <p>e. Develop a checklist of documentation required for client files of the division;</p> <p>f. Work with the Child Support Enforcement Agency (CSEA) to coordinate and monitor child support collections. Ensure that referral forms to CSEA are completely and accurately filled out and that historical expenditure data can be provided to CSEA. Request reports from CSEA on those children for whom child support is collectible; and</p> <p>g. Work with the Administrative Services Office (ASO) to receive reports regularly on collections and receipts.</p>	<p>CPSS requires proper authorization prior to disbursing payments. Payments for room and board and clothing only require the social worker's approval. Other discretionary payments, such as transportation costs to effect child placement, require supervisory approval.</p> <p>The department maintains that standard operating procedures already identify the documents required for client files. However, client files are still incomplete, placing in question the accuracy of client status.</p> <p>Income maintenance workers are assigned the task of completing all child support forms, updating case information, and referring cases to CSEA. CSEA manually identifies all foster care cases that receive child support. This information is forwarded to the Fiscal Management Office's Collections and Recovery Section monthly with the money collected. CSEA has initiated the development of a database capture program that would allow income maintenance workers to make electronic referrals to CSEA. CSEA has not experienced problems with the information received from the income maintenance workers or Child Welfare Services units. No one within the Department of Human Services knows the total amount of child support collections owed to the program.</p> <p>The Automated Recovery System (ARS) produced aged accounts receivable reports for the program on an annual basis. However, when ARS was replaced by the Hawai'i Accounts Receivable Information (HARI) System, these reports were no longer available. As such, between April 2003 (implementation date for HARI) and March 2005 (date of the first report), receipts collected by the Collections and Recovery Section were not communicated to the Child Welfare Services Branch. A request was submitted to the department's Office of Information Technology in February 2005 to modify HARI to generate an aged accounts receivable report for the program. The first of these reports was generated for the month of March 2005.</p>

<i>Management and Financial Audit of the Foster Board Payment Program, Report No. 94-28 Recommendations</i>	Current Follow-up Findings
<p>3. The quality control staff of the Evaluation Office should provide written reports on its monthly review of the Foster Board Payment Program and Prepare semi-annual reports that summarize the actions resulting from the reviews.</p>	<p>The quality control staff of the Evaluation Office no longer performs reviews of the Foster Board Payment Program case files.</p>
<p>4. The ASO should establish appropriate internal controls over collections for the Foster Board Payment Program. Specifically, it should:</p> <ul style="list-style-type: none"> a. Establish policies and procedures to ensure that all amounts due are properly monitored and recovered, and receipts are properly recorded, deposited, and secured; and that private fund accounts are maintained; b. Create a written procedures manual that defines clearly the responsibilities of each position in its Collections and Recovery Section and describes specifically how each process and task is to be performed; c. Adequately train and properly supervise all Collections and Recovery Section employees; d. Immediately hire a qualified and properly trained supervisor to manage the Collections and Recovery Section; e. Limit access to receipts in the safe or locked file cabinets to authorized personnel; f. Develop an accounts receivable subledger detailing all board overpayments and Supplemental Security Income payments to be collected and the length of time these receivables have been outstanding. This aged subledger should be updated and reconciled on a monthly basis; 	<p>Child Welfare Services Branch staff are now responsible for monitoring board overpayments. However, Supplemental Security Income payments and child support collections are not monitored. The department also does not maintain private fund accounts to control collections from CSEA. Nevertheless, the Collection and Recovery Section is properly recording and depositing collections on a timely basis.</p> <p>The department has implemented a new computer application for managing benefit overpayment collection and recoupment, but related procedures are outdated. The Collection and Recovery Section's procedures manual describes procedures for ARS rather than HARI. A procedures manual for HARI has yet to be written.</p> <p>The Collections and Recovery staff does not receive regular training.</p> <p>The current supervisor of the Collections and Recovery Section was hired in March 2001.</p> <p>The Collections and Recovery Section has implemented procedures to restrict access to the safe to assigned personnel.</p> <p>The department accounts for overpayments in both the CPSS and the HARI. The department does not monitor Supplemental Security Income payments owed to the program.</p>

