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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
DEPARTMENT OF SOCIAL SERVICES
JULY 1, 2004 TO JUNE 30, 2005**

**OFFICIAL AUDIT
REPORT
MARCH 30, 2006**

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INTRODUCTION

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The Department of Social Services (Department), established by Section 1 of Chapter 18B of the Massachusetts General Laws, provides services to children and families who are at risk of or have been victims of abuse or neglect. The Department administers comprehensive social services programs. These services are administered through 89 area-based offices, and include counseling, protective services, parent aid, and other in-home supports to reduce risks to children, and legal and adoptive services. During fiscal year 2005, the Department administered approximately \$668 million, of which federal funds totaled approximately \$270 million. In accordance with Chapter 11, Section 12, of the General Laws, we conducted a review of the Department in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2005.

AUDIT RESULTS

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1. PRIOR AUDITS RESULTS RESOLVED - JUDICIAL DETERMINATIONS DOCUMENTED

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During our fiscal year 2004 audit, the Department could not locate the legal records to document judicial determinations for 3 of 25 cases selected for the Title IV-E review. As a result, the Department was not in compliance with federal regulations requiring these legal documents, and these cases were ineligible for federal reimbursement. Our follow-up review determined that in fiscal year 2005, the Department implemented a new web-based Title IV-E eligibility functionality, which includes information regarding the status of judicial determinations for compliance review. Also, the revenue vendor's personnel are continuing to work with the Department legal staff to track legal determination documentation. Our fiscal year 2005 review of 25 cases selected noted no exceptions relating to judicial determination documentation.

2. PRIOR AUDIT RESULTS – PARTIALLY RESOLVED

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During our follow-up audit, we determined that the Department has implemented measures to address the issues identified in the prior Single Audit of the Commonwealth (fiscal year 2004) with regard to the (a) timeliness of Criminal Offense Record Information (CORI) checks for persons providing foster care services, (b) process for home licensing, (c) controls over FamilyNet home licensing report data, (d) internal controls over fixed assets and (e) compliance with legal requirements for open fair appeal hearings.

a. Timeliness of Criminal Offense Record Information (CORI) Checks Needs Improvement

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Although the Department has significantly improved the timeliness of CORI checks since our prior audit, some CORI checks were still not performed within the annual timeframes required by federal and state regulations. Our review of the Department Foster Care Compliance and Contracted Care monthly reports for June 2005 noted 68 providers with overdue or blank CORI records. The Department continues to use the Continuous Quality Improvement (CQI) process to assist management in assessing the

quality of services. Area office personnel continue to receive the Family Resource and Contracted Care Department monthly reports, which include CORI dates and disposition results, and are responsible for reviewing the reports for compliance, including timely CORI checks. Untimely re-evaluations result in noncompliance with Department and federal policy and potential ineligible claims for federal reimbursement. During fiscal year 2005, the Department implemented automatically generated requests in FamilyNet to improve CORI compliance, and the CORI Director monitors the monthly CORI reports for compliance. In response to our audit, the Department will continue oversight review of CORI check timeliness, the issuance of monthly reports, and training Foster Care personnel and contract providers. In addition, the Department will review the potential benefits of further automation of CORI checks.

b. The Process for Home Licensing Needs Improvement**10**

Our prior audit disclosed that in 3 of the 25 cases selected for testing, the Department placed children in homes without completing proper licensing requirements. Two cases had foster licensing studies completed 15 and 55 months after their respective due dates, while the third case was a kinship placement, with an annual home study completed six months after the due date. The Department continues to issue the monthly Unapproved Homes With Active Placements Report to assist licensing personnel in identifying cases due for licensing. Our follow-up review disclosed that as of June 20, 2005, 340 children had been placed in foster homes prior to the home being licensed, of which 102 children were placed in 85 homes in excess of the 40-day emergency placement allowed. This presents a significant improvement from fiscal year 2004, when 708 children were placed in unapproved homes, and 480 children were placed in emergency foster homes for more than 40 days. Federal regulations 42 USC 671(a)(10) and 672(c) require that a provider, whether a foster family home or a child-care institution, be fully licensed by the proper state foster care licensing authority. The lack of proper licensing does not comply with department policy, and results in ineligible claims for federal reimbursement. The Department continues to issue monthly reports to area office personnel, and has implemented central office oversight of licensing compliance and monthly report data. The Department continues the CQI process for reviewing family resource practices and department policies. In response to our audit, the Department will continue to identify and recommend improvements in the FamilyNet system and monthly reports. Also, staff will continue to monitor family resource compliance, including issuing monthly reports and training staff.

c. Controls Over FamilyNet and Home Licensing Report Data Needs Improvement**15**

Our follow-up review of the monthly Department Family Resource Report compiled from FamilyNet data and issued to area agency personnel to monitor foster care provider licensing and criminal background checks, revealed that it had a 20% error rate, a significant improvement from the fiscal year 2004 error rate of 52%. The Department needs to continue to review FamilyNet data for compliance. Our review of 3,667 files from the June 2, 2005 report identified 254 files with the “recent re-assessment” dates blank which were overdue; 255 files with both the “home study” and “annual re-assessment” dates blank; and 218 files that indicated that the annual re-assessments were overdue. The Department has established a new position to review reports for data accuracy, review compliance by Area Office personnel, and conduct training for Regional

and Area Office personnel on the utilization of FamilyNet reports to track home study and licensing reassessment dates and CORI due dates. Also, regular meetings are conducted between Foster Care Central Office and Area Office personnel, which include discussions on compliance and FamilyNet data. Blank date information and data integrity problems in FamilyNet and monthly reports could result in the untimely initial licensing and annual reassessments, and further result in noncompliance with state and federal laws, rules, and regulations and Department policy. The Department continues to enhance and improve the family resource monthly reports that are distributed to Department staff. In response to the audit, the Department is continuing to review the family resource functionality in Family Net to ease navigation and minimize data inputting error opportunities. Staff hired in September 2005 will assume responsibility for monitoring family resource compliance.

d. Internal Controls Over Fixed Assets Need Improvements

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Our review of the fixed asset inventory noted the Department needs to identify and record office furniture at area offices on the Non-GAAP fixed asset listing and tag items with a unique state property control identification tag number as required by Office of the State Comptroller (OSC) regulations. During fiscal year 2005, the Department completed a physical inventory, including a summary count by area office of furniture items such as file cabinets and desks, and recorded the summary counts to the Non-GAAP fixed asset listing. All computer equipment and newly purchased inventory are tagged and recorded in compliance with OSC regulations. The Non-GAAP fixed asset listing as of June 30, 2005 totaled \$6,680,293. Without proper controls over fixed assets, there is inadequate assurance that property and equipment is properly safeguarded against loss, theft, or misuse. The Department has assigned staff to identify and tag furniture at the central office, and will subsequently tag furniture assets at the area offices. In response to our audit, the Department is implementing a schedule to complete the inventory process at area offices, including affixing a bar-coded inventory tag to fixed assets and recording the information on the inventory database.

e. Non-Compliance with Legal Requirements for Open Fair Appeal Hearings

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A review of the Department open fair appeal hearing requests of department decisions noted that 3,910 of 5,009 open requests for a hearing received from 1998 to 2005 (as of June 22, 2005) had not been scheduled for a fair hearing by the Legal Department within the 90 calendar days required by Department regulation-110 CMR. In addition, 4 cases had data errors with the scheduled hearing dates the same as the hearing request received date, and 4 cases had scheduled hearing dates prior to the hearing request date. The Department personnel stated that the reduction of hearing officers in recent years from five to three has resulted in a backlog of unscheduled hearings. As a result, the Department is not in compliance with its legal requirements for conducting an appeals process. In response to our audit, the Department is actively working with the administration to request additional staff to more adequately service the number of fair hearing requests filed each year. Also, the Department will utilize a monthly DocDirect report of all active cases to check for and correct data errors associated with request and scheduling dates. In response to the audit result, the department received additional administration funding which will be utilized to hire additional fair hearing officers.

