

An Evaluation

**Milwaukee County  
Child Welfare:  
Finances and Staffing**

*Department of Health and Family Services*

**2005-2006 Joint Legislative Audit Committee Members**

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Scott Fitzgerald  
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State Auditor - Janice Mueller

### Audit Prepared by

Paul Stuiber, Deputy State Auditor and Contact Person  
Dean Swenson  
Cara Coburn  
Tim Coulthart  
Sherry Haakenson  
Shelby McCulley  
Scott Sager  
Kate Strom Hiorns

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STATE OF WISCONSIN

Legislative Audit Bureau

22 E. Mifflin St., Ste. 500  
Madison, Wisconsin 53703  
(608) 266-2818  
Fax (608) 267-0410  
Leg.Audit.Info@legis.state.wi.us

Janice Mueller  
State Auditor

February 8, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed an evaluation of the Milwaukee County child welfare program, as requested by the Joint Legislative Audit Committee. The program, which protects children from abuse and neglect, is administered by the Bureau of Milwaukee Child Welfare in the Department of Health and Family Services (DHFS). This review is part of a comprehensive evaluation that also addresses program management and performance (report 06-1).

Program expenditures totaled \$493.7 million from January 2001 through June 2005, when the Bureau had 153 full-time equivalent employees, including 90 certified social workers. The Bureau provides some program services, but most services are provided through contractors with an estimated 500 full-time equivalent employees in 2004.

We identified concerns with the Bureau's oversight of these contractors. For example, contractors have not reported on the services they provided to families, as required by their contracts. We also reviewed the appropriateness and reasonableness of costs that contractors charged to the program in 2004. We found \$677,694 in unallowable and questioned costs charged by six contractors, including payment of a \$541,604 duplicate reimbursement request submitted by one contractor.

A significant problem hampering effective program management is staff turnover. In 2004, turnover was 10.9 percent among the Bureau's social workers. Among contract staff, turnover was significantly higher and ranged from 25.5 percent for those serving families whose children remained in the home to 38.6 percent for those serving families whose children were removed from the home. We include a number of recommendations related to improving oversight of contractors and program funds, staff retention, and staff training.

We appreciate the courtesy and cooperation extended to us by DHFS and the child welfare contractors. DHFS's response follows the appendices.

Respectfully submitted,

Janice Mueller  
State Auditor

JM/PS/ss



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## Report Highlights ■

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***Investigations of abuse and neglect have exceeded the 60-day statutory time limit.***

***Program improvements have reduced both the number of placements and the median stay in out-of-home care.***

***Improvements are needed to ensure the safety of children who remain with their families.***

***Sufficient action was taken to protect most, but not all, children from abuse and neglect.***

***Financial oversight should be improved.***

***Staff turnover remains a significant concern.***

Counties have historically administered child welfare programs in Wisconsin. However, the Department of Health and Family Services (DHFS) began administering Milwaukee County's child welfare program in January 1998, following a 1993 class-action lawsuit filed in federal court. In June 2005, its Bureau of Milwaukee Child Welfare had 153 full-time equivalent (FTE) employees, including 90 social workers who investigate allegations of abuse and neglect. Contractors employed approximately 500 staff to provide most other program services, such as case management for children who have been removed from their homes because of maltreatment. From January 2001 through June 2005, program expenditures totaled \$493.7 million.

At the direction of the Joint Legislative Audit Committee, we conducted a comprehensive program evaluation. Report 06-1 addresses program management and performance, including:

- the timeliness of the Bureau's efforts to investigate allegations of abuse and neglect;
- the effectiveness of both out-of-home care and safety services that are provided when at-risk children remain at home, as well as the coordination of program services; and
- the Bureau's success in achieving 14 mandatory and 10 monitoring standards required by a settlement agreement arising from the lawsuit.

Report 06-2 addresses:

- program funding and expenditures, including the appropriateness of expenditures by program contractors; and
- staff turnover, qualifications, training, workloads, and salaries.

## **Investigations**

From January 2004 through June 2005, the Bureau completed 14,224 investigations that involved 28,474 allegations of child abuse or neglect. A single investigation can include multiple allegations when, for example, more than one child is involved.

Statutes require investigations to be completed in 60 days. The Bureau exceeded the statutory time limit in 4,397 investigations, or 30.9 percent of those completed. It substantiated 15.2 percent of the allegations it investigated during the 18-month period we reviewed.

If the Bureau's investigation indicates that a child has been abused or neglected or that such treatment is imminent, the child is temporarily removed from the home. The Children's Court either determines that the child can safely be returned to the home or orders an out-of-home placement.

## **Out-of-Home Care**

In June 2005, 3,188 Milwaukee County children were in foster care or other out-of-home placements. Nearly 40 percent of placements were in foster homes with non-relatives, although 771 children, or 24.2 percent, were placed with relatives participating in Kinship Care.

Significantly more children receive out-of-home care in Milwaukee County than elsewhere in Wisconsin, but the program's out-of-home placement rate declined 47.7 percent from January 2001 through June 2005. The Bureau's efforts to improve program operations contributed to this decline.

The median stay in out-of-home care also declined, from 39 months in June 2003 to 21 months in June 2005. However, in 25 of the 48 cases we reviewed, we identified problems such as insufficient coordination among child welfare staff. Children leave out-of-home care when their families are reunified, guardianship is transferred to a relative, they are adopted, or they reach adulthood.



## Safety Services

Safety services—including parenting education, counseling, and drug and alcohol treatment—are made available to families by program contractors when children are not able to remain in the home without services. Participation is voluntary, although children may be removed from the home if family members do not agree to receive the safety services.

Safety services caseloads declined 63.4 percent from January 2001 through June 2005, from 727 to 266 families. The average period for which services were provided declined from 110 days in January 2003 to 81 days in January 2005. We found that some cases were closed prematurely.

For each family served, safety services contractors are paid \$4,776, regardless of which services are provided or how long the case remains open. Through 2005, both case management and safety services contractors were contractually required to provide quarterly reports identifying the services provided to 10.0 percent of their cases. However, the Bureau has neither requested nor received any of these reports since early 2003.

## Improving Performance

We analyzed 73 high-risk cases that were most likely to involve child abuse or neglect. In 69 of these cases, the Bureau and its contractors took reasonable and appropriate action. However, we found four cases in which efforts were insufficient to ensure children's safety. These included one case in which children were allowed to live in a condemned house for more than four months and another in which an infant died as a result of abuse.

We also found that 20.1 percent of children who were reunified with their parents from January through June 2003 reentered out-of-home care within 24 months. Further, 11.4 percent of families who ceased receiving safety services during the first 6 months of 2004 had children removed from the home within the next 12 months. This rate exceeded the 4.0 percent contractual limit. However, because the Bureau does not monitor compliance, no funds have ever been withheld from safety services contractors.

Through June 2005, the Bureau met 8 of 14 performance standards required under the court-approved settlement agreement between the State and plaintiffs in the 1993 class-action lawsuit. Each standard will remain in effect until there is agreement by the parties to the lawsuit or an arbitrator determines that it has been met.

We found errors in the way the Bureau calculates its performance related to one permanency standard, which have overstated program success.

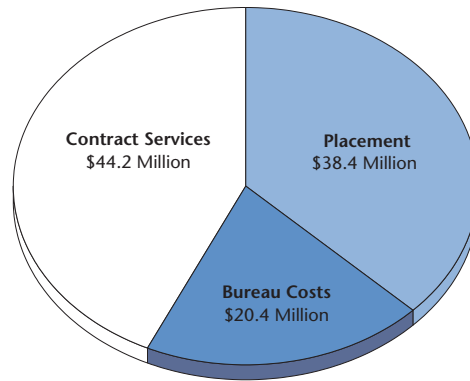
### Program Finances

As shown in Figure 1, program expenditures fund the Bureau’s costs, placement costs, and services provided by contractors. In 2004, they totaled \$103.0 million.

