A Review of

Management Controls at the Texas Department of Protective and Regulatory Services

Office of the State Auditor
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Key Points Of Report

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Key Facts And Findings

- The Department of Protective and Regulatory Services was created by House Bill 7, 72nd Legislature, from three programs which were part of the Department of Human Services -- Adult Protective Services, Child Protective Services, and Child Care Licensing. The new agency, in existence since September 1, 1992, has an estimated fiscal year 1994 budget of $452 million and over 6,300 full time equivalent employees.

- Child Protective Services, the Department's largest program, protects children from abuse and neglect. The program's estimated fiscal year 1994 budget is $402 million, with over 4,900 full-time equivalent employees.

- Although the Department has been in existence for almost two years, it is still developing agency-wide management systems. Defined processes for strategic planning, environmental scanning, policy-making, and performance monitoring would help the Department achieve its goals and objectives.

- Department oversight functions such as the Board of Directors, the Ombudsman Office, and internal audit have not met their potential in guiding and evaluating Department operations.

- Child Protective Services lacks a defined contract administration process to manage over $190 million allocated for foster care and purchased services. As a result, the program cannot provide assurances that state and federal funds are being spent as the Legislature and Federal Government intended.

- Child Protective Services caseworkers are burdened with heavy caseloads which can lead to increased job stress, burnout, and high turnover. The vacancies created by caseworker turnover have resulted in increased workload for the remaining caseworkers, less experienced caseworkers assuming increased responsibilities, and higher costs to train new caseworkers.

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This management control audit was conducted in accordance with Government Code, section 321.0133.

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Executive Summary

The Department of Protective and Regulatory Services (Department) was created from three programs which were part of the Department of Human Services. Although the Department has been in existence for almost two years, it does not yet have agency-wide management systems and controls in place to facilitate achievement of its goals and objectives. Strategic planning and performance monitoring have not been fully implemented at the agency level. The Department lacks a comprehensive automated system to provide accurate and complete information for decision-making. Oversight functions such as the Department's Board of Directors, the Ombudsman Office, and internal audit have not been developed sufficiently to provide direction and feedback to Department operations.

The General Appropriations Act (73rd Legislature, Regular Session), Article V, Section 154, required the Department to obtain $80.2 million in additional federal matching funds to support its programs. Although it appears that the Department will accomplish this goal, a timing difference may cause a cash flow problem which will prevent the Department from maximizing its anticipated federal funding.

Child Protective Services, the Department's largest program, lacks a defined contract administration process. Without adequate controls over agreements for over $190 million spent annually for foster care and purchased services, the program cannot provide assurance that state and federal funds are being spent prudently.

Regional Child Protective Services budgets are not determined in advance and are inadequately tracked. The foster care rate reimbursement methodology relies on several untested assumptions.

The Department Is Developing The Management Systems And Controls Necessary To Achieve Its Goals And Objectives

Key management controls and processes do not exist at the agency level. Strategic planning, environmental scanning, policy-making, and performance monitoring have not been implemented at the agency level. The three major programs have elements of these processes, but they are not integrated into an agency-wide system. The Department cannot make optimal use of its resources without an agency-level functional strategic planning process that includes environmental scanning, performance monitoring, and input from the programs.

The lack of a comprehensive information system and basic office automation have hampered the Department's ability to make decisions based on reliable data. The planned automation project should address the Department's information and automation problems.

Department oversight functions such as the Board of Directors, the Ombudsman Office, and internal audit have not met their potential in guiding and evaluating Department operations. The Board has been reluctant to act on policy and planning issues. Created to resolve complaints, the Ombudsman Office could be a valuable source of information about Department problems. However, little substantive feedback about policy and program problems has been provided to program managers. The Department had no internal audit function during fiscal year 1993, a violation of the Texas Internal Auditing Act.

The Department expects to meet its goal of obtaining $80 million in federal matching

funds, as required by the General Appropriations Act, 73rd Legislature. However, a timing difference in the receipt of the federal match may cause a cash flow problem which would prevent the Department from maximizing the anticipated federal funding. Some basic financial controls over the contract with the Department of Human Services for administrative services are missing.

Management Controls Are Weak In The Child Protective Services Program

No defined contract administration process exists although Child Protective Services (CPS) has annual contracts totaling over $190 million for children in substitute care or identified as at risk for abuse and neglect. The regional CPS programs do not have a planning and procurement process which identifies client needs and targets providers to serve these clients. Foster care provider agreements lack standards and criteria which would eliminate unsuitable foster homes and facilities.

The regional allocation formula changes annually, making planning for client services more difficult. Some regional funds for client services remained unspent in fiscal year 1993 due to inadequate budget tracking.

CPS policies and regulations concerning the levels of care are not interpreted or applied consistently from region to region. The use of recommended level of care varies throughout the State. Misinterpretation and inconsistent application of policies results in uneven treatment of children in foster care and creates confusion for foster caregivers.

CPS caseworkers are burdened with heavy caseloads, which can, in turn, lead to burnout

and high turnover. The staff turnover increases the workload for the remaining caseworkers. As a result, less experienced workers are taking on increased responsibilities, and the cost of training is increasing for new employees.

Summary of Management's Responses

The management of the Department agrees with a number of recommendations within the Auditor's report. It is important to understand that significant improvements have been and are continuing to be made by the Department. Since the beginning of the audit, several areas of concern raised in the report, including policy development, improved automation, strategic planning, and monitoring have been addressed. The Department will work to ensure that this process of improving various management systems and controls continues.

Summary of Audit Objective and Audit Scope

The objective of this audit was to evaluate the existing management control systems within the Texas Department of Protective and Regulatory Services and to identify strengths and opportunities for improvement.

The scope of the audit included consideration of the Department's:

- organizational structure
- management information systems
- financial control system
- strategic planning and performance monitoring
- selected management processes of the Child Protective Services program

Section 1:

The Department Has Not Fully Implemented The Management Systems And Controls Necessary To Achieve Its Goals And Objectives

Although the Department of Protective Services (Department) has been in existence for almost two years, key management controls and processes do not exist at the agency level. Department oversight functions have not been optimally utilized to provide feedback and analysis to identify better methods of operating. Although the three agency programs have some functions to facilitate their operations, the Department lacks the coordinated agency-wide processes which would enable it to act as a single organization, rather than three units under the same structure.

Section 1-A:

After Almost Two Years Of Existence, Department-wide Management Controls Are Just Now Being Put Into Place

The Department has not yet integrated functional processes at the program level into management controls at the agency level. Strategic planning, environmental scanning, performance monitoring, and policy-making have not been fully implemented at an agency-wide level. However, elements of these processes occur at the program level -- in Adult Protective Services, Child Protective Services, and Child Care Licensing. Without such management controls in place, an organization risks not achieving its mission.

Agency-Wide Strategic Planning Has Not Been Implemented

Although the three agency programs, Adult Protective Services (APS), Child Protective Services (CPS), and Child Care Licensing, have their own planning functions, the Department has not implemented an integrated, agency-wide strategic planning process. In recent months, the strategic planning process was condensed into a five-month period to conform to Legislative Appropriations Request (LAR) planning deadlines. A draft strategic plan was created for the Department in March 1994, but was primarily used as a guide for preparation of the LAR. The existing planning process does not link operational planning at the program level with strategic planning at the agency level. The Department has recently designed a 15-month strategic planning cycle, which includes input from both external stakeholders and regional and state office staff. However, it has not yet been implemented. An important part of the strategic planning process, the linkage of program plans to the Department's strategic plan, has not been developed.

Without a functional strategic planning process which includes internal and external environmental scanning and input from the programs, the Department cannot plan for the optimal use of its resources. With strategic planning, the Department will be able to aggregate the goals of the individual programs and issues that cut across program

lines into a strategic plan that best serves all the Department's clients. Both CPS and APS serve vulnerable populations through investigations and protective services. CPS and APS must coordinate planning for those children who leave CPS' conservatorship and become the responsibility of APS. Licensing and CPS have overlapping interests in the area of 24-hour child care facilities. Forecasting and careful needs assessment and priority setting are necessary processes in a time of statewide budget constraints.

All state agencies within the executive branch of Texas state government are required to develop a strategic plan covering a five-year period. Strategic planning is a long-term process of assessment, goal setting, and decision-making. Its purpose is to determine the path the agency takes to meet its goals, objectives, and strategies. The strategic planning process should incorporate results of the agency's internal and external environmental scanning, neither of which is in place at the Department.

The Environmental Scanning Process Is Insufficiently Coordinated

Although environmental scanning occurs in several areas at the Department, the efforts are not well integrated. Department staff evaluate federal issues, work with interest groups, receive feedback from local communities, and forecast client needs and workloads. Program staff have their own procedures for obtaining information about external factors and internal requirements. However, the Department lacks a formal process to link and coordinate these pockets of information and to ensure that staff aggregate their results.

Environmental scanning must be an ongoing process to gather and assess information from stakeholders and internal and external environmental elements which directly impact the Department's goals, operations, and results. This process is an integral part of a viable strategic planning cycle.

The Department Has No Agency-Wide Policy-Making Function

Although the three programs have policy-making functions and handbooks, the Department does not have a process for reviewing and creating policies at the agency level. The Department and the Board lack a framework to link what happens at the program level with policy issues identified through environmental scanning. Human resource management is the only area that has begun developing policies. The Board originally planned to review all Department policies before new policies were created. Upon the suggestion of a consultant, the Board agreed to set aside the total review of all Department policies in favor of an ongoing policy revision process.

Documented Department policies and procedures are integral to the planning process and are essential tools for control of the operating environment. Policies and procedures are an extension of an entity's strategic plan and are vital to a well functioning organization. Policies are statements which guide decision-making to attain specific goals; they are the written intent of management and the Board for agency direction and operating parameters. Procedures are specific directives which define how work should be done. Without documented and widely communicated policies and procedures, the Department risks incorrect and inconsistent interpretations and actions.

Recommendations:

The Department should continue implementation of its proposed strategic planning process. The process should include input from all programs, management functions, and regional staff. Operational plans should be developed which identify short-term goals and objectives. Budgets are a form of operating plan and should reflect the ranking of priorities of the Department's goals and objectives. Programs should develop action plans and short-term operating plans that are linked to the Department's strategic plan.

The Department should identify and coordinate the roles of the various functions performing some type of internal and external environmental scanning. A defined environmental scanning process should be integrated into the Department's plans for a strategic planning process to provide a continual source of information about factors that impact the Department's mission and operations.

The Department should develop an agency-wide process for policy development, documentation, and distribution. Once it is established, the Department should continue to review and update policies and procedures in a timely fashion. The relationship of the Department's policy-making process and that of the Board should be defined.

Management's Response:

The Department will continue implementation of its strategic planning process. The process involves gaining input from a variety of groups including external stakeholders and shareholders, regional staff, and state-office staff. The proposed process includes the development of not only an agency strategic plan, but also program action plans and operating plans which reflect the ranking of priorities of the agency's goals and objectives.

The Department agrees that the various internal and external environmental scanning functions should be coordinated. Already there are numerous statewide monitoring and reporting systems that track and report on program performance and activity levels as well as environmental assessments. The strategic planning process as well as operational reviews will integrate the results of the various monitoring systems into a package which will guide the agency during the review of its mission, goals, and objectives.

Development of an agency-wide process for on-going review and tracking of agency policies and procedures is well underway. In May 1994, the Department's Board adopted a policy review plan and the Executive Director designated a Department staff person specifically to coordinate policy review department-wide. A detailed operational plan is being prepared. In addition, the Board is completing work on a policy and procedures manual to guide its own deliberations and actions.

There Is No Agency-Wide Performance Monitoring

As with other management controls at the Department, performance monitoring occurs predominately at the program level. Program managers told auditors they wanted more feedback from executive management about performance expectations and how their programs' performance related to overall Department performance goals. Regional program directors are not given specific performance criteria or outcomes which tie to the programs' regional allocation. Without performance standards, program objectives and outcomes cannot be evaluated, and planning is less productive.

The programs have their own means of reviewing regional operations. However, the procedures do not include a method of assessing and comparing regional performance. Each program has a case reading function in which cases are reviewed by supervisors or committees for compliance with policy and procedure, including any state and federal requirements. APS has an automated data base, Adult Protective Service System, which provides monthly reports about caseloads and clients. Licensing has the Consolidated Licensing Critical Success System Report, which measures service control and critical success factors. CPS has recently begun a process of operational reviews. The program plans to survey stakeholders in each region and use the results for planning, assessing resource needs, making operational decisions, and developing policy.

The performance measures identified in the General Appropriations Act are in place, but the State Auditor's Office was unable to certify these measures as accurate. The measures are tracked at the regional level, and no control structure exists to monitor the accuracy of the data.

An appropriate evaluation system enables an organization to assess the outcomes of its current services to determine if its goals and objectives are met. Without accurate assessment data, the Department loses a valuable tool for planning future operations or monitoring current operations.

Recommendations:

The Department should develop measurable program goals which demonstrate a link to overall Department strategies and a method to evaluate program performance toward meeting these goals.

The Department's programs should establish measurable objectives for their regional operations and a means for monitoring and evaluating the attainment of the objectives. The objectives should link to Department goals and program objectives.

The Department should improve the accuracy of its data collection of performance measures in the General Appropriations Act. The new automated system for APS and CPS will help achieve this goal.

Management's Response:

As part of the strategic planning process, each program is charged with developing program plans which will include measurable program goals and objectives. Throughout the Department, division staff have begun a process of developing outcomes and performance measures. These objectives and measures should enable the division to more consistently evaluate the progress of both state office and regional offices. Program staff and regional staff will work with program planners and the Department's strategic planner to link these plans to the overall agency strategies and ensure a method to evaluate program performance and attainment of the established objectives.

The Department recognizes the need for improved reporting and tracking of performance measures and has addressed this directly through its automated system procurement. In addition, staff have been reviewing the accuracy of existing reporting systems to determine where improvements are needed and the most efficient method of implementing changes.

Section 1-B:
Department Oversight Functions Are Not Meeting Their Potential In Facilitating Operations

Three important oversight functions, the Board of Directors, the Ombudsman Office, and internal audit have the opportunity to steer Department operations and policy. However, the Board's inexperience and reluctance to act have delayed policy and planning decisions. Only recently, the Board agreed upon a plan for policy review. The Ombudsman Office, designed for independent complaint resolution, has not fully addressed agency-wide policy and procedural issues which would enhance its operations. No internal audit work was performed during fiscal year 1993, a violation of the Texas Internal Auditing Act. The Department lost the benefit of a valuable source of operational analysis without having an internal audit function.

Board Members Have Been Slow to Make Decisions Which Impact Agency Operations
In its first year of operation, the Department and the Board were ill-prepared to make policy decisions involving the programs. A permanent executive director took office on March 1, 1993. Becoming educated about the Department's programs and operation has been a slow process. It has taken time for the Department's staff and board members to gain each other's trust and develop a method for working together.

Initially, the Board planned to put all program policy decisions on hold until it reviewed all Department policies. However, the Board lacked a process for policy review and formulation and, therefore, could not implement a review or create policy. As a result of the Board's inaction, the only significant policy change during fiscal year 1993 concerned interracial adoptions. That change came from action by the 73rd Legislature, which felt it could not wait for the Department to act.

The Board has been slow to establish advisory committees. The Board agreed, in its February 1994 meeting, to establish advisory committees and has developed a proposed structure. However, final approval is needed before these committees can be appointed. By not appointing advisory committees, the Board loses a source of knowledge and experience. Advisory committees provide input from concerned stakeholders or professionals who view the Department's programs from another perspective. Only the child care licensing program has an advisory committee to the Board; this committee is required by law.

The Board Recently Hired a Consultant

Recognizing the need for guidance, the Board hired a consultant in fiscal year 1994 to assist it in several areas:

- assessment of the political and policy environments for Board decision-making
- assistance in clarification of the Board's role in reviewing Department policies
- development of a plan to integrate policy review into Department operation
- assistance in defining and planning for the Board's function in relation to the Department

The consultant's plan for making policy decisions and policy review was approved in May 1994.

Recommendations:

The Board should give high priority to furthering its understanding of the Department's programs, policies, and laws which govern its operations.

The Board should develop and implement the consultant's plan for making policy decisions. The plan includes decisions to:

- Integrate policy review into Department operations, not delay policy decisions until after a complete review of all policies.
- Act on policy issues based on urgency and preparation.
- Develop a process and framework which allows regular, ongoing review of the Department's policies and procedures.
- Develop policies for the Board's internal work, including its roles, responsibilities, and decision-making procedures.

The Board should move to fill the positions for the proposed advisory committees. The "Proposed Rules for Advisory Committees" were published recently in the *Texas Register*. The rules incorporated comments from focus groups in four Texas cities.

In order to set aside time to learn about program policies, the Board has scheduled educational workshops every other month to alternate with Board meetings. Each workshop will include in-depth briefings on substantive policy issues with special emphasis on action items to be presented at the next Board meeting. The schedule for these sessions is currently planned through December 1994.

This process was begun in May 1994 and has resulted in both comprehensive review of the policy related to the issues and expedited decision-making. At their July 29th meeting, for example, the Board adopted our 1996-97 Legislative Appropriation Request, approved the Fiscal Year 1995 Operating Budget, and approved the final rules authorizing advisory committees.

The Ombudsman Office Has Yet to Realize Its Full Potential

The Ombudsman Office, created in response to a House Bill 7 mandate, has yet to realize its full potential. Because the majority of complaint reviews are performed by the programs themselves, many parties external to the Department question the validity and objectivity of the Ombudsman's findings. Employees cite duplication of effort due to the lack of an automated system for receiving and tracking complaints. Management and staff also report a significant increase in workload to comply with inquiries from the Ombudsman Office. Although complaints represent a potentially valuable source of information to identify problems in policy and program operations, little substantive feedback to Department program managers from the Ombudsman Office has been received to date.

External Parties Continue to Question the Validity and Objectivity of the Department's Handling of Complaints Because of the Ombudsman's Methods of Investigation

Although the Ombudsman Office was created to provide a fair and impartial review of complaints, creation of the office did not substantively change the manner in which complaints are reviewed. Prior to the creation of the office, complaints were received and reviewed by local, regional, and state offices. While the Ombudsman Office makes inquiries of program personnel and responds to complainants, the majority of review work pertaining to complaints is delegated to the regions.

The Department has not mandated standard policy and procedural guidelines to the regions on how they should respond to inquiries from the Ombudsman Office. Thus, regional program directors determine access to personnel and turnaround time for providing case files to the Ombudsman Office. While some regional directors are very cooperative, others limit the Ombudsman Office's access to the parties involved in the complaints. This creates a scope limitation for reviews conducted by the Ombudsman Office.

