

State of Nevada
Governor's Finance Office
Division of Internal Audits

Audit Report

**Department of Health and Human Services
Division of Child and Family Services
Child Welfare Services**

Report No. 16-03
January 2016

EXECUTIVE SUMMARY
Division of Child and Family Services,
Child Welfare Services

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**Objective: Can the Division Improve Oversight
of State Court Jurisdiction Program Funding?**

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Establishing criteria will enhance oversight of the Court Jurisdiction (CJ) program, ensure funds are being used as intended, and benefit youth transitions. The CJ program uses state funds to supplement the federal Independent Living program to support youth aged 18-21 transitioning from foster care to self-sufficiency. CJ funds were \$1.7 million in 2013, serving 269 youth and \$2.9 million in 2014, serving 441 youth. The federal program has criteria for how funds may be used, including monthly maintenance payments for specific living needs, such as housing, utilities, toiletries, and education expenses. There are no criteria for how CJ funds are used and the division does not collect data to monitor and assess the program. The division cannot ensure funds are being used efficiently and effectively to serve youth within the state.

**Objective: Can the Division Better Allocate
the Federal Adoption Incentive Grant?**

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Modifying the formula may reduce the time special needs children spend in foster care in the rural counties before being adopted. On average, a child spends about 37 months in "custody to adoption" in rural counties; 31-32 months in urban counties. Adoption rates in the urban counties are 1.3 times that of rural counties. Adoptions are most costly in the rural counties because, in part, access to services for special needs children is limited and there are fewer providers. The average adoption cost per child in the rural counties is 12 percent more than Clark County and 21 percent more than Washoe County. Additionally, other state programs, such as the Nevada Department of Education's Nevada Plan, consider costs in determining funding levels. Reallocating federal adoption incentive funds based on cost could benefit the state by \$443,000 annually by reducing the time special needs children spend in foster care in rural counties if the division achieves similar adoption rates as the urban counties.

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INTRODUCTION

At the direction of the Executive Branch Audit Committee, we conducted an audit of the Department of Health and Human Services (department), Division of Child and Family Services (division), Child Welfare Services. Our audit addressed the following four questions:

- ✓ What is the division's role?
- ✓ What services must the division provide?
- ✓ Is the state the proper level of government to provide these services?
- ✓ If state government is the appropriate level of government, is the division carrying out its duties efficiently and effectively?

Our audit focused on the division's Child Welfare Services' fiscal oversight of the state Court Jurisdiction (CJ) program funding and the allocation of the federal adoption incentive grant.

Division's Role and Public Purpose

The division is one of five in the department and is funded by the state general fund and federal revenues.¹ The division's budget for fiscal year 2015 was approximately \$260 million. Exhibit I summarizes the division's budget.

Exhibit I

Division of Child and Family Services 2015 Budget

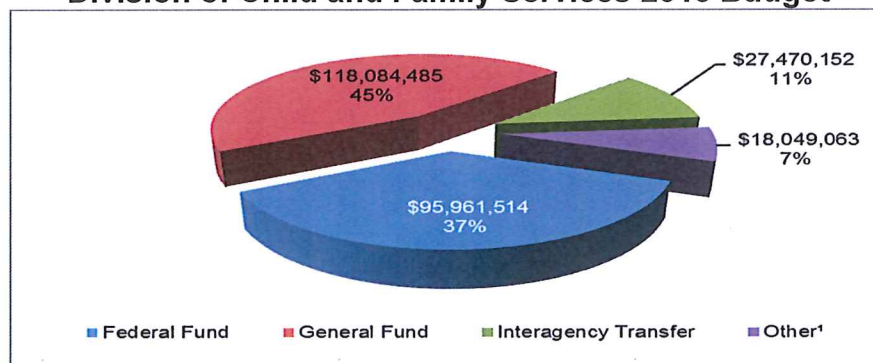


Table Note:

¹Other includes balance forward from prior year

¹ Department of Health and Human Services' divisions: Aging and Disability Services, Child and Family Services, Health Care Financing and Policy, Public and Behavior Health, and Welfare and Supportive Services.

