

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Children and Family Services
Year Ended June 30, 2007

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REVIEW: 4307
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
YEAR ENDED JUNE 30, 2007

FINDINGS/RECOMMENDATIONS - 9

ACCEPTED - 8
IMPLEMENTED - 1

REPEATED RECOMMENDATIONS - 8

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 12

This review summarizes the auditors' reports of the Department of Children and Family Services (DCFS) for the year ended June 30, 2007, filed with the Legislative Audit Commission May 20, 2008. The auditors performed a financial audit and compliance examination in accordance with State law and *Government Auditing Standards*. The auditors stated the financial statements were fairly presented. The Department of Children and Family Services is mandated to provide protective and preventive services to children and their families. The Department responds to this charge by protecting children who are at risk of harm, administering comprehensive community-based systems of youth services, remedying family problems that place children at risk of being removed from their homes, providing children with a safe nurturing environment when out-of-home placement is needed, and when appropriate, placing children in suitable adoptive homes.

There are five Department service delivery programs designed to achieve client goals: Protective Services, Family Maintenance, Family Reunification and Substitute Care, Adoption and Guardianship, and Support Services.

Bryan Samuels was the Director of the Department during the first four months of the audit period. Mr. Samuels resigned that position in November 2006, and Mr. Erwin McEwen became Acting Director of DCFS on November 17, 2006 and was appointed Director on December 5, 2007. Mr. McEwen was the Deputy Director of Quality Assurance Monitoring for the Department previous to his appointment as Acting Director.

According to Department officials, DCFS is organized into six regions: Central, Southern, Northern, Cook Central, Cook North, and Cook South. The Department has 79 field and regional offices.

The number of employees was:

2007 - 3,230; 2006 - 3,224; 2005 - 3,353; 2004 - 3,406; 2003 - 3,619; 2002 - 4,030.

See Appendix A for the number of employees by DCFS division.

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Unaudited data regarding the number of abuse and neglect reports and investigations and the services provided to children and families by DCFS are found in Appendix B. The 24-Hour Hotline received 258,563 calls in FY07. In FY07, the Department placed 2,245 children through adoption and subsidized guardianships. There were about 14,151 children in foster care or relative care in FY07.

Expenditures From Appropriations

The General Assembly appropriated \$1,326,244,500 to DCFS in FY07. The total appropriation came from six different funds, and \$775.9 million, or 58.5%, was from the General Revenue Fund. Total expenditures were \$1,264,459,082 in FY07 compared to \$1,241,251,515 in FY06, an increase of \$23.2 million, or almost 1.9%. Appendix C summarizes the total appropriations and expenditures by fund for FY07, FY06, and FY05. Most of the increase in expenditures can be attributed to increases in the cost of salaries and benefits. Expenditures for lump sums and awards and grants were shifted from GRF to the Children's Services Fund in FY07. GRF expenditures for lump sums and awards and grants were \$47 million less in FY07 than in FY06 while the Children's Services Fund expenditures increased by \$54 million. The DCFS Training Fund was consolidated into the Children's Services Fund.

Appendix D is a schedule of expenditures by division and grant for FY07. This information was presented in the FY09 Budget Book. Lapse period spending totaled \$117.2 million, or 9.3%, in FY07. Total expenditures of federal awards were almost \$396.1 million in FY07, which is a decrease of \$28.2 million, or 6.6% from FY06.

Cash Receipts

Appendix E summarizes cash receipts for the period under review. Cash receipts were \$399.4 million in FY07 compared to \$392.9 million in FY06. The DCFS Training Fund was consolidated into the Children's Services Fund. The fluctuation in funds was due primarily to the timing of federal draw downs and the fiscal year with which they are identified.

Property and Equipment

Appendix F summarizes the property and equipment for which the Department was accountable. The beginning balance as of July 1, 2006 was \$33,997,000 compared to \$30,226,000 as of June 30, 2007. The schedule in the audit report was prepared from Department records and reconciled to property reports submitted to the State Comptroller.

