MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF THE

CHILDREN'S FOSTER CARE PROGRAM

DEPARTMENT OF HUMAN SERVICES

August 2005

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

43-278-03

"...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof."

– Article IV, Section 53 of the Michigan Constitution

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REPORT SUMMARY

Performance Audit

Children's Foster Care Program

Department of Human Services

Report Number:
43-278-03

Released:
August 2005

The Children's Foster Care Program provides placement and supervision for children who are temporary or permanent State or court wards. The mission of the Program is to provide care and supervision to children removed from their homes because of abuse and neglect while providing services to children and families to establish permanency. Foster care services are provided through a partnership between the Department of Human Services (DHS) and contracted agencies.

Audit Objectives:

1. To evaluate DHS's and the contracted service providers' compliance with material provisions of State laws and regulations related to the delivery of Program services.

2. To assess DHS's effectiveness and efficiency in monitoring the delivery of services by Program contracted service providers.

3. To assess the effectiveness of the Program in meeting its outcome goals.

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Audit Conclusions:

1. We concluded that DHS and the contracted service providers generally did not comply with material provisions of State laws and regulations related to the delivery of Program services. Our review disclosed three material conditions (Findings 1 through 3). In addition, our review disclosed two reportable conditions (Findings 4 and 5).

2. We concluded that DHS was generally not effective and efficient in monitoring the delivery of services by Program contracted service providers. Our review disclosed one material condition (Finding 6). In addition, our review disclosed two reportable conditions (Findings 7 and 8).

3. We concluded that the Program was generally not effective in meeting its outcome goals. Our review disclosed one material condition (Finding 9). In addition, our review disclosed one reportable condition (Finding 10).

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Material Conditions:

DHS did not ensure that its local office workers conducted and documented criminal history background checks and assessed the related risks prior to placing children in the homes of potentially unsuitable relative foster care providers. In addition, DHS procedures did not require periodic updates of the criminal history backgrounds of family foster care

licensees, nonlicensed providers who were relatives of the children in foster care (relative foster care providers), and adult household members residing in foster homes. (Finding 1)

DHS did not ensure that it obtained Interstate Compact on the Placing of Children agreements with other states for all children in out-of-State foster homes (Finding 2).

DHS did not ensure that its caseworkers had performed and documented required visits with children in foster care, their parents, and their foster parents or had facilitated visits between the children and their parents (Finding 3).

DHS did not sufficiently monitor contracted agencies to ensure that contracted agencies effectively delivered foster care services (Finding 6).

DHS did not achieve substantial conformity with any of the seven federally required child welfare outcomes pertaining to safety, permanency, and well-being (Finding 9).

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Reportable Conditions:

DHS did not ensure that caseworkers prepared foster care service plans within required time frames and included required information in the service plans (Finding 4).

DHS did not ensure that children in foster care received required minimum basic health care services and that caseworkers documented the services received in the foster care case files (Finding 5).

DHS had not established a process to periodically evaluate contracted agency per-diem rates to reduce or eliminate disparities in program payment rates for agencies that provided the same or similar foster care services (Finding 7).

DHS's monitoring of foster care cases supervised by contracted agencies did not ensure that contracted agency staff consistently prepared foster care service plans and submitted them to DHS for approval within required time frames. In addition, DHS did not ensure that its local office monitoring workers approved and documented their approval of all contracted agency foster care service plans in compliance with DHS policy. (Finding 8)

DHS had not fully developed and implemented a comprehensive process to evaluate its effectiveness in delivering children's foster care services (Finding 10).

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Agency Response:

Our audit report contains 10 findings and 12 corresponding recommendations. DHS's preliminary response indicated that it agrees with 8 and disagrees with 4 of the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

August 17, 2005

Mrs. Marianne Udow, Director
Department of Human Services
Grand Tower
Lansing, Michigan

Dear Mrs. Udow:

This is our report on the performance audit of the Children's Foster Care Program, Department of Human Services.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; various exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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DEPARTMENT OF HUMAN SERVICES

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Description of Agency

Department of Human Services (DHS) local offices, contracted agencies*, and family divisions of circuit courts in each county administer the Children's Foster Care Program. A centralized Foster Care Services Division is within DHS's Bureau of Children's Services.

The Program provides placement and supervision for children who are temporary or permanent State or court wards. This includes children who cannot remain at home because their families are unable to provide minimal care and supervision. State wards are youths whose parents' parental rights have been terminated and who are legally free for adoption. The mission* of the Program is to provide care and supervision to children removed from their homes because of abuse and neglect while providing services to children and families to establish permanency. Foster care services are provided through a partnership between DHS and private, nonprofit, licensed child-placing agencies* and child-caring institutions*.

Foster care, including federal funding under Title IV-B and Title IV-E of the Social Security Act, is one of the largest DHS programs after Temporary Assistance to Needy Families. The federal Adoption Assistance and Child Welfare Act of 1980 (Public Law 96-272) emphasized family preservation efforts toward reuniting children with their families and better case planning for each child's needs. The federal Adoption and Safe Families Act of 1997 (Public Law 105-89) emphasized the safety, permanency, and well-being of children in the child welfare system. Governing legislation for the Program also includes Sections 701.1 - 713.6 and 722.951 - 722.960 of the *Michigan Compiled Laws*.

During fiscal year 2002-03, DHS allocated approximately 774 positions for foster care services. Program expenditures totaled approximately $562 million for fiscal year 2002-03. As of September 30, 2003, there were approximately 19,500 children in foster care in Michigan (see Exhibit 1, presented as supplemental information).

* *See glossary at end of report for definition.*

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Children's Foster Care Program, Department of Human Services (DHS), had the following objectives:

1. To evaluate DHS's and the contracted service providers' compliance with material provisions of State laws and regulations related to the delivery of Children's Foster Care Program services.

2. To assess DHS's effectiveness* and efficiency* in monitoring the delivery of services by Children's Foster Care Program contracted service providers.

3. To assess the effectiveness of the Children's Foster Care Program in meeting its outcome* goals*.

Audit Scope

Our audit scope was to examine the program and other records of the Children's Foster Care Program. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, conducted during June 2003 through May 2004, included an examination of Program records primarily for the period October 1, 2000 through May 31, 2004.

We conducted a preliminary review of the Program to formulate a basis for defining the audit objectives and scope. Our preliminary review included interviewing Program personnel; reviewing applicable statutes, regulations, and rules; analyzing available data and statistics; and reviewing Program policies and procedures to obtain an understanding of DHS's operational activities and responsibilities related to the Program.

* *See glossary at end of report for definition.*

To accomplish our first objective, we reviewed material provisions of State statutes and administrative rules and DHS policies and procedures related to children's foster care. We also reviewed selected foster care case files in local offices and contracted agencies in Clinton, Jackson, Marquette, Mecosta, and Wayne County.

To accomplish our second objective, we evaluated DHS's contract monitoring operations. We reviewed contract language to determine if it allows DHS to assess the effectiveness of the contracted agencies providing foster care services. We also reviewed DHS's methodology for establishing per-diem rates contained in its contracts for foster care services.

To accomplish our third objective, we reviewed DHS's controls and methods for evaluating and ensuring the Program's effectiveness. We conducted interviews with various levels of DHS staff and inquired about efforts made to evaluate the performance of the Program. Also, we examined internal and external studies and evaluations related to the Program. In addition, we assessed the usefulness of DHS's data systems in providing relevant data needed to assess the effectiveness of the Program. Further, we compiled and analyzed available data to determine if DHS met certain outcome goals of the Program.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 10 findings and 12 corresponding recommendations. DHS's preliminary response indicated that it agrees with 8 and disagrees with 4 of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DHS to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Children's Foster Care Program, Family Services Administration, Department of Social Services (#4327893), in March 1994. Within the scope of this audit, we followed up 8 of the 17 prior audit recommendations. Of the 8 prior audit recommendations, 6 were rewritten for inclusion in this report and 2 were repeated.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

COMPLIANCE WITH MATERIAL PROVISIONS OF STATE LAWS AND REGULATIONS

COMMENT

Audit Objective: To evaluate the Department of Human Services' (DHS's) and the contracted service providers' compliance with material provisions of State laws and regulations related to the delivery of Children's Foster Care Program services.

Conclusion: We concluded that DHS and the contracted service providers generally did not comply with material provisions of State laws and regulations related to the delivery of Children's Foster Care Program services. Our review disclosed three material conditions*:

- DHS did not ensure that its local office workers conducted and documented criminal history background checks and assessed the related risks prior to placing children in the homes of potentially unsuitable relative foster care providers*. In addition, DHS procedures did not require periodic updates of the criminal history backgrounds of family foster care licensees, nonlicensed providers who were relatives of the children in foster care (relative foster care providers), and adult household members (AHMs) residing in foster homes. (Finding 1)

- DHS did not ensure that it obtained Interstate Compact on the Placing of Children (ICPC) agreements with other states for all children in out-of-State foster homes (Finding 2).

- DHS did not ensure that its caseworkers had performed and documented required visits with children in foster care, their parents, and their foster parents or had facilitated visits between the children and their parents (Finding 3).

In addition, our review disclosed reportable conditions* related to foster care service plans and basic health care services (Findings 4 and 5).

* *See glossary at end of report for definition.*

FINDING

1. Criminal History Background Checks

DHS did not ensure that its local office workers conducted and documented criminal history background checks and assessed the related risks prior to placing children in the homes of potentially unsuitable relative foster care providers. In addition, DHS procedures did not require periodic updates of the criminal history backgrounds of family foster care licensees, nonlicensed providers who were relatives of the children in foster care (relative foster care providers), and AHMs residing in foster homes.

