Audit Report

Department of Human Resources
Social Services Administration

October 2008

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

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October 6, 2008

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Department of Human Resources - Social Services Administration (SSA) for the period beginning May 3, 2004 and ending June 30, 2007. SSA supervises, directs, and monitors the social services programs (including the foster care program) of the State's 24 local departments of social services.

Our audit disclosed that SSA did not adequately monitor local departments of social services to ensure compliance with foster care service requirements established by State and federal regulations that provided for the emotional, physical, and educational well-being of children under SSA's supervision. SSA had reported that certain improvements had been made to ensure compliance with foster care service requirements. However, according to its May 2007 self-assessment, SSA had not yet achieved six of seven federal child welfare outcomes relating to child safety, permanent living arrangements, and child and family well-being. In addition, SSA could not establish that caseload staffing requirements set by Maryland law were being met. Also, SSA did not adequately monitor foster care and adoption services, such as whether all available federal funds were obtained for certain services provided to eligible foster care children, and whether the most cost-effective group home providers were used. Finally, SSA did not obtain supporting documentation for training costs for which SSA receives federal funding. During the audit period, SSA had federal disallowances totaling $3.2 million because of lack of substantiation for similar training costs.

Many of these programmatic and financial monitoring problems related to SSA's inability to fully implement several critical features of the Children's Electronic Social Services Information Exchange (CHESSIE) system. CHESSIE, which was installed in all local departments between February 2006 and January 2007, was expected to serve as a statewide comprehensive foster care and adoption case management tool, and to provide SSA with comprehensive and consistent data reporting capabilities. CHESSIE development and implementation costs totaled approximately $67.6 million through June 30, 2007.

An Executive Summary of our findings can be found on page 5. The Department of Human Resources' response to this audit, on behalf of SSA, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by SSA.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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* **Denotes item repeated in full or part from preceding audit report**

Executive Summary

Legislative Audit Report on the Department of Human Resources (DHR)
Social Services Administration (SSA)
October 2008

- **SSA has not been able to successfully implement several critical components of the Children's Electronic Social Services Information Exchange (CHESSIE) system and has not been able to ensure data entered into CHESSIE is accurate and complete. These problems adversely affected SSA's ability to conduct effective programmatic and financial monitoring and hindered preparation of accurate reports to the federal government.**

  SSA should ensure that essential features of CHESSIE are fully operational, such as the ability to transmit data to the federal government in required formats, and the ability to interface fully and accurately with the State accounting system and DHR's Client Information System. SSA should also ensure the accuracy and completeness of all data in CHESSIE and any resultant reports.

- **SSA had not ensured compliance with critical foster care service requirements established by State and federal regulations. The system used to monitor compliance with State regulations was discontinued, and SSA had not met the required child welfare outcomes measured by the Federal Child and Family Services Review (CFSR).**

  SSA should take appropriate action to ensure compliance with foster care service requirements established by State and federal regulations, and should monitor the delivery of vital services to children in foster care necessary for their emotional, physical, and educational well-being in a safe environment. SSA should also take appropriate action to ensure that the State meets the CFSR standards, as required.

- **SSA was unable to adequately monitor the sufficiency of the child welfare caseload ratios of the local departments of social services, as required by State law.**

  SSA should establish procedures to accurately measure local department caseload data and ensure that the appropriate child welfare caseload ratios at each local department are met.

- **SSA did not ensure that all individuals known to be guilty of child abuse or neglect, or found responsible for indicated abuse or neglect, were identified as such in a central registry.**

  SSA should ensure that all appropriate individuals are specifically identified in the central registry records. Furthermore, SSA should pursue creation of a consolidated, comprehensive registry to aid in investigations and reporting.

- **SSA had no assurance that all available federal funds were obtained for certain services provided to eligible foster care children. The full extent of the problem could not be readily determined because of the unreliability of available reports from SSA. SSA also did not monitor to ensure that monthly adoption assistance subsidies were only provided for eligible children.**

  SSA should establish procedures to ensure that the local departments identify all foster care children eligible for federal funding for delivered services and take appropriate actions to obtain the funds. SSA should also establish a process to monitor the local departments to ensure that adoption subsidies are only provided for eligible children.

- **SSA did not monitor local department caseworkers to ensure foster care children were placed with preferred group providers which, when available, generally had lower rates than non-preferred providers. SSA also did not conduct timely reviews of group care provider annual reports for fiscal years 2005 and 2006 to identify overpayments for collection.**

  SSA should establish procedures to ensure that foster care children are placed with preferred group providers, when available, and should take timely action to monitor funds paid to all group care providers.

- **SSA did not obtain supporting documentation for $9.1 million in contract costs charged by a State university for training provided. For example, SSA did not verify the allocation of training costs between direct and administrative costs. This is important because federal participation rates differ for direct and administrative costs and federal disallowances have previously occurred because of the lack of substantiation.**

  SSA should obtain adequate documentation to support contractual services billed, including cost allocations.

Background Information

Agency Responsibilities

The Social Services Administration (SSA) supervises, directs, and monitors the social services programs (including the foster care program) conducted by the local departments of social services, which are located in each of the State's 24 local subdivisions. These programs are designed to prevent or remedy abuse, neglect, and exploitation of children and families. According to SSA's records, the fiscal year 2007 costs to conduct SSA and local department operations, including related payments to group care and foster care providers, totaled approximately $543 million.

Federal Funds Disallowance

In October 2005, SSA reimbursed the federal government $499,037 for Title IV-E foster care expenditures that were previously federally-funded and were subsequently disallowed as a result of a federal review of the foster care program. The review was conducted in June and July 2005 to determine if SSA made provider payments that complied with federal child and provider eligibility requirements. Federal claims were disallowed for various reasons, including that provider licenses were continued when training criteria had not been met for two consecutive years and that benefits were continued after children ceased to be eligible for federal funding.

Nevertheless, the 2005 federal review report noted that this was a "dramatic improvement" in compliance over a similar review conducted in 2002. The report went on to state that the Program Improvement Plan instituted by DHR after the 2002 review substantively addressed the errors identified in 2002, and that SSA has now been determined to be in "substantial compliance" with federal child and provider eligibility requirements.

Status of Findings From Preceding Audit Report

Our audit included a review of the status of the six findings contained in our preceding audit report dated March 18, 2005. We determined that SSA had satisfactorily addressed one of the findings, and that the responsibility related to another finding (regarding the management services contract for family support centers) was transferred to the Maryland State Department of Education (MSDE), and will be reviewed during the next audit of MSDE. The remaining four findings are repeated in this report.

Findings and Recommendations

CHESSIE Functionality

Background

The Children's Electronic Social Services Information Exchange (CHESSIE) system is the Social Services Administration's (SSA) statewide automated child welfare information system that is expected to serve as a statewide comprehensive foster care and adoption case management tool. Its purpose is to provide social services workers throughout the State with a common and comprehensive information system and to provide SSA with comprehensive and consistent data reporting capabilities. The primary purpose of providing federal funding for CHESSIE was to assist the State in meeting federal reporting requirements. However, the federal government also provided additional funding, at the State's request, to expand the capabilities of CHESSIE for operational purposes.

The development contractor that was hired by the Department of Human Resources (DHR) completed work on CHESSIE on July 1, 2007, at which time, DHR became responsible for any additional development and ongoing maintenance and updates. CHESSIE was expected to interface with DHR's Client Information System (CIS)—which is used for all major DHR programs—as well as with the State's financial management information system (FMIS).

CHESSIE was implemented in all local social service departments between February 2006 and January 2007. The development costs for CHESSIE through June 30, 2007 totaled approximately $67.6 million, with almost equal funding from State general funds and federal funds. CHESSIE implementation deficiencies, as detailed below, contributed to many of the programmatic and financial monitoring problems described later in this report.