<p><i>Management and Financial Audit of the Foster Board Payment Program, Report No. 94-28</i> Recommendations</p>	<p>Current Follow-up Findings</p>
<p>g. Conduct management reviews of aged receivables and appropriate collection procedures; and</p> <p>h. Prepare a subsidiary ledger for all individual private fund accounts detailing the account balances by foster child. Reconcile amounts from the subsidiary ledger to the private fund control accounts balances and perform monthly reconciliations thereafter. A listing of the private fund accounts should be distributed to the appropriate social workers.</p>	<p>Aged receivables reports for the program were not available between April 2003 and March 2005. The first of these reports was generated for the month of March 2005.</p> <p>Private fund accounts detailing the account balances by foster child are maintained in the State's financial accounting system (FAMIS). The account balances are reconciled on a monthly basis.</p>
<p>5. The department should maximize Title IV-E reimbursements by converting state-funded adoption cases to federal funding, examining and coordinating child placement responsibilities with other agencies, obtaining accurate and complete information for board payments, and continuing discussions with the federal government to maximize the recovery of administration costs.</p>	<p>Since our 1994 audit, the department has made improvements in securing and increasing federal reimbursements for Title IV-E funds.</p>

Response of the Affected Agency

Comments on Agency Response

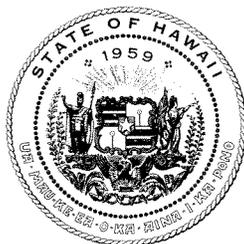
We transmitted a draft of this report to the Department of Human Services on July 5, 2005. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2, which sets forth the agency's cover letter and only the first of five attachments. The other attachments, not included because of their volume, are available for viewing at our office.

In its response, the Department of Human Services expresses gratitude for our review and appears to be in general agreement with our findings and recommendations. The department noted that corrective actions will be taken and that it plans to strive towards improving its management of the Foster Board Payment Program. It reported that the department is in the process of developing a system to monitor reimbursements to the Foster Board Payment Program for Supplemental Security Income (SSI) receipts and child support collections and has commenced discussions with the Financial Management Office and system programmers to interface the Child Protective Services System (CPSS) with the Hawaii Accounts Receivable Information System (HARI) to better account for overpayments. The department also indicated that the Child Welfare Services Branch and Child Support Enforcement Agency have begun discussions with the Collection and Recovery Section to improve the sharing of information among the parties and establish a process to ensure that private fund accounts are created when appropriate.

The Department of Human Services also provided other information and clarifications, some of which we incorporated into the report.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor
(808) 587-0800
FAX: (808) 587-0830

July 5, 2005

COPY

The Honorable Lillian B. Koller, Director
Department of Human Services
Queen Liliuokalani Building
1390 Miller Street
Honolulu, Hawai'i 96813

Dear Ms. Koller:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Follow-Up Audit of the Foster Board Payment Program*. We ask that you telephone us by Thursday, July 7, 2005, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Friday, July 15, 2005.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

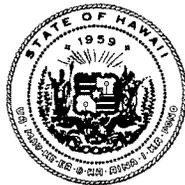
Sincerely,

A handwritten signature in cursive script that reads 'Marion M. Higa'.

Marion M. Higa
State Auditor

Enclosures

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809

July 22, 2005

RECEIVED

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OFF. OF THE AUDITOR
STATE OF HAWAII

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawai'i 96813-2917

Dear Ms. Higa:

Thank you for the opportunity to comment on the confidential draft copy of the report on the *Follow-Up Audit of the Foster Board Payment Program*. We appreciate the analysis of the Department's management of this program and were pleased to see that many improvements were noted in the report. The enclosed attachments will provide increased accuracy to the draft report.

Recommendations for actions toward the goal of increasing the quality of documentation and monitoring are consistent with our Federal Child and Family Services, Program Improvement Plan (PIP). Changes implemented through our PIP, such as increased supervisory oversight and increased worker contact with children and families, will continue to improve the Department's accountability and management of the foster board payment program.