Memoranda of Understanding

The compliance examination listed eight memoranda of understanding between the State of Illinois, acting through DCFS, and third parties relative to the FY07 budget for \$800,000.

Accounts Receivable

Appendix G summarizes the Department's accounts receivable. The Department has two categories of accounts receivable. Parental accounts receivable are a result of fees assessed to parents of children who are receiving benefits from the Department through foster care or other services. Board accounts receivable are a result of overpayments by the Department to providers of care for children. Combined accounts receivable, net, with an allowance for uncollectibles of \$2,202,000, totaled \$270,000 in FY07.

Accountants' Findings and Recommendations

Condensed below are the nine findings and recommendations, eight repeated, included in the report. The following recommendations are classified on the basis of information from the auditors' report and updated information provided by Ray Piiparinen, Audit Liaison and Matthew A Grady, III, Deputy Director Budget and Finance, via electronic mail received February 11, 2009.

Accepted or Implemented

- 1. Continue efforts to develop ways to automate various recordkeeping functions and follow the procedures established concerning the welfare of children. Adequately document the fulfillment of those procedures. (Repeated-1998)**

Findings: The Department's Child Welfare and Foster Care and Intact Family Case files lacked required documentation and not all case procedures were performed timely. During a review of 60 case files, the auditors noted many deficiencies including the following:

- Three administrative case reviews were not performed.
- Eleven administrative case review notifications were not sent timely or at all.
- Four Registration and Case Opening Forms were not completed.
- One Safety Determination Form was not completed.
- Eleven medical and dental consent forms were not in the file or were outdated.
- Six files did not contain current photographs of the child.
- Twenty-eight files did not contain fingerprints of the child.
- Sixteen Permanency Planning Checklists were not in the file.

Department officials indicated that the Department was unable to fulfill case file reporting requirements because of the high volume of cases assigned to the case workers. Department officials also indicated that the Department currently does not have a contract with anyone

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who can provide fingerprinting services, resulting in the lack of fingerprints being maintained in the child welfare case files.

Response: Accepted. The Department will continue to stress the importance of adequate and timely documentation for those cases identified in the auditors' finding as well as for all child and family cases. The Department will continue its review of its administrative and internal procedures and policy guides, as systems are upgraded, to better define the contents of system files and paper files and which should be relied upon as the file of record.

To address the deficiencies in the areas of Medical & Dental Consent forms, Initial Placement Checklists, Permanency Planning Checklists and Placement & Payment Authorization Forms, the Department has implemented regular monitoring systems in each region. Regional managers have been given the responsibility to implement a monitoring/review process that will ensure that the above referenced documents are current and in each case file. The status of this monitoring process will be discussed in weekly meetings with Regional Administrators and quarterly meetings with all supervisors/managers.

To address the deficiencies in current photographs and fingerprints, the Department has contracted with a new vendor, Accurate Biometrics, effective October 18, 2007.

In July 2007, the fingerprints and photograph process was piloted in Cook County where 191 children were printed and photographed. On November 1, 2007, Accurate Biometrics began photographing and fingerprinting throughout the state. Between November 1, 2007 and April 1, 2008 a total of 2,627 children have been printed and photographed. Since the initiation of the contract and Pilot a total of 2,818 children have been printed and photographed.

To address the need to develop ways to automate various recordkeeping functions and procedures concerning the welfare of children, the Department is in the process of implementing an electronic health passport system. Department staff currently use a variety of internal and external sources to identify medical conditions of DCFS children and youth in care and track compliance with well-being indicators (e.g. immunizations, health examinations, dental, vision and hearing screenings, etc).

Updated Response: Partially Implemented. The Department continues to stress the importance that case files contain adequate and timely documentation for all child and family cases. New procedures were implemented to monitor that required documents are placed in case files and to obtain and place photographs and fingerprints in case records.