Also, the department will reconfigure case assignments to ensure that consumers across the state have fair and timely access to the fair hearing process.

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INTRODUCTION

Background

The Department of Social Services (DSS), established by Section 1 of Chapter 18B of the Massachusetts General Laws, is mandated to provide and administer a comprehensive social service program, including the following services: casework or counseling, including social services to families, foster families or individuals; protective services for children, unmarried mothers, the aging, and other adults; legal services for families, children, or individuals as they relate to social problems; foster family care and specialized foster family care for children, the aging, the disabled, and the handicapped; adoption services; homemaker services; day care facilities and services for children, the aging, the disabled, and the handicapped; residential care for children with special needs or aging persons not suited to foster family care or specialized foster family care; informal education and group activities as needed for families, children, the aging, the disabled, and the handicapped; training in parenthood and home management for parents, foster parents, and prospective parents; social services for newcomers to an area or community to assist in adjustment to a new environment and new resources; camping services; family services intended to prevent the need for foster care and services to children in foster care; temporary residential programs providing counseling and supportive assistance for women in transition and their children who, because of domestic violence, homelessness, or other situations require temporary shelter and assistance; information and referral services; and social services for families and individuals in emergency and transitional housing.

The mission of the Department is to strengthen family/parent/child relationships to ensure the safety and long-term integrity of the adult/child bond; and when that cannot be achieved, to support the child through the establishment of an alternative family/parent/child relationships through adoption, guardianship or lifelong connections. To achieve this goal, the Department will conduct a child welfare practice that is child driven; family-centered; community-focused; strength-based; committed to diversity and cultural competence; and committed to continuous learning.

Through six regional and 29 area-based offices, the Department seeks to strengthen families by assisting parents in meeting their parental responsibilities and, when necessary, through court orders or voluntary agreements, to place the child with foster parents or in group homes to provide safety from abuse and neglect. When a child is removed from his or her home, the Department develops a

service plan to provide a long-term stable resolution as soon as possible. During fiscal year 2005, approximately 9,760 children were living in foster care or some type of residential facility.

Section 6 of Chapter 18B of the Massachusetts General Laws places the Department under the direction, supervision, and control of the Commissioner of Social Services, who shall be appointed by the Secretary of Health and Human Services, with the approval of the Governor, and who shall serve at the pleasure of the secretary, and may be removed by the secretary at any time, subject to the approval of the governor.

For fiscal year 2005, the Department administered approximately \$668 million, of which federal funds totaled approximately \$270 million.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, we conducted a review of the Department for the period July 1, 2004 to June 30, 2005. We conducted our review in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2005. Our report is an abstract from the Commonwealth's Single Audit Report for the fiscal year ended June 30, 2005 and solely represents the Office of the State Auditor's audit results of the Department. The Commonwealth's Fiscal Year 2005 Single Audit Report consists of the following volumes:

- Statutory Basis Financial Report
- Comprehensive Annual Financial Report
- Reports on Compliance and Internal Controls in Accordance with Governmental Auditing Standards and Requirements of OMB Circular A-133 and the Schedule of Expenditures of Federal Awards.

Our review was conducted in accordance with applicable generally accepted government auditing standards and standards set forth in the Office of Management and Budget (OMB) Circular No. A-133, revised June 24, 1997, Audits of States, Local Governments, and Non-Profit Organizations. Additionally, our review evaluated the Department's compliance with Office of the State Comptroller (OSC) policies; Massachusetts General Laws; and applicable laws, rules, and regulations.

In performing our review of the Department's activities, we referred to OMB Circular A-133, Appendix B, 2005 Compliance Supplement (Supplement) (Updates and Amends the 2004 Compliance Supplement) to determine the compliance requirements that must be considered in an audit conducted under OMB Circular A-133. Based upon the review, we determined requirements applicable to the Title IV-E Foster Care and Social Services Block Grant Programs and designed appropriate tests to determine the Department's compliance with these requirements.

Specifically, our objectives were to:

- Assess the internal controls in place at the Department during the review period;
- Assess and evaluate the program for compliance with the requirements of the Supplement, the federal Department of Health and Human Services, and the OSC.
- Follow-up on prior audit results to determine what corrective action has been taken (Audit Report No. 2005-1058-16S).

The criteria for our review were drawn from OMB Circular A-133, the Supplement, the Code of Federal Regulations, and the OSC's Internal Control Guide. Those criteria dealt with the Department's responsibility for compliance with laws and regulations governing:

Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Cash Management
Davis- Bacon Act
Eligibility
Equipment and Real Property Management
Matching, Level of Effort, Earmarking
Period of Availability of Federal Funds
Procurement and Suspension and Debarment
Program Income
Reporting
Real Property Acquisition and Relocation Assistance
Subrecipient Monitoring
Special Test and Provisions

We examined, on a test basis, evidence about the Department's compliance with those requirements and performed such other procedures as we considered necessary. Based on these tests, except as reported in the Audit Results section of this report, we have concluded that the Department had adequate internal controls in place, complied with the requirements of the federal Department of

Health and Human Services; OMB Circular A-133 Compliance Supplement; and all applicable laws, rules, and regulations.

AUDIT RESULTS

1. PRIOR AUDITS RESULTS RESOLVED - JUDICIAL DETERMINATIONS DOCUMENTED

Our prior audit report noted that in fiscal year 2004, the Department of Social Services (Department) did not meet federal legal requirements for documentation of judicial determinations in 3 of 25 cases selected for Title IV-E review. Department personnel could not locate records in the case files, resulting in noncompliance with Title IV-E legal requirements and the processing of claims for ineligible expenses.

Our follow-up audit disclosed that the revenue vendor's IV-E specialists continue to work with the Department's legal staff at Area Offices to obtain and locate the judicial determinations. In addition, the Department is in the process of developing management reports to monitor compliance. In fiscal year 2005, the Department implemented a new web-based Title IV-E eligibility functionality based on IV-E criteria in Family Net, which produces an eligibility determination status for the revenue vendor, including the status of judicial determinations. Our review of 25 cases noted no exceptions for the documentation of judicial determinations.