Many foster parents perceive a lack of objectivity and bias in how the Department reviews its own decisions. A number of instances of retaliation by Department field staff were described during the course of this audit. For example, some foster parents indicated that caseworkers and supervisors have removed children from their homes

or refused to make further placements with them because they questioned Department policies and practices. External parties expressed fear of retribution for voicing complaints or questioning Department decisions. As a result, some legitimate concerns may never be heard. Given the major role which the programs play in reviewing complaints, the presence of the Ombudsman Office may do little to alleviate the fear of retaliation. Due to the inherently volatile nature of the Department's work, the perception of the Department's objectivity and fairness, is at times, as important as the reality.

Although there are agency-wide policy and procedural issues that need to be addressed, it is important to note that the director of the Ombudsman Office was not hired until April 1993, and the first four staff for the office were hired in August 1993. An additional four staff were added in February 1994. Since the office is a relatively recent creation, a number of processes and procedures are still evolving.

Recommendations:

The Department should re-examine the respective roles of the Ombudsman Office and regional and local program management in reviewing external complaints. In particular, heavy reliance upon program management to investigate the more serious allegations against its own staff should be reconsidered.

- The Department should establish clear statewide policies and procedures for the regions on how to respond to inquiries from the Ombudsman Office.
- The Department's policies should guarantee unfettered access to all agency personnel and establish clear expectations regarding regional response time to Ombudsman inquiries.
- The Department should consider relocating Ombudsman Office staff to major metropolitan regions to conduct on-site reviews of serious complaints.

The Department should establish a clear policy that prohibits reprisal or retaliation by agency personnel against complainants. Violation of such policy should carry appropriate sanctions.

Management's Response:

The Ombudsman Office has procedures and time frames for responding to complaints and inquiries. These procedures were negotiated with the program stakeholders and initiated in September 1993. Since that time, modifications have been made to streamline the response process and to eliminate the incidence of duplicated inquiries to regional staff, and to facilitate prompt responses to the public, legislative, and executive offices. It is understood that by having the Ombudsman Office in place these procedural requirements apply to all state and regional staff. However, the Department will review the benefits of establishing statewide written policies and procedures which define guidelines of how regions respond to inquiries from the Ombudsman Office.

Ombudsman staff carefully review case actions to determine if the Department's three programs' operating policy and procedure were followed. Investigative work is performed by Ombudsman staff, based on the allegations of the complainants. Program staff are questioned about those allegations and their responses are carefully reviewed before a response is made to the complainant. Case records are available for desk review by Ombudsman staff whenever it is deemed necessary, which provides Ombudsman staff the opportunity to confirm regional responses.

With the full implementation of the Department's automation system, the Ombudsman Office will have direct access to the electronic case files; therefore, the reviews of cases will be completed without regional program's input.

Relocating Ombudsman staff to the regions has been considered; however, at this time adequate funding is not available for this level of staffing. Consideration has already been given to placing Ombudsman staff in larger metropolitan regions which account for the majority of the complaints received.

The Department will strengthen written policy which will prohibit reprisal by agency staff against complainants.

The Lack of an Automated Data Base Results in Inefficiency and Duplication of Effort

The Department lacks a standardized process to receive and track complaints. This results in investigation of complaints by program and re-investigation of the same complaint by the Ombudsman Office. Dissatisfied individuals are able to initiate multiple investigations of the same complaint at the local, regional, and state levels. The same complaint may be reviewed by the program and the Ombudsman Office. Each of these conditions create duplication of effort and increased workload for staff.

There are multiple points of entry for complaints lodged against the Department. A citizen may file a complaint at any level of program hierarchy, with Department administrative officials, the Ombudsman Office, or with elected officials. The lack of an automated data base to track receipt of complaints makes it difficult for personnel to determine whether the issue is currently being or has previously been addressed. While it is inevitable that some individuals will never be satisfied with the Department's decisions, the Department lacks procedures to formally close a case when a complainant cannot be satisfied.

At the conclusion of fieldwork for this audit, Department staff were developing an automated system to track complaints. This automated system, when implemented, should help eliminate some duplicated efforts because of the same complaint coming from more than one place.

Recommendations:

The Department should continue its initiative to develop a system to track complaints and identify multiple complaints filed by the same individuals.

The Department should formulate guidelines for formally closing a case when a complainant cannot be satisfied.

Management's Response:

At the time the audit was in progress, the Ombudsman Office was developing an automated system for tracking and reporting complaints. The basic system is now in place. Currently, system enhancements are being incorporated and the anticipated completion date is early October 1994. The Ombudsman Automated Tracking System provides an entry process with retrieval, search, and data-reporting capabilities. The Ombudsman Automated Tracking System now has the capability to identify "chronic" complainants. Policies have been developed that provide parameters for the closure of a case when a complainant cannot be satisfied.

Opportunities to Improve the Department Are Missed Due to a Lack of Reporting and Analysis of Complaints

There is no centralized collection and analysis of complaints filed at various levels of the Department. Summary information regarding complaints could provide management with important information about how the programs are operating and policies and procedures which need clarification.

Some complaints are filed, investigated, and resolved at the regional level. Regional management's disposition of these complaints, which includes a letter to the complainant, is not formally or consistently provided to either state program management or the Ombudsman Office for trend analysis.

In a few instances, Ombudsman staff unfamiliar with Department programs have misinterpreted and miscommunicated agency policy to complainants because the Ombudsman Office did not verify policy interpretations with state program management. These situations could be prevented if Ombudsman staff verified policy with state office program management prior to issuing formal letters to complainants.

To date, there has been no analysis of complaints to detect trends by region or type of complaint. As a result, program management misses opportunities to correct problems and identify trends. The Ombudsman Office informs program staff in the state office when it receives a complaint requiring immediate action. Although regional staff are notified about complaints when they are received by the Ombudsman Office, state office program staff do not receive feedback from the Ombudsman until the formal response letter is issued to the complainant.

Recommendations:

The Department should establish procedures to ensure comprehensive collection and analysis of complaints, regardless of where in the Department the complaint was received or handled.

The Ombudsman Office should verify key policy interpretations with state program management.

Management's Response:

At the time of the audit, the Ombudsman Office was tracking complaint data manually and was not equipped to perform trend analysis of the complaints. Since that time, the office has implemented an automated data entry, retrieval, and reporting system. A statistical report to the Board of Directors, program deputies, and regional directors was submitted in July 1994. Reports of this nature will be submitted on a quarterly basis, with an annual report providing longitudinal trend analysis.

There are standardized procedures for referring complaints to the Ombudsman Office. The intention is for complaints to be received by the Ombudsman after due process occurs in the region. Complaints coming into the regional programs are handled there to allow problems to be addressed by the local staff directly involved in the case.

The Ombudsman Office staff consult state office program and legal staff when they feel it is warranted. Out of 900 inquiries handled by this office, the program has challenged four cases, based on policy issues. One of these cases has been forwarded to the Office of the General Counsel for interpretation.

The Department Had No Internal Audit Function for the First 21 Months of Its Existence

The Department was in violation of the Texas Internal Auditing Act by not having an internal audit function in fiscal year 1993. No internal audit work was performed during the fiscal year 1993, the Department's first year of existence. There was no substantive internal audit work performed on the Department's three main programs prior to September 1992 while they were part of the Department of Human Services. Internal audit coverage for the Department is provided through an interagency agreement with the Department of Human Services. The interagency agreement for internal audit coverage commenced September 1, 1993.

No internal audit committee or liaison was established by the Board of Directors until the April 1994 board meeting. An internal audit plan for fiscal year 1994 was not approved by the Board until May 1994, more than a year and a half after the Department was created. Internal audit work commenced in June 1994, after the Department had been in existence for 21 months.

The purpose of the internal audit function is to provide an entity's administrators with a valuable management control. Internal audit conducts an independent analysis and review of selected entity processes and operations and makes recommendations in areas needing improvement. Without an internal audit function, the Department's management has lost an objective and useful source of information.

The Department May Not Have Sufficient Hours Contracted for the Internal Audit Function

Under the interagency agreement for internal audit coverage, the Department of Human Services provided 4,000 hours of internal audit work to the Department during fiscal year 1994. In comparison to eight other state agencies similar in size, mission, or appropriation, the Department's audit coverage is lowest relative to full-time equivalents (FTEs) and third lowest relative to state appropriation. Considering the high profile, high-risk nature of the Department's programs and the delay in audit work, increased internal audit coverage, at least initially, could provide the Department's management with an independent assessment of selected operations.

Recommendations:

The Department should consider expanding the number of hours contracted for its internal audit function. The expanded coverage could include additional contracted hours with the Department of Human Services. The Department should determine whether having its own internal audit department is more cost effective than continued contracting for the internal audit services.

When developing the audit plan, internal audit should continue to solicit input from the Board, Department executive staff, and stakeholders about specific areas of high risk.

Management's Response:

We will monitor closely both the possible need for more contracted hours and the cost effectiveness of bringing in-house the Internal Audit function. Expanding this function will require more resources than we requested in our Legislative Appropriation Request.

Section 1-C:
Presently, The Department's Information And Automation Needs Are Not Being Adequately Met

The lack of a comprehensive, integrated information system and basic office automation capabilities has a negative effect on the Department's efficiency and effectiveness. Efficiency is limited because of the many time-consuming manual processes and redundant recording of information. Effectiveness and decision-making are hampered because of:

- incomplete and, in some cases, unreliable information for decision-making
- limited ability to generate timely information
- limited ability to systemically integrate information on case, unit, regional, and statewide levels

There Is No Comprehensive, Integrated System

Current systems appear to be designed for case history and financial tracking rather than for helping the caseworkers manage their cases and make decisions. Some of these systems are antiquated, cumbersome to use, and not very user friendly. Parts of the system are not fully functional or reliable. Furthermore, they only house a fraction of the information that a caseworker needs to perform his or her job.

Currently, program information is managed using manual processes, several mainframe-resident software applications, and a mix of hardware and software. In addition, there are locally developed applications in the regions causing disparities to exist among the different regions in terms of automated applications. Whole segments of the work process are not supported by automation. Different systems support certain phases of the casework process, and even they do not cover the continuum of the process.

The Department Lacks Basic Office Automation Capabilities

All Department staff do not have access to word processing and electronic mail. In some regions, the ratio of workers to personal computers is as high as 5 or 6 to 1. Some caseworkers must hand write case narratives or rely on clerical staff to type them. As a result, some case documents are illegible, incomplete, or backlogged.

The operating environment of the Department is paper intensive. Case files and records must be maintained, and some documents are used in court cases. The lack of a basic tool such as word processing capability may prevent these important documents from being accurate, timely, or available.

The Legislature has long recognized the lack of automation as a critical problem for the Department. In 1989, the Legislature directed the Department of Human Services (DHS) to make automation of the Child Protective Services (CPS) its highest priority. Indications are that this directive was not fully met. (At that time, CPS was housed at DHS. CPS is, today, the largest of the Department's three programs.)

In May 1993, the Legislature appropriated $25 million for the 1994-1995 biennium to fund the protective services automation project. This amount includes $21.4 million for the automation project and $3.6 million in debt service for equipment master leased during the 1992-1993 biennium. In December 1993, the contract for the protective services automation project was awarded to Andersen Consulting. The total projected cost of the contract is over $88 million. Because the Department could not authorize payment for products and services in excess of available funding, the contract with Andersen stipulated that only $20 million in state funds could be spent in the current biennium. The contract locked in a schedule and fixed prices so that the Department could budget the project and avoid escalation of service prices.

The project scope includes the planning, design, development, and implementation of a comprehensive system to support protective services administered by the Department. The new system will replace or integrate existing automated systems and automate processes that are currently performed manually. Approximately 300 offices throughout Texas will be equipped with the necessary hardware and software to operate the system. The system will support 5,200 users. Training in computer literacy, automated tools, and the use of the system will be provided to CPS and Adult Protective Services (APS) staff.

Section 1-D:
The Planned Automation Project Will Address The Department's Information And Automation Problem

Based on current information, there is strong evidence that the automation project will be of great benefit to the Department. However, only partial funding for the project has been approved so far. Enhanced federal funding is available for up to 75 percent of the cost of the CPS portion of the system. The amount and timing of the anticipated federal funds remains uncertain at this time. The project is still at the very early stages of development, and much work remains to be done before the State can reap its full benefits.

It is too early to know how well most controls designed into the system will work because they have not been implemented. It appears that the Department has controls in place for monitoring the contractor. Because the project contract calls for the vendor to provide a turnkey system, managing the contractor is the most critical factor to the project's success. The overall planning and management of the automation project, including issues and decisions related to the planning and implementation of the automated system, needs improvement.

The New Automation Project Will Greatly Benefit the Department
The Department estimates a cost avoidance during fiscal years 1995-1998 of approximately $46 million as a result of the new protective services automation project. The funds saved through increased automation could be used by the programs to improve coverage and service delivery to their clients. In addition, the automated system will also improve the Department's performance by:

- providing more accurate and timely information about perpetrators and victims so that better decisions can be made
- tracking and reminding workers about required actions so that legal mandates are met and important case actions are completed
- providing accurate data to determine what procedures and processes are providing the most benefit to their clients
- providing accurate and timely data to supervisors so that problems can be identified and prevented
- automating manual administrative processes so that workers can spend more time in client service delivery

The Amount and Timing of the Anticipated Federal Funds Remains Uncertain

A critical issue facing the automation project now is the uncertainty surrounding enhanced federal funding. In December 1993, the U.S. Department of Health and Human Services announced the availability of enhanced federal funds for statewide child welfare information systems. This funding is available from October 1, 1993, until October 1, 1996, at a 75 percent matching rate, and at a 50 percent matching rate thereafter for expenditures related to the planning, design, development, and installation of a system. Aside from lowering the State's share of the cost of the project, the availability of federal funds may also allow the Department to expand the scope of the project.

The cost and scope of the project cannot be finalized until the amount of the federal funding is known. The Department has received only interim funding approval of the project. Interim federal approval has been granted to expense equipment with a unit cost under $5,000, which allows the Department to draw $3.2 million in federal matching funds when the equipment is ordered, instead of recovering that amount through depreciation. Still at issue is a cost determination of what is an operational versus an implementation expense. The federal matching rate for the two expenses differs. Operational costs are matched at a 50/50 rate; implementation costs are matched at a 75/25 rate. The decision on these costs impacts the amount of equipment the Department can afford to purchase for the automation system.

The Department Should Improve Overall Planning and Management of the Project

The Department's overall planning and management needs improvement. The lack of a comprehensive plan or approach to manage the project as a whole may hamper the successful development of the project. However, the Department appears to have controls in place to monitor the contractor. These controls are a critical factor that will determine the success of the project because the project contract calls for the vendor to deliver a turnkey system.

Currently, the only project plan is Andersen's. Even though Andersen is responsible for developing a turnkey system, the Department must manage other issues and responsibilities such as federal funding, acceptance testing, and use of contract monitors, areas not covered by Andersen's plan. The Department has most of the individual elements for an overall project plan available, for example, deliverables and issue tracking system, and plans to develop a project risk management plan. All that remains is to put these individual pieces into one plan. Such a plan would better allow the Department to know:

- what the status of the project is as a whole; for instance, how the uncertainty of federal funding has affected the overall project schedule
- when certain issues that are outside the control of Andersen have to be resolved (federal funding, policy issues, etc.) and what to do depending on the outcome
- how all of the Department's resources involved with the project will be distributed and what their responsibilities are

- the Department's own critical checkpoints to measure the progress of the project separate from Andersen's

A project development plan, with specific milestones and deliverables noted, would serve as a useful management, planning, and control tool. Department management could use the plan as a means of monitoring the project to ensure that its development is on track. The Department's project team could use the plan to manage its resources in planning for the upcoming phases of the project's development and implementation.

Since the project is still in its early stages and there are certain contractual issues yet to be resolved, our assessment is limited to the controls that are currently in place or planned and decisions that have been made to date. However, the State has some assurance that the Department's automation project will be continually reviewed throughout its development life cycle. The Department's new automation system is one of the state projects that is being monitored on an ongoing basis by the Quality Assurance Team (QAT). The QAT is comprised of representatives from the Department of Information Resources, the Legislative Budget Office, and the State Auditor's Office. A project development plan could be used by external parties such as the Quality Assurance Team and the Legislature to monitor the progress of the project.

Recommendation:

The project team should develop an overall project plan that would allow it and Department management to monitor the new automation project. The plan should include items such as milestones, deliverables, and decision points.

Management's Response:

There are currently several processes in place to monitor the project, including systems to track deliverables, issues and action items. In addition, the Department is acquiring other tools for tracking training and providing configuration management. There are also staffing plans, roles and responsibilities descriptions, a project administration manual, and detailed workplans that include both Andersen and Department staffing requirements. These have been used to plan and monitor the project. An overview milestone plan will also be developed for use by Executive Management and the project team. Additional staff are being hired so that appropriate resources will be available to develop and maintain the project management plan. It is projected that the final plan will be completed in mid-September 1994 and proposed that the plan be reviewed and updated monthly to ensure that milestones and key decision dates are met.

Section 1-E:

The Department Expects To Meet Its Goal Of Obtaining $80 Million In Federal Matching Funds But Fears A Cash Flow Problem

Texas' health and human services agencies are required by the General Appropriations Act (73rd Legislature, Regular Session), Article V, Section 154, to achieve a total of $320.7 million in anticipated savings during the 1994-1995 biennium. As part of that requirement, the agencies were instructed to obtain specific funding from various sources and to return appropriated general revenue funds to the State. The Department of Protective and Regulatory Services was directed to obtain $80.2 million in additional federal matching funds to support its programs. Although the Department expects to accomplish that goal, a timing difference may cause a cash flow problem which will prevent the Department from maximizing its anticipated federal funding. In addition, hoped-for savings in the Homebuilders program will not be accomplished in the current biennium.

A Timing Problem Remains Unresolved

The Department anticipates meeting the $80 million goal by the end of fiscal year 1995. However, the Department is concerned about the timing of the funding. The State has the option of taking back the Department's $80.2 million in general revenue after February 1, 1995, when the Department will have met only $50.4 million of the requirement. If the Department loses all of the $80.2 million in February, it will not have the state dollars required to draw down the additional $34 million in federal dollars it has targeted. (See Figure 1 below.)

Figure 1
Federal Funding Maximization

Texas Performance Review Recommendation	Recommended Anticipated Savings	Anticipated Savings by 2/1/95	Anticipated Savings by FYE 8/31/95
HHS-13 Federal Funds	$60,547,000	$50,442,217	$84,331,373
HHS-14 Homebuilders	19,680,000	0	0
Total	$80,227,000	$50,442,217	$84,331,373

Two Texas Performance Review Recommendations Apply Directly to the Department

HHS-13 Federal Funds (General Appropriations Act, Article V, Section 154) states that the Department "shall procure a consultant on a no-risk basis to assist the state in obtaining federal revenue enhancements." The second recommendation, HHS-14 Homebuilders (General Appropriations Act, Article V, Section 154), requires the Department to "implement a child welfare program modeled after Washington's Homebuilder's program." The recommended savings as stipulated in the rider with the Department's projected savings are as follows:

To comply with HHS-13 Federal Funds, the Department hired a consultant at a contracted amount of $324,800 to assist in increasing the amount of federal funds available as a match for the Department's programs. As a result of discussions with other states' child protective programs, the Department applied for additional Title XIX (Medicaid) funding. In addition, the Department will be seeking Title IV-A (Emergency Assistance) funds. The Department has submitted its plans for receiving these federal matching funds, which it expects to total $84 million, $24 million more than HHS-13 required. However, the U.S. Department of Health and Human Services has yet to grant final approval for the funding.

