Report 13-15
October 2013

Child-Placing Agencies

Department of Children and Families

State of Wisconsin



Legislative Audit Bureau

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Joe Chrisman
State Auditor

October 9, 2013

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As requested by the Joint Legislative Audit Committee, we have completed an evaluation of child-placing agencies. On December 31, 2012, 24 child-placing agencies were licensed by the Department of Children and Families (DCF) to place and monitor children in treatment foster homes, which provide out-of-home care for children with greater medical, physical, developmental, or emotional needs. We reviewed DCF's efforts to ensure child-placing agencies operate in accordance with licensure requirements, and we conducted a detailed review of expenditures at five child-placing agencies.

Since 2011, DCF has increased its financial oversight of child-placing agencies. However, we found that DCF did not identify noncompliance when child-placing agencies submitted incomplete financial information. We include recommendations for DCF to clarify its financial reporting requirements and to improve its oversight of child-placing agencies.

We reviewed a selection of 1,844 transactions totaling $838,739 made by five child-placing agencies from 2010 through 2012 and found that compliance with documentation requirements and program rules varied. Our review also identified $129,525 in questioned costs. We include recommendations for DCF to address issues we identified related to potential conflicts of interest for governing board members, employee bonuses, loans, cash advances, long-term debt, and the use and purchase of vehicles.

DCF may receive federal reimbursement for a portion of the treatment foster care costs incurred in serving eligible children. However, DCF did not seek federal reimbursement for all eligible expenditures. Had it done so, DCF could have received an estimated $470,000 in additional federal funds in 2012.

We appreciate the courtesy and cooperation extended to us by DCF and the child-placing agencies we reviewed. DCF's response follows the appendices.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/PS/ss

Report Highlights ▪

Services provided by child-placing agencies are funded from a combination of federal, state, and county sources.

In 2012, DCF could have received an estimated $470,000 in additional federal funds that it did not claim.

DCF assesses child-placing agency compliance with both licensure and financial requirements.

We reviewed a selection of 1,844 transactions totaling $838,739 made by five child-placing agencies from 2010 through 2012.

We questioned 558 transactions totaling $129,525 made by child-placing agencies.

The Department of Children and Families (DCF) is responsible for overseeing child-placing agencies, which are child welfare agencies licensed by DCF to place and monitor children in foster homes. The primary responsibilities of child-placing agencies are to recruit foster parents to care for children who have been, or are at risk of becoming, abused or neglected and to ensure the health and safety of children placed in foster homes. In December 2012, there were 24 licensed child-placing agencies located throughout the state.

In recent years, DCF has sought to revoke the licenses of several child-placing agencies based on misuse of state and federal funds, such as payments for excess salaries, personal expenses, and undocumented expenditures. At the request of the Joint Legislative Audit Committee, we evaluated DCF's oversight of child-placing agencies and conducted an independent assessment of the financial and administrative practices of several of the agencies. In conducting our evaluation, we reviewed:

- the amount of state and federal funds provided to child-placing agencies;
- DCF's efforts to ensure child-placing agencies operate in accordance with licensure and other requirements;
- actions taken by DCF when child-placing agencies violated program requirements; and

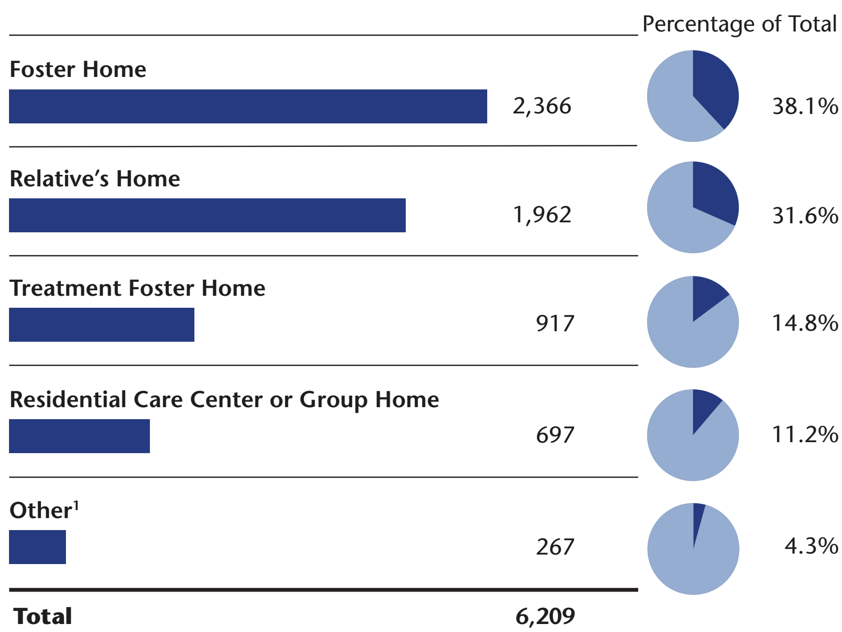
- the records of several child-placing agencies to determine whether the expenditures made by the agencies complied with state policies and federal rules.

Funding Services

In December 2012, 6,209 children were in out-of-home care, as shown in Figure 1. DCF's administrative rules establish several levels of care to be provided by foster homes. Children with greater needs are placed in what have historically been called treatment foster homes. Other out-of-home care settings include a relative's home, residential care center, and group home. Counties and DCF's Bureau of Milwaukee Child Welfare (BMCW) generally contract with child-placing agencies to place and monitor children in treatment foster homes. Services are funded from a combination of federal, state, and county sources.

Figure 1

Children in Out-of-Home Care
December 2012



[1] Includes children who are in secured facilities, such as juvenile correctional facilities, in supervised independent living, and in trial reunifications with their families.

For each child placed in a treatment foster home, the child-placing agency receives two types of payments: an administrative payment, which is a per-day amount paid to the child-placing agency to support its operations; and a maintenance payment, which is a per-month amount paid to the child-placing agency that is passed through to the foster parents to support costs of caring for the child.

2009 Wisconsin Act 28, the 2009-11 Biennial Budget Act, required DCF to begin establishing administrative payment rates for child-placing agencies in 2011. Prior to this time, counties negotiated with child-placing agencies in setting these rates. As a result of the DCF rate-setting process, the per-child maximum daily administrative payment rate declined from $73.15 in July 2011 to $63.50 in July 2012, where it remains.

DCF seeks federal reimbursement for a portion of the treatment foster care costs incurred in serving eligible children. However, we found that DCF has not sought federal reimbursement for Wraparound Milwaukee, a program administered by Milwaukee County. Had DCF sought federal reimbursement for eligible expenditures in 2012, it could have received an estimated $470,000 in additional federal funds. DCF indicates that it has not claimed these funds in the past based on the additional work needed to fully document eligible treatment foster care costs.

Oversight of Child-Placing Agencies

Statutes require all prospective child-placing agencies to obtain a license, and DCF policies require it to visit each child-placing agency at least twice each year to assess compliance with licensure requirements. We found that in 2012, DCF had visited 23 of the 24 child-placing agencies at least twice, including one that was visited ten times. The remaining child-placing agency was visited only once in that year. The number of monitoring visits conducted by DCF increased from 78 in 2010 to 100 in 2012, and the number of licensure violations DCF identified increased from 182 to 224 during this period. Violations were largely related to a failure to maintain adequate records.

In 2011, DCF increased its efforts to conduct financial reviews of child-placing agencies and other organizations. As of September 2013, DCF had completed reviews of five child-placing agencies and was in the process of conducting additional reviews of four agencies. Of the financial reviews DCF completed of five agencies, it found one agency to be in compliance and found varying levels of noncompliance with the others.

We reviewed the financial information submitted by all child-placing agencies from 2010 through 2012 and found that 13 agencies submitted financial information that did not include all required components. However, DCF did not identify noncompliance when incomplete information was submitted.

Review of Financial and Management Practices

We independently reviewed a selection of 1,844 transactions totaling $838,739 made by five agencies from January 2010 through December 2012. We assessed whether the expenditures were made in compliance with state policies and federal rules. We questioned 558 transactions totaling $129,525.

Of the $129,525, 78.5 percent were expenditures incurred by Thrive Treatment Services, LLC, including:

- $14,558 in expenditures related to an Appleton rental property owned by Thrive Treatment Services, LLC;

- $11,063 for costs associated with a house in Adams County for which insufficient documentation was provided to demonstrate the property was used for treatment foster care services; and

- $5,016 for a portion of the costs related to a 2012 board of directors meeting, including transportation, lodging, meals, and meeting space. We believe the costs for the board meeting are excessive.

The accounting practices of Benevolence First, Inc., and Thrive Treatment Services, LLC did not allow us to determine whether public funds were used to pay for costs that are not allowable under state policies and federal rules.

Other examples of costs we questioned for insufficient documentation among the agencies we reviewed include $10,946 by Benevolence First, Inc., and $8,171 by American Foundation of Counseling Services, Inc.

We also identified other issues related to the administrative policies and practices of child-placing agencies and made recommendations to address them.

Recommendations

Our report includes recommendations for the Department of Children and Families to:

- ☑ track treatment foster care expenditures made by Wraparound Milwaukee and report to the Joint Legislative Audit Committee by March 4, 2014, on its plans to seek additional federal funds *(p. 21)*;

- ☑ revise administrative rules for agency licensure so that they are consistent with statutes *(p. 26)*;

- ☑ clarify financial policies and reporting requirements for child-placing agencies *(p. 33 and p. 42)*;

- ☑ ensure the timely review of financial information it receives from child-placing agencies and take appropriate enforcement action *(p. 33)*;

- ☑ require five child-placing agencies to repay a total of $129,525 in questioned costs, provide adequate assurance that the costs were not funded with treatment foster care funds, or provide additional justification for the expenditures *(p. 42)*;

- ☑ ensure the accounting practices of child-placing agencies comply with the requirements specified in the *Allowable Cost Policy Manual* and monitor compliance with these requirements *(p. 42)*;

- ☑ review transactions by Thrive Treatment Services, LLC involving a day care center *(p. 42)* and the loans made by the agency *(p. 48)*;

- ☑ require child-placing agencies to identify and disclose to DCF potential conflicts of interest involving board members, require board members to abstain from participating in certain decisions, and monitor compliance with these requirements *(p. 44)*; and

- ☑ develop policies for the amount of bonus payments that child-placing agencies may provide to their employees using public funds *(p. 47)*, cash advances provided to foster parents or the employees of child-placing agencies *(p. 48)*, and the use and purchase of vehicles by child-placing agencies *(p. 50)*, and monitor compliance with these policies and the long-term debt levels of child-placing agencies *(p. 49)*.

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Introduction ■

DCF is responsible for overseeing child welfare services throughout the state.

Child welfare services are administered by Wisconsin counties and tribes, except in Milwaukee County where DCF's Bureau of Milwaukee Child Welfare (BMCW) directly administers these services. DCF is responsible for overseeing child welfare services throughout the state, including developing licensure standards, establishing financial policies for the appropriate expenditure of public funds, administering state and federal funds, and ensuring compliance with state policies and federal rules.

Investigations of alleged child abuse and neglect are conducted by county staff, except in Milwaukee County where they are conducted by BMCW staff. When a county agency or BMCW determines that a child is at risk of being abused or neglected and a court orders the child be removed from the home, the child may be placed in the care of a relative, a foster home, a group home, or other out-of-home placement. In general, up to four children may be placed in a single foster home, whereas group homes house between five and eight children. Placements in such out-of-home care are intended to be temporary until children can either be safely reunited with their families or moved to other permanent homes when they are not able to be reunited with their parents.

DCF's administrative rules establish several levels of care to be provided by foster homes and specify the experience, education, and training requirements for foster parents in each level. Children with greater medical, physical, developmental, or emotional needs are placed in what have historically been called treatment foster homes, which are operated by individuals who have obtained the knowledge, skills, and qualifications needed to care for such children. For example, foster parents operating treatment foster homes are trained to identify escalating symptoms or side effects of a child's condition, choose appropriate responses in such instances, and operate specialized equipment needed by a child placed in their care.

In December 2012, 14.8 percent of children in out-of-home care were in treatment foster homes.

As shown in Table 1, of the 6,209 children in out-of-home care in December 2012, 917, or 14.8 percent, were in treatment foster homes.

Table 1

Children in Out-of-Home Care
December 2012

Placement Type	Number	Percentage of Total
Foster Home	2,366	38.1%
Relative's Home	1,962	31.6
Treatment Foster Home	917	14.8
Residential Care Center	379	6.1
Group Home	318	5.1
Other[1]	267	4.3
Total	**6,209**	**100.0%**

[1] Includes children who are in secured facilities, such as juvenile correctional facilities, in supervised independent living, and in trial reunifications with their families.