Relative foster care providers and AHMs with a personal history of criminal conduct may not be suitable for providing foster care for children or for residing in a foster home. Enhancing and enforcing existing criminal history background check procedures would increase DHS's effectiveness in identifying and assessing the risks related to the criminal history of relatives providing foster care or AHMs residing in foster homes and would help DHS ensure the safety of children in foster care.

Without periodic updates, DHS did not always identify, and therefore did not have an opportunity to assess, the potential risks related to criminal offenses that occurred subsequent to the date of the original criminal history background check or criminal convictions that original criminal history background checks did not detect.

We identified approximately 10,000 foster care providers and 2,900 AHMs residing in licensed family foster care homes. The AHMs we identified included those living in licensed family foster homes but did not include those that live with nonlicensed relative providers because DHS's database did not capture AHM data for nonlicensed relative providers. At the time of our review, approximately 31% of foster children resided in nonlicensed relative provider homes (see Exhibit 2, presented as supplemental information). We obtained computerized criminal history information for the 12,900 individuals from the Michigan Department of State Police (MSP) and narrowed the focus of our review down to those individuals with disqualifying or potentially disqualifying criminal convictions between December 1998 and December 2003. As a result, we identified 321 foster care providers and 32 AHMs residing in licensed family foster homes who had disqualifying or potentially disqualifying criminal convictions during that five-year

time period. We selected a sample of relative foster care providers and AHMs for further review:

a. We identified 16 relative foster care providers who had disqualifying or potentially disqualifying criminal convictions. Our review of these 16 providers disclosed:

(1) DHS could not provide required documentation to support that it had conducted the required criminal history background checks and assessed the related risks prior to placing children with 12 of the relative providers. Our review identified the following offenses committed by these 12 providers:

	Convicted Offense	Conviction Date
Provider 1	Possession of marijuana	September 13, 1999
Provider 2	Assault with a dangerous weapon	February 24, 1999
Provider 3	Controlled substance - Delivery/Manufacture, Narcotics	January 13, 1999
Provider 4	Domestic violence	April 30, 1999
Provider 5	Controlled substance - Delivery/Manufacture	June 21, 2000
Provider 6	Domestic violence	July 12, 2000
Provider 7	Controlled substance	September 29, 1999
Provider 8	Assault or assault and battery	September 16, 2002
Provider 9	Aggravated assault	November 2, 2001
Provider 10	Assault or assault and battery	January 14, 2003
Provider 11	Aggravated assault	July 20, 2000
Provider 12*	Controlled substance - 2nd or subsequent offense	April 16, 2002

* Documentation provided by DHS for Provider 12 indicated that DHS had conducted the criminal history background check subsequent to our request, which was approximately 1.5 years after placing the child with the provider.

(2) DHS could not provide required documentation to support that a circuit court had ordered the children placed in the homes of 2 relatives noted in item a.(1) who had been convicted of domestic violence.

b. We identified 6 licensed family foster homes in which AHMs with disqualifying or potentially disqualifying criminal convictions had resided:

(1) DHS had not identified, and therefore did not have the opportunity to assess, the criminal convictions of 5 AHMs residing in licensed family foster homes whose criminal convictions occurred after the dates of their original criminal history background checks:

	Convicted Offense	Conviction Date	Original Background Check Date
AHM 1	Criminal sexual conduct, 3rd degree (person age 13 - 15)	October 31, 2003	August 31, 2001
AHM 2	Criminal sexual conduct, 4th degree (force or coercion)	November 19, 2001	December 4, 2000
AHM 3	Domestic violence	October 29, 2002	June 15, 2001
AHM 4	Domestic violence	August 16, 2002	July 19, 2001
AHM 5	Domestic violence	September 14, 2001	June 18, 2001

Considering the seriousness of the identified convictions that occurred after the date DHS had originally performed background checks, it is imperative that DHS develop a process to periodically perform background checks to help ensure the safety of foster children.

(2) DHS was unable to identify another AHM residing in a licensed foster home because of a coding error by MSP. The original criminal history background check, dated August 6, 2001, did not disclose a domestic violence conviction dated May 21, 2001 because the conviction date was entered on September 8, 2001.

State licensing rules require each member of a licensed foster family household to be of "good moral character," which requires DHS to assess the criminal history backgrounds of all adults residing in the home at the time of licensure or when new adults move into the home.

DHS's Children's Foster Care (CFC) Manual requires local office workers to conduct criminal history background checks on each prospective relative foster care provider and any AHM residing in the prospective foster home at the time of the initial placement of a child and prohibits DHS, unless ordered by a circuit court, from placing children in a relative's home if any adult in the home has been convicted of child abuse/neglect, a crime against children, spousal abuse (domestic violence), or a crime involving violence, rape, sexual assault, or homicide. DHS's CFC Manual requires that evidence of the criminal history background checks and all circuit court orders be included in the foster care case files. Additionally, DHS's CFC Manual requires caseworkers to assess the risks related to convictions within the last five years for physical assault, battery, or a drug-related offense; to determine the appropriateness of the child's placement in the relative's home; and to document the assessment in the child's foster care case file.

Effective administration of the criminal history background check process includes instituting and enforcing the procedures necessary to ensure that DHS identifies individuals residing in foster homes who have potentially disqualifying criminal convictions and assesses the risks related to placing a child in those foster homes.

RECOMMENDATIONS

We recommend that DHS ensure that its local office workers conduct and document criminal history background checks and assess the related risks prior to placing children in the homes of potentially unsuitable relative foster care providers.

We also recommend that DHS revise its procedures to require periodic updates of the criminal history backgrounds of family foster care licensees, relative foster care providers, and AHMs residing in foster homes.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation that it ensure that its local office workers conduct and document criminal history background checks and assess the related risks prior to placing children in the homes of potentially unsuitable relative foster care providers, as required by policy, but disagrees that workers are not conducting criminal history background checks and assessing risk prior to placing children in either licensed or relative foster care settings. In addition, DHS indicated that due to staffing resources, it disagrees with the recommendation to revise its procedures

to require periodic updates of the criminal history backgrounds of family foster care licensees, relative foster care providers, and AHMs residing in foster homes.

DHS believes that the auditors based their contention that workers are not conducting criminal history background checks and assessing risk prior to placing children in either licensed or relative foster care settings on the absence of forms 268 and 269 in the case files and that the policy requiring the use of these specific forms was not instituted when 11 of the 12 cases cited by the auditors were first opened. DHS indicated that prior to implementing this Law Enforcement Information Network (LEIN) verification policy in August 2002, workers documented checks in various sections in the case file.

DHS indicated that there are additional checks in place beyond LEIN checks to ensure the safety of children in foster care and that, on a weekly basis, DHS screens all licensed foster homes against its child abuse registry, notifies supervising agencies of any matches, and follows up within 30 days to monitor corrective actions taken. DHS also indicated that federal monitors conducting the federal Title IV-E review of DHS's foster care program determined that DHS conducted criminal background checks for all foster home cases examined and even identified criminal background checks as a "strength and model practice" within the Michigan foster care program.

DHS agrees that periodic criminal history background checks could be a useful means of monitoring the suitability of providers. However, DHS indicated that no statute or policy exists requiring or even recommending periodic criminal history background checks and that it conducts these checks as required per statute and policy. DHS also indicated that as additional staffing resources become available, DHS will be able to implement the recommendation for periodic criminal history background checks.

EPILOGUE

We requested that DHS provide us with information from the case files for the 16 providers in item a. of the finding that showed DHS had performed the required criminal history background checks. Our request did not preclude DHS from providing information other than the specific forms mentioned in DHS's preliminary response. In addition, for the 12 providers cited in the finding, DHS had placed 9 of the 12 children in the homes of those providers after August 2002.

The weekly screenings of the child abuse registry mentioned in DHS's preliminary response would not identify all criminal convictions. The child abuse registry is entirely separate from the computerized criminal history information maintained by MSP and is not intended to capture all criminal convictions that could occur subsequent to the date of the original criminal history background checks that DHS staff should assess when considering the appropriateness of a foster home. In addition, the child abuse registry screenings are only performed on licensed foster care homes, which during the audit accounted for only 44% of the living arrangements of Michigan children in foster care (see Exhibit 2, presented as supplemental information).

FINDING

2. Interstate Foster Care Services

DHS did not ensure that it obtained ICPC agreements with other states for all children in out-of-State foster homes.

Without ICPC agreements, DHS cannot ensure that other states accept responsibility for providing necessary services to foster children to facilitate the attainment of individual case goals, effectively monitor the progress of children placed in foster homes outside of Michigan, or document case activity in required service plans. In addition, without an ICPC agreement, DHS cannot effectively evaluate the safety and appropriateness of potential out-of-State foster homes before placements occur.

DHS and circuit courts place children in out-of-State foster homes. In some instances, children relocate to an out-of-State foster home without the consent of DHS or the circuit court and are considered absent without legal permission (AWOLP).

State statute and DHS policy require DHS to notify the applicable other state in writing when DHS proposes to place a child outside the State of Michigan and to obtain the other state's approval of the proposed placement in writing. Before approving an ICPC agreement, the other state performs certain duties that are critical to allow DHS and family divisions of circuit courts (circuit courts) to make an informed decision on the safety and appropriateness of the prospective foster home. These duties include performing a home study at the prospective foster

home and performing criminal history background checks on the prospective foster parent(s) and other AHMs. After DHS and the other state approve the ICPC agreement and the subsequent placement of the child, DHS informs the other state of any necessary services it requires for the child and the other state provides those services and periodically reports to DHS on the child's progress. Services that the other state performs include professional counseling and periodic visits to the child's foster home. DHS retains legal responsibility for the welfare of the child in a foster home outside of Michigan until a circuit court orders the foster care case closed.