The intent of HHS-14 is to expand the Homebuilders program in order to reduce the demand for foster care services, since in-home services are less expensive than substitute care. To achieve this goal, the Department has implemented 10 new service units modeled on the Homebuilders program. The philosophy behind Homebuilders is family preservation. Caseworkers target specific families, which receive intensive direct services to address the family's needs and keep the child (children) out of foster care.

The Department has expended over $3.5 million in federal and state dollars to develop the family preservation units, which makes the savings target of $19.7 million difficult to attain. The family preservation approach may have long-term cost savings over substitute care if the effort can reduce the numbers and costs of children going into substitute care. However, the Department will probably not see cost savings due to family preservation efforts in the current biennium.

Section 1-F:
The Interagency Agreement Between The Department And The Department Of Human Services Needs Improvement

The Department contracts with the Department of Human Services for a number of support services, but has no process to ensure compliance with the terms of the agreement. The agreement does not include performance standards that would clarify the level and quality of service to be provided. As a result, neither party can determine whether the services are provided at an accurate price or have assurance that all provisions of the agreement are being met.

The Agreement Lacks Standards for Performance of Services
The two agencies have a Memorandum Of Understanding with attachments specifying the dollar amount for each service to be provided. During our review, we noted that the agreement does not contain performance standards for the work to be performed. Several attachments refer to "excessive workload," but do not define the term or discuss how it will be determined. There is no discussion of a tracking mechanism for work performed. The agreement does not address priority setting of workload for the two agencies, nor are there timeframes for performance of services.

The Contracting Process Lacks Elements Which Would Provide Reliable Information for Both Agencies

The Department does not have a contract manager to assume responsibility for the agreement, track performance and problems, and serve as liaison to the Department of Human Services. The Department did not adequately quantify the cost of its service requirements before the agreement was made and did not sufficiently involve the regions in planning for the agreements. The figure below lists the contracted services and their charges.

Figure 2

Contracted Support Services

Type of Support Service	Charge for Service
Information Resource Technology	$6,859,373
General Support Services *(Payroll, Fiscal Management, Material Management, Travel, Facility Management, Policy & Document Support, Micrographics, Printing, Winters Complex Operations, Library Services, Video Production)*	1,798,854
Regional Support Services	609,780
Internal Audit	103,339
Audit Services (cost report audits of 24-hour day care centers)	75,464
Provider Reimbursement Services (foster care rate analysis and methodology)	39,515
Central Contract Register	24,000
Reception Services	17,000
Total	**$9,527,325**

The agreement provides a flat sum of $9,527,325 to the Department to Human Services. No accounting occurs to determine if the various contracted support areas required more or less service than originally anticipated. Cost of services provided cannot be accurately tracked and billed because the Department of Human Services has no mechanism for tracking (documenting) the time spent on many of the services provided to the Department. Neither agency has a process to monitor performance of the agreement. Although several attachments mention monthly reports to be provided by the Department of Human Services, with the exception of Management Information Systems, no reports have been received by the Department.

<u>Recommendations</u>:

The Department should continue to work with the Department of Human Services to strengthen the terms of their agreement, including performance standards and a method of tracking time and cost of the services provided.

The Department should designate a contract manager to assume the responsibility for monitoring performance standards and compliance with the terms of the agreement. The manager would receive regular status reports of services provided and act as a liaison between the service providers and the Department.

The responsibility of the contract service monitor should be assigned at each regional office. The monitors should report to the Department's support service contract manager in the state office.

Management's Response:

The Department has continued to work with the Department of Human Services on adding performance standards and tracking time and cost. DHS has contracted with Federal Systems Integration and Management Center to develop a methodology for establishing rates for support services. At the regional level, we have based the total negotiations for fiscal year 1995 between our regional directors and DHS on a performance base with time frames and deliverables.

Although there has not been an individual designated as official "contract manager," both Department of Human Services and the Department have each had one individual acting as primary contact for the agreement. We will continue this arrangement but will be receiving regular status reports for fiscal year 1995.

At the regional level, we will continue with our Regional Directors for Management Services as the contract monitor for their respective region.

Section 1-G:
Controls Over The Travel Approval Reimbursement Process Are Lacking

The Department of Human Services continues to approve payment for the Department's travel expenses although it lacks a list of Department managers authorized to approve the travel documents. The Department of Human Services is under agreement to provide management and coordination of travel services for the Department. Based on current information, the estimated cost of rental car and airline tickets approved for the Department in fiscal year 1994 will be more than $3 million.

Form 4186, a request for travel authorization, requires the signature of a supervisor for approval prior to making reservations for airline tickets and car rental. Although there are several hundred such supervisors in the Department, the Department of

Human Services travel staff do not have a list of Department supervisors or their signatures to use to validate the authorization form. The Department does not have a list of supervisors who may approve the travel expenditure. Lack of controls over the approval process means that the Department has no assurance that travel expenses paid through this process are valid.

Recommendation:

The Department should establish controls over this approval and authorization process. Correct authorization procedures must be documented and communicated to all staff who travel for the Department. For example, a supervisor with authority to authorize Form 4186 should not allow another employee to sign in his or her place. A list of authorized signatures may be difficult to use due to the large number of supervisors with this authority. However, both agencies should be aware of the potential for invalid travel being reimbursed without some controls over the approval process.

Management's Response:

Instructions for Form 4186 require coordination through supervisory channels and the approval/signature of the department director or program manager for in-state travel, or regional administrator or deputy commissioner for out-of-state travel.

Implementation of a verification process such as the one suggested is already in place and documented in the Administrative Management Handbook (AMH) Section 7000. Although the AMH is a Department of Human Services owned handbook, we have adopted their document as our policy document as well. The establishment of a process to collect names and signatures from several hundred staff with supervisory responsibilities would result in substantial unbudgeted initial and ongoing administrative costs.

Section 2:

Management Controls Are Weak In The Child Protective Services Program

Expenditures of the Child Protective Services (CPS) program comprised about 90 percent of the Department's fiscal year 1993 budget. Although CPS has annual contracts totaling over $190 million for children in substitute care or identified as at risk for abuse and neglect, no defined contract administration process exists for foster care services. Regional foster care programs do not adequately plan for client needs. Purchased services budgets are not sufficiently monitored. The foster care rate reimbursement methodology relies on a number of untested assumptions. Program policies and regulations are not interpreted or applied consistently throughout the regions. Human resource problems such as caseworker burnout and high turnover need corrective action.

CPS's Contract Management System Does Not Provide Adequate Controls Over Contracted Client Services

Child Protective Services (CPS) lacks a defined contract administration process to provide adequate controls over the approximately $159 million in state and federal funds spent for foster care services. There is also no standardized performance or fiscal monitoring process for the $31 million spent annually on purchased services for children and families identified as at risk. Furthermore, the foster care program and purchased client services lack a centralized oversight function for the training and monitoring of regional contracting personnel. As a result, the program cannot provide assurances that the money allocated for these vulnerable children and families is being spent as the Legislature and Federal Government intended.

Foster Care Agreements Are Not Adequately Managed

CPS does not have established policies and procedures for contract administration of agreements with foster care providers. Although the agreements contain elements of a contract -- an offer, an acceptance, and consideration -- the program does not manage them through a formalized process. Without a defined process to properly administer the state and federal funds provided for foster care, the program cannot ensure that the money is being spent as intended.

Substitute care is either provided by foster care providers who have agreements with CPS or through foster homes under the direct administration of CPS. These services are funded by the federal Foster Care Program with a percentage match of state funds for an approximate total of $190 million in fiscal year 1993. Foster care providers include child placing agencies, basic institutions, institutions serving developmentally disabled children, residential treatment centers, therapeutic camps, halfway houses, and emergency shelters. (See flowcharts at Appendix 4.)

The Program Lacks a Planning Process for Procuring Foster Care Providers

CPS does not have a planning process to identify current needs and trends and target providers to serve these needs. Open enrollment, the only method currently used to procure foster care services, allows providers to enroll regardless of program need. Since needs assessments are not prepared statewide or regionally, an increase or decrease in the numbers of any type of facility may not be responsive to the needs of the client population.

For example, there has been a significant increase in emergency shelters (30-day temporary facilities used prior to child placement). In 1986, there were 25 emergency shelters statewide; today there are 67. Region 6, serving the Houston area, has the most emergency shelters, 16, of which 12 are in Harris County. The combination of no needs assessment, an increase in emergency shelters, and the fact that emergency shelters are required to accept all children could result in the overuse of these facilities. The rate paid to emergency shelters per child per day is $91.66, which is considerably higher than the rates for levels of care 1 through 4. If an overuse of these facilities exists, federal and state funds are not being used efficiently.

CPS stratifies client needs according to the level of care system. A brief summary of a child's needs in relation to the level of care system is provided in Figure 3:

Figure 3
Levels of Care Descriptions

Level Of Care	Child's Needs
1	The child requires placement in a normal family environment.
2	The child requires • placement in a normal family environment, and • additional structure and guidance.
3	The child requires • structured, supportive care and • occasional therapeutic counseling.
4	The child requires • a structured individual-treatment program and • regular therapeutic counseling.
5	The child requires • a highly structured treatment program • intensive therapeutic counseling, and • 24-hour supervision.
6	The child • is severely impaired or medically fragile, and • requires constant supervision, treatment, and care.

Source: Department of Protective and Regulatory Services

Although the level of care system was designed to match the identified needs of children with qualified foster care providers, it does not completely address the special needs of certain segments of the population. Pregnant girls, for example, are especially vulnerable to inappropriate placement. Although pregnant teens are a growing segment of the foster care population, the program has not identified them as a group with special needs requiring specialized foster care providers. Medically fragile and developmentally disabled children have special needs also. The foster care program cannot fully address all its clients' needs, especially those with special medical or social needs, without a defined planning and procurement process.

To ensure meeting the needs of all foster children in its conservatorship, the program must have a means of identifying trends in the population it serves. Once client needs are determined, the program should define program service objectives and requirements and identify the types of foster care provider services needed. A selection process targeting the identified needs and trends should be established. The appropriate mechanism for procuring foster care providers may be open enrollment or some form of request for proposal. Service objectives and requirements must be sufficiently clear to enable the program to solicit qualified foster care providers who are able to address the varied needs of the foster children.

The Program Has Limited Qualification Criteria for the Selection of Foster Care Providers

All service providers who submit an application to participate in foster care services are accepted if they meet two criteria:

- The provider is licensed by Residential Child Care Licensing (RCCL), a major program of the Department, separate from CPS.
- The provider has implemented the appropriate level of care standards and indicators, as reported by an independent evaluator.

Selection criteria should include standards for qualification as a foster care provider to eliminate foster homes and facilities which may not be suitable. The licensing requirements of RCCL focus on health and safety standards, which include qualifications and education of staff for the foster home or facility. The two criteria (mentioned above) do not include requirements or screening for:

- current financial position (assets and liabilities)
- financial history (audit reports, type of accounting system)
- experience in foster care or related field
- references from other clients (or state agencies) served
- description of other clients and services provided at the facility

Without specific qualification criteria for foster care providers, the program risks enrolling providers who do not possess the standards or qualities desired for foster parents or facilities.

Provider Agreements Are Open-Ended and Do Not Include Performance Standards or Requirements

Foster care agreements do not contain detailed performance standards to which the providers are held accountable. During our review of the foster care provider agreements, we noted a lack of necessary requirements and criteria. For example, the agreements had:

- no applicable state or federal requirements or references to these requirements
- no provisions regarding the repayment of state and federal funds for unallowable or unreasonable expenditures
- no requirement that a foster care provider maintain financial and supporting documents and records pertaining to services delivered for three years, as required by federal regulations
- no reference regarding the foster care provider's use of generally accepted accounting principles or adherence to CPS financial management policies and procedures
- no performance-based measures, outputs, or outcomes
- no specific program requirements
- no criteria or procedures for sanction and termination

Monitoring, sanction, and termination criteria, as well as state, federal, fiscal, and program requirements provide the foundation for sound contracts.

CPS has no effective means of monitoring performance, compliance, or program outcomes without criteria and standards in the contracts. Without definite performance standards in the contracts, CPS risks doing business with foster care providers who are uninformed about program objectives and regulations. Furthermore, the program lacks a tool to enforce performance criteria and terminate those foster care providers who do not comply. Without written performance criteria, program staff cannot ensure that foster care providers are held to the same standards throughout the State, and they are reluctant to terminate agreements unless significant licensing violations are found by RCCL.

The foster care provider agreements are open-ended, which means they bypass a renewal process. A renewal process allows CPS the opportunity to reassess providers and prevent the program from continuing with substandard providers. Selecting and maintaining qualified providers for children in the State's conservatorship are crucial elements needed to ensure the success of the substitute care system.

Foster Care Agreements Do Not Contain Statewide Sanctions

A foster care provider with a statewide agreement, who is unwilling to resolve an issue in one region, may continue to do business as a foster care provider in another region. For example, one foster care facility received approximately $90,000 in overpayments from one region and has been unwilling to fully resolve this issue. Other regions can continue to do business with this provider because the agreement has no statewide sanctions and has not been terminated.

CPS Lacks a Comprehensive Monitoring and Evaluation Cycle to Identify Problems and Improve Services

Foster care providers are not currently evaluated against clearly defined standards of performance, quality, or outcomes. Not only do agreements between CPS and the foster care providers not contain performance standards, but current CPS policies and procedures do not fully address oversight responsibility. For example, there is no process to ensure that the child placing agencies regularly and appropriately monitor the foster homes under their supervision.

The absence of performance standards and a formal, standardized termination process forces the regions to informally monitor and terminate providers. For example, a foster care provider unofficially assessed as being "inadequate" by a local caseworker or supervisor may have its referrals curtailed or stopped, or children may be removed from a facility without explanation. This mechanism is a local solution which does not include a means of sharing the information within the region or throughout the State. When each region deals with problem providers as it deems appropriate, treatment of foster care providers will vary throughout the State. Furthermore, without a process to disseminate information on provider performance, CPS fails to capture valuable information which should be used in the planning and acquisition phases of contract administration.

Although there are several monitoring functions associated with foster care, no provider contract monitoring is performed by CPS. Residential Child Care Licensing (RCCL) is responsible for enforcing the State's child care licensing standards. RCCL

reviews foster home records, but does not inspect every home annually for compliance. RCCL is only authorized to require that providers comply with minimum standards set by licensing regulations. CPS caseworkers are required to contact children at least quarterly. Face to face contact will be required after July 1, 1994. Child placing agencies monitor the foster homes they contract with. CPS presently lacks a mechanism, however, to ensure that child placing agencies regularly monitor their homes.

Youth for Tomorrow (an independent evaluator) is under contract with CPS to review the case reports of foster children at levels of care three through six, on a semi-annual basis. Youth for Tomorrow is also contracted to annually review individual facilities' level of care service system indicators. These reviews, conducted annually for facilities providing services for clients at levels of care 2-6, ascertain whether providers meet the Department's quality assurance program standards.

CPS Has Not Used Provider Outcome Information to Improve Foster Care Services

Although CPS began receiving outcome information on the performance of residential treatment centers and therapeutic camps in February 1993, this information has not been used to improve provider performance or terminate the contracts of facilities with substandard performance. Youth for Tomorrow is also contracted to perform an analysis of outcomes by provider. The first phase of the evaluation focuses on children placed in residential treatment centers and therapeutic camps in fiscal years 1991 and 1992. Beginning in fiscal year 1994, analysis of outcomes was expanded to include all children at levels of care 4-6, regardless of facility type.

Youth for Tomorrow issued two reports on outcomes by provider: in February 1993 and April 1994. Outcomes were classified by categories of discharge from the facilities. The category "completion" represents successful completion of the child's service plan, a positive outcome. The categories "breakdown" and "runaway" represent poor outcomes. Analysis of the discharges showed that "some facilities have increased the percentage of program completions and decreased the percentage of breakdowns and runaways." As Youth for Tomorrow notes, these programs merit closer examination in order to identify the factors that contribute to successful outcomes. In addition, the reports also reveal an extremely wide range of performance in successfully meeting individual children's service plans. In fiscal year 1991, for example, successful program completion ranged from a high of 90 percent at one facility to a low of 7 percent at another facility.

To date, no action has been taken by CPS based upon the outcome information provided by Youth for Tomorrow. High-performing facilities have not been studied to determine what characteristics contribute to their effectiveness. Similarly, although the reports appear to clearly identify providers with substandard outcomes, the program has yet to initiate actions to either improve the performance of those facilities or discontinue contracting with them.

<u>Recommendations</u>:

CPS should develop a contract administration process for foster care provider agreements. This process should include policies and procedures for:

- needs assessment
- planning process
- acquisition of providers
- monitoring and assessment of providers

CPS should develop procedures for eliminating potential service providers at the beginning of the contracting process. Additional requirements and terms are also needed in the agreements to support sanctions and termination.

Consideration should be given to using applicable sections of the *Contract Administration Handbook* (used for purchased services) to resolve contracting issues. The following should be addressed:

- Selection of the appropriate mechanism to solicit foster care providers, based on the type of services needed, which will best serve the clients. An invitation for bid (IFB), request for proposal (RFP), and open enrollment are acceptable vehicles. The use of the proper mechanism will help ensure that the types of foster care providers needed are solicited.
- Writing of a clear and direct solicitation document for each type of service, which includes sufficient information to address all the needs of the program:
  - criteria to be used in evaluating the provider acceptance/rejection and, if a request for proposal, their relative importance to each other
  - program, licensing, fiscal, state, and federal requirements
  - other expectations of CPS
- Evaluation and selection of foster care providers using a systematic procedure that evaluates all essential qualifications of the providers; include prior experience with the provider.
- Development and utilization of an agreement (contract) with clear and concise requirements, including federal, state, fiscal, and program requirements and standards. Development and inclusion in the agreement of performance-based measures, outputs, outcomes, and terms for sanction and termination.
- Definition, in the agreement, of the roles of CPS in supporting, training, and monitoring of foster care providers.
- Documentation in the agreement of the roles of other functions, such as RCCL and Youth for Tomorrow, and how their reviews affect the foster care provider's contract.
- Evaluation to determine if open-ended contracts best serve the needs of CPS.

