



Performance Audit:

Foster Care and Adoption Eligibility

Durham County Internal Audit Department

February 5, 2021



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February 5, 2021

Mr. Wendell Davis,
County Manager

Dear Mr. Wendell Davis:

Internal Audit completed its audit of internal controls related to foster care and adoption eligibility processes in the Division of Social Services. The audit objectives focused on determining whether (1) the eligibility process is managed in compliance with Federal and State statutes, regulations, and internal guidelines; (2) the individuals receiving benefits are eligible; (3) the amounts provided to participants are properly calculated in accordance with program requirements; and (4) the related data for Managing for Results is accurate and complete.

Overall, improvements are needed requiring management's attention in these areas:

- document maintenance,
- quality assurance reviews,
- the timely completion of forms,
- the updating of the continuity of operations plan,
- audit liaison,
- supervisory review, and
- centralized forms and instructions.

This report describes specific findings related to the audited areas. **Please note that none of the findings in the report are material.** The audit team appreciates the department director and his team's cooperation and assistance during this audit engagement.

Sincerely,

Darlana M. Moore

Darlana M. Moore,
Internal Audit Director

INTRODUCTION

The Audit Oversight Committee approved this audit as part of the Fiscal Year 2021 Annual Audit Plan. The engagement focused on controls over compliance relating to foster care and adoption eligibility in place at the Department of Social Services (DSS). The audit covered activities from July 1, 2019 through August 31, 2020.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.¹

Key categories of performance audit objectives include those involving compliance.² These types of objectives "relate to an assessment of compliance with criteria established by provisions of laws, regulations, contracts, and grant agreements, or other requirements that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance requirements can be either financial or nonfinancial."³

BACKGROUND

The Department of Social Services' (DSS) mission is to partner with individuals, families, and the community to help County residents achieve physical, social, and financial well-being. This mission supports the County's goal of improving the quality of life across the lifespan through protecting the health of the community, reducing barriers to access services, and ensuring a network of integrated health and human services available to people.

Social Services provides support to families, children, and the elderly. Public assistance programs offer entitlement benefits for foster care and adoption payments.⁴ "Durham County DSS provides leadership to ensure that 41% of children who enter foster care are discharged to permanency within 12 months of entering foster care."⁵ The Child Welfare Services (CWS) is a crucial section in the division that ensures the accomplishments of its mission. Specifically, CWS provides foster care services and adoption assistance, ensuring compliance with Federal and State law statutory requirements. CWS tracks the number of children in foster care to monitor, evaluate, and plan for services. "Critical needs and services include education, physical and mental health needs, safety and well-being needs, as well as establishment of a permanent plan for the care of the child."⁶

¹ Government Auditing Standards, 2018 Revision, pages 11 and 217.

² Government Auditing Standards, 2018 Revision, page 11.

³ Government Auditing Standards, 2018 Revision, page 11.

⁴ Durham County FY 2020-21 Approved Budget, page 203.

⁵ Durham County FY 2020-21 Approved Budget, page 205.

⁶ Durham County FY 2020-21 Approved Budget, page 207.

"Federal and State law is intended to protect children in foster care and the adopted families, who need safety and permanence, and for their families to ensure that their legal rights are maintained."⁷ Through these requirements, the State of North Carolina aims at a statewide basis for foster care services to create a permanent plan for all children that come into care and reach the goals of the plan within one year.⁸ "The State is assessing strategies to prevent children's placement in foster care that may help reduce the number over time."⁹ "The State and counties must follow Federal and State laws, regulations, and policies to obtain these funds' reimbursement."¹⁰ "The General Assembly authorizes State allocations. Both Federal and State laws control and guide the eligibility and reimbursement determinations for children in the child welfare system."¹¹

AUDIT OBJECTIVE

The audit objectives were to determine whether (1) the eligibility process is managed in compliance with Federal and State statutes, regulations, and internal guidelines; (2) the individuals receiving benefits are eligible; (3) the amounts provided to participants are properly calculated in accordance with program requirements; and (4) the related data for Managing for Results is accurate and complete.