Counties and BMCW generally contract with child-placing agencies to:

- place children in treatment foster homes;
- recruit, screen, and license individuals who are interested in serving as foster parents;
- provide training to, and approve required training for, foster parents;
- work with counties or BMCW on behalf of foster parents to determine the amount of funds they will receive for caring for a specific child;

- notify counties or BMCW of any serious incidents involving a child in placement;
- monitor children and their foster parents to ensure that the children are safe, their needs are being met, and they are receiving appropriate care; and
- maintain records related to children in placement, including school records, medical records, case plans, treatment plans, and progress notes.

Our analyses focused on the 24 child-placing agencies with active licenses on December 31, 2012.

To provide these services, child-placing agencies must obtain a license from DCF. We focused most of our analyses on the 24 child-placing agencies that provided treatment foster care services and had active licenses on December 31, 2012. The licenses that DCF issues limit the number of children child-placing agencies are allowed to serve in foster home placements at one time based on their capacity to effectively supervise the children's care. Table 2 provides information on the 24 child-placing agencies, including whether they operate as for-profit or nonprofit businesses, the city in which their primary operations are located, their initial year of licensure, and the number of children they are licensed to place in foster homes at one time. Counties may contract with one or more child-placing agency, and the location of the child-placing agency is not always in or near the county being served by the agency. For example, in 2012, Bayfield County had a contract with Community Care Resources, Inc., which is located in Middleton. The 24 child-placing agencies with which each county contracted in 2012 is shown in Appendix 1.

Table 2

Child-Placing Agencies
December 31, 2012

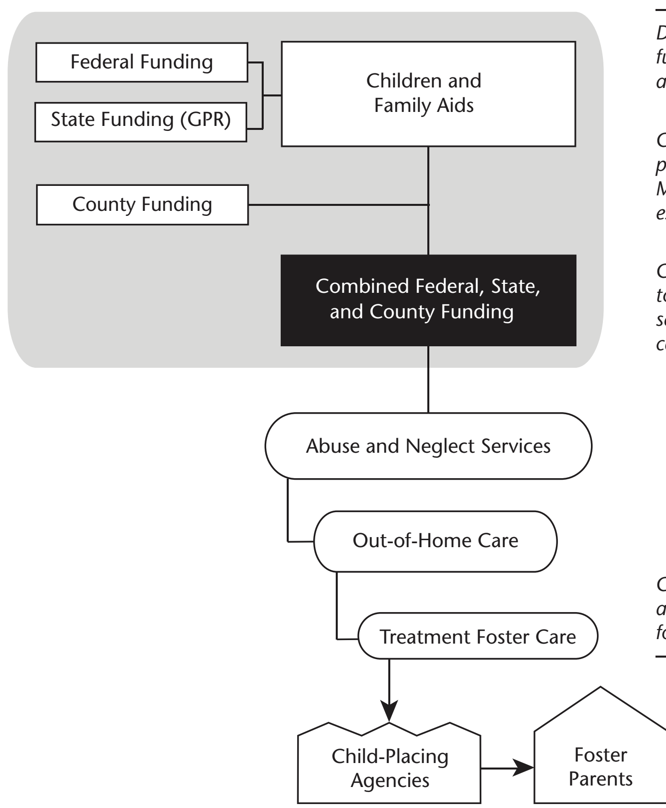
	Main Office Location	Year of Initial License	License Capacity
For-Profit Agencies			
Advocates for Healthy Transitional Living, LLC	De Pere	2011	20
Benevolence First, Inc.	Milwaukee	2006	40
Community Care Resources, Inc.	Middleton	1989	225
Family Care Specialists, Inc.	Sheboygan	2003	18
Fresh Start Family Services, Inc.	Glendale	2004	150
Harmony Social Services, CPA, Inc.	Milwaukee	2008	150
Hopeful Haven, Inc.	Fond du Lac	2007	20
Macht Village Programs, Inc.	De Pere	2008	12
New Visions Treatment Homes of Wisconsin, Inc.	Eau Claire	2000	40
Thrive Treatment Services, LLC	Watertown	2001	45
Nonprofit Agencies			
American Foundation of Counseling Services, Inc.	Green Bay	1999	50
Anu Family Services, Inc.	Hudson	1992	216
Children’s Service Society of Wisconsin	Milwaukee	1983	280
Family and Children’s Center, Inc.	La Crosse	1985	30
Family Works Programs, Inc.	Madison	2004	125
Kenosha Human Development Services, Inc.	Kenosha	1990	45
La Causa, Inc.	Milwaukee	1990	33
Lutheran Social Services of Wisconsin and Upper Michigan, Inc.	Milwaukee	1973	135
My Home, Your Home, Inc.	Milwaukee	1998	100
New Horizon Center, Inc.	Milwaukee	2007	300
Orion Family Services, Inc.	Madison	2001	25
Rawhide, Inc.	New London	1996	35
St. Aemilian-Lakeside, Inc.	Milwaukee	1984	150
St. Charles Youth and Family Services, Inc.	Milwaukee	1997	40

Services provided by child-placing agencies are funded from a combination of federal, state, and county sources.

As shown in Figure 2, services provided by child-placing agencies are funded from a combination of federal, state, and county sources. DCF distributes funds to counties through state budget appropriations for Children and Family Aids that fund a variety of services related to abuse and neglect, including the placement of children in treatment foster homes. Children and Family Aids consists of both federal funds and general purpose revenue (GPR). Counties match a portion of the Children and Family Aids funds they receive through DCF with revenue from county sources. They may also contribute more than the minimum match required. Counties use the combined funds to provide abuse and neglect services, which include out-of-home care, such as treatment foster care, and other services, such as prevention services, investigation services, and treatment services.

Figure 2

Funding Child-Placing Agencies[1]



DCF distributes the federal and state funding appropriated for Children and Family Aids to counties.

Counties provide funds to match a portion of Children and Family Aids. Many counties provide funding in excess of the required match.

Counties use the combined funds to provide abuse and neglect services, including out-of-home care, such as treatment foster care.

Counties contract with child-placing agencies to provide treatment foster care services.

[1] Does not include funding for the Bureau of Milwaukee Child Welfare, which is funded through separate appropriations.

Federal sources for Children and Family Aids includes funding provided through:

- Title IV-E of the Social Security Act, which funds services for children placed in out-of-home care and associated administrative costs;
- Title IV-B of the Social Security Act, which funds services that promote the safety, permanence, and well-being of children in foster care and adoptive families;
- the Social Services Block Grant, which funds programs that help communities achieve or maintain economic self-sufficiency to prevent, reduce, or eliminate dependency; and
- Targeted Case Management funds, which are Medical Assistance funds used for services provided by child welfare caseworkers that are not covered by Title IV-E funding.

As shown in Table 3, the amount appropriated for Children and Family Aids increased from $64.1 million during fiscal year (FY) 2010-11 to $66.5 million in both FY 2011-12 and FY 2012-13. DCF distributes Children and Family Aids funding to counties on a calendar year basis. Appendix 2 shows the amount of Children and Family Aids distributed to each county from calendar year 2011 through 2013.

Table 3

Children and Family Aids Funding[1]

Funding Source	FY 2010-11	FY 2011-12	FY 2012-13
GPR	$29,995,200	$29,995,200	$29,995,200
Federal Funds			
Title IV-E	23,210,600	18,841,600	17,303,100
Title IV-B	2,880,800	3,078,800	3,043,600
Other[2]	8,005,200	14,559,900	16,133,600
Total	**$64,091,800**	**$66,475,500**	**$66,475,500**

[1] Does not include county funds.

[2] Includes Social Services Block Grant and Targeted Case Management funds.

Statutes require counties to match a portion of the state and federal funds they receive through Children and Family Aids. The match amount, which is determined by DCF, has been set at 9.8 percent for several years. This rate was established by the Department of Health and Family Services, which had previously been responsible for providing foster care funds to counties. Many counties provide funding in excess of the required match.

In 2013, concerns were raised about the financial oversight of child-placing agencies due to actions taken by DCF to revoke the licenses of several child-placing agencies based on their misuse of state and federal funds, including payments for excess salaries, personal expenses, undocumented expenditures, and other "unreasonable and unnecessary" costs. Therefore, at the request of the Joint Legislative Audit Committee, we reviewed the financial oversight of child-placing agencies. To do so, we reviewed the process used to fund child-placing agencies, and we reviewed the records of five child-placing agencies to determine whether the expenditures complied with state policies and federal rules. We also reviewed DCF's efforts to ensure that child-placing agencies operate in accordance with licensure and other requirements and the steps taken by DCF in instances in which child-placing agencies violated these requirements. However, we did not evaluate the services provided to children and foster parents by child-placing agencies.

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Funding Child-Placing Services ▪

Public funds are provided to child-placing agencies to support their operations and to pay foster parents to provide care. We reviewed available data on payments provided to child-placing agencies and the extent to which DCF has claimed all of the federal funds available for providing treatment foster care services.

Child-placing agencies receive two types of payments.

As noted, counties and BMCW contract with child-placing agencies to place in treatment foster homes children who have been removed from their homes because they are at risk of being abused or neglected. For each child placed in a treatment foster home, the child-placing agency receives two types of payments:

- an administrative payment, which is a per-day amount paid to the child-placing agency to support its operations; and
- a maintenance payment, which is a per-month amount paid to the child-placing agency that it passes through to the foster parents to support costs of caring for the child.

Administrative Payment Rates

2009 Wisconsin Act 28 required DCF to establish administrative payment rates for child-placing agencies.

2009 Wisconsin Act 28, the 2009-11 Biennial Budget Act, held 2010 administrative payment rates at 2009 levels and required DCF to establish administrative payment rates for child-placing agencies beginning in 2011. Prior to this time, counties negotiated with child-placing agencies in setting these rates. DCF indicates the change in the rate-setting process was made in order to provide transparency in how rates are determined and to hold providers accountable for the use of taxpayer funds. In 2010, administrative payment rates ranged from $974 per month to $4,500 per month, and the amount paid by counties to the same child-placing agency for similar services was not always uniform.

To establish administrative payment rates initially, DCF conducted an actuarial analysis based on the cost of services provided by child-placing agencies. DCF also began requiring child-placing agencies to annually report detailed information on their administrative expenditures that it uses in making adjustments to administrative payment rates. As shown in Table 4, the per-child maximum administrative payment rate declined after DCF established these rates starting in 2011. The percentage of child-placing agencies receiving the maximum amount increased over this period. Whether a child-placing agency receives the maximum administrative payment rate or a lesser amount depends primarily on the costs it reports to DCF. In 2012, administrative payment rates ranged from $51.05 per day to $63.50 per day, and the per-day amount paid by counties to the same child-placing agency for similar services was uniform.

Table 4

Administrative Payment Rates for Child-Placing Agencies[1]

	2011	2012	2013
Maximum Administrative Payment Rate	$73.15[2]	$63.50	$63.50
Percentage of Child-Placing Agencies Receiving the Maximum Rate	33.3%	66.7%	70.8%

[1] As established by DCF. The rates represent the amount paid per day for each child.

[2] Effective for new placements or placement changes beginning on July 1, 2011.

For 2012, DCF set lower administrative payment rates for 12 child-placing agencies than the agencies had requested.

For 2012, DCF established administrative payment rates for 12 child-placing agencies at levels that were lower than the agencies had requested. If child-placing agencies do not agree with the rates set by DCF, they may request mediation. If mediation does not result in an outcome that is acceptable to a child-placing agency, it may appeal DCF's rate-setting decision to the Department of Administration's Division of Hearings and Appeals. Two child-placing agencies appealed the 2012 administrative payment rates DCF established for them, but neither agency prevailed in its appeal.

Child-placing agencies may also request that a county pay an amount above the established administrative payment rate when additional costs are incurred based on a specific child's needs, such as crisis intervention, therapy services, or participation in sexual abuse treatment or offender programming. In 2012, child-placing agencies made requests for additional payments to serve 49 children, and counties approved 42 of the requests. Child-placing agencies are not able to appeal denials of their requests for additional payments to meet the needs of individual children.

Maintenance Payments

Monthly maintenance payments provided to foster parents consist of three amounts: basic, supplemental, and exceptional. The basic amount is established in the State's biennial budget and varies based on the child's age and care needs. In 2012, the basic amount ranged from $220 per month to $475 per month. Supplemental amounts are determined using an assessment tool that considers the specific needs and characteristics of each child. The child's needs are reassessed at least every six months. The monthly payment may be further augmented with an exceptional amount if a caseworker determines the costs of caring for a child are high based on factors such as transportation associated with keeping a child in the same school when the child's foster home is located in a different school district, as well as keeping siblings or a minor parent and the parent's child in the same foster home.

DCF policy limits maintenance payments to a maximum of $2,000 per child per month.

Statutes do not limit the total maintenance payment provided to foster parents for the care of a child. However, DCF policy limits maximum maintenance payments to $2,000 per child per month. In 2012, the median maintenance payment was approximately $1,300.

Not all foster care payments are entered into the State's electronic system for maintaining child welfare records.

