



AUDITOR GENERAL

DAVID W. MARTIN, CPA



DEPARTMENT OF CHILDREN AND FAMILY SERVICES

COMMUNITY-BASED CARE PILOT PROGRAM

FISCAL AND ADMINISTRATIVE MONITORING

Operational Audit

SUMMARY

Chapter 2006-30, Laws of Florida, created a three-year pilot program under which independent, nongovernmental third-party entities were to be engaged by the Department to conduct fiscal, administrative, and programmatic monitoring of the lead agencies serving Miami-Dade, Monroe, and Broward Counties. In response to the requirements of Chapter 2006-30, Laws of Florida, the Department contracted with Abel & Associates to provide fiscal and administrative monitoring and contracted with the University of Chicago on behalf of Chapin Hall Center for Children to provide programmatic monitoring of the applicable lead agencies, ChildNet and Our Kids. Chapter 2006-30, Laws of Florida, also directed the Auditor General and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to perform an evaluation of the pilot program. The focus of our audit, covering the period August 2006 through June 2007, was on the efficiency and effectiveness of the fiscal and administrative monitoring provided for the lead agencies in the pilot program. Our audit disclosed:

- The approach used to select the fiscal and administrative monitor was consistent with the requirements of governing law, which exempted the selection from the competitive processes otherwise required by Section 287.057, Florida Statutes. We recommend that the processes used to select any future contractor employ competition.
- While we found that the monitoring services provided were consistent with contractual requirements, the efficiency and effectiveness of the monitoring services provided for the pilot lead agencies may be improved by amending the monitoring plan to address service tasks on a schedule that is risk-based.
- The Department conducted an on-site review of Abel & Associates in June 2007, and the conclusion of that review was that Abel & Associates had complied with the terms and conditions of the contract.
- In response to the contracted monitor's findings, corrective actions for contractual compliance recommendations had been timely implemented by ChildNet and Our Kids.

BACKGROUND

Section 409.1671, Florida Statutes, requires the Department of Children and Family Services (Department) to outsource the provision of foster care and related services Statewide by contracting with several community-based care lead agencies. The intent of the lead agency system of care is to provide increased local community ownership of service delivery and design. In response to the requirements of Section 409.1671, Florida Statutes, the Department contracted with ChildNet, Inc., (ChildNet) to serve Broward County and Our Kids of Miami-Dade/Monroe, Inc., (Our Kids) to serve Miami-Dade and Monroe Counties. Both contracts began on July 1, 2006, and are effective

through June 30, 2009. The contract amounts for the contract period total \$198,058,485 for ChildNet and \$281,886,787 for Our Kids.

Chapter 2006-30, Laws of Florida, created a three-year pilot program under which independent, nongovernmental third-party entities were to be engaged by the Department to conduct fiscal, administrative, and programmatic monitoring of the lead agencies serving Miami-Dade, Monroe, and Broward Counties. In response to the requirements of Chapter 2006-30, Laws of Florida, the Department contracted with Abel & Associates to provide fiscal and administrative monitoring and contracted with the University of Chicago on behalf of Chapin Hall Center for Children to provide programmatic monitoring of ChildNet and Our Kids. The monitoring objectives stated in the Abel & Associates contract were to: (1) obtain an ongoing independent monitoring of the lead agency compliance with administrative and fiscal requirements; and (2) provide each lead agency an opportunity to have an independent professional opinion and associated recommendations to improve effectiveness and efficiency of administrative and financial processes. The contract provides that the Department is to periodically monitor the performance of Abel & Associates.

Chapter 2006-30, Laws of Florida, directed the Auditor General and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to perform an evaluation of the pilot program. The focus of our audit was on the effectiveness of the fiscal and administrative monitoring of the pilot program lead agencies during the period August 2006 through June 2007. OPPAGA has a project underway involving the evaluation of the programmatic monitoring of the lead agencies in the pilot program.