Finding 1
SSA has not been able to successfully implement several critical components of the CHESSIE system, resulting in inaccuracies and preventing SSA from effectively monitoring foster care activities.

Analysis

SSA has not been able to successfully implement several critical components of the CHESSIE system. The failure to properly implement certain planned features has resulted in inaccuracies, has impacted SSA's ability to effectively monitor the local departments of social services, has increased the workload for local departments by requiring duplicated efforts, and could lead to federal penalties being assessed against SSA. For example, we noted the following conditions:

- CHESSIE contained inaccurate and incomplete information. For example, CHESSIE did not have placements recorded for more than 2,500 foster children as of November 1, 2007. Also, information was incorrectly recorded in CHESSIE in 16 out of 28 foster care children we tested. Specifically, we noted instances in which children were entered twice with different unique identifying numbers; children who were no longer in foster care were still recorded as being in foster care; and mother's information, such as date of birth and social security number, was recorded as that of the child's. According to SSA's records, as of June 30, 2007, there were 10,192 children in SSA's foster care programs.

- As a result of inaccurate and incomplete data, SSA has not been able to use CHESSIE to effectively monitor, for federal funding purposes, the eligibility of children in foster care and those receiving adoption subsidies. For example, a June 30, 2007 CHESSIE report listed 3,353 foster care children that were deemed ineligible for federal Title IV-E funding (which supplements or replaces State foster care funds). However, the reasons for ineligibility for these children were not available from the system to assist in resolving disqualifying factors. Furthermore, because of the magnitude of the number of ineligible children on the report, SSA concluded that the report was unreliable (see Finding 5).

- Due to significant data and design incompatibilities, CHESSIE entries did not automatically update DHR's CIS, resulting in active foster children not being entered in CIS. Foster children need to be included in CIS in order to ensure their comprehensive integration into other DHR programs such as Temporary Assistance for Needy Families (TANF) and food stamps. Our test of the 236 children who entered foster care in September 2007 revealed that 19 of these children had not been entered into CIS as of December 2007. SSA's policy is that all children should be recorded in CIS within 10 days of entering foster care.

- SSA ceased transmitting federal Adoption and Foster Care Analysis and Reporting System (AFCARS) information in the format required by the federal government (that is, required data elements and encryption) since CHESSIE was rolled out in February 2006 because of the unreliability of the information in CHESSIE.

- SSA has not been able to successfully interface CHESSIE with the State's FMIS to process foster care and adoption provider payments. The interface between CHESSIE and FMIS is needed to efficiently facilitate direct payments to providers by DHR. As a result, local departments have been asked to "parallel process" all payments by entering payment information in CHESSIE (for recordkeeping purposes) and by continuing to process payments manually through the local departments' payment processes, with subsequent reimbursement through FMIS.

Significant deficiencies during the implementation of CHESSIE—such as the lack of consistent user involvement and strong executive management leadership—were previously reported in our December 2004 performance audit report on *State Information Technology Application Development Projects*. In addition, many of these and other shortcomings in CHESSIE's capabilities and implementation had been previously identified by independent consultants hired by the Department of Budget and Management's (DBM) Office of Information Technology (currently the Department of Information Technology) under the direction of the State Chief Information Officer. These consultants had prepared a series of *Independent Verification and Validation* (IV&V) reports over the last several years for DHR and DBM, with the last report completed in December 2006. These reports identified both development and implementation problems with CHESSIE, and tracked the resolution or lack of resolution of the identified problems. Nevertheless, more than a year has passed since the final IV&V report and more than two years have passed since CHESSIE was rolled out to the local departments and many significant identified problems were still unresolved.

In response to the fiscal year 2009 budget analysis that identified certain problems with CHESSIE, DHR outlined the steps it planned to take to resolve CHESSIE's lack of complete and accurate data, lack of desired functionality, and lack of needed reporting capabilities. DHR stated that it expects to have current caseload data in CHESSIE by the end of fiscal year 2008, and, by the end of calendar year 2008, DHR anticipates that CHESSIE will be able to achieve federal reporting requirements.

Recommendation 1
We recommend that SSA ensure the accuracy and completeness of all data in CHESSIE, and that all required and necessary reports from CHESSIE are likewise accurate and complete. We also recommend that SSA ensure that essential features in CHESSIE are fully operational, such as the ability to transmit data to the federal government in required formats, and the ability to interface fully and accurately with FMIS and CIS.

Delivery of Foster Care and Adoption Services

Background

The Family Law Article, Sections 5-524 through 5-532 of the Annotated Code of Maryland, requires SSA to establish a program of foster care for minor children and to adopt rules and regulations to carry out foster care services. SSA, through DHR, also functions as the single state agency for child welfare services under federal regulations. Accordingly, it has been designated with sole responsibility for the statewide administration of foster care and with the authority to make governing rules and regulations.

The foster care program provides an alternative setting for children who cannot remain in the care of their parents because of various factors, such as abandonment and neglect. The local departments of social services arrange for placement of children either in individual foster care homes or in group care facilities. According to SSA's records, as of June 30, 2007, there were 10,192 children in SSA's foster care programs, and payments to group care and family care providers totaled approximately $185 million and $86 million, respectively, in fiscal year 2007. The fiscal year 2007 costs to conduct SSA and local department operations, including related payments to providers, totaled approximately $543 million.

Finding 2
SSA had not ensured compliance with foster care service requirements established by State and federal regulations.

Analysis

SSA had not ensured compliance with critical foster care service requirements established by State and federal regulations. State regulations require, for example, that criminal background checks of child caretakers be performed, that children attend school within five days of placement, and that children receive annual dental and physical exams. Prior to November 2004, SSA was performing a statewide case review process called the Child Welfare and Adult Services Performance Review System (CAPS) to monitor its compliance with critical State regulations on a routine basis. However, SSA discontinued the CAPS reviews during our audit period with the advent of a federally-mandated review called the Federal Child and Family Services Review (CFSR); however, the CFSR does not directly monitor compliance with all significant State regulations and has infrequent formal assessments of success. Furthermore, SSA has not met many of the CFSR outcomes, which are needed for continued federal Title IV-E funding.

Beginning in 2000, the U.S. Department of Health and Human Services (DHHS) initiated CFSR as a federal funding requirement. The CFSR evaluates a state's child welfare system against a set of national standards. Specifically, while both CFSR and CAPS involve a review of critical documents (such as medical and school records), the CFSR is outcome-based, whereas the CAPS review was compliance-based. For example, the CFSR subjectively evaluates if children are safe from abuse and neglect and are receiving their physical and educational needs. In contrast, the CAPS review measured compliance with specific service actions (for example, whether caseworkers met with each foster child at the provider's address every three months) that should logically lead to successful outcomes.

In past audits, we have commented that many children were not receiving services required by State regulations. For example, according to our March 18, 2005 audit report, unaudited SSA records disclosed that 35 percent of the children were not attending school within five days of placement, 34 percent of records had no evidence that a background or safety check was performed, and 37 percent of caseworkers were not meeting with the foster child at the provider's address every three months, as required by State regulations. (See excerpt from our March 18, 2005 report in Exhibit 1 on page 23.)

The initial CFSR in November 2003 disclosed that, while SSA had met some of the systemic requirements (such as staff training and foster parent licensing), SSA did not achieve the required 90 percent success rate for any of the seven federal child welfare outcomes. As a result, SSA was required to develop a Program Improvement Plan (PIP), which contains strategies for meeting the CFSR outcomes and for avoiding federal penalties. Subsequently, SSA performed a voluntary self-assessment for CFSR outcomes between December 2005 and May 2007. Although the review indicated improvement, it also indicated that SSA had met only one of the seven child welfare outcomes. The next CFSR of Maryland is scheduled for June 15, 2009. At that time, DHHS will require SSA to achieve a 95 percent success rate for each of the seven child welfare outcomes to continue to receive federal foster care funding, or penalties may be imposed and SSA will be required to develop another PIP. (A comparison of the initial CFSR and SSA's subsequent self-assessment is presented in Exhibit 2 on page 24.)