CPS should develop standards for the child placing agencies to follow when monitoring homes under their supervision. Additionally, CPS should review the monitoring performed by the child placing agencies, using these standards, to ensure compliance.

CPS should study the high-performing facilities, as identified in the Youth for Tomorrow reports, to determine attributes of successful program outcomes. These attributes should be incorporated into provider expectations and included in the foster care provider contracts.

CPS should consider developing foster care provider profiles using monitoring information from RCCL, Youth for Tomorrow, and regional contracting staff. Information collected in these profiles can be used in the provider procurement process.

Management's Response:

The policy and procedures for contracts for foster care providers will be developed and put into the 8000 section of the Child Protective Services Handbook, along with other purchased services. This will be assigned by September 1, 1994, and a plan or publication will be made as with all other policy development. The policy will address all identified issues as they specifically pertain to this service. (We already have general policy covering all contracts in these areas.) In the area of needs assessment we will begin by including another data piece for collection and reporting in the Youth For Tomorrow contract, and establish some procedures for collecting needs assessment data from the regions. This should allow a comprehensive needs assessment to be performed annually at the state level, to address both regional and state needs. Monitoring and assessment will follow the same policy and procedures set by the work groups on monitoring and evaluation.

Implementation of the monitoring and evaluation will have fiscal impact. Assuming that each institutional placement coordinator (IPC) was given contract responsibilities to handle these requirements and that each could handle thirty contracts, we would need fourteen staff around the state. We have seven full time equivalents (FTEs) with the IPC designation.

The need to develop procedures for eliminating potential service providers at the beginning of the contracting process was recognized during fiscal year 1993; a process was begun to do just this. We currently have a complete set of requirements that include terms required by federal regulations and support sanctions and termination of the contract. These documents will be sent to the Office of the General Counsel for review during September 1994. After approval, we will begin the education and notification process to all current providers. We will also need to determine a method for bringing all providers on board at the same time so that like entities will have new agreements effective sometime after April 1, 1995. We will use the months of January, February, and March to enroll providers under the terms of the new contracts. This process will take time as we will also have to publish some rules with the new policy reference screening requirements.

At the present time, it has been decided to use open-enrollment to procure needed foster care services. We have begun following the Contract Administration Handbook to do this. New solicitation documents are being prepared for child

placing agencies, emergency shelters, independent therapeutic foster homes, and foster group homes, and all others, including, but not limited to, maternity homes, residential treatment programs, therapeutic camps, and basic care facilities. Requirements are tailored to these services.

Prior experience with the provider is used in open-enrollment to determine if a contract should be awarded to the applicant. The new contracts, which are already in development, include all federal, state, fiscal, and program requirements and standards. Performance based measures, outputs, and outcomes will be developed by the Evaluation Work Group.

Terms for sanction and termination are included in the new contract. We will ensure that the roles of CPS in supporting, training, and monitoring of foster care providers are defined in the contract. The reviews by licensing and Youth For Tomorrow are tied into sanctions and termination. Finally, we had already determined that contract terms would be limited to two years, possibly coinciding with license renewal.

RCCL standards already exist for these agency homes and the child placing agencies (CPA) are responsible to insure that these standards are met. CPAs are also responsible to insure that the level of care standards are met in these same homes. Youth For Tomorrow does some random monitoring of these homes. There are additional standards that have been developed by state office staff with input from the regional institutional placement coordinators, which will be monitored in the new contracts. A contract term will be developed that addresses the responsibility of the CPAs to monitor their homes for all of the above standards. An additional term will require that CPAs keep a copy of their monitoring on file. Reviews of CPA monitoring will be addressed by staff that perform contract monitoring.

Department foster home developers monitor active foster homes quarterly and re-certify them every two years. Records are kept at the unit level. Supervisors of foster home units are responsible for insuring that this monitoring is carried out and documented. The State Agency Certification Team (SACT), of the Office of Child Care Licensing, does on-site reviews of each region's monitoring practices at least once every two years.

Attributes that meet the tests of being measurable, outcomes and outputs, will be included into provider expectations and contracts. These identified attributes will be addressed by the Evaluation Work Group.

In addition, the University of Texas at Austin is beginning a project which will use the variables identified by Youth For Tomorrow to further identify trends, outcomes, and relationships between the variables. There are three major areas of research interest:

- *Construct a matching model (computer program) between the characteristics of this population and residential providers based on outcome and benefit.*

- *Examine the relationships between the level of care of children with their social history and bio-demographic characteristics.*

- *Examine the relationships between the various program discharge categories and the characteristics of each provider's population of Department children.*

Youth For Tomorrow developed and is currently using profiles when making placement recommendations. The Youth For Tomorrow outcome report will be used as a performance measure and, when combined with other evaluation tools, can be used in determining provider effectiveness and training needs. In the end, it will also be used in considering whether or not to renew a provider's contract. These profiles will be considered in the evaluation program being developed by the Evaluation Work Group.

Section 2-B:
No Standardized Monitoring Process Exists For Purchased Services

The regional CPS programs do not use standard procedures or evaluation tools when monitoring purchased service contractors. Each region's contracting function operates independently and is not required to follow a statewide process. As a result, monitoring coverage is inconsistent statewide and may not be objective.

We reviewed and compared the monitoring methods and forms used by three regions. Each region had a different tool for monitoring the same types of purchased services contracts. Without standardization, the CPS program lacks uniform and comparable data, which is integral in decision-making, and loses the opportunity to identify statewide problems with contractors. Furthermore, the magnitude of statewide contractor issues is unknown and significant problems may go undetected and unresolved.

Purchased services are provided to clients of CPS, children in CPS foster homes, and children under the care of independent providers, at levels of care 1 and 2. These services include: adoption, evaluation and treatment, psychological counseling, community and parent groups, homemaker services, family preservation, postadoption, preparation for adult living, and substance abuse.

Issues Identified on Monitoring Visits May Remain Unresolved
The regional monitors do not sufficiently track the status or resolution of issues identified during monitoring visits. No tracking procedures or requirements exist to ensure that all monitoring issues are resolved. Follow-up of issues is inconsistent, and some errors are not resolved on a timely basis (within one year).

In one region, 3 of the 9 contractor files tested for purchased services contained unresolved issues identified during a monitoring visit. These issues have been outstanding for over one year. Furthermore, the contract personnel could not readily

determine if the issues had been resolved because there are no procedures in place to determine if the contractor has taken corrective action.

An example of an unresolved issue is an improper billing of $20,144 noted by a contract monitor on a monitoring visit in March 1993. Over $18,000 of the billing was due to billing hours which were substantially greater than the documented hours of service provided by the contractor. The remaining charges were for services billed to CPS but not authorized. This issue was not resolved by May 1994, and no documentation of follow-up was available.

If contractor issues go unresolved, the monitoring function loses its effectiveness. Contractors may continue to make errors because resolution is not enforced. An effective contract monitoring function includes tracking and follow-up procedures necessary after identifying provider issues.

Contracts Do Not Contain Performance Standards

The CPS program lacks an effective means of monitoring contractor performance. Few contracts for purchased services contain measurable objectives, and none of the contracts contain output or outcome measures. Without performance standards, the program does not have a means for assessing contractor performance. Moreover, there is limited assurance that the services being provided are meeting the intent of the contract and the needs of the clients.

Performance-based criteria, output, and outcome measures provide standards by which to monitor. The only monitoring that can be performed without such standards is compliance monitoring. Compliance monitoring alone cannot provide CPS with a thorough assessment of contractor performance.

Recommendations:

CPS should develop written procedures and standardized evaluation tools with the participation of each region. Statewide training on these procedures should be developed as an integral part of the implementation to ensure compliance and consistency.

CPS should establish procedures to ensure that issues identified on monitoring visits are resolved by the contractor in a timely manner. Progress toward timely resolution should be tracked thoroughly and consistently by contracting staff. This tracking process should be addressed through the development and implementation of standard procedures and evaluation tools.

CPS should also develop and implement standard measurable objectives, outputs, and outcomes for each type of purchased service. Regional contract and program staff should have input into this process. CPS should consider using the "Development of Purchased Client Services Evaluation System" report issued in December 1992, by the Department of Human Services Contract Administration, which addresses the development of a performance-based monitoring function.

Management's Response:

The need for written procedures and standardized evaluation tools was identified by state office staff in fiscal year 1993 and is addressed in our Child Welfare Services State Plan for fiscal years 1994 and 1995. We have created a work group composed of contract manager representatives from regions to develop a statewide policy and procedure on contract monitoring. Their work should be completed by January 1995. Statewide training on the policy and procedures will be conducted at the scheduled contract manager meeting February 15-16, 1995. This will include standard evaluation tools.

The mission of the work group includes the development of the procedures to use in follow-up, consistent with the current Texas Administrative Code. The lack of a contractor problem-tracking system was identified and requirements were added to our new automated system under development. A manual system will be devised by November 1994, that can be readily transferable to the new automated system. State office program specialists will add items to their monitoring instruments to follow-up on how the regions are performing in this area and take corrective actions where problems are identified.

The need to develop and implement standard measurable objectives, outputs, and outcomes for purchased services was identified by the Department and the Legislature some time ago. As a result, the Governor's Child Abuse Program Evaluation Group (CAPEG) was established. CPS actively participates in this group, which is charged with ensuring that a means to evaluate purchased services in child abuse programs is developed. The instrument developed by the Department of Human Services (DHS) is used by one of our regions which was included in the DHS pilot. This instrument was always planned as our starting point.

The work group working with CAPEG will begin meeting as soon as the monitoring work group completes its product, scheduled for January 1995. It is anticipated that this group's work will take several years to complete because we have many services that we purchase. Additionally, there are inherent difficulties in designing and implementing a cost effective service evaluation system that is valid and reliable. It is planned that the group's products could be released as they are developed for each service, so that CPS can begin formal evaluations while the group is working on other services.

The Program Lacks a Centralized Oversight Function for the Training and Contracting Practices of Regional Contracting Personnel

Contract managers, who handle regional contract administration for purchased services, are self-trained on the job through the use of the _Contract Administration Handbook._ Institutional placement coordinators, who write foster care contracts and act as a liaison with foster care providers, do not receive any specialized training. Although the state office provides liaisons to both contract managers and institutional placement coordinators, the liaisons do not monitor for quality assurance or provide

training. Liaisons for contract managers limit their monitoring to compliance with *Contract Administration Handbook* guidelines.

Without centralized oversight of contract personnel, the program lacks the ability to detect or correct inaccurate or inconsistent contracting practices. Centralized monitoring and quality assurance will ensure that all regions are operating consistently and adhering to program standards. The results of a centralized process can also be used to identify training needs both regionally and statewide. Centralized training will prevent duplication of effort and would ensure that suitable and consistent training is provided from region to region.

Recommendation:

CPS should consider establishing a centralized oversight function to ensure that consistent and quality monitoring and training of contracting personnel occurs in every region.

Management's Response:

A quality assurance program will be developed and will include the development of program standards and assessments of regional purchased services and state office services programs. This should aid the program in achieving consistent and quality monitoring and identifying training needs.

Another work group of regional contract managers was formed to address the basic job skills that are needed to perform the job of contract manager. Their product is a complete Basic Job Skills Training Program (BJST) for contract managers and IPCs. We anticipate that this group can finish its work by January 1995, so that we can begin implementation in the spring of 1995.

No Formal Means of Communication Exists Between the Contracting and Service Delivery Personnel

CPS management loses valuable information for decision-making without a formal information sharing mechanism between service delivery and contracting staff. The foster care program does not perform general comprehensive assessments of its contractors and foster care providers. Significant contractor or provider issues may go undetected because communication between contracting and service delivery staff is lacking. Although both service delivery and contracting staff have direct contact with contractors and providers, they view the contracted services from different perspectives. Therefore, by sharing their observations and assessments, the two areas can provide feedback to each other and program management. Program management loses the ability to make informed decisions without the analysis and feedback from both service delivery and contracting staff.

Recommendation:

CPS should develop a formal mechanism for information sharing between the service delivery and contracting personnel. Program management should consider delegating the responsibility of provider analysis to a single source in each region. Results of analyses performed regionally should be disseminated throughout the State to ensure that all regional staff receive consistent information.

Management's Response:

CPS already has a new purchased service policy which should be effective November 1, 1994. Part of the new policy concerns Regional Plans for Contract Administration. State office will publish an outline containing a section on how the region plans to have an exchange of information from program staff to contract staff that addresses monitoring and evaluation issues, and in turn, once analyses of the contracts are completed, how this information is shared with program staff. In addition, the regions will be required to send copies of their analyses of contractors who have contracts with more than one region to state office program specialists, who will disseminate this information to all affected regions. The development of our new automation system should greatly enhance this capability.

State office services programs will share their analyses with all affected regions. This includes the STAR contracts, where contract managers already share their analyses with regional liaisons for these contracts.

For CPS foster homes, the foster home development unit, which provides quarterly supervision of the foster home, is responsible for approving the placement of any new child within the home. While information on the over 3,500 homes is not disseminated statewide, any service delivery personnel wishing to use the home would have to contact the unit doing the supervision of the home. It is the responsibility of the supervising unit to inform the service delivery personnel of any concern or problems.

Section 2-C:
Regional Planning Is Compromised By Uncertainty Of Funds And Poor Tracking Of Budgets

Uncertainty about the regional funding formula makes planning and budgeting more difficult. Inadequate budget tracking for regional purchased services resulted in underspending of funds allocated for that purpose in fiscal year 1993. Without advance planning and a method for accurately tracking regional budgets, CPS clients will not receive the benefit of available resources.

Uncertainty about the Equity of Service Statement (ESS) Funding Formula for Fiscal Year 1995 Makes It Difficult for the Regions to Plan and Budget Resources
For fiscal year 1994, CPS drastically reduced its reliance upon need and workload indicators to accommodate the impact of new census data. Because previous

allocation formulas were heavily weighted by demographic criteria, the new census data resulted in significant shifts in available funding to high growth metropolitan areas in fiscal year 1993. In fiscal year 1994, CPS averaged the allocations of fiscal years 1992 and 1993, which were based on workload indicators and updated annual projections of 1980 and 1990 census data, the most recent data available. The two-year average was used to formulate a baseline allocation for fiscal year 1994. Fiscal year 1994 was viewed as a transitional year to incorporate shifts in population demographics. The methodology for the fiscal year 1995 regional funding allocation was agreed upon in February 1994; however, the dollar amount allocated to the regions would not be determined until August 1994, less than a month before the new fiscal year began. As a result, the regions were unable to plan and budget for fiscal year 1995.

The 1990 census data revealed explosive growth in the State's major metropolitan areas. Region 3 (Arlington) experienced a net population gain of 1,004,463 over 1980. Region 6 (Houston) increased by 620,907. Due primarily to the 70 percent weight given to demographic criteria under the ESS formula, Region 3 received a 15.9 percent increase in its allocation from fiscal year 1992 to fiscal year 1993. Region 6 received a 14.6 percent increase in funding over the same time frame. While Region 4 (Upper East Texas) gained 9.4 percent from fiscal year 1992 to fiscal year 1993, all other regions received only between 4.8 and 6.7 percent more funds.

The baseline allocation for fiscal year 1994, derived from averaging fiscal years 1992 and 1993 allocations, totaled $116,161,150. An additional $9,869,305 was then allocated by a new set of weighted criteria, which eliminated the workload indicator and introduced a heavily weighted poverty need indicator. These two figures combined for a total of $126,030,455. Each region's percentage share of this $126 million was then used as a basis to allocate an additional $38,504,092 for client support services. (The need indicators used were 50 percent child population, 40 percent children in poverty, and 10 percent number of counties per region.)

In formulating the ESS for fiscal year 1995, the Department faces difficult choices. The use of historical averaging for fiscal year 1994 was viewed as a transitional tool to bridge between the 1980 and 1990 census data. Continued use of historical averaging, however, is contrary to the intent of using need and/or workload factors to allocate funds. At the same time, no region is able to meet all identified needs under current appropriations. On a statewide basis, in fiscal year 1993, only 54.9 percent of children in confirmed cases of abuse/neglect received services after investigation.

Decisions about which allocation criteria to use and how to weight them carry significant ramifications. For example, the comparability of the workload indicator "average number of monthly investigations" suffers from the significant variation in each region's operational practices. Use of this criteria could also provide an incentive for regions to staff up investigations in order to draw additional funds. On the other hand, if a heavily weighted poverty need indicator were used in allocating total funds, there would be a significant shift in historical funding patterns.

Although state law requires that need factors be considered in developing allocation formulas, it does not specify the criteria or relative weighting. In order to plan effectively, it is important that regional management be able to anticipate the amount of funds available to them between appropriations cycles.

Recommendation:

State office, with input from regional management, should resolve the uncertainty surrounding the ESS formula by establishing clear need and/or workload indicators to allocate funds. State office should disseminate the results as soon as possible in order for the regions to properly plan and allocate resources for the coming fiscal year.

Management's Response:

Population and workload indicators sometimes shift dramatically in a relatively short period of time. When this occurs, transition plans are needed to ensure that services to families and children are not disrupted or terminated abruptly. The allocation formula used for fiscal years 1994 and 1995 was designed to facilitate this transition.

Allocation procedures were reviewed and finalized with the participation of state office staff and regional directors during the final quarter of fiscal year 1993 for implementation in fiscal years 1994 and 1995. The formula used incorporates past workload indicators used in previous years with current data reflecting shifts in population, which is used to anticipate future workload.

The CPS state office executive staff and regional directors plan to work through fall 1994, to review the allocation methodology and revise it as necessary. Formulas are planned to address both workload and need indicators. With completion of this process, it is anticipated that the allocation methodology and analysis of its potential impact will be available to regional directors early in calendar year 1995. With this information, they will be able to assess the likely impact of these formulas on their proportionate share of available state funds. They will still have to await final legislative decisions on funding levels before actual dollar amounts can be calculated for fiscal year 1996 funding.

Regional CPS Programs Did Not Fully Utilize the Funds Allocated for Client Services

Approximately $1.6 million, or 7 percent, of the $23 million budgeted for three categories of regional client services in fiscal year 1993 was not spent. Total funds were allocated by the CPS program based on need and workload measures. An analysis of three program activity codes for the purchase of psychotherapy and in-home services for case management and prevention of the removal of children from their own homes revealed unspent funds in 9 of the 10 regional CPS programs. Unspent funds (of the original $23 million statewide) ranged from $26,958 in the Beaumont region to $427,201 in the Arlington region. The El Paso region spent

$10,322 more than its allocation. The CPS program typically provides services to approximately 55 percent of children identified as at risk for abuse and neglect; the remaining 45 percent receive no services. Nine of the 10 regions had unspent funds which could have been used to provide services for at least some of the unserved children. See Figure 4 below for regional details.