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Figure 1

2004 Milwaukee County Child Welfare Expenditures



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We reviewed the appropriateness and reasonableness of costs that nine contractors charged the program in 2004. We found \$677,694 in unallowable and questioned costs charged by six contractors, including payment of a \$541,604 duplicate reimbursement request submitted by one contractor, Lutheran Social Services.

Another contractor, La Causa, has had difficulty controlling costs in the past. As of December 2005, La Causa’s debt was \$6.2 million. This debt will have to be monitored carefully because DHFS has awarded La Causa a \$10.6 million contract to provide program services in 2006.

We also have concerns that 2006 case management contracts pay a fixed case rate regardless of the amount of service provided to families.

## Staff Turnover

Turnover of child welfare staff is a significant concern in Milwaukee County and nationwide. Among the case managers employed by program contractors, turnover was 30.1 percent in 2003 and increased to 38.6 percent in 2004. In contrast, annual turnover among the Bureau's social workers has been approximately 10.0 percent.

## Recommendations

Our report includes recommendations for DHFS to report to the Joint Legislative Audit Committee on its actions to:

- ☑ improve the timeliness of its investigations and the delivery of court-ordered services; reduce the time children spend in out-of-home care; ensure the adequacy of safety services; and improve service coordination with Medical Assistance, W-2, and other social services providers (*p. 82, report 06-1*);
- ☑ monitor families who return for additional safety services within 12 months, as well as those who have children placed in out-of-home care in the 12 months following receipt of safety services, and enforce contractual provisions if returning cases exceed prescribed rates (*p. 52, report 06-1*);
- ☑ ensure that all children in out-of-home care receive annual medical and dental examinations (*p. 66, report 06-1*);
- ☑ continue to work to improve the retention of child welfare staff (*p. 36, report 06-2*);
- ☑ appropriately calculate the Bureau of Milwaukee Child Welfare's compliance with performance standards specified in the settlement agreement (*pp. 57, 59, and 66, report 06-1*);
- ☑ collect and analyze information on services that contractors provide to families (*p. 18, report 06-2*); and
- ☑ monitor and assess La Causa's financial condition (*p. 23, report 06-2*).

In addition, we recommend that DHFS:

- ☑ require contractors to repay \$582,981 in unallowable costs and to either repay \$94,713 in questioned costs or provide additional documentation (*p. 27, report 06-2*); and

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- ☑ ensure that new staff complete pre-service training before managing cases (*p. 33, report 06-2*).

Finally, we include a recommendation for the departments of Justice, Public Instruction, and Workforce Development to require Lutheran Social Services to reimburse them for public funds spent on unallowable costs (*p. 25, report 06-2*).

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## Introduction ■

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***DHFS has administered the child welfare program in Milwaukee County since 1998.***

Since January 1, 1998, DHFS has administered the Milwaukee County child welfare program. It assumed responsibility from Milwaukee County after significant concerns were raised about the program and a class-action lawsuit had been filed. In June 2005, DHFS employed 153 FTE staff in its Bureau of Milwaukee Child Welfare, including 90 certified social workers. However, most program services are provided by six primary contractors with an estimated 500 FTE employees.

In recent years, concerns have been raised about how Milwaukee County child welfare funds are spent. For example, DHFS found in October 2000 that Milwaukee County, which at that time was one of its child welfare contractors, had inappropriately claimed \$555,331 in costs and that reimbursement claims for a subcontractor exceeded limits established in the contract for safety services. In May 2001, DHFS found that Milwaukee County had incurred an additional \$593,192 in inappropriate expenditures for case management services, which are provided to children who have been removed from their homes, and that its lack of effective policies and procedures had resulted in spending that exceeded contract limits. In 2001, Milwaukee County reimbursed DHFS for the inappropriate expenditures.

Some advocates have raised concerns about the performance of child welfare staff, particularly those employed by contractors. They allege that staff are not always qualified to perform their job duties and that their training is insufficient and their workloads excessive.

As a result, they allege, some children and their families are inadequately served and there are high rates of staff turnover.

At the direction of the Joint Legislative Audit Committee, we conducted a comprehensive evaluation of the child welfare program in Milwaukee County, including:

- program funding and expenditures;
- the timeliness of DHFS investigations of allegations of child abuse and neglect;
- the extent to which families have been served effectively;
- staff turnover, qualifications, training, workloads, and salaries; and
- policy issues for the Legislature’s consideration.

This report focuses on program expenditure and staffing issues. In conjunction with it, we have also released a report that addresses program management and performance (report 06-1).

To address specific concerns about Milwaukee County child welfare program expenditures and staffing, we interviewed DHFS and contract officials and analyzed the financial and program records they maintain, including the electronic case files for families. In addition, we spoke with foster parents and advocacy groups and reviewed studies completed by independent researchers.

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## Program Expenditures ■

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Most Milwaukee County child welfare expenditures are incurred by contractors. We noted concerns with the Bureau's level of oversight of the contractors, including its collection of limited information on services provided to families. In addition, some contract funding has remained unspent in recent years. One key contractor, La Causa, has had high administrative costs in recent years, and its financial condition is of concern.

### Types of Expenditures

***Program expenditures totaled \$103.0 million in 2004.***

Program expenditures totaled \$103.0 million in 2004, the most recent contract period for which complete data were available. DHFS accounts for Milwaukee child welfare expenditures in three categories, as shown in Table 1.

### Bureau Costs

Bureau costs represented 19.8 percent of total program expenditures in 2004. They include salaries and fringe benefits for staff who investigate most allegations of abuse and neglect and for administrative staff, as well as the Bureau's facilities, supplies, information systems, and overhead.

Table 1

**2004 Milwaukee Child Welfare Program Expenditures**  
(In Millions)

Expenditure Category	Amount
Bureau Costs	\$ 20.4
Placement	38.4
Contract Services	44.2
<b>Total</b>	<b>\$103.0</b>

In 2001, Bureau costs represented 14.4 percent of total program expenditures. As shown in Table 2, they increased moderately from 2001 through 2003, then grew by \$3.0 million in 2004. That reflects an increase in the Bureau's share of expenses associated with the Wisconsin Statewide Automated Child Welfare Information System (WiSACWIS), which contains the electronic case files for families in the child welfare program in Milwaukee County and in the balance of the state. Since WiSACWIS was implemented, the Bureau's appropriations have funded 48.4 percent of its total cost of \$61.0 million. During this same period, Milwaukee County caseloads were approximately one-half the total caseload in Wisconsin.

### **Placement**

Placement expenditures reflect monthly payments to out-of-home care providers. Table 3 shows 2004 placement expenditures by placement type.

Placement costs vary by placement type and increase significantly when placements with relatives or in foster homes are unavailable or when children have medical or behavioral needs that cannot be met by relatives or in foster homes. For example, DHFS determined that during the first half of 2004, the cost of a residential care center placement was \$7,826 per child per month, the cost of a group home placement was \$5,338 per child per month, and the cost of a treatment foster home placement was \$2,622 per child per month. Relatively few children are in these placements. In December 2004, 68 children were in residential care center placements, 118 were in group home placements, and 199 were in treatment foster home placements.



