



# **County of Riverside**

## **INTERNAL AUDITOR'S REPORT**

### **Department of Public Social Services- Foster Care Program**

**May 13, 2008**

Office of  
**Robert E. Byrd, CGFM**  
County Auditor-Controller

4080 Lemon Street  
P.O. Box 1326  
Riverside, CA 92502-1326



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**COUNTY OF RIVERSIDE  
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May 13, 2008

Susan Loew, Director  
Department of Public Social Services  
4060 County Circle Drive  
Riverside, CA 92503

Subject: Internal Auditor's Report #2007-011 – Department of Public Social Services-Foster Care Program

Dear Ms Loew:

We have completed an audit of the Department of Public Social Services' (DPSS) Foster Care Program. The Foster Care Program is funded by the use of federal, state and county funds. Funding is obtained through the Title IV-E Aid to Families with Dependent Children-Foster Care (AFDC-FC) funds. We conducted the audit during the period November 14, 2006 through June 1, 2007, for operations of January 1, 2005 through December 31, 2006.

Our purpose was to provide management and the Board of Supervisors with an independent assessment regarding internal controls over DPSS' monitoring of the foster care providers and compliance with the rules and regulations governing these programs.

Our audit of six foster care providers identified significant noncompliance with federal and state regulations and at least \$2,982,768.78 of questioned costs. California Department of Social Services (CDSS) regulations do not clearly delineate whether the county or the state is responsible for sub-recipient monitoring; however, in a letter dated March 21, 2008 (Attachment A), the State identified itself as "the single state agency responsible for the administration of Title IV-E Foster Care funds." We believe a dual responsibility should be shared between CDSS and Riverside County DPSS due to the Office of Management and Budget Circular (OMB Circular) A-133 requirements. OMB Circular A-133 Sub-part C, Section 300, Part b, requires the auditee to maintain internal controls over Federal programs which provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. DPSS meets the OMB Circular A-133 definition of an auditee: "any non-Federal entity that expends Federal awards which must be audited under this part." Because our audit was limited to a sample of three group homes and three foster family agencies, the

results may not be reflective of all foster care providers. Regardless, our audit results identified the need for DPSS to implement formal monitoring of all foster care providers.

Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management.

We thank DPSS management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.



Robert E. Byrd, CGFM  
County Auditor-Controller

Cc: Board of Supervisors  
County Counsel  
District Attorney  
Executive Office  
Grand Jury

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## **Executive Summary**

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### **Overview**

Foster Care is the temporary care for children who are unable to remain in their own homes and are placed in the custody of Riverside County Department of Public Social Services (DPSS). DPSS is responsible for the placement of foster children in certified homes or facilities. Such facilities include foster family agencies (FFA) or group homes. FFAs are private, not-for-profit agencies licensed by the State of California Department of Social Services (CDSS) Community Care Licensing (CCL) to certify individual homes for the placement of foster children. The FFA is paid a monthly rate which is determined by CDSS. This rate includes a basic foster care rate determined by the child's age, a monthly per child increment and additional monies to cover FFA administrative and social work costs. When a child is placed in an FFA certified home, the county pays the FFA the total rate for that child. The FFA is then responsible for payment to the certified home. Group homes are facilities licensed by CDSS CCL to provide services in a group setting to children in need of care and supervision. Group home rates are established by CDSS and are determined by the level and type of service provided to the child.

Currently, DPSS does business with 65 group homes and 32 FFAs. During the years ending June 30, 2005 and 2006, DPSS received \$47,016,342 and \$50,820,033, respectively, in Foster Care funding. The Foster Care Program is funded by the use of federal, state and county funds. Funding is obtained through the Title IV-E Aid to Families with Dependent Children-Foster Care (AFDC-FC) funds. Funding is shared by the agencies as follows: federal 50% of the costs for federal eligible children, county 30% and state 20%. For non-federal eligible expenses, the county pays 60% and the state pays 40%.

Our audit sample was selected based on total funding and upon suggestions from DPSS management and includes three group homes and three foster family agencies, one of which also operates a group home. During the two-year audit period, total funding for our audit sample was \$20,175,279.

### **Overall Objective**

Our primary objective was to ensure compliance with rules and regulations governing the foster care programs, including: Federal Office of Management and Budget Circular A-122 and A-133 and California Department of Social Services Manual of Policies and Procedures (CDSS-MPP). Specifically, we reviewed DPSS' internal controls over the monitoring of foster care providers and each agency's expenditures, revenue, personnel files, and insurance policies.

### **Overall Conclusion**

Our audit of six foster care providers identified significant noncompliance with federal and state regulations and at least \$2,982,768.78 of questioned costs. California Department of Social Services (CDSS) regulations do not clearly delineate whether the

county or the state is responsible for sub-recipient monitoring; however, in a letter dated March 21, 2008 (Attachment A), the State identified itself as "the single state agency responsible for the administration of Title IV-E Foster Care funds." We believe a dual responsibility should be shared between CDSS and Riverside County DPSS due to the Office of Management and Budget Circular (OMB Circular) A-133 requirements. OMB Circular A-133 Sub-part C, Section 300, Part b, requires the auditee to maintain internal controls over Federal programs which provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. DPSS meets the OMB Circular A-133 definition of an auditee: "any non-Federal entity that expends Federal awards which must be audited under this part." Because our audit was limited to a sample of three group homes and three foster family agencies, the results may not be reflective of all foster care providers. Regardless, our audit results identified the need for DPSS to implement formal monitoring of all foster care providers.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

**Objectives**

To ensure:

- DPSS maintains internal controls over the monitoring of the foster care providers;
- all group home and FFA employees meet the personnel provisions outlined in the CDSS-MPP: Title 22, Division 6, Chapter 5 and 8.8;
- foster care funding is spent in accordance with CDSS-MPP regulations 11-401 through 11-404;
- the group home/FFA is paid in accordance with the guidelines established by the CDSS rate classification levels;
- foster care funding spent on shelter costs does not exceed 12 percent of the fair market value of owned, leased or rented buildings in accordance with CDSS-MPP 11-402.827;
- the group home/FFA maintains appropriate insurance coverage; and
- the Board of Directors is in compliance with the applicable California Corporations Codes and Health and Safety Codes.