In November 2007, DHHS reviewed SSA's May 2007 self-assessment results and concluded that SSA needs to continue to improve on the child welfare outcomes and, specifically, that while SSA had implemented the vast majority of its PIP, it still needed to complete the remaining portion to avoid financial penalties. DHHS also stated that SSA needs to improve the reporting originating from CHESSIE data in order for DHHS to be able to determine if SSA has met its federally-mandated goals. Many of the problems with CHESSIE data and reports are commented upon elsewhere in this report.

Recommendation 2
We again recommend that SSA take appropriate action to ensure compliance with foster care service requirements established by State regulations, which are intended to ensure that all children in foster care are receiving the vital services necessary for their emotional, physical, and educational well-being in a safe environment. In addition, we recommend that SSA take appropriate action to ensure that the State meets the federal CFSR standards and completes the tasks included in its Program Improvement Plan.

Finding 3
SSA was unable to adequately monitor the sufficiency of the child welfare caseload ratios of the local departments of social services, as required by State law.

Analysis
SSA was unable to establish that the child welfare caseload ratios of the local departments of social services ultimately met the standards recommended by the Child Welfare League of America (CWLA), as required by the Family Article, Section 5-1310 of the Annotated Code of Maryland. The law requires that sufficient numbers of qualified child welfare staff are hired and retained in order to achieve caseload ratios in child welfare services consistent with the CWLA caseload standards. However, SSA has not been able to generate competent and reliable information on local department caseload ratios from either the long-existing CIS[1] or the newly-implemented CHESSIE system. As previously mentioned in Finding 1, since the rollout of CHESSIE, beginning in February 2006, neither system has been updated with complete client, case, and personnel data. Consequently, caseload reports derived from both systems were incomplete and unreliable.

The aforementioned law also required DHR to develop a methodology for calculating the caseload ratios and to hire a qualified entity to review the calculation of caseload ratios used by DHR. Consequently, DHR contracted with

[1] In December 2005, we issued a performance audit report on certain aspects of the State's child welfare system. In that report we disclosed that DHR's February 2005 report to the Maryland General Assembly on child welfare staffing was unreliable, as it did not include a comprehensive consideration of all pertinent factors affecting staffing (such as all relevant CWLA staffing standards and use of the most current data available). Because certain data were missing from the files or were not being accumulated, during the performance audit we were unable to determine the actual staff levels and ratios.

CWLA, which issued a report in February 2007 that provided guidance on developing the required methodology, and that produced preliminary staffing ratios for 14 different caseworker job functions. Based on these ratios, the CWLA report indicated that an increase of 397 caseworkers and 74 supervisors was needed over the July 2006 filled positions of 1,568 caseworkers and 319 supervisors. (As of December 1, 2007, caseload reports indicate that SSA's filled caseworker and supervisor positions totaled 1,722 and 304, respectively, which suggests that SSA had a shortage of 243 caseworker positions and 89 supervisor positions at that time.)

However, the CWLA report cautioned that these preliminary staffing ratios, and the required increases in caseworkers and supervisors, were not accurate due to severe shortcomings in DHR's data collection process. The CWLA report also cautioned that these staffing ratios were not accurate due to the methodology used to develop the ratios, including (1) a total lack of data for certain job functions such as court-ordered home studies, (2) variations in task and workload definitions, and (3) limitations in available data supporting the time requirements for completion of certain tasks that prevented CWLA from determining accurate workloads during the time of CWLA's study. Because of these limitations, CWLA drew upon comparisons with actual workload studies conducted in other jurisdictions outside of Maryland to develop the 14 preliminary ratios. CWLA noted that policy and procedural variations from one jurisdiction to another may result in some disparities in job performance times and, therefore, strongly recommended that DHR complete a Maryland-specific "task and workload analysis that defines all service delivery functions, the activities associated with their performance at a level that produces acceptable outcomes, and establishes the time required for each." As of March 24, 2008, SSA had not completed a task and workload analysis.

The quality of child welfare services, the safety of children, and the effectiveness of the local department caseworkers and their supervisors can be directly affected by the ratio of caseworkers to children under supervision.

Recommendation 3
We recommend that SSA take appropriate action to ensure the reliability of current caseload reports and complete the aforementioned task and workload analysis recommended by CWLA to ensure that proper caseload ratios are established for each of Maryland's child welfare services.
We also recommend that SSA take the necessary action to achieve these newly-established caseload ratios.

Finding 4
SSA had not developed and maintained a reliable and accurate single registry source of information about individuals known to be guilty of child abuse or neglect or found responsible for indicated abuse or neglect.

Analysis
SSA did not ensure that all individuals known by SSA or the local departments to be found guilty of child abuse or neglect by the courts or found responsible for indicated abuse or neglect by social workers were identified as such in a central registry. A lack of complete and up-to-date information in a comprehensive central registry could hinder investigations and could result in incorrect reporting to the federal government. State law, while allowing the creation of a central registry, does not clearly specify how it is to be maintained. State law defines the central registry as “any component of the Department’s confidential computerized database that contains information regarding child abuse and neglect investigations.”

Currently, central registry information is fragmented and may be in the older CIS or in the new CHESSIE system, or in both. In CIS, individuals were not specifically identified as the abuser or neglector. Instead, all individuals associated with the cases were identified in CIS without designating the individual(s) as the abuser or neglector; accordingly, a labor-intensive review of the individual case files at a local department would be needed to determine the identity of the abuser or neglector. Although we were advised it was SSA’s intent to consolidate central registry information in CHESSIE, this identification limitation prevented SSA from automatically transferring existing data to CHESSIE.

Our review of 25 protective service cases with a finding of abuse or neglect disclosed that 11 individuals indicated as responsible for abuse or neglect were not specifically identified as a child abuser or neglector in CHESSIE. For another 5 individuals, their cases were incorrectly recorded in CHESSIE as still in appeal, unsubstantiated, and/or ruled-out although final determinations of “indicated” abuse or neglect had been made.

State law permits SSA to maintain in the central registry the information to identify individuals that have been found guilty by the courts of child abuse or neglect or found responsible for indicated abuse or neglect by social workers. The central registry information is required to be made available to law enforcement personnel who are investigating a report of suspected abuse or neglect, as well as to SSA and local department protective service staff. For example, the central registry is used to identify individuals with a history of child abuse or neglect living in the home of a potential foster, kinship, or adopting parent or caregiver. Also, federal laws require SSA to report detailed child abuse information to the federal government and the conditions cited above could impact the reliability and accuracy of those reports.

Recommendation 4
We recommend that SSA pursue creation of a consolidated, comprehensive registry to aid in investigations and reporting. We also recommend that SSA ensure that all individuals known to be guilty of child abuse or neglect or found responsible for indicated abuse or neglect are specifically and accurately identified as such in the central registry records. Finally, we recommend that SSA take immediate action to correct this information in the cases disclosed above.

Financial Monitoring of Foster Care and Adoption Services

Finding 5
SSA did not ensure that all foster care children eligible for federal funding for delivered services were identified and related funds obtained.

Analysis
SSA had not established adequate procedures to ensure that all available federal funds under Title IV-E were obtained for certain services delivered to eligible foster care children. Similar conditions were commented upon in our preceding audit report. Furthermore, the full extent of the problem could not be readily determined because system reports were not available to identify children that are potentially eligible for, but for which SSA is not receiving, federal funding.