Table 2

**Bureau Costs**  
(In Millions)

	2001	2002	2003	2004	January through June 2005
<b>Staffing</b>					
Salaries	\$ 5.9	\$ 5.8	\$ 6.5	\$ 6.4	\$3.2
Fringe Benefits	2.0	2.1	2.5	2.6	1.2
<b>Subtotal</b>	<b>7.9</b>	<b>7.9</b>	<b>9.0</b>	<b>9.0</b>	<b>4.4</b>
WiSACWIS	5.1	4.5	5.1	8.3	3.0
Rent	1.6	1.7	1.7	1.7	0.7
Contracted Services	0.9	0.8	0.8	0.7	0.5
Utilities	0.2	0.2	0.2	0.2	0.1
DHFS Indirect Costs	0.1	0.1	0.1	0.2	0.1
Travel	0.2	0.2	0.1	0.1	0.1
Supplies	0.1	0.3	0.1	0.1	<0.1
Equipment	0.2	0.2	0.1	<0.1	<0.1
Other <sup>1</sup>	0.1	0.2	0.2	0.1	0.1
<b>Total</b>	<b>\$16.4</b>	<b>\$16.1</b>	<b>\$17.4</b>	<b>\$20.4</b>	<b>\$9.0</b>

<sup>1</sup> Includes charges for fiscal services, such as use of the State's accounting system.

Table 3

**2004 Placement Expenditures, by Type**  
(In Millions)

Type of Placement	Expenditures
Higher Level of Care <sup>1</sup>	\$21.9
Foster Home	11.6
Relative (Kinship Care)	2.1
Other <sup>2</sup>	2.8
<b>Total</b>	<b>\$38.4</b>

<sup>1</sup> Includes treatment foster homes, group homes, and residential care centers.

<sup>2</sup> Includes assessment centers and emergency placements.

Relatives who were not foster parents were paid \$215 per child per month under the Kinship Care program, while foster parents were paid \$302 to \$391 per child per month, depending on children’s ages, but could also receive up to a total of \$2,000 per child per month for children with special needs. We estimate the average monthly payment to foster parents in 2004 was \$950, which often included payments for multiple children.

Monthly foster care rates, which are the same for the entire state, increased annually from 1998 through 2001, as shown in Table 4, then remained unchanged through 2005. The settlement agreement required the Bureau to seek legislative approval for an increase in the rates, and it has done so. The Governor’s 2005-07 biennial budget request proposed a rate increase of 5.0 percent in both 2006 and 2007, which the Legislature reduced to 2.5 percent. However, as a result of the Governor’s partial veto, the rates increased by 5.0 percent on January 1, 2006, and will remain at that level through 2007. Revenue for these increases will come from new federal funds that DHFS received in fiscal year (FY) 2004-05.

Table 4

**Foster Care Rates**  
(Monthly Payment per Child)

Age of Child	1998	1999	2000	2001 through 2005	2006
Under 5	\$289	\$296	\$299	\$302	\$317
5 to 11	315	323	326	329	346
12 to 14	367	367	371	375	394
15 to 18	374	383	387	391	411

**Contract Services**

***In 2004, case management accounted for 55.9 percent of contract services expenditures.***

Contract services include payments to contractors for the program services shown in Table 5. Four types of child welfare services accounted for more than 80.0 percent of all contract services in 2004:

- case management, which accounted for 55.9 percent of contract services expenditures;

- foster care, which includes the costs of recruiting and licensing foster homes and providing training to foster parents;
- safety services, which includes the costs of providing services to families whose children are not able to safely remain in the home unless these services are provided and the families are monitored regularly; and
- adoption, which includes the costs of recruiting adoptive parents and matching children with appropriate adoptive homes.

Table 5

**Contract Services Expenditures**  
(In Millions)

Type	2001	2002	2003	2004	January through June 2005
Case Management	\$23.3	\$26.4	\$26.4	\$24.7	\$13.7
Foster Care	7.5	3.6	6.4	4.8	3.5
Safety Services	6.3	6.2	6.9	4.4	1.8
Adoption	2.9	2.9	3.4	3.0	1.5
Eligibility Determinations	0.8	0.9	1.0	1.1	0.5
Independent Investigations	0.1	0.3	0.3	0.3	0.1
Other <sup>1</sup>	6.7	4.2	5.6	5.9	3.0
<b>Total</b>	<b>\$47.6</b>	<b>\$44.5</b>	<b>\$50.0</b>	<b>\$44.2</b>	<b>\$24.1</b>

<sup>1</sup> Includes contracts for independent living services, permanency plan reviews, assessment centers, post-adoption services, and other services, as well as transition costs incurred after Milwaukee County ceased providing case management, foster care, and adoption services in 2001.

We relied on data provided by the contractors, which do not exactly match the amounts in the State’s accounting system because they include expenses that the State did not reimburse, as well as expenses that were reimbursed in a different calendar year. However, data maintained by DHFS provided few details on the types and nature of individual expenditures.

Table 6 shows direct service and administrative expenditures for the four types of child welfare services in 2004. Most expenditures by contractors were for case management.

Table 6

**2004 Contract Expenditures, by Service Type**  
(In Millions)

	Case Management	Safety Services	Foster Care	Adoption
<b>Direct Service Expenditures</b>				
Program Staff Salaries	\$ 9.4	\$1.6	\$2.3	\$1.6
Fringe Benefits	2.1	0.3	0.6	0.4
Staff Travel and Training	0.6	0.1	0.1	0.1
Client Services and Assistance	11.3	0.8	<0.1	<0.1
Payments to Subcontractors <sup>1</sup>	–	0.9	0.5	0.1
Caregiver Recruitment	–	–	0.2	<0.1
Other <sup>2</sup>	–	–	<0.1	0.1
<b>Subtotal</b>	<b>23.4</b>	<b>3.7</b>	<b>3.7</b>	<b>2.3</b>
<b>Administrative Expenditures</b>				
Administrative Staff Salaries	1.4	0.3	0.7	0.2
Fringe Benefits	0.3	0.1	0.2	<0.1
Parent Company Overhead	0.9	0.3	0.4	0.3
Consulting, Legal, and Audit Fees	0.7	0.1	<0.1	0.1
Insurance	0.6	0.1	<0.1	<0.1
Office Supplies	0.4	0.1	0.1	0.1
Rent	–	0.2	0.3	0.1
Other <sup>3</sup>	<0.1	<0.1	0.1	0.1
<b>Subtotal</b>	<b>4.3</b>	<b>1.2</b>	<b>1.8</b>	<b>0.9</b>
<b>Total</b>	<b>\$27.7</b>	<b>\$4.9</b>	<b>\$5.5</b>	<b>\$3.2</b>

<sup>1</sup> Includes management of safety services cases, training for foster parents, and placement assistance for adoption cases.

<sup>2</sup> Includes miscellaneous expenditures.

<sup>3</sup> Includes travel and meal expenditures for administrative staff.

We attempted to identify all services that were actually provided to families in 2004 but were unable to do so from available records. The electronic case files contain incomplete information that is not consolidated in one location, which prevented us from summarizing this information. However, we were able to obtain information on services that case management and safety services contractors provided most often in 2004. As shown in Table 7, they were counseling and therapy and parenting education. Contractors also provided additional services and items, such as bus tickets, food and

clothing, and child care, but we were unable to obtain complete information on the number of cases that received them. Further, contractors maintain information on only those services funded by the Milwaukee child welfare program, and not by other sources, such as Medical Assistance.