2. PRIOR AUDIT RESULTS – PARTIALLY RESOLVED

During our follow-up audit, we determined that the Department has implemented measures to address the issues identified in the prior Single Audit of the Commonwealth (fiscal year 2004) with regard to (a) the timeliness of Criminal Offense Record Information (CORI) checks for persons providing foster care services, (b) the process for home licensing, (c) the controls over FamilyNet home licensing report data, (d) the internal controls over fixed assets, and (e) compliance with legal requirements for open fair appeal hearings. However, additional measures are needed to fully resolve these issues, as discussed below.

a. Timeliness of Criminal Offense Record Information (CORI) Checks Needs Improvement

The fiscal year 2004 single audit report disclosed that the Department of Social Services was not performing CORI checks within the required annual timeframes. Our follow-up disclosed that although there was a significant improvement in the timeliness of provider CORI checks, the CORI checks continue to be performed late. Our review of twenty-five cases of persons providing foster care services under the Title IV-E Foster Care Program

noted no exceptions for the timely completion of annual CORI checks. However, our review of the Department's Foster Care Compliance and Contracted Care monthly reports of all foster care providers disclosed 68 providers with overdue or blank CORI records.

The Department continues to use its Continuous Quality Improvement Process (CQI) to assist the Commissioner and management in assessing the quality of services. The Department uses two monthly reports to monitor and assess the quality of services. One report is the DSS RPT 195 "Department Foster Care Compliance Report", and the second is the DSS RPT 196 "Contracted Care Report". The Area Office family resource workers and the Area Director are responsible for reviewing the DSS RPT 195 "Department Foster Care Compliance Report" monthly and identifying cases due for annual home re-evaluations or licensing reviews. The report captures the evaluation/assessment history of all foster parents/foster homes by type and date and is updated on the 2nd day of the month by Region/by Area Office from data inputted to FamilyNet by the Area Office caseworkers. This report presents comprehensive data, which includes identifying the resource parent information, including licensing/home study review dates and the number of children in the home. In addition, the report includes the CORI check date and outcome of the CORI review. The DSS RPT 196 "Foster Contracted Care Report" identifies contract foster care providers, including CORI check date, CORI disposition results, and the number of children in the home. Department Contracted Care personnel are responsible for reviewing the report for compliance.

A review of the monthly reports provided to Department personnel disclosed the following:

- The DSS RPT 195 "Department Foster Care Compliance Report" as of June 2, 2005 showed 5 of 3,667 child foster care providers with overdue CORI records. A review of the CORI check records for the 5 providers disclosed that 4 were overdue less than 1 year, and 1 was overdue more than 1 year and less than 2 years. This represents a significant improvement from fiscal year 2004, when 93 providers were reported as overdue or blank.
- The review of DSS RPT 196 "Contracted Foster Care" as of June 2, 2005 disclosed of 1,181 CORI records for providers with children in placement, 2 were blank and 61 had overdue CORI checks, including 57 less than 1 year overdue; 2 overdue more than 3 years and less than 4 years; 1 overdue more than 5 years and less than 6 years and 1 overdue more than 6 years and less than 7 years. This represents a non-compliance

increase from fiscal year 2004, when 53 overdue CORI checks were reported for Contracted Foster Care.

Through the FamilyNet system, Department family resource workers in Area Offices track due dates for CORI reevaluations and are required to electronically submit requests to the Central Office CORI unit to complete the background check. During fiscal year 2005, the Department implemented automatically generated requests for CORI checks, including when prospective new providers resource records are input in FamilyNet, and when new household members are added to existing homes. Also, a new electronic edit has been established in the FamilyNet system that requires a CORI check dated within 45 days for a home study/license review to receive management approvals. In the fall of 2004, the Department created a position to work with and train foster care personnel and contract providers on the utilization of FamilyNet, including the use of the RPT 195 and 196 monthly reports to monitor CORI checks and licensing requirements for compliance. This individual continues to review monthly reports for compliance, conducts training for Department personnel, and meets with foster care management on a regular basis.

The Department is required to perform criminal background checks on all new hires and an annual reevaluation of individuals and families seeking or providing services as foster family resources. Federal regulation 45 CFR 1356.30(a) and (b) requires that the foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents. Under Massachusetts regulation, CMR 110-7.113, the Department is required to “re-evaluate foster parents and foster homes annually and request criminal record and Central Registry (an in-house database that tracks child abuse and neglect cases) checks for adult household members”. Additionally, the CORI process is required during various stages of an eligible foster care provider’s term with the Department. First, the prospective foster or pre-adoptive family must complete an initial eligibility screening process. This process determines whether the individual who is interested in serving as a family resource and the members of her/his household age fourteen years and older are eligible to apply for consideration as a prospective resource provider. Secondly, the prospective foster or pre-adoptive family must complete a home study evaluation. The home study evaluation is performed to pre-qualify the home and applicant to serve as a family resource. Lastly, annual reevaluations are performed for current foster or pre-adoptive

families to ensure the household continues to be eligible for providing services. In addition, the CORI Department Director reviews and monitors the monthly reports for the Department CORI checks due for the month, including overdue background record checks.

Our prior audit report also identified some incomplete CORI checks related to providers whose records were either sealed or old court microfiche which the Department had not received. Identification of these cases was a manual monitoring process by the CORI Director, who reviewed a monthly Family Net report and highlighted those cases for which records were sealed or on old microfiche.

The Department must submit a request for the sealed or microfiche court records to evaluate whether the home is a proper placement for the child. Department personnel stated that requests for microfiche records require the resources of the Criminal History Systems Board (CHSB) to search old records, and sealed CORI record requests are sent to the Commissioner of the Probation Department. In the case of unavailable CORI records or CORI checks that return with a criminal history, the Area Office personnel discuss the circumstances with the individual, document the information and depending on the information received, request a waiver to place the child. The approval level for Department's waiver process, (i.e. whether the waiver needs to be approved by a Director, the Commissioner, General Counsel or Deputy Commissioner), is dependent on the type and disposition of criminal charges. Any of these individuals can deny the waiver, terminating further placement review. The prior audit, however, stated that although the department has a documented waiver process, the Department cannot be assured that the placement of the child is in the child's best interest if the Department has not confirmed the CORI records and types of criminal charges. The Department relies on the caseworkers, the CHSB, probation departments and adherence to the waiver process to ensure that the person whose records were sealed is not a danger to the safety and well being of the child.

110 CMR 18.11 (9) states in part that

In reviewing a request for an individual to serve as a kinship foster/pre-adoptive parent the Commissioner, Deputy Commissioner of Field Operations and General Counsel must find (a) that the prospective foster/pre-adoptive parent or any household member does not present a risk of harm to the child based on the existence of a criminal conviction; and (b) that the conviction did not involve a crime against or involving a child.

The lack of timely re-evaluations could result in children being placed in an unsafe environment, does not comply with Department policy, and may result in ineligible claims for federal reimbursement.

Recommendation

The Department should ensure timely completion of the annual CORI re-evaluations by Department personnel and contract care providers. Department management should reemphasize to personnel and contract care providers the importance of completing timely criminal background checks on foster care provider homes and continue to take steps to monitor and improve CORI compliance. In addition to the system edit verifying the completion of a CORI check within 45 days of the home study/license approval, the Department should also implement a FamilyNet system edit to provide an automatic notification to the CORI unit prior to the annual CORI re-evaluation due date. Finally, management should review the process of placing children in homes with CORI records sealed or not received to ensure the safety of the children.

