

**An Audit of the
Department of Human Services
Child Welfare Division Overspending
of 2000 State Contract**

May 2001

Committee on Finance and Audit

Lynne D. De Bruin, Chairman
Daniel J. Diliberti, Vice-Chairman
Richard D. Nyklewicz, Jr.
Penny E. Podell
Robert Krug
James G. White
Joseph L. Davis, Sr.

Milwaukee County Department of Audit

Jerome J. Heer, Director of Audits

Audit Team

James Felde, CPA, CFE
Paul Grant, CPA

Review Team

Jim Goetzinger
Amos Owens

Administrative Support Team

Emma L. Turner
Cheryl A. Hosp
Karen J. Williams

May 3, 2001

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

As requested by you and the County Executive, we have completed an audit of the 2000 State/County Child Welfare Services Contract overspending. The Child Welfare Division of the Department of Human Services (DHS) provides contract services in State Service Regions 2 and 5. Our audit addresses the major causes contributing to DHS' overspending the 2000 contract funding.

A management response from the Department of Human Services is included as Exhibit 8. We would like to thank DHS for its cooperation in this review.

Please refer this report to the appropriate committees.

Jerome J. Heer
Director of Audits

JJH/cah

cc: Milwaukee County Board of Supervisors
F. Thomas Ament, County Executive
Earl R. Hawkins, Director, Department of Administration
Ralph Hollmon, Director, Department of Human Services
Lauri J. Henning, Committee Clerk, Milwaukee County Board

An Audit of the Department of Human Services Child Welfare Division Overspending of 2000 State Contract

Table of Contents	Page
Summary	1
Background	5
Audit Sections:	
Section 1: Child Welfare Division 2000 State/County Contract Overspending.....	7
Section 2: Program Administration and Fiscal Monitoring	17
Section 3: Projections for 2001	33
Section 4: Conclusions and Recommendations	37
Exhibit 1 - Audit Scope.....	43
Exhibit 2 - Department of Human Services and Child Welfare Division Organizational Charts ...	44
Exhibit 3 - Informational Packet Presented to Health and Human Needs Committee April 1999 re: Child Welfare Fee-For-Service Delivery Model.....	49
Exhibit 4 - State Letter Addressing Child Welfare 2000 Overspending and 2001 Contract.....	66
Exhibit 5 - Child Welfare Division Overhead Costs.....	69
Exhibit 6 - Child Welfare Ongoing Case Management Support Services Provider Logs: Mentoring Activity/Comments.....	72
Exhibit 7 - DHS Memo re: Fiscal Monitoring Enhancements	77
Exhibit 8 - Management Response from the Department of Human Services	83

Summary

The Milwaukee County Department of Human Services (DHS) has provided child welfare services under contract with the Wisconsin Department of Health and Family Services (DHFS) since 1998. The contract includes child welfare case management and services to children removed from their home because of neglect or abuse. The Child Welfare Division (CWD) of DHS provides these services in State Service Regions 2 and 5. Private sector agencies administer services in Regions 1, 3 and 4. In addition, the County's contract includes foster home recruitment and licensing as well as adoption services for all five of the Regions. The total 2000 contract amount is \$29.5 million.

During the April 2001 cycle of the County Board, DHS reported to the Health & Human Needs and the Finance & Audit Committees that it had overspent the 2000 State/County contract funding by approximately \$5.7 million. Subsequent to the April committee appearances and as reflected in its year-end claim to the State, DHS reported that it overspent the 2000 contract by a total of \$6.0 million. The portion of the overspending attributed to staff and administration costs is \$2.6 million and the remaining \$3.4 million represents overspending on services. County Ordinances require the timely reporting of deficits of \$75,000 or more.

DHS administration identified two primary reasons for the deficit and lack of timely notification.

- Concerning the deficit in staff and administration costs, DHS notes that the State provided verbal assurances that all documented and allowable staff and administration costs would be paid. A provision was included in the 2000 contract that called for a joint review of staff and administration expenditures through June 2000. Based on that review and a projection of total costs through year-end, the contract calls for the State to determine if additional funding is needed. While DHS sent cost information to the State on a monthly basis, neither the State nor DHS ever called for a review specified in the contract.
- Concerning the deficit in services costs, DHS notes that the two Milwaukee County sites are funded at one-half the level of the private agency sites. DHS also notes that difficulties in obtaining accurate and timely management information from the systems used to authorize and pay for services resulted in overspending contract limits.

DHS continues to work with State DHFS officials to obtain full funding for staff, administration and services provided under the Child Welfare contract. It appears that as early as April 2000, the State expressed a willingness to reimburse some of the costs included in the overspending. However, because of the informal nature of this commitment and the apparent entanglement of this issue with ongoing negotiations concerning the County's role as a child welfare services provider in 2001 and

beyond, the County has undoubtedly paid a price for its failure to manage program expenditures within contract funding limits.

The County is in this position because of a breakdown in program management. Specifically:

- A formal commitment to State funding of full staff and administration costs was not obtained. Funding for staff and administration under the contract was known to be inadequate, yet DHS administration recommended County Board approval of the contract based on verbal assurances and the provision for mid-year review of the costs. However, wording in the provision does not appear to commit the State to increase funding. The State continues to express concerns about the magnitude of Milwaukee County's staff and administration costs, particularly in the area of overhead charges. As of the writing of this report in late April, the State is unwilling to commit to increasing the funding level for staff and administration above the inadequate 2000 figure.
- Information systems were not used effectively to detect significant increases in service expenditures. While there were deficiencies in the ability to generate detailed management reports, indications of overspending by mid-year were not acted upon.
- Proper attention was not paid to ensuring that program staff had a thorough understanding of the:
 - Capabilities and mechanics of the case management information system (Synthesis).
 - Appropriate criteria and restraint to be used in authorizing services for clients.
 - Role case managers must play in monitoring the appropriateness of vendor billings/service utilization rates.
- A level of comfort with regard to the integrity of vendor payments has not been achieved. Results of our limited review of vendors' documentation and billing practices illustrates the need for increased fiscal monitoring and a much clearer definition of the types of activities that qualify as appropriate mentoring services.
- DHS administration did not ensure that safeguards planned in April 1999, for the conversion of child welfare services to a fee-for-service delivery model, were fully implemented.
- All 1999 expenses were not accounted for in the proper year.

Some of these concerns have already been addressed to some extent. DHS has initiated information system enhancements as well as corrective actions to better manage child welfare expenditures in the future. However, areas remain where significant improvements are needed. These include:

- Greater attention to the timely use of expense data for program decision-making.
- Comprehensive training for case managers to improve their knowledge of Synthesis as well as their understanding of the key role they play in monitoring and identifying potential vendor abuses.
- Enhanced monitoring of vendor payments.

- Improved communication regarding service expectations between divisions.
- Stronger automated linkages between the various information systems, as well as further assessment to determine the viability of maintaining the current 'patchwork' system.

Specific recommendations to address the issues identified in this report are presented in **Section 4**. We would like to acknowledge the cooperation and courtesy extended by the Department of Human Services as we conducted this audit under pressing time constraints. A management response from DHS is included as **Exhibit 8**.

THIS PAGE INTENTIONALLY LEFT BLANK

Background

The Milwaukee County Department of Human Services (DHS) has provided child welfare services under contract with the Wisconsin Department of Health and Family Services Division of Child and Family Services since 1998. The 2000 contract was signed on March 29, 2000.

The Child Welfare Division (CWD) of DHS administers services provided under the contract. (Organizational charts of DHS and CWD are presented as **Exhibit 2.**) Services provided under the contract include child welfare case management and services to children removed from their home because of neglect or abuse. In 2000, DHS budgeted for 340 full time equivalent positions to provide these services in State Service Regions 2 and 5, but on average, about 288 positions were filled throughout the year. Private sector agencies administer services in Service Regions 1, 3 and 4. In addition, the County's contract includes foster home recruitment and licensing services as well as adoption services for all five of the Service Regions. The total 2000 contract amount is \$29.5 million with \$13.8 million for staff and administration and \$1.7 million for provider services in Regions 2 and 5, with an additional \$811,000 in funding available as incentives, to be earned based on contract performance (see **Table 1**).

<u>Contract Item</u>	<u>Contract Amount</u>	<u>Expenditures</u>	<u>Balance</u>	<u>Deficit Amount Requiring Additional State Approval</u>
AODA Services	\$633,200	\$793,393	(\$160,193)	(\$160,193)
MCPS Staff Retention	450,000	0	450,000	
Foster Care Day Care	364,305	36,210	328,095	
Kinship Care Benefits	3,522,346	2,650,209	872,137*	
Foster Care Training	553,000	556,507	(3,507)	(3,507)
Foster Care Recruitment	250,000	273,200	(23,200)	(23,200)
Adoption Recruitment	250,000	379,994	(129,994)	(129,994)
DP Costs	126,000	126,000	0	
Day Care Administration	182,148	182,148	0	
Staff/Administration	13,779,917	16,426,961	(2,647,044)	(2,647,044)
Ongoing Case Management Services	1,710,000	4,768,773	(3,058,773)	(3,058,773)
Incentives	810,575		675,479	
Out of Home Care	6,188,800	4,341,725	1,847,075*	
Adoption Enhancement	97,875	64,409	33,466	
Kinship Administration Unit	329,346	312,901	16,445	
Trust Account Unit	73,460	74,513	(1,053)	(1,053)
Independent Investigations	157,500	104,580	52,920	
Totals	\$29,478,472	\$31,091,523	(\$1,748,147)**	(\$6,023,764)

* These amounts were unfunded by the State in March 30 and April 20, 2001 unilateral contract addendums due to changes in payment processing for Out of Home Care and Kinship Care Benefits.

** Net contract overspending. State approval required to offset overspending with unspent funds.

Source: Department of Audit analysis of Child Welfare CARS claim YTD Summary Final Report dated 4/9/01.