**Methodology**

To accomplish our objectives, we:

- identified and reviewed applicable policies and procedures, Board ordinances, laws, codes, and regulations;
- conducted interviews and performed walk-throughs with department personnel;
- performed a risk assessment of the foster care providers based on dollar amount paid and discussions with DPSS personnel;
- reviewed group home/FFA personnel files;
- analyzed group home/FFA expenditures to ensure compliance with CDSS MPP 11-402.82;
- traced and agreed group home/FFA general ledgers to supporting documentation to ensure costs are actual, allowable and reasonable per state and federal regulations;
- traced the provider's payments from DPSS' payment list to the "Days of Care Schedule", to determine if the provider was paid the appropriate amount;

- traced payments to the providers monthly bank statement to ensure payments are deposited to the agency's operating account;
- reviewed automobile, worker's compensation and general liability insurance certificates to ensure reasonableness;
- reviewed the Board of Directors' meeting minutes to ensure compliance with California Corporations Code (CCC); and
- traced shelter costs to the appropriate lease agreement to ensure payments do not exceed 12 percent of the fair market value of the applicable property.



### **Sub-Recipient Monitoring**

#### **Finding 1**

DPSS did not enter into a formal written contract with foster care providers. Additionally, DPSS has no policies and procedures in place to ensure provider contract compliance. Furthermore, DPSS did not consult with CDSS to ensure the foster care providers were monitored for state and federal compliance. As a result, significant noncompliance with state and federal guidelines exists. CDSS and DPSS, as recipients of Title IV-E funds, are responsible for ensuring that providers comply with federal guidelines.

### **Unallowable Costs**

Six of six agencies had unallowable costs totaling \$1,613,505.56 which includes:

- \$539,118.30 of interest expense to finance the purchase of a building, which was not approved by the awarding agency. Over the entire life of the 15-year loan, the foster family agency will pay \$785,744 in interest payments. Interest payments are unallowable costs per OMB Circular A-122 Section 23 without the prior approval of the awarding agency.
- \$390,459.07 used to open and operate a learning center which provides assistance to children requiring tutoring services, including non-foster care children. CDSS 11-402.825(f) disallows the cost of formal educational activities.
- Net costs of \$246,086.86 to open and operate a counseling center during the period January 1, 2003 through December 31, 2006. CDSS MPP 11-402.82 states that reported costs shall be actual, allowable and reasonable. Because the counseling center provides services to non-foster care children and operates under a separate mental health contract, it is not appropriate to manage a counseling center with foster care funding.
- \$195,000 to purchase two Housing and Urban Development (HUD) homes not used for foster care purposes. During the year ending December 31, 2005, the agency spent additional monies on building improvements; however, inadequate recordkeeping prevents us from determining the amounts allocated to the two HUD homes and the five group homes. In addition, \$4,335.95 was spent on property taxes for the two HUD homes and \$125 on carpet cleaning. CDSS-MPP 11-402.82 states that reported costs shall be actual, allowable and reasonable; however, the two HUD homes were purchased for a purpose unrelated to the group home function.
- Net costs of \$91,407.03 to open and operate a thrift store during the period January 1, 2003 through December 31, 2004. The thrift store earned gross revenue of just \$10,900.46 during the same period. CDSS MPP 11-402.82 states that reported costs

shall be actual, allowable and reasonable; however, the thrift store was opened and operated for a purpose unrelated to the foster care function.

- \$43,468.88 of fines and penalties, such as IRS penalties, bank fees, and late fees. Fines and penalties are unallowable per OMB Circular A-122 Section 16.
- \$37,818.77 of interest payments to finance the purchase of 7 vehicles, including five vans and two luxury sport utility vehicles. Interest payments are unallowable per OMB Circular A-122 Section 23 which is unallowable without the prior approval of the awarding agency.
- \$28,353.97 for legal services, although the agency's professional liability insurance covers such services. OMB Circular A-122 Section 22(a)(3) states actual losses which could have been covered by permissible insurance are unallowable.
- \$15,836.18 of miscellaneous interest payments. The payment of interest is not permitted per OMB Circular A-122 Section 23.
- \$9,800 of rent payments for an idle facility not used for Foster Care purposes. Such costs are unallowable per OMB Circular A-122 section 21(a)(2).
- \$6,696.27 of student loan payments which do not appear to benefit the agency. CDSS MPP 11-402.82 states that reported costs shall be actual, allowable and reasonable.
- \$4,911.28 of fundraising costs that is unallowable per OMB Circular A-122 Section 17.
- \$66.73 of purchases made at a lingerie store for a boys group home which is not operated as a program for gay and lesbian children. This cost would not be considered actual, allowable and reasonable under CDSS MPP 11-402.82.
- \$21.27 of alcoholic beverage purchases, which is unallowable per OMB Circular A-122 Section 3.

In addition, five of the six agencies' Board of Directors approved the use of corporate assets for purposes unrelated to carrying out the charitable purpose of the group home/foster family agency. CDSS has published a manual entitled "Facts You Need to Know, Group Home Board of Directors" in response to Senate Bill 933, Chapter 311, Statute of 1998. The legislature requires the board members to sign a statement indicating they have received and read the booklet. Page 9 of the booklet states:

Certain distribution of corporate assets is prohibited such as: (1) transfers of corporate funds or assets to directors, officers, or members without fair consideration; (2) payment of excessive or unauthorized salaries or "bonuses"; (3) improper gifts of charitable assets to individuals; and (4) other uses of corporate assets unrelated to carrying out the charitable purposes of the corporation. A director may be

personally liable for making or receiving a prohibited "distribution" of the public benefit corporation's assets.