Although counties and BMCW typically make maintenance payments to child-placing agencies, the agencies are required to pass along the entire amounts to the foster parents. County staff are required to record payments to child-placing agencies in eWiSACWIS, which is the State's electronic system for maintaining child welfare records. We attempted to determine the amount of administrative and maintenance payments provided to each child-placing agency using eWiSACWIS, but we were unable to do so because not all foster care payments are entered into the system. Specifically, DCF staff indicated that maintenance and administrative payments for children placed in treatment foster homes who receive services through Wraparound Milwaukee, a program administered by Milwaukee County that provides care to children with complex mental health and emotional needs, are not entered into eWiSACWIS. We found these expenditures can be significant. In 2012, one child-placing agency was paid $886,400 through Wraparound Milwaukee, which represented 49.1 percent of the agency's revenue for providing treatment foster care in that year.

Because DCF does not maintain complete information on foster care expenditures, we contacted Milwaukee County to determine the amount Wraparound Milwaukee spent on treatment foster care from 2010 through 2012. Treatment foster care expenditures for Wraparound Milwaukee declined from $3.8 million in 2010 to $2.7 million in 2012. In 2012, Wraparound Milwaukee contracted with 13 of the 24 child-placing agencies to provide treatment foster care services. Treatment foster care expenditures for Wraparound Milwaukee in 2012 accounted for 7.7 percent of all treatment foster care expenditures made by child-placing agencies in that year.

The State seeks federal reimbursement under Title IV-E of the Social Security Act for a portion of the treatment foster care costs incurred in serving eligible children. In 2013, this includes up to 50 percent of the administrative payments and approximately 60 percent of the maintenance payments for serving eligible children. The amount for which DCF seeks federal reimbursement is partly based on payments documented in eWiSACWIS, which does not include expenditures for Wraparound Milwaukee, and we found that DCF has not sought federal reimbursement for any of the costs associated with the provision of treatment foster care services through Wraparound Milwaukee. DCF estimates approximately 50 percent of all children in out-of-home placements are eligible for Title IV-E reimbursement.

In 2012, DCF could have received an estimated $470,000 in additional federal funds that it did not claim.

Had DCF sought federal reimbursement for eligible Wraparound Milwaukee expenditures in 2012, it could have received an estimated $470,000 in additional federal funds. DCF indicates that it has not claimed these funds in the past based on the additional work needed to fully document eligible treatment foster care costs. In order to claim federal funding, expenditures for Wraparound Milwaukee would need to be entered into eWiSACWIS. The cost associated with such an effort is likely to be significantly less than the amount of additional federal funds DCF could receive.

☑ Recommendation

We recommend the Department of Children and Families:

☑ *track treatment foster care expenditures made by Wraparound Milwaukee in detail sufficient to claim federal reimbursement for costs incurred to serve eligible children; and*

☑ *report to the Joint Legislative Audit Committee by March 4, 2014, on its plans to seek additional federal funds.*

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Oversight of Child-Placing Agencies ■

DCF licenses child-placing agencies and is responsible for enforcing program rules, which are specified in statutes, administrative code, and agency policies. We reviewed DCF's licensure practices, its efforts to assess compliance with program rules, and the enforcement actions it takes in instances in which noncompliance is identified.

Types of Oversight Activities

DCF assesses child-placing agency compliance with both licensure and financial requirements.

DCF engages in two main types of oversight related to child-placing agencies: assessing compliance with licensure requirements and assessing compliance with financial requirements. DCF staff responsible for assessing compliance with the licensure and financial requirements of child-placing agencies are also responsible for assessing compliance with the licensure and financial requirements of other types of providers, including adoption agencies, residential care centers, and group homes. DCF does not maintain data in a manner that permitted us to determine the amount of staff time that was spent specifically on child-placing agency efforts. As shown in Table 5, the number of authorized full-time equivalent (FTE) positions assigned to these activities increased from 6.1 FTE positions in 2010 to 12.0 FTE positions in 2013.

Table 5

Authorized Full-time Equivalent Oversight Positions[1]

	2010	2011	2012	2013
Licensure Positions	6.0	6.0	6.00	7.0
Financial Compliance Positions	0.1	1.6	4.75	5.0
Total	**6.1**	**7.6**	**10.75**	**12.0**

[1] DCF staff license and assess compliance with a variety of providers, including child-placing agencies, adoption agencies, residential care centers, and group homes.

Assessing Compliance with Licensure Requirements

Statutes require all prospective child-placing agencies to obtain a license.

Statutes require all prospective child-placing agencies to obtain a license. As part of the licensure process, DCF requires that prospective agencies submit their initial applications at least 60 days before the proposed start of operations. The type of information that a prospective agency is required to submit includes the agency's policies and procedures, evidence of sufficient funds to support agency operations for at least one year, a list of the current members of its board of directors, the qualifications of its staff, and the results of required background checks for its staff.

Using this information, DCF determines whether the agency meets the minimum requirements for licensure. If requirements are met, DCF issues a six-month probationary license and assesses compliance with program requirements during the probationary period through site visits and requests for information. Before the end of the probationary period, the child-placing agency must submit an application for a regular license if it wishes to continue operating. Based on information submitted with this application and the agency's performance during the probationary period, DCF determines whether to issue the agency a regular license, extend its probationary license, or not license the agency. If the probationary license is extended, DCF assesses the agency during an additional six-month period. At the end of this period, DCF either issues a regular license or chooses not to license the agency, which requires the agency to cease operations.

Each child-placing agency is required to submit an application every two years in order to continue its license.

Statutes specify that a regular license is valid until it is revoked or suspended. However, statutes also require the agency to submit an application every two years in order to continue its license. Examples of information required to be included with an application for continuance include:

- copies of annual reports published since the last license was issued;
- the budget for the agency's current fiscal year;
- the most recently completed annual financial audit;
- a description of any program review or changes in program content that have occurred since the last license was issued; and
- a copy of any revisions made to personnel policies.

In addition to submitting an application to DCF every two years, administrative rules require each agency to submit an application if it plans to change aspects of its operations, such as relocating, opening an additional office, changing the name of the agency, or providing services in additional areas of the state.

Statutes and administrative rules establish different time requirements for license applications.

We identified an inconsistency between statutes and administrative rules regarding the application process. In submitting an application for continuance of a license, s. DCF 54.02(3)(d), Wis. Adm. Code, requires that a child-placing agency submit its application at least three weeks prior to the continuation date for its current license. In contrast, s. 48.66(5), Wis. Stats., requires a child-placing agency to submit its application at least 30 days prior to the continuation date for its current license. We found that administrative rules related to the submission of application materials for child-placing agencies were originally promulgated in 1970. Subsequently, 1997 Wisconsin Act 27 repealed and recreated s. 48.66(5), Wis. Stats., to include the 30-day application requirement.

If an agency does not submit its application materials in a timely manner, statutes require DCF to issue a warning to the agency, which it typically does through a letter. We reviewed the most recent applications submitted by child-placing agencies. Of the 24 agencies:

- 20 met both statutory and administrative code requirements by submitting applications for continuance at least 30 days prior to their continuation dates;

- 3 met the administrative code requirement by submitting their applications between 21 and 29 days prior to their continuation dates; and

- 1 did not meet either statutory or administrative code requirements by submitting its application 16 days prior to the continuation date.

Although DCF issued a warning letter to the one agency that did not meet either statutory or administrate code requirements, it did not issue a warning to one of the three agencies that met only the administrative code requirement. To avoid potential confusion among child-placing agencies and comply with the more recent indicator of legislative intent found in 1997 Wisconsin Act 27, the administrative rule should be revised to conform to statutory requirements.

☑ Recommendation

We recommend the Department of Children and Families:

- *revise s. DCF 54.02(3)(d), Wis. Adm. Code, to be consistent with s. 48.66(5), Wis. Stats., by requiring child-placing agencies to submit their applications at least 30 days prior to the continuation date; and*

- *issue interim guidance to child-placing agencies that requires them to follow the 30-day statutory requirement.*

Monitoring Activities

To assess compliance with licensure requirements, DCF is required to visit each child-placing agency at least twice each year.

DCF policies require its staff to visit each child-placing agency at least twice each year to assess compliance with licensure requirements. We found that in 2012, DCF had visited 23 of the 24 child-placing agencies at least twice, including one that was visited ten times. The remaining child-placing agency was visited only once in that year. DCF may choose to visit an agency more frequently based on concerns related to compliance with program rules that DCF identified during previous monitoring visits or through the receipt of complaints concerning the agency. As shown in Table 6, the number of monitoring visits conducted by DCF increased from 78 in 2010 to 100 in 2012, or by 28.2 percent.

Table 6

Monitoring Visits for Licensure Compliance at Child-Placing Agencies

Year	Monitoring Visits Conducted	Child-Placing Agencies[1]
2010	78	30
2011	95	29
2012	100	29

[1] Includes all agencies that had active licenses at any point during the year.

When conducting monitoring visits, licensure staff review child-placing agency staffing ratios by comparing the number of children placed in foster homes with the number of social workers employed by the agency. They also review the qualifications of staff hired since the last monitoring visit and documentation contained in a sample of files for foster homes and the children placed in them. DCF staff examine the agency files and compare the contents to a checklist, which summarizes the documentation required to be maintained, including medical records, school reports, and treatment plans for the children. In addition, DCF staff may identify concerns during the review that are not specified on the checklist, such as inconsistent reporting of information.

Licensure staff also investigate complaints about child-placing agencies.

Licensure staff also investigate complaints about child-placing agencies. DCF receives complaints through its website, phone calls, and direct contacts with county workers who interact with child-placing agency staff. DCF licensure staff assess the level of risk associated with each complaint. Investigations of complaints that are determined to be high-risk are required to be initiated no later than the next day to determine whether there is an immediate safety risk involving a child. DCF policies define all complaints involving fatalities, allegations of abuse or neglect, criminal activity, and environmental disasters or hazards as high-risk. Investigations of other complaints are to be initiated within ten days of receiving the complaint.

DCF received 17 complaints related to child-placing agencies between January 2010 and December 2012. Each complaint may include an allegation of one or more violations. Of the 31 violations alleged in the 17 complaints, only 5 violations were substantiated by DCF through its investigations of the complaints. Information provided by DCF indicates that none of the violations were considered serious, and all of its investigations have been completed.

The number of licensure violations DCF identified increased from 182 in 2010 to 224 in 2012.

Violations of licensure requirements are most commonly identified by DCF staff as a result of conducting regular monitoring visits. Table 7 shows the number of violations DCF identified at each of the 24 child-placing agencies. The number of licensure violations DCF identified increased from 182 in 2010 to 224 in 2012, or by 23.1 percent. These violations were largely related to a failure to maintain adequate records, such as not having on file children's medical records, school reports, or court records.

Table 7

Child-Placing Agency Licensure Violations[1]

Agency	2010	2011	2012	Total
Harmony Social Services, CPA, Inc.	49	28	12	89
Macht Village Programs, Inc.	12	15	17	44
Advocates for Healthy Transitional Living, LLC[2]	–	22	18	40
American Foundation of Counseling Services, Inc.	6	20	11	37
Community Care Resources, Inc.	5	2	28	35
Family Works Programs, Inc.	10	13	6	29
Orion Family Services, Inc.	9	5	15	29
Family Care Specialists, Inc.	10	8	10	28
Hopeful Haven, Inc.	7	11	10	28
New Horizon Center, Inc.	7	10	8	25
Fresh Start Family Services, Inc.	10	8	6	24
Rawhide, Inc.	0	10	12	22
St. Charles Youth and Family Services, Inc.	11	4	7	22
Anu Family Services, Inc.	5	1	15	21
Lutheran Social Services of Wisconsin and Upper Michigan, Inc.	5	6	8	19
New Visions Treatment Homes of Wisconsin, Inc.	0	13	6	19
Children's Service Society of Wisconsin	11	6	1	18
Thrive Treatment Services, LLC	0	10	8	18
Kenosha Human Development Services, Inc.	3	10	4	17
My Home, Your Home, Inc.	4	5	7	16
St. Aemilian-Lakeside, Inc.	10	3	2	15
Benevolence First, Inc.	1	4	9	14
Family and Children's Center, Inc.	4	5	2	11
La Causa, Inc.	3	2	2	7
Total	**182**	**221**	**224**	**627**

[1] Includes violations DCF identified for all agencies with active licenses on December 31, 2012.

[2] Agency was not in operation in 2010.

When licensure violations are identified, DCF discusses the violations with staff of the child-placing agency and issues a notice of noncompliance within ten business days of the visit. The agency is required to submit a corrective action plan within two weeks that describes the actions it will take to address areas of noncompliance and the expected timeline for addressing them, which DCF must approve. DCF verifies that corrective actions have taken place during the next scheduled site visit, by conducting an additional site visit, or by reviewing documentation submitted by the agency.

Enforcement Activities

DCF may take enforcement action to ensure compliance when serious or repeated licensure violations are identified.

DCF may take enforcement action to ensure compliance when serious or repeated licensure violations are identified. Enforcement actions may include formal warnings, orders directing the agency to take specific action, forfeitures, stipulated agreements in which an agency agrees to comply with additional conditions placed on its license, license suspensions, or license revocations. As shown in Table 8, the number of enforcement actions taken by DCF increased from 15 in 2010 to 28 in 2012. The 28 enforcement actions taken by DCF in 2012 were for violations committed by 17 child-placing agencies.