A package describing proposed major changes in the delivery model used to provide child welfare services by Milwaukee County was submitted to the County Board Health and Human Needs Committee in April 1999 (see **Exhibit 3**). The package included a joint memo in which DHS provided information on a proposed Child Welfare fee-for-service network, along with suggestions by the Department of Audit for management controls to help ensure vendor quality and fiscal integrity under the proposed delivery model. The package also contained the following items:

- Memo dated January 28, 1999 to the committee explaining the rationale for developing the network.
- Memo dated January 18, 1999 from the Director of Child and Adolescent Mental Health Services to the CWD Administrator detailing the administrative services that could be provided by Wraparound Milwaukee program staff for the benefit of the Child Welfare Division.
- Summary listing of the Child Welfare Division's planned Quality Assurance/Quality Improvement under the proposed fee-for-service delivery model, including efforts to ensure accurate vendor billings.

Section 1: Child Welfare Division 2000 State/County Contract Overspending

Deficit Reporting

Language contained in the 2000 and 2001 Milwaukee County Adopted Budgets clearly established as policy that:

No property tax levy support is budgeted for this Division (Child Welfare). The Department of Human Services will not enter into a contract with the State for the provision of child welfare services if any such contract would necessitate the use of property tax levy support from the County or does not contain sufficient resources to enable the County to be a competitive service provider.

DHS reported that it had overspent the 2000 Child Welfare Services Contract funding by \$5.7 million.

During the April 2001 cycle of the County Board, the Department of Human Services reported to the Health & Human Needs and the Finance & Audit Committees that it had overspent the 2000 State/County Child Welfare Services Contract funding by approximately \$5.7 million. At the same time, the Director of DHS indicated that negotiations were ongoing with the State to address the potential deficit. The Director stated it was likely that, with additional State funding and the flexibility to use unspent funds from other contract areas, the potential for realizing an actual deficit was reduced to a figure less than \$1.3 million.

Subsequent to the DHS Director's committee appearances and as reflected in its year-end claim to the State, DHS reported that it overspent the 2000 contract for staff, administration and services by a total of \$6.0 million. The portion of the overspending attributed to staff and administration costs is \$2.6 million and the remaining \$3.4 million represents overspending on services.

Section 56.02 (1) of the Milwaukee County Code of General Ordinances states:

**County Ordinances
require the timely
reporting of deficits
of \$75,000 or more.**

Each person in charge of any county office, department, agency, or any non-departmental account shall submit a written report to the county executive, committee on finance and audit of the county board and the department of administration whenever such person has reason to know or believe that a deficit of seventy-five thousand dollars (\$75,000) or more in any revenue account will occur for the division of county government under the supervision of that person....

The report shall be submitted as soon as practicable, but shall not exceed ten (10) working days from the earliest date that such person has reason to believe or know of the reduction of anticipated revenue....

The Ordinance anticipates timely reporting prior to year-end, as it calls for a plan of corrective action:

...Such report shall include the reasons for the anticipated revenue deficit, as well as a recommended plan of action or alternatives to offset such deficit.

Staff and Administration Expenditures (2000)

Total funding for staff and administration under the 2000 contract was \$13.8 million. With expenditures of \$16.4 million, a shortfall of \$2.6 million resulted. **Table 2** identifies the various elements of spending in excess of the contract for salary and administration costs.

**Table 2
Components of Staff and Administration Overspending
2000 Child Welfare Contract**

<u>Item</u>	<u>Amount of Overspending</u>
Under-Funded Staff and Administration Costs	\$2,197,377
Unfunded Salary Increases (includes fringe benefits)	466,061
Sub-Total	\$2,663,438
Estimating Adjustment	(16,394)
Total	\$2,647,044

Source: Department of Human Services and Department of Human Resources records.

DHS was aware that 2000 staff and administration costs were under-funded by \$2.2 million.

Under-Funded Salary and Administration Costs

One of the reasons cited by CWD administration for the delay in signing the 2000 contract with the State (signed March 29, 2000) was an inability to convince the State that the County's budgeted salary and administration costs were justified. Ultimately, DHS recommended County Board approval of the contract, despite the fact that staff and administration costs were under-funded by about \$2.2 million. According to DHS administration, this recommendation was based on assurances from the State that as long as salary and administration costs were documented and allowable, the State would pay actual costs.

DHS administration points to a provision included in the contract to support its belief that the State would honor its verbal assurances concerning staff and administration costs. While the 2000 contract with the State contained a provision that noted payments would only be made for costs consistent with the contractual budget, the contract further stated that:

...the Department (WDHFS) and the Contractor (Milwaukee County) will review actual expenditures of staff and other allowable administrative costs, per the Contract requirements, for the period January 1, 2000 through June 30, 2000. Based on this review of actual expenditures, as projected for the Contract period, the Department will determine if additional funding is required.

According to DHS, State officials indicated in April 2000 their willingness and commitment to pay the actual cost of program salaries.

The State/County expenditure review referenced in the contract appears to have been targeted for some time shortly after the first six months of experience under the contract. According to DHS management, DHFS officials indicated in April 2000 their willingness and commitment to pay the actual cost of salaries, including salary step adjustments to help attract and retain staff.

A fund transfer request was processed by DHS in July 2000 to, among other things, align the Adopted Budget with the State/County Contract. While identifying a net reduction in budgeted salary and expenditure appropriations of \$1.3 million, the fund transfer request noted that there was contract language allowing for increased salary expenses based on mid-2000 projections. The transfer request further noted that an additional appropriation transfer would be processed after a calculation of salary costs by the State. Consequently, the transfer request contained a fiscal note indicating there was a zero tax levy impact. To date, the salary expense review that was referenced in the contract, at meetings between the State and County and again in the fund transfer, has not been conducted. It is clear, however, according to all DHS administrators involved in this matter that we spoke to, that the State had agreed to pay the actual, documented costs of this part of the contract.

However, according to a State DHFS official, the County DHS never provided information for the review. The State official further indicated that the first information presented to the State concerning a staff and administration deficit was in February 2001. While DHS sent cost information to the State on a

monthly basis, neither the State nor DHS ever called for a review as specified in the contract.

Unfunded Salary Increases

During 2000, a number of human resource initiatives were implemented to assist in hiring and retaining staff in the Division so as to comply with State minimum staffing requirements. These changes included authorization of new hires at an advanced step in the pay range. As a result, staff previously hired at lower steps were also granted increases. Based on information provided by DHS, these changes impacted 136 employees with a fiscal effect of approximately \$466,000.

Unattained Contract Incentives

Incentives of \$810,575 were available for meeting specific performance standards. The State used performance against the following standards for calculating incentive earnings:

CWD staff performance resulted in payments of \$135,096 out of an available \$810,575 for meeting all performance standards.

- Completion of 90% of the family assessments and treatment for new cases within 60 days of referral.
- Completion of 90% of case evaluations for new cases within 90 days of completion of the treatment plan and within 90 days of the previous case evaluation.
- Completion of all permanency plans within 60 days of a child's placement and review of plans every six months.

Based on the above standards, Child Welfare Division staff performance resulted in State payments of \$135,096 from an available \$810,575 for meeting all performance standards.

According to DHS, the State's calculation of incentive holdbacks was inappropriately based on staff and administration costs that included Out of Home Care and Adoptions staff. For 2001, the State has agreed to apply the holdbacks only to Ongoing Case Management Services staff and administration, reducing the total amount of incentive holdbacks by about half. DHS also cites problems with the way the State measured Milwaukee County's

performance under the standards, and indicated DHS was unable to obtain information from the State-owned computer system to effectively monitor performance against the standards.

2000 Overhead Costs

Concern has been expressed by the State that Milwaukee County's staff and administration costs are out of line with private providers administering child welfare services in the three other Service Regions in the county. In particular, the State has expressed concern that administration costs include overhead charges that are not relevant or necessary for the provision of child welfare services. A letter from the State DHFS dated April 16, 2001 (see **Exhibit 4**) addressing the 2000 overspending and the as yet unsigned 2001 contract acknowledges agreement between the State and County that all options would be explored to reduce 2001 Child Welfare contract costs, mentioning in particular staff and administration costs.

The State has expressed concern that the County's staff and administration costs are out of line with private providers.

Administration costs for child welfare services in 2000 totaled \$3.8 million. A detailed listing of the components of the 2000 administrative costs appears as **Exhibit 5**. A major category of costs comprising the \$3.8 million is \$2.5 million for crosscharges from other County departments and DHS divisions. These crosscharges include about \$1.5 million for the Child Welfare Division's share of expenses from the DHS Director's Office, DHS Accounting and Budgeting sections and other internal departmental support services such as DHS Human Resources. The crosscharges also include about \$1 million for the Child Welfare Division's share of support services costs from other County departments such as Information Management Services Division (IMSD), Central Accounting, Risk Management, etc.

The Child Welfare Division's proportionate share of these costs is determined in accordance with an overall Countywide cost allocation plan that is consistent with Generally Accepted Accounting Principles and has been approved by the State

Division of Workforce Development. The County's method of overhead distribution is also reviewed each year by the independent auditors engaged to give an opinion on the County's Comprehensive Annual Financial Report and to conduct the Federal/State-mandated Single Audit.

As detailed in **Exhibit 5**, IMSD crosscharges for information processing services allocated directly to CWD totaled about \$212,000, with additional IMSD crosscharges of about \$204,000 passed through to CWD by the Data Processing section of DHS.

According to IMSD management, adjustments were made to decrease crosscharges for information processing services costs slated for allocation to CWD in years 1998 through 2000. The dollar impact of these adjustments are not readily identifiable by IMSD. We were informed that they were made to accommodate the anticipated phase-out of a DHS software application (to be replaced with a State-owned system) and to ease budgetary pressure experienced by the Child Welfare Division.