Auditee's Response

The Department's Central Office family and adoptive resource staff, together with CORI unit staff will continue their work with Departmental family resource staff and contracted adoption and therapeutic foster care agencies to further advance the progress being made in ensuring timely completion of initial and annual CORI checks. The generation, sharing and monitoring of monthly reports of foster and adoptive resources needing to be CORI checked, based on the monthly DSS RPT 195 and 196 reports will continue with the goal of having no providers having overdue BRC Checks or not having been subjected to a Background Records Check. This will be accomplished by continuing the meetings with and trainings of pertinent Department and contracted agency staff on the process and importance of timely submission of BRC Requests and, as noted above, the production, sharing and monitoring of the monthly 195 and 196 reports.

The Department will continue to explore where the further automation of the BRC Requests processes, associated with foster and adoptive placement resources, may be beneficial. As noted by the auditors, some automation of the BRC process has occurred in the past year; FamilyNet prevents foster/adoptive re-evaluations from being approved if the most recent BRC Request is more than 45 days old, and when new resource records are created or current home memberships have new persons added, new BRC Requests are automatically generated and processed. However, a "fully" automated system for the generation of annual reevaluation requests may have the unintended and possible problematic consequence of having the checks performed on resources, the household membership of which may be out-of-date. The complete auto-generation of BRC Requests, absent any review by Department and contracted agency family resource staff, could result in the non-checking of new

household members, not included in the FamilyNet family resource records, or the inappropriate/unlawful checking of one or more individuals no longer living in the resource home but still registered as a household member in FamilyNet. Part of the manual process for the generation of BRC Requests involves the affirmation of the household membership as it exists in the home of the placement resource and in FamilyNet resource record(s).

The CORI Unit will further continue to work closely with the Criminal History Systems Board and the Commissioner of Probation's office to expedite the processing of and the Department's receipt of CORI records that are sealed or on microfilm. Work/training with Department and contracted agency staff will continue to ensure that no child, in Department's care and custody, is placed in a home that has not be subjected to and BRC/CORI cleared, or that includes an individual, as a household member, that has a Massachusetts CORI record of unknown content (a microfilm or sealed record).

b. The Process for Home Licensing Needs Improvement

The fiscal year 2004 single audit report noted that the Department of Social Services placed children in homes prior to the Department completing proper licensing requirements. The report also noted that subsequent home reviews were not completed in a timely manner. Our follow-up review disclosed that late home licensing and annual reassessments continue to occur, although the number has been significantly reduced. The Department, in three of the twenty-five Title IV-E cases tested, placed children in homes, but did not complete proper licensing requirements in a timely manner. Two of the cases had annual home re-assessment studies completed 4 and 24 months after their due date and one case had a license renewal study completed 15 months after the annual home review due date.

A review of the Unapproved Homes with Active Placements Report disclosed that as of June 20, 2005, 340 children were placed in foster homes prior to the home being licensed. Of those, 238 children were placed in 189 homes within the 40 days allowed by the regulations, 91 children were placed in 76 unlicensed homes for more than 40 days and less than one year, 7 children were placed in 6 unlicensed homes for 1 to 2 years, 3 children were placed in 2 unlicensed homes for 2 to 3 years, and 1 child was placed in an unlicensed home for 6-7 years.

A further review of the 9 homes with children in placement over one year noted the following:

- Home A - The home reported as unapproved for 6-7 years was approved on June 29, 2005.

- Home B – The home required a new study due to a change in the child’s classification.
- Home C - A child returned to the home for a second placement.
- Home D - A previously approved closed home re-opening requiring a new home study.
- Home E - The home study is in progress.
- Home F - A pre-adoptive review is in progress.
- Three homes, including 2 homes listed with placements for 1-2 years and 1 home listed with a child in placement for 2-3 years, were on the report due to a system edit that required a new study when the foster parents decided not to close the homes.

Our review showed a significant decrease of 368 children in unapproved homes, from 708 as of the June 20, 2004 report to 340 children per the June 20, 2005 report. Also, children placed in homes over the 40 working days requirement decreased from 480 children to 102 children.

There are approximately 9,760 children in foster and residential care placement. Department officials explained that in situations involving kinship or child specific placements, the Department is allowed, under emergency provisions, to place the child in the home for 40 working days before a license is issued. They further explained that the above-mentioned report does not take into account these allowed exceptions. However, these exceptions were taken into consideration for purposes of our review and analysis of the data. Department officials stated that the exceptions primarily involve kinship and child specific homes. Area Office personnel have been informed by Foster Care management personnel to review homes and complete licensing for those more than 90 days overdue as a priority.

The Department developed a Continuous Quality Improvement Process (CQI) to assist the Commissioner and management in assessing the quality of services data. The number of children in unapproved homes is one of many indicators being routinely reviewed by management. One tool to measure the status continues to be the monthly report of Children in Unapproved Homes.

Senior management continues to conduct meetings and train area office personnel on the usage and review of departmental reports such as the Children in Unapproved Homes Report and the Department Foster Care Compliance Report, implemented to track licensing of

foster care homes, including identifying homes requiring immediate licensing approval and timely reviews. These reports are available to area office personnel on the DocDirect management reporting system maintained by the Department. One report entitled the Department 171 “Unapproved Homes with Active Placements” which captures all foster homes with active placements and no licensing approval by Region/Area Office. The report presents comprehensive data identifying the consumer name, birth date, consumer ID#, case ID#, case worker name, placement start date, family resource name and resource worker and services provided. The second report is the DSS RPT 195 “Department Foster Care Compliance Report” which captures licensing data by provider, including dates of home study, annual re-assessments and foster license renewal date, and the number of children placed in the home by Region/Area office. In addition, Department personnel stated that Area Office personnel, in addition to these reports, utilize FamilyNet case files to identify cases due or overdue for review by the assigned caseworker.

In response to our prior audit, Department management stated that because it had lost critical staffing in the foster care program, family resource staff, who are primarily responsible for CORI and re-licensing efforts, were needed to, and were overwhelmed by, the task of finding foster home placements. Therefore the family resource staff’s work on CORI and re-licensing suffered.

During fiscal year 2005, the Department filled two positions, including the Director of Foster Care Services and a Foster Care Specialist whose responsibilities include working with Area Office personnel on Foster Care compliance, including timely home licensing and training on the utilization of monthly departmental reports. Central Office personnel forward monthly departmental reports by Area Office to the applicable Area Office for compliance review. Area Office managerial staff is responsible for performing license reviews to ensure licensing approvals are completed in compliance with Department policy. Federal regulation, 42 USC 671(a)(10) and 672(c), requires that a provider, whether a foster family home or a child-care institution, must be fully licensed by the proper State Foster Care licensing authority. In Massachusetts, the Department of Social Services is the licensing authority for departmental foster family homes. The lack of proper licensing does not comply with Department policy and could result in ineligible claims for federal reimbursement.

Recommendation

The Department should identify foster care homes that require immediate licensing approvals and ensure the homes identified as unlicensed or requiring a license study obtain a timely review by Area Office personnel. The Central Office monitoring and oversight process should continue to review for and address deficiencies that are not being identified at the Regional or Area Offices, and continue to emphasize to personnel the importance of timely licensing. Lastly, the Department should maximize federally-reimbursable expenditures by ensuring the timely performance of licensing reviews that would have been otherwise non-reimbursable.