As of July 31, 2003, 292 children resided in foster homes outside of Michigan. Our review of foster care files for 107 children disclosed that 7 of those children resided in out-of-State foster homes. Our review of the foster care files for those 7 children disclosed:

a. Circuit courts ordered 5 of the 7 children to be placed in foster homes outside of Michigan. DHS did not obtain an ICPC agreement with the other applicable states for 4 of the 5 children:

   (1) DHS did not have any contact with and did not provide any services to 2 of the 4 children during the time they resided in the other states. For reasons not related to DHS's lack of oversight, a circuit court ordered the cases for these children closed 5 months after placing them in the other states.

   (2) DHS did not take any action to return 2 of the 4 children to Michigan after the applicable states denied DHS's requests for ICPC agreements. In one case, the other state indicated that it could not approve the placement because it could not locate the noncustodial father with whom the circuit court had placed the child and could not perform the required home study. In the other case, another state denied DHS's request for an ICPC agreement due to the unsatisfactory results of its home study. DHS did not have any contact and did not provide any services to these children during the time they resided in the other states. For reasons not related to DHS's lack of oversight, a circuit court ordered the cases for these children closed 4.5 and 6 months after placing them in the other states.

DHS informed us that it does not always have sufficient time to obtain an ICPC agreement with other states for cases in which circuit courts order children to reside in foster homes outside of Michigan and that DHS considers these court orders "problematic." Although DHS has established procedures to appeal problematic court orders, DHS did not appeal any of the 4 court-ordered placements.

b. Two children were relocated to homes outside of Michigan without the consent of DHS or the circuit courts. Although case file documentation indicated that DHS was aware of the location of these 2 children, DHS did not request an ICPC agreement until approximately 3 weeks and 18 months after these children had relocated from their legal placements in Michigan. DHS informed us that it did not report these children as AWOLP and did not take any action to return them to Michigan prior to obtaining the ICPC agreements with the other states because DHS was aware of the children's locations. However, DHS cannot consent to an out-of-State placement without an approved ICPC agreement.

c. DHS did not inform the applicable states of the services it required for the 2 children identified in item b. As a result, those states informed DHS that they did not provide services to the children after the ICPC agreements were in place. DHS had only minimal contact with these children during the time they resided in those states. For reasons not related to DHS's lack of oversight, a circuit court ordered the cases for these 2 children closed 5 months and 24 months after they had relocated to the homes outside of Michigan.

d. DHS did not have documentation to support the service plans that it prepared for 2 of the children noted in items a. and b. during the time that the children resided in foster homes outside of Michigan. The applicable states did not provide services to the children or report the progress of the children to DHS, and DHS had only minimal contact with them during the time that they resided in those states. However, DHS prepared 9 of the 10 periodic service plans that became due for these children while they resided in the other states. Service plans contain information on the services provided to a child and the child's progress toward the attainment of case goals. DHS submits service plans quarterly to the circuit court for its review.

e. DHS did not ensure that other states performed required home studies and criminal history background checks before 6 of the 7 children moved to foster care homes outside of Michigan. For 4 of these 6 children, there was no documentation in the case files proving the applicable states had completed either a home study on the provider or a criminal history background check, or both, prior to the child taking residence in the other states. For the remaining 2 children, the applicable states performed a home study and criminal history background check after the children had moved to those states. As indicated in item a.(2), the results of one home study performed after the child had already moved resulted in that state denying DHS's request for an ICPC agreement.

DHS had identified similar instances in which local office staff had violated ICPC laws and regulations prior to our audit. In an internal memorandum from DHS central office to the county directors and district office managers across the State dated June 26, 2003, DHS highlighted relevant provisions of the ICPC laws and stated: "In several situations statewide these provisions have not been followed. Please review the Interstate Compact placement policy and procedures with appropriate staff to help prevent these violations in the future."

RECOMMENDATION

We recommend DHS ensure that it obtains ICPC agreements with other states for all children in out-of-State foster homes.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation and indicated that acceptance of responsibility by the receiving state and inability to obtain court orders returning children to in-State placements makes it difficult to monitor case plan progress, case activity, and provision of services to children in out-of-State placements.

DHS indicated that it already obtains agreements in the vast majority of cases when it can secure the cooperation of the sending court, but it has few options for resolving conflicts with the court or the receiving state when problem placements are identified. DHS also indicated that it may not return a child to Michigan without an order from the court placing the child, or an appellate order reversing the lower court order, and that pursuing such an order is a very lengthy process that can take six or more months. DHS further indicated that the ICPC provides no mechanism

other than lengthy appeals of court orders, which are often not in the best interests of the child, to remedy an "illegal" placement.

In addition, DHS indicated that often these placements only become problematic because of the "technical" violation of the ICPC, i.e., agreement or consent was not obtained before placement. DHS stated that the ICPC is an imperfect system, often taking long periods of time to obtain home studies. DHS indicated that circuit courts become impatient with the delays and order children into relative placements out-of-State in violation of the ICPC and that the courts have authority to make these placements deemed in the best interests of, and safe for, the child. DCH also indicated that while the ICPC statute provides that the ICPC statute takes precedence over conflicting state laws, it is unlikely that a reviewing court would overturn a lower court's placement order on the basis of a "technical" violation where the placement is clearly in the child's best interests, given the preference for family over licensed foster care placement. DHS further indicated that it works with the ICPC Secretariat and ICPC Mediation Panel to remedy "illegal" placements whose illegality consists entirely of "technical" violation of the ICPC. DHS stated that it is powerless to compel a receiving state to accept a placement in the receiving state with a relative or to compel a court to order the return of a child to Michigan.

EPILOGUE

While the ICPC process may be burdensome, it was put in place to help ensure the safety and appropriateness of potential out-of-State foster care homes before placements occur and to help ensure the continuation of needed services for those children in the receiving states and the monitoring of their progress. The examples we cited in the finding indicated that the "illegal" placements may not have been in the best interests of some of those children.

FINDING

3. Required Visits

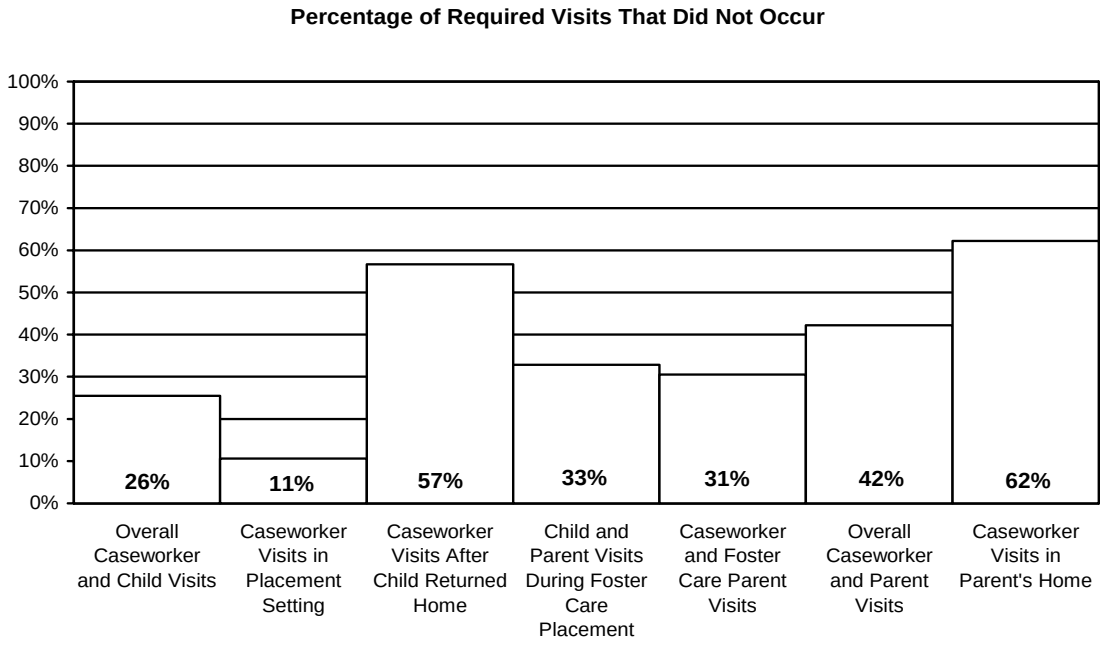
DHS did not ensure that its caseworkers had performed and documented required visits with foster children, their parents, and their foster parents or had facilitated visits between the children and their parents.

Without periodic caseworker visits, DHS cannot effectively assess the safety and appropriateness of the environment the children are in or observe the physical well-being and demeanor of the children and their interaction with their foster parents and parents from whom they were removed. In addition, without periodic caseworker visits, DHS cannot always be sure that the children, their parents, and their foster parents receive timely, relevant services. Further, without frequent caseworker visits with children after returning them to their homes, DHS cannot effectively assess whether parents have appropriately addressed the conditions that prompted the removal of the children from their homes.

DHS is ultimately responsible for all children in foster care in Michigan. State statute and DHS's CFC Manual require a minimum number of visits at various time intervals between the caseworkers and the children in foster care, their parents, and their foster parents and between the children and their parents. In addition, DHS's CFC Manual requires caseworkers to document proposed visits and the actual date and location of the visits in the initial and updated service plans. DHS requires that its local office foster care supervisors and staff assigned to monitor contracted agency caseworkers review and approve all foster care service plans. However, DHS informed us that due to competing priorities, some supervisors and monitoring staff did not always ensure the completeness of the service plans before signing them.