Table 7  
Selected Services Provided<sup>1</sup>  
2004

	Expenditures (In Millions)	Number of Cases That Received the Service	Percentage of Cases That Received the Service <sup>2</sup>
<b>Case Management Services</b>			
Counseling and Therapy	\$ 2.6	913	29.4%
Parenting Education	1.6	732	23.6
Visitation of Children in Out-of-Home Care	1.5	537	17.3
Alcohol and Other Drug Addiction Services	1.4	473	15.2
Life Skills/Independent Living Services	0.7	97	3.1
Transportation	0.7	465	15.0
Assessments and Evaluations	0.6	449	14.5
Mental Health Day Treatment	0.3	25	0.8
Medical/Health Services	<0.1	63	2.0
<b>Subtotal</b>	<b>9.4</b>		
<b>Safety Services</b>			
Parenting Education	0.3	616	48.3
Counseling and Therapy	0.1	241	18.9
Alcohol and Other Drug Addiction Services	0.1	148	11.6
Assessments and Evaluations	0.1	66	5.2
Rent/Utilities	<0.1	360	28.2
Transportation	<0.1	10	0.8
<b>Subtotal</b>	<b>0.6</b>		
<b>Total</b>	<b>\$10.0</b>		

<sup>1</sup> Includes only those services that were paid for with child welfare funds.

<sup>2</sup> There were 3,106 cases that received case management and 1,276 families that received safety services in 2004. A case can include multiple children and adults.

***The Bureau has not required contractors to report on services provided to families.***

To help the Bureau assess contractors’ efforts to serve families, case management and safety services contractors were contractually required through 2005 to provide quarterly reports that identify the services provided to 10.0 percent of their cases. The Bureau required contractors to submit the reports for the first quarter in 2003, but it has neither requested nor received any of these reports since then. DHFS stated that this requirement will not be included in the 2006 contracts. Instead, it plans to require contractors to submit monthly information on aggregate expenditures for services. However, this new requirement will not provide information on the specific services provided to families. Without such information, it will not be possible to determine whether families are served effectively.

**☑ Recommendation**

*We recommend the Department of Health and Family Services report to the Joint Legislative Audit Committee by March 1, 2006, on its efforts to collect and analyze information on services that contractors provide to families.*

Table 8 shows 2004 contract services expenditures for the four main types of child welfare services by contractor.

Table 8

**2004 Expenditures in Four Service Areas<sup>1</sup>**  
(In Millions)

Contractor	Case Management	Safety Services	Foster Care	Adoptions	Total
Innovative Family Partnerships	\$13.0	\$1.3	–	–	\$14.3
Wisconsin Community Service Network	9.9	1.7	–	–	11.6
La Causa	4.8	0.8	–	–	5.6
Lutheran Social Services	–	–	\$5.5	–	5.5
Children’s Service Society of Wisconsin	–	–	–	\$3.2	3.2
Milwaukee County	–	1.1	–	–	1.1
<b>Total</b>	<b>\$27.7</b>	<b>\$4.9</b>	<b>\$5.5</b>	<b>\$3.2</b>	<b>\$41.3</b>

<sup>1</sup> Expenditures are based on contractors’ data, which do not match the amounts in the State’s accounting system because they include some expenses that the State did not reimburse, and expenses that were reimbursed in a different calendar year.

## Managing Contract Funding

**Contractors did not spend \$16.7 million in available contract funds from 2001 through 2004.**

As shown in Table 9, the contractors that provided safety, case management, foster care, and adoptions services did not spend \$16.7 million in available contract funds from 2001 through 2004, in part because of declining caseloads. Because we were unable to determine the types and amounts of services that contractors provided, it is not possible to know for certain whether the needs of individual families were fully met or whether at least a portion of the unspent funds should have been spent on additional services.

Table 9

### Unspent Child Welfare Funds, by Type of Contractor 2001 through 2004

Type of Contractor	Total
Safety Services	\$ 8,396,000
Case Management	6,173,000
Foster Care	1,435,000
Adoptions	707,000
<b>Total</b>	<b>\$16,711,000</b>

DHFS used the \$16.7 million in unspent funds in several ways:

- Approximately \$8.4 million was to have been provided by the federal Temporary Assistance to Needy Families (TANF) program, which also funds programs such as W-2. The Department of Workforce Development (DWD) is the recipient of these TANF grant funds. Because contractors did not spend these funds, DHFS never requested them from DWD, which instead made them available to other programs.
- In July 2003, the Joint Finance Committee directed DHFS to use \$4.0 million (\$2.9 million in GPR and \$1.1 million in federal funds) to cover shortfalls in child welfare programs outside of Milwaukee County.

- DHFS lapsed a total of \$3.1 million to the General Fund in March 2004 and June 2005.
- DHFS used \$1.2 million to partially fund a child welfare ombudsman office in Milwaukee County and efforts to recruit and retain caseworkers.

Based on decreasing caseloads, the Governor's 2005-07 biennial budget request included \$15.7 million less than the amount appropriated in the 2003-05 biennial budget. However, the request also included funding for new child welfare initiatives, including:

- \$280,000 annually for additional training and support for foster and adoptive parents;
- \$841,500 annually to help recruit and retain case managers; and
- \$268,900 annually for an ombudsman office in the Bureau.

The Legislature deleted funding for all three provisions. However, DHFS has considerable flexibility in how it uses child welfare funds. As a result, the Governor's veto message for the 2005-07 biennial budget directed DHFS to provide unspent child welfare funds to contractors to improve the recruitment and retention of case managers by increasing their salaries. In addition, DHFS used unspent funds to cover the costs of the ombudsman for the 2005-07 biennium.

### **Administrative Costs and Financial Condition of La Causa**

Table 10 and Table 11 show direct services and administrative expenditures for the contractors that provided case management and safety services in 2004. We calculated administrative expenditures based on a standard methodology that includes costs such as executive staff salaries and benefits, insurance, and consulting fees. The amounts shown may differ from those reported in the contractors' financial statements because of differences in the items categorized as administrative costs, and because our calculations were based only on costs associated with the child welfare program. Some contractors also incur administrative costs for other programs.



Table 10

**2004 Administrative Expenditures of Case Management Contractors**  
(In Millions)

	Wisconsin Community Service Network	Innovative Family Partnerships	La Causa
Direct Services Expenditures	\$8.5	\$11.1	\$3.8
Administrative Expenditures	1.4	1.9	1.0
<b>Total</b>	<b>\$9.9</b>	<b>\$13.0</b>	<b>\$4.8</b>
Administrative Expenditures as a Percentage of Contractor Total	14.1%	14.6%	20.8%

Table 11

**2004 Administrative Expenditures of Safety Services Contractors**

	Milwaukee County	Wisconsin Community Service Network	Innovative Family Partnerships	La Causa
Direct Services Expenditures	\$ 882,000	\$1,278,000	\$ 913,000	\$580,000
Administrative Expenditures	253,000	383,000	348,000	256,000
<b>Total</b>	<b>\$1,135,000</b>	<b>\$1,661,000</b>	<b>\$1,261,000</b>	<b>\$836,000</b>
Administrative Expenditures as a Percentage of Contractor Total	22.3%	23.1%	27.6%	30.6%

***La Causa has high administrative expenditures relative to other contractors.***

As a percentage of its total expenditures for providing case management and safety services, La Causa's administrative expenditures were higher than the other contractors'. There are several reasons for its higher level of administrative expenditures. For example, La Causa has had difficulty controlling its costs since at least 2001, when it first provided case management services. It spent \$408,100 in excess of its contract limit in 2001 and \$431,700 in 2002, which represented approximately 8.0 percent of its contract amounts. In 2002, DHFS provided La Causa with an additional

\$140,421 to help cover these excess costs. In 2003, La Causa staff loaned their employer almost \$82,000, which was subsequently repaid.

In addition, DHFS allowed La Causa to transfer \$640,000 in unspent funds for program services to instead support administrative costs. These transfers—including \$300,000 in 2003, \$250,000 in 2004, and \$90,000 in 2005—were allowed because in prior years, La Causa had underspent its budget for services and overspent its budget for administration. However, we note that the transferred funds were not fully used in 2004 because La Causa did not spend all of the funds allowed under its 2004 case management contract.