2. Determine reports of child abuse or neglect within 60 days as mandated by the Abused and Neglected Child Reporting Act. (Repeated-1998)

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Findings: In 538 of 67,732 reports of child abuse and neglect, the Department did not make determinations within 60 days of whether the reports were “indicated” or “unfounded” as required by the Abused and Neglected Child Reporting Act.

The determination period may be extended as in a limited number of circumstances as follows: a) State’s attorneys or law enforcement officials have requested that the Department delay making a determination due to a pending criminal investigation b) medical or autopsy reports needed to make a determination are still pending after the initial 60-day period c) the report involves an out-of-state investigation and the delay is beyond the Department’s control, or d) multiple alleged perpetrators or victims are involved necessitating more time in gathering evidence and conducting interviews.

The Department’s Monitoring/Quality Assurance Division compiles statistics to track reports that are not determined to be either “unfounded” or “indicated” in compliance with the Act (within 60 days of receipt of the report, or within 90 days if a 30-day extension is permitted.) Following is a summary of those statistics:

<u>Fiscal Year</u>	<u>Total Reports Requiring Determinations</u>	<u>Determinations Not In Compliance</u>	<u>Percentage of Determinations Not in Compliance</u>
2007	67,732	538	.79%
2006	66,593	1,060	1.59%
2005	66,550	1,140	1.71%
2004	62,069	1,294	2.08%
2003	58,956	952	1.61%
2002	59,080	492	0.83%
2001	59,003	226	0.38%
2000	61,787	187	0.30%
1999	62,054	1,502	2.42%
1998	65,877	2,125	3.23%

Department personnel stated that the inability to locate individuals critical to the investigation has prevented the timely completion of investigations. Also, in some instances the caseworkers failed to request an extension when permitted.

Response: Accepted. The Department will continue to make diligent efforts to improve on the 99.21% FY07 compliance rate and reach 100% compliance with the timeframe set forth in ANCRA for making final determinations. The ongoing focus of the Department is to develop opportunities and strategies to maintain our compliance of timely completions of investigative reports per the Abused and Neglected Child Reporting Act (ANCRA). Child Protection Investigators are procedurally required to:

- Coordinate with law enforcement on serious cases.
- Obtain medical and or coroner results prior to closing a case.

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Accepted or Implemented – continued

Critical vacancies also play a sufficient role, when a team has 50% or more vacancies there are delays in the disposing the investigation in 60 days. The Division of Child Protection is currently monitoring these cases weekly and developing action plans to get them completed. We are utilizing ongoing recruitment and filling vacancies.

3. Continue to strive to initiate investigations of all child abuse and neglect reports within 24 hours of receiving the report as mandated by the Abused and Neglected Child Reporting Act. (Repeated-1998)

Findings: The Department did not timely initiate an investigation for 179 of the 67,766 (.26%) reports of child abuse and neglect in FY07.

The Monitoring/Quality Assurance Division has compiled the following statistics:

<u>Fiscal Year</u>	<u>Total Investigations</u>	<u>Investigations Not In Compliance</u>	<u>Percentage of Investigations Not in Compliance</u>
2007	67,766	179	0.26%
2006	66,918	154	0.23%
2005	66,793	260	0.39%
2004	62,311	268	0.43%
2003	59,397	220	0.37%
2002	59,241	517	0.87%
2001	60,054	141	0.23%
2000	61,787	219	0.35%
1999	62,618	250	0.40%
1998	65,862	461	0.70%

According to Department personnel, noncompliance occurs for the following reasons:

- Staff recording the wrong initiation date (A.M. instead of P.M.); and
- Law enforcement requests due to criminal investigations.

Response: Accepted. The Department will continue to make efforts to reach 100% compliance with the statute. It is always the Department's focus to initiate reports in 24 hours. There are three situations where non-compliance would occur: computer system malfunction, data entry error of the initiation date and time, and worker performance errors.