The division is made up of three service agencies:

- **Child Welfare Services** provides oversight of federal and state program requirements. They also provide a continuum of services for children including: child protection, welfare, emergency shelter, foster family care, group home and therapeutic foster care, respite care, residential treatment care, and independent living services.
- **Child Mental Health Services** provides a wide range of mental health services to children and adolescents with significant emotional and/or behavioral problems and their families.
- **Juvenile Justice Services** serves youth who have been committed to the division for either delinquent behavior or to access services for mental health treatment.

Child Welfare Services has offices statewide and includes social workers, youth parole officers, medical professionals, behavioral health staff, and education staff. The division administers programs to assist Nevada's children and families in reaching their full human potential. There are two sections within Child Welfare Services – Family Services Office and Rural Child Welfare Services.

Family Services Office is responsible for oversight of child protective/welfare services, foster care and adoption services statewide. Washoe and Clark Counties supervise and administer child welfare delivery systems in the urban counties.

Rural Child Welfare Services operates nine offices throughout rural Nevada and operates as a state supervised and administered child welfare delivery system.

Proper Level of Government

The state is the proper level of government to provide these services because they involve oversight of children's welfare programs statewide and federal and state funding.

Objectives and Scope

Our audit focused on the following objectives:

- ✓ Can the division improve oversight of state Court Jurisdiction program funding?
- ✓ Can the division better allocate the federal adoption incentive grant?

We began the audit in January 2014. In the course of our work, we interviewed department and division staff and discussed processes inherent to the division's responsibilities. We reviewed division records for fiscal years 2014 through 2015, applicable Nevada Revised Statutes (NRS), and other state guidelines. We also surveyed other states, comparing state oversight requirements. We concluded field work and testing in November 2015.

We performed our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*.

We express appreciation to the department director, division administrator, deputy administrators, and staff for their cooperation and assistance throughout the audit.

Contributors to this report included:

Warren Lowman
Executive Branch Audit Manager

Ashwini Prasad, CPA, CIA, CGMA
Executive Branch Auditor

Division of Child and Family Services Response and Implementation Plan

We provided draft copies of this report to the department and division officials for their review and comments. Their comments have been considered in the preparation of this report and are included in Appendix A. In its response, the division accepted our recommendations. Appendix B includes a timetable to implement our recommendations.

NRS 353A.090 specifies within six months after the final report is issued to the Executive Branch Audit Committee, the Administrator of the Division of Internal Audits shall evaluate the steps the division has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The administrator shall report the six month follow-up results to the committee and division officials.

The following report contains our findings, conclusions, and recommendations.

Can the Division Improve Oversight of State Court Jurisdiction Program Funding?

The division can improve oversight of state Court Jurisdiction (CJ) program funding for youth by establishing criteria for how funds are spent and collecting data to monitor and assess the results of the program. Improved state oversight will benefit the state by ensuring the safety, permanency, and well-being of youth.

Establish Criteria on How Funds are Spent and Assess Program Results

The division can improve oversight of CJ funding for youth transitioning from foster care to self-sufficiency by establishing criteria for how funds are spent and collecting data to monitor and assess the results of the program. In 2011, the Legislature approved the CJ program which uses state general funds to supplement federal grant funding for youth transitioning from foster care to self-sufficiency.

The federal grant is known as the Independent Living program.² The Independent Living program includes criteria to ensure funds are being used as intended and benefit youth transitions. The Independent Living program supports youth aged 18-21 who are eligible to receive funding to assist with their transition to self-sufficiency. Funding allows for monthly maintenance payments for specific living needs, such as housing, utilities, toiletries, and education expenses. If funds are not used in this manner, funding may be withheld or required to be returned to the state. However, the CJ program lacks similar restrictions to the Independent Living program.

The CJ program is also available to fund youth aged 18-21 transitioning from foster care, although there are no specific criteria on how the funds are spent. The program has grown exponentially since its launch in 2012. Within its first full year of implementation, the program grew 64 percent. CJ funds were \$1.7 million in 2013 and served 269 youth. In 2014, funds were \$2.9 million and served 441 youth. The division expects the program will continue to grow as additional youth age out of foster care and become eligible for CJ and Independent Living program funding.