In October 2003, DHFS internal auditors reviewed La Causa's administration of its case management contract and found serious problems:

- La Causa charged at least \$488,256 in unallowable and questioned costs: \$428,035 in 2002 and \$60,221 in 2003. These costs included amounts that La Causa charged for above-market rates for services provided by its own staff. As of December 2005, La Causa had not repaid DHFS any of these funds.
- La Causa had problems in reducing costs and staying within budgetary limits.
- La Causa inappropriately shifted administrative costs among its various programs.

In response to La Causa's financial difficulties, DHFS has contractually required La Causa to submit a five-year cost reduction plan for lowering its debt and to provide monthly information about its finances and operational processes. It has also required La Causa to reduce its administrative costs to prevent the need for a transfer of additional service funds to cover administrative costs. La Causa has restructured its debt to be payable over a ten-year period, rather than a five-year period. As of December 31, 2005, it reported a debt of \$6.2 million, which is somewhat less than the \$6.7 million it reported in 2002.

***La Causa's financial condition remains of concern.***

Nevertheless, La Causa's financial condition remains of concern. DHFS recently awarded La Causa a \$10.6 million contract to provide child welfare case management and safety services in 2006. La Causa was the only bidder to provide these services. If La Causa cannot control its costs and keep expenditures within the budgeted amounts, it may once again request to use child welfare funds that

are intended to purchase services to instead cover administrative costs. To the extent that this transfer of funds occurs, less funding will be available to address the needs of families.

### Recommendation

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*We recommend the Department of Health and Family Services report to the Joint Legislative Audit Committee by March 1, 2006, on:*

- *the steps it is taking to monitor and assess La Causa's financial condition on an ongoing basis; and*
- *whether it intends to require La Causa to repay the \$488,256 in unallowable costs identified by DHFS auditors and, if so, the time line for doing so.*

## **Review of Selected Transactions**

We reviewed the appropriateness and reasonableness of costs other than personnel costs that nine contractors listed in Appendix 1 charged the program in 2004. We reviewed 1,409 transactions with a total value of \$2.8 million. We did not select the transactions randomly; rather, our selection was based on transaction size and type of vendor.

We tested the appropriateness of contractor transactions using the standards identified in federal regulations and the DHFS financial management manual, which describes state and federal program and financial compliance requirements, required internal controls, and allowable cost criteria. Allowable costs are limited to what is reasonable for proper and efficient program administration. A cost is considered reasonable if it:

- does not exceed the costs that would be incurred by a prudent person;
- is ordinary and necessary to the operation of the contractor or the performance of the contract;
- is incurred in accordance with the contractor's established procurement policy; and
- is supported by the contractor's accounting records and adequate documentation.

**We identified \$677,694 in unallowable and questioned costs at six contractors in 2004.**

We identified a total of \$677,694 in unallowable and questioned costs charged by six contractors, as shown in Table 12. This total includes \$136,090 in unallowable and questioned costs identified through our review of 1,409 transactions, and a duplicate reimbursement request for \$541,604 submitted by one contractor.

Table 12

**Unallowable and Questioned Costs<sup>1</sup>  
2004**

Contractor	Unallowable Costs	Questioned Costs	Total
Lutheran Social Services	\$558,377	\$ 9,790	\$568,167
Innovative Family Partnerships	15,979	46,321	62,300
La Causa	6,561	35,904	42,465
Children's Service Society of Wisconsin	312	1,995	2,307
Wisconsin Community Service Network	1,444	0	1,444
University of Wisconsin-Milwaukee	308	703	1,011
<b>Total</b>	<b>\$582,981</b>	<b>\$94,713</b>	<b>\$677,694</b>

<sup>1</sup> Based on our review of 1,409 transactions and one duplicate reimbursement request.

The amounts shown in Table 12 include only costs charged to the child welfare program. In some instances, contractors charged similar unallowable and questioned costs to other public programs. The duplicate reimbursement request we identified was submitted to DHFS by Lutheran Social Services for December 2004 child welfare expenditures. The duplicate payment was not identified until we brought the matter to the attention of DHFS officials. Subsequently, arrangements were made to recoup the duplicate payment in early 2006.

We also identified \$16,344 in church relations expenditures that Lutheran Social Services incurred and allocated to the child welfare program. Lutheran Social Services maintains central and regional offices affiliated with congregations as part of its religious mission. These offices are directed by clergy members who are tied to the organization's religious function. Federal regulations do not allow religious costs to be covered by program funds.

Position descriptions indicate that the main duties of church relations staff are primarily religious in nature, such as conducting religious services, communicating the organization's role to clergy members, and visiting congregations to participate in worship. Other duties listed in the position descriptions include cultivating potential donors and raising funds, which are not allowed under federal regulations. As part of our review of church relations expenditures, we also identified other unallowable costs, including instances of church relations staff hosting events for clergy at Miller Park.

Lutheran Social Services indicates that the position descriptions for church relations staff are no longer accurate and that costs for those individuals charged to the program represent allowable activities, such as communicating with the public and collecting clothing for distribution to children in foster care. While we acknowledge that a portion of church relations activities may be allowable under federal regulations, available documentation did not allow us to estimate the extent to which church relations costs charged to the program were, in fact, allowable. DHFS will need to work with Lutheran Social Services to ensure that adequate records are maintained in the future to support all costs charged to the program.

We found that Lutheran Social Services charged additional church relations expenditures to other public programs, including programs administered by the departments of Justice, Public Instruction, and Workforce Development. These agencies will need to work with Lutheran Social Services to identify the appropriate amounts to be recovered and ensure the contractor does not charge such costs to their programs in the future.

### Recommendation

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*We recommend the departments of Justice, Public Instruction, and Workforce Development require Lutheran Social Services to reimburse them for all state and federal funds used in supporting church relations activities.*

Other unallowable costs that we identified included:

- \$5,789 in bank fees that La Causa inappropriately allocated to its child welfare contracts;
- \$3,085 for a financial penalty that Innovative Family Partnerships incurred when it terminated a telecommunications contract; and

- \$1,025 for transactions at three stores made by Wisconsin Community Service Network that were not supported by receipts.

Questioned costs we identified included items that appear unnecessary or excessive, such as:

- \$46,214 for a severance package that Innovative Family Partnerships paid to its former chief executive officer in 2004. Although severance packages are allowable expenses under federal regulations, this amount represented almost one-half of the chief executive officer's salary.
- \$32,971 in legal fees for assistance on matters unrelated to the child welfare program that La Causa paid to several law firms; and
- \$6,253 for clothing, watches, and other items distributed by Lutheran Social Services and University of Wisconsin-Milwaukee to staff that appear to be promotional or excessive.

Case management and safety services contractors provide food, clothing, and other basic supplies to families. They may buy the supplies and distribute them or provide gift cards that allow families to purchase needed supplies themselves. La Causa and Wisconsin Community Service Network each purchased less than \$1,000 in gift cards. In contrast, Innovative Family Partnerships purchased \$69,290 in gift cards. Although its policies require case managers to obtain supervisory approval before distributing the cards and to obtain receipts for the specific items purchased, we found the supporting documentation was sometimes incomplete. For example, Innovative Family Partnerships was unable to provide documentation to support the purchase of \$9,650 in gift cards or many of the receipts for the specific items purchased by the gift cards. Therefore, the possibility exists that some gift cards were not used as intended.

Appendix 2 lists all of the unallowable and questioned costs that we identified.

