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TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **ADOPTIONS AND SAFE FAMILES ACT RELATIVE HOME ASSESSMENT COST ANALYSES (BOARD AGENDA ITEM 11, FEBRUARY 13, 2007)**

On February 13, 2007, your Board instructed my office to work with the Department of Children and Family Services (DCFS) and the Chief Administrative Office (CAO) to assess the feasibility and cost effectiveness of contracting the Adoptions and Safe Families Act (ASFA) relative home assessment functions.

Background

In 1997, the Adoption and Safe Families Act (ASFA) was passed by Congress, requiring states to hold relative and non-relative extended family members (NREFM) to the same standards set forth in the regulations for the licensing of foster homes. The ASFA functions require that DCFS perform an initial assessment before the child is placed in the relative or NREFM home and an annual assessment that is comprised of the five following components:

- Relative home building and ground site inspections
- Criminal records/prior abuse clearance
- Foster parent assessment
- Children's rights review
- Foster parent orientation and training

Approximately 14,000 children reside in relative and NREFM homes. DCFS' Kinship Support Division (KSD) is responsible for conducting the ASFA functions at these homes. KSD conducted approximately 700 initial assessments a month and 600 annual assessments a month of relative and NREFM homes from January 1, 2006 to December 31, 2006. KSD also conducted an average of 2,600 criminal record checks per month from July 1, 2006 through December 31, 2006.

We completed the cost analyses using three different options that include combinations of the five ASFA components:

- Option 1 - Contracting out relative home building and ground site inspections;
- Option 2 - Contracting out relative home building, ground site inspections and criminal records/prior abuse clearance;
- Option 3 - Contracting out all ASFA functions, including Options 1 and 2, and conducting children's rights review and foster parent orientation and training. DCFS will continue to make the final determination of whether or not to place the child in the home.

Scope

The cost analyses were prepared utilizing the Proposition A costing model. The County's avoidable cost calculation was based on staffing and cost information provided by DCFS and the CAO.

The contractors' costs were based on cost information provided by Association of Community Human Service Agencies (ACHSA). ACHSA members include foster family agencies that provide some of the same types of services for licensed foster family agencies that would be included in the ASFA relative home assessments. To assist ACHSA in developing their cost calculations, we provided them with DCFS' ASFA caseload information and program requirements.

The cost information provided by DCFS and ACHSA is an estimate of the resources they need to comply with the ASFA requirements based on the identified workload. It should be noted that future changes in each entity's business practices, State requirements, or the number of children placed in the relative/NREFM can impact the estimates. It should also be noted that the County does not have a contractual agreement with ACHSA members to perform the AFSA services. If the County decides to contract out the ASFA functions, DCFS will follow the County's normal solicitation process to hire contractors to perform the functions.

Analyses Results

Based on the information provided by DCFS and ACHSA, it is not cost effective to contract the ASFA functions. DCFS indicated that contracting the relative home building and ground site inspections (Option 1) will not reduce the number of staff

assigned to the KSD because DCFS staff will still need to visit the foster homes to perform the other ASFA functions. As a result, there will not be any County avoidable cost if Option 1 is contracted out. DCFS also indicated that these ASFA functions can not be assigned to the Department's case-carrying social workers due to their current work load and other job responsibilities.

For Option 2, which includes contracting relative home building, ground site inspections and criminal records/prior abuse clearance, the County's avoidable cost is $4.9 million and the proposed contracting cost is $26.3 million or $21.3 million higher than the County. Similar to Option 1, the cost difference between the County and the contractor can be attributed to DCFS not reducing the number of staff assigned to the KSD by contracting the relative home building and ground site inspections.

For Option 3, which includes all the functions in Option 1 and 2, and contracting children's rights review and foster parent training, the County's avoidable cost is $16.8 million and the proposed contracting cost is $30.0 million or $13.2 million higher than the County. The cost difference can be attributed to a number of factors. The most significant relates to staffing levels. ACHSA indicated that they would need 220 staff to perform the ASFA functions for Option 3. DCFS indicated that they would need 165 staff to provide the same services.

ACHSA did not provide the basis for their staffing levels. They explained that some of the additional staff are needed to conduct follow up interviews in instances in which the criminal records/prior abuse clearances identify potential problems. According to DCFS, governmental entities receive more detailed criminal records/prior abuse clearance reports reducing the frequency in the number of follow up interviews that DCFS staff need to conduct. Although this does not explain the 33% difference in staffing levels, the cost difference between DCFS and the estimated contractor cost to perform the required functions is so significant that this is not an issue that warrants further analyses.