Table 8

Enforcement Actions Taken by DCF for Licensure Violations

Action	2010	2011	2012
Warning Letter	6	21	16
Orders Letter	3	1	7
Forfeiture	2	2	0
Stipulation	3	0	3
Suspension	0	0	0
Revocation	1	2	2
Total	**15**	**26**	**28**

DCF may revoke the license of any agency for serious or repeated violations of program rules and other violations, such as tax delinquency. In most circumstances, statutes require DCF to provide the agency with a notice of revocation at least 30 days prior to the date of revocation, and the agency has the option of appealing

DCF's decision to the Department of Administration's Division of Hearings and Appeals.

If the revocation is not appealed, it becomes effective on the date specified in the revocation notice. Agencies that have appealed a license revocation may generally continue to operate pending the outcome of the hearing. However, DCF may prevent an agency from operating during the revocation and appeal process by issuing a summary suspension prior to providing the notice of revocation, which provides for the immediate closure of the agency based on a finding that protection of public health, safety, or welfare necessitates immediate closure.

In 2012, DCF initiated license revocation for two agencies.

In 2012, DCF initiated license revocation for two agencies: Advocates for Healthy Transitional Living, LLC, located in De Pere, and Brighter Destinies, Inc., located in Milwaukee. Advocates for Healthy Transitional Living, LLC entered into a stipulated agreement with DCF that allowed the agency to retain its license but also required the agency to make several adjustments to its operations, including hiring a qualified casework supervisor. DCF indicates that Advocates for Healthy Transitional Living, LLC has complied with the agreement.

DCF initiated license revocation for Brighter Destinies, Inc., in 2011, but instead chose to enter into a stipulated agreement that allowed the agency to retain its license. The agreement required the agency to comply with program rules and prohibited its chief executive officer from being involved in daily and financial operations of the agency. Because the agency was not complying with all terms of the agreement, DCF sought to revoke the license for Brighter Destinies, Inc., in March 2012. In response, the agency voluntarily surrendered its license, which DCF records indicate occurred on December 26, 2012. Agencies may voluntarily surrender their licenses, but must submit a written plan to DCF in advance to ensure ongoing care is arranged for all of the children they have placed in treatment foster homes.

Assessing Compliance with Financial Requirements

DCF has increased its financial compliance efforts in recent years. In 2011, DCF created the Fiscal Integrity and Audit Section, which is responsible for conducting financial reviews of child-placing agencies, as well as residential care centers and group homes. The reviews it conducts include both consideration of information submitted by the agencies and site visits to interview staff and examine additional documentation. DCF focuses its reviews on three areas: internal controls, expenditures, and financial stability. It anticipates reviewing each child-placing agency once every three to five years, based on DCF's assessment of risk.

DCF used a risk-based approach to conduct financial reviews of child-placing agencies.

DCF's assessment of risk is based on financial information submitted to it, the amount of time the agencies have been licensed, and whether DCF has received complaints concerning the agencies. As shown in Table 9, DCF completed financial reviews of five child-placing agencies as of September 2013, and it was in the process of conducting additional reviews of four agencies.

Table 9

Financial Reviews of Child-Placing Agencies Conducted by DCF
January 2011 through September 2013

Agency	Date Completed
Completed	
Foster Care Youth Independence Center of Wisconsin, Inc.[1]	June 2011
My Home, Your Home, Inc.	January 2012
Brighter Destinies, Inc.[1]	February 2012
Community Care Resources, Inc.	January 2013
Anu Family Services, Inc.	February 2013
In Progress	
Fresh Start Family Services, Inc.	–
Harmony Social Services, CPA, Inc.	–
Macht Village Programs, Inc.	–
New Horizon Center, Inc.	–

[1] Agency ceased operations in 2012.

Of the five completed financial reviews, DCF found one agency—Anu Family Services, Inc.—to be in compliance. DCF identified areas of noncompliance with the remaining four agencies. For example:

- The chief executive officer at Foster Care Youth Independence Center of Wisconsin, Inc., had used agency funds for personal expenses, and the agency was unable to meet its financial responsibilities due to poor financial management. The agency chose to voluntarily surrender its license in January 2012.

- When DCF completed its review in January 2012, My Home, Your Home, Inc., had negative net assets of $188,000, with additional losses anticipated for that year. At the end of 2012, the agency owed DCF $220,500 for excess revenues the agency had received in prior years. A payment plan was established that requires My Home, Your Home, Inc., to repay DCF $4,000 per month until the entire excess is repaid.

- Brighter Destinies, Inc., continued to violate program rules that DCF had noted previously, such as the chief executive officer continued to be involved in the agency's financial management, despite a July 2011 agreement with DCF prohibiting this activity. As noted, Brighter Destinies chose to voluntarily surrender its license in December 2012.

- DCF determined that Community Care Resources, Inc., incurred $4.8 million in unallowable costs, such as personal travel and undocumented expenditures, as well as $1.4 million in excess profits. DCF initiated revocation of the agency's license and issued an order for the agency to reimburse DCF for $6.1 million it spent using foster care funds. Community Care Resources, Inc., appealed both actions to the Department of Administration's Division of Hearings and Appeals. During the appeal process the agency's license remained active. However, DCF took steps to ensure funds provided to the agency were being spent appropriately, including making maintenance payments to foster parents directly, rather than sending these funds through the agency.

Child-placing agencies are required to submit audited financial statements to DCF annually.

Although DCF increased its financial oversight of child-placing agencies, we found that it has not focused sufficient attention on financial compliance. Statutes and administrative code require child-placing agencies to submit financial information to DCF, including annual financial statements that have been audited by a certified public accountant and that have been completed according to policies established by DCF. Although some nonprofit agencies that receive federal funds are required to follow federal single audit rules, all agencies are required to follow the *Provider Agency Audit Guide* that was developed jointly by several state agencies that routinely provide funds to private entities. The *Provider Agency Audit Guide* was created to establish consistent audit and financial management policies across state agencies in order to reduce differences in financial requirements and facilitate compliance, especially among private entities receiving funds from more than one state agency.

In addition, DCF issued memoranda to all child-placing agencies in both March 2012 and March 2013 that reminded them of the requirement to submit an audit prepared in accordance with DCF policies by the required date, which for most child-placing agencies is June 30th. The memoranda do not provide any specific guidance on what is required to be reported in the audited financial statements.

We found 13 agencies did not submit all required financial information to DCF.

We reviewed the financial information submitted by all child-placing agencies for 2010, 2011, and 2012 to determine whether it contained all required information, including audited financial statements. The amount of information required varies based on the amount of funding a child-placing agency receives and whether it operates as a for-profit or nonprofit organization. We found 13 agencies submitted financial information that did not include all required components, including one agency, Advocates for Healthy Transitional Living, LLC, which did not submit an audited financial statement for 2011.

DCF did not identify the agencies' noncompliance when they submitted incomplete information. Although DCF has provided guidance to child-placing agencies regarding complying with DCF financial reporting requirements, some agencies remain uncertain about what is required. To provide effective oversight of child-placing agencies, it is important that DCF receives sufficient and accurate information from child-placing agencies. Performing comprehensive reviews of audited financial statements is one important aspect of providing effective oversight.

☑ Recommendation

We recommend the Department of Children and Families:

- *clarify financial reporting requirements for child-placing agencies through additional outreach and training;*
- *ensure the timely review of financial information it receives from child-placing agencies, including audited financial statements; and*
- *take appropriate enforcement action when child-placing agencies do not comply with financial reporting requirements.*

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Review of Financial and Management Practices ■

We reviewed expenditures made by five child-placing agencies to determine whether they complied with state policies and federal rules. We also assessed their administrative policies and practices, and we reviewed governing board membership, executive salaries and bonus payments, loans, cash advances, long-term debt, and the use and purchase of vehicles.

Expenditure Review

We conducted a detailed review of the expenditures made by five child-placing agencies.

We excluded from our expenditure review those nine child-placing agencies for which DCF had conducted a financial review since 2011 or was in the process of reviewing. In selecting from the remaining agencies, we considered factors such as initial licensure date, organization type, annual expenditures, and the amount paid to the agency for providing services. Table 10 shows the five agencies we selected for our review. Three of the agencies are nonprofit organizations and two are for-profit organizations.

Table 10

Child-Placing Agencies Selected for Expenditure Review

Agency	Main Office Location	Organization Type	2012 Total Agency Expenditures (in millions)	2012 Treatment Foster Care Expenditures[1] (in millions)
La Causa, Inc.	Milwaukee	Nonprofit	$15.8[2]	$1.0
American Foundation of Counseling Services, Inc.	Green Bay	Nonprofit	2.1[2]	0.9
Family and Children's Center, Inc.	La Crosse	Nonprofit	11.7[2]	0.7
Benevolence First, Inc.	Milwaukee	For-profit	0.3	Unknown[3]
Thrive Treatment Services, LLC	Watertown	For-profit	1.7	Unknown[3]

[1] Includes all expenditures associated with providing treatment foster care services, including those funded by administrative payments and maintenance payments.

[2] These agencies provide services in addition to treatment foster care, such as residential care, counseling services, therapy services, and early childhood education.

[3] Agency did not identify the revenue source used to pay for its expenditures.

We reviewed 1,844 transactions totaling $838,739 made by five agencies from January 2010 through December 2012.

As shown in Table 11, we reviewed 1,844 transactions totaling $838,739 made by the five agencies from January 2010 through December 2012. These transactions represent administrative expenditures, excluding personnel costs, that child-placing agencies either made, or may have made, with treatment foster care funds. The number and type of transactions we selected was not random but was based on the level of agency expenditures, the potential risk of abuse, and whether the nature and purpose of the transaction was readily apparent from the agency's general ledger. For example, we reviewed all credit card transactions made by some agencies when insufficient detail was provided in the general ledgers to determine what had been purchased.

Table 11

Transactions Reviewed[1]

Agency	Number	Amount
Thrive Treatment Services, LLC	758	$536,247
American Foundation of Counseling Services, Inc.	496	131,714
La Causa, Inc.	142	73,292
Benevolence First, Inc.	232	49,705
Family and Children's Center, Inc.	216	47,781
Total	**1,844**	**$838,739**

[1] Includes a selection of transactions made from January 2010 through December 2012.

Adequacy of Documentation

DCF's *Allowable Cost Policy Manual* establishes standards for determining whether expenditures made by child-placing agencies are reasonable and necessary. It was revised in June 2012 to clarify policies related to unallowable costs and proper documentation of expenses. For example, DCF specified the types of documentation agencies should maintain, including:

- vendor invoices;
- receipts;
- names of attendees at trainings and meetings;
- vehicle mileage logs; and
- proof of payment, such as electronic payment copies or bank statements.

As shown in Table 12, we found that the adequacy of documentation for the selected transactions ranged from 99.3 percent by La Causa, Inc., to 65.1 percent by Benevolence First, Inc.

Table 12

Adequacy of Documentation of Selected Transactions

Agency	Transactions with Adequate Documentation	Number of Transactions Reviewed	Percentage
La Causa, Inc.	141	142	99.3%
Family and Children's Center, Inc.	214	216	99.1
American Foundation of Counseling Services, Inc.	449	496	90.5
Thrive Treatment Services, LLC	660	758	87.1
Benevolence First, Inc.	151	232	65.1

Benevolence First, Inc., indicated that it is aware of the documentation concerns we identified. It indicated that it took steps in 2011 to improve its financial practices, including hiring an accountant. Although documentation of its financial transactions improved beginning in 2011, in many instances the agency was unable to provide receipts for its purchases. Therefore, we relied on bank statements provided by the agency to assist us in verifying the nature and purpose of some of the transactions we reviewed.

Questioned Costs

Costs that are unallowable cannot be paid for with public funds.

State policies and federal rules prohibit the use of treatment foster care funds for certain expenses such as alcohol, donations, gifts, entertainment, and other expenditures that primarily benefit the child-placing agency or its employees. In addition, we identified expenditures that were excessive, unnecessary to agency operations, or that were insufficiently documented for us to determine what was purchased and whether the purchase was allowable. Costs that are unallowable cannot be paid for with public funds.

Allowable costs are limited to those that are supported by the agency's accounting records, are adequately documented, and are reasonable for proper and efficient program administration. A cost is considered reasonable if it:

- does not exceed the cost that would be incurred by a prudent person;

- is ordinary and necessary to the operation of the agency or the performance of the contract; and

- is incurred in accordance with the agency's established procurement policies.

In July 2012, DCF issued a memorandum that discussed clarifications to its *Allowable Cost Policy Manual*. For example, the memorandum states that costs for an annual picnic, party, or outing for agency employees do not meet the definition of reasonable and necessary and cannot be charged to DCF's programs, including treatment foster care.