The Department's Office of Inspector General issued a consulting report in July 2007 addressing the monitoring of fiscal and administrative activities of lead agencies.¹ The project's stated objective was to provide recommendations to Department management regarding the use of third-party fiscal monitors as part of overall lead agency oversight. The report indicates that the review had been initiated as a result of incidents at ChildNet involving the theft of gift cards, missing inventory, lax physical and IT security, and contract oversight concerns. However, the focus of the review extended beyond ChildNet and included observations and recommendations addressing the monitoring of all lead agencies. The final recommendation included in the report indicated that traditional monitoring models may not be the answer for the privatized child welfare environment and that the Department should consider more flexible options such as open-ended contracts allowing changes, as needed, to the scope of services, contracting with individual consultants, in-house fiscal monitoring, or perhaps a combination of such options.

Department management has advised us that beginning in January 2008, the fiscal monitoring of lead agencies operating outside of the pilot program areas will be performed by the Department.

¹ DCF IG Project C-05-0708-026, *Monitoring of Community-Based Care Fiscal Activities Needs Comprehensive Evaluation and Modification*.

FINDINGS

To evaluate the efficiency and effectiveness of the fiscal and administrative monitoring provided for the lead agencies in the pilot program, we addressed the following questions:

- Did the approach used to select the fiscal and administrative monitor comply with governing provisions of law, and how might that approach be improved?
- Did the monitoring methodology meet the needs of the Department and the lead agencies, and was it properly applied by the contracted fiscal monitor?
- Did the Department timely monitor Abel & Associates' contractual compliance, and what did those monitoring efforts disclose regarding performance?
- What types of findings were reported by Abel & Associates, and were the related recommendations implemented by the lead agencies?

Our findings relative to each of the above questions are presented in succeeding paragraphs of this report.

Did the approach used to select the fiscal and administrative monitor comply with governing provisions of law, and how might that approach be improved?

Our audit tests indicated that the approach used to select the fiscal and administrative monitor was consistent with the requirements of governing law. Section 2 of Chapter 2006-30, Laws of Florida, provided that the selection of the fiscal and administrative monitor was to be exempt from the competitive selection processes otherwise required by Section 287.057, Florida Statutes. The law also required that all parties agree to the selection and manner in which the monitor would carry out its responsibilities. The contractor that was selected, Abel & Associates, had a prior contract with the Department that began on October 15, 2003, to provide day-to-day financial monitoring of ChildNet. According to the Department, due to Abel & Associates' prior experience with monitoring ChildNet and the Department's satisfaction with Able & Associates' past performance, Able & Associates was awarded the contract. Our Kids also considered Abel & Associates and agreed with the selection. The agreement is a fixed price contract totaling \$875,000 with a term of 35 months beginning on August 1, 2006.

Recommendation: As indicated above, the initial selection of contractor was exempted from the competitive processes. We recommend that the processes used to select any future contractor employ competition. The use of competitive procurement processes will provide additional assurance that the contract is awarded to the most qualified provider at an economical price.

Did the monitoring methodology meet the needs of the Department and the lead agencies, and was it properly applied by the contracted fiscal monitor?

Section 2 of Chapter 2006-30, Laws of Florida, requires that monitoring be conducted in manner jointly agreed to by the lead agencies and the Department. We found that the Department and the lead agencies had jointly agreed to a monitoring approach and that approach is reflected in the Department's contract with Abel & Associates, which lists the reports that must be delivered and service tasks that must be performed throughout the term of the contract. Service tasks identified in the contract include, for example, expenditure review services, Title IV-E client eligibility determination process review services, data security reviews, and inventory reviews. As required in the contract, Abel & Associates had also developed a monitoring plan that provides a schedule as to when each of the service tasks are to be completed. Our interviews of Department management, including district administrators, the Assistant Secretary for Administration, and the Director of Contracted Client Services, disclosed that, overall, the Department

was satisfied with the monitoring provided thus far during the pilot. Additionally, our interviews of lead agency staff, including the Chief Financial Officers and the Directors of Finance disclosed that the lead agencies, ChildNet and Our Kids, were satisfied with the monitoring services provided under the pilot.