Page 3 of the manual states the directors are fiduciaries and "To protect the corporation's interest, the board must guard against harm to the corporation caused by any unfair or unreasonable transactions".

### **Unsupported Costs**

Four of six agencies had unsupported expenses totaling \$610,464.64, which includes:

- \$272,932.48 of clothing allowances;
- \$136,900.70 of vehicle purchases;
- \$104,167.55 of miscellaneous expenditures;
- \$29,930.25 of credit card purchases; and
- \$66,533.66 of credit card cash advances.

Unsupported costs include expenditures for which no receipt, log, invoice or other pertinent documentation was provided. CDSS MPP 11-402.82 states that reported costs shall be actual, allowable and reasonable; however, without proper documentation, we cannot ensure foster care funding is spent accordingly.

### **Inadequately Supported Costs**

Three of six agencies had inadequately supported expenses, totaling \$360,782.06, which includes:

- \$206,228.83 of credit card purchases;
- \$59,747 of Notes Payable;
- \$45,556.23 of miscellaneous expenditures and cash withdrawals; and
- \$49,250 for the repayment of employee loans.

Inadequately supported costs represent expenditures for which a receipt was provided but the business nature of the expenditure could not be easily determined. CDSS MPP 11-402.82 states that reported costs shall be actual, allowable and reasonable; however, without proper documentation, we cannot ensure foster care funding is spent accordingly.

### **Excessive Cash Reserves**

Two of six agencies had excessive cash reserves based on the most recent audited financial statements available. Specifically,

- As of December 31, 2005 an agency retained cash and equivalents totaling \$1,089,434, of which \$895,000 is held in uninsured accounts.
- As of June 30, 2006 an agency retained cash and equivalents totaling \$1,798,456, of which \$1,413,064 is held in uninsured accounts.

Per OMB Circular A-122, a non-profit organization "uses its net proceeds to maintain, improve, and/or expand its operations". Thus, the agency should use its retained earnings to provide additional goods or services to the children under its care. Furthermore, best business practices allow for retained earnings equivalent to 60 days of operating expenses.

### **Unaccounted Revenue**

One agency received foster care revenue which cannot be traced to the agency's bank accounts. Specifically, the agency was paid approximately \$2,578,861.38 for foster care services provided during the period January 1, 2005 through December 31, 2006. However, upon review of the agency's bank statements for the same period, we identified \$2,252,698.94 of deposits. This results in a difference of \$326,162.44.

An additional four agencies received warrants which could not be traced to deposits for the month received; however, additional testing was not performed to determine if the warrants were deposited in subsequent months. Regardless, funds should be available during the month for which they were intended.

### **Excessive Shelter Costs**

Three of six agencies had excessive shelter costs totaling \$71,854.08. One of the three agencies shared office space with their lessor; however, no allocation of square footage identifying how much of the building is operated by each occupant was provided. The same agency provided an appraisal, which values the properties at a higher amount; however, the appraisal was conducted in 1989, before the last change in ownership. Based on the current real estate condition, it is probable the properties were worth more than what they were purchased for; however, without an updated appraisal we are unable to make that determination.

### **Audited Financial Statements**

One of six agencies could not provide audited financial statements for the years ending December 31, 2005 and 2006. Furthermore, one additional agency provided us audited statements which appeared to be incomplete. Without complete audited financial statements, we were

unable to determine the agencies' financial position at year end. In accordance with OMB Circular A-133, DPSS should have procedures in place to ensure foster care providers have the required audits performed. In addition, per CDSS-MPP 11-405.213(a), all agencies that expend more than \$500,000 in foster care funds per year, are required to have audited financial statements prepared annually in accordance with OMB A-133.

### **Personnel Requirements**

Two of six agencies did not ensure their employees met the personnel requirements outlined in state regulations. At one agency, we identified a Supervising Social Worker who had not obtained a Master's Degree as required by CDSS-MPP 88065.2. At the second agency, we identified four employees with no criminal record clearance in the employee's file, as required by Health and Safety Code 1522.

**Recommendation 1.1** DPSS should clearly define its expectations of foster care providers, implement formal contracts and perform periodic monitoring of all providers to ensure compliance.

**Recommendation 1.2** DPSS should work with CDSS to ensure Riverside County foster care providers comply with all state and federal regulations.

**Management's Reply** Partially Agree. The State is responsible for administering the Foster Care System and has assigned specific responsibilities to counties, which include: paying providers based on the State's approved rates, recommending the establishment of new providers or program changes for existing providers, and under limited circumstances, identifying the services offered and verifying that children in high level group homes are receiving the appropriate treatment services. The State guidelines are included as Attachment B.

In addition, DPSS regularly monitors the programs and services provided to children in foster care to ensure that children's needs are being met and that the environment is safe, stable and suitable. It is our current practice to notify CDSS and Community Care Licensing at any time that we identify potential irregularities. If the circumstances warrant, we will suspend placements with a provider pending a review by CCL.

Pursuant to State regulations, DPSS utilizes a State defined agreement for foster parents and group homes. Copies of the agreements are included as Attachment C. These are binding documents that delineate DPSS' responsibilities and the foster parent or group home's responsibilities with regard to the care of a specific child. An agreement is created for each child in foster care.

With regard to recommendation 1.1, DPSS has been following the guidelines as established by the State. DPSS is not opposed to establishing a more formal agreement that more clearly delineates the current roles and responsibilities of each party. DPSS will work with County Counsel, the Auditor-Controller and the State Department of Social Services to modify the current agreement as needed.

With regard to recommendation 1.2, DPSS has a close working relationship with CDSS. As mentioned above, we communicate regularly with CDSS and Community Care Licensing and do not hesitate to bring concerns to their attention for review and action as appropriate. We intend to maintain this relationship to ensure quality care is provided to our dependent children.

**Auditor's Comment** Management's partial agreement should be sufficient to address a portion of the finding identified; however, additional internal controls related to the monitoring of the providers may help the County to better meet its requirements under OMB Circular A-133.