DCF's *Allowable Cost Policy Manual* requires that separate accounts be established by child-placing agencies in order to properly account for unallowable costs, and that agencies specifically include a cost pool or category in their chart of accounts for unallowable costs. It also states that unallowable costs cannot be included in expense pools that are charged as overhead costs or through cost allocation plans.

The accounting practices of two child-placing agencies did not allow us to determine whether public funds were used to pay for unallowable costs.

The accounting practices of three agencies we reviewed allowed us to determine whether these agencies used public funds to pay for costs that are unallowable under state policies and federal rules. In contrast, the accounting practices of Benevolence First, Inc., and Thrive Treatment Services, LLC did not allow us to determine whether public funds were used by these agencies to pay for costs that are unallowable under state policies and federal rules. Neither agency established an unallowable cost category nor identified which of its revenue sources was used to pay for its unallowable costs.

We questioned 558 transactions totaling $129,525.

As shown in Table 13, we questioned 558 transactions totaling $129,525. These questioned costs are detailed in Appendix 3.

Table 13

Questioned Costs

Agency	Number of Transactions	Amount
Thrive Treatment Services, LLC	356	$101,739[1]
Benevolence First, Inc.	97	16,687[1]
American Foundation of Counseling Services, Inc.	91	10,698
Family and Children's Center, Inc.	9	306
La Causa, Inc.	5	95
Total	**558**	**$129,525**

[1] Agency did not identify the revenue source used to pay for its expenditures.

Thrive Treatment Services, LLC incurred 78.5 percent of the $129,525 in questioned costs.

Of the $129,525 in questioned costs, 78.5 percent were incurred by Thrive Treatment Services, LLC. These include purchases that are likely unallowable if made with public funds, including:

- $14,558 in various expenditures associated with an Appleton rental property owned by Thrive Treatment Services, LLC that it indicates was not used to provide treatment foster care services;

- $11,063 for maintenance, utilities, and other costs associated with a house in Adams County that the agency indicates was used as office space and as a respite location for foster parents. Insufficient documentation was provided to demonstrate the property was used for reasonable and necessary purposes or that these costs had been appropriately allocated based on the extent to which the home was used in providing necessary treatment foster care services. Thrive Treatment Services, LLC indicated that ownership of the house was transferred from the executive director to Thrive Treatment Services, LLC in September 2013;

- $7,074 for cable television services, internet services, newspaper subscriptions, and miscellaneous items for the chief executive officer's home, which he indicates is used as an office;

- $5,488 for four employee holiday parties, including alcohol, meals, and hotel rooms;

- $5,016 for a portion of the costs related to a 2012 board of directors meeting, including transportation, lodging, meals, and meeting space, which we believe is excessive; and

- $1,664 for corporate franchise taxes and tax preparation services for Employment Training Consultants, Inc., the parent company of Thrive Treatment Services, LLC.

Examples of questioned costs we identified for the other four agencies we reviewed include:

- $10,946 by Benevolence First, Inc., for expenditures for which insufficient documentation was provided;

- $8,171 by American Foundation of Counseling Services, Inc., for expenditures for which insufficient documentation was provided;

- $3,575 by Benevolence First, Inc., for donations to religious, neighborhood, and other organizations;

- $695 by American Foundation of Counseling Services, Inc., for employee gifts;

- $94 by Family and Children's Center, Inc., for employee gifts; and

- $13 by La Causa, Inc., for interest related to credit card purchases.

Some agencies also purchased gifts for foster parents and children in treatment foster care, as well as low-cost entertainment activities for foster children, such as bowling and movies. In assessing the appropriateness of these types of gifts and entertainment expenditures, we followed DCF's practice, which is to consider them allowable if they are reasonable and appropriately documented. DCF's written policies state that gifts and entertainment are unallowable and do not distinguish between those given to employees and those given to foster parents and foster children. Staff of the child-placing agencies expressed confusion regarding whether purchasing gifts, entertainment, and meals for foster parents and foster children is allowable.

Several transactions in the accounting records of Thrive Treatment Services, LLC warrant closer attention.

We also identified several transactions in the accounting records of Thrive Treatment Services, LLC that we believe warrant closer attention by DCF. The agency was involved in a series of transactions between February 2010 and December 2012 involving a day care center in Tennessee valued at approximately $200,000. It is unclear why the agency's account was used for these transactions and what effect, if any, these transactions had on the agency's finances and the administrative payments it received from DCF for the treatment foster care services it provided.

☑ Recommendation

We recommend the Department of Children and Families:

- *require five child-placing agencies to repay a total of $129,525 in questioned costs, provide adequate assurance that these costs were not funded with treatment foster care funds, or provide additional justification for the expenditure of these funds for those costs the agencies believe are appropriate;*

- *ensure the accounting practices of child-placing agencies comply with the requirements specified in its Allowable Cost Policy Manual;*

- *monitor ongoing compliance with these requirements as part of its annual oversight of child-placing agencies;*

- *specify in its Allowable Cost Policy Manual whether gifts, entertainment, or meals purchased for foster parents and children in treatment foster care are allowable if the purchases are reasonable and appropriately documented; and*

- *review transactions by Thrive Treatment Services, LLC involving a day care center to determine whether these transactions affected the level of treatment foster care payments made to the agency.*

Improving Agency Administrative Policies and Practices

In addition to reviewing specific financial transactions made by five child-placing agencies, we also assessed their administrative policies and management practices, including governing board membership, executive salaries and bonus payments, loans, cash advances, long-term-debt, and the use and purchase of vehicles.

Board Membership

Child-placing agencies are required to be governed by a board of directors.

Administrative rules require all child-placing agencies to be governed by a board of directors that is responsible for functions such as obtaining and disbursing funds, approving the agency's budget, ensuring that board policies are carried out, ensuring that the agency adheres to licensure rules, and ensuring the appropriate use of funds.

The governing boards of three agencies we reviewed—American Foundation of Counseling Services, Inc., Family and Children's Center, Inc., and La Causa, Inc.—consisted of the agency's executive director and members of community organizations such as local colleges and universities, banks, hospitals, utilities, and real estate companies. The bylaws of these three agencies do not allow board members to receive compensation for their services. La Causa, Inc., allows board members to receive reasonable reimbursement for expenses they incur in fulfilling their board obligations.

The governing boards of two agencies consist largely of related individuals.

In contrast, we found the governing boards of the remaining two agencies we reviewed—Benevolence First, Inc., and Thrive Treatment Services, LLC—included individuals related to each agency's top official, both of whom also serve as board president for their respective agencies. In 2012, two members of the local business community joined the board of Benevolence First, Inc. Prior to 2012, the board of Benevolence First, Inc., was composed entirely of individuals related to the agency's executive administrator. The board of Thrive Treatment Services, LLC has been composed entirely of individuals related to the agency's chief executive officer since incorporation in 2000. In addition, two of the board members of Thrive Treatment Services, LLC are employees of the organization: the executive director and the licensing and training coordinator. Although we found no evidence that any of the board members of Thrive Treatment Services, LLC or Benevolence First, Inc., received compensation as board members, one board member of Benevolence First, Inc., who is an attorney living in Tennessee and is a relative of the agency's executive administrator and board president, was paid $1,500 for legal services provided to the agency in 2010.

We note that the board of Thrive Treatment Services, LLC approved three bonuses totaling $26,750 in 2012 for the agency's chief executive officer, who is also the board president. Because the board of Thrive Treatment Services, LLC consists entirely of related individuals, we believe the approval of these bonuses represents a potential conflict of interest.

We reviewed policies established by the five child-placing agencies to determine whether they addressed issues involving potential conflicts of interest. We found two agencies—Family and Children's Center, Inc., and La Causa, Inc.—have policies in their bylaws to prevent conflicts of interest:

- Family and Children's Center, Inc., requires board members to disclose potential financial conflicts of interest and abstain from participating in any decision that might affect another corporation for which the board member is employed or in which the board member has a financial interest; and

- La Causa, Inc., requires its board members to disclose in writing to the secretary of its board any interest that might result in the appearance of a conflict, and its board members are not permitted to be related to each other or to employees of the organization by either family or marriage.

☑ Recommendation

We recommend the Department of Children and Families:

- *require child-placing agencies to disclose to DCF any individuals serving on their boards of directors who are related to agency personnel or who hold management positions within the agency;*

- *require child-placing agencies to establish policies mandating disclosure of potential conflicts of interest involving their board members and requiring board members to abstain from participating in any decision involving an agency employee to whom the member is related or an entity with which the member is employed or has a financial interest;*

- *require child-placing agencies to report to DCF all potential conflicts of interest that are disclosed; and*

- *monitor compliance with potential conflicts of interest as part of its annual oversight of child-placing agencies.*

Executive Salaries and Bonus Payments

We reviewed the salaries of agency executives, as well as the bonuses paid to employees, for the five agencies we reviewed. We found substantial variation among executive salaries, which is likely the result of numerous factors, including the size of the agency, the number of children in placement at each agency, work performance, an individual's level of experience, and services offered by the agency.

As shown in Table 14, executive salaries in 2012 ranged from $34,500 for the executive administrator of Benevolence First, Inc., to $164,700 for La Causa's chief executive officer. Three agencies—American Foundation of Counseling Services, Inc., La Causa, Inc., and Family and Children's Center, Inc.—provide services in addition to treatment foster care. As a result, only a portion of the salaries of these executives was funded with administrative payments the child-placing agencies received for providing treatment foster care services. The remainder was funded with revenue the agencies received for providing other services.

Table 14

Salaries of Child-Placing Agency Executives
2012

Agency	Position	Amount from Administrative Payments	Total Salary	Percentage Paid by Administrative Payments
La Causa, Inc.	Chief Executive Officer	$ 5,200[1]	$164,700	3.2%[1]
Family and Children's Center, Inc.	Chief Executive Officer	4,800[1]	115,900	4.1[1]
Thrive Treatment Services, LLC	Chief Executive Officer	Unknown[2]	104,200	Unknown[2]
Thrive Treatment Services, LLC	Executive Director	Unknown[2]	103,900	Unknown[2]
American Foundation of Counseling Services, Inc.	Executive Director	44,000[1]	97,900	44.9[1]
Benevolence First, Inc.	Executive Administrator	Unknown[2]	34,500	Unknown[2]

[1] Represents the amount of an executive's salary that was funded with administrative payments the child-placing agency received for providing treatment foster care services.

[2] Agency did not identify the revenue source used to pay for its expenditures.

Three of the five child-placing agencies we reviewed awarded bonuses to their employees.

As shown in Table 15, three of the five child-placing agencies we reviewed awarded bonuses to their employees. The $95,300 paid by Thrive Treatment Services, LLC from January 2010 through December 2012 accounted for 92.5 percent of the total amount of all bonuses paid. These bonuses were provided to 11 of the 12 staff employed by Thrive Treatment Services, LLC during this period. Although most of the bonuses Thrive Treatment Services, LLC paid ranged from $200 to $2,000, the chief executive officer, program coordinator, and the executive director received single-year bonuses of $26,500, $16,200, and $10,000, respectively.

Table 15

Total Amount of Bonuses Paid to Employees

Agency	2010	2011	2012	Total
Thrive Treatment Services, LLC[1]	$33,400	$21,900	$40,000	$ 95,300
Benevolence First, Inc.[1]	–	6,500	–	6,500
American Foundation of Counseling Services, Inc.	300	400	500	1,200
Family and Children's Center, Inc.	–	–	–	–
La Causa, Inc.	–	–	–	–
Total	**$33,700**	**$28,800**	**$40,500**	**$103,000**

[1] Agency did not identify the revenue source used to pay for its expenditures.

DCF defers to federal rules in determining whether bonuses and other compensation expenses can be paid for with program funds. Federal rules specify that bonuses are allowable if awarded under an established plan or policy and the basis of the award is supported. In addition, DCF policy allows only costs that are incurred in accordance with written policies and procedures approved by the agency's board.

Of the three agencies that awarded bonuses to employees between January 2010 and December 2012:

- Benevolence First, Inc., does not have any written policies describing how bonuses may be earned;
- American Foundation of Counseling Services, Inc., has a policy stating bonuses may be provided based on performance, but it does not describe how performance is to be measured; and

- Thrive Treatment Services, LLC has a policy stating bonuses are provided to employees with caseloads exceeding 12 children at one time, but it does not have policies describing how staff not assigned treatment foster care cases, such as managers, may earn bonuses.

☑ Recommendation

We recommend the Department of Children and Families:

- *develop policies for the amount of bonus payments that child-placing agencies may provide to their employees using public funds; and*

- *monitor compliance with these policies as part of its annual oversight of child-placing agencies.*

Issuing Loans

Thrive Treatment Services, LLC made three loans to businesses owned by family members of the chief executive officer.