2000 Services Expenditures

According to the contract, ongoing case management services for Service Regions 2 and 5 were funded at a total of \$1.7 million (see **Table 1**, p. 5). Actual expenditures for ongoing services amounted to \$4.8 million, or \$3.1 million (approximately 180%) over the contract. In fact, just one program component, mentoring services, accounted for approximately \$1.7 million in expenses. Overspending on other contract items, such as AODA Services and Adoption Recruitment, totaled an additional \$300,000 over contract limits.

Actual expenditures for case management services were \$3.1 million over the contract.

Services such as mentoring, AODA counseling or other types of family counseling are authorized by County case managers to be provided by any of a number of vendors in the Child Welfare Division's fee-for-service network. With a small number of exceptions, this network is largely comprised of the same

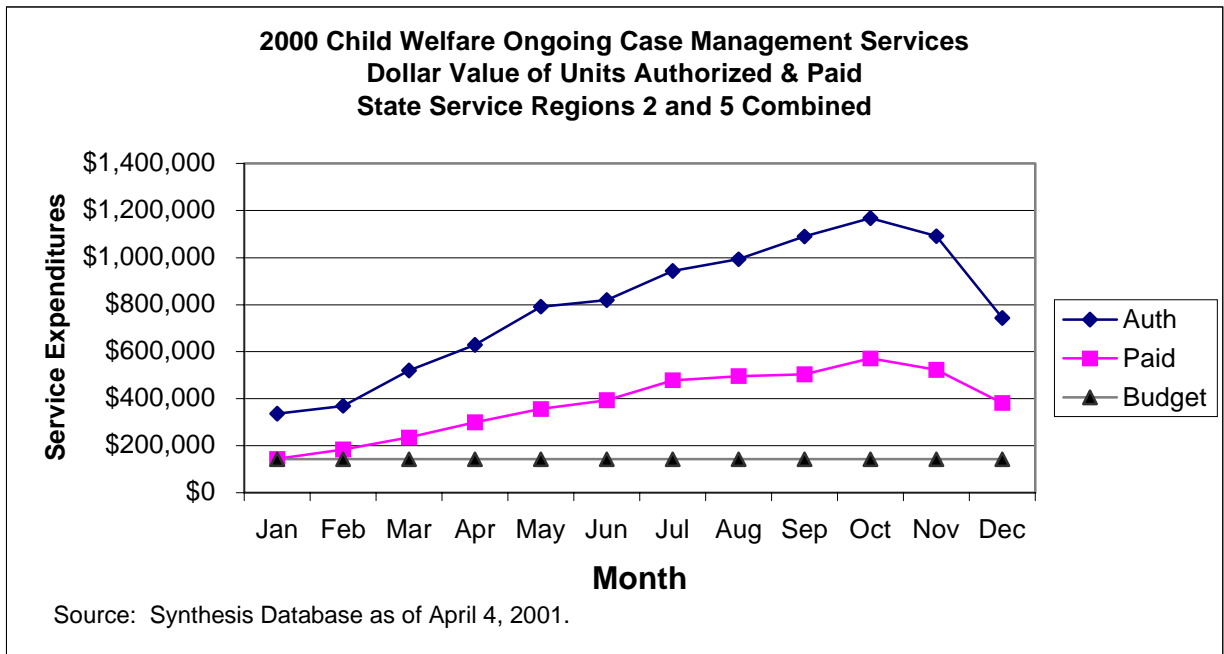
providers used by the DHS Mental Health Division to administer the Wraparound Milwaukee Program. The decision was made to 'piggyback' onto the existing Wraparound network for the provision of Child Welfare services in 1999 due to the similarities of services involved in the two programs, thus creating an Integrated Provider Network.

Services are authorized on a month by month basis by case managers.

The need for services provided by CWD under the State/County contract can be identified through the judicial system (i.e., court-ordered services) or by case managers at one of the two Service Regions. Services are authorized on a month by month basis by CWD case managers in various increments of units, depending upon the specific needs of each client. Supervisory approval is required for each unit of service authorized. However, clients typically do not receive the maximum allowable units of service authorized for a given month, and it is unusual for most providers to bill CWD for the maximum number of service units authorized.

The following graph shows how the level of both authorizations and expenditures for services grew during 2000.

Figure 1



As shown in **Figure 1**, authorizations far exceeded the pace at which funding was available beginning in the first month of the year. The graph further shows that actual expenditures, while far below authorized levels, began exceeding annualized budgeted levels in February, and steadily increased until November. By that time, expenditures for services in the two regions had exceeded the contracted amount of \$1.7 million.

Adequacy of State Funding

DHS has noted that State funding at both County sites was \$1.7 million while State funding at the other three sites is \$1.7 million per site.

DHS has noted that State funding for Child Welfare services at *both* sites operated by the County in 2000 was \$1.7 million (\$1.8 million, including incentives). State funding for each of the other three sites is \$1.7 million per site. While DHS points out that this raises a question of fairness, it does not justify or explain expenditures in excess of the contractually agreed amount. Concerns about any inequity in State funding should have been resolved prior to entering into the agreement not more than two months after the contract period has ended.

THIS PAGE INTENTIONALLY LEFT BLANK

Section 2: Program Administration and Fiscal Monitoring

The magnitude of the Child Welfare contract overspending and the failure to inform policy makers of a potential deficit situation in a timely manner has raised concerns about the program administration and fiscal monitoring connected with the County's performance under the State/County contract.

Management Information

Specifically, questions have been raised about the availability of timely and accurate management information which could be used to detect these trends, and about the apparent lack of timely corrective action to avoid a deficit situation. It should be noted that the information we used to plot the graph in **Figure 1** (p. 15) was not available to management at the beginning of 2000. Subsequent enhancements to the management information system, which will be addressed in greater detail later in this report, provide this data on a monthly basis at this time.

As previously noted, the Child Welfare Division largely utilized the existing network of providers serving the Wraparound Milwaukee Program when it adopted a fee-for-service model of delivery beginning in 1999. Part of the rationale for CWD using the existing Wraparound network was that a number of administrative services would be provided to the Child Welfare Division by Wraparound program staff within the DHS Mental Health Division. Wraparound was selected to provide these services because of its experience in managing similar types of open network fee-for-service programs for children. As detailed in **Exhibit 3** (p. 49), administrative services to be provided by Wraparound to CWD included:

The Wraparound program was selected to provide administrative services because of its experience in managing fee-for-service programs for children.

- Development and management of the Integrated Provider Network.

- Processing requests for services made by case managers using the Wraparound management information system.
- Providing authorizations to vendors for services they are approved to provide by CWD case managers.
- Processing claims/invoices from vendors for payment.
- Providing to case managers reports on services purchased.
- Providing monthly cost reports by client, type of service and vendor.

Synthesis

Wraparound uses an information system called Synthesis.

The Wraparound Program uses an information system developed and owned by Milwaukee County, specifically designed for that program. The system, called Synthesis, was implemented in December 1999. According to Wraparound management, Synthesis was developed to replace the former Care Manager system because of several shortcomings with Care Manager. Specifically, Care Manager:

- Was not Y2K compliant.
- Was owned and had to be leased from a consultant.
- Did not provide automated plans of care.
- Ran on an obsolete platform.
- Was not internet-based.

Synthesis is used to authorize payments to vendors providing services.

Synthesis was developed with the assistance of a consultant and is now marketed by Wraparound administrators to other government jurisdictions and private agencies.

Synthesis is used to authorize payments to vendors providing services under the programs it supports. Payments authorized utilizing Synthesis are generated via the Department of Human Services' SCRIPTS system. However, there is no automated interface between Synthesis and SCRIPTS. To generate checks from SCRIPTS, payment authorization information from Synthesis must be manually re-entered into SCRIPTS.

Concern has been expressed that limitations of the Synthesis system are the primary cause for a lack of management information on expenditures for child welfare services. Wraparound has used Synthesis with a level of success in tracking payments to its own providers.

CWD has not been satisfied with the specific services and reports provided by Wraparound.

It is clear that the Child Welfare Division has not been satisfied with the specific services and reports provided by Wraparound for CWD. Although raw data was available from Wraparound staff since Synthesis was implemented in December 1999, it does not appear that useable management reports were available until May 2000.

SCRIPTS and Advantage

Information regarding spending trends was also available via two other management information systems--SCRIPTS (the DHS system used to pay vendors) and Advantage (the County's financial information system). Information obtained from a reconciliation of SCRIPTS payment and Advantage financial information was recorded on the State's financial reporting form (CARS) by the Management Services Division of DHS. Review of CARS reports show that a spreadsheet prepared and distributed by Management Services Division fiscal staff to CWD and DHS administration in mid-May 2000 indicated expenditures for services in the first three months of the year reflected a spending pace in excess of the State contract. However, according to CWD administration, difficulties experienced by the Management Services Division in reconciling information contained in Synthesis, SCRIPTS and Advantage cast some doubt on the accuracy of that report.

A DHS fiscal staff report to CWD in May 2000 indicated first quarter expenditures for services were at a pace in excess of the State contract.

In early August 2000, Management Services Division staff met with CWD administration to review quarterly CARS reports. These quarterly meetings with all DHS division administrators were initiated by Management Services in mid-2000 to enhance the department's financial management practices. Information

Information distributed in August for services through June 2000 showed expenditures in the second quarter were accelerating.

distributed from the CARS reports in August showed expenditures for child welfare services through June 2000 were continuing at a pace in excess of the annual contract. Further, a comparison of the CARS reports prepared in May (first quarter spending) and August (spending through two quarters) would have shown that spending for services in the second quarter tripled the first quarter pace.

Prior to September 2000, although Synthesis contained information on the dollar value of units authorized as well as approved for payment, there was no direct link to actual payments generated from SCRIPTS. While on-line billing was available to vendors for only 60 days, there was no limit established in provider agreements preventing billing long after that timeframe. As a result, there was nothing preventing services provided in February, for example, from being paid and recorded in July, with no way of identifying those payments associated with February services.

Information from the SCRIPTS payment system and Synthesis did not match.