AUDIT SCOPE AND METHODOLOGY

The audit scope included activities that were completed during the fiscal year 2020 (July 1, 2019 - June 30, 2020) and part of the fiscal year 2021 (July 1, 2020 – August 31, 2020). To conduct our audit, we:

1. reviewed departmental narrative controls, organizational chart, reports, forms, and State policies and procedures,
2. researched and reviewed laws and other localities reports related to Foster Care and Adoption Eligibility, specifically, NC DHHS, Child Welfare Manual - Appendix 3.1 Child Welfare Funding - Overview; NC DHHS, Child Welfare Manual - Appendix 3.5 Child Welfare Funding - Foster Care; NC DHHS, and Child Welfare Manual - Appendix 3.6 Adoption Assistance Funding,
3. inquired management of any investigations or legal proceeding of potential fraud or exposure concerning the eligibility process,
4. inquired of program managers concerning foster care and adoption processes,
5. assessed data and reports for Managing for Results, and
6. reviewed the Continuity of Operations Plan (COOP) to ensure that DSS is prepared to provide critical services in an environment that is threatened, diminished, or incapacitated.

We established testing criteria by using the Child Welfare Manual - Appendix 3.5 Child Welfare Funding- Foster Care; and Child Welfare Manual - Appendix 3.6 Adoption Assistance Funding. In order to determine the test sample for foster care, adoption assistance, terminations, and 18 -21 young adults, we used the County Custody List and NC_ Fast Conversion Core Services report.

We judgmentally tested 20% of each population category and randomly generated a sample through a statistical software. We selected 18 files for foster care, 10 adoption assistance files, 23 termination

⁷ NC DSS Child Welfare Funding Manual, July 2019, Appendix 3.5, page 1.

⁸ Durham County FY 2020-21 Approved Budget, page 205.

⁹ Durham County FY 2020-21 Approved Budget, page 207.

¹⁰ NC DSS Child Welfare Funding Manual, July 2019, Appendix 3.1, page 1

¹¹ NC DSS Child Welfare Funding Manual, July 2019, Appendix 3.1, pages 1-2.

files, and 3 young adult files. In total, there were 54 samples selected for the detailed testing phase. The four categories with their corresponding population are foster care (92), adoption assistance (53), terminations (117), and Ages 18 to 21 (16). We did not statistically determine a sample establishing a confidence level or tolerable rate for projection purposes. This was not done because of the small size of the population. However, 20% (of each category) represents a significant portion of the entire population.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Overall, Internal Audit found DSS controls effective for determining eligibility for foster care assistance benefits and adoption assistance. Also, we were impressed by the department's established goals and measures for the County's Managing for Results initiative. Internal Audit commends DSS in this regard as it strives to effectively implement program and delivery services.

However, we found some areas in which DSS can improve to enhance its overall internal control system and operational processes. Internal Audit identified findings and discussed conclusions and recommendations below.

Foster Care - Missing Documents

Three of 18 files (17%) reviewed did not have a scanned copy of the 5094 form (NC DHS, Division of Social Services Child Placement and Payment Report) on Laserfiche. Files are given to the Administrative Support team to be scanned into Laserfiche within seven to ten days subsequent file completion and supervisor review. According to DSS management, Laserfiche is the official system for storing files. Files maintained on Laserfiche must be available to the Court upon request.

The missing documents were in the social worker and/or Senior Processing Assistant's files; therefore, the Laserfiche records were incomplete. This could result in no audit trail to support entries in the Child Placement and Payment System.

Recommendations: DSS should update the Client Records Organization Checklist to reflect the location of the Child Placement and Payment System (5094) form.