Before the implementation of CHESSIE, SSA provided local departments with periodic reports of foster care cases with pending or missing Title IV-E eligibility status codes from the Foster and Adoption Child Tracking System (FACTS), the previous foster care reporting system. The local departments were to review these reports and notify SSA of the appropriate actions taken to resolve these cases. However, SSA no longer issues these periodic reports since FACTS was discontinued and the corresponding CHESSIE reports were deemed unreliable by SSA (see Finding 1), hampering SSA's ability to ensure that local departments are properly determining initial foster care eligibility. The current impact of this condition cannot be readily determined; however, in our preceding audit report we commented that a determination of children potentially eligible for Title IV-E benefits had not been made for 232 of the 8,869 foster care cases as of April 2004.

Furthermore, once eligibility was established, SSA did not ensure that re-determinations were performed every six months as generally required by State regulations. Re-determinations are performed to determine that the child continues to remain eligible for federal benefits. The lack of reliable information from CHESSIE to identify foster care cases currently due for Title IV-E eligibility re-determinations severely hindered the re-determination efforts, and prevented anyone from readily determining the current extent of the problem. During our current audit, our limited test of 10 re-determinations disclosed that these re-determinations were performed in accordance with State regulations. However, as noted in our preceding audit report, as of April 2004, 1,000 foster care cases eligible for Title IV-E benefits were overdue for Title IV-E eligibility re-determinations.

The failure to identify all eligible children and claim federal benefits results in payments from the State General Fund that could be covered by the federal government. The failure to perform re-determinations within the federally-mandated 12-month period could result in the termination of federal benefits for eligible children. According to the State's records, in fiscal year 2007, the State received approximately $116.4 million in federal Title IV-E benefits.

Recommendation 5
We recommend that SSA establish a reporting mechanism to periodically identify children potentially eligible for Title IV-E benefits and that these reports be provided to the local departments of social services for follow-up. We again recommend that SSA establish follow-up procedures to ensure that the local departments identify all foster care children eligible for federal Title IV-E benefits and that appropriate actions are taken to obtain these benefits. We also again recommend that SSA ensure that eligibility re-determinations are performed every six months in accordance with State regulations.

Finding 6
SSA did not monitor decisions of case workers to place foster care children with non-preferred providers, which generally charged higher rates.

Analysis
SSA did not establish procedures to ensure that local departments of social services were placing foster care children with preferred group providers when available. These preferred providers generally charged lower rates than non-preferred providers offering similar services with the same level of intensity. Under the rate-setting procedures implemented by the Maryland State Department of Education's Interagency Rates Committee in July 2000, group foster care

providers were designated as preferred or non-preferred providers based on the calculated annual payment rate per child. The annual payment rate differences can be substantial. For example, fiscal year 2007 annual payment rates established for one preferred group provider and one non-preferred group provider offering similar services with the same level of intensity were $120,596 and $201,713 per child, respectively – a difference of 67 percent. It is not possible to determine the additional costs associated with SSA's use of non-preferred providers, as this would involve making certain assumptions, including hypothetical placements for every child; however, according to SSA's records, as of June 30, 2006, at least 405 children were placed with non-preferred providers for fiscal year 2006 costs totaling at least $33.8 million.

This condition was commented upon in our two preceding audit reports. In response to the preceding report, DHR stated it was developing a child welfare case management automated system (CHESSIE) that would match potential foster care children with appropriate placement resources in cost order (that is, preferred group providers before non-preferred group providers) and that would include documented reasons when non-preferred providers were chosen. Even though CHESSIE was implemented in all local departments by January 2007, it was not being used to match children with providers, and SSA was not otherwise monitoring the local departments to ensure that preferred providers were used when available. Our review of 15 children who were served by non-preferred providers in June 2007 disclosed that an adequate justification (for example, space was not available at a preferred provider, or the non-preferred provider offered unique services) was not documented in CHESSIE for 14 of these children.

Recommendation 6
We again recommend that SSA establish procedures to ensure that the local departments of social services are placing children with group care providers in the most cost-effective manner.

Finding 7
SSA did not receive and review all group care provider annual audit reports on a timely basis to identify excess payments for recovery.

Analysis
SSA did not receive and review all audit reports of expenditures submitted by group care providers in a timely manner, and did not take adequate follow-up action for reports not received. Consequently, SSA could not ensure that amounts paid to group care providers were used appropriately, and that certain overpayments retained by the providers, in accordance with State law, were used

for allowable purposes in subsequent years. According to SSA's records, payments to group care providers totaled approximately $185 million in fiscal year 2007.

As of September 2007, SSA's records indicated that, for fiscal years 2005 and 2006, 325 audit reports should have been submitted, yet 45 had not yet been received (21 for fiscal year 2005). Our test of 10 providers that had not submitted their required audit reports as of September 2007 (5 for fiscal year 2005 and 5 for fiscal year 2006) disclosed that SSA took certain minimal follow-up action to obtain the fiscal year 2005 reports and had taken no follow-up action to obtain the fiscal year 2006 reports. Also, these records indicate that 66 of the reports received for fiscal year 2006 had not been reviewed for periods ranging from 19 to 342 days after receipt (average 181 days), as of September 12, 2007, to identify overpayments for collection. Finally, SSA did not have a process in place to determine if overpayments retained from prior years were used for allowable purposes. For example, according to SSA's records, providers retained $3.7 million in overpayments from fiscal year 2005; however, SSA did not review the related expenditures to ensure they were allowable. Although similar conditions were commented upon in our three preceding audit reports, the current status does show some improvement of this longstanding issue.

The State Finance and Procurement Article, Section 7-404 of the Annotated Code of Maryland, and the contracts with foster care group homes, require providers to submit annual audit reports of their financial records to SSA by December following the end of each fiscal year. These annual reports indicate whether funds paid to providers by SSA were used for allowable program expenditures and identify total overpayments for that year, including the amount of overpayments that may be legally retained by providers. Providers can retain overpayments, totaling up to 10 percent of the annual payments received, for certain allowable purposes such as for future years' operating expenses and for expanding services. The remaining overpayments are to be refunded to SSA after the annual reports are reviewed by SSA and requests for repayment are sent to the providers.

Recommendation 7
We again recommend that SSA effectively monitor the funds paid to group care providers, by ensuring that all current and future required reports are received and reviewed in a timely manner. Specifically, we recommend that SSA obtain and review all required annual audit reports for fiscal years 2005 and 2006 to determine the extent of overpayments to be refunded to SSA. We also again recommend that SSA establish procedures to verify that funds

retained by providers from the preceding year were subsequently used for acceptable purposes.

Finding 8
SSA did not have a process in place to obtain supporting documentation for invoices totaling approximately $9.1 million to ensure the propriety of the contractual services charged.

Analysis
SSA did not have a process in place to obtain supporting documentation for $9.1 million in contract costs charged by a State university during fiscal years 2005, 2006, and 2007. Under the terms of the contracts, payments to the university were to be based on the actual time and materials spent by the university. These contracts and invoices were primarily for training provided to SSA staff and local department employees.

For example, SSA did not compare labor charges billed with the university's payroll records, and did not verify the propriety of the allocation of training costs between direct costs and administrative costs by reviewing related source documents, such as subcontractor billings for these contracts. Without verifying and obtaining support for these expenses, there is no assurance that SSA obtained the services for which they were billed. In addition, there is no assurance that SSA can substantiate its related federal reimbursement claims for Title IV-E foster care expenditures, which have differing federal participation rates of 75 percent for the direct training costs and 50 percent for the administrative costs. In February 2007, the federal government disallowed $3.2 million of SSA's Title IV-E claims for training costs for calendar years 1999 through 2001 because of lack of substantiation.

