For printer friendly version of Report Highlights
To view full report 13-15

Child-Placing Agencies

Department of Children and Families

October 2013

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.

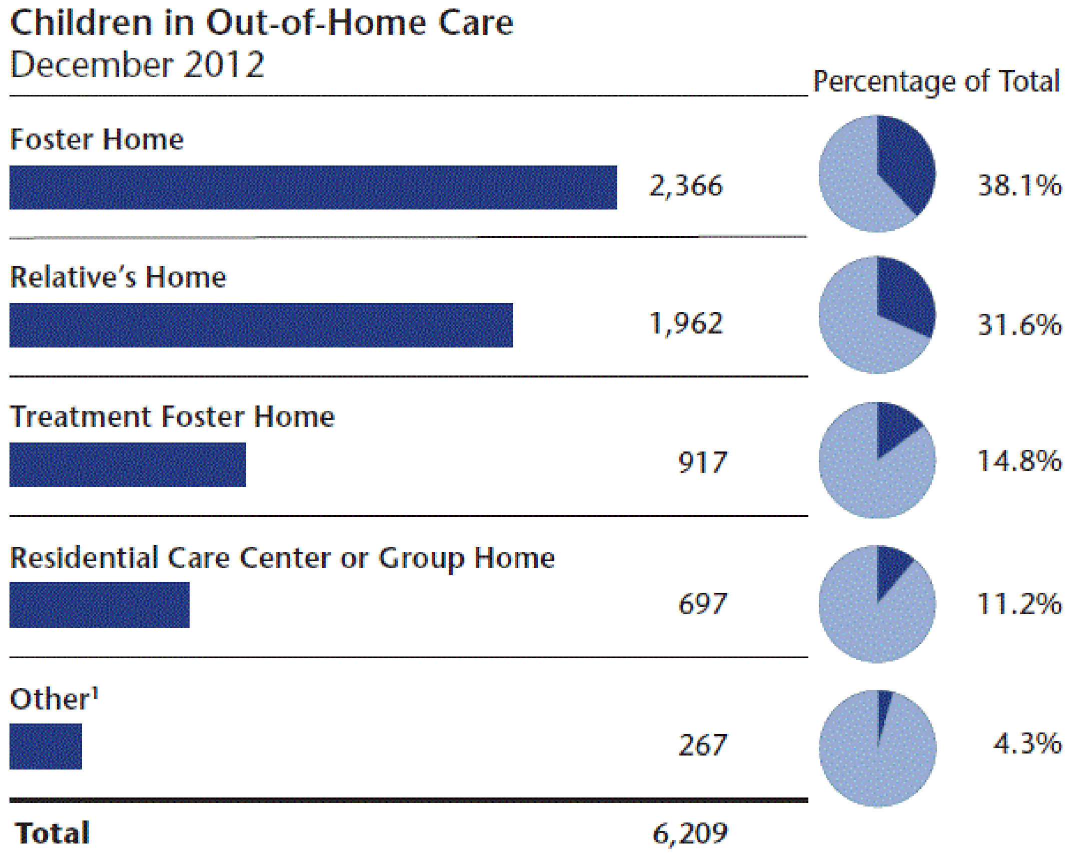
In recent years, DCF has sought to revoke the licenses of several child-placing agencies based on misuse of state and federal funds, such as payments for excess salaries, personal expenses, and undocumented expenditures. At the request of the Joint Legislative Audit Committee, we evaluated DCF's oversight 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. 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.



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

Key Facts and Findings

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

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

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

Of the $129,525 in costs we questioned, 78.5 percent were expenditures incurred by Thrive Treatment Services, LLC.

The accounting practices of two child-placing agencies did not allow us to determine whether public funds were

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.

used to pay for costs we questioned.

Thrive Treatment Services, LLC made three loans to businesses owned by family members.

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 **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**).*

For printer friendly version of Report Highlights

To view full report 13-15