**Recommendation**

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*We recommend the Department of Health and Family Services require the child welfare contractors to:*

- *repay the \$582,981 in unallowable costs; and*
- *either repay the \$94,713 in questioned costs or provide additional documentation that adequately justifies the expenditure of program funds.*

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## Program Staffing ■

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***Turnover of child welfare staff is a significant concern both in Milwaukee County and nationwide.***

Turnover of child welfare staff is a significant concern both in Milwaukee County and nationwide. Therefore, we analyzed turnover, as well as the qualifications, training, workload, and salaries of the Bureau's 90 certified social workers who are responsible for investigating allegations of child abuse and neglect, and the case managers and safety services managers employed by contractors to identify the needs of families in crisis and provide appropriate services.

### **Staff Turnover**

A March 2003 Government Accountability Office (GAO) study found turnover among child welfare staff nationwide to be 30 to 40 percent. Similarly, a 2003 study by the Annie E. Casey Foundation estimated annual turnover to be 20 percent in public agencies and 40 percent in private firms.

High turnover has several negative consequences. New staff must be hired and trained, and initially they will be unfamiliar with the specific needs of families they serve. In addition, independent researchers have found a correlation between high staff turnover and a reduced likelihood of children achieving their permanency goals. A January 2005 review that DHFS indicated was completed by private consultants estimated that since June 2003, turnover among case managers employed by program contractors resulted in

\$1.4 million in direct contractor costs to cover the need for additional human resources staff, recruiting, and training.

***Turnover has been considerably higher among contract staff than among Bureau social workers.***

In recent years, turnover among contract staff has been considerably higher than among Bureau social workers, as shown in Table 13. Annual turnover among the Bureau’s social workers has been approximately 10.0 percent. In contrast, turnover among case managers increased from 30.1 percent in 2003 to 38.6 percent in 2004. Among safety services managers, turnover declined from 37.5 percent to 25.5 percent during the same period, and we estimate that turnover will decline for all three types of staff based on trends in the first half of 2005.

Table 13

**Turnover of Child Welfare Staff**

	2003 Staff Departures		2004 Staff Departures		2005 Staff Departures <sup>1</sup>	
	Number	Percentage	Number	Percentage	Number	Percentage
Case Managers	98	30.1%	129	38.6%	108	30.7%
Safety Services Managers	18	37.5	12	25.5	12	24.0
Bureau Social Workers	10	10.3	11	10.9	8	8.5

<sup>1</sup> Estimated annual total, based on actual staff who left from January through June 2005.

We found that 42.9 percent of the case managers hired by contractors in 2004 had left their jobs by June 2005. This includes eight individuals who left before they completed training or were assigned cases. In total, 430 case managers left their jobs from 2001 through June 2005. Contractor records indicate that 7.9 percent left in order to return to school, 7.7 percent were terminated by their employers, and 5.3 percent transferred to state employment or another Bureau contractor. The records did not indicate why 52.3 percent of case managers left their jobs, but current and former Bureau and contract staff suggest reasons that include:

- low salary levels provided by contractors;
- inadequate training, particularly for newly hired staff;

- the large amount of paperwork associated with the job;
- frustration with frequently changing policies and perceived inadequate support from supervisors and Bureau management; and
- the emotional challenges of the job.

## Qualifications

The Bureau requires its investigative staff to be social workers certified by the Department of Regulation and Licensing. Certification requires a degree in social work or a related subject, such as sociology or psychology; passing an examination; and fulfilling continuing education requirements that include 30 hours of classes on social work or related subjects every two years.

All 90 Bureau staff employed as social workers in June 2005 were appropriately certified, as were 7 of 22 supervisors and managers who were not required to be certified. However, as of December 31, 2004, only 14.5 percent of 207 case managers and 17.1 percent of 35 safety services managers employed by contractors were certified social workers. Contractors require case managers to have a bachelor's degree in social work, psychology, sociology, or criminal justice, and they prefer at least one year of work experience. Nationally, the GAO found that in March 2003, less than 15.0 percent of child welfare agencies required case managers to have social work degrees.

***Contract staff are not required to be certified social workers.***

DHFS has allowed contractors to hire uncertified staff since September 1998, but it requires these staff to complete training during their first 18 months of employment. Among five other Wisconsin counties we contacted, Dane and Rock require staff to become certified after one year of employment, while Brown, Kenosha, and Racine do not require certification. Milwaukee County did not require its staff to be certified before 1998, when the Bureau assumed responsibility for the program.

Advocates and others believe certified staff are more likely to serve families effectively. To help increase certification among contract staff, the Bureau funded approximately two-thirds of the costs of social work courses offered to them by the UW-Milwaukee Helen Bader School of Social Welfare in spring and summer 2005. UW-Milwaukee records indicate that 25 contracted case managers participated. The Bureau's cost was \$35,251, which was paid for with child welfare funds.

***The Bureau is working to increase the number of contract staff who are social workers.***

In addition, the Bureau has been using federal child welfare funds for the past several years to partially cover the costs of contract staff completing master's degrees in social work at UW-Milwaukee. Federal funding is available as part of a national program that provides financial support for pursuing a degree full-time in exchange for an agreement to work in the child welfare program for two years after receiving the degree. Through June 2005, 28 case managers had earned degrees and returned to work in the program, and an additional 10 began their degree coursework in fall 2005.

## **Training**

Since 2002, the UW-Milwaukee Helen Bader School of Social Welfare has also developed, provided, and administered training for Bureau and contract staff. In 2005, DHFS budgeted \$893,600 to purchase pre-service and ongoing training for both its own and contract staff. Other Wisconsin counties participate in similar regional partnerships with their local UW campuses.

The Bureau requires its own staff and contract staff to complete pre-service training before they are allowed to manage cases. The training includes four or five courses delivered over a two-week period and provides basic information about the child welfare system and staff responsibilities. It is broadly consistent with national training for new staff: a 2003 study by the Annie E. Casey Foundation found that staff nationwide received an average of two to three weeks of on-the-job training.

***In 2004, 26.5 percent of case managers did not complete required pre-service training before managing cases.***

Although it is important that new staff complete pre-service training, 26.5 percent of the 98 case managers hired by contractors in 2004 were assigned to manage cases before completing all of their training, as shown in Table 14. Of the 59 case managers hired in early 2005, 33.9 percent did not complete their training before managing cases. Most of these case managers had not taken a course on legal issues that is taught by an outside consultant and offered several weeks after the other courses. Others missed one or more courses because of when their employment began.

Table 14

**Contractor Compliance with Pre-Service Training Requirements in 2004**

Site and Contractor	Number of Case Managers Hired in 2004 <sup>1</sup>	Number Who Managed Cases Before Completing Pre-Service Training	Percentage Who Managed Cases Before Completing Pre-Service Training
1—Wisconsin Community Service Network	22	5	22.7%
2—Wisconsin Community Service Network	25	0	0.0
3—Innovative Family Partnerships	14	7	50.0
4—La Causa	14	9	64.3
5—Innovative Family Partnerships	23	5	21.7
<b>Total</b>	<b>98</b>	<b>26</b>	<b>26.5</b>

<sup>1</sup> Excludes eight staff who left employment before completing training or managing cases.

**Recommendation**

*We recommend the Department of Health and Family Services regularly monitor training records of new staff to ensure all case managers complete pre-service training before managing child welfare cases.*

**Workload**

Service provider contracts require case managers in Milwaukee County to be responsible for no more than 11 cases. The Child Welfare League of America recommends no more than 17 cases per case manager. Caseloads for safety services managers are required by the contracts to average no more than eight cases because of the more frequent monitoring involved when children remain with their families.

***Average case manager workloads have generally been within the required contractual limit.***

As shown in Table 15, we found that at three points in time, most case managers were responsible for fewer than 11 cases. However, at Site 5, the average caseload was 12.3 on December 31, 2004, most likely because of high staff turnover at that site. Some cases were subsequently transferred to other sites. According to the Bureau, case managers were responsible for an average of 18.5 children each on December 31, 2004. This average subsequently declined to 18.1 children on June 30, 2005.