DCFS' staffing levels were based on the Department's time estimates of 15 hours to complete each initial assessment and 10 hours to complete each annual assessment. The State estimated 15 hours to complete each initial assessment and three hours to complete each annual assessment. Using DCFS' time estimates will require the KSD to increase the number of staff assigned to the Option 3 functions from 112 staff to 165 staff.

ACHSA's insurance cost of $2.2 million, other S&S costs of $4.4 million, and the additional cost of $1.2 million incurred by the County to contract under Option 3 are also factors that attributed to the significant cost difference between the two estimated cost plans.

The following is a summary of the cost differences under each option:

Option	County's Avoidable Cost	Contractor Cost	Increased Cost
1	$0	$18,798,000	$18,798,000
2	$4,939,294	$26,284,001	$21,344,707
3	$16,773,056	$29,991,698	$13,218,642

Attachments I and II list the detailed comparison for Options 2 and 3. We did not include a detailed comparison for Option 1 since DCFS indicated that contracting relative home building and ground site inspections (Option 1) will not reduce the number of DCFS employees and there is no avoidable County cost.

We thank DCFS and ACHSA for their assistance in completing the analyses. Please call me if you have any questions or your staff can call Don Chadwick at (626) 293-1102.

JTM:MMO:DC

c: David E. Janssen, Chief Administrative Officer
Patricia S. Ploehn, Director, Department of Children and Family Services
Sachi A. Hamai, Executive Officer
Bruce Saltzer, Director, Association of Community Human Service Agencies
Public Information Office
Audit Committee
Children Services Deputies

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ASFA COST ANALYSIS - OPTION 2
COUNTY VS. CONTRACTOR COSTS
by Category

Costs by Category	County	Contractor	Difference	Remarks
MONTHLY WORKLOAD STATISTICS:				
Initial Assessments	700			
Annual Assessments	600			
Criminal Records/Abuse Clearances	2,600			
STAFFING				
Supervisors		22.0	(22.0)	
Caseworkers	-	110.0	(110.0)	
Coordinators	-	66.0	(66.0)	
Intermediate Typist Clerks	53.0	-	53.0	
TOTAL STAFFING	53.0	198.0	(145.0)	(A)
S&EB				
Salaries	$1,764,650	$10,956,000	-$9,191,350	
Employee Benefits	$737,924	$2,739,000	-$2,001,076	
TOTAL S&EB	$2,502,574	$13,695,000	-$11,192,426	(B)
SERVICES AND SUPPLIES				
Insurance	$0	$2,000,000	-$2,000,000	
Supplies	$146,280	$3,680,000	-$3,533,720	
Background check/criminal clearance	$2,215,200	$3,120,000	-$904,800	
TOTAL SERVICES AND SUPPLIES	$2,361,480	$8,800,000	-$6,438,520	(C)
EQUIPMENT				
Equipment - Start-up Costs	$75,240	$0	$75,240	
TOTAL EQUIPMENT	$75,240	$0	$75,240	(D)
INDIRECT COSTS	$0	$3,665,000	-$3,665,000	(E)
TOTAL COSTS	$4,939,294	$26,160,000		
ADDITIONAL COST TO CONTRACT		$124,001		(F)
TOTAL COUNTY VS. CONTRACT COSTS	$4,939,294	$26,284,001	-$21,344,707	(G)

See footnote explanations on next page.

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ASFA COST ANALYSIS – OPTION 2

FOOTNOTE EXPLANATIONS

(A) DCFS identified that staff required 3 hours to process a criminal background check. The 53 Intermediate Typist Clerks (ITCs) were calculated based on the following: 53 staff = (2,600 monthly clearances X 3 hours per clearance/147 monthly productive work hours for one staff). Similar to Option 1, the staffing difference between the County and the contractor can be attributed to DCFS not reducing the number of staff by contracting the relative home building and ground site inspections. The contractor's estimated staffing included relative home building and ground site inspections and criminal records/prior abuse clearances.

(B) The salary difference can be attributed to staffing. The number of staff that ACHSA identified will conduct initial and annual home inspections and criminal background checks. As noted under Option 1, DCFS indicated that they would still need to retain their staffing to complete the other ASFA functions in the home inspections were contracted out. DCFS' staffing for Option 2 only includes the staffing associated with conducting criminal background clearances.

(C) The services and supplies cost can be attributed to ACHSA's insurance costs, an increased unit cost to conduct criminal clearances and an increased services and supplies cost. ACHSA did not provide the detail for the services and supplies. The County's supplies and services costs were determined using a unit rate developed by DCFS based on a per employee allocation method.