Figure 4

Regional Allocation and Expenditures for Three Categories of Client Services

Region	Allocation	Funds Spent	Unspent Funds*	% Unspent
Abilene	$1,214,790	$ 954,027	$ 260,763	21.47
Austin	2,312,733	2,077,612	235,121	10.17
Arlington	4,796,325	4,369,121	427,204	8.91
Edinburg	2,364,725	2,171,654	193,071	8.16
Houston	5,109,817	4,829,443	280,374	5.49
Lubbock	1,245,865	1,178,610	67,255	5.40
San Antonio	2,128,520	2,031,712	96,808	4.55
Tyler	1,225,994	1,181,021	44,973	3.67
Beaumont	1,015,472	988,512	26,960	2.65
El Paso	1,464,159	1,474,480	(10,321)	(0.7)
Total	$22,878,400	$21,256,192	$1,622,208	

* The unspent funds plus the dollars spent may not exactly total the allocated dollars due to rounding within the three program activity codes (PACs).

Current Budgeting Practices Do Not Provide Sufficient Tracking of Title IV-B Funds

The regions do not have an integrated process in place to effectively track the issuance of Form 2054, the authorization for client services, and compare the services authorized with the billings. Tracking of the services is performed only when the provider submits a bill, which can be timely or up to two years later, according to a state regulation. Regional projections of purchased service spending are not accurate nor are they updated properly because of billing delays. Furthermore, the regions' monthly projections do not align with their monthly billings. Title IV-B Child Welfare Services is a non-entitlement, federal grant which matches state dollars at a rate of 75 percent.

The regional allocation varies from year to year, as discussed above, which makes the regions' planning for service providers more difficult. Due to poor planning, a region may not contract with enough providers to utilize all the funds it is allocated.

Because the spending cannot be tracked accurately and timely, some regions appear to be underspending in an effort to ensure that their allocations last for the full year. Furthermore, the state office has failed to communicate spending guidelines and expectations for the allocation to the regions. Without adequate controls over the budgeting and allocating of regional funds, the program has no assurance that the clients, identified as at risk, are being served sufficiently and in a timely manner.

CPS Program Management Does Not Have Complete or Updated Information for Purchased Client Services

Program management does not have policies or procedures in place defining how the regions should monitor budgets and billings and evaluate the results. For example, a regional contract manager, fearful of exceeding the budget, wrote a memo to the regional program staff instructing them to slow down client referrals for purchased services. However, this memo was not copied to the program management in the state office who, when questioned by the auditors, determined that ample funds were available.

The regional CPS programs are given monthly spending reports to review and make corrections. However, the regions are only required to update their service needs at mid-year. Regional projections are not properly updated to reflect spending patterns. Accurate and timely decisions cannot be made when information is incomplete or insufficient. The program cannot determine whether the allocation methodology is appropriate without accurate and timely information regarding how the funding is spent. Regional performance cannot be evaluated when questions remain about the program management's expectations and expenditure of the allocation for client services.

Recommendations:

CPS management should devise a method to monitor expenditures for contracted services at the regional level to ensure that spending is neither far behind nor ahead of the regional budgets.

CPS management should communicate clear expectations and spending guidelines to the regional directors to enable the regions to plan and monitor for their usage. Defined expectations and performance outcomes should enable regional directors to plan, evaluate, and make adjustments to ensure the proper use of the allocated funds. Reporting standards should be required to ensure consistency. CPS management should require the regional programs to explain variances for program activity codes which exceed the tolerable range, on a monthly basis.

All memos created at the regional level should be sent to program management in state office. All budget adjustments should be in writing.

Management's Response:

There are various factors which make it difficult to project expenditures in contracted services. State laws allowing providers up to two years to submit bills make it difficult for regional staff to effectively require timely billing, although most providers are cooperative in this area. Clients frequently terminate unexpectedly from purchased services. There are also frequent no-shows, which impacts the amount charged for the service. When large families are referred for a myriad of group and/or psychological services, it becomes impossible to accurately project a cost for the services they will receive. In fiscal year 1994, however, CPS plans to review the practices of the regions which have the greatest success at controlling and accurately projecting expenditures for contracted services. These practices will be shared with the other regions. All regions will be asked to participate in a process of reviewing possible tracking and control systems and mechanisms, such as the Form 2054, and to provide input on possible improvements.

Performance expectations in controlling expenditures were formally shared with the CPS regional directors in October, 1993. These procedures include: responsibility for keeping expenditures within allocated levels, unless prior approval is obtained; establishing accurate projections; accomplishing expenditure of allocated funds for the intended services; and developing cost containment strategies as necessary to control administrative expenditures without affecting the quality and quantity of service delivery.

Although formal, scheduled review of budget situations on a statewide basis occurs at mid-year, ongoing communications are maintained between state office and the regions on the status of regional budgets and any exceptional situations. The Department's fiscal division prepares monthly reports on regional expenditures and assesses their projections in light of actual expenditures. Significant variances are noted and referred to the regions for review and response. Channels of communication regarding overall regional budget management will be enhanced.

In order to improve state office management, control, and oversight of expenditures, in fiscal year 1995 CPS will develop a system which requires regular and ongoing updates and reconciliation of expenditure projections at the regional level. Development of this system will involve the CPS regional directors and Department regional budget officers. As an outcome of this system, budget tracking will be significantly improved, resulting in maximum statewide service delivery within available allocations.

The Department has recognized the need for improved financial tracking and reporting. One step in addressing this need was to establish a Department regional budget officer in each region during fiscal year 1994. Formerly, each region had to either establish such a position within the program area or rely on support from the Department of Human Services' regional budget officer. This action is expected to result in increased control over regional budgets as well as more timely and accurate projection of expenditures. Formerly established control and reporting systems had been weakened by the creation of the Department as a separate agency and the

realignment of regional boundaries. These changes also weakened accessibility to former information sources and reduced the capacity to project based on past trends.

In fiscal year 1993 requests for budget adjustments were made in a relatively informal manner. Formalized procedures for review and approval of such requests were established within CPS in October 1993. These procedures require all such requests, approvals, and transfers to be documented.

Section 2-D:
The CPS Foster Care Rate Reimbursement Methodology Is Based Upon A Number Of Untested Assumptions

The methodology used to set daily reimbursement rates for foster care providers is based upon a number of untested assumptions. The lack of empirical justification for including or excluding providers' cost reports leaves the methodology open to challenge. As presently formulated, the methodology does not address efficiency or quality of services.

The current methodology assumes that the type, amount, and quality of care provided from one child to the next is uniform within each level of care. Since the rates are driven primarily by the cost of staff to provide care, the difference in the amounts paid stems solely from differing needs for staff assistance across levels of care. The relative weights assigned to staff assistance per each level of care assumes that the types, amounts, and quality of service rendered is equal from one provider to another. The Department also lacks adequate assurances that the provider cost reports fed into the methodology are accurate. This stems from a lack of mandatory training for providers who fill out the cost reports and a lack of audit coverage to ensure the accuracy of the reports.

The reimbursement methodology is developed jointly by the Department and the Department of Human Services (DHS). Rates based on the published methodology rules are calculated by DHS under an interagency contract with the Department. The rates are officially adopted by the Department's Board according to administrative rules. Cost reports from fiscal year 1991 were used to calculate the rate for fiscal year 1994.

Certain Categories of Cost Reports Are Excluded from the Rate Determination Process Without Empirical Justification

In formulating the methodology used to set the reimbursement rate, a number of provider's costs were excluded. The exclusions were made in an attempt to capture only direct costs associated with services at different levels of care. Some costs were excluded on the assumption that they were not representative of the services for which the Department contracts. Other costs were dropped from the array used to calculate the rate on the assumption that they were reported by less efficient providers. While the intent of some of the exclusions has merit, none of the assumptions underlying the exclusions have been empirically tested or validated.

Initially, only facilities with 60 percent or more clients in the same level of care were included. The exclusion assumes that facilities with 60 percent or more children in the same level of care are most likely to reflect the true cost of care and treatment within that level. The 60 percent figure was chosen after DHS presented the Department with the options of setting the cutoff point at 33 percent, 50 percent, or 60 percent. The 60 percent cutoff point is essentially an arbitrary number.

The second exclusion removes from reimbursement determination cost reports from facilities with less than 30 percent occupancy under the assumption that they are, by definition, less efficient. While this appears to be a reasonable assumption, it may not always hold true. Again, there is no empirical justification for this decision.

A third category of excluded cost reports eliminates data that is more than two standard deviations from the mean reported costs for a given level of care. This decision implies that the data is symmetrically distributed. This assumption, however, has not been statistically validated.

No cost reports were used to set the rate for level of care 1. The daily reimbursement rate for level of care 1 is based upon United States Department of Agriculture (USDA) data on child rearing costs. No analysis has been done in the last four to five years to compare the USDA data with cost report data from these providers.

The exclusions cited above significantly reduced the number of facility cost reports used to calculate the rates. For levels of care 2-6, 103 cost reports out of a possible 182 reports were used to set the rate for fiscal year 1994. The remaining 79 reports were eliminated, for the most part, for the reasons cited above.

To illustrate the impact of the exclusions by level of care, 82 providers reported level of care 3 unit costs, but only 16 were included in the array of cost reports used to set the rate for level of care 3. For level of care 5, 62 providers reported unit costs, but only 21 providers were included in the array of reports to set the rate. For level of care 6, the most expensive rate, 27 providers reported unit costs, but only three providers met the criteria. The unit costs reported by these providers were $111, $187, and $213. Thus, the daily reimbursement rate for level of care 6 was set at the median cost of $187. The cumulative impact of the categories of excluded costs creates an essentially ad hoc methodology.

Recommendation:

The Department should test and validate the assumptions underlying the various categories of excluded costs.

Management's Response:

The Department is convening a task force to review the current reimbursement methodology and to develop a revised reimbursement methodology. The task force

will be convened in September 1994, and will include interested provider representatives.

Cost Reports Do Not Directly Capture Cost by Level of Care

Due to the methods used to allocate costs, the Department can only approximate costs attributable to different levels of care. Many facilities care for children at several levels of care. Each facility aggregates and reports total costs for all children. The facility then applies weights to the cost of staff to determine the relative cost associated with each level of care. While the intent of the weight system is to capture the differences in staff costs by level of care, the weights have not been tested or verified to determine their accuracy.

The Department is currently conducting an observer-based, random-moment time study to determine the amount of time facility staff spend on each level of care. The time study should enable the Department to accurately determine the amount of time spent by staff on each level of care.

Recommendation:

The Department should continue the initiatives begun with the time study to allocate costs by level of care.

Management's Response:

The Department is continuing to collect time study data to be used in allocating costs by level of care. The methodology to allocate costs by level of care using time study data will be developed parallel to the development of a revised reimbursement methodology.

The Department Lacks Adequate Assurances about the Accuracy of Submitted Cost Reports

Due to the limited audit coverage of cost reports and the lack of mandatory training for providers who fill them out, the Department lacks adequate assurance as to the accuracy of the data used to formulate the reimbursement rate. Only 30 fiscal year 1991 cost reports out of 272 cost reports received a field audit from the Office of Inspector General. For field audits of cost reports from fiscal year 1992, six out of 33 cost reports were unauditable, which is a very high error rate.

Cost reports which do not receive a field audit are desk reviewed. On the basis of the desk reviews for fiscal year 1991 cost reports, 15 of the 242 reports were recommended not to be included in the rate setting data base. Both the field audits and desk reviews indicate potentially serious problems with the accuracy of data used to set the reimbursement rate.

Under the present audit cycle, roughly 10 percent of all cost reports are field audited. This means that it would take approximately ten years for every provider to receive an on-site audit given the current number of providers.

Although training on the methodology and how to fill out cost reports is offered to all providers, their attendance is optional. Given the high error rate detected in field audits of cost reports and problems noted in desk reviews, it is likely that a number of providers do not understand how to accurately fill out the reports.

Recommendations:

The Department should renegotiate its contract with the Department of Human Services to obtain greater field audit coverage through the Office of Inspector General. The Department should attempt to reduce the present ten-year audit cycle to ensure that all providers are audited within a reasonable time frame.

The Department should require all providers who submit cost reports to attend the cost report training session and ensure that providers understand the reimbursement methodology.

Management's Response:

We agree that the present ten year audit cycle is not acceptable. However, an increase in coverage obviously means an increase in cost to the Department. We will try to determine a reasonable balance between frequency of audits and cost to the Department.

The Department is currently working with providers on the development of a new reimbursement methodology. As part of this process there will be much more emphasis on the necessity of submitting accurate cost reports and the full understanding by providers of the process.

Section 2-E:
Unclear Policies And A Lack Of Monitoring Result In Inconsistent Treatment Of Children In Foster Care

Misinterpretation and inconsistent application of policies and regulations results in uneven treatment of children in foster care and creates confusion for foster caregivers. In some instances, this means that children with special needs receive limited or no access to support services such as counseling and therapy. Some foster parents are not adequately informed of a child's history and needs, which can disrupt placements. Misinterpretations also create confusion about who can or should pay for services. Some management and staff equate eligibility for services with the levels of care a facility is authorized to provide, rather than the needs identified in a child's service plan. While some policies may not be clearly defined, a more significant problem is

the lack of an adequate feedback mechanism to identify instances of incorrect interpretation and application of policy.

Use of the Recommended Level of Care Designation is Not Clearly Understood or Uniformly Applied

Interpretation of the meaning and use of recommended level of care varies throughout the State. CPS level of care policy describes the process for recommending a level of care, based on the child's needs. Establishing a payment level, the billing level of care, is also outlined in CPS policy. Determination of the billing level of care, according to policy, includes three elements:

- the level of care recommended
- the levels of care the foster caregiver is capable of providing
- the direct services available to supplement the caregiver's services

Some children placed in CPS foster homes have needs greater than their assigned billing level of care. A billing level of care establishes what services the foster caregiver will provide in the home. A recommended level of care higher than the billing level of care is sometimes made when the identified needs of the child exceed what the foster caregiver is able to provide. For example, a child could have a recommended level of care 3 and be placed in a CPS foster home at a billing level of care 2. The child would then receive additional support services from a CPS contracted provider.

Instances were reported in one region of children being denied access to support services due to misinterpretation of level of care policy. Level of care policy does not require a higher recommended level of care than billing level of care for a child to be eligible for supplemental services. While this policy is generally understood in most regions, some key program personnel state that a child must have a recommended level of care higher than a billing level of care 1 or 2 in order to qualify for additional support services.

In addition, some regions do not recognize or use a recommended level of care designation. CPS policy, however, uses the recommended level of care as a criterion to set priority for access to limited support services, such as therapeutic day care. Although these occurrences appear confined to specific local service areas, they underscore the program's need for more effective monitoring by the state office and clarification of the purpose and usage of recommended level of care designation.

Different personnel offer varying interpretations of the intended use of a recommended level of care. One is to track the gap between children's identified needs and the services that are provided under the billing level of care. This information could be used in forecasting need for different types of facilities or foster placements. Another possible use of the recommended level of care is to monitor available placements. For example, a child is a recommended level of care 4 but the only available placement is at a billing level of care 2. With the recommended level of care on file, CPS can monitor for the next available opening at a billing level of care 4.

Recommendation:

CPS should clarify the purpose and intended usage of the recommended level of care designation and establish a more comprehensive monitoring process to ensure consistent implementation in the regions.

Management's Response:

Beginning October 1, 1994, Youth for Tomorrow (YFT), the Department's contractor for level of care (LOC) monitoring, will begin monitoring LOC in CPS specialized foster homes (therapeutic and habilitative). The LOC monitoring of specialized CPS foster homes will be "phased" in over a period of 6 months so that by April 1, 1995, all foster children in CPS specialized foster homes will have an assigned level of care. The implementation of YFT monitoring LOC in all CPS specialized foster homes should help establish a more comprehensive and more consistent monitoring process statewide.

Misinterpretation of Level of Care Policies Creates Confusion about Billing Procedures and Access to Support Services

Substantial confusion exists as to what services-private child placing agencies and independent institutions must provide under the level of care reimbursement rate. In some cases, this has resulted in the State paying twice for services already covered under the daily reimbursement rate. In other situations, CPS personnel incorrectly disseminated information to child placing agencies regarding eligibility for contracted support services for children at basic levels of care. Finally, although most foster children are Medicaid eligible, some key personnel continue to view the billing of therapeutic and habilitative services to Medicaid as an unallowable practice.

A number of caseworkers incorrectly authorized support services for foster children whose billing level of care included the cost of the additional services. Eligibility and Authorization for Services Without Regard to Income (Form 2054) should only be used by caseworkers to authorize contracted support services for children at billing levels of care 1 and 2. However, we identified instances of Form 2054 being used to authorize services for foster children in exceptional care facilities, at billing levels 3 and 4. Under the terms of their contracts, exceptional care facilities are required to pay for all services not covered by Medicaid.

While double payment has occurred for higher level of care children, some CPS personnel continue to misinterpret eligibility for support services for children at basic levels of care placed with private child placing agencies. Child placing agencies are responsible for all costs not covered by Medicaid for children at level of care 3 or above. The reimbursement rate for children at levels of care 1 or 2 is intended to cover only basic care, regardless of whether they are placed with a CPS foster home or through a child placing agency. This means that children at basic levels of care in child placing agency foster homes are eligible for contracted support services. Incorrect dissemination of agency policy for these levels of care may result in the

child placing agency bearing the cost of services for these children, or could result in the children not receiving needed services.

A similar misinterpretation arises with respect to Medicaid eligibility. Although contracts with child placing agencies clearly allow billing to Medicaid, this policy has been misinterpreted in both the state office and at least one large region. While this shows confusion among service providers and caregivers, it could also add unnecessary expenses to provider cost reports that are used to formulate the level of care reimbursement rate structure.

Recommendation:

CPS should clarify key reimbursement and billing policies and re-evaluate how the program disseminates and monitors policy implementation.

Management's Response:

The new contracts that will be effective on or before April 1, 1995, will clearly state what services must be provided by the level of care reimbursement rate. These new contracts should eliminate the confusion that exists with the current contracts regarding Medicaid eligibility, therapy, and psychological services. Additionally. it is expected that therapy as well as psychological and psychiatric services will be addressed in the new reimbursement setting methodology. The latest projected date for the revised reimbursement methodology to be effective is September 1.1995. Assuming a revised reimbursement unit methodology is adopted that includes all therapeutic and psychological services for LOC 2-6, this should also help clarify reimbursement and billing policies.

Some Foster Parents Are Not Consistently Provided with Adequate Background Information about a Child's History on a Timely Basis

Caseworkers and foster parents indicate that children are sometimes placed in CPS agency foster homes without adequately informing the foster parents of the child's needs. Key information about foster children such as the child's service plan, recommended level of care, and medical/psychological history are sometimes not shared with the foster parents or arrive months after placement.

When foster caregivers are unaware of a child's history, they are unable to evaluate the appropriateness of the placement in their home. Without this background information, they are also unable to properly schedule services for children or respond to their needs. Both caseworkers and CPS foster parents reported instances of children with serious behavioral problems being placed in basic care facilities. A number of these placements resulted in a negative experience for the children and seriously disrupted the foster homes.