Management's Response: Management does not agree with all the findings. One of the cases reviewed was during the malware attack. The guidance from the state was to make note of the dates of the OLV being pulled as we did not have access to print. The IMC was able to pull and view, confirm the need and made note on this page of the form. The state/federal audits allow OLV's to be pulled as well if not in the file to show what was viewed for the period the child entered care. In addition, the state policy and training give guidance to the other ways to document verification of income. The IMC was able to gather documentation from the worker (during 24-hour staffing of cases) and was provided information on the family reporting lack of employment which would also be supported in case files.

An email was sent on January 25, 2021 to the auditors with attachments regarding OLV that also included the desk reference from the state IV-E training which provides additional guidance on what is acceptable to support documentation/proof of verification of financial need.

Management does agree with the recommendation and will update the Client Records Organization Checklist to include the location of the 5094 form. This will be completed and uploaded to the Child Welfare Subfolder in MyDCo by March 31, 2021.

Auditor's comment: Internal Audit reviewed the information sent from DSS on January 25, 2021 and found it to be reasonable. Internal Audit sent DSS a revised finding statement on January 26, 2021, to reflect the removal of the finding concerning the missing verification form. The above finding only relates to the missing 5094s (in which DSS agrees).

Missing - Adoption Files

Two of 10 files (20%) reviewed were not stored on Laserfiche, and one out of 10 files (10%) reviewed were missing the second page of the adoption decree. Laserfiche is the official system for storing files. Documents/files maintained on Laserfiche must be available to the Court upon request. Moreover, it is the practice of DSS that files are given to the Administrative Support team to be scanned within seven to ten days subsequent file completion and supervisor review.

We attribute the two audit exceptions to one of two factors:

- Files were not being reviewed by supervisors prior to submission for scanning.
- Files were not submitted for scanning or the Administrative Support team did not scan the files.

As a result, the possibility exists for unsupported payments or services. Further, missing files increase the possibility for fraud.

Recommendation: DSS should create a uniform retention policy for files. Also, a tracking mechanism should be created whereby the location of all files, stage in process, and responsible Social Worker are always known.

Management's Response: Management does not agree with the wording of the findings as these are not Adoption Records, but Adoption Assistance. Due to the malware attack and other technical issues with the scanner, as reported in an email to the auditors January 25, 2021, these files/backlogged files were secured in a locked file and scanned in December.

We recognize the need to develop written scanning protocol to include the above recommendations by March 31, 2021.

Auditor's comment: Internal Audit is pleased that DSS has accepted the audit recommendations. Internal Audit acknowledges DSS preference to use the terminology as stated in its response. However, Internal Audit uses the terminology "adoption records" to generally distinguish from foster care records.

Missing - Adoption Subsidy Files

Two of 23 files (9%) reviewed were missing the adoption subsidy files. Because Laserfiche stores official files, these files must be available to the Court upon request. Also, files are to be scanned within seven to ten days by the Administrative Support team. However, before the scanning of files, a file completion and supervisory review is performed.

We attribute the missing files to one of two factors:

- Supervisors did not review files before submission for scanning.
- Workers or supervisors did not submit files for scanning, or the Administrative Support team did not scan the files.

Missing files could result in untimely or inaccurate payments to families.

Recommendation: DSS should create a uniform retention policy for files. Also, a tracking mechanism should be created whereby the location of all files, stage in process, and responsible Social Worker are always known.

Management's Response: Management does not agree with findings as the referenced cases were pulled using the pre-adoptive name. These cases were part of the backlog cases that needed to be scanned. Due to the malware attack and other technical issues with the scanner, as reported in an email to the auditors January 25, 2021, these files/backlogged files were secured in a locked file and scanned in December.

We recognize the need to develop written scanning protocol to include the above recommendations by March 31, 2021.

Auditor's comment: Internal Audit is pleased that DSS has accepted the audit recommendations. The referenced files were completed in mid-January 2020 yet not scanned until December 2020 (after the conclusion of audit fieldwork).