Sincerely,

Lillian B. Koller, Esq.
Director

Attachments

Attachment A: The following conventions are used throughout this documents:

Inserted text is shown with underline

Deleted text is shown with ~~strikethrough~~

Page 2, paragraph 4, lines 1 through 3, “The Statewide Child Welfare Services Section oversees intake, income maintenance eligibility, and home based support services for welfare services clients.”

Revise to read “The Statewide Child Welfare Services ~~Section~~ Branch and home based support services for child welfare services clients.”

Page 3, Exhibit 1.1, Organization of Child Welfare Services (CWS) Branch in the Department of Human Services

The Program Development Office is not included in this exhibit. Attachment B shows the organizational placement of the Program Development Office within the CWS Branch and Attachment B.1 shows the organization within the Program Development Office.

Page 6, paragraph 2, lines 6 and 7, “Medical care and treatment for the foster family up to \$500 per month ...”

Per Hawai'i Administrative Rule §17-828-5(d) (8) the Department can pay “...up to \$500 per incident or \$500 per person depending on a doctor's recommendation...”

paragraph 3, lines 1 and 2, “...covers the cost of special services needed by children...”
Special services are now known as difficulty of care payments.

paragraph 3, lines 10 and 11, “The amount of time to be spent on special services is determined by the assigned social worker and the caregiver.”

The amount of time to be spent on caring for a child with special services needs is recommended by the child's treating professional and determined by the assigned social worker and the caregiver.

paragraph 6, lines 4 through 6, “This payment, not to exceed the flat board rate of \$529, is made ...”

This payment, not to exceed the flat board rate of \$529 or a total of \$1,099 if the child is eligible for difficulty of care payments up to \$570.

Page 18, paragraph 2, line 9, “...the department has set monetary guidelines for special service payments and . . .”

Special service payments are now known as difficulty of care payments.

Page 20, paragraph 4, regarding the recent assessment of Hawaii's Adoption and Foster Care Reporting System (AFCARS).

The results of the Federal review of the Hawaii's Adoption and Foster Care Analysis and Reporting System (AFCARS) indicate that the Department is in full compliance with the foster care and adoption population requirements and the technical standards.

Representatives from the Administration for Children and Families who conducted the review stated that the Department of Human Services received one of the highest overall ratings in the nation. The report, included as Attachment C, states in the "Conclusion" section on page 6, that "[t]he State has taken a very proactive approach to making necessary technical corrections... The State has also begun to implement methods to assess the quality of its data on an ongoing basis." The Department has provided clarifications and training to staff that address the recommendations for increasing the accuracy of data entry and review of data. For the technical system requirements for reporting that did not fully meet the AFCARS standards, all these elements were corrected by May 2005.

Page 21, paragraph 2, line 6, "...including the lack of adequate staffing, higher priority given to .."

Staff turnover is another factor that impacts the Department's ability to update the Child Protective Services System in a timely manner.

paragraph 4, line 2, "The Child Welfare Services Division staff . . ."
Revise to read "The Child Welfare Services ~~Division~~ Branch staff. . ."

paragraph 4, line 4, "Branch-level social workers then..."
Revise to read ~~Branch~~ Unit-level social workers.

Page 21, paragraph 3, lines 8 through 11, "We also found that four of the case files did not contain either a police booking form, police report, or Voluntary Foster Custody Agreement documenting the child's removal from the family home."

The 1508 Form, "Agreement Between the Department and Foster Parents," documents the child's removal and placement into a foster home. Other documentation of a child's removal and placement can be found in the log of contacts, court reports, and court orders.

Page 22, paragraph 4 lines 2 through 6, "The department of human services has no system to monitor and recover reimbursements to the Foster Board Payment Program for Supplemental Security Income (SSI) receipts and child support collections. It cannot determine the total amounts owed to the State in reimbursements from these two sources."

The Department is developing a system to post these payments to CPSS. The system may include the maintenance of an Excel file by the Fiscal Management Office of all payments received that can be uploaded and run through a batch process once a month to post them to the CPSS.

Page 22, paragraph 4, lines 7 and 8, "...private fund accounts are not properly maintained for children who receive child support payments..."