² The John H. Chafee Foster Care Independence Program replaced the 1986 Independent Living Program in 1999. The program offers assistance to help current and former foster care youths achieve self-sufficiency.

The division has oversight over the Independent Living program but has limited oversight of the CJ program because they have no criteria on how funds are spent and do not collect data to monitor and assess the program. Without criteria for how funds are used, the division cannot ensure funds are being used efficiently and effectively to serve youth within the state.

The division does not have information on how CJ funds are spent or the results of the program. Absent criteria and restrictions in the manner funds are spent, CJ funds may be misused. According to studies by the Federal Children’s Bureau, many foster care youth have little experience managing money and have much to learn about developing and sticking to a budget, paying bills and taxes, obtaining credit, and saving for the future.

The division can enhance oversight of the CJ program by establishing criteria for how funds are spent and collecting data to monitor and assess the results of the program. This will ensure funds are being used as intended and benefit youth transitions.

The division should establish criteria on how CJ funds are spent and collect data to monitor and assess the results of the program. This could benefit the state by ensuring the safety, permanency, and well-being of youth.

Recommendation

1. Establish criteria on how funds are spent and collect data to monitor and assess the results of the Court Jurisdiction program.

Exhibit II

Estimated Benefits

Recommendation	Annual Benefit
1. Establish criteria on how funds are spent and collect data to monitor and assess the results of the Court Jurisdiction program.	Funds are spent according to established criteria and enhanced program effectiveness.

Can the Division Better Allocate the Federal Adoption Incentive Grant?

The division can better allocate the federal adoption incentive grant by modifying the formula to consider cost. Modifying the allocation formula would benefit children by reducing time spent in foster care in the rural counties and further ensuring the safety, permanency and well-being of children. This could benefit the state by \$443,000 annually.

The Child Welfare and Adoption Assistance Act of 1980 required states to establish an adoption subsidy program for children with special needs who are eligible for Title IV-E under the Social Security Act.³ Eligible children may receive financial and/or medical assistance. The subsidy payment must be based on the child's special needs rather than the family's income and may not exceed the foster care payment rate.

A child for whom placement with an adoptive family is made more difficult because of the child's age, race, number of siblings, or because the child suffers from a severe or chronic medical, physical, mental, or emotional condition is considered to be "special needs". Generally, a child over the age of five years, a member of a sibling group who need to be placed together, a member of a minority ethnic group, and/or children of any age who experience behavior, developmental, physical, or medical challenges are considered special needs.

The federal Adoption Assistance Act provides funds to states to facilitate the timely placement of children whose special needs or circumstances would make it difficult to place with adoptive families. Authorized under Title IV-E, the Adoption Assistance Program provides federal matching funds of 50-83 percent depending on the state's per capita income. Nevada receives about 65 percent federal matching funds.

Funding is contingent upon an approved state plan to administer or supervise the administration of the program. The state must submit quarterly reports of estimated and actual program expenditures. Funds are available for a one-time payment to assist with costs of adopting a child as well as for monthly subsidies to adoptive families to assist with the care of the eligible child. Additionally, funds are available for: administrative costs to manage the program; training; adoptive parent recruitment; and other related expenses. The state allocates these funds to the urban and rural counties.

³ Title IV-E is the federal foster care program and implemented under the Code of Federal Regulations (CFR) at 45 CFR parts 1355, 1356, and 1357. It is an annually appropriated program with specific eligibility requirements and fixed allowable uses of funds.

Modify Formula for Allocating Federal Adoption Incentive Funds

The division should modify the formula for allocating the federal adoption incentive funds to consider adoption costs to help reduce time children spend in foster care. This could benefit the state by \$443,000.

The current adoption incentive allocation formula does not reflect costs of adoption in the rural and urban counties. The formula is based on the historical population of children adopted. Costs of adoption in the rural counties are higher than the urban counties which may contribute to slower adoption times.