Our review of 77 local office and 29 contracted agency case files disclosed that service plans in 96 (91%) of the 106 files contained insufficient or no evidence that caseworkers had performed the minimum number of required visits. There was no

evidence to support that caseworkers had performed 718 (33%) of the 2,205 required visits. The following graph details our exceptions by type of required visit:



We reported on deficiencies related to visits with children in our prior audit report on the Children's Foster Care Program. Although DHS agreed with our prior recommendation and stated that, through automation and enhanced staffing, it would obtain the required documentation, deficiencies have continued to exist.

During the September 2002 federal Child and Family Services Review (CFSR) in Michigan (Finding 9), a general finding of the Administration for Children and Families (ACF) was that DHS was not consistent in meeting the service needs of children and families. ACF noted that there were many cases in which caseworker visits with children and parents were not of sufficient frequency or quality to ensure the children's safety and/or promote attainment of case goals and often did not meet agency policy requirements.

RECOMMENDATION

WE AGAIN RECOMMEND THAT DHS ENSURE THAT ITS CASEWORKERS PERFORM AND DOCUMENT REQUIRED VISITS WITH FOSTER CHILDREN,

THEIR PARENTS, AND THEIR FOSTER PARENTS AND FACILITATE VISITS BETWEEN THE CHILDREN AND THEIR PARENTS.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation and indicated that, in the cases cited, DHS caseworkers did not always document visits with foster children, their parents, and their foster parents as required by policy and agrees that caseworkers must document required visits.

DHS indicated that it began piloting its Case Management System in Saginaw County in May 2005 and that the System automates the recording of social work and collateral contacts into DHS case record files and ensures accurate contact documentation. DHS also indicated that it did not obtain adequate staffing or systems resources necessary to correct the deficiencies noted in the prior audit.

FINDING

4. Foster Care Service Plans

DHS did not ensure that caseworkers prepared foster care service plans within required time frames and included required information in the service plans.

Without timely and complete service plans, DHS could not ensure that caseworkers had assessed the needs and progress for each child as required and that each child had received timely and relevant services. In addition, without timely and complete service plans, DHS could not always document the appropriateness of a child's continued placement in foster care.

DHS is ultimately responsible for all children in foster care in Michigan. State statute and DHS's CFC Manual require caseworkers to develop initial service plans within 30 days of the child's initial placement and to update the service plans every 90 days thereafter. DHS requires that its local office foster care supervisors and staff assigned to monitor foster care cases supervised by contracted agencies review and approve all foster care service plans. However, DHS informed us that, due to competing priorities, some supervisors and monitoring staff did not always ensure the completeness of the service plans before signing them.

Our review of the initial and updated service plans for 78 local office and 29 contracted agency foster care case files disclosed:

a. Two (2%) of 96 case files did not contain an initial service plan.

b. Caseworkers did not complete the initial service plans for 69 (73%) of 94 applicable cases within 30 days of the child's initial placement. Of the 69 cases for which the caseworkers prepared the initial service plans, 21 (30%) were within 14 days after the due date, 33 (48%) were between 15 and 60 days after the due date, and 15 (22%) were between 61 and 161 days after the due date.

c. Twenty-five (6%) of 419 updated service plans were missing from the case files.

d. Caseworkers did not complete 171 (43%) of 394 updated service plans within 90 days of the previous plan. Of the 171 updated service plans that the caseworkers prepared, 68 (40%) were within 14 days after the due date, 78 (46%) were between 15 and 60 days after the due date, and 25 (15%) were between 61 and 224 days after the due date.

e. Caseworkers did not include all required information in the selected service plans. Our review of selected information disclosed:

   (1) An explanation as to why a child was not in the same placement as his or her sibling(s) was missing in 9 (9%) of 95 applicable service plans. Additionally, 47 (49%) of these service plans did not contain the signatures of both the caseworker's immediate supervisor and second line supervisor indicating approval of the separation.

   (2) Parent-agency treatment plans and service agreements* (PATPs) were missing from 36 (18%) of 203 applicable service plans.

* *See glossary at end of report for definition.*

(3) PATPs for the remaining 167 service plans contained insufficient or no documentation related to the following required items:

(a) Service goals, action steps, and expected outcomes associated with the recommended services for the child for 89 (53%) of the PATPs.

(b) Services for independent living for children age 14 and older for 16 (55%) of 29 applicable PATPs.

(c) Services the caseworker would provide or the proposed contacts between the caseworker and the parent, child, and foster family in 22 (13%) of the PATPs.

(d) The signatures of the caseworker and the caseworker's supervisor in 21 (13%) of the PATPs.

(e) The signature(s) of the parent(s) of the child in 87 (79%) of 110 applicable PATPs.

We reported on service plan deficiencies in our prior audit report on the Children's Foster Care Program. Although DHS agreed with our prior recommendation, it stated that it needed additional staff resources, automation efficiencies, and supervisory case readings to help achieve full compliance.

During the September 2002 federal CFSR in Michigan (Finding 9), ACF determined that, in 27% of the cases it reviewed, DHS had not been effective in addressing the service needs of children, parents, and/or foster parents. ACF also stated that focus groups with DHS staff, Foster Care Review Board members, and court-appointed special advocate members revealed that supportive services to foster parents may not be provided on a consistent basis.

RECOMMENDATION

WE AGAIN RECOMMEND THAT DHS ENSURE THAT CASEWORKERS PREPARE FOSTER CARE SERVICE PLANS WITHIN REQUIRED TIME FRAMES AND INCLUDE REQUIRED INFORMATION IN THE SERVICE PLANS.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation and indicated that it agrees that, for the foster care case files reviewed, service plans were not always completed within the required time frames and the case files did not always contain the required information.

FINDING

5. Basic Health Care Services

DHS did not ensure that children in foster care received required minimum basic health care services and that caseworkers documented the services received in the foster care case files. As a result, DHS may not have met the health care needs of foster children.

State statutes, the *Michigan Administrative Code*, and DHS's CFC Manual prescribe minimum basic health care services that children in foster care are to receive. In addition, DHS's CFC Manual requires caseworkers to ensure that children in foster care received these services and to include evidence that these services occurred in the case files.

Our review of the case files for a sample of children in foster care disclosed:

a. Case files for 38 (41%) of 93 children did not contain evidence of 55 (38%) of 146 required annual health examinations.

b. Case files for 37 (51%) of 73 children did not contain evidence of 51 (46%) of 110 required annual dental examinations.

c. Case files for 25 (27%) of 94 children did not contain evidence of required immunization records.

RECOMMENDATION

We recommend that DHS ensure that children in foster care receive required minimum basic health care services and that caseworkers document the services received in the foster care case files.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation and indicated that documentation for annual health and dental examinations or immunizations was not always contained in the case files reviewed. DHS also indicated that child immunization data records are now automated and easily accessed and made part of the child's case file.

DHS disagrees that children in foster care are not receiving basic health care services. DHS indicated that the executive summary of the federal CFSR states: ". . . FIA* was effective in meeting children's physical health needs . . . Overall, medical and dental services were accessible, services were provided, and documentation was thorough."

EPILOGUE

ACF reviewed the case files for foster children in Wayne, Saginaw, and Jackson Counties. The period under review during the CFSR was April 1, 2001 through September 5, 2002, which was only part of our audit period (October 1, 2000 through May 31, 2004).

EFFECTIVENESS AND EFFICIENCY IN MONITORING THE DELIVERY OF SERVICES

COMMENT

Background: During our audit, DHS contracted with private agencies to directly provide services to approximately 40% of the children's foster care population. DHS's local office monitoring workers oversee contracted agencies' supervision of foster cases, and DHS retains legal authority for children whose foster care cases are directly supervised by a contracted agency.

Audit Objective: To assess DHS's effectiveness and efficiency in monitoring the delivery of services by Children's Foster Care Program contracted service providers.

Conclusion: We concluded that DHS was generally not effective and efficient in monitoring the delivery of services by Children's Foster Care Program contracted service providers. Our review disclosed one material condition. DHS did not

* *See glossary at end of report for definition.*

sufficiently monitor contracted agencies to ensure that contracted agencies effectively delivered foster care services (Finding 6).

In addition, our review disclosed reportable conditions related to per-diem contract rates and monitoring of contracted agency foster care workers (Findings 7 and 8).

FINDING

6. Contract Monitoring

DHS did not sufficiently monitor contracted agencies to ensure that contracted agencies effectively delivered foster care services.

Without sufficient monitoring of contracted agencies, DHS cannot ensure the health and welfare of the foster children in their care. An improved monitoring process should help DHS ensure that contracted agencies provide the level of foster care services for which they were contracted and also provide DHS with information to assess the effectiveness of each contracted agency in meeting performance standards* specified in their contracts. A process that includes routine monitoring and timely follow-up of issues identified will help DHS ensure that children residing in private child-caring institutions are in safe and appropriate environments. DHS removed all children from one contracted agency during our audit period and placed a moratorium on future placements at that agency because of the unacceptable living conditions identified during an on-site quality assurance review (QAR).

During fiscal year 2002-03, DHS made payments totaling approximately $137.7 million to 87 contracted agencies for various foster care services. As of January 2004, approximately 7,500 (38%) of the approximately 19,600 children in foster care received services from a contracted agency.