Table 15

Average Caseloads of Case Managers<sup>1</sup>

	December 31, 2003	December 31, 2004	June 30, 2005
Site 1	10.5	9.2	9.6
Site 2	8.7	8.9	10.4
Site 3	8.9	9.4	9.6
Site 4	10.2	9.0	9.9
Site 5	9.8	<b>12.3</b>	9.5
Overall	9.6	9.6	9.8

<sup>1</sup> Provider contracts allow a maximum caseload of 11.

As shown in Table 16, average caseloads for safety services managers exceeded the eight-case limit at four different sites since January 2003. The overall average exceeded that limit in June 2004, when the number of families participating in the safety services program increased.

Table 16

Average Caseloads of Safety Services Managers<sup>1</sup>

	January 2003	June 2003	January 2004	June 2004	January 2005	June 2005
Site 1	5.6	5.9	4.8	7.8	6.0	6.3
Site 2	7.3	5.9	4.4	<b>9.4</b>	6.6	6.7
Site 3	6.3	<b>8.2</b>	5.3	7.3	6.1	7.1
Site 4	7.8	7.9	3.8	<b>9.4</b>	<b>9.3</b>	<b>8.9</b>
Site 5	5.8	7.0	7.0	<b>8.1</b>	<b>8.8</b>	n.a. <sup>2</sup>
Overall	6.6	6.9	5.2	<b>8.3</b>	7.2	7.3

<sup>1</sup> Provider contracts allow a maximum caseload of eight.

<sup>2</sup> As of March 2005, new cases at Site 5 were assigned to Site 4.

## Salary Levels

***Starting and average salaries are higher for Bureau staff, who must be certified.***

Salary levels depend on a variety of factors, including position type and responsibilities, prior experience, and certification. As shown in Table 17, starting salaries for Bureau social workers are higher than those for four types of contract staff, in part because the Bureau requires its social workers to be certified. Differences in experience levels also help to explain differences in average salaries. Among non-Bureau staff, adoptions staff had the most experience and the highest salaries, while safety services managers and case managers had the least experience and the lowest salaries. A March 2003 GAO study found that the average experience of child welfare staff nationwide was less than two years, while a February 2005 study by the American Public Human Services Association found that in 2004, the average salary nationwide for child welfare staff was approximately \$35,000.

Table 17

### Average Annual Salaries of Child Welfare Staff, by Type<sup>1</sup>

Type of Staff	Employer	Number of Staff	Starting Salary	Average Salary	Average Years of Experience <sup>2</sup>
Safety Services Managers	Contractor	34	\$26,395	\$29,539	2.0
Case Managers	Contractor	210	27,789	31,201	1.8
Foster Care Staff	Contractor	49	30,000	32,511	2.8
Adoptions Staff	Contractor	29	27,789	34,447	3.6
Bureau Social Workers	State	90	31,183	39,520	3.6

<sup>1</sup> Contractor salaries are from December 2004, while Bureau salaries are from February 2005.

<sup>2</sup> As of December 31, 2004. Includes experience with the contractor and excludes prior experience.

As noted, DHFS recently provided contractors with unspent program funds and stipulated that these funds be used to increase the salaries of case managers. Beginning in September 2005, the starting salary for case managers was increased to \$32,325, or by 16.3 percent. In addition, La Causa plans to spend a total of \$76,200 to increase the salaries of 42 existing case managers and 7 supervisors on a case-by-case basis, and Children's Family and Community Partnerships increased each case manager's salary by \$4,500, for an estimated \$720,000 total annual cost.

***Additional efforts  
are needed to improve  
staff retention.***

To address various staffing concerns, DHFS has improved training and educational opportunities and increased salaries, and workloads have generally been less than the contractual limits. Nevertheless, it will be important for DHFS to continue to work to reduce the considerable staff turnover.

**Recommendation**

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*We recommend the Department of Health and Family Services report to the Joint Legislative Audit Committee by February 1, 2007, on its ongoing efforts to improve the retention of child welfare staff.*

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Appendix 1

**Child Welfare Contractors Included in Transactions Review**  
2004 Contract Period

Contractor	Amount of Transactions Reviewed
Innovative Family Partnerships	\$ 877,466
La Causa	517,098
Wisconsin Community Service Network	494,963
Lutheran Social Services	480,527
Children's Service Society of Wisconsin	292,542
UW-Milwaukee	79,272
St. Charles, Inc.	42,320
Maximus, Inc.	33,400
Perez-Pena	21,242
<b>Total</b>	<b>\$2,838,830</b>



Appendix 2

**Unallowable and Questioned Costs Charged by Contractors  
to the Child Welfare Program**  
2004 Contract Period

*Lutheran Social Services*

Payee/Vendor	Description	Allocated Amount <sup>1</sup>
<b>Unallowable Costs</b>		
(Duplicate Claim)	Duplicate claim to DHFS for December 2004 child welfare costs	\$541,604
Various	Church relations expenditures	16,344
Celebrations Party	Duplicate payment to vendor for foster care event <sup>2</sup>	344
Barry Zuckerman	Membership fees for a coalition that lobbies for affordable housing	71
Greater Milwaukee Synod	Attendance at a theology conference	14
<b>Subtotal</b>		<b>558,377</b>
<b>Questioned Costs</b>		
Lee Hecht Harrison, Inc.	Career counseling provided as part of a severance package	4,000
Image Keepers, Inc.	170 fleece jackets with corporate logo, given to staff	2,852
Dean and Associates, Inc.	1,110 fleece jackets, given to staff	1,065
Ziegler Incentives, Inc.	280 shirts and 350 watches, given to staff	929
Image Keepers, Inc.	1,200 keylights, given to staff as holiday gifts	455
The American Club	Staff recognition event	240
Motivational, Inc.	Jackets with corporate logo, given to staff	149
MBC Sports, Inc.	110 printed sweatshirts, given to staff	100
<b>Subtotal</b>		<b>9,790</b>
<b>Total</b>		<b>\$568,167</b>

*La Causa*

Payee/Vendor	Description	Allocated Amount <sup>1</sup>
<b>Unallowable Costs</b>		
Various	Bank fees allocated to child welfare contracts	\$ 5,789
Various	Allocated interest expenses	300
Target	Unknown—no receipt	200
Employee	Unknown—no receipt	200
Sam's Club	Unknown—no receipt	50
Employee	Unknown—no receipt; late fee	22
<b>Subtotal</b>		<b>6,561</b>
<b>Questioned Costs</b>		
Various	Legal fees unrelated to the child welfare program	32,971
Roundy's	300 gift cards, given to staff as holiday gifts	2,820
Amigos of Latino Arts, Inc.	Membership fee	113
<b>Subtotal</b>		<b>35,904</b>
<b>Total</b>		<b>\$42,465</b>

<sup>1</sup> Represents the amount charged to the child welfare program.

<sup>2</sup> Charge was reversed after we brought it to the attention of Lutheran Social Services.