The Child Welfare Services Branch staff has been working with the Fiscal Management Office, the Child Support Enforcement Agency (CSEA), and the Social Security Administration to ensure that private fund accounts are being established when appropriate.

paragraph 5, "Payments are made when social workers initiate and authorize services using the Child Protective Services System. Once a payment initiation is entered into the system, monthly payments are automatically generated and continue indefinitely until the service or payment is terminated. Overpayments occur when payments are not terminated in a timely manner. Accordingly, if a social worker does not update the system with a service termination date, the system will continue to process incorrect board payments indefinitely."

CPSS will not make payments "indefinitely" unless the worker continues to confirm and update the client's eligibility in CPSS. Once a client's eligibility review is overdue, the benefit will be unauthorized and no further payment will be made until the worker re-authorizes the benefit.

Page 23, paragraph 2, line 8, "...Maui Child Welfare Services Section conducts daily morning briefings with staff..."

As of the staff training conducted in October 2004, morning briefings have been implemented Statewide in all CWS sections.

Page 24, paragraph 3, line 12, "...no findings or recommendations have yet been developed."

Attachment D is the *Consolidated Report: January and April 200 Quarterly Case Reviews, Findings, Discussion and Recommendations*, which was issued for the July 13, 2005 statewide stakeholders meeting. The report stated that the Department has been making progress in attaining goals set forth in the Child and Family Services Review Program Improvement Plan (PIP). In comparing the first two quarters of the on-site reviews during PIP implementation, Hawaii has met or exceeded the final PIP goal for two consecutive quarters in the following items: Item 2 (repeat maltreatment), Item 5 (foster care re-entries), Item 13 (visiting with parents and siblings in foster care), Item 19 (worker visits with child) and Item 20 (worker visits with parents).

Page 25, paragraph 3, "Department is still unable to determine total amount of board reimbursements from child support collections and SSI payments since it does not have a system to adequately monitor and recover reimbursements due. Furthermore the Collections and Recovery Section is not carrying out its fiduciary responsibility to maintain private fund accounts for foster whose child support payments exceed their foster care expenditures."

The Collection and Recovery Section (CRS) has relied on the Child Welfare Service Branch staff for notice and instructions for deposits. Only recently has CRS received notice that CSEA is sending child support payments that exceed the foster care board

expenditures and that a private account needed to be established. CRS is working with Child Welfare Services Branch and CSEA to review the situation and establish a process to set up a trust fund to account for these monies.

paragraph 5, lines 5 through 11, “However, related procedures manuals are out-of-date. First, a procedures manual for HARI has yet to be developed. Secondly, the department’s policies and procedures governing the handling of cash, dated November 1, 1971, describes procedures used with the Automated Recovery System, the predecessor to HARI. An administrator indicated that certain portions of the manual definitely do not apply to procedures under HARI.”

Parts VIII, X, XII & XIII of the CRS procedures manual relate specifically to the Automated Recovery System (ARS), which has been replaced by HARI, and consequently will be updated. A separate HARI manual is being developed. The memo on the policies and procedures for the handling of cash that is dated November 1, 1971, is part I of the CRS procedures manual. This part relates the general cash handling policies and procedures that are still presently applicable. Parts I to VII, IX, XI and XIV to XXIV of the manual contain instructions that are still followed.

As an example, the handling of miscellaneous receipts is still processed in the same manner described in the CRS procedures manual. The cashier clerk will verify all cash or negotiable instruments they received and sign the FIN-13 form acknowledging receipt of the funds with a copy of the form sent to the unit for their records. A deposit slip is then prepared and sent to the bank for deposit, at the same time documents are forwarded to the accountants for the account codes to deposit into FAMIS. After the validated deposit slip is received from the bank, a Treasury Deposit Receipt (TDR) is prepared and forwarded to the Department of Budget and Finance (B&F) for validation. Copy #4 of the TDR is retained along with the backup documents and filed. B&F will stamp its validation number and date on copy number three of the TDR and forward it to CRS. This procedure is consistent with the directions issued in the November 1, 1971 memo. However, as part of the process to develop the HARI manual, the existing cash handling procedures will be reviewed and updated as necessary.