Some of the contracted agencies had more than one service location, and each location had its own service agency contract. We identified 194 service agency contracts representing the 87 contracted agencies. DHS's primary method of monitoring service agencies was to have its Purchased Services Division (PSD)

* *See glossary at end of report for definition.*

perform periodic QARs. Our review of the effectiveness of DHS's monitoring efforts through PSD disclosed:

a. DHS had not met its goal of performing a QAR every 18 to 24 months for each service agency. Our review of contract files for 172 service agencies disclosed:

   (1) DHS had not performed, or could not provide a report for, a QAR on 90 (52%) of the service agencies.

   (2) DHS had performed its most recent QAR from 25 to 70 months prior to the time of our review for 29 (35%) of the remaining 82 service agencies.

b. DHS could not locate 22 (11%) of the service agency contract files and, therefore, could not provide documentation of any monitoring efforts.

c. DHS had not tracked its completion of QARs and, therefore, could not readily identify the service agencies for which it had completed a QAR.

d. DHS did not ensure that service agencies submitted corrective action plans (CAPs) within 30 days of DHS issuing a QAR report to the agency. Our review of 11 CAPs disclosed that service agencies submitted 5 (45%) CAPs to DHS from 24 to 128 days late.

e. DHS did not follow up within 60 days of approving any of the 11 CAPs in item d. to ensure that the service agencies had implemented the CAPs as approved, as required by the contracts. DHS informed us that its practice was to verify the implementation of CAPs during the service agencies' next QAR. While this may be appropriate for some deficiencies identified in the QARs, DHS needs to define what it considers to be serious issues that require timely follow-up.

f. DHS did not collect data that it could use to measure performance related to minimum performance levels specified in contracts for foster care services provided by contracted agencies. As a result, DHS had not measured the performance of its contracted agencies related to contract minimum performance levels.

DHS's service agency contracts contain provisions indicating that "DHS shall be responsible for program review and may review, analyze and comment on all activities covered within the terms of this Agreement." Monitoring should include periodic assessments of programmatic performance information to ensure that contractors are performing according to contractual provisions.

RECOMMENDATION

We recommend that DHS improve its monitoring process to help ensure that contracted agencies effectively deliver foster care services.

AGENCY PRELIMINARY RESPONSE

DHS disagrees with the recommendation and disagrees with the finding that it did not sufficiently monitor contracted agencies to ensure that they delivered foster care services. DHS believes that its systems currently in place provide adequate monitoring.

DHS indicated that PSD has a formal process for monitoring private providers under contract with the State of Michigan to provide children's services and that this process includes on-site reviews; a review of youth and staff records; interviews with youth, foster parents, and staff and administration; completion of a formal written report identifying noncompliance with contract terms and/or DHS policy; and a requirement for the provider to submit a quality improvement plan.

Additionally, DHS indicated that PSD conducts special investigations either independently or in conjunction with the Office of Child and Adult Licensing (OCAL) when there are allegations that a contracted provider has violated contract terms and/or policy.

DHS also indicated that, subsequent to the 2002 early retirements, staffing in PSD decreased from 7 monitors to 5 and that, due to these staffing reductions, PSD was unable to comply with its policy related to frequency of on-site reviews and has subsequently revised the policy to accommodate the current staff level. DHS further indicated that it has prioritized on-site reviews and follow-up activity related to quality improvement plans.

DHS indicated that the following monitoring efforts of private agency compliance with DHS policy and contract terms are ongoing:

- PSD performs reviews as previously noted.

- OCAL licenses all child-placing agencies and child-caring institutions, conducts on-site reviews annually, and conducts complaint investigations. OCAL takes action on noncompliance issues related to children's safety and well-being.

- DHS foster care workers are in regular contact with providers, foster parents, families, and youth and report instances of contract noncompliance to PSD.

DHS also indicated that additional information it provided to us during the audit, if considered, would have mitigated the finding.

EPILOGUE

The scope of our audit included those procedures established by DHS and in place during our audit period. Our finding points out that DHS was not following its established procedures in monitoring contracted agencies.

DHS's preliminary response indicated that, as part of its overall monitoring of contracted agencies, foster care workers are in regular contact with providers, foster parents, families, and youth. Findings noted in this report and the CFSR indicate that DHS foster care workers were not always in regular contact with providers, foster parents, families, and youth during our audit period.

FINDING

7. Per-Diem Contract Rates

DHS had not established a process to periodically evaluate contracted agency per-diem rates to reduce or eliminate disparities in program payment rates for agencies that provided the same or similar foster care services.

Without periodic evaluation of the contracted agency per-diem rates, DHS cannot ensure that the rates are appropriate to efficiently provide the services. DHS established base per-diem rates to be paid to contracted agencies in 1993.

During fiscal year 2002-03, DHS made payments totaling approximately $137.7 million to 87 contracted agencies for various foster care services. These foster care services included specialized, residential, specialized residential, specialized independent living, general, and general independent living. As of January 2004, approximately 7,500 (38%) of the approximately 19,600 children in foster care received services from a contracted agency.

We identified the following range of per-diem rates paid to contracted agencies:

Description of Service	Number of Service Locations	Range of Rates (per-diem amount)
Specialized foster care	59	$19.07 to $51.65
Residential foster care	84	$90.00 to $229.76
Specialized residential foster care	20	$140.57 to $283.69
Specialized independent living	11	$28.94 to $124.78
General foster care	78	$17.94 to $38.49*
General independent living	38	$17.94
Boot camp residential	2	$98.55 and $131.20
Determine length of stay	2	$168.77 and $224.22
Developmental disability/medically needy	2	$35.56 and $39.05
Maternity residential care	2	$68.44 and $118.25
Mother and baby residential care	3	$125.74 to $136.89
Sexual offender treatment	6	$166.95 to $208.13
Shelter residential care	6	$147.50 to $162.17
Substance abuse	2	$127.11 and $143.33

* Only 1 contracted agency received the higher rate.

Department of Management and Budget Administrative Guide policy 0610 requires departments to manage their contracts in a manner that is fiscally responsible. DHS identified several critical cost components in the composition of the per-diem rates that were used in establishing base rates effective October 1, 1993, such as wage and benefit scales, volume of services provided (i.e., number of days of care), geographic dispersion of the youth/families actually served, management and general administrative costs, and contracted minimum levels of service and staffing.

In accordance with Section 519, Act 294, P.A. 2000, DHS reported that it had conducted a review of the per-diem rates paid for specialized foster care and residential foster care. However, this review did not include an analysis of the critical cost components previously used to establish base rates to ensure that the rates were reasonable and cost-efficient. DHS stated that one purpose of the review was to "identify a process whereby residential foster care rates can be reviewed and updated." In a report to the Legislature in June 2001, DHS proposed a strategy for addressing issues related to costs, services, and outcomes for specialized foster care. Although DHS indicated that its goal was to convert from the "current wide range of per-diem rates to a system based on performance, within approximately two years," DHS had not implemented its proposed strategy for any of the foster care program service agency contracts at the time of our review.

RECOMMENDATION

We recommend that DHS establish a process to periodically evaluate contracted agency per-diem rates to reduce or eliminate disparities in program payment rates for agencies that provide the same or similar foster care services.

AGENCY PRELIMINARY RESPONSE

DHS disagrees with the recommendation and disagrees with the finding that a process is not established to periodically evaluate contracted agency per-diem rates. DHS also indicated that it disagrees with the conclusion that it does not ensure that the rates are appropriate to efficiently provide services.

DHS indicated that it employs the following approaches to ensure that it fulfills its fiscal responsibilities with regard to rates:

- A range of rates within specialized foster care services is determined by the level of treatment and staffing ratios, which varies across programs.

- For residential care programs, rate ceilings exist based on direct staffing levels for various program categories, which limit rates for new or revised programs.

- Adjustments to across-the-board rates occur only with legislative authorization. Increases since the rates were last cost-based have not exceeded the rate of inflation.

- General foster care programs all have the same administrative rate (currently $18.48 per day). The $38.49 figure listed in the report is an Indian tribal agency that is legally permitted to set its own rate.

- Base rates initially established through a competitive bid process are updated only through a legislative appropriations process. The range of rates in those categories is attributable to the bids.

- For new or revised programs, rates are based on projected costs and days in care, monitored for a year or until the next legislatively mandated increase (whichever is later), then adjusted (if lower) based on historical costs.

EPILOGUE

None of the approaches stated in DHS's preliminary response are part of a process to periodically evaluate contracted agency per-diem rates to reduce or eliminate disparities in program payment rates for agencies that provide the same or similar foster care services.

FINDING

8. Monitoring of Contracted Agency Foster Care Workers

DHS's monitoring of foster care cases supervised by contracted agencies did not ensure that contracted agency staff consistently prepared foster care service plans and submitted them to DHS for approval within required time frames. In addition, DHS did not ensure that its local office monitoring workers approved and documented their approval of all contracted agency foster care service plans in compliance with DHS policy.

Without effective monitoring of contracted agency foster care cases, DHS cannot ensure that foster care service plans are prepared timely and include required information (Finding 4). In addition, without a review and approval of foster care service plans prepared by contracted agencies, DHS cannot be assured that the contracted agencies are effectively delivering services to children in foster care.

DHS is responsible for the safety of children in foster care whose cases are supervised by contracted agencies. State statutes, DHS's CFC Manual, and contractual provisions require agency staff to develop initial service plans within

30 days of the child's initial placement, to update the service plans every 90 days thereafter, and to submit the service plans to DHS for review and approval within 5 days of completion. DHS assigns local office monitoring workers to review and approve all contracted agency foster care service plans.