As part of our audit, we reviewed the monthly monitoring reports and conducted a review of Abel & Associates' working papers for evidence that each required service task had been addressed. We also obtained and reviewed all of the required reports. Our review disclosed evidence that all service tasks required during the audit period had been performed and reports were prepared and submitted in accordance with contract terms and requirements.

Recommendation: While we found that the monitoring services provided were consistent with contractual requirements, the efficiency and effectiveness of the monitoring services provided for the pilot lead agencies would be improved by amending the monitoring plan to address service tasks on a schedule and scope that is risk-based. Currently, the service tasks listed in the Abel & Associates contract must be addressed as outlined in the monitoring plan, and generally, all service tasks are to be addressed annually. Since Abel & Associates has completed a review of all service tasks at least once, the Department now has information available which would allow a consideration of risk and the adjustment of the frequency and scope of service tasks to address problem areas more frequently and thoroughly and areas that have the lowest risk less frequently.

Did the Department timely monitor Abel & Associates' contractual compliance, and what did those monitoring efforts disclose regarding performance?

As indicated in the Background section of this report, according to the contract with Abel & Associates, the Department is authorized to monitor the performance of Abel & Associates. In performing such monitoring, the Department was to follow its established procedures, which require that, initially, the performance of all contractors be reviewed by the Contract Oversight Unit (COU) at least annually to determine each contract's level of risk. Once the level of risk is known, the COU is to conduct on-site reviews of high-risk providers annually, medium-risk providers every two years, and low-risk providers every three years.

The Department conducted an on-site review of Abel & Associates in June 2007, and the conclusion of that review was that Abel & Associates had complied with the terms and conditions of the contract. Subsequent to the review, Abel & Associates was identified as a medium-risk provider based on the Department's scoring of risk factors which included, for example, the nature of the service, date of last onsite monitoring visit, and funding amount.

What types of findings were reported by Abel & Associates, and were the related recommendations implemented by the lead agencies?

The Abel & Associates monthly monitoring reports included recommendations pertaining to findings that were characterized as either lead agency contract noncompliance or a failure to adhere to best practices. For each of the recommendations, Abel & Associates also included an estimated completion date, based on the time estimated by Abel & Associates that either ChildNet or Our Kids would need to implement the recommendation. A finding was considered a contractual compliance issue if it was related to an item on the list of service tasks in the Abel & Associates contract. In an attachment to each of the monitoring reports, Abel & Associates listed all current recommendations and their status. In addition to the COU monitoring, the Department's contract manager had the responsibility to ensure that the recommendations of Abel & Associates were implemented by ChildNet and Our Kids.

Our review of finding status, as shown by the monitoring reports, disclosed that corrective actions had been addressed or implemented by ChildNet and Our Kids for contractual compliance recommendations with estimated

completion dates falling within the audit period. To provide examples of the findings included in the monitoring reports, we have listed in Appendix A the contractual compliance recommendations included in monthly monitoring reports issued during the period August 2006 through June 2007.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to complete an evaluation of the pilot program as authorized in Chapter 2006-30, Laws of Florida. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period August 2006 through June 2007. In conducting our audit, we:

- Interviewed Department personnel, Our Kids management, ChildNet management, and Abel & Associates principals.
- Obtained an understanding of the Department's monitoring controls and observed, documented, and tested key processes and procedures related to fiscal and administrative monitoring.
- Requested and examined monitoring reports and supporting documentation.
- Reviewed Abel & Associates' working papers relating to its monitoring of the pilot program agencies.
- Requested and examined ChildNet and Our Kids final invoices and year-end reconciliations.
- Tested 30 ChildNet and Our Kids expenditures for allowability.
- Reviewed the ChildNet, Our Kids, and Abel & Associates contracts for compliance with applicable laws.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated January 25, 2008, the Department provided responses to our findings. The letter is included in its entirety at the end of this report as Appendix B.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable Generally Accepted Government Auditing Standards. This audit was conducted by Samantha Colbert, CPA, and supervised by Gary Campbell, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail (janeflowers@aud.state.fl.us) or by telephone (850-487-9136).