Complicating matters further, the manual key-entry of data from Synthesis required to generate payments from SCRIPTS was known to produce numerous entry errors. Further, while Synthesis contained information on units authorized and *approved* for payment, the manual input process resulted in delays between authorizations and actual check issuance by SCRIPTS. Therefore, information from SCRIPTS and Synthesis did not match. In September, Wraparound fiscal staff began manually entering SCRIPTS payment data into Synthesis, providing the ability to manually reconcile the two systems. In addition, earlier in the year, the manual reconciliation of SCRIPTS payment and Advantage financial information was increased from a monthly to a weekly basis.

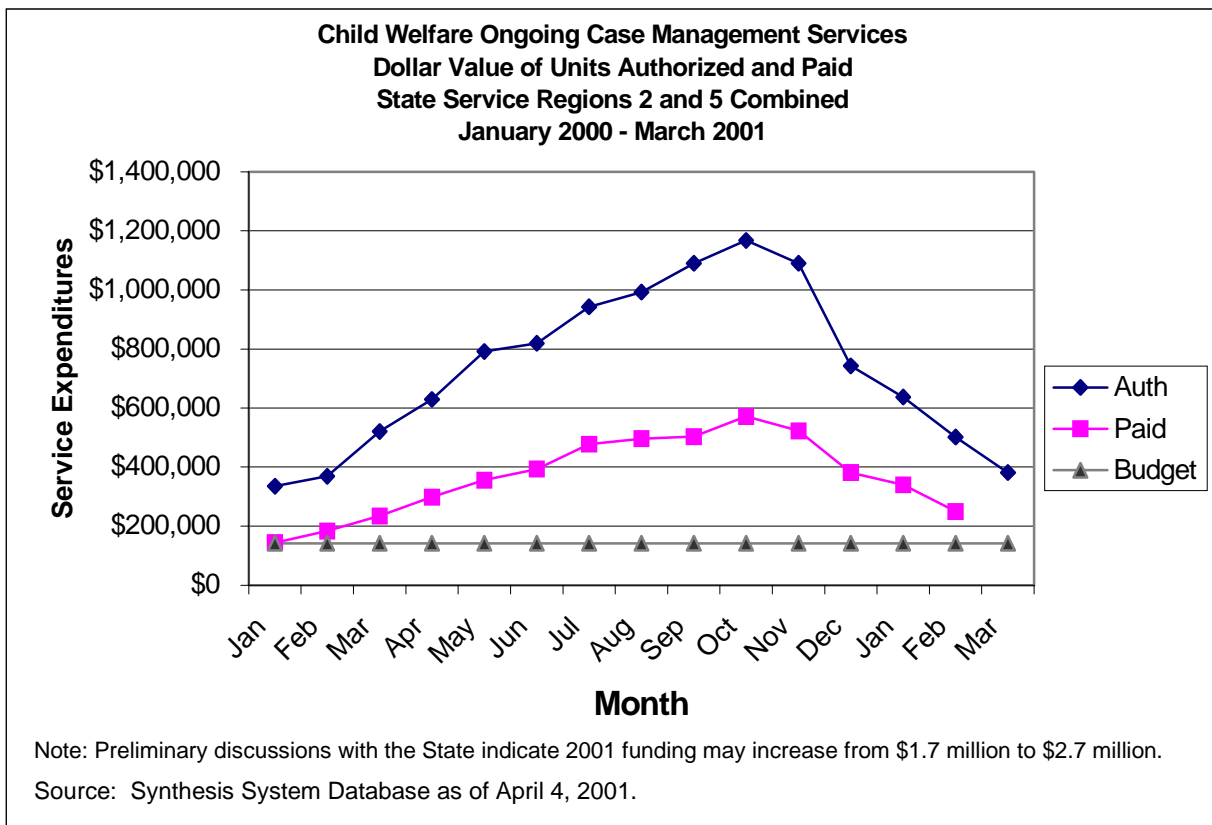
Recognition of a Spending Problem

Despite indications of overspending by mid-year and improvements in the ability to reconcile information from

Noting serious reservations about the accuracy of management information, CWD did not curtail service authorizations until November 2000.

Synthesis, SCRIPTS and Advantage by September 2000, Child Welfare Division administration notes that it continued to have serious reservations about the accuracy and timeliness of information contained in those reports. The first point at which information seemed credible, according to CWD administration, was November 2000. Until that time, CWD made no effort to curtail service authorizations. Instructions to cap service unit authorizations and to limit the dollar value of each case manager's authorizations were then deployed to begin to reverse the trend of service expenditures in excess of available funds. Vendors were also informed of more stringent billing timelines. **Figure 2** shows the downward trend in the value of units authorized and paid beginning in November 2000.

Figure 2



Efforts to limit service levels is not within the complete control of CWD.

However, these measures were implemented far too late to avoid overspending the 2000 contract amount. It is important to note that any effort to curtail service levels is not within the complete control of the Division. Children's Court Judges have the authority to order services for children appearing in their courts, although they do not typically specify the level of services to be provided. In many instances, a judge will issue a court order for a psychological evaluation, for instance, with services to be provided in accordance with the recommended care and treatment.

Oversight of Vendor Payments

Questions have also been raised about the Child Welfare Division's ability to ensure that vendor payments are appropriate and properly documented.

Administrative services performed for CWD by Wraparound does not include any utilization review or quality assurance regarding vendor billing practices.

Administrative services provided by Wraparound do not include any utilization review or quality assurance regarding vendor billing practices. Although CWD administration told us Wraparound was responsible for such monitoring, the memo from the Wraparound Program Administrator to CWD administration listing the administrative services Wraparound would provide to CWD (see **Exhibit 3**, p. 49) does not mention quality assurance or vendor billing reviews. Further, we obtained correspondence, copied to CWD administration, clearly stating that Wraparound staff was not providing any utilization reviews. Further, procedures for vendor quality assurance reviews by CWD staff, including billing documentation reviews, were outlined by a staff person within the Child Welfare Division who oversees the Division's Quality Assurance efforts (see **Exhibit 3**, p. 64). However, these procedures do not appear to have been implemented.

Wraparound Quality Assurance/Quality Improvement Vendor Reviews

A recent Quality Assurance review of Wraparound mentoring services for 42 of its vendors indicated concerns about the supporting documentation of services provided as well as the quality of the services at about one-third of the locations. Because the Child Welfare Division and Wraparound use many of the same vendors, information on significant findings related to Wraparound payments was shared with CWD.

One vendor billed for \$82,000 of undocumented or inappropriate services.

One vendor in particular was singled out by Wraparound as billing for a large number of undocumented or inappropriate services. Additional work performed on this vendor on behalf of CWD identified \$82,000 of inappropriate billings for child welfare mentoring services during the period February—December 2000. Examples of these include:

- Recoupment of \$13,248 was identified for mentoring services to one family with three children. Mentoring, a 1:1 contact service, was billed for all three children at once at \$23 per hour for each. Services included several “sleepovers” where the cost of mentoring was \$69 per hour (3 x \$23) for the children to spend the night with the mentor. The mentor also billed for a hair salon trip. Documentation was absent for 100 hours of billed services.
- Payments of \$2,622 were identified for recoupment for services to a family with two children. Some monthly logs were photocopies of the prior month. Sleepovers were billed. Documentation of services was missing for numerous service hours.
- Payment for services to a family with four children were identified for \$13,846 in recoupment. Missing documentation was identified for one entire month and numerous dates over the 11-month period. Sleepovers and billing for services to multiple children at one time were extensive.

The pattern of missing documentation, billing for multiple children at one time or billing for nonallowable services was present in 15 other cases.

This pattern of missing documentation, billing for more than one child at one time, billing and payments for sleepovers and other nonallowable services was present in 15 other cases reviewed by Wraparound. The \$82,000 in identified recoupments

represents 38% of \$212,060 the vendor was paid in 2000 for tutoring and mentoring services.

Consequently, this vendor was removed from the Integrated Provider Network and DHS has referred the matter to the Department of Audit as a potential case of fraud.

Department of Audit Vendor Reviews

The Department of Audit performed a limited review of several vendors.

Based on data generated from Synthesis, we identified several vendors for a limited review of billing documentation. Vendors were selected based on serving clients with:

- High dollar values of authorized services.
- High dollar values of payments.
- High utilization rates (percentage of authorized services paid).

Our review of high cost mentoring services indicated numerous examples of questionable charges.

Because spending for one specific program component, mentoring services, accounted for \$1.7 million in 2000 (the total budget for Regions 2 and 5 combined for all ongoing case management services), we focused our review on that particular service. Our review of cases representing mentoring services with the highest costs indicated numerous examples of questionable charges. The most common problem was a significant pattern of billing for more than one client at a time. Mentoring services are required to be provided on a 1:1 ratio. Specifically, at one agency we found:

- The agency billed for 24 hours in a day on 58 occasions. The services were charged at \$23 per hour for each of six children at a time. For six days, 234 hours were charged.
- One mentor billed for 36 hours on one day for spending nine hours with four children. On another day, the mentor billed for 31 hours comprised of 7.5 hours with two children and eight hours with two different children. Case notes do not indicate the activity.
- One family with six children was provided mentoring services

totaling \$40,020 in 2000. None of the services involved 1:1 contact. Notes do not always indicate the nature of the mentoring activity.

One mentor billed \$690 for taking six children to a pizza parlor for five hours.

- Another family's mentoring service costs totaled \$17,226 for six children. Only three of the children received any 1:1 services. The 1:1 activity accounted for only \$771 of the \$17,226 paid.
- Two authorized mentors took six children to a pizza parlor for five hours. At a cost of \$138 per hour (six children x \$23), the mentoring bill for the day was \$690. Only one of the mentors billed for the service.
- The service goal for a child as stated on the log sheet was "to improve grades and behavior." Activities for one month included one contact to help with homework. The other activities were to go to a Bucks game, go to Church and "have fun at home."
- According to the provider agency director, client referral forms do not always include a description of intervention goals. Without such goals, she stated she doesn't know the problems mentors are supposed to address.
- Documentation was questionable. Some logs were signed ahead of time and when a service documentation line wasn't used the extra signers were obvious. One monthly log was a copy of the previous monthly log with the date changed. Payment records indicate services were provided by a mentor who did not sign mentoring logs.