The federal adoption incentive grant is shared between the division's Rural Child Welfare Services, Clark County Department of Family Services (CCDFS) and Washoe County Department of Social Services (WCDSS). Grant funds support special needs adoption, recruitment, home study, post placement services, and post adoption services required to stabilize and maintain placement. Currently the state grant formula allocation is: 70 percent CCDFS; 20 percent WCDSS; and 10 percent Rural Child Welfare Services. The urban counties receive 90 percent of the funding; however, it takes about six months longer to adopt children in the rural counties.

Division reports show the average time a child is in "custody to adoption" is about 37 months in the rural counties and 31-32 months in the urban counties. Additionally, adoption rates in the urban counties are 1.3 times that of the rural counties with an average adoption rate of 32 percent versus 24 percent in the rural counties for fiscal years 2014 and 2015.⁴ Children spending their formative years in foster care's more restrictive settings may leave them underprepared for adulthood and more prone to poor outcomes.

The current Nevada adoption incentive formula does not represent actual costs needed to place children. The costs of adopting are summarized in Exhibit III.

⁴ Nevada DCFS Data Book dated June 30, 2015, Children Adopted within 24 months: This measure shows the percentage of children who exit foster care for a finalized adoption within 24 months of entry into care. Private adoptions are not included in this measure. We calculated the average percentage for FY 2014-2015, Clark County's adoption rate was 27.5 percent, Washoe County was 37 percent, and rural counties were 24 percent. The average adoption rate for urban counties is 32.27 percent. $(27.5 \text{ percent} + 37 \text{ percent})/2 = 32.27 \text{ percent}$. Adoption ratio: $32 \text{ percent}/24 \text{ percent} = 1.33 = 1.3 \text{ times}$.

Exhibit III

Cost of “Custody to Adoption” FY 2014-2015

	Average Monthly Cost of Custody Per Child	Average “Custody to Adoption” time (in months)	Average Cost per Child “Custody to Adoption”	Total Adoptions
Clark	\$845	32	\$27,000	1,088
Washoe	\$810	31	\$25,100	273
Rural	\$820	37	\$30,300	108
Statewide	\$825	32	\$26,400	1,469

Source: Division data reports

Adoptions are most costly in the rural counties and require more resources to adopt than urban counties. For example, access to services for special needs children is more limited in the rural counties than in the urban counties and there are fewer providers in the rural counties. Consequently, adoptions are more expensive. Due to the longer length of time spent in foster care, the average adoption cost per child in the rural counties is 12 percent more than Clark County and 21 percent more than Washoe County.⁵

Other State Allocation Formulas Include Consideration of Cost

The division should consider modifying the adoption incentive allocation formula to consider the higher cost of providing services to children and families in rural communities. Other state programs, such as the Nevada Department of Education’s Nevada Plan consider costs in determining funding levels. The Nevada Plan’s objective for elementary and secondary education is to ensure each Nevada child receives a reasonably equal educational opportunity. The funding formula is designed to recognize local variation in wealth and expenditures per pupil. The plan’s basic support ratio determines staffing and operating expenditures for each district with adjustments related to density, sparsity, size and differences in education costs among districts. The ratio represents the relative cost of a district providing educational services in Nevada compared with the statewide average cost. It takes into account certain economies of scale for districts to determine the costs of educational services.⁶

Reallocating Adoption Incentive Funds May Reduce Time in Foster Care

Reallocating funding with a consideration of cost may help reduce time children spend in foster care and increase adoption rates in the rural counties to be comparable to the urban counties. Exhibit IV summarizes the benefit of reducing

⁵ Rural vs Clark: $(\$30,300 - \$27,000)/\$27,000 = 12.2$ percent = 12 percent, rounded.

Rural vs Washoe: $(\$30,300 - \$25,100)/\$25,100 = 21.1$ percent = 21 percent, rounded.

⁶ American Institutes of Research, Study of a New Method of Funding Public Schools in Nevada, August 22, 2012, page 13-16.

time spent in foster care in the rural counties if they achieve similar adoption rates as the urban counties.