Thrive Treatment Services, LLC made three loans to businesses owned by family members of the chief executive officer:

- a 2005 loan for $100,000 to LKDaniels Enterprises, LLC, a company owned by the chief executive officer of Thrive Treatment Services, LLC and his spouse. The promissory note provides no maturity date and indicates that the loan is made with no interest. However, the financial information submitted by Thrive Treatment Services, LLC to DCF indicates that "unknown interest will be paid and determined at the time of maturity";

- a 2009 15-year loan for $89,744 with an annual interest rate of 3.0 percent to Daniels Chiropractic, LLC, which is owned by a son of the chief executive officer; and

- a 2009 2-year loan for $8,000 with an annual interest rate of 4.0 percent to Daisy Daniels Day Care, which is a business that at the time was owned by a sister of the chief executive officer.

All three loans were disclosed in the financial information that Thrive Treatment Services, LLC submitted to DCF annually.

As noted, the accounting practices of Thrive Treatment Services, LLC did not comply with DCF's policies that specify expenditures be coded in a manner that identifies the funding source used to pay for each separate purchase. Consequently, the records of Thrive Treatment Services, LLC did not identify the funding source used for the loans.

Thrive Treatment Services, LLC indicated that the loan to Daisy Daniels Day care has been paid. After we raised questions about the loans, the chief executive officer of Thrive Treatment Services, LLC chose, in September 2013, to pay Thrive Treatment Services, LLC $100,000 on behalf of LKDaniels Enterprises, LLC and $74,127 on behalf of Daniels Chiropractic, LLC.

☑ Recommendation

We recommend the Department of Children and Families review the loans made by Thrive Treatment Services, LLC to determine whether any additional action is required.

Cash Advances

Thrive Treatment Services, LLC made cash advances to its employees and to foster parents.

Although DCF policies do not specify whether it is appropriate for child-placing agencies to provide cash advances to their employees or to foster parents, we question these payments because they may not be reasonable and necessary for efficient administration of the foster care program. We found that between January 2010 and December 2012, Thrive Treatment Services, LLC provided cash advances to four employees totaling $33,952 and to five foster parents totaling $19,251. As of December 2012, the foster parents had repaid the entire amount owed, and a total of $9,907 was owed by three employees. Thrive Treatment Services, LLC does not have written policies regarding cash advances, and providing advances is inconsistent with the practices of other child-placing agencies we reviewed.

☑ Recommendation

We recommend the Department of Children and Families:

- *determine whether providing cash advances to foster parents or the employees of child-placing agencies is allowed;*
- *if the practice is allowed, develop policies regarding the use and repayment of cash advances; and*
- *monitor compliance as part of its annual oversight of child-placing agencies.*

Long-term Debt

High levels of debt can be a risk to agency stability and, in turn, to the provision of treatment foster care services.

Because some agencies are involved in providing a variety of services, any debt a child-placing agency incurs may not be the direct result of providing treatment foster care services. Nevertheless, high levels of debt can be a risk to agency stability and, in turn, to the provision of treatment foster care services. As of December 2012:

- La Causa, Inc., reported long-term debt of $5.2 million;
- Family and Children's Center, Inc., reported long-term debt of $1.1 million; and
- American Foundation of Counseling Services, Inc., Benevolence First, Inc., and Thrive Treatment Services, LLC reported no long-term debt.

In report 06-2, we noted that due to financial difficulties La Causa, Inc., was required to submit a five-year cost reduction plan for lowering its debt and to provide monthly information about its finances and operational processes. La Causa, Inc., was also required to reduce its administrative costs to prevent the need for a transfer of additional service funds to cover administrative costs. In response, La Causa, Inc., restructured its debt to be payable over a ten-year period, rather than a five-year period. As a result of its efforts, La Causa, Inc., indicates that its long-term debt decreased to approximately $4.6 million as of June 2013. In addition, we note that while La Causa, Inc., reported a net deficit of $1.8 million at the close of 2005, it had net assets of $1.5 million at the close of 2012.

The financial condition of La Causa, Inc., has improved since 2005. However, the long-term debt of child-placing agencies still warrants monitoring by DCF to ensure that debt levels do not affect the financial stability of the agencies and the provision of treatment foster care services.

☑ Recommendation

We recommend the Department of Children and Families monitor levels of long-term debt as part of its regular financial reviews of child-placing agencies.

Use and Purchase of Vehicles

Expenditures associated with the use of vehicles for providing treatment foster care services are allowable and necessary for agency operations, regardless of whether the vehicle is owned by the agency or is a personal vehicle owned by an employee. However, using an agency-owned vehicle for personal use and receiving reimbursement of mileage for personal use of a privately owned vehicle are not allowed.

Vehicle-related expenditures by the child-placing agencies we reviewed varied. Three of the agencies—American Foundation of Counseling Services, Inc., Benevolence First, Inc., and La Causa, Inc.—neither owned nor leased vehicles. Rather, they reimbursed employees for use of employee-owned vehicles based on federal standard mileage rates, which ranged from $0.50 per mile in 2010 to $0.555 per mile in 2012. We reviewed mileage logs at these agencies and found that employees included details on the purpose, location, number of miles driven, and in some cases the odometer reading at the beginning and end of their trips.

The other two agencies purchased and leased vehicles. Family and Children's Center, Inc., purchased four vehicles that are kept at the agency's office in La Crosse and are available to its 145 employees in providing treatment foster care, alternative education, community respite and support, residential treatment, and other services. Our review of Family and Children's Center, Inc., found the agency allocated costs to the treatment foster care program using mileage logs that recorded the actual number of miles driven by its staff.

In 2012, Thrive Treatment Services, LLC owned or leased 10 vehicles for its 11 employees.

In 2012, Thrive Treatment Services, LLC owned or leased 10 vehicles for its 11 employees, including a 2004 Lexus, a 2007 Lexus, and a 2011 Acura. One of the vehicles, a Toyota Corolla, was sold in April 2012. All of the vehicles are kept at employees' homes, but the agency has a policy restricting vehicle use exclusively to business purposes. If made with public funds, we question whether expenditures on 10 vehicles for 11 employees are reasonable and appropriate.

☑ Recommendation

We recommend the Department of Children and Families:

- *establish policies for the use and purchase of vehicles by child-placing agencies to provide better assurance that vehicle-related expenditures will be reasonable;*

- *monitor compliance with these policies as part of its annual oversight of child-placing agencies; and*

- *determine whether Thrive Treatment Services, LLC should be required to reimburse the treatment foster care program for a portion of the cost associated with the purchase and lease of its ten vehicles.*

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Appendix 1

County Contracts with Child-Placing Agencies[1]

2012

County	Child-Placing Agencies
Adams	Community Care Resources, Inc. Family and Children's Center, Inc. Family Works Programs, Inc. Rawhide, Inc.
Ashland	Anu Family Services, Inc.
Barron	Anu Family Services, Inc. Children's Service Society of Wisconsin Lutheran Social Services of Wisconsin and Upper Michigan, Inc. New Visions Treatment Homes of Wisconsin, Inc.
Bayfield	Anu Family Services, Inc. Community Care Resources, Inc.
Brown	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Hopeful Haven, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Macht Village Programs, Inc. New Visions Treatment Homes of Wisconsin, Inc.
Buffalo	Anu Family Services, Inc. Family and Children's Center, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Burnett	Anu Family Services, Inc. Family Works Programs, Inc. St. Aemilian-Lakeside, Inc.
Calumet	None
Chippewa	Anu Family Services, Inc. Children's Service Society of Wisconsin Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Clark	Anu Family Services, Inc. Community Care Resources, Inc.
Columbia	Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Family Works Programs, Inc. Rawhide, Inc.

County	Child-Placing Agencies
Crawford	Family and Children's Center, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Dane	Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Family and Children's Center, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Thrive Treatment Services, LLC
Dodge	Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Thrive Treatment Services, LLC
Door	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Community Care Resources, Inc. Rawhide, Inc.
Douglas	Anu Family Services, Inc.
Dunn	Anu Family Services, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Rawhide, Inc.
Eau Claire	Anu Family Services, Inc. Children's Service Society of Wisconsin Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. New Visions Treatment Homes of Wisconsin, Inc. Rawhide, Inc.
Florence	American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Fond du Lac	American Foundation of Counseling Services, Inc. Community Care Resources, Inc. Family Care Specialists, Inc. Hopeful Haven, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Rawhide, Inc. Thrive Treatment Services, LLC
Forest	Anu Family Services, Inc.

County	Child-Placing Agencies
Grant	Anu Family Services, Inc. Community Care Resources, Inc. Family and Children's Center, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Green	Family Works Programs, Inc. Orion Family Services, Inc.
Green Lake	Community Care Resources, Inc.
Iowa	Anu Family Services, Inc. Community Care Resources, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Iron	Anu Family Services, Inc. St. Aemilian-Lakeside, Inc.
Jackson	Anu Family Services, Inc. Children's Service Society of Wisconsin Lutheran Social Services of Wisconsin and Upper Michigan, Inc. New Visions Treatment Homes of Wisconsin, Inc.
Jefferson	Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Family Works Programs, Inc. Hopeful Haven, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. St. Aemilian-Lakeside, Inc.
Juneau	Anu Family Services, Inc. Family and Children's Center, Inc. Family Care Specialists, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Kenosha	Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Family and Children's Center, Inc. Family Works Programs, Inc. Kenosha Human Development Services, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Macht Village Programs, Inc. St. Aemilian-Lakeside, Inc. St. Charles Youth and Family Services, Inc. Thrive Treatment Services, LLC
Kewaunee	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Family Works Programs, Inc.

County	Child-Placing Agencies
La Crosse	Anu Family Services, Inc. Family and Children's Center, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. St. Aemilian-Lakeside, Inc.
Lafayette	Community Care Resources, Inc. Family and Children's Center, Inc. Family Works Programs, Inc.
Langlade	American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc.
Lincoln	Children's Service Society of Wisconsin
Manitowoc	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Macht Village Programs, Inc.
Marathon	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Rawhide, Inc.
Marinette	American Foundation of Counseling Services, Inc.
Marquette	Anu Family Services, Inc. Community Care Resources, Inc. Family Works Programs, Inc.
Menominee	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Community Care Resources, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Milwaukee (BMCW)	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Benevolence First, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Family and Children's Center, Inc. Family Care Specialists, Inc. Family Works Programs, Inc. Fresh Start Family Services, Inc. Harmony Social Services, CPA, Inc. La Causa, Inc.

County	Child-Placing Agencies
Milwaukee (BMCW) *(continued)*	Lutheran Social Services of Wisconsin and Upper Michigan, Inc. My Home, Your Home, Inc. New Horizon Center, Inc. New Visions Treatment Homes of Wisconsin, Inc. St. Aemilian-Lakeside, Inc. St. Charles Youth and Family Services, Inc. Thrive Treatment Services, LLC
Monroe	Anu Family Services, Inc. Children's Service Society of Wisconsin Family and Children's Center, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Macht Village Programs, Inc.
Oconto	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Community Care Resources, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Oneida	Anu Family Services, Inc. Family and Children's Center, Inc. Rawhide, Inc.
Outagamie	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Macht Village Programs, Inc. Rawhide, Inc.
Ozaukee	Community Care Resources, Inc. Family Care Specialists, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Rawhide, Inc. St. Aemilian-Lakeside, Inc.
Pepin	Anu Family Services, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Pierce	Anu Family Services, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Polk	Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Rawhide, Inc.
Portage	American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Children's Service Society of Wisconsin

County	Child-Placing Agencies
Portage *(continued)*	Community Care Resources, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Macht Village Programs, Inc. Rawhide, Inc.
Price	Anu Family Services, Inc. Family Works Programs, Inc.
Racine	Anu Family Services, Inc. Benevolence First, Inc. Children’s Service Society of Wisconsin Community Care Resources, Inc. Family Works Programs, Inc. Hopeful Haven, Inc. Kenosha Human Development Services, Inc. Rawhide, Inc. St. Aemilian-Lakeside, Inc.
Richland	Children’s Service Society of Wisconsin Community Care Resources, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. New Visions Treatment Homes of Wisconsin, Inc. Rawhide, Inc.
Rock	Anu Family Services, Inc. Children’s Service Society of Wisconsin Community Care Resources, Inc. Family and Children’s Center, Inc. Family Works Programs, Inc. Hopeful Haven, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Orion Family Services, Inc. Rawhide, Inc. Thrive Treatment Services, LLC
Rusk	Anu Family Services, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
St. Croix	Anu Family Services, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Sauk	Advocates for Healthy Transitional Living, LLC Anu Family Services, Inc. Children’s Service Society of Wisconsin Community Care Resources, Inc. Family and Children’s Center, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Sawyer	Anu Family Services, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.