### *Innovative Family Partnerships*

Payee/Vendor	Description	Allocated Amount <sup>1</sup>
<b>Unallowable Costs</b>		
Pick 'n Save	Unsupported gift card purchases	\$ 6,525
Choice One Communications	Early contract termination penalty <sup>2</sup>	3,085
Aldi, Inc.	Unsupported gift card purchases	2,625
Serb Hall	Unknown purchases related to staff holiday party—no receipt	2,324
Goodwill	Unsupported gift card purchases	500
Sears	Unknown—no receipt	415
Papa John's Pizza	Unknown—no receipt	181
Employee	Unknown—no receipt	160
Speedway Super America, LLC	Unsupported purchases	151
Abbey's Flower Nook	Rebiling charges	9
Credit Card	Finance charge	4
<b>Subtotal</b>		<b>15,979</b>
<b>Questioned Costs</b>		
Employee	Severance package	46,214
Milwaukee Brewers	Unreimbursed game tickets from staff outing	107
<b>Subtotal</b>		<b>46,321</b>
<b>Total</b>		<b>\$62,300</b>

### *Children's Service Society of Wisconsin*

Payee/Vendor	Description	Allocated Amount <sup>1</sup>
<b>Unallowable Costs</b>		
Employee	Charge later reimbursed by another program	\$ 312
<b>Subtotal</b>		<b>312</b>
<b>Questioned Costs</b>		
Right Management Consultants	Career counseling for an employee	1,720
Employee	Farewell party planning for an employee	172
ZIZZO Group	State lobbying	103
<b>Subtotal</b>		<b>1,995</b>
<b>Total</b>		<b>\$2,307</b>

<sup>1</sup> Represents the amount charged to the child welfare program.

<sup>2</sup> DHFS was reimbursed for these costs in August 2005.

**Wisconsin Community Service Network**

Payee/Vendor	Description	Allocated Amount <sup>1</sup>
<b>Unallowable Costs</b>		
Target	Unknown—no receipt	\$ 675
Pick 'n Save	Unsupported gift card purchase	200
K-Mart	Unknown—no receipt	200
US Bank	Finance charge	193
Lena's Foods	Unknown—no receipt	150
SBC	Finance charge	26
<b>Total</b>		<b>\$1,444</b>

**UW-Milwaukee**

Payee/Vendor	Description	Allocated Amount <sup>1</sup>
<b>Unallowable Costs</b>		
Amazon.com	Unknown—no receipt	\$ 189
American Humane Association	Duplicate membership payment <sup>2</sup>	119
<b>Subtotal</b>		<b>308</b>
<b>Questioned Costs</b>		
Bob Lanier Enterprises	200 coffee mugs with logo, given to staff	703
<b>Subtotal</b>		<b>703</b>
<b>Total</b>		<b>\$1,011</b>

<sup>1</sup> Represents the amount charged to the child welfare program.

<sup>2</sup> Duplicate payment will be applied to a future membership.





State of Wisconsin  
**Department of Health and Family Services**

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Jim Doyle, Governor  
Helene Nelson, Secretary

January 30, 2006

Janice Mueller, State Auditor  
Legislative Audit Bureau  
22 E. Mifflin Street, Suite 500  
Madison, WI 53703

Dear Ms. Mueller:

Thank you for the opportunity to provide written comments on the Legislative Audit Bureau's report on the Department of Health and Family Services' financial management practices in administering the child welfare program in Milwaukee County. The audit also addresses several program staffing issues.

The Department takes seriously its obligation to be effective stewards of resources with which the Legislature has entrusted us. As a Department, in general, we are proud of our accomplishments and believe we have done a good job in managing funds and staff wisely and spending funds appropriately. In the case of the BMCW audit, I appreciate the recognition by LAB of some accomplishments and effective practices. The Department has:

- Managed funds within budget limits and accurately reported under spending, due largely to caseload reductions, which has allowed the department and state policy makers to reallocate funds to meet other needs or lapse the funds to the General Fund.
- Successfully implemented the Governor's directive to fund an ombudsman program, additional training and support for foster and adoptive parents, and initiatives to help recruit and retain case workers.
- Reduced caseloads, increased case manager salaries, and improved training.
- Monitored contractor performance and spending, some results of which were used by LAB in its audit work.

As the audit indicates, however, the Department can make improvements. Noted below are the steps the Department will take in response to each of the Audit Bureau's recommendations.

*Report to the Joint Legislative Audit Committee by March 1, 2006 on steps taken to improve the collection and analysis of information on services provided to individual children and families.*

As the audit notes, BMCW has made improvements in collecting and analyzing service information. Further improvements will occur this year as the Department implements a new

initiative to have health care for foster children coordinated through a single managed care agency. The managed care organization will collect and report information to case workers, who will receive more complete and timely information on services provided to children in out-of-home care.

Although progress is being made, we recognize that BMCW and its partner agencies do not now have a comprehensive system to collect information on all services provided to children and families, including those not paid for by the state. We will explore options to accomplish this objective, and I believe we can do better. We will take into account programmatic needs, as well as financial costs and administrative workload, including reporting burdens on case managers. We will strive to find a cost-effective way to improve collection of information that will contribute to meeting the fundamental child welfare goals of finding permanency, keeping children safe, and promoting the health and well-being of children and their families.

*Report on steps the Department is taking to monitor La Causa's financial condition and to have La Causa repay unallowed costs.*

La Causa has long been active in the Milwaukee community delivering a wide range of social services, and has been a valued partner of ours in delivering essential child welfare services. La Causa has met or made significant progress toward meeting several key child welfare program goals. However, as the Department is well aware, La Causa faces fiscal challenges and needs to make strides in meeting important financial goals. We will continue the close monitoring protocol we already have in place to verify that La Causa is making needed progress in improving its financial condition.

All provider agencies receiving child welfare funds will be held to account for how they have spent funds, and La Causa is no exception. We will develop a repayment plan with La Causa that will ensure that all costs the Department determines to be unallowable are paid back in a reasonable time frame. A first step in this process will be to verify the amount La Causa owes using long-standing Department procedures for collecting funds.

*Collect unallowable costs and review and act on questioned costs identified by the Audit Bureau.*

The Department will recoup unallowed costs identified by the Audit Bureau and will work with contract agencies to review documentation to determine if questioned costs should be recouped or can be allowed. As you note, we will shortly be recouping the duplicate payment made to Lutheran Social Services. Our assessment is that the duplicate payment was a highly unusual incident that escaped detection by the Department's and provider's fiscal controls. I have directed staff to review procedures to determine if controls can be further tightened.



*Monitor training records to ensure that all case managers complete pre-service training before managing child welfare cases.*

The Department concurs with the need to ensure that all case managers receive timely training to provide the information and develop skills needed to effectively serve children and families. BMCW has worked extensively with a variety of local and national organizations to develop and implement a comprehensive training program. BMCW will work with contract agencies to develop a mechanism to ensure that case managers complete pre-service training prior to being assigned cases.

*Report to the Joint Legislative Audit Committee by February 1, 2007 on on-going efforts to improve the retention of child welfare staff.*

The Department strongly concurs with LAB's recognition of the importance of retaining child welfare staff. As noted in my response to the LAB program audit, we have taken or are planning to take a number of significant actions to address staff retention. Several strategies, such as increasing workers' salaries and offering both full and part-time Masters Degree training in exchange for a work commitment, are already underway. Others, such as improving worker training and mentoring, are actively planned for rollout this year. BMCW has also created workgroups, composed of staff from all program areas, to make recommendations addressing turnover. The Milwaukee Child Welfare Partnership Council has provided support and guidance throughout this process and has identified worker turnover as its principal area of focus. We will be glad to report on the full range of many staff retention initiatives to the Joint Legislative Audit Committee by the date recommended by the Audit Bureau.

In conclusion, the Department, its Bureau of Milwaukee Child Welfare, our contract agencies and many community partners have demonstrated our commitment to prudently manage resources and address important program staffing issues. We will implement the Legislative Audit Bureau recommendations as described in this letter, which will further strengthen our financial management.

On behalf of BMCW and other Department managers and staff who worked with the Audit Bureau on this extensive audit, I want to express my appreciation for the diligent work and professionalism exhibited by your staff.

Sincerely,



Helene Nelson  
Secretary