If there is a computer system malfunction, we quickly identify that it is a system design problem and work with SACWIS to correct the problem so it will not be repeated. The data error of the initiation date and time includes situations where an AM was entered and it should have been PM and vice versa; and where after hours initiation of a Good Faith Attempt by an after hours worker who did not enter their information before the primary

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worker enters their in-person contact. Worker performance errors are situations in which the assigned worker has not made an attempt or an in person contact with the alleged victim within the 24 hour timeframe. Corrective action is taken with the employee responsible for the non-compliance and is progressive.

4. Adequately review, approve and process all vouchers in a timely manner. (Repeated-2004)

Findings: The Department did not adequately approve and process all vouchers in a timely manner. The auditors examined 256 vouchers and noted the following:

- 7 vouchers were not approved or denied within 30 days of receiving the vendor invoice (approvals range from 4 to 241 days after receipt of the invoice); and
- 6 vouchers were not paid within 60 days of receipt of the vendor invoice.

Department officials indicated the failure to meet these requirements resulted from the high volume of vouchers received each day at the Department. During fiscal year 2007, the Department paid \$20,213 in interest on late payments to vendors.

Response: Accepted. The Department agrees that all vouchers received should be adequately reviewed, approved, and processed in a timely manner. We will continue to review our invoice processing procedures, by Unit, to ensure that invoices are approved in a timely manner and, where necessary, make changes in the procedures.

5. Continue efforts to ensure all contracts are approved and signed before the beginning of the contract period. (Repeated-2002)

Findings: The Department did not have an adequate system in place to ensure that contracts are reviewed and signed on a timely basis. During a review of 21 contracts, totaling \$48,748,149, nineteen contracts, totaling \$41,916,965, were signed after the commencement of the contract period. These contracts were not timely approved, as follows:

<u>Number of Contracts</u>	<u>Number of Days Delayed</u>
11	1-30
5	31-60
1	61-90
2	Over 90

Department personnel have reviewed procedures and contract language in order to develop processes that will allow compliance with applicable rules, and changes have been made to procedures for developing and processing contracts to enable timely service delivery dates. The Department continued to have difficulty in obtaining signed

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contracts from vendors prior to service delivery dates. The Department has made an improvement in the timeliness of late contracts.

Response: The Department will continue our efforts to ensure that all contracts are signed and approved before the contract period. We will also continue existing procedures that do not authorize payments to be made under these contracts until the agreements are fully signed and in place.

At the beginning of FY08 we mailed a reminder to all of our contracted vendors indicating that existing State of Illinois rules required timely execution of contracts before payments could be authorized. We cited Section 1.2060 of Title 44 of the Illinois Administrative Code, Subtitle A, Ch. 1., Part 1a) Standard Procurement; State of Illinois Office of the Comptroller Procedure 15.20.30; and 30 ILCS 500/20-80 (d) (Illinois Procurement Code).

We will continue to remind our vendors of this requirement as well as inform and encourage our management staff to adhere to this requirement before initiating contractual services before they are committed to writing and properly executed. In addition, we conducted a detailed review of the nineteen contracts referenced in the finding to determine where changes, if any, might be made to our processing procedures. None of the nineteen were Professional or Artistic Contracts; the nineteen all fall under Purchase of Care or other services. Two of the agreements were bid services with award notices made prior to delivery of service which is considered the effective date of the agreement.

Updated Response: Partially Implemented. We have implemented detailed processing schedules to aid in meeting that objective. We continue existing procedures that do not authorize payments to be made under these contracts until the agreements are fully signed and in place.

6. Establish a tracking system and annually verify that adoption assistance agreements are still in force or have been renewed, or continue the effort to seek a legislative change to the statute to allow DHS to perform this function. (Repeated-2003)

Findings: The Department does not annually verify that adoption assistance agreements for children who are subject to agreements with another state are still in force or have been renewed.