Auditee's Response

By regulation the Department places children in new kinship/child specific homes following the completion of an initial eligibility screening visit to the home which includes the CORI/BRC, safety enhancement checklist and physical standards review. That visit assures licensing standards are met at time of placement. The Department then has 40 working days to complete the homestudy narrative and approval process.

Department personnel conducted a further review of the Unapproved Homes with Active Placements Report, including a review of FamilyNet case files which contains detailed information not readily available in the report. This review indicated that for 69% (189) of the homes the homestudy was within the 40 working days allowed by regulation. Therefore, 102 children were placed in 85 homes with overdue homestudies. Of those 85 homes, 4 homes (6 children) were listed on the report due to the homestudies being denied but children remained pending fair hearing or court appeals, 8 homes (10 children) appeared on the report due to data entry errors/system edits which required a FamilyNet ticket for resolution (all 8 homes had been identified and ticketed), 3 homes on the report have child specific adoption homestudies showing as overdue (these homes have a prior foster home approval). Therefore, if you remove the 4 homes (6 children) in appeal, the 8 homes (10 children) with a system edit, the 3 homes (3 children) already in an approved foster home awaiting an adoption homestudy, the Department actually had 70 overdue homestudies (83 children) as of the June 20, 2005 report. Of those homes, 32 homes were approved within 10 working days of the issuance of the report.

The Department's review of the FamilyNet case files containing supporting documentation of the 9 homes with children in placement over one year noted the following:

- *Home A – This home was approved 7/22/98 as a Kinship/Child Specific Foster Home, the child was placed 7/24/98, the home was re-assessed in 1999, 2001, 2002, 2003, and 2004. 6/29/05, a Kinship/Child Specific Adoption Homestudy was approved.*
- *Home B – The home required a new study due to a change in the child's classification.*

- *Home C – A child returned to the home for a second placement.*
- *Home D - A previously approved closed home re-opening requiring a new homestudy.*
- *Home E - The home was initially approved through Interstate Compact as the foster parent resided in Florida. When the foster parent and foster child moved to Massachusetts, a new homestudy was initiated.*
- *Home F - A pre-adoptive review is in progress.*
- *Three homes including 2 homes listed with placements for 1-2 years and 1 home listed with a child in placement for 2-3 years were on the report due to a system edit that required ticket resolution by the FamilyNet Helpdesk. These tickets had been reported to IT.*

During FY 2005, the Department has been rebuilding the staffing capacity needed to appropriately oversee and manage the foster care program. In the rebuilding process, the Central Office Foster Care Support Services Unit is now staffed with a full-time Director in addition to a full-time Foster Care Specialist, the latter having a focus on CQI for family resource practice. In addition, two Foster Care Managers have been hired as of September 2005, each assuming responsibility for routine monitoring of family resource compliance – CORI, licensing, etc. – for three regions. These managers also provide technical assistance and support to field staff on improvements to family resource practice. There are already routine monthly meetings between Central Office, Regional, and Area Family Resource Staff during which the compliance reports are reviewed and discussed and where the family resource experts can share best practices. Foster Care and Adoption staff from Central Office meet regularly with Regional and Area staff to review reports and the family resource reports are sorted and distributed to the family resource field staff and managers on a monthly basis. Central Family Resource Staff have trained regional and area staff in utilization of the reports and continue to meet regularly to review recommendations regarding enhancements to FamilyNet and the reports. Central, Regional and Area staff are utilizing the family resource reports both to assure compliance with regulation is met and to plan workload for staff. These routine meetings continue.

Central Office Foster Care Support Staff and two on-going foster care advisory committees, the Family Resource Information Committee comprised of representatives from each Regional Office and the Family Resource Advisory Committee comprised of Family Resource Supervisors representing their Area and Region, are attentive to identifying and prioritizing recommended improvements to the family resource functionality in FamilyNet. As the 'system of record', FamilyNet data and its reports will always be the source for testing compliance. The managers in the Central Office Foster Care Support Services Unit, along with IT FamilyNet staff, must continue to enhance the family resource functionality to ease navigation and minimize opportunities to create conflicting or erroneous data. Enhancements to FamilyNet will continue to be developed, with the goal of improving and increasing family resource documentation in the system. During the past year, significant enhancements to the family resource windows in FamilyNet have been implemented. These enhancements directly facilitate or simplify the input of information into the system, improve data extraction from the system, or auto-generate annual functions (which previously required manual staff entry). The coordination of continued

enhancement to both the FamilyNet system and the reports generated from FamilyNet continues between the IT department and the Adoption and Foster Care staff.

c. Controls Over FamilyNet and Home Licensing Report Data Need Improvement

The fiscal year 2004 single audit report noted that the data in the Department of Social Services FamilyNet system was incomplete and inaccurate, with a 52% error rate in the data, including overdue licensing re-assessments for a number of homes where children had been placed. Our follow-up audit noted the Department has implemented several controls, resulting in significant improvements in the FamilyNet data. A review of 3,667 foster care records with children in FamilyNet, a local area network implemented by the Department in February 1998, was performed to determine the Department's compliance with licensing, re-assessments, and criminal background checks. The review of the June 2005 monthly Department's Foster Care Compliance Report, compiled from FamilyNet data, issued to area agency personnel to monitor foster care provider licensing and criminal background checks noted a 20% error rate, including overdue and incomplete annual provider re-assessments and missing date information.

An analysis of the 3,667 files in the FamilyNet system as of June 2, 2005 noted the following:

- 255 files with the "home study" and "annual re-assessment" dates blank. The home study date represents the original approval date for child placement. (238 of these files were for children placed in 189 homes within the 40 days allowed by this regulation).
- 254 files with the "recent re-assessment" dates blank and the initial home study date (child placed in the home) prior to June 2, 2004 (requiring a home re-assessment by June 2, 2005).
- 218 files that indicated that the annual re-assessments were overdue -- 162 overdue less than one year, 31 overdue more than 1 year and less than 2 years, 15 overdue more than 2 years and less than 3 years, 2 overdue more than 3 years and less than 4 years, 5 overdue more than 4 years and less than 5 years, and 3 overdue more than 5 years and less than 6 years.

This results in a 20% error rate in the files. Additionally, 1,498 files dated after June 2, 2004 were not included in the analysis because they were within the one year allowed for the review. Although this represents a significant improvement from the fiscal year 2004 error rate of 52%, the Department still needs to continue its review of FamilyNet data for compliance.

Department Area Office personnel input case management data to FamilyNet. The data includes the resource provider name, the initial licensing date, most recent assessment date, number of authorized children, and the names of children placed in the resource provider home. From the FamilyNet data, the Department produces monthly reports entitled “Department Foster Care Compliance Report” and “Unapproved Homes with Active Placements” provided on the Department DocDirect system. These reports are provided to personnel responsible for monitoring and conducting foster care provider licensing and criminal background review checks. The Area Office caseworkers are responsible for reconciling case data from the hardcopy records as well as information in the monthly reports to FamilyNet.