Depending upon the phase of service, a child's service plan and background information must be shared with foster parents within specified timeframes. There are a number of reasons why foster parents are not consistently informed of a child's history and needs on a timely basis. After an emergency removal from the home, a caseworker may not have full knowledge of a child's background, which delays the gathering and disseminating of key information. Heavy workloads make meeting documentation requirements difficult. New caseworkers may not be completely aware of licensing and documentation requirements.

CPS's new *Policy Handbook* more clearly addresses what documentation foster parents are required to have. In addition, the next RFP for the third party contractor to monitor the level of care system will include evaluations for all children at a levels of care 2 and above. Extending the evaluations to level of care 2 should help ensure that all documents pertaining to a child are more readily available.

Recommendation:

CPS should more closely monitor requirements for fully informing foster parents of a child's history, including the recommended level of care. In addition, the state office should fully inform all foster parents in writing of the documents and information they are entitled to receive, as well as when this information should be provided.

Management's Response:

The new revision to the 6000 section of the CPS handbook effective September 1, 1994 provides clear direction to staff regarding information which should be shared with foster parents. Staff will be trained on the revision between September and mid-November. This should have a significant impact on the consistency with which information is shared with foster parents. A new revision of the 7000 section is in process. This material will guide foster home development workers to see that the appropriate information about a child is shared with the foster parent by the child's caseworker. This can be monitored both in the initial placement process as well as in the quarterly contracts with the foster parents. Included in the revision will be a revision of a standardized handout regarding foster parent protections and responsibilities.

An article will be put in the foster parent newsletter that goes out to all foster parents containing a list of information they should be getting about the child from the department at the time of placement. In addition, parents and foster parents are invited and encouraged to attend administrative case reviews that are held at least once every six months on conservatorship cases. Foster parents are also given notice of court hearings about a child, particularly the Chapter 18 review hearings.

Regarding sharing level of care information, currently information for children needing level of care 3 through 6 designation is reviewed by a central contractor to assure children's needs are adequately addressed. Beginning in October 1994, this

will be required for level of care 2. Once this information is regularly assembled for level of care 2, the foster parent can be given copies of the relevant information early on.

In order to more closely monitor requirements for fully informing foster parents, beginning in 1995, the Operational Review system and/or the Program Assessment system will include this subject in the quality assurance and continuous quality improvement process. When deficiencies are found corrective action will be indicated.

Section 2-F:
Key Management Processes Contribute To Caseworker Burnout And Turnover

Vacancies created by turnover result in increased workload for remaining caseworkers. Heavy workload, in turn, has been identified as the single most significant factor that leads caseworkers to quit. High turnover inevitably reduces the quality of casework decisions, as less experienced workers take on responsibility they are not yet prepared for. The cost of filling positions is also significant, particularly since CPS invests up to three months in training before a caseworker goes into the field.

Data run for fiscal year 1993 indicates a 14.69 percent turnover rate. The agency projects a similar rate for fiscal year 1994, based upon year-to-date terminations. Although the turnover rate has improved over previous years, there are opportunities to further reduce turnover by improving a number of management processes.

The *Caseworker Study Part I: Burnout and Turnover (1993)*, conducted by CPS, identified three primary factors that cause direct service workers to quit their jobs.

- Forty-five percent of caseworkers reported that being overworked is the primary reason they would quit, and 50 percent suggested that workload would be the best area to focus improvement efforts.

- Approximately 28 percent of caseworkers reported inadequacy of supervision as a reason they would quit.

- Dissatisfaction with pay and benefits was cited by roughly 23 percent as a reason to quit.

To date, CPS has focused efforts to reduce turnover on the last area, pay and benefits, by creating career ladders for caseworkers. Given the potentially higher impact of workload and adequacy of supervision, it would appear that improvements in these areas would yield greatest benefits in reducing turnover and improving services.

CPS Does Not Gather and Analyze Data on a Number of Key Management Processes That Impact Front Line Workers

A lack of data hampers CPS's ability to improve the human resource management function. Caseworker turnover is a well-recognized problem, but CPS does not systematically track turnover for management information purposes or analyze its effect on the cost or quality of services. Without reliable data, the agency cannot make optimum use of available resources in decision-making or fully evaluate efforts to reduce turnover.

Although external constraints limit the agency's ability to control some factors leading to turnover, there are opportunities to improve a number of interrelated processes and policies which contribute to burnout and turnover. Viewed individually, improvements to these areas may lack overall significance. Left unattended, however, the cumulative impact of these areas is considerable.

Investigation of Invalid Complaints Constitutes a Significant Total Casework Hours

Although the total number of complaints has risen steadily since 1990, the percentage of confirmed complaints has steadily decreased. Investigations of complaints consume 29 percent of the total hours worked by caseworkers. A number of supervisors and caseworkers state that better screening of abuse and neglect complaints would have a significant, positive impact on workload. The figure below shows the decrease in confirmed complaints.

Figure 5

CPS Complaint Intake Figures

	FY 90	FY 91	FY 92	FY 93
Total Complaints	82,308	90,601	107,276	111,663
Number Confirmed	33,810	34,759	39,563	38,404
Percent Confirmed	41.1	38.4	36.9	34.4

One unintended consequence of increased awareness of abuse and neglect is an increase in the percentage of invalid complaints. The statistics above indicate that more careful screening could reduce the time spent investigating invalid complaints.

Currently, almost all screening of complaints is done at the local level. Complaints are received through calls to local offices or through the statewide intake hotline. Calls received through the statewide line are routed back to local offices for screening. CPS is planning to phase in statewide centralized intake by October 1996. CPS is piloting a centralized intake hotline in Central Texas which receives and screens all complaints for the region. When fully deployed, screening of most calls will be performed in the state office, and calls assigned for investigation will be forwarded to the regions.

<u>Recommendation</u>:

State office should systematically monitor the impact of centralized statewide intake to determine its effectiveness in screening out invalid complaints.

<u>*Management's Response:*</u>

Most states have reported large numbers of invalid referrals and have been unable to resolve the dilemma. However, Texas is currently working on this issue. The potential liability for the agency and the worker of inaccurate decisions at intake leads staff to be cautious in screening out referrals. They prefer to err on the side of insuring the safety of children rather than increasing their risk. The Program Assessment Section, WISDOM project, is currently addressing the issue of ways to more accurately screen out invalid complaints, thus saving worker time. The project has completed statistical analyses which indicate that it is possible to use a statistical model to select a set of referrals at intake which are always invalidated at investigation. However, the results are only preliminary at this time.

As the Program Assessment System for QA and Continuous Quality Improvement is implemented in 1995, a systematic process will be developed to monitor centralized intake, and to further study the potential for the use of modeling, to determine its effectiveness in screening out invalid complaints. And as further pilot testing of the statistical model is completed, for screening out invalid intakes, a determination will be made for how to best accomplish the goal of reducing the time spent investigating invalid complaints.

CPS Lacks Consistent Guidelines for Caseload Management
Workload is affected not only by the number and type of cases assigned, but also by decisions on when to open and close a case. Average caseloads per worker have risen since fiscal year 1990. The average caseload per worker for fiscal year 1990 through fiscal year 1994 are:

FY 90	FY 91	FY 92	FY 93	FY 94
20.5	23.7	26.3	26.1	28.2

Although faced with rising caseloads, CPS lacks consistent guidelines for when a case should be opened for services and how long cases should remain open. This is at least partially reflected by the disparity in average caseloads across regions. Average caseloads per worker in September 1993, for example, ranged from a high of 51.9 in Beaumont to a low of 21 in Edinburg. Caseworkers and supervisors indicate a lack of uniform standards even within individual regions. Region 3 reported that it attempts to provide intensive services to clients for a set period of time, then the case is closed. If the case is not active, it is closed.

Visits to Region 3 and Region 6 yielded anecdotal evidence that units which imposed caps on the number of cases assigned to a worker experienced lower turnover and higher employee morale than units which do not limit the number of cases.

Recommendation:

State office should provide more uniform guidelines to the regions for caseload management, including criteria for opening and closing cases.

Management's Response:

The following guidelines are contained in the CPS Handbook. Handbook Policy Sections 1492-1493 cover Ongoing Priority of Cases and Case Assignment. Cases are given ongoing services priorities and these are updated at workload management conferences. A new case is assigned to the worker who is below his optimum workload, unless the supervisor determines that the case is more appropriately handled by another worker. Optimum and maximum workloads are determined during the workload management conference.

Handbook Policy Section 3220 states that in family preservation cases, the worker's supervisor must try to limit the worker's caseload to a size that gives the worker enough time to address each family's needs.

Handbook Policy Section 3240 gives guidelines for closure of family preservation cases.

One item that will be monitored, when the Program Assessment process is implemented in 1995 for quality assurance and continuous quality improvement, will be workload management. The workload management guidelines outlined above are optional; however, workload will be correlated with client outcomes, and if targeted outcomes are not being met and workload is too high, or too uneven, then corrective action plans will be indicated.

Additionally, in fiscal year 1995, the Program Policy Division, with the assistance of the Program Assessment Section's WISDOM project, will be studying criteria (alternative standards) for case opening and case closing at different stages of service.

Unfilled Vacancies Result in Heavier Caseloads for Direct Service Workers
Although CPS does not track how long vacancies remain unfilled, regional site visits and a 1992 statewide caseworker survey conducted by CPS indicate that unfilled vacancies result in already high caseloads being distributed across fewer workers. The primary reasons vacancies remain unfilled are lack of funds, training requirements, and personnel actions.

Budget shortfalls have resulted in vacancies being held open in some areas. In addition, changes in the fiscal year 1994 Equity of Service Statement formula used to allocate funds to the regions have resulted in positions being held open in at least one region. Uncertainty about the how funds will be allocated in fiscal year 1995 makes staffing decisions problematic, particularly in light of the three months of Basic Job Skill Training each worker is required to take before being assigned cases.

Site visits to the Arlington and Houston regions indicate a lack of data-based forecasting to project how many new hires will be needed to fill training slots and staff units. Inaccurate projections of staffing needs can leave the program with vacancies for extended periods given the long lead time associated with screening, hiring, and training new workers.

Recommendation:

State and regional management should make a concerted effort to reduce the impact of vacancies on workload. Regional management should analyze turnover trends to forecast hiring and training needs.

Management's Response:

The new automated system will make it easier to perform analyses on turnover trends and forecast hiring and training needs.

The Department will include an initiative in the supplement to the Legislative Appropriations Request for fiscal years 1996 - 1997 biennium to provide funding for training units. This would enable regions to provide almost immediate response to vacancies, diminishing the adverse impact of staff turnover.

Excessive Reviews of Personnel Actions Create De Facto Vacancies
If a personnel action involves a dismissal, the affected employee is automatically placed on paid administrative leave. This creates a de facto vacancy within the unit which cannot be filled until the personnel action is resolved. In fiscal year 1993, there were 52 actions in which employees were fired.

Multiple layers of review can take months before a personnel action is finalized. Any personnel action involving a termination or suspension of six or more days undergoes a review process at the regional level, followed by a review in the state office. A great deal of staff and administrative time is also consumed by this process.

Although the program must strike a balance between fairness to employees and program needs, the current administrative process appears overly concerned with the potential for lawsuits arising out of personnel actions. In addition, because there is no systematic analysis of the nature of personnel actions and employee grievances, CPS

misses a valuable source of information to identify potential systemic problems associated with administration of the program.

Recommendation:

State office should consider eliminating its review of regional personnel actions except in exceptional circumstances.

Regional management should streamline its own procedures for finalizing personnel actions.

State and regional management should establish a process to gather and analyze data related to personnel actions to identify systemic or recurrent problems.

Management's Response:

Effective September 1, 1994, the process for finalizing adverse personnel actions is being changed. Under the new process, state office staff and regional staff will meet to discuss a recommendation for adverse action prior to regional staff sharing the recommendation with the employee.

The Department is aware that adverse actions need to be expedited while at the same time following established policy and procedures. The Department will continue the on-going refinement of its policies and procedures related to such actions and corresponding training.

An adverse action tracking system has been established. A monthly report is sent to all regions. A system to analyze this data to identify systemic or recurrent problems will be instituted.

Some Agency Policies Appear to Conflict with the Realities of Heavy Workloads
Regional site visits indicate that systemic problems beyond workers' control contribute to some adverse personnel actions. For example, statewide standards mandate that all Priority I complaints must be investigated within 24 hours, while less serious Priority II allegations must be investigated within 10 days. At least one large region exceeds the state standard for Priority II investigations with a mandatory seven-day timeframe, more stringent than program policy. Caseworkers and supervisors in this region, however, report that many times they do not receive Priority II complaints until they are 6 or 7 days old. In these situations, the caseworker could receive a bad evaluation during quality assurance review of case files.

Some caseworkers indicated that they sometimes have to choose between meeting timeframes for investigations of complaints or standards governing frequency of contact for clients in substitute care. In Region 6, five workers have been fired this

fiscal year for falsifying records on frequency of client contact. Many workers indicate they have to work 50-60 hours to keep up with their caseloads. However, many report receiving conflicting messages from management about working overtime, and some state that they are penalized for working overtime.

Recommendation:

State office should work with regional administrators to review key casework policies and performance standards for reasonableness.

Management's Response:

The Program Assessment System for Quality Assurance and Continuous Quality Improvement, which will be implemented in 1995, will begin to monitor some staff outcome indicators and to correlate them with workload. This should provide a much better understanding of what needs to be done in regards to workload and performance standards.

Excessive Numbers of Vacancies and Transfers out of Units May Indicate Problems in Supervision

One program manager suggested that recurring vacancies and lateral transfers out of the same units could indicate supervisory problems. While director of the training institute, this manager observed an inordinate number of new trainees going to fill the same positions in the same units on a recurrent basis. This type of data is not presently collected by the program on a systematic basis, however.

Recommendation:

Regional management should monitor patterns of vacancies and transfers from individual units and attempt to identify reasons for such trends.

Management's Response:

Regional staff report that they do monitor vacancies for this type of pattern. Although methods vary between regions, all regions reported some type of system which they feel enables them to detect patterns of vacancies and transfers.

Appendix 1:
Management Responses to Auditor's Report

TEXAS DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES

EXECUTIVE DIRECTOR
Janice M. Caldwell, Dr. P.H.

September 2, 1994

Mr. Larry Alwin, State Auditor
Office of the State Auditor
P.O. Box 12067
Austin, Texas 78711-2067

Dear Mr. Alwin:

While the management of the Department agrees that it needs to continue to improve the management controls necessary to achieve its goals and objectives, it is important to understand the significant improvements that have been and are continuing to be made by the Department. The Department has been in existence for approximately two years (one and one-half years when this audit began). A permanent executive director was appointed in March, 1993, and the remainder of the executive management team of the Department was not in place until one year ago (September, 1993). Additionally, numerous issues resulting from the Department's separation from the Texas Department of Human Services have had to be resolved. Many of these issues were noted in the State Auditor's April, 1993 report.

In the one year that the Department's management team has been in place, a strategic planning process has been defined, a contract for a major automation project has been awarded, the Department has implemented a Total Quality improvement process and other significant improvements have been made.

The report appropriately identifies that the lack of a comprehensive automated information system hampers the Department's ability to make decisions based on reliable data. The 73rd Legislature recognized this need and appropriated funds for an automated system. In the past year, the Department has awarded a contract, installed equipment in pilot sites, tested the use of automated forms, begun custom software development and is well on the way to having the automated system it needs to provide reliable information necessary for decision making.

The report states that the Department has not fully implemented a comprehensive strategic planning process. The Department has begun implementation of a 15-month strategic planning process. The strategic planning process that has been defined by the agency as well as operational reviews will integrate the results of various monitoring systems into a package which will guide the agency during reviews of its mission, goals, and objectives.

Mr. Larry Alwin
September 2, 1994
Page 2

The audit report contends that some of the Department's oversight functions such as the Department's Board, the Ombudsman Office and internal audit have not met their potential in guiding and evaluating agency operations. While this may be somewhat true when viewing the Department in a historical context, it does not give an accurate picture of how these functions operate today. For example, the report states that the Department's Board, has been reluctant to act on policy and planning issues. This may have been true during a part of the Board's first year of operation; however, recently the Board has formalized a policy review process, conducted numerous reviews of existing Department policy and adopted rules reflecting revisions to policy. The Board has become active participants in the strategic planning process. Additionally, the Board has acted decisively in reforming the Department's Advisory Committees, in considering proposed revisions to minimum standards for day-care centers and in providing the impetus for a revision of the methodology for determining the reimbursement rates for substitute care for children.

The audit report indicates that the Ombudsman Office has missed the opportunity to provide feedback to the Department's programs. Beginning in October 1994, the Ombudsman Office anticipates using the Ombudsman Automated Tracking System to generate a regional breakdown of the number and type of complaints received. This information will be reported to the Department's programs and Board.

The audit report states that no defined contract administration process exists in Child Protective Services. The policy and procedures for contracts for foster care providers will be developed and included with other purchased services in the Child Protective Services Handbook. A needs assessment will be done annually at the state level which addresses both regional and state needs. The new contracts, which are in development, include performance based measures, outputs, and outcomes as well as terms for sanction and termination.

The audit report asserts that the regional allocation formula changes annually, making planning for client services more difficult. The same formula was used for fiscal years 1992 and 1993. A new formula was implemented for fiscal year 1994 to provide a transition period as funding distribution changed, in response to new census data reflecting population shifts. In February, 1994, the regional directors agreed to retain this formula for fiscal year 1995.

The audit report correctly identifies that recommended levels of care are not applied consistently from region to region. Beginning in fiscal year 1995, the Department's contractor for levels of care (LOC) monitoring will begin monitoring LOC in specialized foster homes. By April 1, 1995, all Department children in CPS specialized foster homes will have an assigned level of care. This should help establish a more comprehensive and more consistent monitoring process statewide.

The report accurately states that caseworker burnout and the resulting high turnover force less experienced workers to take on increased responsibilities and increase the cost for training new employees. There are a number of options which could be implemented to limit high turnover and its effects. However, adequate financial resources would need to be made available to the Department for any of these options to be fully implemented.

Sincerely,

Janice M. Caldwell, Dr. P.H.

JMC:tev

Appendix 2:
Objective, Scope, and Methodology

Objective

Our audit objective was to evaluate the existing management control systems within the Texas Department of Protective and Regulatory Services and to identify strengths and opportunities for improvement.

The evaluation addressed the following questions:

- Are there controls over the new automated system to enable the Department to manage the contractor as well as the progress and implementation of the automation project?

- Are management controls in place to facilitate achievement of the Department's goals, objectives, and strategies?

- How are agency oversight functions performing?

- Does the Department adequately monitor the performance of its contractors?

- Has the Department been successful in maximizing its federal matching dollars?