## **Insurance**

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### **Finding 2**

Six of six agencies did not consistently list DPSS as an additional insured party on their insurance policies; although in some instances, other counties or programs were listed. Additionally, one of the six agencies did not carry general liability insurance. Although State and Federal agencies do not stipulate specific insurance requirements, prudent management of risk should require foster care providers to carry insurance to mitigate the County's risk. Without proper insurance coverage, Riverside County is exposed to significant financial liability should a provider be accused of any wrongdoing.

### **Recommendation 2**

DPSS management should require all contractors to carry insurance and list the County as additionally insured.

### **Management's Reply**

Agree. DPSS understands the rationale for protecting the County from liability and typically includes these provisions in contracts with vendors and other service providers. DPSS will work with Risk Management, CDSS and our foster care providers to clarify the need for insurance coverage. This requirement can be incorporated into modifications made to the agreements referenced in Recommendation 1.1.

### **DPSS Payment System**

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#### **Finding 3**

The payment system (C-IV) currently used by DPSS contains inaccurate information, such as, incorrect children's birthdates, length of placement and multiple vendor names for some providers. Specifically, we identified the following:

- children's birthdates per the Days of Care Schedule differed from the DPSS payment system;
- warrants were issued to the provider in an amount different than was reported on the Days of Care Schedule;
- agencies did not receive payment for children reported on the Days of Care Schedule;
- agencies received payment for children not reported on the Days of Care Schedule;
- agencies continued to receive payment for children over the age of 18 without an exception on file; and
- 4 of 6 agencies were paid under multiple vendor names.

Inaccurate placement information may result in significant over/under payments. The Title IV-E program disallows payments made on behalf of ineligible children, or to providers for services they did not provide.

**Recommendation 3** DPSS should implement policies and procedures to ensure the C-IV payment is updated as necessary, resulting in more timely and relevant placement information.

**Management's Reply** Agree. DPSS staff request clarification regarding the discrepancies identified, since several of the findings refer to a "Days of Care Schedule" that is not a DPSS form and may instead be a record keeping system maintained by the providers.

DPSS has detailed policies and procedures in place for administering Foster Care eligibility and payments. DPSS follows the State of California Eligibility and Assistance Standards (EAS) for the Aid to Families to Dependent Children-Foster Care (AFDC-FC) regulations when processing payment cases. The design of the C-IV automated eligibility and payment system is based on the AFDC-FC regulations contained in the EAS.

Additional information related to specific issues raised in the audit report is attached as Attachment D. DPSS is willing to review any specific cases with the Auditor to clarify any issues or concerns with the C-IV payment system.



## **Building Acquisitions**

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### **Finding 4**

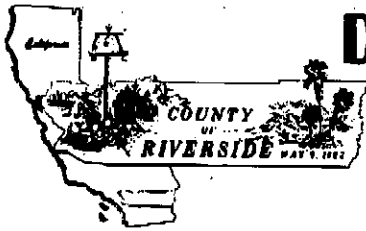
Two of 6 agencies own buildings purchased with foster care funding.

- One agency purchased a building for \$1.5 million, putting \$500,000 down and financing the \$1 million for 15-years at 8.625%. An additional \$169,407.52 was spent on building improvements. Per the agency, the building was purchased with Los Angeles County's funds and approval was obtained prior to the purchase of the building. However, approval documentation was not provided and an inquiry with Los Angeles County Contracts Administration noted that prior approval was not obtained. The agency provides foster care services in Los Angeles, Riverside, San Bernardino and Orange Counties. Without specific documentation to state otherwise, it is assumed that funds received from Riverside County were used in the purchase and finance of the building.
- The second agency used foster care funds to purchase two HUD homes. Both of the homes were purchased with cash. The agency does business with Los Angeles, Riverside and San Bernardino Counties, though the majority of the agency's clients are referred by Riverside County. The agency did not request, nor receive, prior written approval from any County to purchase the homes.

The Code of Federal Regulations (CFR), Title 45, Section 74.37 states the County may record a lien or other notice indicating real property has been acquired, constructed or improved with federal funds, and that use and disposition conditions apply to the property. All real property, equipment, intangible property and debt instruments that are acquired or improved with federal funds shall be held in trust by the County as trustee for the beneficiaries of the program and shall not be encumbered without the approval of the United States Department of Health and Human Services awarding agency.

**Recommendation 4** DPSS management should consult with County Counsel to determine whether the County can place a lien on the properties to protect the County's interest, as regulated in CFR, Title 45, Section 74.37.

**Management's Reply** Given the seriousness of the preliminary audit findings, it is appropriate to take steps to protect the County's interests. DPSS will consult with County Counsel regarding the feasibility of implementing a lien on properties, should that be deemed appropriate.



# Department of Public Social Services

Administrative Office: 4060 County Circle Drive, Riverside, CA. 92503  
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Susan Leew, Director

May 6, 2008

Mr. Robert E. Byrd, CGFM  
County Auditor-Controller  
4080 Lemon Street, 11<sup>th</sup> Floor  
Riverside, CA 92502

**Subject: Draft Internal Auditor's Report #2007-011  
Department of Public Social Services  
Foster Care Program**

Dear Mr. Byrd:

We have reviewed your draft audit report on the Foster Care program and we share your concerns regarding the findings of non-compliance with respect to the use of these funds. DPSS' foremost concern is the safety and well-being of all children, and to ensure that children in foster care receive the care and support needed. Upon learning of these findings, DPSS conducted an immediate check of the children receiving care in these facilities. Despite the accounting irregularities, we determined that the children were receiving outstanding care and nothing warranted a change in placement.

As you have acknowledged, the State is the lead agency in administering the Foster Care System and administers most of the components. The State has assigned a few specific roles and responsibilities to counties, which we will discuss in more detail in response to the recommendations.

Since these concerns were brought to the State's attention, the State responded by advising you that they are responsible for ensuring that foster care providers comply with applicable federal and state statutes. As a result of the concerns identified, the State acknowledged that a complaint would be filed for review by the State's Program and Financial Audits Bureau and to the Community Licensing Division. A copy of the State's response is included as Attachment A.