DHS contracted with private agencies to supervise and provide services to approximately 7,500 (38%) of the approximately 19,600 active foster care cases. Contracted agencies supervised 26 (24%) of the 107 case files we reviewed. Our review of DHS's monitoring efforts related to those 26 foster care case files disclosed:

a. DHS did not ensure that contracted agencies submitted service plans or that they submitted service plans on a timely basis. Contracted agencies did not submit 4 required service plans for 4 children. Also, of 44 service plans that contracted agencies submitted to DHS, 15 (34%) were submitted on time; 15 (34%) were submitted between 1 and 14 days after their due dates; 10 (23%) were submitted between 15 and 60 days after their due dates; and 4 (9%) were submitted between 61 and 384 days after their due dates.

b. DHS monitoring workers did not approve or did not document their approval of 18 (40%) of 45 service plans for 14 (54%) of the 26 children.

DHS requires its monitoring workers to bring any patterns of contractual noncompliance, such as the untimely submission of reports that the monitoring worker cannot resolve, to the attention of a DHS supervisor. Ultimately, DHS can implement a moratorium on placements or cancel the contract if a contracted agency fails to meet contractual obligations. DHS did not initiate any corrective action related to the missing and late service plans identified in item a.

RECOMMENDATIONS

We recommend that DHS improve its monitoring of foster care cases supervised by contracted agencies to ensure that contracted agency staff consistently prepare foster care service plans and submit them to DHS for approval within required time frames.

We also recommend that DHS ensure that its local office monitoring workers approve and document their approval of all contracted agency foster care service plans in compliance with DHS policy.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendations and agrees with the finding that, for the cited cases, it did not always ensure that contracted agency staff completed foster care service plans timely or that local office monitoring workers approved and documented approval of service plans.

DHS disagrees that it cannot ensure that the contracted agencies are effectively delivering services to children in foster care if service plans are not reviewed and approved within policy time frames.

DHS indicated that, immediately following the 2002 early retirements, the DHS caseload ratio for DHS foster care monitoring staff increased to 150:1. DHS also indicated that, in 2005, the caseload ratio was reduced by 50% to 75:1, allowing more time to monitor each case.

EFFECTIVENESS IN MEETING PROGRAM OUTCOME GOALS

COMMENT

Background: The mission of the Children's Foster Care Program is to provide care and supervision to children removed from their homes because of abuse and neglect while providing services to children and families to establish permanency.

The Program had the following outcome goals:

- The number of children in foster care longer than 24 months will be 20% or less of the foster care population.

- 80% of children in foster care will be in a permanent placement within 12 months of their initial placement.

- 80% of youth 14 and older who have been in foster care for six months or more will be assessed for independent living by their caseworker as part of their permanency plan.

- Children are, first and foremost, protected from abuse and neglect in their living situation.

- Children are safely maintained in their homes whenever possible and appropriate.

- Children have permanency and stability in their living situations.

- The continuity of family relationships and connections is preserved for children.

- Families and caregivers have enhanced capacity to provide for their children's needs.

- Children receive appropriate services to meet their educational needs.

- Children receive adequate services to meet their physical and mental health needs.

- Children are provided with the resources and direction necessary to achieve a successful transition into adulthood.

Audit Objective: To assess the effectiveness of the Children's Foster Care Program in meeting its outcome goals.

Conclusion: We concluded that the Children's Foster Care Program was generally not effective in meeting its outcome goals. Our review disclosed one material condition. DHS did not achieve substantial conformity with any of the seven federally required child welfare outcomes pertaining to safety, permanency, and well-being (Finding 9).

In addition, our review disclosed a reportable condition related to Program evaluation (Finding 10).

FINDING

9. Child Welfare Outcomes

DHS did not achieve substantial conformity with any of the seven federally required child welfare outcomes pertaining to safety, permanency, and well-being.

DHS's inability to achieve substantial conformity with federally required standards indicates that DHS may not have provided effective services to children who were removed from their homes because of abuse and neglect.

The Administration for Children and Families (ACF), U.S. Department of Health and Human Services, determined whether states were in substantial conformity with federal requirements. ACF measured compliance by conducting Child and Family Services Reviews (CFSRs) across the country. ACF conducted a CFSR for DHS in September 2002 and assessed DHS's performance regarding seven child welfare outcomes pertaining to safety, permanency, and well-being. ACF based its assessment on information from various sources, including a self-assessment prepared by DHS; the State Data Profile prepared by the Children's Bureau, U.S. Department of Health and Human Services; a review of 49 cases (28 foster care cases and 21 in-home service cases) from three counties in the State; and interviews or focus groups with a wide range of stakeholders.

ACF concluded that DHS did not achieve substantial conformity with any of the following seven federally required safety, permanency, and well-being outcomes:

- Safety Outcome 1 - Children are, first and foremost, protected from abuse and neglect.

- Safety Outcome 2 - Children are safely maintained in their homes whenever possible and appropriate.

- Permanency Outcome 1 - Children have permanency and stability in their living situations.

- Permanency Outcome 2 - The continuity of family relationships and connections is preserved for children.

- Child Well-Being Outcome 1 - Families have enhanced capacity to provide for their children's needs.

- Child Well-Being Outcome 2 - Children receive appropriate services to meet their educational needs.

- Child Well-Being Outcome 3 - Children receive adequate services to meet their physical and mental health needs.

In addition, as of July 31, 2003, our review indicated that 36% of foster children had been in foster care for more than 24 months. DHS's stated goal was to have no more than 20% of children in foster care for 24 months or longer.

Before the CFSR, DHS was unaware of its status of compliance with federally required outcome goals because it had not fully developed and implemented a comprehensive process to evaluate the effectiveness of its children's foster care services (Finding 10).

RECOMMENDATION

We recommend that DHS develop and implement an initiative to achieve conformity with the seven federally required child welfare outcomes pertaining to safety, permanency, and well-being.

AGENCY PRELIMINARY RESPONSE

DHS agrees with the recommendation but disagrees that a failure to achieve substantial conformity with seven federally required child welfare outcomes indicates that DHS may not have provided effective services to children.

DHS indicated that the audit failed to note that none of the 52 states, including the District of Columbia and Puerto Rico, achieved substantial conformity in all seven federally required standards and that the audit misinterpreted the purpose and intent of the federal review. DHS also indicated that the federal review identified nine areas in DHS that were rated as strengths and that DHS met or exceeded national standards for four separate measures.

DHS stated that ACF has indicated that the CFSR sets a high standard and that the goal is to move states to a high standard through continuous improvement. DHS also indicated that the vehicle for continuous improvement is the program

improvement plan (PIP) and that the PIP must contain an overall plan to improve a state's performance on the seven federal outcomes as well as individual goals and benchmarks in those items where the federal standard was not met. DHS further indicated that in May 2004, ACF accepted Michigan's PIP and that Michigan has demonstrated compliance with ACF requirements in three quarterly reports documenting progress on the PIP.

EPILOGUE

The purpose of the CFSR, as stated in the executive summary in ACF's final report for Michigan, is to assess State performance during a specified time period on seven child welfare outcomes pertaining to safety, permanency, and well-being and with respect to seven systemic factors. States determined not to be in substantial conformity that fail to correct the areas of nonconformity are subject to federal withholding of available funding.

The CFSR addressed all 11 of DHS's outcome goals for the Children's Foster Care Program in its assessment of DHS's conformity with the seven federally required child welfare outcomes pertaining to safety, permanency, and well-being. Based on the conclusions in the CFSR and findings in this audit report, the Program was generally not effective in meeting its outcome goals.

FINDING

10. Program Evaluation

DHS had not fully developed and implemented a comprehensive process to evaluate its effectiveness in delivering children's foster care services.

Without a formal evaluation process, DHS's ability to effectively manage and improve foster care services is diminished.

Our review disclosed:

a. DHS had not fully developed and implemented measurable and quantifiable Children's Foster Care Program outcomes. DHS informed us that it had taken steps to adopt Program outcomes that essentially mirrored those included in the CFSR. However, DHS had not yet established a formal process for measuring the Program's performance related to these outcomes.

b. DHS had not established a process to generate available reports from its central data systems for use in measuring the Program's effectiveness. DHS generally considered such events as a child returning home, a child being released for adoption, or the filing of a petition for termination of parental rights as "positive events" and generally considered these positive events as valid indicators of the Program's effectiveness. DHS recorded such events in its Services Worker Support System - Foster Care, Adoption, and Juvenile Justice (SWSS-FAJ) database and DHS informed us of routine SWSS-FAJ reports that provided this information. In addition, DHS compiled data to meet federally mandated reporting requirements for the federal Adoption and Foster Care Analysis and Reporting System and the National Child Abuse and Neglect Data System. However, DHS had not determined which available reports it should use and did not routinely generate available reports for use in evaluating the Program's effectiveness.

c. DHS needs to improve its automated data collection capabilities to help ensure the integrity of management information reports.

For example, State statute requires DHS to prepare an annual "report card" that evaluates the achievements of each contracted and local office child-placing agency in obtaining permanency for children and making recommendations for the removal of barriers to permanency. Our review of the annual supervising agency report cards disclosed:

(1) DHS did not include information in its most recent annual report cards related to the average number of caseworkers to which children in foster care had been assigned or the average experience level of caseworkers because DHS had not established an automated process to collect this information electronically.

(2) DHS was unable to explain discrepancies in data included in the most recent annual report cards related to the living arrangements of children in foster care. For example, in the 2002 annual report card, one data table indicated that 5,388 foster children lived with relatives, while a similar data table in the same annual report card indicated that 6,119 children lived with relatives.