One monthly log of services was a copy of the previous monthly log with the date changed.

Our review of records at another agency showed:

The mentor took the child to work one day for 12 hours and documented this as tutoring.

- One mentor who provided mentoring appeared to have taken the recipient to dinner, shopping, cook-out or to his/her house almost on all mentoring sessions. On one occasion, the mentor documented 11 hours for mentoring and describes the session as ...went to church, to my house, she slept, and when she woke up we watched TV. Also, on another day, the mentor spent eight hours with the child at a picnic and then took the child to a birthday party for another nine hours apparently until 9:00 p.m. (totaling 17 hours in one day for mentoring).
- The mentor took the child to work one day for 12 hours and documented this as tutoring.
- A different mentor also billed for taking a child out to eat and to go shopping or to do the mentor's personal business such as doctor's appointment.

- We looked at the hours documented for both the above mentors for one of the children mentioned above. We identified that on August 9, 2000, one mentor documented 12 hours with the child at the zoo. On that same day, the other counselor documented three hours with the same recipient.

Payment for mentoring services at another agency included:

- For one child, parent signature was missing from documentation for 35 of 48 days. Twenty of 48 contacts with the client involved going to see a movie.
- In the case of one mentor, several contacts included cleaning the mentor's house. There were also mentoring units that appear to be charged for two children at the same time.

In the case of one mentor, several contacts included cleaning the mentor's house.

We were unable to obtain a specific definition of appropriate mentoring services. Examples of mentoring services that were purchased are included as **Exhibit 6**. It could be argued that all of the services described above and in **Exhibit 6** could involve a positive experience for children. However, we believe that the nature of some of the examples provided and the magnitude of expenditures for this type of service indicate a need for a clear definition of appropriate mentoring activities.

The Request For Proposal (RFP) for child welfare services, issued by the State in June 1997 and incorporated into the State/County contract by reference, places responsibility for developing criteria for wraparound services such as mentoring with the County. Specifically, the RFP states that it is the responsibility of the lead agency (County) to establish "...policies and procedures which guide the expenditure of wraparound funds and which provide accountability for their use."

Currently, the Wraparound Milwaukee Program has provided a general description of mentoring services for the Integrated Provider Network. The description reads:

Person engaged to develop one-on-one relationship as a role model, providing trusting and nurturing relationship with guidance and support. As a long-term need, a natural support system is recommended to provide

ongoing support. (Includes social/emotional support services.)

However, this description gives little guidance as to the types of activities that would qualify as an appropriate mentoring service. Wraparound Quality Assurance staff has acknowledged the need for a more specific definition of appropriate mentoring services, and is in the process of developing one.

In addition, our limited review of transportation expenditures showed:

- Vendors providing transportation services set their own individual rates. One transportation vendor we visited charged \$38 round trip, per child transported. Approved rates for 14 transportation vendors ranged from \$22 to \$52 round trip per child.
- No specific guidance has been provided to transportation vendors concerning the type of documentation necessary to support billings. One vendor we visited was paid \$229,984 for services to 84 clients (could be individuals or families) in 2000. However, this vendor could provide no documentation of actual service delivery. This vendor acknowledged that it routinely billed and was paid for 'no shows.' Our review of provider agreements and this vendor's application shows no guidance is provided transportation vendors concerning cancellations.

Additional work is continuing to ensure the integrity of the payment process with regard to Child Welfare Division vendors. This work is being coordinated between staff from Wraparound, DHFS Office of Program Review and Audit and the Milwaukee County Department of Audit.

The Department of Human Services has developed a plan to enhance its fiscal monitoring of vendors across all divisions. This plan was described in a memo dated January 23, 2001 to the Health & Human Needs and Finance & Audit Committees. Based on information from our limited reviews of vendor documentation and billing practices, it is likely that to be

effective, this effort will require the devotion of additional resources.

Other Factors Affecting Program Spending

We identified several other factors that contributed to the Child Welfare Division spending amounts in excess of contractual limits contained in the State/County contract.

Absence of Timely Management Controls

As previously noted, issues concerning the timeliness and accuracy of data generated from various management information systems early in 2000 created difficulty for Child Welfare Division administrators to get a precise read on child welfare service expenditures at the beginning of the year. However, by June 2000, information available from a CARS report dated May 17 showed first quarter expenditures totaled \$547,568 for Service Regions 2 and 5 combined.

Further, Synthesis reports dated May 30 showed the dollar value of authorizations increasing substantially, from about \$200,000 in January (ignoring an obvious erroneous entry of \$2.6 million for one service at one site) to \$427,000 in May. While CWD may not have had any meaningful experience with the ultimate paid/authorized services ratio (we now know the overall ratio to be fairly consistent during 2000 at about 50% of the dollar value of services authorized actually paid) under the Synthesis system, this information should have raised a red flag concerning the rate of potential spending. Yet, as we have noted, no action was taken to curtail service authorizations until November 17, with just six weeks remaining in the contract year.

The increasing dollar value of authorizations should have raised a red flag concerning the rate of potential spending.

CWD Staff Training and Direction

The lack of timely management controls on spending is particularly problematic in light of the level of training and direction provided to program staff in Service Regions 2 and 5. Based on interviews with case managers and supervisors, we

Little restraint was exercised by staff or cautioned by management.

found there was a general lack of familiarity among staff with proper criteria for authorizing the various child welfare services available from the Integrated Provider Network. According to one supervisor, staff now functioning as case managers are experienced social workers that in the past had to provide many of the mentoring and counseling services themselves, or scour the community to identify services at little or no cost to clients. When the Child Welfare Division piggybacked onto the Wraparound network and staff became familiar with the availability of services and how to authorize them, "it was like we hit gold." As shown in **Figure 1** (p. 15), the steady and rapid increase in authorization levels appears to corroborate the notion that little restraint was exercised by staff or cautioned by management.

It should be noted that staff also told us during interviews that the services provided were demonstrably effective in helping clients meet their treatment goals and in closing cases.

Following are issues of concern raised during our discussion with current case managers and supervisors, with CWD administration, and from a review of CWD staff meeting minutes.

- One supervisor with responsibility for training staff on the use of Synthesis expressed surprise that childcare services are available for clients.
- A case manager, in explaining the rapid increase in service authorizations in 2000, said that staff was trained as social workers, not as case managers.
- The State/County contract incorporates by reference the State Request For Proposal document establishing responsibilities of case managers and placing responsibility for establishing criteria for such services as mentoring and respite care, with the contractor (County). Despite the importance of this document, CWD administration was unable to provide us a copy of the RFP.
- At a CWD staff meeting on November 20, 2000, a notation was recorded that copies of the State/County contract were distributed to the Program Managers (site supervisors) of

CWD Administration was unable to provide us a copy of the State RFP document which provides important program criteria.

Regions 2 and 5. Managers had been working under terms of the contract since March 29, 2000.

- It was clear from our discussions that case managers have no appreciation of the need to review vendor utilization patterns to flag abuses, even though they are in the best position to know when clients are unable to utilize all authorized units of service. The Quality Assurance/Quality Improvement procedures described by CWD in information provided to the Health and Human Needs Committee in April 1999 (see **Exhibit 3**) lists communication with staff at Regions 2 and 5 as one means of monitoring provider documentation of compliance with program standards.
- There has been no concerted effort to channel clients eligible for Title 19 services to providers who are Title 19 certified. Title 19 is not a prerequisite of participation in the Integrated Provider Network, and many providers do not seek Title 19 certification because of the amount of paperwork involved. While not all child welfare services are covered by Title 19 (e.g., mentoring services), this appears to be an under-utilized source of funding for services. According to the State RFP for child welfare services in June, 1997, an estimated 50% of the client population in Regions 2 and 5 were Title 19 eligible.

There has been no concerted effort to channel Title 19 eligible clients to providers that are Title 19 certified.

Synthesis Service Authorization Problems

During the course of our fieldwork, program staff demonstrated a problem in adjusting the number of service units authorized for clients within the Synthesis system. We were shown repetitive lines of duplicate authorizations for the same client. In discussing this issue with the Synthesis system administrator, the problem was associated with lack of user training. However, it is our understanding that this problem has been persistent and that Wraparound fiscal staff must be notified to preclude the possibility of vendors billing for services authorized in quantities exceeding intended levels. It is unknown to what extent this contributed to overspending in 2000.

Timeliness of Vendor Billings

As previously noted, providers in the Integrated Provider Network are not bound by any agreement to invoice within 60 days of providing a service. However, the ability to bill on-line is limited to 60 days. Further, correspondence dated June 12,

It does not appear that any invoices were denied based on a lack of timely billing.

2000 was sent to providers informing them that invoices submitted manually after the 60-day timeframe would be subject to additional administrative review and that invoices submitted later than 120 days after the date of service would be denied.

Based on interviews with CWD staff, however, it does not appear that any invoices for services provided in 2000 were denied based on a lack of timely billing.

In a separate correspondence dated February 7, 2001, the Child Welfare Division instructed providers that bills submitted later than 60 days after the provision of services would not be paid.

While strict adherence to a 60-day billing timeframe is reasonable and essential to effectively monitor program expenditures, it should be noted that in certain circumstances, such as when Title 19 reimbursement is sought and ultimately denied, it may be necessary to grant an exception to this general policy.