Exhibit IV

Cost Benefit of Reallocating Adoption Incentive Funds

	Average Cost Per Child	Average "Custody to Adoption" time (in months)	Average Cost per Child "Custody to Adoption"
Rural before Reallocation	\$820	37	\$ 30,300
Rural after Reallocation	\$820	32	\$ 26,200
Difference			\$ 4,100
Number of Adoptions			108
Total Benefit (rounded)			\$ 443,000

Modifying the formula for allocating adoption incentive funds with consideration for cost may reduce the time children spend in foster care in the rural counties. Reduced time in foster care would benefit children and ensure their safety, permanency, and well-being. This could also benefit the state by \$443,000 annually.

Recommendation

2. Modify formula for federal adoption incentive allocation to consider cost.

Exhibit V

Estimated Benefits

Recommendation	Annual Benefit
2. Modify formula for federal adoption incentive allocation to consider cost.	\$443,000

Appendix A

Division of Child and Family Services Response and Implementation Plan

BRIAN SANDOVAL
Governor

STATE OF NEVADA

RICHARD WHITLEY
Director



KIRSTEN COULOMBE
Administrator

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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December 2, 2015

Steve Weinberger, Administrator
Department of Administration
209 E. Musser St. Suite 302
Carson City, NV 89701

Mr. Weinberger:

The Division of Child and Family Services (DCFS) thanks the Division of Internal Audits staff for their time and assistance over the past year to conduct an audit of our child welfare services. The Division always appreciates the opportunity to receive feedback from external agencies to improve our practice, enhance efficiency and ensure fiscal transactions are appropriately conducted. The following are the Division's response to your audit recommendations.

Recommendation No. 1

Establish criteria on how funds are spent and collect data to monitor and assess the results of the Court Jurisdiction program.

Response

DCFS accepts this recommendation. DCFS will explore options to create stronger criteria in policy for how funds are spent in the program and the type of data that must be reported to DCFS to monitor and assess this program. Additionally, DCFS will explore statutory changes that may be needed to support greater accountability for the court jurisdiction program funding.

Anticipated Implementation Date: The Division will update policy, identify performance outcomes and a reporting mechanism for local child welfare agencies to provide to DCFS for analysis by June 2016.

Mr. Winebarger
12/2/2015
Page 2

Recommendation No. 2

Modify formula for federal adoption incentive allocation to consider cost.

Response

DCFS accepts this recommendation. DCFS will consider the information provided by the Division of Internal Audits staff and develop a new funding allocation for the adoption incentive grant.

Anticipated Implementation Date: The Division will immediately begin the assessment to modify the formula; however, the new funding formula to the allocation will not go into effect until the next federal award period which is October 2016.

Again, the Division appreciates your outside perspective on areas for improvement and your assistance as we move forward on implementing the aforementioned recommendations. I can be reached at (775) 684-4440 or kcoulombe@dcsf.nv.gov if needed.

Sincerely,



Kirsten Coulombe
Administrator, DCFS

Cc: Warren Lowman, Executive Branch Audit Manager
Ashwini Prasad, Executive Branch Auditor-in-Charge
Richard Whitely, Director, Department of Health and Human Services

Child welfare agencies in Nevada believe strongly that a parent provides the child with the best. The safety and well-being of children is dependent upon the safety and well-being of all living in a home. Children with and without disabilities are best served when staff actively listen to their voices in decision-making. We are not fully implementing a family centered practice by engaging families in child and family teams and utilizing individualized services to build upon strengths and meet the advanced needs of the family.

Appendix B

Timetable for Implementing Audit Recommendations

In consultation with the Division of Child and Family Services, the Division of Internal Audits categorized the two recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The division should begin taking steps to implement all recommendations as soon as possible. The division's target completion dates are incorporated from Appendix A.

Category 1: Recommendation with an anticipated implementation period of less than six months.

<u>Recommendations</u>	<u>Time Frame</u>
1. Establish monitoring requirements and add policies and procedures for oversight of the Court Jurisdiction funds. (page 6)	June 2016

Category 2: Recommendations with an anticipated implementation period exceeding six months.

<u>Recommendations</u>	<u>Time Frame</u>
2. Modify formula for federal adoption incentive allocation to consider cost. (page 10)	October 2016

The Division of Internal Audits shall evaluate the action taken by the division concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Commission.