Recommendation 8
We recommend that SSA obtain and review adequate documentation, such as time sheets, to support the propriety of amounts billed and the allocation of training expenses.

Finding 9
SSA had not established a monitoring process to help ensure that monthly adoption assistance subsidies were only provided for eligible children.

Analysis
SSA had not established monitoring procedures to help ensure that adoption assistance subsidies for children were properly determined by the local departments prior to authorizing the subsidies and annually thereafter, as required. As a result, SSA lacked assurance that adoption subsidy payments were only provided for eligible children.

Our test of 20 adoption subsidies disclosed that the annual eligibility re-determinations were not always performed timely, as the re-determinations for 5 of those subsidies were performed between 100 and 299 days after the due dates. For two other subsidies, $3,945 in payments were made for these children after they reached 21 years of age and were no longer eligible for the subsidy because of their age. These payments were made in the three months after they reached 21 years of age, and were discontinued by their local departments when discovered, but the ineligible payments were not pursued for recovery, as required.

The primary purpose of the adoption assistance subsidy program is to remove the financial disincentives to the adoption of special needs children and to facilitate adoption of sibling groups by reducing the potential economic strain resulting from adopting multiple children. Generally, the subsidy payments for adopted children may continue until the age of 18; the subsidy payments for certain children, such as those with special needs, may continue until the age of 21. Adoption subsidy payments totaled approximately $60.2 million in fiscal year 2007. As of September 30, 2007, 5,225 children were identified in CHESSIE as eligible for adoption subsidy payments.

Recommendation 9
We recommend that SSA establish a process for monitoring the local departments to ensure that adoption subsidy payments are only made for eligible children. In addition, we recommend that subsidy payments for non-eligible children be pursued for collection, including the aforementioned $3,945. Furthermore, we recommend that SSA ensure that related eligibility re-determinations are performed annually and timely in accordance with State regulations.

Exhibit 1
Foster Care Program—Rates of Noncompliance
(Excerpt from March 18, 2005 Audit Report)

Attributes With Reported Deficiencies Identified During Performance Audit	Noncompliance Rates Reported ❶		
	May 14, 2002 Audit Report	**October 16, 2003 Follow-up**	**March 18, 2005 Audit Report**
Required Annual Well-Child Exam Received	33%	32%	20%
Specific Health Needs Addressed	14%	NA	NA
Required Dental Exams Received	69%	67%	40%
Recommended Therapy Received	28%	48%	13%
Child Was Attending School	35%	18%	35%
Monthly Face-to-Face Contact With Child	44%	22%	31%
Meeting With Child At Provider Every 3 Months	20%	16%	37%
Face-to-Face Meetings With Provider Every 3 Months	17%	NA	NA
Monthly Contact With the Provider	38%	27%	26%
Concurrent Permanency Plans Prepared	26%	13%	13%
Case Reassessment Performed Timely	24%	NA	NA
Evidence of Criminal Back-ground Check and/or Review of Child Abuse Registry	46%	22%	34%
Annual Fire Safety Inspection Performed	77%	18%❷	15%❷
Annual Health and Sanitary Inspections Performed	69%	21%	19%
Timely, Comprehensive Reevaluations Performed	37%	24%	20%

Source: OLA audit report dated March 18, 2005

❶ The noncompliance rates initially reported in the May 14, 2002 audit report were determined by OLA during the audit. The October 16, 2003 and the March 18, 2005 noncompliance rates reports were provided to us by SSA and were unaudited.

❷ Comparison of the October 16, 2003 and the March 18, 2005 fire inspection noncompliance rates with the May 14, 2002 rate is misleading due to a change in regulations, which are now less stringent. State regulations previously required the approval of the State Fire Marshall or local fire officials or an authorized individual, agency, or private organization that the foster home met the safety requirements of the local fire department for both the initial and annual fire inspections. State regulations now require the same level of approval for the initial inspection only; for subsequent inspections, an inspection form completed and signed by the provider and caseworker is now acceptable.

NA Not applicable since this attribute was not monitored by the statewide case review process (the Child Welfare and Adult Services Performance Review System, or CAPS) at the time.

Exhibit 2
Federal Child and Family Services Review (CFSR)
Outcome Measures (Unaudited)

Outcome Measures	Achieved Prior to PIP❶	Achieved as of May 2007❷	Percentage Point Increase❸
Safety			
Children are safe from abuse and neglect	87%	88%	1
Children are safely maintained at home when possible	81%	92%	11
Permanency			
Children have permanent and stable living arrangements	27%	67%	40
Continuity of family relationships is preserved	64%	67%	3
Child and Family Well-Being			
Families have enhanced capacity to provide for children's needs	61%	70%	9
Children receive services to meet their educational needs	87%	88%	1
Children receive services to meet their physical and mental health needs	80%	81%	1
Systemic Factors			
Statewide Information System	No	❹	NA
Case Review System	No	❹	NA
Quality Assurance System	No	❹	NA
Training	Yes	❹	NA
Service Array	No	❹	NA
Agency Responsiveness to the Community	Yes	❹	NA
Foster and Adoptive Parent Licensing, Recruitment, and Retention	Yes	❹	NA

❶ SSA's Program Improvement Plan. The percentages achieved are based on the CFSR results from November 2003. SSA was required by the U.S. Department of Health and Human Services to achieve a 90 percent success rate for each outcome measure.

❷ The percentages achieved are based on SSA's May 2007 review. SSA was required by the U.S. Department of Health and Human Services to achieve a 90 percent success rate for each outcome measure.

❸ Percentages are rounded to the nearest percentage.

❹ The Systemic Factors were not measured during SSA's May 2007 review.

NA Not applicable since this attribute was not measured by percentages achieved.

Audit Scope, Objectives, and Methodology

We have audited the Department of Human Resources (DHR) - Social Services Administration (SSA) for the period beginning May 3, 2004 and ending June 30, 2007. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine SSA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of SSA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services provided to SSA by the DHR – Office of the Secretary. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Office of the Secretary. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of SSA's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including SSA.

Our audit scope was limited with respect to SSA's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during a portion of the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all SSA cash transactions prior to July 1, 2005 were accounted for and properly recorded on the related State accounting records as well as the bank's records.

SSA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect SSA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations.

DHR's response to our findings and recommendations, on behalf of SSA, is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DHR regarding the results of our review of its response.

APPENDIX

State of Maryland
Department of Human Resources
Maryland's Human Services Agency

Martin O'Malley
Governor

Anthony Brown
Lt. Governor

Brenda Donald
Secretary

October 3, 2008

Bruce A. Myers
Legislative Auditor
State of Maryland
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Myers:

This is to respond to your letter of September 17 enclosing the draft audit report on the Department of Human Resources – Social Services Administration for the period beginning May 3, 2004 and ending June 30, 2007.

My staff and I wish to compliment the staff who performed the audit for their very thorough and professional work. This report, covering a period of time that ended shortly after this Administration took office, has proven to be a very useful guide to the improvements that we are making in reforming the child welfare system in Maryland.

Attached please find our detailed responses to the findings and recommendation contained in the draft audit report. You will note that there is significant agreement with these findings and recommendations. I trust that you will see the equally significant progress we have made in resolving the issues in the report. I agree with your observation that many of the problems noted in the audit report are due to the Department's inability to fully implement the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE). Exercising the strong executive management leadership that you found lacking in your previous report in 2004, I have directed an aggressive effort to identify and resolve the myriad issues and problems related to the full implementation of MD CHESSIE.

In the attached material, you will see how this Department has, and is, successfully resolving those issues that your office has identified. Please feel free to get back to me if you have any questions about this response.