Scope

The scope of this audit included considerations of the Department's organizational structure, management information systems, financial control system, strategic planning, performance monitoring, controls over human resources, and selected processes of the Child Protective Services program.

The consideration of the Department's organizational structure included a review of:

- organizational structure and operating environment
- operations of agency oversight functions

The consideration of the Department's management information systems included a review of:

- current agency information systems
- services agreement for the protective services automation project
- planning documents for the protective services automation project
- project administration handbook for the protective services automation project

The consideration of the Department's financial control system included a review of:

- plans to maximize federal matching funds
- interagency agreement for support services with the Department of Human Services

The consideration of the Department's strategic planning process included a review of:

- agency strategic plan
- internal and external environmental scanning efforts
- plans for a strategic planning cycle

The consideration of the Department's performance monitoring included a review of:

- performance monitoring by agency programs
- State Auditor's Office review of agency performance measures

The consideration of the Department's controls over human resources included a review of:

- human resource management procedures
- process used to fill staff vacancies

The consideration of selected processes in the Child Protective Services program included a review of:

- contracting process for foster care providers and client purchased services
- regional allocation methodology
- budgetary controls over client purchased services
- foster care reimbursement rate methodology
- direct service worker caseloads and turnover

Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, analyzing the information, and evaluating the information against pre-established criteria.

Information collected to accomplish our objectives included the following:

- Interviews with staff and management of the Department of Protective and Regulatory Services
- Interviews with analysts at the Lieutenant Governor's Office, the Legislative Budget Office, and the State Legislature
- Interviews with concerned stakeholders

- Interviews with auditors from the Texas Department of Health and Human Services, Office of Inspector General
- Documentary evidence such as:
    - Department of Protective and Regulatory Services publications and documents (including 1993 Legislative Data Book, 1994-1995 Legislative Appropriations Request, and strategic plan)
    - Various management reports
    - Department Board Minutes
    - Agreement for protective services automation project
- Enabling legislation
- Foster care provider cost reports

Procedures and tests conducted:

- reviewed contracts for foster care providers and client purchased services and tested for specific attributes
- reviewed monitoring tools for CPS purchased services
- reviewed savings projections for federal funds maximization

Analytical techniques:

- comparative analysis of CPS contracting in three regions for purchased services and foster care providers
- comparative analysis between actual contracts and policy with criteria
- comparative analysis of three types of purchased services budgets with actual expenditures
- analysis of foster care methodology cost elements

Criteria used:

- Government Accounting Office publication *How to Avoid a Substandard Audit*
- Compliance Supplement for Single Audits of State and Local Governments, part 2, *General Requirements*
- National Association of College and University Business Officers on budgeting
- Texas Department of Human Services *Contract Administration Handbook*
- Texas State Auditor's Office *Management Control Methodology*
- Texas State Auditor's Office *Report on Contract Management at the Texas Department on Aging* (91-016)
- Fundamentals of cost accounting
- Other standard audit criteria established prior to the beginning of fieldwork

Fieldwork was conducted from March 7, 1994, through May 31, 1994. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

There were no significant instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's staff:

- Babette Laibovitz, MPA (Project Manager)
- Rebecca Becker
- Kimberly R. Emmerich
- Michelle Joseph, CPA
- W. Andrew Knight, MBA
- Eddie Longoria
- C. H. Mah, MBA
- John C. Young
- Barbara S. Hankins, CPA (Audit Manager)
- Craig D. Kinton, CPA (Audit Director)

Background Information

Appendix 3.1:
Agency Profile and Financial Information

Figure 6

FY 1993 Total PRS Program Funding by Source
(in millions)

Other
$2 (1%)

Federal
$166 (41%)

State
$236 (58%)

Total Program Funding = $406 million (direct & indirect expenditures)

Figure 7

FY 1993 Function Funding
(in millions)

APS
$21 (6%)

Licensing
$14 (4%)

CPS
$347 (90%)

Total Funding = $382 million (direct expenditures)
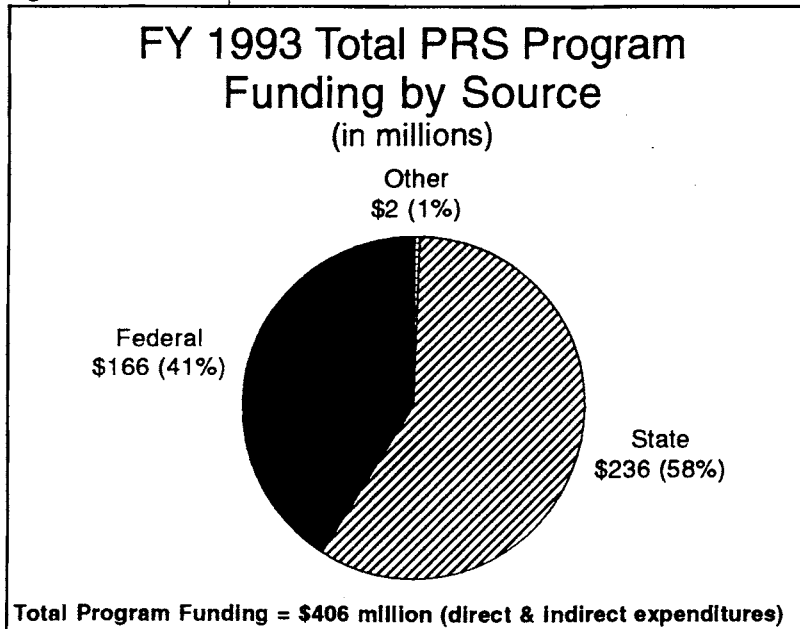
The Department of Protective and Regulatory Services (Department) was created by House Bill 7, 72nd Legislature, effective September 1, 1992. The mission of the Department is to protect the physical safety and emotional well being of the most vulnerable citizens of Texas. The primary objectives of the Department are to provide protective services for children, the aged, and residents of state facilities and to ensure that all licensed/certified health care facilities meet state and federal regulations.

Although the Department has been in existence for almost two years, the executive director did not take office until March 1, 1993. The full executive management team has been in place since September 1, 1993.
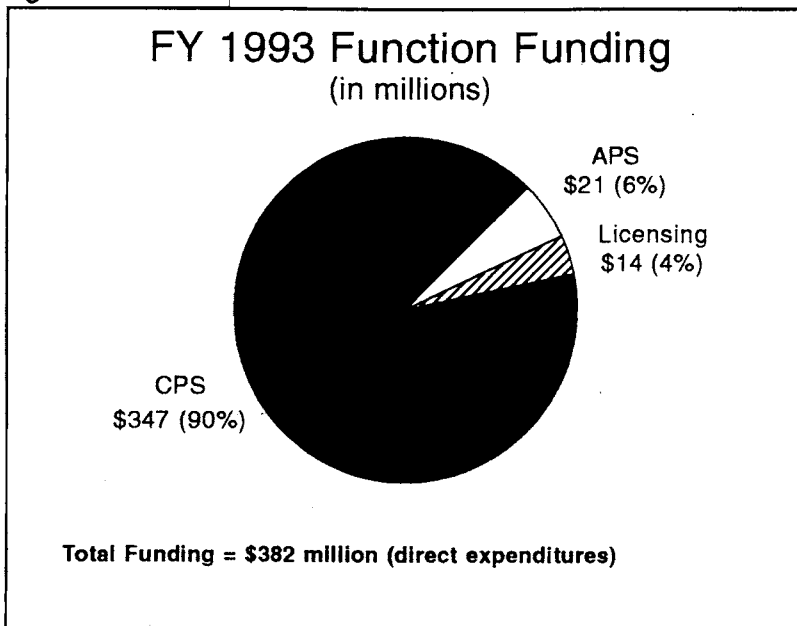
The objectives of the Department are carried out by three major functions within the agency. A description of these functions is provided below:

Adult Protective Services
The Adult Protective Services program is responsible for providing protective services to adult victims of abuse, neglect, and exploitation. Confirmed cases receive direct and purchased services to alleviate and prevent the recurrence of neglect or mistreatment.

Figure 8

FY 1993 CPS Estimated Expenditures
(in millions)

Foster Care & Adoption
$159 (46%)

Purchased
Services
& Daycare
$46 (13%)

Program Support
$11 (3%)

CPS Investigations
$52 (15%)

Direct Delivery (Other
Than Investigations)
$79 (23%)

**Total CPS = $347 million (does not include agency
administration costs)**

Note: Purchased Services does not include expenditures for Services to Runaway Youths
Source: Legislative Appropriations Request FY 1996-1997

Child Protective Services

The Child Protective Services program provides protection for children from abuse and neglect. The program investigate reports of child abuse and neglect, and determines the need for protective services. The program works to protect the child's safety and well-being by providing foster care, adoption services, and other services to reduce abuse and neglect.

Child Care Licensing

The Licensing program develops and enforces minimum standards for all child care facilities and child placing agencies. The program also investigates and acts on complaints and serious incidents involving day-care and residential-care facilities.

Figure 9

FY 1994 CPS Estimated Expenditures
(in millions)

Foster Care & Adoption
$173 (47%)

Purchased
Services
& Daycare
$41 (11%)

Program Support
$12 (3%)

CPS Investigations
$53 (14%)

Direct Delivery (Other
Than Investigations)
$91 (25%)

**Total CPS = $370 million (does not include agency
administration costs)**

Note: Purchased Services does not include expenditures for Services to Runaway Youths
Source: Legislative Appropriations Request FY 1996-1997

Figure 10

Comparison of Appropriated Funds, Budgeted Funds, and Expenditures for
Fiscal Year 1994

		Total Appropriations For Objective	Revised Operating Budget	Year-to-Date Expenditures as of 8/30/94
1)	Investigate Reports of Suspected Child Abuse and Neglect	$ 78,892,506	$ 71,798,090	---
2)	Provide Services to Assure Safety of Children in Need	$ 35,021,597	$ 37,009,680	---
3)	Provide Effective Substitute Services to Children in Need	$ 281,107,929	$ 293,150,233	---
	TOTAL FOR CHILD PROTECTIVE SERVICES (Objectives 1, 2, and 3)	**$ 395,022,032***	**$ 401,958,822***	**$ 355,369,521***
4)	Provide Protective Services to Adult Victims of Maltreatment	$ 26,713,569	$ 25,866,466	---
	TOTAL FOR ADULT PROTECTIVE SERVICES (Objective 4)	**$ 26,713,569**	**$ 25,866,466**	**$ 23,449,034**
7)	Regulate Child Care Facilities - Licensing	$ 15,599,522	$ 15,571,716	---
	TOTAL FOR LICENSING (Objective 7)	**$ 15,599,522**	**$ 15,571,716**	**$ 14,381,112**
8)	**Protective Services Automation Initiative**	$ 25,000,000	$ 25,000,000	$ 4,266,143
	GRAND TOTALS	**$ 462,335,123**	**$ 468,397,004**	**$ 397,465,810**

* Services to Runaway Youths were not included in original appropriations.

Note: Objectives 5 and 6 transferred from PRS per HB 1510.

Sources: General Appropriations Act 1994-1995 Biennium
             Management Services Division, Department of Protective and Regulatory Services (unaudited)

Figure 11
Year-To-Date Expenditures for Fiscal Year 1994
Department of Protective and Regulatory Services - As of August 30, 1994

Year-To-Date Expenditures as of 8/30/94:	Child Protective Services	Adult Protective Services	Child Care Licensing	Total
PROGRAM DELIVERY/PROGRAM SUPPORT (for contracted services and program support attributed to the specific program)	$315,832,637	$ 19,523,307	$ 11,404,160	$346,760,104
INDIRECT COSTS: Agency Administration Costs (for state office and regional staff who provide executive and administrative support for all PRS programs, such as automation, budget, personnel, business, training, etc.):				
Central Administration	$ 1,660,012	$ 133,220	$ 77,836	$ 1,871,068
Financial/Personnel	$ 3,545,942	$ 286,586	$ 232,521	$ 4,065,049
Info Resource Technologies	$ 8,460,836	$ 686,958	$ 555,000	$ 9,702,794
Other Operating Support	$ 6,657,782	$ 546,388	$ 342,624	$ 7,546,794
Total Agency Administration Costs	$ 20,324,572	$ 1,653,152	$ 1,207,981	$ 23,185,705
GENERIC COST POOLS (per rider 16, only those costs not attributed to a single program, such as occupancy costs, postage, equipment repair, telephones, supplies, etc.)	$ 19,212,312	$ 2,272,575	$ 1,768,971	$ 23,253,858
YEAR-TO-DATE EXPENDITURES, 8/30/94*	$355,369,521	$ 23,449,034	$ 14,381,112	$393,199,667**

*   These figures do not reflect all of fiscal year 1994 expenditures.
** Total does not include $4,266,143 for Protective Services Automation Initiative.

Sources: Financial Management Information System (unaudited)
                 Management Services Division, Department of Protective and Regulatory Services (unaudited)

A REVIEW OF MANAGEMENT CONTROLS AT THE
TEXAS DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES

Appendix 3.2:

Staffing for Child Protective Services

Job Categories for Child Protective Services

Figure 12

CPS Staffing for February 1993

Program Support
285 (6%)

Program Delivery
Workers
3,165 (68%)

Non-Caseworker
Program Delivery
1,198 (26%)

Total CPS Staff = 4,648

Note: For descriptions of job categories see Appendix 3.2
Source: February 1993 Staffing Report from DHS Human Resources Management
Information System (unaudited)

Figure 13

CPS Staffing for February 1994

Program Support
280 (5%)

Program Delivery
Workers
3,353 (68%)

Non-Caseworker
Program Delivery
1,332 (27%)

Total CPS Staff = 4,965

Note: For descriptions of job categories see Appendix 3.2
Source: February 1994 Staffing Report from DHS Human Resources Management
Information System (unaudited)

I. Worker/Direct:

- **CPS Specialist:** These staff spend all their time in case-related direct delivery of services.

- **Community Service Aide:** These staff spend all of their time in case-related activities for children and adults in CPS caseloads.

- **Social Service Technician:** These staff spend all of their time providing support activities for caseloads and administering data for an automated caseload system.

- **CPS Supervisor:** Supervisors are engaged in delivery of services activities through supervisory approval, consulting, and decision-making.

- **Legal Staff:** Legal staff are engaged in activities such as providing legal advice and training to staff and preparing documentation for court hearings, which support direct delivery staff.
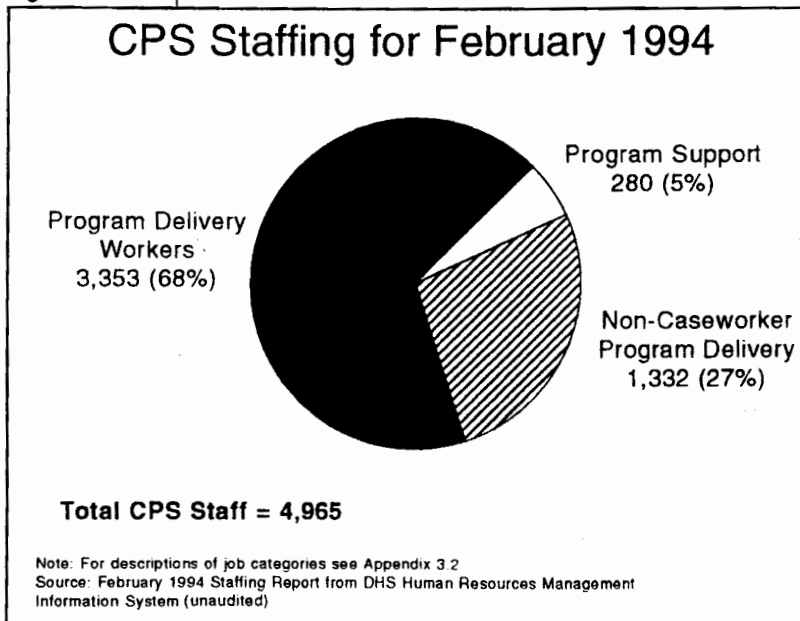
II. Non-caseworker Program Delivery:

- **Program Director:** The program director's activities range from selection of staff to approval of child placements and overall management of direct delivery service units in the CPS program.

- **Clerical Support:** Both clerks and unit secretaries answer and screen telephone inquiries and provide program information.

- **Administrative Technician:** Duties for these employees are similar to clerical support staff.

- **Accountant:** Accountants receive and disburse funds for children's supplemental income and reconcile checking accounts for local child welfare boards.

- **Data Entry Operator/ADP Record Control Clerk:** These staff enter, correct, and search for data in CPS's computer systems.

III. Program Support

- **Regional Director:** Regional directors direct and manage the regional program activities related to CPS.

- **Support Director/Support Manager:** These staff members are directly responsible for the supervision of contracted service delivery and volunteer initiatives in the region.

- **Training Specialists:** These staff members are responsible for providing both the Basic and Continuing Job Skills Training.

- **Contract Specialist/Contract Manager:** These staff members are responsible for procuring and monitoring contracts for services to children and families.

- **Regional Automation Manager:** Automation managers serve as a point of contact and source of data for staff and contractors.

- **Volunteer Supervisor:** These staff members select and train volunteer workers and coordinate volunteers with staff.

- **Case Analyst:** The analysts provide policy interpretation to staff, resolve client complaints, and read case records to ensure compliance with regulations.

- **Switchboard Operator/Receptionist:** These staff members answer general questions and provide general program information.