Department personnel stated that the monthly reports are a tool for determining licensing re-assessment due dates and that Area Office personnel also rely on FamilyNet and the hard copy case files to determine license assessment dates. Even though personnel rely on hard copy files as back-up information, Department officials stated that FamilyNet is the system of record.

During the fall of 2004, the Department established a new position to review reports for data accuracy, review compliance by Area Office personnel, and conduct training for Regional and Area Office personnel on the utilization of FamilyNet reports to track home study and licensing reassessment dates and CORI due dates. Regular meetings are conducted between Foster Care Central Office and Area Office personnel, which include discussions on compliance and FamilyNet data. Also each month, the Area Offices receive a copy of the FamilyNet reports specific to their office to review for compliance. Each month Central Office personnel send reports listing all cases for their office for compliance review by caseworkers to the Area Offices. The Department, however, does not produce an exception report identifying cases with overdue licensing/reassessment study dates.

Further, Department officials have stated that although the reports indicate that the re-assessments for continued licensing are overdue, the regulations allow for licenses to remain in effect until the re-assessment is performed. While we concur that the regulations allow this, we do not believe that the intent of the legislation was for homes to remain licensed for an indeterminate amount of time before being assessed by the Department, resulting in delays

in management discussions regarding the relationship between foster homes and the Department, which is an integral part of the licensing process.

The Code of Massachusetts Regulations, 110 CMR 7.113, requires the following:

The Department shall annually reassess foster care parents and homes whether unrestricted, kinship or child specific including interviews, case file reviews and criminal background checks and after completing the reassessment issue within ten working days a decision on the re-approval terms and conditions.

Additionally, 110 CMR 18.08 (2)(b) requires:

(b) The DSS shall conduct a CORI Investigation of any household member age fourteen or older during the initial home-study/evaluation of the foster/pre-adoptive home and during the annual reassessment of the foster/pre-adoptive home.

Federal regulation, CFR, Title 45, Section 1356.30(a) states,

(a) Unless an election provided for in paragraph (d) of this section is made, the State must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.

Blank date information in FamilyNet and monthly reports results in children remaining in homes that lack timely initial licensing and annual re-assessments. It further results in noncompliance with state and federal laws, rules, regulations, and Department policy, because if homes are not licensed timely, federal regulations preclude reimbursement to the state for payment made to the foster home.

Recommendation

The Department should continue its Central Office oversight control process, including periodic reviews of monthly reports and case information entered into the FamilyNet system, to ensure that information related to foster care cases and licenses is properly recorded and current. The Department should stress the importance of updating the FamilyNet system with timely and accurate information in order to maximize its benefits and utilize the system for relevant data. Management should continue issuing monthly reports to Area Offices and consider developing an exception report to facilitate identifying overdue licensing and case re-assessment dates by Region/Area Office for review. Further, Department personnel should complete a reconciliation of information in FamilyNet and the reports to identify and

reconcile any data exceptions. Overdue re-assessments should be performed as soon as possible in order to comply with regulations.

Auditee's Response

During FY 2005, the Department has been rebuilding the staffing capacity needed to appropriately oversee and manage the foster care program. In the rebuilding process, the Central Office Foster Care Support Services Unit is now staffed with a full-time Director in addition to a full-time Foster Care Specialist, the latter having a focus on CQI for family resource practice. In addition, two Foster Care Managers have been hired as of September 2005, each assuming responsibility for routine monitoring of family resource compliance – CORI, licensing, etc. – for three regions. These managers also provide technical assistance and support to field staff on improvements to family resource practice. There are already routine monthly meetings between Central Office, Regional, and Area Family Resource Staff during which the compliance reports are reviewed and discussed and where the family resource experts can share best practices. Foster Care and Adoption staff from Central Office meet regularly with Regional and Area staff to review reports and the family resource reports are sorted and distributed to the family resource field staff and managers on a monthly basis. Central Family Resource Staff have trained regional and area staff in utilization of the reports and continue to meet regularly to review recommendations regarding enhancements to FamilyNet and the reports. Central, Regional and Area staff are utilizing the family resource reports both to assure compliance with regulation is met and to plan workload for staff. These routine meetings continue.

Central Office Foster Care Support Staff and two on-going foster care advisory committees, the Family Resource Information Committee comprised of representatives from each Regional Office and the Family Resource Advisory Committee comprised of Family Resource Supervisors representing their Area and Region, are attentive to identifying and prioritizing recommended improvements to the family resource functionality in FamilyNet. As the 'system of record', FamilyNet data and its reports will always be the source for testing compliance. The managers in the Central Office Foster Care Support Services Unit, along with IT FamilyNet staff, must continue to enhance the family resource functionality to ease navigation and minimize opportunities to create conflicting or erroneous data. Enhancements to FamilyNet will continue to be developed, with the goal of improving and increasing family resource documentation in the system. During the past year, significant enhancements to the family resource windows in FamilyNet have been implemented. These enhancements directly facilitate or simplify the input of information into the system, improve data extraction from the system, or auto-generate annual functions (which previously required manual staff entry). The coordination of continued enhancement to both the FamilyNet system and the reports generated from FamilyNet continues between the IT department and the Adoption and Foster Care staff. The Department is currently piloting in various offices across the Commonwealth a limited mobile technology project. Lessons from this pilot will inform any decision to provide mobile technology for family resource staff.

Most important to improving our CORI checks and re-licensing in foster care, however, is the fact that the Governor and Legislature funded an aggressive foster family recruitment program this year. Six Recruitment Supervisors have been hired and have begun work with the field to recruit foster families to meet the targeted

placement needs of the offices. Additional support regarding recruitment should be implemented shortly which will allow area staff greater time availability for completion of family resource task requirements. As foster family placements increase for the first time in three years, family resource staff will be able to give more attention to these important tasks, as the staff time required for immediate placement of children decreases.

In addition, we are in the process of building an Area based support system that scaffolds the Area Office's ability to recruit, support and retain foster parents. By stipending current foster parents, we are creating a collaborative support system of staff and highly skilled foster parents to assist prospective foster parents through training and homestudy and retain current foster parents.

d. Internal Controls Over Fixed Assets Need Improvements

The fiscal year 2004 single audit report noted that the Department of Social Services was not in compliance with Office of the State Comptroller (OSC) requirements for accounting, reconciling, reporting, and recording of fixed assets. The fixed asset listing did not include items such as furniture and file cabinets, and assets lacked a unique property identification tag number. Our follow-up audit disclosed that the Department has improved inventory controls, including conducting a baseline summary count of fixed assets at the area offices during October 2004. However, the Department needs to continue the process of identifying and recording assets and tagging all fixed assets with a unique identification number to comply with OSC requirements.

The Non-GAAP fixed asset listing as of June 30, 2005, totaling \$6,680,293, includes all Department fixed assets, including the summary count by asset type for each Area Office, along with the Department's computer equipment and fiscal year 2005 purchases which are listed individually by description and costs. During fiscal year 2005, the Department installed an asset tracking software program and initiated tagging Central Office property with bar coded permanent individual state property control identification tag numbers. However, the Area Office assets, except new purchases and the computer equipment, lack identification tag numbers and are not reported individually on the Non-GAAP fixed asset listing.