Sincerely,

Brenda Donald

Brenda Donald
Secretary

Response to Legislative Audit
Department of Human Resources
Social Services Administration
Audit Period: May 3, 2004 to June 30, 2007
Response Date: October 2, 2008

Finding and Recommendation 1 – MD CHESSIE

The Department concurs with the findings and recommendations of the audit and notes that it represents a condition that existed in the past. The Department is making remarkable progress in moving MD CHESSIE forward, given that the new system, upon full implementation as of January 2007, had both data conversion flaws and a system design that was completed five years earlier. The combination of these problems led to the problems noted by the auditors. In a service system that has over 25,000 reports of child maltreatment per year; makes 8,000 adoption and guardianship and subsidy payments every month; and on any given day, serves over 6,000 CPS investigations, about 4,000 in-home service cases, and about 9,500 out-of-home placements, these data problems have been challenging. Much progress has and continues to be made.

The leading edge for change is the MD CHESSIE Tiger Team, consisting of State and local staff, which is identifying, prioritizing, and advocating changes that will benefit the front line staff and clients and will improve data integrity and payment accuracy.

Much progress has been made. The Department's Office of the Secretary, Office of Technology for Human Services, and the Social Services Administration, relying on Tiger Team and local Department of Social Services (LDSS) feedback, have combined their efforts to aggressively address issues noted in the report and identified by staff in the areas of:

- **Performance Problems –** Culminating in the implementation of several solutions between the spring and summer of 2007 that effectively addressed the very slow response times experienced by MD CHESSIE users. Response time is now often less than a second, and performance is monitored 24/7 to pinpoint and address problems as soon as they arise. In FY 2009, as detailed in our August 11, 2008 report to the Joint Chairmen, we plan to spend and additional $1.0 million to increase system performance.
- **Design Problems –** Several major enhancements were funded in the 2007 legislative session which were designed, tested, and implemented during State Fiscal Year 2008. These included Client Merge, Enhanced Search, Statewide View of Investigations-Post Appeal, Supervisory Override and Financial Module enhancements.
- **Report Challenges –** The implementation of MD CHESSIE included the roll out of over 100 reports, some of which were not thoroughly tested. The Department has been reviewing reports and deciding which reports must be updated for use. In addition, a whole new set of MD CHESSIE reports has been created to address the State Stat requirements for the Social Services Administration. As reported to the Joint Chairmen, we plan to spend approximately $252,000 to improve our reports, excluding the additional funds set aside for AFCARS as will be discussed further below.

As of August 2008, 90% of the current cases in Maryland have achieved a high level of completion in MD CHESSIE, a substantial increase from 38% in May 2007. The Department is rapidly closing in on this critical milestone, which is a prerequisite for the last remaining major challenge for MD CHESSIE: activating the payment functionality for foster care maintenance. This functionality will "Go Live" in December 2008 for payment for services rendered in November 2008. Several steps and reviews are underway to improve accuracy and assure a smooth transition to the new payment system. The most significant are:

- **Ensuring Sufficiently Complete and Accurate Information.** The Department has taken advantage of the opportunities provided by the State Stat requirements to create new MD CHESSIE reports designed to improve the accuracy and reliability of reporting in MD CHESSIE. Local jurisdictions have been producing hand counts to meet the monthly State Stat requirements. These hand counts are then compared to the new MD CHESSIE State Stat reports to help determine whether the LDSS hand counts match the State Stat reports generated from MD CHESSIE. Once 100% accuracy is obtained, MD CHESSIE will begin to generate the new Monthly Accountability Reports, the replacement of legacy system Monthly Management Reports.

- **Successfully Interface CHESSIE with FMIS for Processing Child Welfare Payments.** For the out-of-home placement payments and subsidy payments, additional efforts are being made to attain 100% accuracy in the form of manual reconciliation between the children counted by hand and the children counted in the MD CHESSIE State Stat reports, and fiscal reconciliation with each jurisdiction. State and local fiscal staff are examining the child-by-child variances between what MD CHESSIE says the monthly payment should be against the actual monthly payment. In other words, DHR and LDSS's are focusing attention on getting the right children entered into the system and examining fiscal variances at the child payment level.

- **Entries in CHESSIE Should Update Client Information in the Department's CIS.** The registry for all clients receiving DHR services is the Client Information System (CIS), and all MD CHESSIE clients must be registered properly in CIS. Due to previous business rules, the process of registering clients in CIS has neither been required nor has it been successfully and fully administered. This problem is exacerbated by another problem— the number of duplicate client identification numbers assigned to the same client—which is related to MD CHESSIE's client original search design. To address this problem, the Department has taken number of steps: (1) improvement of client search is a major enhancement; (2) a "client merge" enhancement which now enables authorized users to merge duplicate clients created in the MD CHESSIE system; and (3) a CIS utility to "unregister" and "reregister" a MD CHESSIE client. These improvements will help each jurisdiction reduce the duplication and errors in client identification

For the future, the Department is continuing to improve the reliability and accuracy of MD CHESSIE, as mentioned above, the Department has committed $4 million in the FY2009 budget for MD CHESSIE. These funds will provide the resources for additional system upgrades that have been identified to support the DHR Place Matters initiative for child welfare services in Maryland, including critical Financial Management updates (e.g. Reporting Child Accounts Activity, Record Credits on Collection Screen, Use of Court Ordered Flex Fund Categories, Adding Category Codes to Fiscal Funding Allocation, IV-E Deprivation Factor IV-E Special Edit, Void Function Required for Adoption Subsidy Eligibility, Improving Bed Retainer Fee Functionality, Accounts Receivable Ticklers for system generated receivables, Over/Under processing for Adoption and Guardianship Subsidy payments, and Restrict Service Log voucher reprint function to supervisors).

In addition, the FY2009 budget will provide improvements in the provider management module, the case management module, and additional reporting functionality. These improvements will align MD CHESSIE more closely to Maryland's child welfare business practice, will significantly improve improve the Department's federal AFCARS and NCANDS data quality and reporting, and incorporate Child and Family Services Reviews' Onsite Review Instrument. These improvements will combine to help improve MD CHESSIE's data accuracy during FY2009. Specifically and responsive to specific concerns in this finding, the Department has engaged federal assistance in improving out AFCARS reporting and has reported to the Joint Chairmen that it will allocate approximately $170,775 for system improvements to ensure more accurate federal AFCARS reporting.

MD CHESSIE, updated with the improvements noted, will provide:

- An automated case record support for caseworkers that accurately, efficiently, and effectively tracks children and the services provided to them and their families, thereby improving staff utilization and reducing the costs of administering services.
- Foster care maintenance payment validation by child welfare frontline staff and vendor services payments via the Comptroller's office, thereby increasing payment accuracy.
- Alignment and standardization between technology systems and support with the needs of frontline child welfare staff, facilitating compliance of Maryland practice with state and federal regulations and standards (e.g. guidelines for the child and family services review, the child welfare accountability act, the national standards for child welfare services), thereby improving service and client outcomes.

In summary, MD CHESSIE, as the Department has aggressively mobilized resources to address the problems that beset early implementation as documented by the auditors, will facilitate an effective, economical, and efficient child welfare system that controls costs by supporting children in their homes, where possible; reduces administrative casework, allowing caseworkers more time for contact with clients, analysis, and decision-making; and reduces cases in the long-term by identifying solutions that work.

Finding and Recommendation 2 – Foster Care Service Requirements

The Department concurs with the second part of Recommendation 2 that it complete the tasks included in the Program Improvement Plan (PIP) that was established as the results of the most recent federal Child and Family Services Review (CSFR). The Department is happy to report that the federal authorities have advised us that we have successfully met all of the 168 benchmarks included in PIP that we developed as part of the CSFR process, thus precluding federal penalties in that round.