The Interstate Compact on Adoption Act provides that a child with special needs who resides in Illinois and who is the subject of an adoption assistance agreement with another state shall be eligible for medical assistance from this state upon the filing of agreed documentation with the Illinois Department of Healthcare and Family Services. The Act requires DCFS to at least annually establish that the agreement is still in force or has been renewed.

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According to DCFS management, the Department of Human Services (DHS) monitors the children's status, has a database established to monitor the day-to-day activities and annually verifies that the approximately 1,200 adoption assistance agreements are still in force for each child; however, the Interstate Compact office within DCFS does not. DCFS management also stated that they attempted to initiate legislation to remove the mandate in the FY07 spring legislative session, but it was not selected for inclusion in legislation during that session.

Response: Accepted. The Department agrees that the DCFS Interstate Compact office is not currently tracking each of the agreements. However, we believe the State is in compliance with the spirit of the Interstate Compact on Adoption Act (45 ILCS 17/5-35). While DCFS is not currently tracking the agreements, and never has, the Department of Human Services (DHS) has been performing this function for the last several years. The Department agrees that the mandate appears to be out of date and is seeking to initiate legislation to modify the mandate.

7. Formalize the existing review process in which all telephone bills are to be reviewed and approved by both staff personnel and division heads and then enforce these policies. (Repeated-2004)

Findings: Department personnel did not properly review and approve all telephone charges on the telephone bills received and paid by the Department.

During a review of telecommunication expenditures, the auditors tested a sample of 25 invoice vouchers. Although all invoice vouchers were signed by the division head, nine of 25 invoices (36%) had no indication of being reviewed by the employee that incurred the charge.

Department officials indicated their failure to properly review the telephone charges was due to a lack of enforcement of informal policies. The Department does not have a detailed written policy enforced in each division to ensure each employee reviews and approves his/her phone charges indicating the charges are in fact "Official State Business."

Response: Accepted. The Department concurs that the existing review procedures, which are outdated, need to be updated and formalized so as to apply equally throughout the Department. We will review and modify procedures, as technological advancements are implemented by CMS. We understand, based on preliminary information, that pre-auditing of telecommunication charges will be more accessible to DCFS telecommunications staff. DCFS internal procedures will then be changed to adapt to the electronic billings.

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8. Continue efforts to develop and include measurable criteria and participation requirements in contracts with all residential and group home service providers. (Repeated-2003)

Findings: The Department's contracts with residential and group home service providers did not all include measurable criteria necessary to ensure desired results are achieved.

The Department's Residential Performance Monitoring Unit (RPMU) conducts on-site monitoring of residential and group home facilities that provide treatment for children. Unannounced site visits of providers are conducted at least once each month. Any deficiencies identified in the site visits are communicated to the Department's Division of Placement and Permanency (DP&P). The DP&P either directs the RPMU to increase the monitoring of the deficient provider, or program consultants are utilized to support and improve the residential program. Although the Department made progress and has incorporated monitoring and participation requirements in many of the program plans associated with residential and group home service provider contracts, there still are older, existing contracts and program plans which do not have specific criteria with which to monitor the services provided.

Department management stated that they are in the process of modifying residential care contracts to include monitoring and participation requirements that have been recommended by the RPMU. In addition, management stated that a senior staff person who was coordinating the effort retired earlier than anticipated.

Response: Accepted. The Department plans to continue its efforts to include measurable criteria and participation requirements in contracts with residential and group home service providers.