We selected nine items for review at the Central Office to verify the existence of the asset, location, and proper recording. No exceptions were noted during the review. Additionally, the Department implemented a reporting process for area offices for new asset purchases, including the affixation of property identification tags and a removal process for asset disposals.

The Massachusetts Management Accounting and Reporting System (MMARS) Fixed Asset Subsystem User Guide sets forth the following policies, which state in part:

Chapter 4, Recording, Policy Number 4-5:

Tagging of Assets - Physical property other than land, buildings and infrastructure shall be marked with some type of permanent tag affixed to a readily available area of the asset. This tag must have a unique identification number that will be associated with that asset and become a part of the asset's permanent record.

Chapter 5, Accounting and Management, Policy Numbers 5-5 and 5-6:

Fixed Asset Inventory - There shall be an annual inventory taken of fixed assets owned by every Department. This inventory shall include at a minimum a verification of the existence and location of fixed assets owned by a Department. This inventory shall be done on or about June 30th of each year for GAAP & non-GAAP assets.

Reconciliation - There shall be a reconciliation of the fixed assets inventory against the books and records maintained by the Department, either on the Fixed Asset Subsystem or other documented methods. This reconciliation is to be done, at a minimum, on an annual basis.

Department personnel stated that processing of fixed assets at the Area Offices, including the identification and tagging of individual assets, is ongoing. However, the process will take at least an additional year, due to the volume of assets at the 29 Area Offices and the time constraints of personnel. The Department has received approval to hire an additional person to assist in the inventory process, but has not yet hired anyone, and has utilized other staff to assist in the process. By not maintaining proper controls over fixed assets, there is inadequate assurance that property and equipment is properly safeguarded against loss, theft, or misuse.

Recommendation

The Department should continue to process and record all fixed assets in accordance with the OSC's requirements. This should include recording and tagging each asset at the Area Offices with an individual property identification number to ensure that all fixed assets are properly safeguarded, valued, and reported in compliance with the MMARS Fixed Asset User Guide.

Auditee's Response

The Department will continue implementation of the plan to process and record fixed assets and comply with Office of the State Comptroller requirements. By October 21, 2005, bar coded asset tags (each assigned a unique identifying number) will have been applied to all appropriate assets located at the Central Office and the data associated with those assets downloaded to the asset management data base.

On October 11 and 12, 2005, the asset management team will visit the Metro Regional Office and Arlington Area Office to pilot the process for completing the inventory in field offices. Upon completion of the pilot, a schedule for the inventorying of assets in all remaining sites will be finalized. The goal is to finish this process an average of 3 additional locations per month with all sites completed in September 2006.

e. Non-Compliance with Legal Requirements for Open Fair Appeal Hearings

The fiscal year 2004 single audit report disclosed that the Department of Social Services was not in compliance with the requirements for open hearings regarding appeals of certain decisions. Our follow-up audit disclosed that the Department continues its non-compliance with regard to the number of unscheduled hearings, which escalated in fiscal year 2005. A review of fair hearing requests received from 1998 to 2005 (as of June 22, 2005) disclosed 5,009 open hearing requests. Of these, 3,910 have not been scheduled for a fair hearing by the Legal Department within 90 calendar days as required by Department regulations, 814 have been scheduled for a hearing, 8 have data errors, and 277 have not been scheduled, but are within the 90 days scheduling requirement. This represents an increase of 273 unscheduled hearings (within the 90 calendar days) from the 3,637 unscheduled fair hearings in fiscal year 2004.

The fair hearing process allows clients, including biological, foster, and adoptive parents and children receiving services, the opportunity to appeal certain matters and to present other matters to the Department through a grievance process. The Fair Hearing Process allows clients dissatisfied with certain actions or inactions of the Department or a provider under contract with the Department, to present his or her position in an informal hearing and to receive a just and fair decision by an impartial hearing officer, based on the facts and applicable regulations. The Code of Massachusetts Regulation (CMR) 110 requires the Department to employ and train impartial fair hearing officers whose sole duty shall be to conduct fair hearings statewide. An individual shall file a written request for a fair hearing with the Department's hearing office within 30 calendar days from a decision.

As required by 110 CMR 10:05, a fair hearing shall address (1) whether the Department's or provider's decision was not in conformity with its policies and/or regulations and resulted in substantial prejudice to the aggrieved party; (2) whether the Department's or provider's procedural actions were not in conformity with its policies, regulations or procedures and resulted in substantial prejudice to the aggrieved party, or (3) if there is no applicable policy, regulation or procedure, whether the Department or provider acted without a reasonable basis or in an unreasonable manner which resulted in substantial prejudice to the aggrieved party.

The review of the FamilyNet open fair hearings report as of June 22, 2005 noted:

| <u>Calendar Year</u> | <u>Total Requested Hearings</u> | <u>Open Hearing Requests</u> | <u>Hearings Not Scheduled</u> |
|-----------------------|---------------------------------|------------------------------|-------------------------------|
| 2005 (As of 06/22/05) | 946 | 635 | 326 ⁽¹⁾ |
| 2004 | 1,939 | 1,641 | 1,576 |
| 2003 | 2,038 | 1,484 | 1,361 |
| 2002 | 1,957 | 661 | 514 |
| 2001 | 1,900 | 319 | 98 |
| 2000 | 1,949 | 180 | 19 |
| 1998-1999 | <u>7,799</u> | <u>89</u> | <u>16</u> |
| Total | <u>18,528</u> | <u>5,009</u> | <u>3,910</u> |

⁽¹⁾277 requests received after March 22, 2005 were not included in the Hearings Not Scheduled total since requests were received within the 90 days allowed to schedule the hearing.

In addition, we noted 8 requests for an open fair hearing had data errors, including 4 with the scheduled hearing dates the same as the hearing request received date and 4 with the scheduled hearing dates prior to the hearing request date.

Fair Hearings are conducted for allowable grounds of appeal, including:

1. Applicants may appeal the Department's failure to follow 110 CMR, the computation or imposition of fees for services, or any action or inaction of the Department to place a child across state lines;
2. Biological parents may appeal when a goal determination at a Foster Care review changes;
3. A recipient of services from the Department may appeal a) the suspension, reduction or termination of services, b) the fee calculation if the recipient can show an incorrectly calculated fee, or c) the failure of the Department to follow 110 CMR which resulted in substantial prejudice to the recipient;

4. Foster parents have the right to appeal decisions of the Department as stated in 110CMR 10:06, including licensing decisions, foster care child removals, decisions to close foster home etc.;
5. Pre-adoptive and adoptive parents may appeal the denial of an applicant to become a pre-adoptive placement, withdrawal of Department sponsorship of a placement or removal of a child from placement;
6. Adolescents and children through an attorney or representative may appeal changes in goal determinations;
7. Any parent or caretaker of a child has a right to appeal a Department's support of a finding of abuse or neglect of a child.

Code of Massachusetts Regulations 110 section 10:10 states,

The hearing shall be scheduled to be held within 90 calendar days from receipt of a request for a Fair Hearing.

The Department is not meeting the legal requirements of conducting an appeals process for individuals involved with the Department services.