I share your concern that the public's money be spent in accordance with the law. I am also concerned that Foster Care providers meet the stringent licensing standards established for the safety of our dependent children. In addition, as stewards of public funds, it is also important that we have clarity around the roles and responsibilities for

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Mr. Robert E. Byrd, CGFM  
County Auditor-Controller  
May 6, 2008

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administering the system in order to avoid duplication of services and use the limited resources available in the most efficient and effective manner.

We look forward to working with you and your staff to ensure that our children receive the care and support they need and that the funds provided for their care adhere to state and federal guidelines.

Please feel free to contact me at 358-3005 if you have any questions or wish to discuss this further.

Sincerely,



Susan Loew  
Director

- Attachment A: Letter from G. Rose dated March 21, 2008 – 2 pages
- Attachment B: Responsibilities of County Welfare Departments – 1 page
- Attachment C: Agency Foster Parents Agreement - Form SOC 156 – 2 pages  
Agency Group Home Agreement – Form SOC 154 – 2 pages
- Attachment D: C-IV Payment System – 2 pages

**Recommendation 1.1:**

DPSS should clearly define its expectations of foster care providers, implement formal contracts and perform periodic monitoring of all providers to ensure compliance.

**Recommendation 1.2:**

DPSS should work with CDSS to ensure Riverside County foster care providers comply with all state and federal regulations.

**DPSS RESPONSE – Partially Agree**

The State is responsible for administering the Foster Care System and has assigned specific responsibilities to counties, which include: paying providers based on the State's approved rates, recommending the establishment of new providers or program changes for existing providers, and under limited circumstances, identifying the services offered and verifying that children in high level group homes are receiving the appropriate treatment services. The State guidelines are included as Attachment B.

In addition, DPSS regularly monitors the programs and services provided to children in foster care to ensure that children's needs are being met and that the environment is safe, stable and suitable. It is our current practice to notify CDSS and Community Care Licensing at any time that we identify potential irregularities. If the circumstances warrant, we will suspend placements with a provider pending a review by CCL.

Pursuant to State regulations, DPSS utilizes a State defined agreement for foster parents and group homes. Copies of the agreements are included as Attachment C. These are binding documents that delineate DPSS' responsibilities and the foster parent or group home's responsibilities with regard to the care of a specific child. An agreement is created for each child in foster care.

With regard to recommendation 1.1, DPSS has been following the guidelines as established by the State. DPSS is not opposed to establishing a more formal agreement that more clearly delineates the current roles and responsibilities of each party. DPSS will work with County Counsel, the Auditor-Controller and the State Department of Social Services to modify the current agreement as needed.

With regard to recommendation 1.2, DPSS has a close working relationship with CDSS. As mentioned above, we communicate regularly with CDSS and Community Care Licensing and do not hesitate to bring concerns to their attention for review and action as appropriate. We intend to maintain this relationship to ensure quality care is provided to our dependent children.

**Recommendation 2:**

DPSS Management should require all contractors to carry insurance and list the County as additionally insured.

**DPSS RESPONSE – Agree**

DPSS understands the rationale for protecting the County from liability and typically includes these provisions in contracts with vendors and other service providers. DPSS will work with Risk Management, CDSS and our foster care providers to clarify the need for insurance coverage. This requirement can be incorporated into modifications made to the agreements referenced in Recommendation 1.1.

**Recommendation 3:**

DPSS should implement policies and procedures to ensure the C-IV payment is updated as necessary, resulting in more timely and relevant placement information.

**DPSS RESPONSE - Agree**

DPSS staff request clarification regarding the discrepancies identified, since several of the findings refer to a "Days of Care Schedule" that is not a DPSS form and may instead be a record keeping system maintained by the providers.

DPSS has detailed policies and procedures in place for administering Foster Care eligibility and payments. DPSS follows the State of California Eligibility and Assistance Standards (EAS) for the Aid to Families to Dependent Children-Foster Care (AFDC-FC) regulations when processing payment cases. The design of the C-IV automated eligibility and payment system is based on the AFDC-FC regulations contained in the EAS.

Additional information related to specific issues raised in the audit report is attached as Attachment D. DPSS is willing to review any specific cases with the Auditor to clarify any issues or concerns with the C-IV payment system.

**Recommendation 4:**

DPSS Management should consult with County Counsel to determine whether the County can place a lien on the properties to protect the County's interest, as regulated in CFR, Title 45, Section 74.37.

**DPSS RESPONSE - Agree**

Given the seriousness of the preliminary audit findings, it is appropriate to take steps to protect the County's interests. DPSS will consult with County Counsel regarding the feasibility of implementing a lien on properties, should that be deemed appropriate.

**Attachment A**

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

ARNOLD SCHWARZENEGGER, Governor

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, CA 95814

4/16/08 cc: Loew

Depo

RIVERSIDE COUNTY  
AUDITOR-CONTROLLER



08 MAR 28 PM 3 07

March 21, 2008

Mr. Robert E. Byrd, CGFM  
County of Riverside Auditor-Controller  
4080 Lemon Street, 11<sup>th</sup> Floor  
Riverside, California 92502

Dear Mr. Byrd:

This letter is in response to your letter dated December 11, 2007 and sent to Mary L. Ault, former Deputy Director of the Children and Family Services Division of the California Department of Social Services (CDSS), in which you sent CDSS a copy of a confidential draft report of an audit conducted by the County of Riverside Auditor-Controller's Office. This audit examined Riverside County Department of Public Social Services (DPSS)'s oversight of their foster care program. You indicated in your letter that the findings identified in the audit report raise serious issues, which you believe need to be investigated by CDSS. Further, you requested that CDSS advise you as to the course of action we plan to take regarding this matter.