The Department also concurs with the first part of Recommendation 2 that it continue to ensure compliance with the service requirements established by State regulations. The report correctly states that SSA discontinued the Child Welfare and Adult Services Performance Review System (CAPS) with the advent of the federal CSFR. However, it fails to mention why. The CAPS was entirely compliance driven. As such, it was not totally reflective of nationally accepted best practices which are focused on good child welfare outcomes. SSA took the occasion of the federal CSFR to develop new strategies to measure the efficiency and effectiveness of child welfare services in Maryland. We highlight three of them, the first two developed and approved as part of our federal PIP, which address this recommendation:

- **The Maryland Child and Family Services Reviews**. The Child Welfare Accountability Act (CWAA) of 2006 established 18 performance measures to assess outcomes for children receiving foster care and other child welfare services in Maryland. The federal CFSR tracks 7 outcomes and 23 performance indicators, many of them identical or closely related to CWAA measures. They are aimed at assessing safety, permanency, and well-being for children and families receiving child welfare services. As part of the PIP, SSA replicated at the state level the in-depth, outcome-oriented CSFR review process that involves the local department's self-assessment (also mandated by the CWAA), and in-depth review of selected cases and an improvement plan.

- **Local Supervisory Review (LSR).** SSA began this process in January 2007 with the assistance of the University of Maryland School of Social Work, also as part of the federal PIP. It supplements information coming from CHESSIE reports and the MD CSFR reviews. It focuses on the outcomes that form the basis of the federal CSFR, qualitative standards established by the Council on Accreditation, and compliance with state and local policies and regulations. It requires a monthly review of child welfare cases selected randomly by SSA. The case reviews document local performance on the qualitative and quantitative measures child safety, permanency, and well-being measures. Through a MOU with the University of Maryland, LSR data is being collected, analyzed and reported on an on-going basis. The LSR instrument was revised during 2008 and has been automated for online use by local supervisors. Beginning October 2008, supervisory training on the revised instrument will be conducted by the University's Child Welfare Training Academy.

- **Accreditation.** DHR is seeking accreditation for all local departments, as required by the CWAA and, in addition, the State central office through the Council on Accreditation (COA), an international, independent, not-for-profit, child-and family-service and behavioral health care accrediting agency that sets standards for performance and quality of services. To date, 13 local departments of social services have been accredited.

Finding and Recommendation 3 – Caseload Ratios

The Department concurs with the findings. The Department recognizes that it had difficulty in the past generating "competent and reliable" information from the Client Information System and/or MD CHESSIE. As our response to Finding 1 indicated, we have made great strides in improving the quality of the data generated by MD CHESSIE and expect that trend to continue.

SSA has completed an internal review of caseload ratios for Maryland focusing on Child Protective Services Investigations, Out-of-Home Care and In-Home Services. We are comparing current caseload ratios in each jurisdiction to CWLA standards. We are currently collecting and analyzing Child Protective Services Investigations and Out-Of-Home Care caseworker data on a monthly basis through StateStat Maryland.

SSA has also initiated a workgroup including Central Office Staff and Local Directors of Social Services that has redefined the levels of service in all In-Home Services Programs. The University of Maryland, School of Social Work participated on this workgroup and assisted with the determination of caseload ratios of redefined services. SSA is currently in discussions with the University of Maryland School of Social Work and CWLA to validate the caseload ratios and to participate in the on-going caseload/workload analysis as required by the Child Welfare Accountability Act.

The SSA Executive Director has completed meetings with local departments that appear to be understaffed according to CWLA standards. These meetings focused on proper management of staffing resources and balancing workloads by reassigning staff. SSA has engaged in internal budget discussions regarding any additional staffing that might be needed to bring local departments to CWLA standards.

Finding and Recommendation 4 – Central Registry for Abuse and Neglect. The Department does not fully concur with the findings and recommendations of the audit in this area. Traditionally the Client Information System was seen as a simple pointer to a paper record that documented a child abuse or neglect investigation. One shortcoming of that system was that all parties associated with an investigation were assigned the same disposition code in the database making it impossible to identify victims from non-victims and maltreators from non-maltreators. It was not until April 1999 that the system changed allowing maltreators and victims to be identified. This means that all investigations prior to April 1999 will **never** have the identifying code, including any such cases converted to MD CHESSIE.

The Department agrees with the need for and continues to take steps to monitor how accurately local department staff are entering maltreator and victim information into MD CHESSIE following a child protective services investigation. Since identification of an individual on the registry as a child maltreator can only occur after an unsuccessful appeal of the finding, the appellant has been found criminally responsible for an act arising from the incident or 75 days have passed indicating that an individual decided not to appeal a finding, close attention needs to be paid to updating the data base to reflect the status of the finding.

The Department notes that 4 of the 16 cases cited in the audit finding were on situations investigated prior to the Department's ability to identify individuals on the data system as being responsible for child abuse or neglect. They would have converted to MD CHESSIE as "no maltreator identified" and will remain as such unless the 'indicated' finding in their case record is appealed and the Department instructed to change the finding (the indicated finding might be blocking their ability to adopt or foster a child and findings prior to April 1999 and thus can still be appealed). However, even if the 4 cases were determined to be appropriately identified in the system, the audit finding would still show approximately 50% of the audit sample to be inappropriately coded on the database.

The Department does not agree with the audit recommendation regarding ensuring that individuals found guilty of child abuse or neglect be specially identified as such in the central registry. **This recommendation goes beyond that which is required by statute and regulation.** First, Family Law § 5-714 indicates, "The Social Services Administration and each local department **may** maintain a central registry of cases reported under this subtitle". That language suggests that the Administration has discretion as to whether a central registry will be maintained and if maintained, requirements for entering information into it. The law provides that if a registry is maintained that it "may not include information from a local department case file until any individual found responsible for indicated or unsubstantiated child abuse or neglect has been found guilty of any criminal charge arising from the alleged abuse or neglect; unsuccessfully appealed the finding in accordance with the procedures established under § 5-706.1 of this subtitle; or failed to exercise the appeal rights within the time frames specified in § 5-706.1 of this subtitle….". The requirement for the department is not to maintain information regarding criminal findings but to **not** enter information into the registry on individuals not found guilty or who have successfully appealed their finding.

Since the Department's finding of indicated child abuse or neglect is based on evidence at the "preponderance level," and not that of "beyond reasonable doubt" required for a criminal conviction, tracking and entering criminal information would be redundant. Additionally, criminal conviction of an act arising from an abuse or neglect incident eliminates an individual's ability to appeal their child protective services finding making it impossible for the finding of 'indicated' in the registry on an individual with a criminal conviction to be challenged. Should an individual prevail in a criminal case and be found not responsible, their rights to appeal the local department finding are restored. It is up to the individual to pursue their appeal. Also, individuals applying to foster or adopt children or to work or volunteer in certain settings are required to obtain both a criminal background check and child abuse and neglect central registry check making it unnecessary for criminal information to be maintained in the registry. Lastly, there is no formal link between law enforcement/local State's Attorney and a local department of social services for sharing information regarding the outcome of a criminal proceeding. Most often the work of a local department of social service is completed well before any criminal proceeding. It would be up to the local State's Attorney in each jurisdiction to forward information regarding the outcome of a criminal proceeding back to a local department of social services. However, as stated above, maintaining criminal information in the Child Abuse and Neglect Central Registry would be duplicative.

Finding and Recommendation 5 – Maximize federal Title IV-E Funding

The Department concurs with the finding and recommendations in the report. When FACTS was discontinued, the Title IV-E Federal Funding Unit was unable to provide monthly reports to local departments regarding Title IV-E eligibility. However, during this period and the transition to MD CHESSIE, the Title IV-E Federal Funding Unit conducted extensive training and on-site visits to review records and ensure correct eligibility/funding decisions were made by the local department eligibility specialists.