County	Child-Placing Agencies
Shawano	Anu Family Services, Inc. Children's Service Society of Wisconsin Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Sheboygan	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Children's Service Society of Wisconsin Family Care Specialists, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. New Horizon Center, Inc. Rawhide, Inc. St. Aemilian-Lakeside, Inc.
Taylor	Anu Family Services, Inc. Community Care Resources, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. New Visions Treatment Homes of Wisconsin, Inc.
Trempealeau	Anu Family Services, Inc. Family and Children's Center, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Rawhide, Inc.
Vernon	Community Care Resources, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Vilas	Anu Family Services, Inc.
Walworth	Anu Family Services, Inc. Community Care Resources, Inc. Family Works Programs, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Rawhide, Inc.
Washburn	Anu Family Services, Inc. Family Works Programs, Inc.
Washington	Anu Family Services, Inc. Community Care Resources, Inc. Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Macht Village Programs, Inc. St. Aemilian-Lakeside, Inc.
Waukesha	Advocates for Healthy Transitional Living, LLC American Foundation of Counseling Services, Inc. Anu Family Services, Inc. Children's Service Society of Wisconsin Community Care Resources, Inc. Family Care Specialists, Inc.

County	Child-Placing Agencies
Waukesha *(continued)*	Family Works Programs, Inc.
	St. Aemilian-Lakeside, Inc.
	Thrive Treatment Services, LLC
Waupaca	Anu Family Services, Inc.
	Community Care Resources, Inc.
	Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
Waushara	Anu Family Services, Inc.
	Family Works Programs, Inc.
Winnebago	Advocates for Healthy Transitional Living, LLC
	American Foundation of Counseling Services, Inc.
	Children's Service Society of Wisconsin
	Community Care Resources, Inc.
	Family Care Specialists, Inc.
	Family Works Programs, Inc.
	Hopeful Haven, Inc.
Wood	Advocates for Healthy Transitional Living, LLC
	American Foundation of Counseling Services, Inc.
	Anu Family Services, Inc.
	Children's Service Society of Wisconsin
	Community Care Resources, Inc.
	Family and Children's Center, Inc.
	Lutheran Social Services of Wisconsin and Upper Michigan, Inc.
	Macht Village Programs, Inc.

[1] Child-placing agencies with active licenses on December 31, 2012.

Appendix 2

Children and Family Aids Funding by County

County	2011	2012	2013
Adams	$ 245,900	$ 243,900	$ 243,900
Ashland	330,300	328,200	328,200
Barron	626,200	623,500	623,500
Bayfield	240,300	238,000	238,000
Brown	2,920,600	2,916,400	2,916,400
Buffalo	306,600	306,100	306,100
Burnett	248,900	246,800	246,800
Calumet	373,400	371,000	371,000
Chippewa	824,800	821,400	821,400
Clark	554,100	550,700	550,700
Columbia	584,400	582,000	582,000
Crawford	424,200	422,000	422,000
Dane	5,309,400	5,300,300	5,300,300
Dodge	949,800	947,100	947,100
Door	330,800	328,400	328,400
Douglas	743,700	737,100	737,100
Dunn	538,700	536,100	536,100
Eau Claire	1,547,300	1,543,700	1,543,700
Florence	197,600	197,500	197,500
Fond du Lac	1,459,600	1,457,300	1,457,300
Forest	240,600	238,600	238,600
Grant	698,900	695,700	695,700
Green	406,500	405,000	405,000
Green Lake	248,900	247,000	247,000
Iowa	280,900	278,600	278,600
Iron	128,500	126,600	126,600
Jackson	447,900	446,600	446,600
Jefferson	868,500	865,800	865,800
Juneau	321,600	319,100	319,100
Kenosha	2,408,200	2,403,500	2,403,500
Kewaunee	271,300	269,500	269,500
La Crosse	1,757,900	1,754,700	1,754,700
Lafayette	269,900	268,000	268,000
Langlade	350,200	348,500	348,500
Lincoln	411,300	409,100	409,100

County	2011	2012	2013
Manitowoc	$ 1,186,400	$ 1,183,200	$ 1,183,200
Marathon	1,516,300	1,511,900	1,511,900
Marinette	543,200	540,500	540,500
Marquette	196,900	195,000	195,000
Menominee	329,300	327,100	327,100
Milwaukee	6,894,200	6,890,400	6,890,400
Monroe	568,700	565,500	565,500
Oconto	424,100	422,000	422,000
Oneida	482,100	480,700	480,700
Outagamie	1,926,600	1,922,200	1,922,200
Ozaukee	788,300	785,500	785,500
Pepin	182,600	180,700	180,700
Pierce	443,500	441,900	441,900
Polk	570,100	567,600	567,600
Portage	739,800	737,200	737,200
Price	253,500	251,400	251,400
Racine	3,181,700	3,174,100	3,174,100
Richland	352,600	350,400	350,400
Rock	2,763,500	2,758,900	2,758,900
Rusk	322,900	320,600	320,600
St. Croix	509,700	506,600	506,600
Sauk	696,200	693,200	693,200
Sawyer	336,700	334,400	334,400
Shawano	502,200	500,000	500,000
Sheboygan	1,529,400	1,526,300	1,526,300
Taylor	373,900	371,700	371,700
Trempealeau	459,500	457,200	457,200
Vernon	438,100	435,100	435,100
Vilas	230,200	228,100	228,100
Walworth	1,034,900	1,031,500	1,031,500
Washburn	277,200	275,400	275,400
Washington	1,025,000	1,021,100	1,021,100
Waukesha	3,414,100	3,407,100	3,407,100
Waupaca	607,300	605,000	605,000
Waushara	336,600	334,800	334,800
Winnebago	2,245,300	2,242,900	2,242,900
Wood	1,126,600	1,124,500	1,124,500
Total	**$66,676,900**	**$66,475,500**	**$66,475,500**

Appendix 3

Questioned Costs for Selected Child-Placing Agencies

2010 through 2012

Thrive Treatment Services, LLC		
Vendor	Description	Amount
Artisan & Truckers Casualty Company	Automobile insurance—Excessive number of vehicles (5 transactions)	$22,992
City of Appleton	Taxes paid for rental property owned by Thrive Treatment Services, LLC that it indicated is not involved in the provision of foster care services (3 transactions)	9,783
Employee	Tuition reimbursement for part-time graduate school coursework (3 transactions)	8,666
Wilde Honda	Automobile lease down payment—Excessive number of vehicles	5,657
Employee	Expenditures related to a 2012 board of directors meeting, including transportation, lodging, and meal expenses—Excessive	5,016
American Family Insurance	Property insurance for rental property owned by Thrive Treatment Services, LLC that it indicated is not involved in the provision of foster care services (11 transactions)	4,706
The Home Depot	Maintenance costs for a house that had been owned by the executive director (6 transactions)	4,118
DirecTV	Cable television service provided to the chief executive officer's home, which he indicates is used as an office (19 transactions)	3,828
Adams-Columbia Electric Cooperative	Utility expenditures for a house that had been owned by the executive director (29 transactions)	3,486
Wisconsin Family Based Services Association	A total of $6,000 was paid for registration and sponsorships of annual conferences: an estimated $3,200 was paid for conference registration for employees, which is allowable, but an estimated $2,800 represents sponsorship of the events and is unallowable (3 transactions)	2,800
Hi-Way Harry's	Food and beverages for employee holiday parties, including alcohol (4 transactions)	2,277
Employee	Purchase of Menards gift cards—Insufficient documentation (6 transactions)	2,250
Netwurx, Inc.	Internet service provided to the chief executive officer's home, which he indicates is used as an office (34 transactions)	2,182
Lake Sherwood Lodge	Food and beverages, including alcohol Meals do not appear necessary for administration of the foster care program (48 transactions)	1,995
Town of Rome	Payment of taxes for house that had been owned by the executive director	1,697
Holiday Club Management (Arizona)	Unknown—No receipts (2 transactions)	1,520
Acura of Brookfield	Automobile lease down payment—Excessive number of vehicles	1,300
Employee	Reimbursement—Insufficient documentation	1,090
Employee Assistance Professionals Association	Membership fees and conference registration—Insufficient documentation (3 transactions)	1,040

Thrive Treatment Services, LLC *(continued)*		
Vendor	Description	Amount
Steakfire Grille	Employee holiday party (2 transactions)	$ 864
Solarus	Internet service provided to house that had been owned by the executive director (18 transactions)	838
Days Inn	Employee holiday party (2 transactions)	834
Payment to Individual	Preparation of tax records for Employment Training Consultants, Inc., which is the parent company of Thrive Treatment Services, LLC	713
Right Source	Unknown—No receipts (7 transactions)	696
American Express	Various expenses for services provided to the chief executive officer's home, which he indicates is used as an office (4 transactions)	677
Super 8 Hotel	Employee holiday party	656
Hawley & Associates, LLC	Automobile and property insurance	549
Bonefish Grill	Employee holiday party	507
Wisconsin Department of Revenue	Taxes paid for Employment Training Consultants, Inc., which is the parent company of Thrive Treatment Services, LLC	489
United States Treasury	Taxes paid for Employment Training Consultants, Inc., which is the parent company of Thrive Treatment Services, LLC	462
Payment to Individual	Gifts for employees (3 transactions)	379
Discount Liquor	Unknown—No receipt	350
United States Treasury	Late payment penalty	287
Unknown	Travel unrelated to the administration of the foster care program—No receipt	286
Hilton Hotels	Unknown—No receipt	268
Watertown Country Club	Food and beverages—No receipt	229
Monk's Bar & Grill	Food and beverages—Excessive	223
Milwaukee River Cruise	Entertainment for employees	220
Journal Publications Milwaukee	Sunday newspaper subscription provided to the chief executive officer's home, which he indicates is used as an office (21 transactions)	204
American Association of University Women	Donation	200
Payment to Memorial Fund	Donation	200
Hilton Hotels	Lodging—Insufficient documentation	195
Town of Rome Water Utility	Utilities for a house that had been owned by the executive director (2 transactions)	195
Midwest Airlines	Travel unrelated to the administration of the foster care program—No receipt	188
Watertown Country Club	Membership dues	185

Thrive Treatment Services, LLC *(continued)*		
Vendor	Description	Amount
AAA	Dues—Unnecessary for administration of the foster care program (2 transactions)	$ 166
The Lawn Barber	Maintenance at a house that had been owned by the executive director (2 transactions)	158
Employee	Payroll advance	150
JDRF Walk to Cure Diabetes	Donations (3 transactions)	150
Target	Gifts for employees (3 transactions)	150
Cash	Maintenance at house that had been owned by the executive director (2 transactions)	145
Watertown Daily Times	Newspaper subscription provided to the chief executive officer's home, which he indicates is used as an office	141
Bella Sera (Illinois)	Food or beverages unnecessary for the administration of the foster care program	139
Crate & Barrel	Gift for employee	138
AMF Waukesha Lanes	Employee holiday party	132
Kona Café (Florida)	Food and beverages, including alcohol	128
The Cobblestone Restaurant	Food or beverages unnecessary for the administration of the foster care program (2 transactions)	125
Olympia Resort	Unknown—No receipt	121
Mobil Lock and Security	Maintenance at house that had been owned by the executive director	118
Payment to Individual	Maintenance at house that had been owned by the executive director (2 transactions)	110
PJ's Pizza	Food unnecessary for the administration of the foster care program (5 transactions)	106
Piggly Wiggly	Gift card—Insufficient documentation	105
Jimmy John's	Food or beverages unnecessary for the administration of the foster care program (3 transactions)	101
Lake Sherwood Property Owners	Annual association dues for house that had been owned by the executive director (2 transactions)	100
Payment to Memorial Fund	Donation	100
Doubletree Hotel	Employee holiday party	89
Sarento's Italian Restaurant	Food or beverages unnecessary for the administration of the foster care program	83
Registration Fee Trust	Automobile registration	80
Amado's Restaurant	Food or beverages unnecessary for the administration of the foster care program	75
St. Jude	Donations (3 transactions)	75
Blount Heating & Air Conditioning	Maintenance for rental property owned by Thrive Treatment Services, LLC that it indicated is not involved in the provision of foster care services	69

Thrive Treatment Services, LLC *(continued)*		
Vendor	Description	Amount
Unknown	Donation	$ 60
Chippewa River Industries, Inc.	Donation	50
City of Milwaukee Violations Bureau	Parking tickets (2 transactions)	50
Foster's Septic and Well Service, LLC	Septic tank inspection at house that had been owned by the executive director	50
Painted Parrot	Food or beverages unnecessary for the administration of the foster care program	49
Ace Hardware	Maintenance at house that had been owned by the executive director (2 transactions)	48
Steakfire Grille	Food or beverages unnecessary for the administration of the foster care program	48
Sheridan Motel (Illinois)	Lodging unrelated to the administration of the foster care program	45
Godiva Chocolates	Gift for employee	43
Target	Supplies for the chief executive officer's home, which he indicates is used an office—Insufficient documentation	42
Cheesecake Factory	Food and beverages—Insufficient documentation	41
Microtel Inn	Lodging unrelated to the administration of the foster care program	40
Monk's Bar & Grill	Food or beverages unnecessary for the administration of the foster care program	40
Piggly Wiggly	Employee holiday party	40
Cleo's Brown Beam Tavern	Food or beverages unnecessary for the administration of the foster care program	39
Farm & Fleet	Yard game	38
OCB	Employee holiday party	38
Survivors Bar & Grill	Food or beverages unnecessary for the administration of the foster care program	38
Bismark's	Food or beverages unnecessary for the administration of the foster care program	36
Pizza Pit	Food or beverages unnecessary for the administration of the foster care program	36
Margaritaville Restaurant (Florida)	Alcohol (2 transactions)	34
Kelly's Bleachers	Food or beverages unnecessary for the administration of the foster care program (2 transactions)	33
Super 8 Hotel (Illinois)	Lodging unrelated to the administration of the foster care program	33
Watertown Basketball	Donation	30
Watertown High School	Donation	30
Milwaukee Fast Park	Parking for trip unrelated to the administration of the foster care program	26