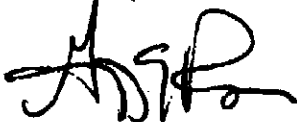
We appreciate you bringing to our attention the issues you identified as a result of your internal audit of Riverside County DPSS specifically regarding the six foster care providers in your sample of the County's foster care program. As the single state agency responsible for the administration of Title IV-E Aid to Families with Dependent Children-Foster Care Program funds, CDSS is responsible for determining group home compliance with applicable federal and state statutes. Pursuant to Welfare and Institutions Code Section 11486.21(a), CDSS requires all foster care providers that operate a group home program or foster family agency to submit Financial Audit Reports (FARs), annually or triennially, in order to receive a foster care rate. The CDSS uses the FARs submitted from providers as one of the tools for monitoring a provider's financial condition and may assess a risk to determine further review of the foster care provider. Additionally, group home and foster family agency funds and expenditures are monitored to ensure that they are dedicated to benefit foster care children, and the use of funds is controlled by CDSS' regulations in the Manual of Policies and Procedures Section 11-404.

Mr. Robert E. Byrd  
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The information contained in the draft audit report is important; however, in its current version, it is not a document upon which CDSS can rely to establish findings. Therefore, CDSS is accepting the information provided in the draft audit report as a complaint that will be handled through our complaint process administered by the CDSS' Program and Financial Audits Bureau. Additionally, we are forwarding a copy of the draft audit report to CDSS' Community Licensing Division (CCLD) for their consideration as there are potential licensing violations identified.

If you would like further discussion, please call me at (916) 657-2614 or Barbara Eaton, Chief, Foster Care Audits and Rates Branch, at (916) 651-9152.

Sincerely,



GREGORY E. ROSE  
Acting Deputy Director  
Children and Family Services Division

c: Margarita Fernandez, Chief of Public Affairs  
Susan Loew, Director, Riverside Department of Public Social Services  
Robert L. Garcia, Chief Deputy Director, CDSS

**Attachment B****RESPONSIBILITIES OF COUNTY WELFARE DEPARTMENTS  
11-425 ~**

- Paying the rate(s) determined by the Department on behalf of AFDC-FC eligible children placed with foster parents and providers.
- Recommending the establishment of a new program by a new or existing provider, or a program change which is either more than one RCL greater than the original RCL determination or a program change to RCL 13 or 14.
- Confirming the existence and legitimacy of more than one program as appropriate.
- Reviewing children placed by the placement agency in the program which is determined to have points at RCL 13 or 14 and verifying to the Department that all the children have special treatment needs.
- Upon request by the Department, counties shall report the county's understanding of the services offered by the program and the population served.
- Cooperating with other placement agencies to form a regional consortium to review group home program requests for county recommendation.
- Participating, if requested by the Department, in the rate review process.
- Submitting to the Department rate payment information for each fiscal year beginning with fiscal year 1983/84, for family homes, homefinding agencies, and group homes.
- Providing the Department with reasonable and applicable information and statistics as required.



# Attachment C

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

## AGENCY - FOSTER PARENTS AGREEMENT Child Placed by Agency in Foster Home

Complete in Duplicate:  
One copy to: Foster parents  
Child's Social Service Record

The agreement will be initiated when the child is placed in the facility and whenever the rate changes.

NAME OF CHILD		PARENT'S NAME	
BIRTHDATE OF CHILD	DATE PLACED	CASE NUMBER	
FOSTER PARENT'S NAME		ADDRESS	

Anticipated duration of placement is \_\_\_\_\_ months.

The agency will pay \$ \_\_\_\_\_ per \_\_\_\_\_ for room and board, clothing, personal needs, recreation, transportation, education, incidentals and supervision. First payment to be within 45 days after placement with subsequent payments no later than the 15th of the month following provision of care.

If additional amounts are to be paid, the reason, amount and conditions shall be set forth here: \_\_\_\_\_

Special problems/needs:  No  Yes If yes, explain: \_\_\_\_\_

**Special Permissions:** Special permission for substitute supervision is subject to Community Care Licensing granting an exception to the licensing regulation, which requires that substitute supervision in the foster home be limited to an adult.

- Child 15 years or older has permission to remain without adult supervision during temporary absences of the (the foster parent(s), not to exceed six (6) consecutive hours in any one 72-hour period.
- Substitute supervision may be provided to the foster child by someone 16 years of age or older (not a foster child) during temporary absences of the foster parent(s), not to exceed six (6) consecutive hours in any one 72-hour period.
- Other (Explain) \_\_\_\_\_
- No special permissions granted.