The Department also agrees that this item is closely related to Finding 1. Recognizing that, the Department has made significant improvements in MD CHESSIE, in this case to provide several reports to identify all foster care children potentially eligible for Title IV-E benefits and also ensure that re-determinations are performed for eligible children every six months. Below are the MDCHESSIE reports the Department will use to establish adequate and on-going follow-up procedures:

- Monthly listing of children in MDCHESSIE with foster care program assignment based on the foster care entry date.

- Monthly list of children in foster care with pending code on the IV-E status field. The purpose of this list is to provide the local department IV-E eligibility specialists with a complete list of cases overdue for IV-E determination.

- Monthly list of Title IV-E eligible children due for six-month re-determination in the previous month. The purpose of this list is to provide the local department IV-E eligibility specialists with a complete list of cases due for re-determination.

Furthermore, in the report to the Joint Chairmen mentioned in the discussion of Finding 1, we have allocated $415,800 in FY 2009 to enhance MD CHESSIE's Title IV-E processing capabilities. Through this initiative and our commitment to the overall improvement of the data in MD CHESSIE, data quality will be greatly enhanced and payments will be directly linked to the child's eligibility. The ability to link eligibility to direct payments for children will help to ensure that federal funds are being obtained for all eligible foster care children.

Finding and Recommendation 6 – Use of Non-Preferred Providers

While the Department concurs with the overall findings and recommendation on this item, we wish to clarify a portion of the analysis. It is not completely correct to say that the non-preferred providers are necessarily the high-cost providers. It is quite possible that a provider with a high rate may be preferred because the levels of intensity scores for that provider are equally high, which justifies the rate. The process by which group care providers are designated as preferred/non-preferred providers through the Interagency rate-setting process is not based solely on the calculated annual payment rate per child as the report suggests. Each program's budget is compared to the mean of the final budgets of all other providers in the same program type category. A composite intensity score is also calculated for each program budget. The intensity score is a measure of the extent and intensity of services provided to children placed in a program. Programs that serve children with greater needs have higher intensity scores than programs that serve children with lesser needs. Each provider's intensity score is compared to the mean of the final intensity score of all other providers in the same program type category. Programs are then assigned a designation of "preferred provider" or "non-preferred provider" based on a comparison of the program's budget and intensity scores.

SSA is developing placement protocols to assist local departments in the placement making decision for children. The combination of MD CHESSIE as a tool, in conjunction with the protocols being developed, should eliminate placement in resources that are not matched appropriately with the child's needs. Beyond that, SSA is developing a process of Utilization Review (UR) for children placed in group homes. This UR process will assure that children placed in group homes are receiving the appropriate services to meet their needs and are recommended for step-down, if that level of care is no longer needed. SSA plans to initiate these processes during FY 2009.

Finally, continuing our agreement with the auditors that MD CHESSIE will go a long way to resolving a number of the issues reported from the audit, we note that MD CHESSIE has functionality that, when the worker selects a non-preferred provider, a text box appears that requires the worker to enter the reason why the worker selected the non-preferred provider.

Finding and Recommendation 7 – Group Care Provider Audits

The Department concurs with the auditor's recommendation to ensure that all current and future required reports are received and reviewed in a timely manner. The Department appreciates the acknowledgement that there has been "some improvement of the longstanding issue." We agree that more can be done. More specifically:

- **Ensuring reports are received.** In response to the condition mentioned in the audit, SSA has instituted an early notification procedure to address timely receipt of annual audit reports. Notification is sent to all providers at least two month prior to the due date advising them of the December due date for audit reports and the penalties that may be applied for late reports. During 2008, SSA began enforcement of audit requirements through a "Hot List." After inquiry into potential good cause reasons for a failure to submit an audit and upon notification, delinquent providers were placed on the "Hot List." This mechanism identifies providers with outstanding audit reports or other contractual or licensing issues and prevents further placements by prohibiting local departments from making new placements at facilities on the list. This list is accessible to local department staff through the DHR Intranet and is updated as needed. This list is also used to block placements in CHESSIE and prevent additional payments to providers who are delinquent. As a result of this mechanism, for those due for FY 2007, required reports have been received, or the provider is under sanction and on the list or the provider has gone out of business.

- **Proper use of retained earnings.** In response to the report's recommendation that SSA determine that funds retained by the providers are used for acceptable purposes by the providers, SSA has revised the language for provider contracts for the current contract year that requires that the annual audit report detail how excess funds (retained earnings), allowed under the contract to be kept by the providers, were spent. The revised requirement will be reviewed for compliance during the review by out Office of the Inspector General of these provider audits.

- **Review of reports.** All FY 2005 and FY 2006 audit reports that have been received by the OIG have been reviewed and closed. The OIG receives approximately 150 reports, covering more than 250 contracts, each fiscal year. They target to complete reviews of all current year audit reports before the next years reports are received. Consequently, FY 2007 reports, received in December 2007, are currently being reviewed. These reviews will be completed prior to the receipt of the FY 2008 reports, which will be in December 2008. Maintaining a steady work flow throughout the year has worked well for the OIG, and has no adverse effect on the collection of overpayments.

Finding and Recommendation 8 – Documentation of State University Contract Costs

The Department concurs with the report's finding and recommendation. Within the current fiscal year, SSA will take the following actions:

- determine in collaboration with the Department's Division of Accounting Operations, fiscal documents to be reviewed in addition to sampling of time sheets as suggested in the recommendation
- consults with contract monitors in the Family Investment Administration, where this was an issue in the past, on successful procedures and practices
- modify current University contracts to add language requiring submission of supporting invoice documentation and requiring periodic on-site review of documents to verify appropriate record keeping for expenditure of funds
- develop a schedule with the University to examine documents on-site to verify appropriate record keeping for expenditure of funds

Finding and Recommendation 9 – Monitoring Monthly Adoption Assistance Subsidies

The report identified three separate issues. We will address each in turn:

1. Adoption subsides continued to be issued after 21st birthday of child.

The Department concurs with the finding and agrees that youth who are age 21 should not receive payment pass their birth date. As of November 1 2008 (effective for payments that will be made in December), all fiscal payments will be issued via MD CHESSIE. MD CHESSIE automatically stops payments upon a child's 21st birthday, eliminating any possibility of overpayments due to children being ineligible due to age.

2. Yearly redeterminations were not completed on all cases

The Department agrees with the recommendation that eligibility redeterminations occur on a yearly basis. MD CHESSIE provides a management report that addresses this deficit. FM705R reports the number of redeterminations due in the following month. This report is available to all local departments for use to manage their department's status and to ensure that all redeterminations are completed in a timely manner. We have requested the creation of a report detailing overdue redeterminations that will be provided to the local departments on a monthly basis. SSA staff will also track the overdue redeterminations report in order to provide needed follow-up with local department staff to ensure that redeterminations are completed timely. Additionally, as of November 1 2008 (for December payments) MD CHESSIE will not allow a payment to be issued if a redetermination has not been completed within the 12 months preceding the payment date.

3. Overpayments of adoption subsidies not sent for collection activity

In previous years we have been advised that we cannot recoup over payments of adoption subsidies made in error. We will revisit that with the Department's attorneys. MD CHESSIE will prevent the overpayment of adoption subsides, thereby eliminating the need for collection action.

Additionally, SSA will issue a policy directive/memo to provide guidance and direction on the adoption subsidy program by 10/15/08, to include:

- Reiterate the importance of completing redeteminations in a timely manner.
- Provision of COMAR citations relating to the program with the directive that LDSS staff refer to these when making eligibility decisions
- Provide link to Business Objects where all management reports can be located with a directive that local department directors/assistant directors use the reports to ensure that work is completed in a timely manner. SSA staff will monitor local department compliance by accessing reports detailing overdue redeterminations.

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