Page 27, paragraphs 1 through 3, regarding overpayments, monthly reports and an interface between the Hawaii Accounts Receivable Information system (HARI) and CPSS. The Department acknowledges that overpayments, claims, and reimbursement are important issues. The Department’s plan to address this area includes: increased monitoring of payments to decrease overpayments; increased sharing of information between HARI and CPSS in the form of reports and automated interface; and seeking authorization and establishing protocols to write off accounts that are not collectible.

Discussion has already begun with the system programmers and FMO regarding the exchange of information between the two systems. The preliminary assessment indicates

that the modifications needed for the download/upload of files between the two systems seem feasible and relatively simple.

Page 28, paragraph 2, lines 6 through 8, “The Child Welfare Services Branch does not receive a report from the Child Support Enforcement Agency detailing board refunds due from financially able parents or guardians.”

This appears to be inconsistent with the last sentence in the fourth paragraph on the same page, which states “*The Child Support Enforcement Agency provides the Collection and Recovery Section with a breakout of the specific amounts collected for federal assistance, Medical and foster care.*”

Discussion has begun between the Child Welfare Services Branch, CRS, and CSEA to clarify expectations and improve the sharing of data.

Page 29, paragraph 4, lines 4 through 9, “However, we were also informed that the section’s procedures on handling cash receipts need to be updated, staff do not receive regular training, and the cashier clerk position continues to have high turnover. These factors indicate that the Collection and Recovery Section still needs to provide better guidance for its personnel.”

CRS continually receives cash and negotiable instruments and training is done on a “on the job training” basis. When a new cashier clerk starts, an oral orientation along with sample copies of the documents, with which the cashier clerk will work with, and written instructions are provided. Procedures manual serves as a valuable reference and the trainee cashier clerk also takes down notes as part of the on-the-job training. The supervisor reviews all Treasury Deposit Receipts and if there are any errors, it is discussed with the employee. Training for the cashier clerks is an on-going process.

The cashier clerks are at an entry-level position (SR-08). And employees are frequently moving to higher-level positions. For the past two years, most of the cashier clerks have accepted promotions to higher pre-audit/account clerk positions (SR-11) within the Department.

Page 29 paragraph 6, line 5, “However, the department continues to improperly deposit these child support collections in an account along with all other foster care reimbursements, rather than in individual private fund accounts.”

CRS recently received notice that CSEA is sending child support payments that exceed the foster care board expenditures and that a private account needed to be established. CRS is working with Child Welfare Services Branch and CSEA to review the situation and establish a process to set up a trust fund to account for these monies.

Page 30, paragraph 2, line 2 through 4, “Upon receipt of SSI checks, section clerks will automatically deposit any portion of a check in excess of \$1,099 into a private fund account.”

Initially, CWS staff use the DSS 8 form to advise FMO that ongoing SSI checks will be received for a child in foster care. The form includes the amount the Department is paying in foster care maintenance, the amount of the check and directions that any amount in excess of the maintenance payment is to be deposited into a private account for the child. The maintenance payment for the child may be the basic monthly rate of \$529 or a combination of the basic board and difficulty of care payment up to \$1,099 per month.

paragraph 4, lines 1 and 2, “No private fund accounts have yet been created for foster children who have received child support payments in excess of foster board costs.” Private fund accounts will be established for foster children for whom the Department receives child support payments that exceed the amount of the foster maintenance payments. CSEA and CRS are working on ways to clarify and improve the sharing of data.

Page 31, paragraph 2, regarding recognition that the Department made improvements in securing and increasing federal reimbursements for Title IV-E funds. In FY 1997-1998, federal reimbursement totaled approximately \$12 million, and in FY 2003-2004, federal reimbursement totaled over \$26 million.

The Department continues this trend and has drawn down \$31,557,374 in federal Title IV-E reimbursements for FY 04-05. Attachment E shows the Title IV-E earnings for foster care and adoption assistance for State Fiscal Years (SFY) 2000 through 2004 and the first two quarters of SFY 2005 (quarter ending December 2004).