Laserfiche Record Maintenance

According to NC DHHS, Child Welfare Manual – Appendix 3.5, the County is required to maintain both eligibility and service records.¹² DSS utilizes Laserfiche as its official record management system. However, records were not adequately organized within Laserfiche. As a result, retrieving files from the system is cumbersome and time consuming. Also, the system is not user-friendly. DSS management expressed that other competing priorities have limited efforts to structure Laserfiche in a more organized manner.

Recommendation: Management should continue to prioritize initiatives to organize Laserfiche records.

Management's Response: Management accepts this finding and is working with County IS&T for some needed upgrades to the Laserfiche System. In addition, DSS is seeking consulting services to create a better structure and methodology. These were submitted for 2021-2022 budget consideration and were not accepted by county IS&T due to competing priorities. Please note that Laserfiche is a document repository, as opposed to a case management system.

In the future, Internal Audit can request staff to organize/compile files in a dedicated folder for review as is done with single audit to ease this frustration.

Quality Assurance Review

Quality control reviews were not conducted for adoption assistance records. Foster Care IV-E quality reviews were not conducted quarterly due to the malware attack. Specifically, the Child and Family Services Program did not perform quality reviews of Adoptions Assistance case files. The March 2020 malware attack completely discontinued the operations of the Quality Assurance Team (QAT). This resulted in quality reviews not being performed.

In response to an external audit finding on the Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2018, DSS indicated, "QAT would review IV-E foster care records two

¹² "NC DHHS, Child Welfare Manual – Appendix 3.5, Section I, "IV-D Child Support Enforcement Referrals," page 3. July 2019.

quarters per year (Jan-March and July-Sept)."¹³ Also, "Adoption assistance records would be reviewed quarterly beginning in January 2019 by a review team to include minimally the post-adoption social worker, adoptions supervisor and program manager with the ability to add other reviewers if deemed necessary."¹⁴

Since quality reviews were not performed, DSS is not in compliance with its response to the 2018 external audit report. This could result in missing files, unsupported documentation, improper payments, and fines.

Recommendation: DSS should create an internal policy addressing the performance of both the foster care and adoption assistance quality reviews. The QAT should assist with adoption assistance reviews when the system is down. In addition, the Continuity of Operations Plan (COOP) should be updated to reflect onsite business disruptions and business continuity.

Management's Response: Management agrees with the finding. Adoption Assistance records may not have been consistently QC'd per the 2018/19 corrective action plan. Child Welfare revised the internal control process October 2020 as part of a Preventive/Corrective Action Plan for a State IV-E Adoption Assistance Audit.

Delays in the Completion of 5120s/ Continuity of Operations Plan (COOP)

Two of 18 files (11%) 5120s took in excess of three months to complete. However, the average time to complete a 5120 was ten days. According to DSS management, the malware attack and staffing changes caused the delay in processing. DSS Continuity of Operations Plan does not address onsite disruptions and the continuity of services.

According to NC DHHS, Child Welfare Manual – Appendix 3.5, eligibility for IV-E foster care must be established at the time the child enters foster care.¹⁵ A 5120 is utilized for determining eligibility. Therefore, delays in completing the 5120 may cause a setback in determining eligibility and using an incorrect funding source. Also, because of the impact of staffing changes, the offboarding process may not include proper transferring of files before an employee's departure.

Recommendation: DSS should ensure the proper transfer of files prior to any staffing changes. Also, DSS should update its Continuity of Operations Plan to cover onsite disruptions and business continuity.

Management's Response: Management agrees with the findings and will review the and revise the case transfer policy as needed. In addition, all Supervisors and Managers will attend 5120 training offered by DHHS (new pilot training) February 2021.

DSS will add guidance in COOP plan for data breach and malware by June 30, 2021.

¹³ "Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2018 And Report on Compliance and Internal Control," pages 15.

¹⁴ "Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2018 And Report on Compliance and Internal Control," pages 15.

¹⁵ NC DHHS Child Welfare Manual – Appendix 3.5, Section II – "Funding for Foster Care Maintenance Payments," page 4. July 2019.