AGENCY AGREES TO	FOSTER PARENTS AGREE TO
<ol style="list-style-type: none"> <li>Provide the foster parent with knowledge of the background and needs of the child necessary for effective care. This may include a social work assessment, medical reports, education assessment, and identification of special needs when necessary. This shall be made available to foster parents within 14 days from date of placement.</li> <li>Develop a plan for the child and share pertinent aspects with the foster parents.</li> <li>Inform foster parents they may give the same consents on behalf of the child as the parent, except for those prohibitions provided in Social Services Manual Regulations.</li> <li>Not remove the child with less than 7 calendar days written notice unless: the child is physically or psychologically endangered; court orders removal; parents or guardians order removal (voluntary placement); signed waiver obtained from foster parents; removal is from an interim placement directly into an adoptive home.</li> <li>Involve foster parents in future planning for the child. The placement shall be reviewed within 6 months.</li> <li>Assist the child in his use of foster care.</li> <li>Assist in the maintenance of the child's constructive relationships with parents and other family members and to involve parents in future planning for this child.</li> <li>Provide procedure for grievances of foster parents.</li> <li>Contact the child and foster parents at least once a month. If case plan would indicate less frequent contacts, the foster parent will be informed.</li> <li>Inform foster parents if child has any tendencies toward dangerous behavior.</li> <li>Provide Medi-Cal card or other medical coverage at time of placement. Arrange for medical examination within 30 days unless child has had such within past 6 months and information is available.</li> <li>Provide a clothing allowance as permitted to meet initial clothing needs.</li> <li>In cooperation with foster parents arrange for visiting by parents or relatives on: _____</li> <li>Provide assistance with emergencies. Telephone number for after-hours or weekends is: _____</li> </ol>	<ol style="list-style-type: none"> <li>Provide this child the nurture, care, clothing and training suited to his needs.</li> <li>Develop an understanding of the responsibilities, objectives, and requirements of the Agency in regard to the care of this child.</li> <li>Recognize the Agency's responsibility for planning for this child, as given by the court or the parent(s).</li> <li>Recognize any limitations of consent imposed by the court or the parent.</li> <li>Increase their knowledge and ability to care for this child.</li> <li>Encourage the child's relationships with his parents and relatives.</li> <li>Cooperate in visiting arrangements between child and parents.</li> <li>Not use corporal punishment, punishment in the presence of others, deprivation of meals, monetary allowances, visit from parent, home visits, threat of removal or any type of degrading or humiliating punishment, and to use constructive alternative methods of discipline.</li> <li>Respect and keep confidential information given about the child and his family. Immediately notify agency of significant changes in this child's health, behavior, or location.</li> <li>Accept the child's special problems as given above in my provision of care.</li> <li>Help with termination of placement including return to his own parents, relatives home, or adoptive placement.</li> <li>Give the agency prior notice of at least 7 days if removal of child is requested unless it is agreed upon with the agency that less time is necessary.</li> <li>Conform to the licensing/certification requirements.</li> <li>Provide state and federal agencies access to documentation when documentation is maintained on children in their care.</li> <li>Give advance written notice to the licensing agency and the person or agency responsible for the child of any (foster parent(s)) absence of 48 hours or longer. (Absence may be reported by telephone in case of emergencies.)</li> <li>Notify the agency immediately if an application is made on behalf of this child for any kind of income. Examples of income include, but are not limited to, child support payments, Veterans Benefits, Railroad Retirement, Social Security, RSHDI, and Supplemental Security Income/State Supplemental Program (SSI/SSP).</li> <li>Remit to Department of Public Social Services any income received on behalf of this child while in foster care up to the full cost of board and care plus medical cost. In addition, I will cooperate to have the Social Security Administration, or the appropriate agency, make the Department of Public Social Services the payee for any funds received on behalf of this child.</li> </ol>

\*See Reverse Side of Form for Optional Long-Term Placement Intent

I have read the foregoing and agree to meet these requirements. The terms of this agreement shall remain in force until changed by mutual agreement of all parties or when this child is removed from home.

SIGNATURE OF CHILD PLACEMENT WORKER		SIGNATURE OF FOSTER MOTHER	
TITLE	NAME OF AGENCY	SIGNATURE OF FOSTER FATHER	
ADDRESS		ADDRESS	
PHONE NUMBER	DATE	PHONE NUMBER	DATE

**Long-Term Placement Intent**

*I have read the foregoing and agree to meet these requirements. The terms of this agreement shall remain in force until changed by mutual agreement of all parties or when this child is removed from home. In signing this section the agency, foster parents and foster care child signify their desire that this child remain in this home as a permanent member of this family*

SIGNATURE OF CHILD PLACEMENT WORKER		SIGNATURE OF FOSTER MOTHER	
TITLE		SIGNATURE OF FOSTER FATHER	
NAME OF AGENCY		ADDRESS	
ADDRESS		PHONE NUMBER	
PHONE NUMBER	DATE	SIGNATURE OF FOSTER CARE CHILD	

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

**AGENCY - GROUP HOME AGREEMENT**  
**Child Placed by Agency in Group Home**

Name of Child	Parent's Name
Birthdate of Child	Date Placed
Case Number	

Anticipated duration of placement is \_\_\_\_\_ months.

The agency will pay \$ \_\_\_\_\_ per \_\_\_\_\_ for room and board, clothing, personal needs, recreation, transportation, education, incidentals, supervision and social services. First payment to be made within 48 days after placement with subsequent payments to be made monthly.

If additional amounts are to be paid, the reason, amount and conditions shall be set forth here: \_\_\_\_\_

Special problems:  Yes  No If yes, explain: \_\_\_\_\_

Agency Agree To	Group Home Agree To
<ol style="list-style-type: none"> <li>1. Provide the group home with knowledge of the background and needs of the child necessary for effective care. This shall include a social work assessment, medical reports, educational assessment, psychological/psychiatric evaluations, and identification of special needs when necessary. This shall be made available to group home within 14 days from date of placement.</li> <li>2. Work with the group home toward development of a treatment plan.</li> <li>3. Work toward termination of child's placement with group home staff.</li> <li>4. Continue paying for this child's care as long as eligible and the group home maintains child on an active status or until the agency requests that placement be terminated.</li> <li>5. Assist in the maintenance of this child's constructive relationships with parents and other family members, and to involve parents in future planning for this child.</li> <li>6. Contact this child in the group home at least once a month. If case plan would indicate less frequent contact, the group home will be informed.</li> <li>7. Inform group home if child has any tendencies toward dangerous behavior.</li> <li>8. Provide a Medi-Cal card or other medical coverage at the time of placement.</li> <li>9. Provide authorization for medical treatment, signed by this child's parents or legal guardian.</li> <li>10. Provide a clothing allowance as permitted to meet initial clothing needs.</li> <li>11. Provide assistance with emergencies. Telephone number for after-hours or weekends is: _____</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide this child with the nurture, care, clothing, treatment and training suited to his needs.</li> <li>2. Follow admission requirements related to medical screening, physical examination, medical testing and immunization.</li> <li>3. Develop an understanding of the responsibilities, objectives and requirements of the agency in regard to the care of this child and work with the agency in planning for this child.</li> <li>4. Encourage the maintenance of the natural parent-child relationship and include the child's parents in the treatment plan when possible.</li> <li>5. Not use corporal punishment, punishment before the group, deprivation of meals, monetary allowances, visits from parents, home visits, threat of removal or any type of degrading or humiliating punishment and to use constructive alternative methods of discipline.</li> <li>6. Respect and keep confidential information given about the child and his family.</li> <li>7. Work toward termination of placement on a planned basis with maximum involvement of the child, parents and the agency.</li> <li>8. Conduct a staffing or review on this child at least quarterly.</li> <li>9. Submit an initial diagnostic summary to the agency within three (3) months from the date of placement. This summary shall include information listed on the reverse side of this agreement form.</li> <li>10. Submit ongoing written evaluations to the agency quarterly. These evaluations shall include information listed on the reverse side of this agreement form.</li> <li>11. Immediately notify agency of significant changes in this child's health, behavior or location.</li> <li>12. Submit copies of any pertinent information such as school reports, medical reports and psychological/psychiatric reports as completed.</li> <li>13. Give agency prior notice of at least 7 days of intent to discharge this child unless it is agreed upon with the agency that less notice is necessary.</li> <li>14. Conform to the licensing requirements.</li> <li>15. Provide state and federal agencies access to documentation when documentation is maintained on children in their care.</li> <li>16. Notify the agency immediately if an application is made on behalf of this child for any kind of income. Examples of income include, but are not limited to, child support payments, Veterans Benefits, Railroad Retirement, Social Security, RMDI, and Supplemental Security Income/State Supplemental Program (SSI/SSP).</li> <li>17. Permit to Department of Public Social Services any income received on behalf of this child while in foster care as to the full cost of board and care plus medical cost. In addition, I will cooperate to have the Social Security Administrator, or the appropriate agency, make the Department of Public Social Services the payee for any funds received on behalf of this child.</li> </ol>