In addition, the Department, the Child Care Association of Illinois, and the Child Welfare Institute have formed a public-private partnership that was awarded funding from the National Quality Improvement Center on the Privatization of Child Welfare Services. The partnership project is to design, implement and evaluate extension of the Department's existing performance based contracting and quality assurance system to residential, independent living and transitional living programs in order to improve outcomes for this population of out-of-home care youth. The project worked closely with our university partners at Northwestern, University of Illinois Chicago, and Chapin Hall identifying the data elements that are to be tracked and capitalized on the existing Child Welfare Advisory Committee structure to build existing work regarding performance measures and to allow frequent communication opportunities for the provider community. Model protocols were developed by August 2007 with the demonstration period starting in October 2007 and continuing through June 2008. It is anticipated that full implementation could occur for contracts beginning in July 2008 with forums held in April 2009 and 2010 to assess results and practices.

9. Communicate with the Department of Central Management Services to ascertain the amount overpaid in FY07, and prior years, and immediately request this

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amount be applied to outstanding invoices. Establish procedures to enable payment of specific invoices rather than paying from CMS' accounts receivable report in order to avoid duplicate payments resulting from timing differences.

Findings: CMS has reported that DCFS made duplicate payments to CMS' Telecommunications Revolving Fund for FY07. In addition, DCFS failed to request CMS to apply overpayments from FY05 and FY06 to FY07 invoices. CMS has estimated that these overpayments totaled approximately \$1.4 million at the end of the 2007 lapse period. Because these overpayments will be applied to future year telecommunications billings, the overpayment to CMS resulted in DCFS utilizing FY07 appropriations for services that have not been provided.

DCFS management stated they were not aware of the unused overpayment balances from prior fiscal years and had therefore not requested CMS to apply these credits toward fiscal year 2007 CMS billings. They also stated that overpayments at year-end can occur for a variety of reasons, as described below:

- CMS billings are frequently not timely. Invoices from CMS do not go directly to DCFS' central payment unit – they are received by the various responsible areas within DCFS. The responsible individuals within these areas typically do not give the invoices priority, and the invoices are often not received by DCFS' vouchering section until considerable time has passed.
- During the year, DCFS pays CMS based upon specific invoices received. Consequently, there is typically a significant lag time from the point the services are rendered, an invoice is received, a voucher is processed, and the Comptroller issues a warrant (payments are predominantly from the General Revenue Fund, and the Comptroller frequently has to withhold payment until sufficient cash is available.) However, as the end of the lapse period approached, DCFS made a decision to pay from the CMS Accounts Receivable Aging Report received from CMS to ensure all FY07 bills were paid before the lapse period ended in order for the bills to be paid timely, as well as to avoid funding current year expenditures with future year appropriations.

DCFS does not have an accounts payable system whereby all CMS invoices are entered and matched with payments. Accordingly, when DCFS pays from the CMS Accounts Receivable Aging Report, there is the possibility that in-transit payments are paid twice. The CMS Accounts Receivable Aging Report is approximately 200 pages long and includes all of the DCFS billing accounts. DCFS has approximately 150 billing accounts with CMS.

Response: Implemented. The Department has communicated with the Department of Central Management Services' Telecommunications Revolving Fund Unit, obtained copies of final reports for FY05, FY06, and FY07 from the Telecommunications Unit, and

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determined that all credits were applied between October 2007 and April 2008. The Department must rely on the Telecommunications Unit to provide reports on payments applied, delinquency reports, and reports showing credits available in order to track payment information. In addition, the Department has a voucher system that tracks payments entered once they are determined to be “proper bills” and it has vendor payment histories in its existing systems. We are in process of modifying that vendor payment history review process to allow for improved researching capabilities of prior payments for specific vendor invoice numbers especially for those delinquencies reported by the Telecommunications Unit, and we will only make payments from their invoices.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, “The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies “involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records, or to avoid lapsing or loss of federal or donated funds. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make ‘quick purchases’, including but not limited to items available at a discount for a limited period of time.”

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY07, the Department filed one affidavit for an emergency purchase totaling \$200,056 to purchase computer equipment to relocate its server infrastructure to the CMS Central Computing Facility.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

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In July of 2007, the Department indicated it had 14 employees who spend more than 50% of their time working at locations other than their official headquarters.