Non-Client-Specific Contracts

Another factor affecting program spending in 2000 was CWD administration's use of Synthesis to authorize payments to seven vendors who provided non-client specific services (e.g. foster home recruitment, foster parent training). These types of services were normally provided in the past through contractual arrangements awarded through an RFP process and with set not-to-exceed contract amounts. However, once the Child Welfare Division joined the Integrated Provider Network, these vendors were simply added to the network, bypassing the RFP process and with no standard contracts issued. As a result, standard controls related to expenditures were not established. Administering contracts in this manner circumvents the processes established to ensure contracts are properly budgeted and accounted for.

1999 expenses of \$550,000 were paid with 2000 funding.

1999 Services Expenditures

One significant element of the 2000 service costs is DHS' failure to properly accrue 1999 expenditures. It appears that approximately \$550,000 in expenses for 1999 was not accrued for that year and was consequently paid with 2000 funding. While we are not able to identify the specific reason this accrual was not made, possible explanations offered by DHS are:

- A lack of experience with this service model.
- Difficulty obtaining information due to the conversion of case management information systems at Wraparound.
- The retirement of the accountant who had prepared accruals in prior years.

Section 3: Projections for 2001

Negotiations on the 2001 contract are ongoing.

As of the writing of this report in late April, the State and County have not yet reached agreement on resolution of the 2000 contract overspending, nor have the parties signed a 2001 contract. Services continue under terms of the 2000 contract, while negotiations on the 2001 contract are ongoing.

Projection of 2001 Staff and Administration Costs

Table 3 shows a projection of total staff and administration costs for 2001.

2000 Actual Salary Costs (adj. for exp. of Fed. Adoptions grant.)	\$10,846,089	
2000 Actual Social Security Costs	829,206	
2001 Estimated Fringe Benefit costs (28.54% of salary)	3,095,474	
Estimated Impact of Increased Overtime Costs in 2001	469,651	
Estimated Increase in Staffing Costs Due to 2% Salary Increase in July 2001	147,713	
Estimated Increase in Staffing Costs Due to Step Progressions in 2001	<u>229,753</u>	
Estimated 2001 Staffing Costs		\$15,617,886
2001 Budgeted Administration Costs		<u>4,172,889</u>
Estimated 2001 Staff and Administration Costs by Four Abatements/Other Funding		\$19,790,775
Less: Costs Abated to Other Departments in 2000	(\$575,514)	
Funding from Other Sources in 2000	<u>(1,193,467)</u>	
		<u>(\$1,768,981)</u>
Estimated 2001 Staff and Administration Costs after Abatements and Other Funding		18,021,794
Less: Proposed 2001 Staff and Administrative Funding (including incentives)		(14,408,492)
Estimated Staff/Administration Deficit for 2001		<u>\$3,613,302*</u>
* The level of deficit could grow up to an additional \$463,330, depending on the amount of contract incentive payments that are not attained by Child Welfare under the current 2001 proposed contract.		
Source: Advantage System Reports and DHS Budgetary Data.		

According to DHS, officials from the State DHFS have agreed to pay all reasonable, documented staff and administration expenses for child welfare. We believe it is essential that these commitments be agreed upon in writing. Further, the agreement should be based on a full understanding of all personnel costs, including overtime and recent wage and benefit settlements.

2001 Overhead Costs

As previously noted, Child Welfare Division administrative costs for 2000 totaled \$3.8 million (see **Exhibit 5** for a detailed listing and description of this amount). The methodology and calculations of crosscharges to CWD for 2001 are similar to 2000, with one notable exception. For 2001, IMSD modified the process used to allocate information process services crosscharges. As a result, IMSD crosscharges increased from a total of about \$416,000 (direct and indirect allocation) in 2000 to about \$876,000.

For 2001, Mainframe Support costs are allocated Countywide based on the number of mainframe user IDs assigned within each County organizational unit. In the past, these charges were based on the number of transactions generated by each unit. Technical Support costs, which include the help desk, technicians dispatched for service calls, installation and maintenance of hardware and software, cabling and infrastructure for access to other County departments and the Internet and other costs associated with maintenance of various Local Area and Wide Area Networks, are allocated based on the number of computer system devices for each organizational unit.

It is our understanding that each department is responsible for managing their own user IDs, including the issuance and cancellation of IDs as appropriate. However, we learned that the DHS user ID inventory had not been kept current until shortly after the May 2000 deadline established for the 2001 budget preparations. Because the DHS user ID inventory contained a significant number (approximately 40%) of invalid IDs, IMSD crosscharges for CWD were overstated.

Another factor contributing to the significant increase in IMSD crosscharges in 2001 also stems from IMSD's modification of the crosscharge allocation process. Applications Charges were previously distributed to users based on the number of applications 'owned' by the organizational unit. For 2001, crosscharges are allocated based on transaction counts computed using the sample time period of January 1, through March 31, 2000. DHS management notes that the period of time in which the sample was conducted is when peak period activity occurs, potentially skewing the results of the sample. Furthermore, it should be noted that immediately after the period covered by the sample, use of a large software application dropped significantly because processing of payments for out of home care was shifted to a state-owned computer system. This should be apparent in the 2002 crosscharges.

The nature and timing of changes in IMSD's method of calculating crosscharges, as well as changes in the utilization of County versus State systems was such that 2001 budgets had already been established. Any re-allocation of 2001 overhead costs at this time would impact tax levy or program revenue in other departments. Clearly, the matter merits a review of these crosscharges for the 2002 budget.

Projection of 2001 Service Costs

Based on authorization and payment trends experienced during the first three months of 2001, and assuming a continuation of the authorization limits implemented by CWD administration, we project that expenditures for ongoing case management services in Service Regions 2 and 5 will total approximately \$2.8 million in 2001. DHS stated that the State has indicated a willingness to even out funding at each of the five service regions at \$1.4 million each in the 2001 contract. This represents an increase of more than 50% in funding for ongoing case management services in Regions 2 and 5, although at that level, funding would still be less than actual expenditures for services in 2000. Based

We project that expenditures for ongoing case management services will total \$2.8 million in 2001.

on the assumptions noted and the indicated increase in State funding, it appears at this time that 2001 expenditures for child welfare services are on target to fall within available funding levels.

It appears the 2000 year-end accrual was understated by \$271,000, thus negatively impacting 2001 funding.

However, examination of the year-end accrual for 2000 shows an entry for \$478,000 to reflect anticipated services rendered in 2000 but not yet paid. Based on payment data available after the year-end cutoff date, it appears the 2000 accrual was understated by about \$271,000. This will require additional reductions to service authorizations totaling \$271,000 in 2001 to compensate for this under-accrual.

Section 4: Conclusions and Recommendations

We believe information was available in June 2000 indicating potentially serious program funding problems.

We conclude that management information related to Child Welfare Division State/County contract expenditures was indeed available well in advance of March 2001 when it was first shared outside of the Department. We believe that management information available as early as June 2000 indicated that spending and authorizations for services were proceeding at a pace that would create a serious problem unless immediate corrective actions were undertaken. We agree, however, that there were ongoing concerns about the accuracy, timeliness and thoroughness of the data. This is due primarily to the absence of a complete integration between all systems used by the Division (Synthesis, SCRIPTS and Advantage). It could be argued that, because of these concerns, management should have been even more mindful of the potential for overspending the contract.

DHS Corrective Actions

Some of these concerns have already been addressed to some extent. Following are some of the management information enhancements and corrective measures undertaken to better manage child welfare expenditures in the future.

DHS has made substantial improvement in fiscal monitoring efforts since mid-2000.

- DHS has made substantial improvement in fiscal monitoring efforts since mid-2000. Management information reports have been improved through additional manual linkage and reconciliation of SCRIPTS payments to Synthesis service authorization detail.
- In October 2000, a number of users of Synthesis were given Internet access to the system to allow them to generate standard reports. CWD staff is receiving training on accessing and utilizing Synthesis data.
- Perhaps most importantly, caps have been placed on service authorizations and case managers have been given dollar limits on the value of their monthly authorizations to coincide with available funding.

The County has paid a price for its failure to manage program expenditures within contract limits.

DHS continues to work with State DHFS officials to obtain full funding for services provided under the Child Welfare contract. It appears that as early as April 2000, the State expressed a willingness to reimburse some of the costs included in the \$5.7 million of overspending (recently updated to \$6.0 million). However, because of the informal nature of this commitment and the apparent entanglement of this issue with ongoing negotiations concerning the County's role as a child welfare services provider in 2001 and beyond, the County has undoubtedly paid a price for its failure to manage program expenditures within contract funding limits.

The County is in this position because of a breakdown in program management. Specifically:

- A formal commitment to State funding of full staff and administration costs was not obtained.
- Information systems were not used effectively to detect significant increases in service expenditures. While there were deficiencies in the ability to generate detailed management reports, clear indications of overspending by mid-year were not acted upon.
- Proper attention was not paid to ensuring that program staff had a thorough understanding of the:
 - Capabilities and mechanics of Synthesis.
 - Appropriate criteria and restraint to be used in authorizing services for clients.
 - Role case managers must play in monitoring the appropriateness of vendor billings/service utilization rates.
- A level of comfort with regard to the integrity of vendor payments has not been achieved.
- DHS administration did not ensure that safeguards described in the informational packet submitted to the Health and Human Needs Committee in April 1999 (see **Exhibit 3**), on conversion to a fee-for-service delivery model, were fully implemented.

- All 1999 expenses were not accounted for in the proper year.

Areas remain where significant improvements are needed.

These include:

- Greater attention to the timely use of expense data for program decision-making.
- Comprehensive training for case managers to improve their knowledge of Synthesis as well as their understanding of the key role they play in monitoring and identifying potential vendor abuses.
- Enhanced monitoring of vendor payments.
- Improved communication regarding service expectations between divisions.
- Stronger automated linkages between the various information systems.