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A

Summary of Contractual Compliance Recommendations
Identified by Abel & Associates

CHILDNET		
	Recommendation	Report Date
1	ChildNet provider contracts should be amended to reflect subrecipient classification. Consideration should be given to the creation and dissemination of a generic letter of amendment. Suggested timeline to effectuate - two months.	August 2006
2	ChildNet policy on foster care exit interviews should be adhered to. Estimated time to implement, immediate.	October 2006
3	Obtain non-neutral reference checks from the Department. Estimated implementation date: May 31, 2007.	February 2007
4	Recommend Human Resources Department review all relevant personnel files for appropriately signed job descriptions. Estimated implementation date May 31, 2007.	February 2007
5	We encourage ChildNet to complete and implement all of the steps towards full compliance with HIPAA as soon as possible.	April 2007
6	Suggest written and approved client trust expenditure plans should be created in conformance with ChildNet's Policy and Procedure #CN 004.024. Suggested completion date June 30, 2007.	April 2007
7	Suggest that cases files be examined to ensure that Judicial Reviews contain the required trust fund balances. Suggested completion date July 31, 2007.	April 2007
8	Recommend that a court order is obtained before distributing minor children's trust fund monies. Suggested completion date June 30, 2007.	April 2007
9	Recommend that ChildNet redraft its client trust fund Policy and Procedure #CN 004.024 to put it into conformance with actual practice. Suggested completion date August 31, 2007.	April 2007
10	Suggest internal monitoring to ensure that safety concerns are reported timely. Estimated completion date July 31, 2007.	May 2007
11	All relevant elements of the Safety Concern Reporting forms need to be completed. Estimated completion date July 31, 2007.	May 2007
12	Extend Continuous Quality Improvement monitoring to include driver insurance levels and security agreement verification. Estimated implementation date June 30, 2007.	May 2007
13	Recommend that ChildNet require providers to undergo computer system security reviews designed to evaluate information technology systems' integrity. Estimated implementation date November 30, 2007.	May 2007
14	Recommend that ChildNet attempt to obtain more complete information from the originators of the "Request for TANF Funds/Eligibility Determination - 2006/2007" forms and add this information to each child's record in HomeSafeNet. TANF eligibility information should be input on an ongoing basis thereafter. Estimated completion date of the entry of the 2006-2007 data December 31, 2007.	May 2007
15	Recommend that ChildNet's Policy and Procedure #CN 010.026, "Purchasing" be updated to reflect purchase requisition and purchase order approval levels. Estimated completion date August 31, 2007.	June 2007
16	Recommend that ChildNet's Policies and Procedures be updated to reflect the check signing levels currently in place. Estimated completion date August 31, 2007.	June 2007
17	Reason for recommending a special needs adoption subsidy should be given. Estimated completion date August 31, 2007.	June 2007

APPENDIX A (CONTINUED)

Summary of Contractual Compliance Recommendations
Identified by Abel & Associates (Continued)