Thrive Treatment Services, LLC *(continued)*		
Vendor	Description	Amount
Best Buy	Gift card—Insufficient documentation	$ 25
Target	Gift card—Insufficient documentation	25
Watertown Food Pantry	Donation	25
Monk's Bar & Grill	Alcohol (2 transactions)	24
Concourse Hotel Bar	Food or beverages unnecessary for the administration of the foster care program	20
State Treasurer	Late payment fee	20
Consumer Reports	Subscription unrelated to the administration of the foster care program	19
Moct Bar	Employee holiday party	17
The Bar on the Avenue	Food or beverages unnecessary for the administration of the foster care program	16
Party America	Employee holiday party	15
Paula's Place	Food or beverages unnecessary for the administration of the foster care program	14
Culver's	Food or beverages unnecessary for the administration of the foster care program	13
Nathan's Famous (Nevada)	Food or beverages unnecessary for the administration of the foster care program	13
Kraemer Wisconsin	Employee holiday party	12
Horny Goat Brewing	Food or beverages unnecessary for the administration of the foster care program	10
Pick 'n Save	Food or beverages unnecessary for the administration of the foster care program	10
Breselow's	Food or beverages unnecessary for the administration of the foster care program	9
City of Columbia (Tennessee)	Late payment fee	9
Margarita Bar (Florida)	Alcohol	9
Sand Bar (Florida)	Food or beverages unnecessary for the administration of the foster care program	9
Borderline Amoco	Employee holiday party	7
Kwik Trip	Food or beverages unnecessary for the administration of the foster care program	7
Alterra Coffee	Food or beverages unnecessary for the administration of the foster care program	3
Total		**$101,739**

Benevolence First, Inc.		
Vendor	Description	Amount
United States Treasury	Unknown—No receipt (6 transactions)	$ 3,707
Christian Faith Fellowship Church	Donations (3 transactions)	2,550
Unknown	Unknown—No receipt (10 transactions)	1,471
48 Hour Printing	Unknown—No receipt (2 transactions)	882
Employee	Unknown—Insufficient documentation (3 transactions)	646
Personalized Event Planning	Employee holiday party	559
Black Women's Network	Donation	475
Wisconsin Department of Revenue	Late payment fees and interest (3 transactions)	464
Office Depot	Unknown—No receipt	457
Payment to Individual	Unknown—No receipt	457
Eagle Flair Graphics & Printing	Unknown—No receipt	314
Silver Spring Neighborhood Center	Donation	300
Honeybaked	Unknown—No receipt	270
The Milwaukee Times	Unknown—No receipt	261
Unknown	Donation	250
Home Owner's Bargain Outlet	Unknown—No receipt (2 transactions)	239
Red Lobster	Unknown—No receipt (2 transactions)	217
Cheesecake Factory	Food or beverages unnecessary for the administration of the foster care program (2 transactions)	215
Cash	Unknown—No receipt	200
Courtyard	Employee holiday party	200
Personalized Event Planning	Unknown—No receipt	200
Home Depot	Unknown—No receipt	192
Associated Bank	Late and stop payment fees (5 transactions)	175
Michael's	Unknown—No receipt	175
Sam's Club	Unknown—No receipt (2 transactions)	163
Capital One	Potential duplicate entry in general ledger	104
Two Men and a Truck	Unknown—No receipt	104
Intuit	Unknown—No receipt	101
Amore	Unknown—No receipt	100
Payment to Individual	Unknown—No receipt	100
Capital One	Two meals—No receipt	90
Payment to Individual	Unknown—No receipt	75
Pick 'n Save	Unknown—No receipt (2 transactions)	70

Benevolence First, Inc. *(continued)*		
Vendor	Description	Amount
Chili's	Food and beverages for one person—Excessive	$ 68
Cousin's Subs	Unknown—No receipt	60
Big Apple	Food and beverages for one person—Excessive	56
Capital One	Late payment fee	55
Wisconsin Department of Revenue	Unknown—No receipt (2 transactions)	53
Culver's	Food or beverages unnecessary for the administration of the foster care program (2 transactions)	50
Wisconsin Department of Workforce Development	Unemployment Insurance tax penalty	50
El Greco	Food or beverages unnecessary for the administration of the foster care program (2 transactions)	43
Kings Bluff	Unknown—No receipt	38
Employee	Unknown—No receipt	35
PF Changs	Unknown—No receipt	34
JC Penney	Unknown—No receipt	32
Chancery	Food or beverages unnecessary for the administration of the foster care program	31
Radisson	Unknown—No receipt (2 transactions)	30
Mykonos	Unknown—No receipt (2 transactions)	29
Redd's Snapper	Unknown—Insufficient documentation	26
GAO Star	Late payment fee	25
Chocolate Factory	Unknown—Insufficient documentation	24
China 1	Food or beverages unnecessary for the administration of the foster care program	23
Buffet	Unknown—No receipt	22
United States Treasury	Interest	21
Redd's Snapper	Unknown—No receipt	18
Disney Resort	Unknown—No receipt	17
SQ Corner	Unknown—No receipt	15
Potbelly	Food or beverages unnecessary for the administration of the foster care program	14
Panda Hut	Unknown—No receipt	12
Coffee Bean	Unknown—No receipt	10
California Pizza Kitchen	Alcohol	7
Wisconsin Department of Workforce Development	Interest	6
Total		**$16,687**

American Foundation of Counseling Services, Inc.		
Vendor	Description	Amount
Employee	Cash for purchase of summer program supplies—No receipt (2 transactions)	$ 3,500
TigerDirect	Computer purchases—No receipt (2 transactions)	1,143
Associated Bank Visa	Food for employees and board—No receipt (12 transactions)	885
Holiday Inn	Lodging—No receipt (2 transactions)	689
Green Bay Area Chamber of Commerce	Unrelated to the administration of the foster care program (7 transactions)	560
Daily Buzz	Gift cards for employees (10 transactions)	410
Associated Bank Visa	Continuing education—No receipt	333
Kalahari Resorts	Lodging—No receipt	331
Grand Lodge	Lodging—No receipt	277
Inn on the Park	Lodging—No receipt	217
Things Remembered	Gifts for employees (2 transactions)	185
Associated Bank Merchant Services	Payment mistakenly coded to the foster care program	150
The Olive Garden	Food or beverages unnecessary for the administration of the foster care program	107
Lotus Restaurant	Food or beverages unnecessary for the administration of the foster care program	106
United Way	Golf fundraiser registration	104
St. Brendan's Inn	Lodging—No receipt	100
Payment to Memorial Fund	Donations (2 transactions)	95
Safeguard Business Systems	Preprinted checks—No receipt	89
Payment to Foster Parent	Reimbursement for personal expense	84
Petty Cash	Food for employees—No receipt	81
Employee	Unknown—No receipt (3 transactions)	79
Cheese Cake Heaven	Food or beverages unnecessary for the administration of the foster care program	78
Woodman's Markets	Food or beverages unnecessary for the administration of the foster care program	75
Unknown	Employee training—No receipt	70
Associated Bank Visa	Food and alcohol for employee holiday party	66
CASA of Brown County, Inc.	Golf fundraiser registration	63
Unknown	Alcohol	61
Associated Bank Visa	Gift and dinner for board president emeritus	60
Associated Bank Visa	Gift card for employee and unknown item—No receipt	56

American Foundation of Counseling Services, Inc. *(continued)*		
Vendor	Description	Amount
Wisconsin Association of Family and Children's Agencies	Membership dues—No receipt	$ 50
Erbert & Gerbert's Sandwich Shop	Food for employees—No receipt (2 transactions)	48
Northeast Photocopy Company, Inc.	Finance charge	46
Cyber Works	Recycling fee—No receipt	40
Employee	Food—No receipt	38
Schroeder's Flowers	Gift for employee	37
Associated Bank Visa	Alcohol	36
Best Buy	Gift cards for summer program—Insufficient documentation	30
Eventbrite	Unknown—No receipt	25
Festival Foods	Food and alcohol for employee holiday party	25
Schlotzky's	Food or beverages unnecessary for the administration of the foster care program	25
Austin's	Food for employee holiday party	23
University Avenue Market	Payment to memorial fund	23
Austin's	Food—No receipt	22
Wal-Mart	Video game controllers	21
Associated Bank Visa	Bus pass—No receipt	18
Big Apple Bagels	Food for employees—No receipt	17
Barnes and Noble	Stationery—No receipt	16
Fox Cities Chamber of Commerce	Unknown—No receipt	15
Green Bay Botanical Garden	Unknown—Insufficient documentation	14
Succesories	Unknown—No receipt	14
Associated Bank Visa	Gift for employee	13
St. Catherine's Library & Bookshop	Gift for board president	13
Employee	Supplies—No receipt	11
Employee	Parking ticket	10
Unknown	Supplies—No receipt	8
McDonald's	Food—No receipt	5
Office Depot	Finance charge	1
Total		**$10,698**

Family and Children's Center, Inc.		
Vendor	Description	Amount
Absolutely Edible	Gift for employee	$ 59
Sam's Club	Payment mistakenly coded to the foster care program	54
Burrito House	Employee appreciation lunch	50
Festival Foods	Food—No receipt	39
The Home Depot	Gift for employee	35
Unknown	Payment mistakenly coded to the foster care program	31
State of Minnesota	Payment mistakenly coded to the foster care program	17
Burger King	Food—No receipt	14
Employee	Overpayment to employee for meal reimbursement	7
Total		**$306**

La Causa, Inc.		
Vendor	Description	Amount
Milwaukee Office Products, Inc.	Unknown—No receipt	$75
Visa	Interest (2 transactions)	13
Pitney Bowes	Finance charges (2 transactions)	7
Total		**$95**

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Governor Scott Walker
Secretary Eloise Anderson

Secretary's Office

October 1, 2013

Joe Chrisman, State Auditor
Legislative Audit Bureau, STE 500
22 East Main Street
Madison, WI 53703

Dear Mr. Chrisman:

Thank you for this opportunity to comment on your evaluation of child placing agencies. The regulation of child placing agencies under Chapter 48 of the statutes is a critical function of the Department in carrying out our child welfare licensing functions. The legislative creation of DCF in 2008 and the subsequent passage of Act 28(2009), Act 335(2010) and Act 32(2011) reflect the Legislative concern that a heightened focus be placed on child welfare licensing and rate setting responsibilities. Since that time DCF has:

- established a process to review and set rates for child placing agencies, group homes and residential care centers
- established a new Financial Integrity and Audit Section to provide more in depth reviews of DCF grants and licensed agencies
- begun a systematic financial review of child welfare agencies
- begun development of a performance based contracting approach with child welfare agencies

The recommendations in the report are consistent with our observations and assessments of the financial practices we have encountered in our own reviews of child welfare agencies. The report recommendations can be summarized into three broad categories:

- Review financial practices of specific child placing agencies entities audited by LAB staff. It is our intent to follow-up with each specific agency referenced in the report to resolve all questioned and un-allowed costs.
- Refine DCF related policy and practice provided to child welfare agencies. It is our intent to review these recommendations and modify our policy as appropriate.
- Increase federal claiming. The Department has been pursuing and will continue to pursue the development of mechanisms and documentation to properly claim additional federal funding and will report back to the Legislature in March of 2014 on this issue as recommended.

The changes enacted by the Legislature beginning in 2009 significantly changed the Department's role in how we relate to child welfare agencies both in our licensing and rate setting capacities. It is important to note that we are still very early in the process of introducing this new approach, for example – new staff to implement these changes did not start to come on board until the fall of 2011 and the Administrative Rules were not finalized until January of 2012. Our strategy in implementing these changes has been to: 1) engage the industry – through a rate setting advisory committee, 2) establish and improve our rate setting process, 3) increase our role in financial oversight, and 4) seek to improve the process as we learn from experience. When these legislative changes were implemented it was envisioned that the historical level of cost increases would decline; and inappropriate financial expenditures would be reduced. As reflected in this audit, DCF has been diligently using the new tools afforded us and has already realized significant gains in both areas.

Moving forward the Department is committed to fully implementing the licensing and new rate setting model for child welfare agencies as envisioned by the Legislature. The full implementation of these changes will take place over time. As the audit shows DCF is already making progress to achieve this outcome.

Sincerely,

Eloise Anderson
Secretary

Copy: Joan Hansen, DCF Deputy Secretary
Fredi Bove, DCF Division of Safety and Permanence Administrator