Recommendations

To address the problems identified in this report, we recommend DHS administration:

1. *Strictly adhere to s. 56.02(1) of the General Ordinances of Milwaukee County regarding the timely reporting of known or anticipated deficits or revenue shortfalls of \$75,000 or more.*
2. *Ensure that all division budgets accurately reflect contractual funding and expenditure limits.*
3. *Ensure that CWD administration continues to maintain and adjust authorization limits at case manager levels and monitor expenditures against budgeted amounts on at least a monthly basis.*
4. *Ensure that CWD administration provide appropriate instruction to program staff in the areas of Synthesis utilization, use of proper criteria for service authorizations, and appropriate review of vendor billings/service utilization rates.*
5. *Ensure that CWD administration provide case managers with information on those vendors who are Title 19-certified so that clients can be steered toward providers with an alternative funding source.*

6. *Make adherence to a 60-day billing timeframe a mandatory condition of participation in the Integrated Provider Network. An exception should be made for services billed to and rejected by Title 19.*
7. *Develop a specific definition for mentoring services that provides clear guidance on the types of activities that qualify as appropriate services.*
8. *Refuse to contractually commit County resources or expend funds based on verbal commitments and/or authorizations from State authorities. All contractual provisions, modifications, interpretations, or spending authorizations that could reasonably be expected to impact the County's level of commitment of resources should be documented in writing.*
9. *Work with the Information Management Systems Division of the Department of Administration to assess the viability of maintaining the County's 'patchwork' management information system of Synthesis, SCRIPTS and Advantage currently used to support Child Welfare Division activities. This assessment also should include an evaluation of the necessity of maintaining a DHS payment capability independent of the County's accounts payable system, as well as the need to interface with State management information systems.*
10. *Work with the Department of Administration and IMSD to review changes in IMSD's method of calculating crosscharges as well as changes in the systems environment at CWD for potential revisions in calculating IMSD crosscharges for the 2002 budget. Any causes for adjustments with applicability to other crosscharge calculations should be reflected Countywide in the 2002 budget.*
11. *Commit additional resources to, and fully implement, the centralized fiscal monitoring model outlined in its memo to the Health & Human Needs and Finance & Audit Committees dated January 23, 2001 (see **Exhibit 4**).*
12. *Ensure that the Fiscal Monitoring Review Team housed within the Management Services Division of DHS, meets and reports on a regular basis with the Child Welfare Division Administrator, as well as other Division Administrators. Such meetings and reports should be used to communicate relevant findings concerning vendor documentation of services provided as well as other issues relevant to proper program management.*

13. *Report to the Finance and Audit Committee periodically throughout the remainder of 2001 on its progress in addressing the deficiencies noted in the report and on its effectiveness in remaining within Child Welfare contractual expenditure limits.*

THIS PAGE INTENTIONALLY LEFT BLANK

Audit Scope

Our audit focused on determining the major causes contributing to the Department of Human Services overspending the 2000 State/County Child Welfare Services Contract funding. The audit was conducted in accordance with the standards set forth in the United States General Accounting Office *Government Auditing Standards*. We limited our review to the areas specified in this Scope section. During the course of the audit we:

- Reviewed State/County Child Welfare Services Contract and related request for proposal;
- Reviewed applicable County budget materials;
- Interviewed appropriate County administrators and staff;
- Reviewed related State and County correspondence;
- Visited selected service providers and reviewed supporting billing documentation and case notes;
- Reviewed information systems referred to as Synthesis, SCRIPTS and Advantage;
- Reviewed program salary and overhead expenditures; and
- Spoke to State officials.

**Child Welfare Division
Analysis of Administrative Costs**

2000

I. 2000 Administrative costs totaled \$3,810,245 and are comprised of expenditures for services, commodities and crosscharges

A. Services totaled \$1,209,564

1. Primary service expenditures:

Sheriff's Fees	\$ 76,440
Advertising	103,774
Building and Space Rental	466,733
Auto Allowance	161,743
Transportation Non County Employee	<u>117,346</u>
Total	\$ 926,036

B. Commodities totaled \$51,377 of which \$41,000 were expended for office supplies.

C. Crosscharges totaled \$2,549,304

1. DHS intradepartmental crosscharges allocated to CWD amounted to \$1,572,427, originating from the Director's Office and the various organization units within the Management Services Division as follows:

Director's Office	\$ 106,175
<u>Management Services Division:</u>	
Administration/Contracts	139,172
Business Office Section	1,099
Budget Section	91,939
Accounting Section	207,738
Human Resources Bureau	133,800
Data Processing	378,238
Operations Bureau	<u>514,266</u>
Total	\$ 1,572,427

- a) DHS Intradepartmental crosscharges are allocated to four of the five (MHD is excluded) program divisions. Allocation is based on the proportion of full-time equivalent (FTE) staff positions budgeted for each program division to the total FTE staff positions employed within all program divisions (excluding MHD) of the department, calculated quarterly. CWD's FTE ratio averaged 25.3% over the four quarters of 2000.
- b) Of the \$378,238 allocated from the Data Processing organization unit, about \$203,875 represents a pass-through of IMSD interdepartmental crosscharges under account 9702 – Information Processing Services.

- c) The Operations Bureau crosscharges of \$514,266 are primarily attributable to operations administration costs at Schlitz Park of \$276,730 first allocated within operations and then to Child Welfare and other areas based on square feet of building space utilized. Other costs absorbed CWD include a share of space costs for operations staff totaling about \$102,950.

2. Interdepartmental crosscharges allocated to CWD totaled \$976,877 and originated from the following areas:

Central Services	\$ 511,478
Fleet Maintenance	8,401
Engineering Bldg. Maintenance	150
Ancillary Services (Tenant Services at Schlitz)	131,995
Bldg. Space Rent Alloc. (Interns at Vliet St.)	55,928
Other County Services	21,851
<u>IMSD</u>	
Graphic Services	8,865
Information Processing Services	211,834
Mail Room Services	51
Telephone Allocation	<u>26,324</u>
Total	\$ 976,877

- a) Central Service crosscharges are allocated to DHS at the department level and then allocated to four program divisions (excludes MHD) based on the FTE methodology employed for intradepartmental crosscharges. The \$511,478 borne by CWD represents 26.9 % of the \$1,898,149 total central service allocation to DHS. **The Countywide allocation methodology for central service crosscharges has not been reviewed.**
- b) Information Processing Services crosscharges stem from costs budgeted within the IMS Applications Development, IMS Technical Support, and DP Operations organizational functions of IMSD. These costs are first distributed across IMSD's 10 cost pools. Each cost pool represents a specific service area provided by IMSD. The costs distributed to the cost pools are ultimately allocated countywide using a methodology developed for each cost pool.

IMSD crosscharges for information processing services allocated directly to CWD totaled \$211,834, while information processing services crosscharges passed through the Data Processing of DHS to CWD were \$203,875.

According to IMSD management, adjustments were made to decrease crosscharges representing information processing services costs slated for allocation to CWD in years 1998 through 2000. Although the dollar impact of these adjustments are not readily identifiable by IMSD, we were informed that they were made to accommodate the anticipated phase-out of a DHS 'owned' software application (to be replaced with a State-owned system) and to ease budgetary pressure experienced by the Child Welfare Division.

2001

The methodology and calculation for crosscharges to CWD for 2001 is similar to 2000 with one notable exception. In 2001, IMSD modified the process used to allocate information process services crosscharges. As a result, IMSD crosscharges increased from a total of about \$416,000 (direct and indirect allocation) to about \$876,000 for 2001. Rather than funneling costs for all information process services through the one crosscharge account in place for years, an additional crosscharge account was created.

The pre-existing account, now titled "Infrastructure and Technical Support Services," is comprised of two cost pools, Mainframe Support and Technical Support. For 2001 Mainframe Support costs are allocated Countywide based on the number of mainframe user IDs assigned within each County organizational unit rather than the number of transactions generated as used in previous years. Technical Support costs, which include the help desk, technicians dispatched for service calls, installation of software and hardware, cabling and related infrastructure for access to other County departments and Internet, and other costs associated with maintenance of various Local Area and Wide Area Networks and are allocated based on the number of computer system devices for each organizational unit.

It is our understanding that each department is responsible for managing their own user IDs (includes the issuance and canceling of IDs as appropriate). However, we learned that the DHS user ID inventory had not been kept current until shortly after the May, 2000 deadline established by IMSD for the 2001 budget. Consequently, the user ID inventory for DHS used for calculating 2001 Mainframe and Technical Support crosscharges was overstated because it contained a significant level (approximately 40%) of invalid IDs. The overstatement of DHS user IDs used to calculate crosscharges and IMSD's decision to not reduce crosscharges to DHS, as was done in past years, (because the anticipated phase-out did not occur) contributed to an increase of crosscharges allocated directly to CWD from 2000 to 2001. This increase was partially offset by a reduction in crosscharges indirectly allocated to CWD by the DHS Data Processing section, which transferred several positions to IMSD.

Another factor contributing to the significant increase in IMSD crosscharges also stems from IMSD's modification of the crosscharge allocation process. The second account created for allocation of crosscharges, Applications Charges, was previously distributed to users based on the number of applications 'owned' by the organizational unit. For 2001 crosscharges are allocated based on transaction counts computed using the sample time period of January 1, through March 31, 2000. DHS management contends that the period of time in which the sample was conducted is when peak period activity occurs, potentially skewing the results of the sample. Furthermore, DHS management has pointed-out that immediately after the period covered by the sample, use of a large software application dropped significantly because processing of payments for out of home care was shifted to a State-owned computer system.

**Child Welfare Ongoing Case Management
Support Services Provider Logs
Mentoring Activity/Comments**

The following examples illustrate the nature of services provided by one agency under the Child Welfare mentoring program. The Integrated Provider Network Service Description List defines Mentoring as:

Person engaged to develop one-on-one relationship as a role model, providing trusting and nurturing relationship with guidance and support. As a long-term need, a natural support system is recommended to provide ongoing support (Includes social/emotional support services.)

During 2000, mentoring was paid at the rate of \$23 per hour. For 2001, services are paid at the rate of \$19 per hour.

