



County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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August 21, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka, CEO
Philip L. Browning, Director
Wendy Watanabe, Auditor-Controller
Mark Saladino, Treasurer and Tax Collector

FINAL REPORT - STRENGTHENING THE COUNTY'S OVERSIGHT OF FOSTER FAMILY AGENCIES AND GROUP HOMES FOR DEPENDENT CHILDREN SUPERVISED BY THE DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Background

On April 30, 2013, this Board approved a motion directing the Department of Children and Family Services (DCFS or Department), the Auditor-Controller (A-C), the Chief Executive Office (CEO) and the Treasurer and Tax Collector (TTC), to submit a plan that, among other things, to outline how DCFS will perform annual programmatic audits for all foster family agencies (FFAs) and group homes (GHs). On June 18, 2013, the Department sent this Board a joint interim status report and committed to providing a final report in sixty days. Attachment A lists the interim responses provided in the June 18, 2013 report; while this memo constitutes the final report in response to the Board's motion.

A. Proceed with DCFS Contract Monitoring Unit

Staffing Resources to Initially Support Unit

On July 18, 2013, DCFS received written approval from the CEO's Office authorizing the permanent transfer of the 15 requested positions for the Contract Monitoring Section. The hiring process for these 15 staff is underway.

Out of Home Care Investigations Unit

Interviews were completed and all seven candidates for the new unit have been selected. All of the selected staff will report on or before September 30, 2013.

Program/Contract Monitoring Staff

Seventeen new positions were included in the Department's Supplemental Changes Budget submission to the CEO on July 25, 2013. DCFS will begin the hiring process immediately upon Board approval. The positions are: 1 - Children Services Administrator III; 1 - Administrative Services Manager II; 1 - Children Services Administrator II; 7 - Finance Specialist IV; and 7 - Children Services Administrator I .

B. Based on Needs Assessment, Secure Enhanced Fiscal/Program Contract Monitoring Training for DCFS Staff

Training will be completed by December 2013. Training will be a joint effort by DCFS, County Counsel, A-C and the Internal Services Department (ISD). The training topics will include, but will not be limited to:

- Legal Authority Contracts Training conducted by County Counsel,
- Contract Monitoring conducted by A-C, and
- Statement of Work Development conducted by ISD.

Further, the DCFS Contract Monitoring Handbook will be finalized by September 2013.

C. Develop standard contract and program monitoring process between DCFS and Probation

This standardized process had previously been developed as a result of DCFS and Probation assuming the group home monitoring functions from the A-C in April 2009; and in March 2011 when DCFS also assumed the monitoring functions for FFAs. DCFS and Probation developed monitoring tools to evaluate placement facilities (group homes and FFAs for DCFS and group homes only for Probation), and established protocols to report the results of the programmatic compliance reviews to the Board. DCFS and Probation ensured that the monitoring processes were standardized and scheduled on an annual basis to include a review of all key programmatic contract requirements, on-site inspections, interviews with children placed at the facilities, review of documentation and prior year corrective action plans, solicitation of current case and facility documentation, development of corrective action plans, and a written summary of the annual compliance review outcomes. The A-C issued several status reports to the Board on DCFS and Probation's progress in monitoring placement facilities, and noted that both DCFS and Probation were effectively conducting program monitoring reviews of the assigned agencies.

D. Develop Foster Family Agency and Group Home Training

The training dates have been set. DCFS is working with the A-C and the California Department of Social Services to conduct trainings. Fiscal training classes have been scheduled for FFAs and GHs on September 20 and 27, 2013. A fiscal training class has also been scheduled for non-placement contractors on October 4, 2013. Participants will include Wraparound, Promoting Safe and Stable Families and Child Abuse and Neglect Prevention Intervention and Treatment contractors.

The A-C continues to work with the Second Supervisorial District to secure a training site.

E. Seek CEO Assistance to Convene CFWB Workgroup to Develop Standards

The CEO has identified a lead from CEO Operations who will be convening a workgroup with the pertinent departments to address these and other contractor related issues.

F. Research and Vet Automated Monitoring Tools

The research is ongoing. On August 1, 2013, DCFS participated in a conference call with Casey Family Programs Consultants regarding automated monitoring tools. Casey Family Programs has contacted the State of New York to arrange a conference call to discuss the use of automated contract monitoring.

G. Continue to Work with A-C on Risk Assessment Formula

The risk assessment formula has been completed. The A-C has developed the following for DCFS:

- 1) An internal control questionnaire (self-assessment) for all the GHs and FFAs to complete; and

- 2) A fiscal assessment tool (i.e. the risk assessment formula) that DCFS' new fiscal monitoring unit will use in conjunction with the questionnaire to highlight high-risk fiscal areas and identify problematic agencies. The results of each fiscal assessment will help guide the specific course of action that DCFS monitors will take, including referrals to the TTC and A-C as necessary.