(D) Equipment cost for the County consists of one-time expenditures allocated to the additional 18 employees DCFS needs to effectively conduct the approximate 2,600 criminal clearances a month. ACHSA did not identify specific equipment costs as part of their proposal.

(E) The specific make up of ACHSA's indirect costs was not identified in their proposal. However, ACHSA staff indicated that the majority of indirect costs related to allocated overhead.

(F) The Additional Cost to Contract was calculated by determining the costs (direct salaries, supplies and services and equipment) for the one Children Services Administrator I that the Department indicated would be needed to make the final determination to place the child in the home if this Option was contracted.

(G) Based on our analysis, this option would cost the County an additional $21,344,707 and therefore is not cost effective.

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ASFA COST ANALYSIS - OPTION 3
COUNTY VS. CONTRACTOR COSTS
by Category

Costs by Category	County	Contractor	Difference	Remarks
MONTHLY WORKLOAD STATISTICS:				
Initial Assessments	700			
Annual Assessments	600			
Criminal Records/Abuse Clearances	2,600			
STAFFING:				
Supervisors		22.0	(22.0)	
Caseworkers	112.0	132.0	(20.0)	
Coordinators	-	66.0	(66.0)	
Intermediate Typist Clerks	53.0	-	53.0	
TOTAL STAFFING	165.0	220.0	(55.0)	(A)
S&EB				
Salaries	$9,680,727	$12,276,000	-$2,595,273	
Employee Benefits	$4,048,189	$3,069,000	$979,189	
TOTAL S&EB	$13,728,916	$15,345,000	-$1,616,084	(B)
SERVICES AND SUPPLIES				
Insurance	$0	$2,200,000	-$2,200,000	
Supplies	$607,400	$4,140,000	-$3,532,600	
Background check/criminal clearance	$2,215,200	$3,120,000	-$904,800	
TOTAL SERVICES AND SUPPLIES	$2,822,600	$9,460,000	-$6,637,400	(C)
EQUIPMENT				
Equipment - Start-up Costs	$221,540	$0	$221,540	
TOTAL EQUIPMENT	$221,540	$0	$221,540	(D)
INDIRECT COSTS	$0	$3,955,000	-$3,955,000	(E)
TOTAL COSTS	$16,773,056	$28,760,000	-$11,986,944	
ADDITIONAL COST TO CONTRACT		$1,231,698		(F)
TOTAL COUNTY VS. CONTRACT COSTS	$16,773,056	$29,991,698	-$13,218,642	(G)

See footnote explanations on next page.

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
ASFA COST ANALYSIS – OPTION 3

FOOTNOTE EXPLANATIONS

(A) County staffing based on 15 hours to complete an initial assessment and 10 hours to complete an annual assessment. In addition, DCFS identified that staff require 3 hours to process a criminal background check. The 53 Intermediate Typist Clerks (ITCs) were calculated based on the following: 53 staff = (2,600 monthly clearances X 3 hours per clearance)/147 monthly productive work hours for one staff. The Association of Community Human Service Agencies (ACHSA) identified the need for two teams to conduct initial and annual assessments. Each Team is composed of 110 staff. ACHSA identified 66 staff to conduct the monthly criminal background checks. Some of the additional staff is needed to conduct follow-up interviews with adults living in the relative homes to identify and discuss items of concern that appeared on the adult's criminal background check.

(B) The salary difference can be attributed to approximate 33% increase in the number of staff ACHSA is proposing to use to conduct the ASFA functions.

(C) The differences in the services and supplies costs are attributed to ACHSA's insurance costs, an increased unit cost to conduct criminal clearances and increased general services and supplies cost. ACHSA did not provide the detail for their cost of general services and supplies. The County's supplies and services costs were determined using a unit rate developed by DCFS based on a per employee allocation method. DCFS' services and supplies costs also included mileage attributed to performing the ASFA functions.

(D) Equipment cost for the County consists of one-time start-up expenditures for the additional 53 employees DCFS needed to effectively conduct the approximate 700 initial assessments, 600 annual assessments, and 2,600 background clearances each month. ACHSA did not identify specific equipment costs as part of their proposal.

(E) The specific make-up of ACHSA's indirect costs was not identified in their proposal. However, ACHSA staff indicated that the majority of indirect costs related to allocated overhead.

(F) The Additional Cost to Contract was calculated by determining the costs (direct salaries, supplies and services and equipment) for the 5 additional Supervising Children's Social Workers, 9 Intermediate Typist Clerks and one Children Services Administrator I that the Department indicated would be needed to make the final determination of placing the children in the homes if this option was contracted.

(G) Based on our analysis, this option would cost the County an additional $13,218,642 and therefore is not cost effective.