We are not in a position to question the value of these examples in achieving a treatment outcome for the children receiving mentoring services. We do, however, believe that the examples reinforce the decision by Wraparound to more clearly define the types of activities which can be billed for service. Further, we note that the network rate for childcare are \$6 per hour. The rate for respite care to relieve principal caregivers of stress are \$8 per hour.

Progress Notes

Family A – Two children. Case notes for mentoring services for four service months (2 per child).

Child 1

- | | | |
|---------|-------|--|
| 4/27/00 | 3 hrs | (Child 1) is very vocal, he will talk about nothing, but wants to be heard. (Child 1) and I and his sister went to Kenosha, WI to watch a basketball game. (Child 1) talked about how he wants to play basketball. He listen very well to directions. |
| 4/28/00 | 11 | (Child 1) was very well behaved today. We had lunch and he played outside for a while. We then went to Madison WI for a indoor football game. (Child 1) cheered and screamed until he couldn't anymore. He and my son was reading a children's Bible all the way to Madison. I was very impressed on how good he could read. |
| 4/30/00 | 8 | Tomorrow is (Child 1's) birthday. We went to Chuck E. Cheese to enjoy it a day earlier. He had lots of fun with his family and friends. |
| 6/10/00 | 10 | Mr. L and Ms. C had something they had to do today, so Ms. C ask if I would take out (Child 1) for the day. (Child 1) and I had a full day. We started by going to work with me for a few hours. Then we went to my sister house and (Child 1) played with my brother. After that we went to my house to watch a couple of movies. I ask him if there was anything he wanted to talk about and he said no. Mr. L said he had a pretty good week. |

Total mentoring costs documented for April and June 2000 = \$736

Child 2

- 4/25/00 2 hrs Had a meeting with mom and family. I introduced myself and told her about my job duties. Mom told me what she expects from me.
- 4/26/00 6 (Child 2) and I hit it off very well today. Went to the IMAX theater. We also were to the museum, and for some dinner at McDonalds. (Child 2) did very little talking, but I did get a lot of smiles.
- 4/27/00 13 (Child 2) and I had a very long day today. While mom was getting her hair braided we went to Kenosha WI to watch a basketball game, had some breakfast at my home. We did lunch at KFC. We both took a nap for a few hours. We also went to my job. I wanted to show her where I worked at. She once again did not talk very much, but gave me lots of smiles. (Department of Audit Note: Also billed three hours for Child 1.)
- 4/28/00 11 We went and had lunch and she played outside until we left to go to Madison WI. We watched a indoor football game, had some popcorn and soda. (Child 2) finally started talking, asking lots of questions about the game. (Department of Audit Note: Also billed 11 hours for Child 1.)
- 4/30/00 8 Tomorrow is (Child 2's) birthday, so her and her family and friends went to Chuck E. Cheese. They played their little hearts out. Had pizza, cake and lots of junk. (Department of Audit Note: Also billed eight hours for Child 1.)
- 5/6/00 10 Today we eat breakfast at my home. We then layed down a nap, (Child 2) said that she was tired. We got up and made ourselves some lunch. She said that she never really helps mom cook lunch or dinner. Played basketball in my basement. She played in the park on the monkey-bars and on the swings. She helped me bake chicken and made some rice. We sat down and eat dinner. She liked it very much. She is not a very talkative child. She only talks if you talk to her.
- 5/7/00 12 Today we had cereal for breakfast and (Child 2) wanted to watch cartoons. We watched T.V. for a while then got a book and took turns reading a page. We took a nap, we then went to Blockbuster and rented some movies.

Total mentoring costs documented for April and May 2000 = \$1,426.

Family B – One child (of three in case). Case notes for mentoring services for five service months.

- | | | |
|---------|-------|--|
| 8/8/00 | 2 hrs | Met (Child's) family and discussed goals and activities that we're going to do together. |
| 8/9/00 | 8 | Took (Child) to visit my nieces and to the YMCA to go swimming, Target, Northridge Mall, Aldi's and cooked dinner at my mom's. |
| 8/10/00 | 8 | Brought (Child) to my house to get to know her, played games, went to the store and later went out to dinner. |
| 8/11/00 | 8 | (Child) and I went to Chuck E Cheese with my son and nieces and we also went window shopping at Brookfield Square Mall. |
| 8/15/00 | 9 | (Child) and I came to my house washed my car, watched movie, ate dinner, went by mothers', to the dollar store, over to my aunts. (Child) and I discussed her expectations when she's with me. (Child) knows that her job is to read my son stories aloud so that I can rate her speed and accuracy. |
| 8/17/00 | 6 | Went to the wading pool at Algoquin to cool off, read stories to my son, watched Elmo In Grouchland and It Takes Two. Later we went out to dinner. |
| 8/18/00 | 7 | Picked (Child) up- went to my doctors appt., to Mayfair Mall to window shop for school uniforms and other supplies. We also ate in the eatery. Later we visited my mother's house. |
| 8/19/00 | 8 | (Child) helped me pack dishes to prepare for my move to a new house, kept my son busy by reading to him, playing catch, ate ice cream and they also watched Barney Circus Movie. |
| 8/25/00 | 6 | (Child) went to YMCA to see a music concert sponsored by New Testament Church. We also visited my nieces and we all went out to dinner. |
| 8/28/00 | 4 | (Child) visited me at my house so that I could help with her Geography homework and we also clipped articles out of the newspaper. |
| 8/29/00 | 4 | (Child) and I went to Target for school supplies, the Dollar Store, played with my son and nieces. Later she ate dinner. |
| 8/31/00 | 5 | (Child) and I went to take my sister grocery shopping and later we had a H ₂ O balloon fight. |
| 9/1/00 | 5.5 | Picked (Child) up- went to my mother's house and out to dinner with my nieces. |
| 9/7/00 | 6.5 | (Child) and I went to my friend's house to play with her dog. We also went to the Mall to shop for shoes. Later we went to Cousins to eat dinner. |
| 9/8/00 | 7 | (Child) and I went to the mall to shop and ate lunch. We later went by my mom's and back to my house to pack dishes and other items. |

- 9/11/00 4.5 hrs (Child) came to my house so that I could help her with math homework she ate dinner and played with my son and nieces. Later we went to Target to buy some snacks.
- 9/12/00 3.5 (Child) was over doing math homework and later ate dinner. Ms. C came and got her because her teacher called with a bad report.
- 9/13/00 2 Called Ms. C to discuss (Child's) behavior, she informed.
- 9/25/00 4.5 (Child) came to visit my new house, did her homework while we straighten up and later we ate Popeye's Chicken.
- 9/29/00 6 (Child) and I went to Mayfair Mall, ate at Taco Bell and later I dropped her off at Northcott Neighborhood Center. We also went over to my friends house and ate snacks.
- 9/30/00 3.5 Went to (Child's) sister birthday party at Northcott.
- 10/2/00 5.5 Picked (Child) up and we went to study at Capitol Library and later went to eat dinner.
- 10/6/00 6 (Child) and I went over to my friends house to play with her puppy, we later went to Mayfair Mall and then to Apple Bee's to eat dinner.
- 10/9/00 5.5 (Child) and my nieces went to YMCA for recreation night, we went to Target and we picked up dinner and went back to my mom's house.
- 10/11/00 5.5 (Child) and I went to Wal Mart, to Target, over to my mom's house and later to eat at McDonalds.
- 10/14/00 8 (Child) came over bright and early -- we ate breakfast, cleaned up my house and later to Kenosha Outlet Stores. We also went to Cracker Barrel for lunch.
- 10/16/00 1.5 Talked to (Child) re: academics and school behavior.
- 10/18/00 2 Ms. C called to talk to me about a conference she had with (Child's) teacher re: her behavior in school. We had to come up with a plan for (Child).
- 10/23/00 5.5 (Child) and my whole family met at my mom's house and we all went out to dinner and later to Target to pick up household items.
- 10/25/00 5.5 (Child) and I went to the mall to window shop and return items. We also went by my friend's to see her puppy. Later the three of us went out to dinner to Denny's.
- 10/26/00 2 Talked to (Child) to see if she needed help with homework and to ask about problems at school, if any.
- 10/27/00 6.5 (Child) didn't go to school because of convention, so I picked her up and we went to my house, later had lunch. We also visited my niece's house and later we all went to Northcott for a Halloween Celebration.

- 10/28/00 6.5 hrs (Child) and I came to my house, we ate breakfast, to the mall and later to my mom's house to visit my nieces. Later I dropped her off at Northcott so that she could go skating.
- 11/3/00 4 (Child) and I went to Mayfair Mall to window shop. We also went over to my friend's house so that (Child) could play with her puppy, afterwards the three of us went out to dinner and later to visit my nieces.
- 11/15/00 3 (Child) came over to my house to finish her homework. She also helped to prepare my son for the next day. We picked up McDonald's for dinner.
- 11/25/00 6 Ms. C dropped (Child) off- we went to drop off my step-daughter at work. (Child) and I went to the Dollar Store, to the Cable Co., and to Mayfair Mall. Once we were finished we went back to pick my step-daughter up from work. We all went out to dinner and to visit my mother.
- 12/22/00 6 Picked (Child) and her cousin up and we went to UWM to pick my sister up from work. Later we went to YMCA John Cudahy to play in the gym. We also went to my mom's house to eat dinner. Before taking them home we stopped in Target.
- 12/28/00 6 (Child) and I went to the Beauty Salon so that I could get my hair done. We later went to the Grand avenue Mall and ate lunch and window shopped. We went over to my friend's house to visit her puppy before dropping her off at home.

Total mentoring costs documented for five months = \$4,669

Note: Exhibits 2, 3, 4,7 and 8 are not included in this copy of this report.

If you would like a copy of any of these sections please contact us at:

**Milwaukee County Department of Audit
2711 W. Wells Street, 9th Floor
Milwaukee, WI 53208**

Telephone: (414) 278-4206

Fax: (414) 223-1895

E-Mail: milcoaud@execpc.com