Audit Liaison

The Audit Liaison had multiple responsibilities during the audit. The Audit liaison was not knowledgeable of the Child Family Services Division's operations and services. Also, the audit liaison does not participate in adoption and foster care training.

It is a common business practice for an audit liaison to provide the following:

- serve as point-of-contact regarding the overall audit process.
- provide audit status updates to management as needed.
- assist and support management in responding effectively to internal and external auditors and other state and federal regulatory agencies.¹⁶

Because the Audit Liaison role covers multiple duties, this lessens the effectiveness of the position. In addition, this could result in the audit process not being coordinated effectively by the audit liaison.

Recommendation: The audit liaison should be a sole position. The audit liaison should participate in relevant training sponsored by DSS. A DSS subject matter expert should be assigned to assist the liaison (if the liaison is not a subject matter expert) during the audit process.

Management's Response: Management does not agree with this finding. As stated, the criteria of the audit liaison does not reference being a subject matter expert or a subject matter trainer on processes for the internal audit team, nor is it a realistic expectation for the admin officer at DSS who assists with audit liaison duties but has many other job responsibilities.

DSS does agree to dedicating a subject matter expert to work in conjunction with the audit liaison, especially on programs with the complexity of foster care and adoption. DSS and will seek to add additional human resource capital when budget allows and does agree that due to the scope of programs within DSS, that a dedicated FTE could be assigned to the audit liaison role.

Supervisor Review of Adoption Checklist (DSS 5012)

Ten of 10 DSS 5012 forms (100%) showed no evidence of supervisory review. In response to an external audit finding on the Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2018, DSS indicated the supervisor would review the records, sign, and date the checklist confirming that all required documents are contained.¹⁷

DSS did not follow the corrective action plan, as indicated in their response to the FY 2018 external auditor's report. The lack of review by a supervisor may result in missing files, unsupported and improper payments, and an unsupported clearance for adoption.

Recommendation: DSS should implement the corrective actions documented in the 2018 external auditor's report.

Management's Response: Management agrees with the finding. Adoption Assistance records may not have been consistently QC'd per the 2018/19 corrective action plan. Child Welfare revised the internal control process October 2020 as part of a Preventive/Corrective Action Plan for a State IV-E Adoption Assistance Audit.

¹⁶ Services – TDJCPA Inc., Governmental Accounting and Financial Services, Audit Liaison

¹⁷ Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2018 And Report on Compliance and Internal Control," pages 16 and 17.

Centralized Forms and Instructions

DSS uses various forms and instructions tailored to its operational needs. These internal forms and instructions serve as work procedures, guiding daily work activities and responsibilities. However, they are not in a centralized location.

"Policies and procedures enable the workforce to clearly understand individual and team responsibilities, thus saving time and resources. Everyone is working off the same page; employees can get the "official" word on how they should go about their tasks quickly and easily."¹⁸ The lack of centralization may result in tasks not being performed according to standards, which could result in inadequate documentation to support payments; thus, impacting accountability.

Recommendation: DSS should establish centralized electronic forms and instructions. This information should be updated in unison with State updates.

Management's Response: Management does not agree with this finding. All forms and documents are stored/housed on the DSS MyDCo Page and in the Child Welfare Subfolder. All Child Welfare staff receive an invite to the DSS MyDCo Page which has a link to the State forms/documents/manuals and an invite to the Child Welfare subfolder.

Management will work with DSS IS&T to provide retraining/instructions on how to access DSS My DCo and the Child Welfare Subfolder by March 1, 2021.

Management will continue to develop the Child Welfare On-Boarding Curriculum for exiting employees and new hires. Implementation of this curriculum or some parts of it is anticipated for Fall/Winter of 2021.

In the future, Internal Audit can request access to the MyDCo Child Welfare Subfolder to review forms. e/compile files in a dedicated folder for review as is done with single audit to ease this frustration.

¹⁸ Importance of Policies and Procedures (pcg-services.com), Are Your Policies and Procedures a Barrier to Growing Your Company?