Prior to the 2002 annual report cards, contracted and local office child-placing agencies manually collected the data for the report cards and submitted the data to DHS.

d. DHS did not use the annual report cards identified in item c. to evaluate the Program's effectiveness. Rather, DHS informed us that it provided the report cards to the contracted and local office child-placing agencies for their own independent analysis of their performance. The statistical data in these report cards includes such data as the average number of placements per child and the number of children who have re-entered an out-of-home foster care home.

Program effectiveness can be evaluated and improved by using a comprehensive process that includes: performance indicators* for measuring outputs* and outcomes; quantifiable performance standards or goals and objectives* that describe the level of outputs and outcomes based on management expectations, peer group performance, and/or historical data; a management information system to gather actual output and outcome data; a comparison of actual data with desired outputs and outcomes; a reporting of the comparison results to management; and proposals of program changes to improve effectiveness.

RECOMMENDATION

We recommend that DHS continue to develop and implement a comprehensive process to evaluate its effectiveness in delivering children's foster care services.

AGENCY PRELIMINARY RESPONSE

DHS disagrees with the recommendation and disagrees with the finding. DHS indicated that there is no substantiation to support it, and DHS recommended that it be deleted from the report.

EPILOGUE

DHS's preliminary response does not address the facts in the finding, which support our conclusion that DHS had not fully developed and implemented a comprehensive process to evaluate its effectiveness in delivering children's foster care services.

* *See glossary at end of report for definition.*

SUPPLEMENTAL INFORMATION

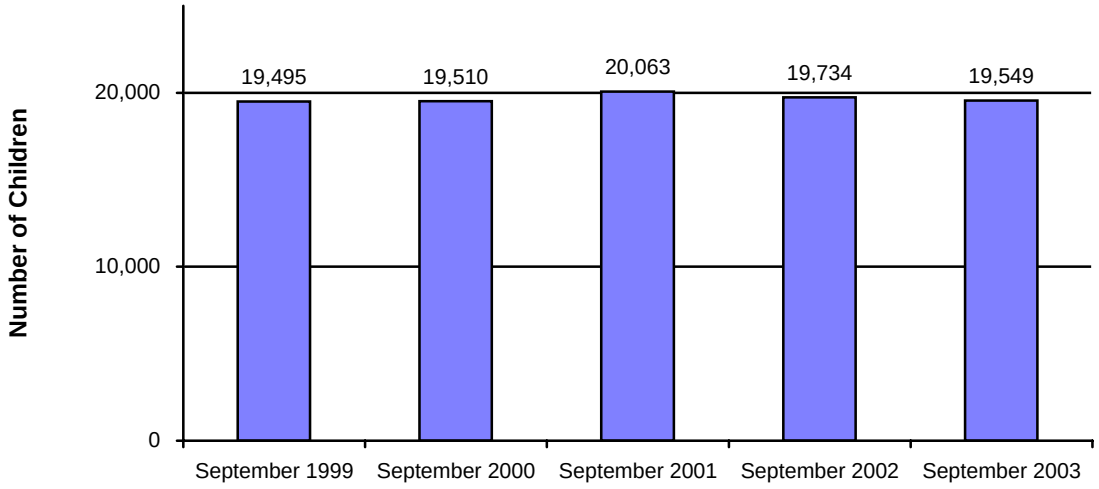
Description of Supplemental Information

This section of our audit report contains unaudited information presented as supplemental information in Exhibits 1 through 7. These exhibits are intended to provide the report reader with background information and a frame of reference for the Children's Foster Care Program in Michigan.

The data in these exhibits for fiscal years 1998-99 through fiscal year 2001-02 is from the Department of Human Services' (DHS's) supervising agency report cards. The data in these exhibits for fiscal year 2002-03 is from DHS's Foster Care Fact Sheet as it appears on DHS's Web site. Some of the exhibits do not contain data for fiscal year 2002-03 because the data included in the supervising agency report cards was not yet available or was not consistent with data in DHS's Foster Care Fact Sheet.

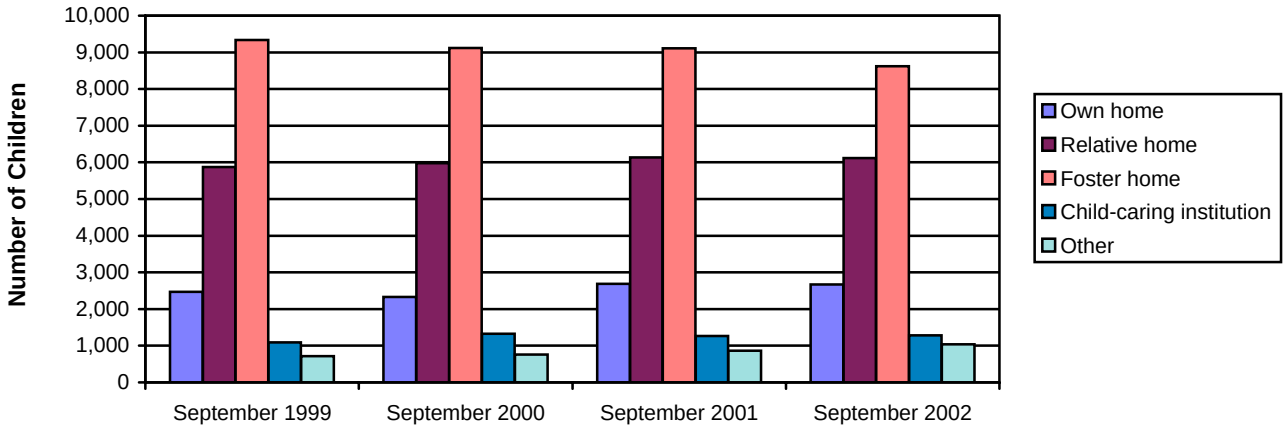
UNAUDITED
Exhibit 1

CHILDREN'S FOSTER CARE PROGRAM
Department of Human Services
Number of Michigan Children in Foster Care
As of September 1999, 2000, 2001, 2002, and 2003



UNAUDITED
Exhibit 2

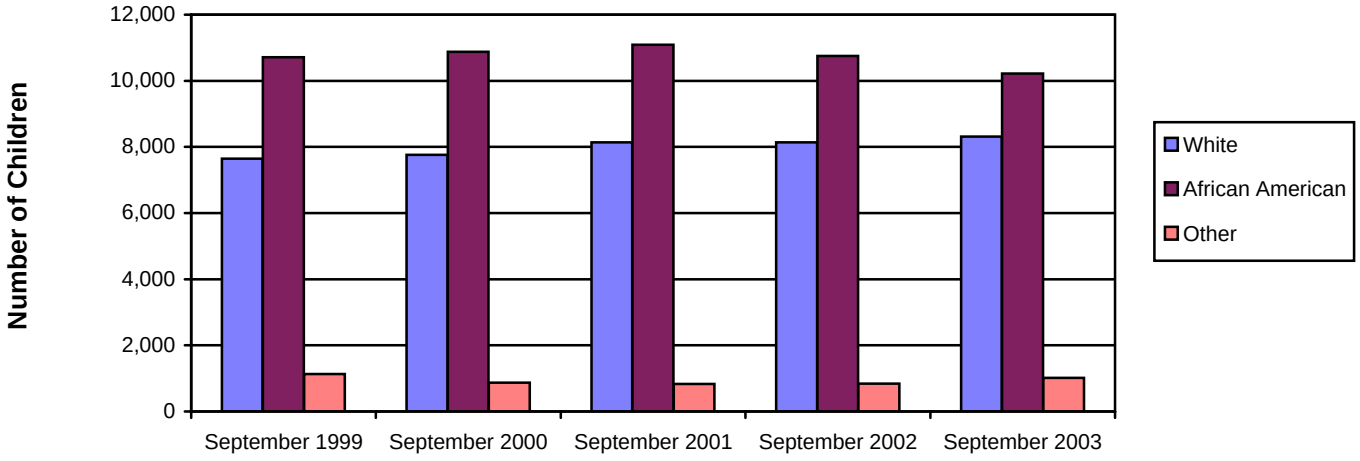
CHILDREN'S FOSTER CARE PROGRAM
Department of Human Services
Living Arrangements of Michigan Children in Foster Care
As of September 1999, 2000, 2001, and 2002



43-278-03

UNAUDITED
Exhibit 3

CHILDREN'S FOSTER CARE PROGRAM
Department of Human Services
Ethnicity of Michigan Children in Foster Care
As of September 1999, 2000, 2001, 2002, and 2003



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UNAUDITED
Exhibit 4

CHILDREN'S FOSTER CARE PROGRAM
Department of Human Services
Gender of Michigan Children in Foster Care
As of September 1999, 2000, 2001, and 2002