I have read the foregoing and agree to conform to these requirements. The terms of this agreement shall remain in force until changed by mutual agreement of both parties or this child is removed from the group home.

Signature of Children Placement Worker		Signature of Authorized Group Home Representative	
Title	Name of Agency	Title	Name of Group Home
Address		Address	
Phone Number	Date	Phone Number	Date

**Initial diagnostic summary shall include:**

- A. Medical and dental needs
- B. Psychological/psychiatric evaluations obtained
- C. Staffing review summaries
- D. Educational assessment
- E. Peer adjustment
- F. Relationship to staff
- G. Involvement in recreation program
- H. Behavioral problems
- I. Short-term treatment objectives (goals established for next 3 months)
- J. Long-range goals including anticipated length of placement
- K. Tasks planned to reach objectives and goals and staff who will be performing these tasks, including agency service activity
- L. Identification of unmet needs
- M. Involvement of child and his parents in the treatment program

**Quarterly evaluations shall include:**

- A. Current status of child's physical and psychological health
- B. Reassessment of child's adjustment to the group home, program, peers, school and staff
- C. Progress toward short-term objectives and long-range goals including tasks which have been performed to reach these objectives and goals
- D. Reassessment of unmet needs and efforts made to meet these needs
- E. Modification of treatment plan, tasks to be performed and anticipated length of placement
- F. Involvement of child and his parents in treatment program

**Attachment D****C-IV Payment System**

Following are the concerns raised in Finding 3 and clarifying Information regarding C-IV and our Eligibility Process:

- Children's birthdates per the Days of Care Schedule differed from the DPSS payment system

Birthdates in C-IV are documented based on a birth certificate or other documentation that is prescribed by EAS regulations.

- Warrants were issued to the provider in an amount different than was reported on the Days of Care Schedule

Placement start and end dates are submitted to Eligibility by way of form SOC158 as prescribed by regulations in the EAS. Eligibility cannot act on placement information received from caregivers. Only social workers can provide this information via form SOC 158 per EAS regulations. All payments issued are calculated based on SOC158s on file in the Eligibility case.

- Agencies did not receive payment for children reported on the Days of Care Schedule

Agencies will only receive payment for placements that are documented by the social worker on form SOC158 and submitted to Eligibility per regulations in the EAS. Eligibility is not held to a payment standard stated by the "Days of Care Schedule".

- Agencies received payment for children not reported on the Days of Care Schedule.

Payments issued by Eligibility are eligible amounts documented in the file by the form SOC158 from the social worker to Eligibility staff. Eligibility is not held to a payment standard stated by the "Days of Care Schedule".

- Agencies continued to receive payment for children over the age of 18 without an exception on file.

It is unknown what the term "exception on file" indicates. The EAS payment regulation requires verification of high school graduation or receipt of a GED before age 19 to be on file in order to continue AFDC-FC funding. Eligibility cases contain this documentation on form DPSS1182 on file in the Eligibility case when AFDC FC funding continues. If the requirement is not met, the funding of the case is changed to all county funds (ACF). When ACF are issued, documentation of the approval of the all county funds is on file in the Eligibility case.

- 4 of 6 agencies were paid under multiple vendor names.

DPSS requests clarification regarding the finding of multiple vendor names. It is possible that vendor names with spelling and abbreviation variances may have been used. Agencies are identified in the Resource Data Base (RDB) section of the C-IV system. The C-IV system is shared by four California counties as the automated state system for Eligibility. Duplicate entries in the RDB are allowable as all four counties have the ability to add providers to the RDB. Until July 2007, duplicate entries could not be end dated and removed as available entries for Eligibility to select from for payee status. DPSS is now in the process of working with C-IV to reduce the multiple entries in the RDB. Additionally, counties and C-IV are working to enable the system to contain information in the RDB as to which entries are approved and should be used by each specific county.

Attachment A

Mike A.

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

ARNOLD SCHWARZENEGGER, Governor

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, CA 95814

RIVERSIDE COUNTY  
AUDITOR-CONTROLLER  
08 MAR 28 PM 3:07



March 21, 2008

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Riverside, California 92502

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Sincerely,



GREGORY E. ROSE  
Acting Deputy Director  
Children and Family Services Division

c: Margarita Fernandez, Chief of Public Affairs  
Susan Loew, Director, Riverside Department of Public Social Services  
Robert L. Garcia, Chief Deputy Director, CDSS