OUR KIDS		
	Recommendation	Report Date
1	Reference checks should be reinstated for all candidates for employment. Time to complete, immediate.	March 2007
2	Finalize and adopt draft policies and procedures relating to HIPAA. Finalize and use all of the appropriate forms. Estimated completion date June 30, 2007.	April 2007
3	Discuss with Department of Children and Families how to remedy incorrect pre-waiver ICWSIS coding. Estimated completion date October 31, 2007.	May 2007
4	Recommend that Our Kids update children's photo information in HomeSafeNet. Estimated completion date August 15, 2007.	May 2007
5	Notarize all copies of the "Designation of Client Money and Property" forms in conformance with Our Kids Policy and Procedure #175-59, Part I, section 3.d.(3). Estimated completion date July 31, 2007.	May 2007
6	Consider imposing penalties on providers who do not act on Our Kids' "spend-down" notifications in a timely manner. Estimated completion date July 31, 2007.	May 2007
7	Recommend Our Kids verify the existence of written, approved expenditure plans created by the contract providers in accordance with Our Kids' Policy and Procedure #175-59 Part I, section 2.a.(2). Estimated completion date September 30, 2007.	May 2007
8	Recommend Our Kids verify whether or not fund balances are detailed on the judicial reviews in accordance with Our Kids' Policy and Procedure #175-59, Part I, section 2.k. Estimated completion date September 30, 2007.	May 2007
9	Recommend that Our Kids redraft its client trust fund Policy and Procedure #175-59 to put it into conformance with actual practice. Estimated completion date October 31, 2007.	May 2007
10	Recommend that Our Kids update their fiscal Policies and Procedures to reflect current practice. Estimated completion date September 30, 2007.	June 2007
11	Recommend the eligibility/ineligibility determination section be completed on all TANF forms. Estimated completion date July 31, 2007.	June 2007
12	Suggest adoption subsidy files be reviewed and missing documents (TPRs criminal background screenings, adoption assistance agreements, etc.) be added prior to finalization of the adoption. Estimated completion date August 31, 2007.	June 2007
13	We recommend that the ICWSIS codings be reviewed and updated to accurately reflect placements where necessary. Estimated completion date August 31, 2007.	June 2007
14	Recommend that all closed adoption case files be sealed, with access granted only by virtue of a court order. Estimated completion date September 30, 2007.	June 2007
15	We recommend that a program of annual TANF-MAS recertifications be embarked upon as soon as practicable. Estimated completion date December 31, 2007.	June 2007

Source: Monthly monitoring reports issued by Abel & Associates. Complete monitoring reports containing all findings and recommendations may be obtained from the Department of Children and Family Services.

APPENDIX B
MANAGEMENT RESPONSE



State of Florida
Department of Children and Families

Charlie Crist
Governor

Robert A. Butterworth
Secretary

January 25, 2008

Mr. David W. Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Thank you for your December 21, 2007 letter providing the Department of Children and Family Services a draft copy of your report, *Operational Audit of the Department of Children and Family Services, Community-Based Care Pilot Program Fiscal and Administrative Monitoring, for the period August 2006 through June 2007*. Our written explanation provides responses to the report's two recommendations.

Recommendation: As indicated above, the initial selection of contractor was exempted from the competitive processes. We recommend that the processes used to select any future contractor employ competition. The use of competitive procurement processes will provide additional assurance that the contract is awarded to the most qualified provider at an economical price.

Department Response: The Department will comply with the appropriate statute or law consistent with legislative intent regarding procurement of monitoring at the conclusion of the pilot program.

Recommendation: While we found that the monitoring services provided were consistent with contractual requirements, the efficiency and effectiveness of the monitoring services provided for the pilot lead agencies would be improved by amending the monitoring plan to address service tasks on a schedule and scope that is risk-based. Currently, the service tasks listed in the Abel & Associates contract must be addressed as outlined in the monitoring plan, and generally, all service tasks

1317 Winewood Boulevard, Tallahassee, Florida 32399-0700

Mission: Protect the Vulnerable, Promote Strong and Economically Self-Sufficient Families, and Advance Personal and Family Recovery and Resiliency

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

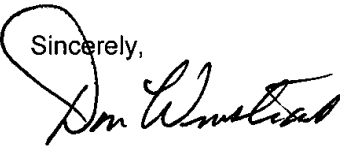
Mr. David W. Martin
January 25, 2008
Page 2

are to be addressed annually. Since Abel & Associates has completed a review of all service tasks at least once, the Department now has information available which would allow a consideration of risk and the adjustment of the frequency and scope of service tasks to address problem areas more frequently and thoroughly and areas that have the lowest risk less frequently.

Department Response: The Department agrees with the recommendation and is currently drafting an amendment to the contract to focus future service delivery on the areas identified as having the greatest risk. The Department plans to implement the amendment no later than July 1, 2008.

I appreciate the time and effort of the Auditor General's staff in completing this review. If you have any questions please contact Walter Sachs, Staff Director for Contracts, at 850-921-8983.

Sincerely,



Robert A. Butterworth
Secretary

THIS PAGE INTENTIONALLY LEFT BLANK