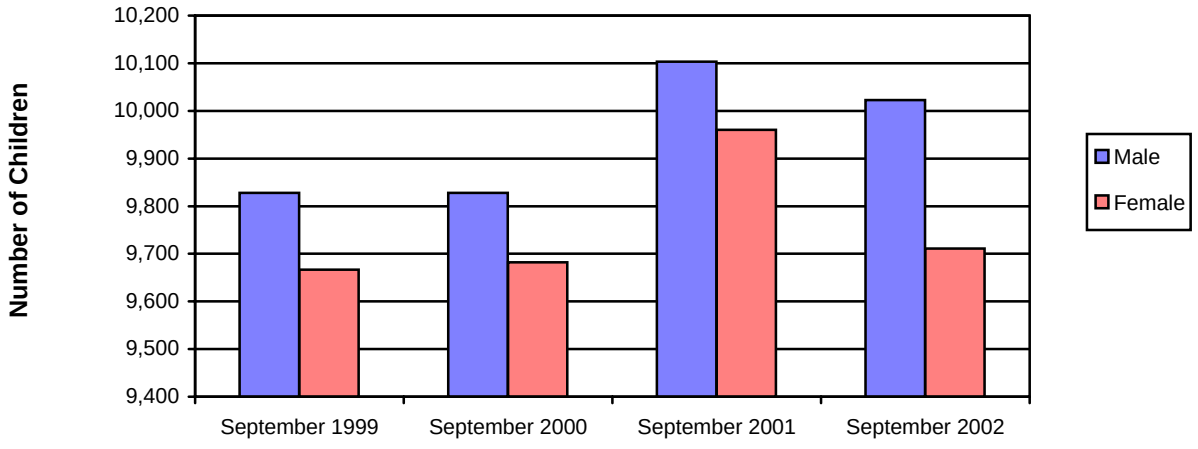

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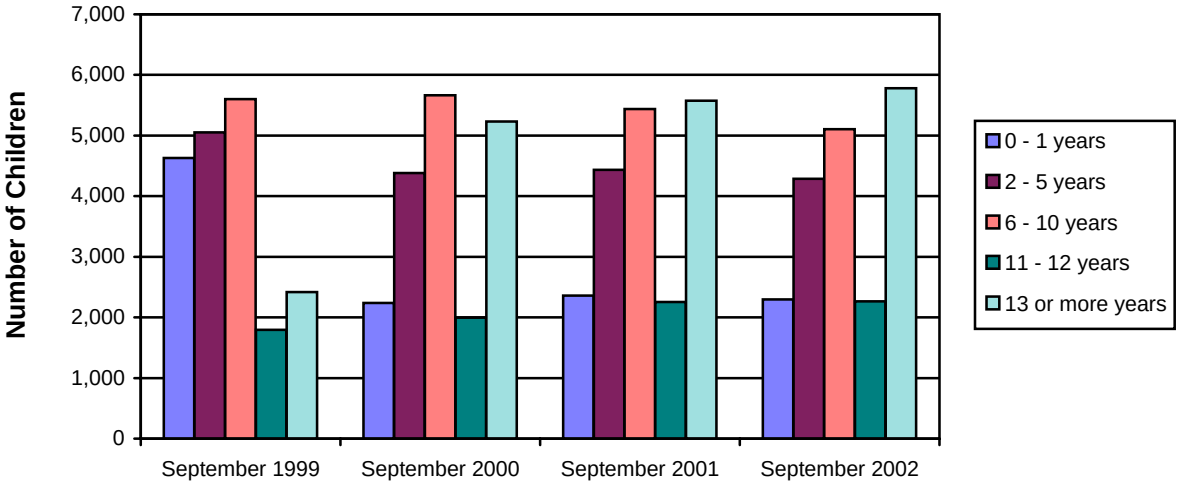
Exhibit 5

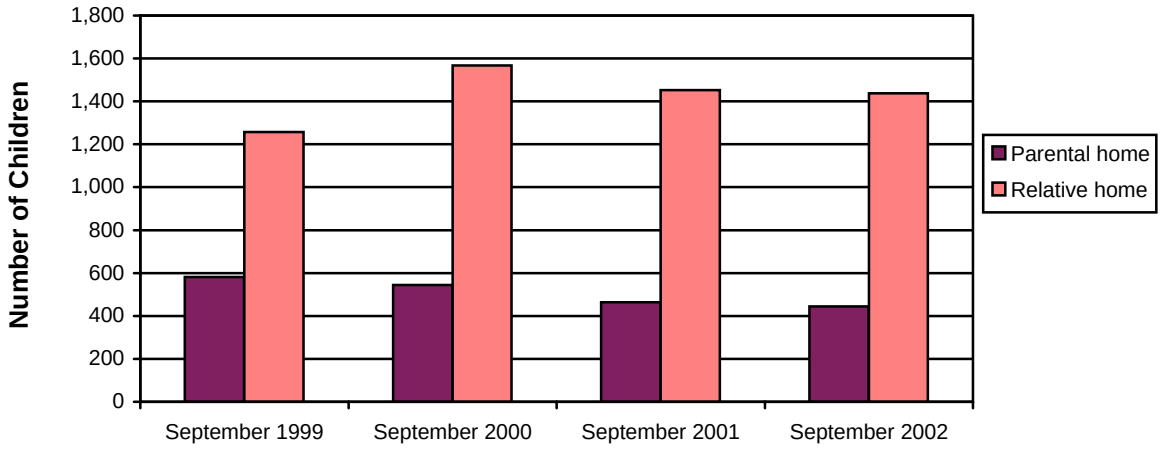
CHILDREN'S FOSTER CARE PROGRAM
Department of Human Services
Age of Michigan Children in Foster Care
As of September 1999, 2000, 2001, and 2002



43-278-03

UNAUDITED
Exhibit 6

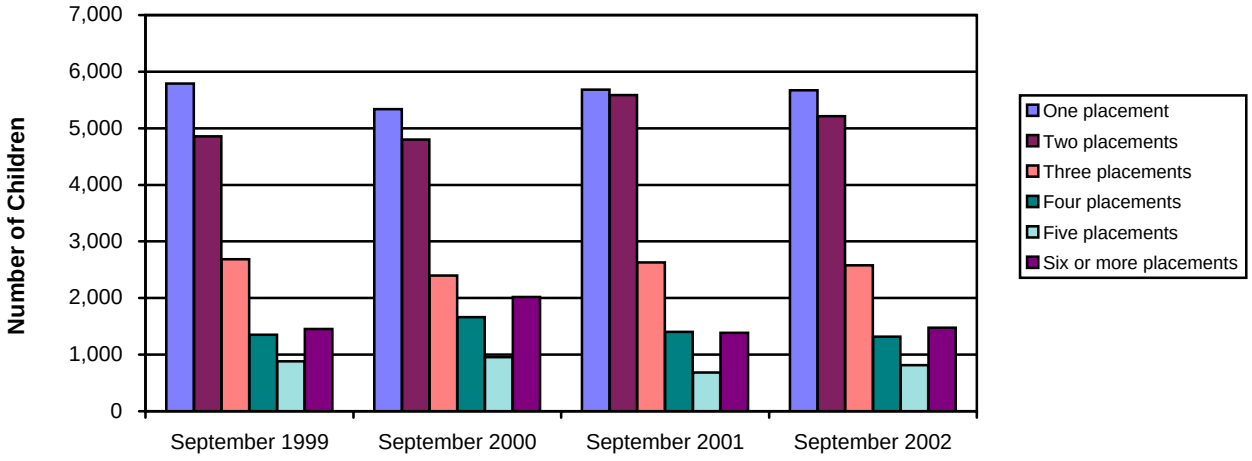
CHILDREN'S FOSTER CARE PROGRAM
Department of Human Services
Number of Michigan Children Who Re-Entered an Out-of-Home
Foster Care Placement From Specific Living Arrangements
As of September 1999, 2000, 2001, and 2002



43-278-03

UNAUDITED
Exhibit 7

CHILDREN'S FOSTER CARE PROGRAM
Department of Human Services
Number of Placements for Michigan Children in Out-of-Home Foster Care
As of September 1999, 2000, 2001, and 2002



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GLOSSARY

Glossary of Acronyms and Terms

ACF	Administration for Children and Families.
AHM	adult household member.
AWOLP	absent without legal permission.
CAP	corrective action plan.
CFC Manual	Children's Foster Care Manual.
CFSR	Child and Family Services Review.
child-caring institution	A child care facility that operates throughout the year and is organized for the purpose of receiving minor children for care, maintenance, and supervision, usually on a 24-hour basis, in buildings maintained by the child-caring institution for that purpose.
child-placing agency	A governmental organization or private agency organized for the purpose of receiving children for placement in private family homes for foster care or for adoption.
contracted agencies	Private, nonprofit, licensed child-placing agencies and child-caring institutions contracted by DHS.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
FIA	Family Independence Agency, which was renamed Department of Human Services by Executive Order No. 2004-38, effective March 15, 2005.

goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
ICPC	Interstate Compact on the Placing of Children.
LEIN	Law Enforcement Information Network.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
mission	The agency's main purpose or the reason that the agency was established.
MSP	Michigan Department of State Police.
objectives	Specific outcomes that a program seeks to achieve its goals.
OCAL	Office of Child and Adult Licensing.
outcomes	The actual impacts of the program.
outputs	The products or services produced by the program.
parent - agency treatment plan and service agreement (PATP)	A form used to document all service referral activity for the case and to help evaluate the outcome of each service referral. It provides a chronology of services for the family and an explicit evaluation of each service for all family members. The form is to be signed, indicating approval of the plan's contents, by the parent/guardian, caseworker, and supervisor.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the

	performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
performance indicators	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.
performance standard	A desired level of output or outcome.
PIP	program improvement plan.
PSD	Purchased Services Division.
QAR	quality assurance review.
relative foster care provider	Adults providing foster care who are related to the child in foster care by blood, marriage, or adoption, including a noncustodial parent, grandparent, brother, sister, stepparent, stepsister, stepbrother, uncle, aunt, cousin, great aunt, great uncle, or stepgrandparent.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
SWSS - FAJ	Services Worker Support System - Foster Care, Adoption, and Juvenile Justice.

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