DCFS and the A-C will meet to develop a protocol regarding actions to be taken based on the results of the fiscal assessments conducted and a ranking system identifying the contractors who require increased oversight, referrals to the A-C, etc.

H. Identify Increased Funding For Fiscal Contract Monitoring

For FY 2012-13 DCFS budgeted \$700,000 to acquire fiscal auditing services from the A-C. Based on this amount, the A-C can perform approximately 13 FFA and GH audits a year with 3.5 budgeted, full-time positions. At this rate, it would take approximately 10 years to conduct fiscal audits of all FFAs and DCFS monitored GHs. This raised grave concerns with your Board in a few recent Board meetings.

As instructed, the A-C provided three fiscal audit plan scenarios, see attached. These scenarios identify A-C's costs for performing all GH and FFA contracts' fiscal audits every four years, every two years, and every year with estimated costs at \$1,544,000, \$4,492,000, and \$6,892,000, respectively. The A-C proposes Scenario 1, that fiscal audits be performed for each contractor once every four years beginning in FY 2014-15. DCFS is collaborating with the CEO to identify ways to increase funding to enable the A-C to perform the additional fiscal audits.

I. Consult with Counsel about Remedies

DCFS and the A-C worked with County Counsel and agreed upon a remedy, which all deemed appropriate under current contract language. This remedy enables DCFS to impose certain conditions upon a contractor in a contractor's plan for corrective action. Specifically, DCFS will request that a contractor provide their organization's detailed Continuous Quality Improvement Plan, and Business and Organizational training plan. The training plan must include flow charts, that identify decision points, and a narrative sufficient to fully document: 1) the processes that will be used to address the reported deficiencies, and 2) the organization's plan to finance this portion of its operation while remaining compliant with relevant federal and state statutes, rules and regulations, and any applicable Contract Accounting Handbook. Nothing in the contractor's corrective action plan or identification of suggested training will preclude the County from requiring its contractors to be responsive or responsible, or from terminating any contracts as appropriate.

J. Performance Based Monitoring

DCFS is in the process of developing the FFA and GH contracts for a new solicitation process with the following projected timeline.

- Solicitation Release Date: May 7, 2014,
- Board Agenda Dates: July 7, 2015 – July 21, 2015 (Three Weeks), and
- Start Work Notices – New Contracts Effective: September 1, 2015.

As DCFS moves towards the release of the new solicitation, the development of contract language tying performance-based monitoring to contractual outcomes will be included in the new proposed contracts. Further, DCFS will receive consulting services from Casey Family Programs to explore Performance Based Monitoring strategies as referenced above.

If you have any questions, please feel free to contact me, or your staff may also contact Aldo Marin, Manager, DCFS Board Relations Section, at (213) 351-5530.

PLB:FAD
CMM:EM:amm

c: County Counsel
Chief Jerry Powers, Probation

**Interim Responses
June 18, 2013 Report**

<p>A. Proceed with DCFS Contract Monitoring Unit</p>	<p>As part of the Department's recent re-organization, the Department will centralize all contract monitoring functions under a newly established Contract Monitoring Unit. Centralizing this function will enable the Department to better identify and target training needs, encourage intra-departmental standardization of fact finding, and increase productivity. Actions include:</p> <ul style="list-style-type: none"> • Identified 15 existing staff resources that can be redirected to initially support the unit; • Received Board approval for an additional 7 items to establish an additional Out of Home Care Investigations Unit; and • Identified as an unfunded priority, an additional need for 17 items to augment the Program/Contract monitoring staff to conduct bi-monthly contract reviews and provide technical assistance for all 440+ contracts with the Department.
<p>B. Based on Needs Assessment, Secure Enhanced Fiscal/Program Contract Monitoring Training for DCFS Staff</p>	<p>DCFS will follow-up on a previously conducted training needs assessment for DCFS Contract Monitoring staff. DCFS recognizes the need to train and enhance the skills of our existing staff as well as the staff that will become part of the new Contract Monitoring Unit. DCFS will look to A-C and others to assist in this training effort.</p>
<p>C. Develop standard contract and program monitoring process between DCFS and Probation</p>	<p>DCFS, Probation, and A-C to develop a standardized process for conducting contract compliance audit and program monitoring for all Foster Family and Group Homes.</p>
<p>D. Develop Foster Family Agency and Group Home Training</p>	<p>DCFS, in collaboration with A-C, Probation, Treasurer and Tax-Collector, the Association of Community Human Service Agencies, and other stakeholders will develop and implement a training program for contractors. This training program will emphasize fiscal accountability, strengthening internal controls, and identify recent trends in fiscal and programmatic audit findings, provide practical information on prohibited transactions and disallowed costs; and highlight trends in audit findings of other similarly situated FFAs of GHs. On the program side, training will include best practices for child welfare services and safety.</p>