Source: CPS Program Staff

Figure 14

Texas Department of Protective and Regulatory Services

BOARD MEMBERS

Executive Director

Director Intergovernmental Affairs

General Counsel

Supervising Attorney (3)

Deputy Executive Director

Ombudsman

Public Information Officer

Community Development

Volunteer Services

Public Affairs

Deputy Director Protective Services for Families & Children
- Policy and Program Development
- Program Management
- CPS Field Operations
- Hotline/Statewide Intake
- Regional Directors (10)

Deputy Director Licensing
- Residential Child Care Licensing
- Program Operation Support and Review
- Program Development Residential Child Care
- Program and Standards Development
- Regional Directors (4)

Deputy Director Adult Protective Services
- Community Program/Policy Development and Operations
- Community Program/Policy Development and Operations
- Facility Program/Policy Development and Operations
- Administrative Assignments and Special Projects
- Regional Directors (8)

Deputy Director Information Resource Technologies
- Contract Manager
- Project Manager
- Technical Services
- Planning & Admin Services
- User Support Services
- Regional Automation Managers
- Application Software Services

Director Research and Development
- Research and Evaluation
- Federal Funds Policy and Development
- Policy Review Team

Deputy Director Management Services
- Chief Financial Officer
  - Budget Director
  - Fiscal Liaison
  - Strategic Planner
- Business Services
- Forecasting and Program Statistics
- Human Resources
  - Employment Opportunities and Client Compliance
  - Personnel
- Staff Development
- Regional Directors (10)

Operations Liaison

Quality Initiative

Foster Care Provider Flowcharts

Figure 15

Foster Care Provider and Purchased Services


```
                    ┌─────────────────────────────────┐
                    │  Department of Protective and   │
                    │  Regulatory Services (State Office) │
                    └─────────────────────────────────┘
                                  │
                    Sets Guidelines for Policies & Procedures

Contracts for Services ___   ┌─────────────────────────┐ ◄─ ─ ─ ─ ─ ─ ─┐
   & Monitors  *              │  Regional Child Protective │                │
        ┊                     │  Services as CPA          │                ┊
        ┊                     └─────────────────────────┘                ┊
 ┌──────────────────┐                                                     ┊
 │ Purchased Service │              Recruits & Verifies        ┌──────────────┐
 │  Contractors in   │                                         │ Certified by │
 │    Regions        │                                         │    RCCL      │
 └──────────────────┘                                          └──────────────┘
        │
 Provide Services to      ┌─────────────────────┐
  Children/Families       │   Foster Family     │
        ┊                 │  Homes & Foster     │        Homes w/ LOC 2 Submit
        ┊ _ _ _ _ _ _ _ _ │  Group Homes for    │ _ _ ─►  Summary Cost Reports for
                          │  Billing LOC 1 & 2  │        Rate Setting to DHS
                          │      Only           │
                          └─────────────────────┘
                                  ▲
                          ┌─────────────────────┐
                          │  Client Receives    │
                          │ Minimum Quarterly   │
                          │    Contact by       │
                          │   Caseworker        │
                          └─────────────────────┘
```

*
 Extent of Monitoring Varies from Region to Region

Figure 16
Foster Care Provider Flowchart

A REVIEW OF MANAGEMENT CONTROLS AT THE
TEXAS DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES

Appendix 5:
Foster Care Data By Level of Care

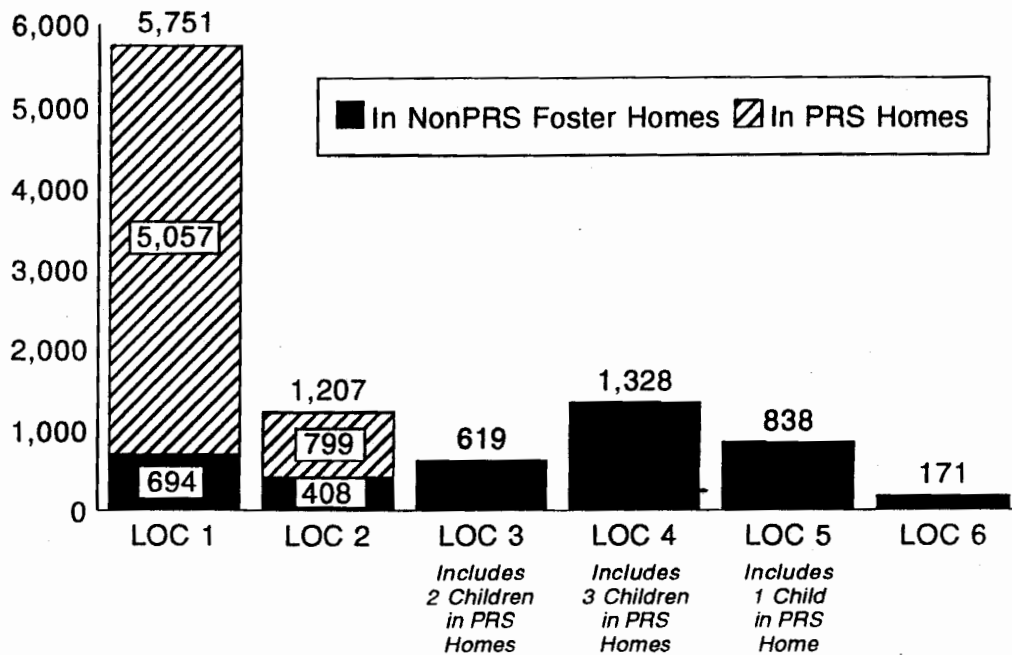| Age*	Level of Care 1	Level of Care 2	Level of Care 3	Level of Care 4	Level of Care 5	Level of Care 6	Total
< 1 Yr.	411	60	1	2	0	0	474
1 Yr.	567	79	2	1	2	1	652
2 Yrs.	561	91	2	5	1	0	660
3 Yrs.	489	78	8	4	0	0	579
4 Yrs.	482	70	11	15	3	0	581
5 Yrs.	404	45	13	21	6	2	491
6 Yrs.	376	60	14	40	14	7	511
7 Yrs.	370	58	15	48	24	7	522
8 Yrs.	308	57	22	54	35	5	481
9 Yrs.	283	64	22	82	43	7	501
10 Yrs.	283	65	27	72	61	9	517
11 Yrs.	243	68	48	89	56	5	509
12 Yrs.	88	66	45	95	92	15	501
13 Yrs.	185	72	61	136	117	22	593
14 Yrs.	173	72	73	166	113	31	628
15 Yrs.	150	59	77	190	112	19	607
16 Yrs.	137	63	83	154	99	19	555
17 Yrs.	98	60	71	126	51	20	426
18 Yrs.	43	20	26	31	10	2	132
Total	5,751	1,207	621	1,331	839	171	9,920

SOURCE: Children in Paid Foster Care per FACTS on 4/30/94

* Age on 4/30/94

Note: See Figure 3 on page 25: "Levels of Care Descriptions."

Figure 17

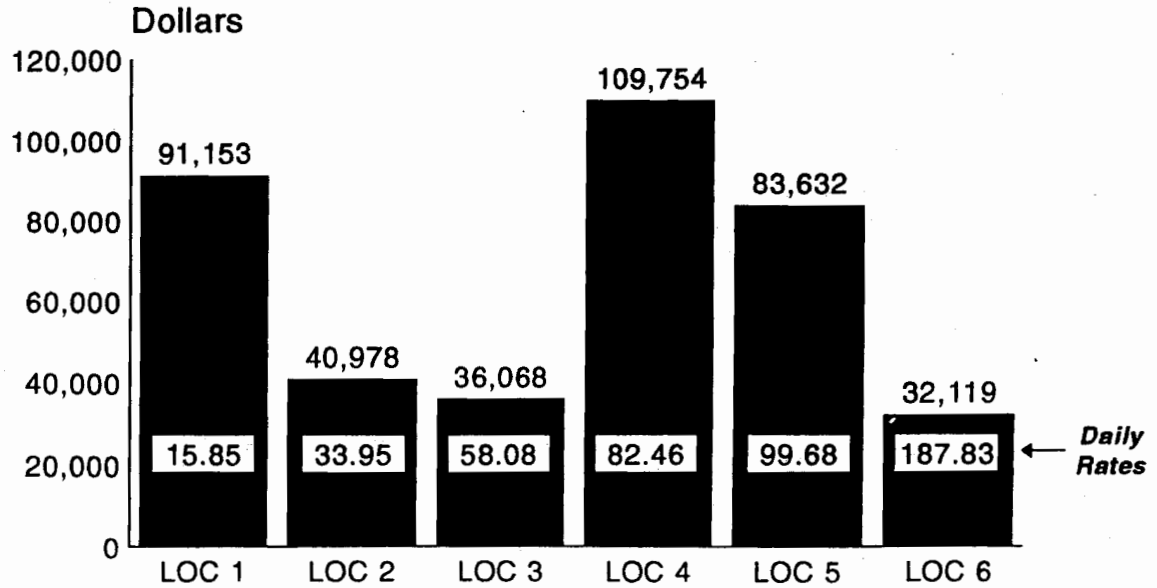# Children in Paid Foster Care
on 4/30/94

Note: LOC denotes Level of Care
Source: Children in Paid Foster Care Registered on FACTS as of 4/30/94

Figure 18

Daily Cost of Children in Paid Foster Care

Dollars

Bar chart showing daily cost values:
- LOC 1: 91,153 — Daily Rate 15.85
- LOC 2: 40,978 — Daily Rate 33.95
- LOC 3: 36,068 — Daily Rate 58.08
- LOC 4: 109,754 — Daily Rate 82.46
- LOC 5: 83,632 — Daily Rate 99.68
- LOC 6: 32,119 — Daily Rate 187.83

Note: LOC denotes Level of Care
Source: Children in Paid Foster Care Registered on FACTS as of 4/30/94
and Level of Care Rates in Effect on 4/30/94

Issues for Further Study

1. Although limited data is available, an initial analysis of foster care provider outcomes and reported unit costs reveals a wide disparity between the quality and cost of services. As noted in Section 2-D, the Department's reimbursement methodology assumes that the types, amounts, and quality of service rendered is equal from one provider to another. Although complete data is not available, Figure 19 in Appendix 7 illustrates the importance of considering issues of quality and cost in the rate setting and reimbursement process. Without analyzing the relationship between quality and cost, the Department cannot identify efficient providers who deliver high quality services. This represents a lost opportunity to establish benchmarks for best management practices to measure and improve the performance of other providers.

2. As a child placing agency, CPS is subject to state licensing requirements and federal 427 compliance standards in addition to its own program standards. Each of these standards has various documentation requirements and monitoring activities which consume a great deal of staff time. While the sheer number and complexity of these requirements precluded an in-depth analysis, there appears to be a significant potential for duplication of effort in complying with each of these standards. In addition, since CPS, unlike private child placing agencies, must accept and care for all children placed into its conservatorship, some licensing requirements are less appropriate to its operations. To date, CPS and the Residential Child Care Licensing section have exhibited a high degree of cooperation in granting variances to specific licensing requirements which are adequately addressed by program standards. Completely exempting CPS from state licensing requirements, however, would require a statutory change by the Legislature.

3. Throughout the course of this audit, the problem of addressing the needs of troubled or disturbed juveniles repeatedly arose. It appears that many individuals and entities view CPS as the provider of last resort for this segment of the population. A number of CPS staff characterized many teenage referrals to the agency as "dumping" these youths when parents or other agencies were either unable or unwilling to continue to address their problems. The magnitude of this problem exceeds the scope of CPS's ability to respond. A public/private and interagency approach is required to address this problem.

Outcome Information

The figure below provides cost and outcome information on providers that was used in setting the reimbursement rate for level of care 5 children. The provider's relative rank and its reported daily costs are given in the first two columns. Outcome information is provided in the next three columns. Outcomes were classified by categories of discharge from the facilities. The category "completion" represents successful completion of the child's service plan, a positive outcome. The categories "breakdown" and "runaway" represent poor outcomes. The outcome information was compiled by Youth for Tomorrow in its review of residential treatment centers and therapeutic camps.

Figure 19
Provider Outcome Information

Rank	Reported Costs	Completions	Breakdowns	Runaways	Total Number of Children in Facility
1st	$68	7 (38.9%)	1 (5.5%)	6 (33.3%)	18
2nd	$86	3 (16.7%)	5 (27.8%)	2 (11%)	18
6th	$97	1 (12.5%)	2 (11%)	0	8
7th	$98	2 (16.7%)	6 (50%)	0	12
11th	$99 Median Cost	N/A	N/A	N/A	N/A
13th	$103	23 (76.7%)	3 (10%)	0	30
17th	$137	7 (46.7%)	1 (6.7%)	6 (40%)	15

Source: Provider Cost Reports and Youth for Tomorrow

Although lower reported costs appear associated with poorer quality outcomes, this does not hold true in all cases. The lowest cost provider, for example, had a completion rate of 38 percent, which was above the 35 percent mean completion rate for all facilities reviewed by Youth for Tomorrow. This lowest cost provider ($68) compares favorably with the highest cost provider ($137) in terms of outcomes. Although the highest cost provider had more completions (46.7 percent) than the lowest cost provider (38.9 percent), the highest cost provider also had a higher percentage of runaways (40 percent) than the lowest cost provider (33.3 percent). The second through seventh lowest cost providers all had completion rates of 16 percent or lower, which is substantially below the mean. The higher cost providers appear to

be associated with above average outcomes. Significantly, the thirteenth ranked provider ($103) reported unit costs only $4.00 above the median cost. This provider, however, had a 76 percent success rate in completing the children's service plan. Although no firm conclusions can be drawn from the data above, it does serve to illustrate the need to assess efficiency and quality in the rate setting and reimbursement processes.

CPS Stages of Service

Stage 1 - Intake
Intake begins with the receipt of a report of abuse or neglect. It includes checking Department records, notifying law enforcement, determining urgency of response, and making referrals to other resources.

Stage 2 - Initial Assessment/Investigation
The decision that a report will be investigated is the beginning of the initial assessment/investigation stage. This stage includes risk assessment, investigation services, and completion of documentation to close or transfer the case.

After Stage 2, a child and family may begin receiving services through contracted purchased services. (See Figure 15.)

Stage 3 - Family Preservation
In-home family preservation is a form of ongoing services which begins when the initial assessment/investigation indicates a risk of maltreatment, yet the child's safety can be assured in the family's home. The services are provided to reduce the risk of abuse and neglect.

Stage 4 - Temporary Out-of-Home
Child Placed by Department into Temporary Substitute Care (Stage 4-A)
Actual Department placement of child in substitute care (including placement with relatives if the Department has conservatorship). This ends when the child has returned home, parental rights have been terminated, or when another permanency plan other than return home has been determined.

Child Voluntarily Placed by Family into Temporary Substitute Care (Stage 4-B) with Relative or Other Non-TDPRS Facility
This stage begins with the placement of a child in substitute care by the family. It includes services to the child, family and foster family, or substitute care provider. The termination of parental rights or the return of the child to their home concludes this stage.

Independent foster care providers are utilized beginning with Stage 4. (See Figure 16.)

Stage 5 - Family Reunification
Child in Own Home Post-Placement (Stage 5-A)
Post-placement begins when the child is returned home from temporary substitute care. It includes services to the child and family to stabilize the return.

Child Placed with Relatives Post-Placement (Stage 5-B)
Post-placement occurs when the child's placement with a relative is intended to be permanent. This begins when a child is placed with relatives after placement

in temporary substitute care. It includes services to the child and family to stabilize the return.

Stage 6 - Plan is Adoption
This stage begins when parental rights are terminated. It includes working with the foster family and child and adoption programs activities.
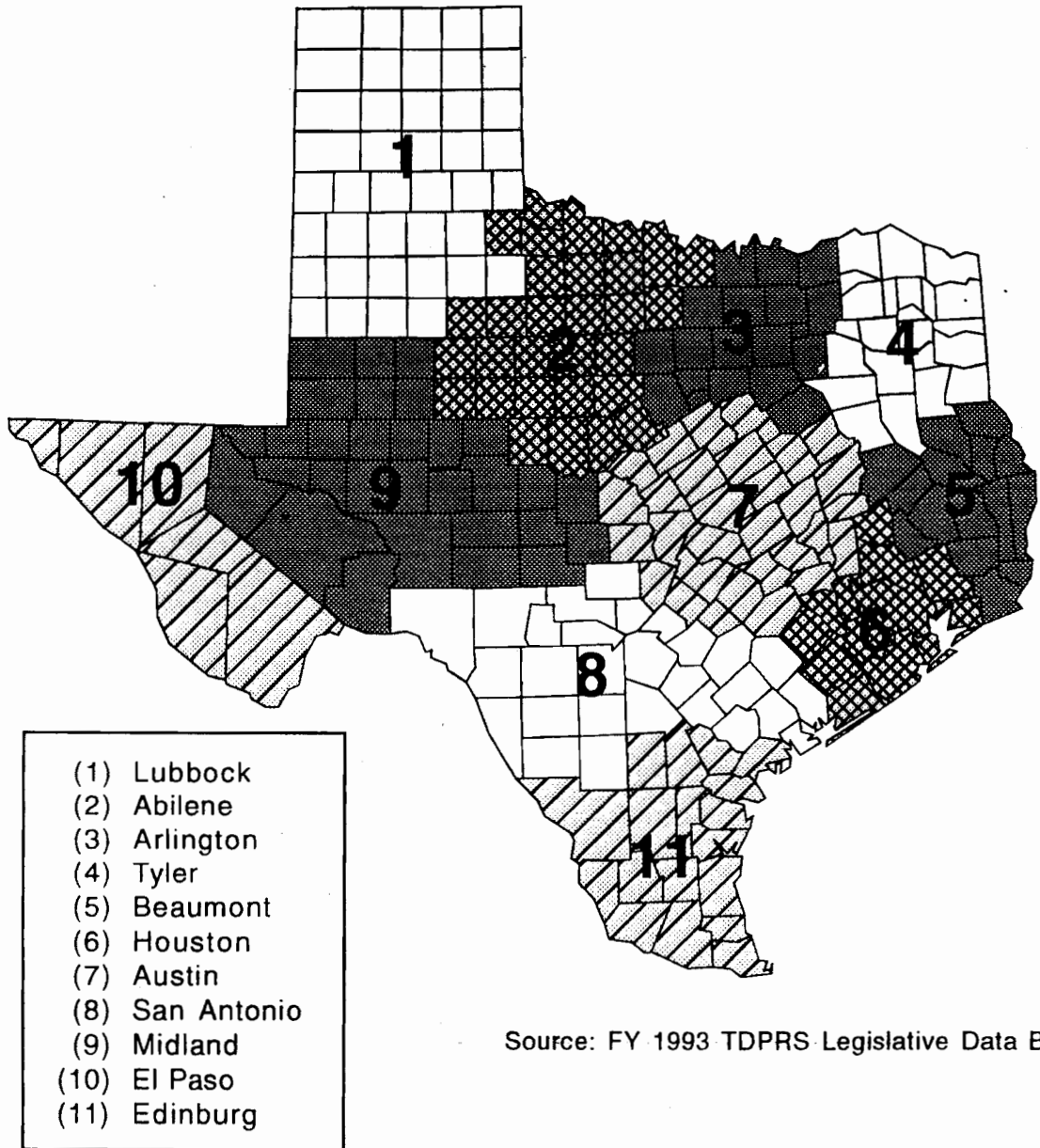
Stage 7 - Long-Term Substitute Care
Long-term care is begins when a permanency plan other than reunification or adoption is determined. This includes working with the child, parents, and foster family or substitute care provider.

Source: Fiscal Year 1993 Texas Department of Protective and Regulatory Services
        Legislative Data Book

Texas Department of Protective and Regulatory Services Regions

(1) Lubbock
(2) Abilene
(3) Arlington
(4) Tyler
(5) Beaumont
(6) Houston
(7) Austin
(8) San Antonio
(9) Midland
(10) El Paso
(11) Edinburg

Source: FY 1993 TDPRS Legislative Data Book

Reference List

The books, articles, reports, etc., listed below are relevant to the Department of Protective and Regulatory Services

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Youth For Tomorrow. "A Report on Children Placed in Residential Treatment and Therapeutic Camps by the Texas Department of Protective and Regulatory Services During Fiscal Years 1991 and 1992," April 1994.

Copies of this report have been distributed to the following:

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