Due to budget constraints and the management time devoted to priority foster care related issues, the Department has been unable to hire hearing officers in recent years. As a result, Department personnel stated that the reduction of hearing officers in prior years from five to three, due to early retirement and budget cuts, has resulted in a backlog of unscheduled hearings and continues to impact the process. Department personnel had to prioritize cases based on the impact to individuals involved in a case.

During fiscal year 2005, the Department offered to personnel a six-month job transfer to assist in clearing the backlog. One person has applied, and Department personnel are in the process of reviewing the applicant. In addition, the Department has received additional funding in the fiscal year 2006 budget to address the fiscal year 2005 Single Audit findings.

Recommendation

The Department should implement procedures to comply with the legal mandates, including seeking additional resources to conduct the required hearings and complete the appeals and grievance process in accordance with agency regulations. The Department should continue the process of reviewing staff for temporary transfers and conduct the hiring of permanent

hearing officers as soon as possible to address the increasing rate of unscheduled fair hearings.

Auditee's Response

The Department is pleased to report that it has received additional funding in the agency's administrative account which will enable the agency to hire three additional fair hearing officers. Through these hires, the Department full-time fair hearing officers will increase from 3 to 6. Increased staffing will provide the needed resources to resolve older pending cases and provide more timely responses to fair hearing requests as required by Department regulations. The Department expects that the 3 additional fair hearing officers will be in place no later than February 1, 2006. Leading up to that time, in addition to completing the hiring process and identifying cases for hearing, the Department will reconfigure case assignment responsibilities, which is now generally done based on geographical regions and Special Investigations, to ensure that consumers across the state have fair and timely access to the fair hearing process. (Last month, in light of the above, the Department decided to forego its prior plan to recruit field staff to a "sabbatical" assignment as temporary fair hearing officer. Only one volunteer had come forward in response to the announcement.)

APPENDIX I

Chapter 647, Acts of 1989, An Act Relative to Improving the
Internal Controls within State Agencies

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

In the Year One Thousand Nine Hundred and Eighty-nine

AN ACT RELATIVE TO IMPROVING THE INTERNAL CONTROLS WITHIN STATE AGENCIES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Notwithstanding any general or special law to the contrary, the following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated. Internal control systems for the various state agencies and departments of the commonwealth shall be developed in accordance with internal control guidelines established by the office of the comptroller.

(A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

(B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.

(C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should

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include the specific conditions and terms under which authorizations are to be made.

(D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

(E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.

(F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility, in addition to his regularly assigned duties, shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. Said official shall in the performance of his duties ensure that: (1) the documentation of all internal control systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor, (2) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, (3) timely and appropriate corrective actions are effected

Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies

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by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weaknesses that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

House of Representatives, December 21, 1989.

Passed to be enacted, *George Luvaan*, Speaker.

In Senate, December 22, 1989.

Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved,

Richard H. Kiah Governor.

APPENDIX II

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller



The Commonwealth of Massachusetts

Office of the State Auditor
State House
Boston, MA 02133

Office of the Comptroller
One Ashburton Place
Boston, MA 02108

September 19, 2000

Legislative Leadership
Judicial Branch Administrators
Elected Officials
Secretariats
Department Heads

The State Auditor and the Comptroller are both committed to departmental improvements in the Internal Control structure of the Commonwealth. A good system of controls, as you know, assists management in meeting objectives while avoiding serious problems. Chapter 647 of the Acts of 1989, *An Act Relative To Improving Internal Controls Within State Agencies*, establishes acceptable Internal Control systems for state government operations and constitutes the criteria against which we will evaluate internal controls. With the passage of this law, we began a campaign to educate all department staff on the significant role of internal controls in department operations.

In the past few years, departments have made significant progress in the area of internal controls. Every department has certified that they have documented internal controls in the form of an Internal Control Plan. In Fiscal Year 2001, we are focusing our Internal Control Campaign on the review of department risk assessments, as documented within the departments' internal control plans. Internal control plans must, of course, include all aspects of a department's business, programmatic operations as well as financial.

A major requirement of Chapter 647 is that "an official, equivalent in title or rank to an assistant or deputy to the department head, shall be responsible for the evaluation of the effectiveness of the department's internal controls and establish and implement changes necessary to ensure the continued integrity of the system". This official, whom we refer to as the Internal Control Officer, is responsible for ensuring that the plan is evaluated annually or more often as conditions warrant.

During this annual Statewide Single Audit, we continue with our review of the Commonwealth's internal controls. We analyze and evaluate information obtained during the audit process in our continuing effort to educate agencies regarding both the need for internal controls and the risks of not having adequate internal controls in place.

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller

To assist departments with this effort, we provide the following support activities:

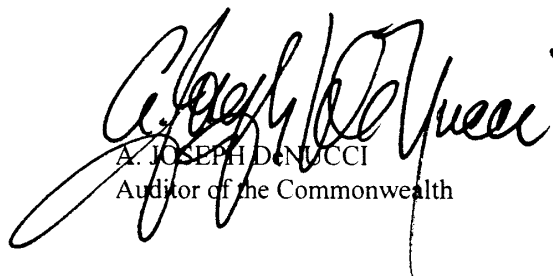
- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web page: <http://www.osc.state.ma.us/>. Part II of the guide will be available shortly and will replace the current *Internal Control Guide for Departments*, currently available on the Web.
- ◆ Upon request, the Office of the Comptroller provides assistance to departments in the process of redefining or reviewing their internal control plans.
- ◆ As part of the Statewide Single Audit, auditors will review and comment upon departments' internal control plans, risk assessments, and the reporting level of the Internal Control Officers.
- ◆ We have updated and automated the Internal Control Questionnaire (ICQ) for easier submission. These changes to the ICQ will enable OSA and OSC to evaluate department internal controls and monitor their progress.

Chapter 647 also requires that "all unaccounted for variances, losses, shortages, or thefts of funds or property be immediately reported to the Office of the State Auditor" (OSA). The OSA is required to determine the amount involved and the internal control weaknesses that contributed to or caused the condition, make recommendations for corrective action, and make referrals to appropriate law enforcement officials. In order to comply with this law instances must be reported on the *Report on Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property* and be submitted to the OSA. Reporting forms can be obtained by contacting the Auditor's office, Room 1819, McCormack State Office Building, or Web Site:

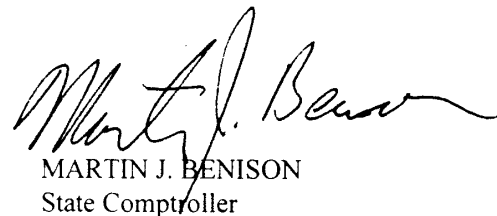
<http://www.magnet.state.ma.us/sao/>.

In conjunction with the above requirement, please note that management is responsible for financial records and systems and must inform, disclose and make representations to the auditors with regards to their management of funds, account activities, programs and systems.

The Offices of the State Comptroller and the State Auditor are committed to the goal of improving the Internal Control structure of the Commonwealth. Thank you for your cooperation and attention on this worthwhile task. Please do not hesitate to call upon the staff of either office for assistance.



A. JOSEPH D. NUCCI
Auditor of the Commonwealth



MARTIN J. BENISON
State Comptroller