**Interim Responses
June 18, 2013 Report**

<p><i>E. Seek CEO Assistance to Convene CFWB Workgroup To Develop Standards</i></p>	<p>Ask the CEO to convene a workgroup, comprised of the Department of Mental Health, Probation, DPSS, and DCFS to develop and recommend objective standards to guide a Department's decision regarding:</p> <ul style="list-style-type: none"> • when to recommend that a contract be terminated for cause or convenience; • when to place a contractor on a "Do Not Refer" status; • when to place a contractor on a "Do Not Use" status; • when to place a contractor in the Contractor Alert Reporting Database; • whether a contractor's poor performance with one County department should impact the same contractor's contracting relationship with a different County department; and • how County Departments should respond to audit reports disclosing fiscal improprieties absent evidence that the improprieties impact other contract deliverables, i.e. child safety.
<p><i>F. Research and Vet Automated Monitoring Tools</i></p>	<p>DCFS has requested Casey Family Foundation to survey other jurisdictions to determine whether they use technology to assist in the auditing process. Casey has provided preliminary information. DCFS is reviewing the information and will follow-up with Casey.</p>
<p><i>G. Continue to Work With A-C on Risk Assessment Formula</i></p>	<p>The A-C is assisting DCFS to develop a fiscal risk assessment tool that will combine inherent child safety factors with fiscal viability factors to prioritize which agencies and GHs pose a higher risk and require additional audits or more frequent follow-up.</p>
<p><i>H. Identify Increased Funding For Fiscal Contract Monitoring</i></p>	<p>DCFS is exploring the feasibility of increasing the amount budgeted for fiscal auditing services from the A-C in order to increase the number of fiscal audits conducted each year. DCFS is also exploring the feasibility of conducting preliminary fiscal monitoring reviews. Unlike the A-C's fiscal compliance audits, certain DCFS' new fiscal monitoring staff will be trained to perform a basic fiscal review by using an internal control questionnaire/tool, developed by the A-C. This tool will gather basic fiscal information to identify potential weaknesses that should be further reviewed and investigated by the A-C.</p>

**Interim Responses
June 18, 2013 Report**

<p><i>I. Consult with Counsel About Remedies</i></p>	<p>DCFS is considering other proposals which will require input from County Counsel. The proposals relate to corrective measures which can be taken by those FFAs and GHs with fiscal disallowances, or with repeated disallowances which do not impact child safety. The proposals include:</p> <ul style="list-style-type: none"> • Requiring agencies or GHs to pay the cost of an independent entity to monitor their internal control procedures or finances. • Compel attendance in educational classes by Board members, administrative staff, bookkeeping staff, and payroll staff, as a condition of contract renewal or in exchange for refraining from terminating the contract for convenience. • Require the FFA or GH to hire professional consultants familiar with County fiscal and program audits for assistance.
<p><i>J. Performance Based Monitoring</i></p>	<p>DCFS is exploring ways to implement performance based contract monitoring, where staff monitors outcomes in addition to contract compliance or program compliance.</p>

**Department of Children and Family Services
Foster Family Agency and Group Home
Auditor-Controller Fiscal Audits**

Position	Scenario 1			Scenario 2			Scenario 3		
	Cost Per Position	No. of Positions	Annual Cost	Cost Per Position	No. of Positions	Annual Cost	Cost Per Position	No. of Positions	Annual Cost
Chief Accountant-Auditor				\$286,000	1	\$286,000	\$286,000	2	\$572,000
Principal Accountant Auditor	\$260,000	1.5	\$390,000	\$260,000	4	\$1,040,000	\$260,000	5	\$1,300,000
Senior Accountant-Auditor	\$187,000	4	\$748,000	\$187,000	8	\$1,496,000	\$187,000	12	\$2,244,000
Intermediate Accountant-Auditor	\$158,000	7	\$1,106,000	\$158,000	15	\$2,370,000	\$158,000	22	\$3,476,000
Totals		12.5	\$2,244,000		28	\$5,192,000		41	\$7,592,000
Current DCFS Funding for Fiscal Audits			\$700,000			\$700,000			\$700,000
Additional Funding Needed			\$1,544,000			\$4,492,000			\$6,892,000

¹ CCMD auditors will perform annual fiscal audits of approximately 27 FFAs and GHs. In addition, CCMD auditors will also be able to perform 5 follow-up audits and 8 audits referred by DCFS.

² CCMD auditors will perform annual fiscal audits on 55 of the FFAs and GHs. In addition, CCMD auditors will also be able to perform 10 follow-up audits and 8 additional fiscal audits referred by DCFS throughout the year.

³ CCMD auditors will perform annual fiscal audits on 110 of the FFAs and GHs. In addition, CCMD auditors will also be able to perform 10 follow-up audits throughout the year.