



COMMONWEALTH of VIRGINIA  
DEPARTMENT OF SOCIAL SERVICES  
*Office of the Commissioner*

S. Duke Storen  
COMMISSIONER

November 7, 2019


**MEMORANDUM**

**TO:** The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable S. Chris Jones, Chairman  
House Appropriations Committee

The Honorable Thomas K. Norment, Jr., Co-Chairman  
Senate Finance Committee

The Honorable Emmett W. Hanger, Jr., Co-Chairman  
Senate Finance Committee

**FROM:** S. Duke Storen 

**SUBJECT:** Report on Foster Care Spending

I am pleased to submit the Department of Social Services' report on foster care spending, prepared pursuant to Item 339 (E) (2) of the 2019 Appropriation Act. If you have questions, please contact me.

SDS:kc  
Attachment

## **Report on Foster Care Spending, Error Rates and Compliance with State and Federal Reviews**

**November 2019**

### **Report Mandate**

The 2019 Appropriations Act, Item 339 (E) (2), provided ten positions and associated funding for ongoing financial oversight of foster care services. Item 339 (E) (2) directed the Virginia Department of Social Services (VDSS) to, by September 1 of each year, report on the foster care program's statewide spending, error rates, and compliance with state and federal reviews.

*F. 1. Out of this appropriation, ten positions and the associated funding shall be dedicated to providing on-going financial oversight of foster care services. Each of the ten positions, with two working out of each regional office, shall assess and review all foster care spending to ensure that state and federal standards are met. None of these positions shall be used for quality, information technology, or clerical functions.*

*2. By September 1 of each year, the department shall report to the Governor, the Chairmen of the House Appropriations and Senate Finance Committees, and the Director, Department of Planning and Budget regarding the foster care program's statewide spending, error rates and compliance with state federal reviews.*

### **Foster Care Spending**

The federal foster care program helps to provide safe and stable out-of-home care for children until the children are safely returned home, placed permanently with adoptive families, or placed in other planned arrangements for permanency. This report documents the review of federally funded cases. The title IV-E program is authorized by title IV-E of the Social Security Act (42 USC § 601 et seq.) as amended, and implemented under the Code of Federal Regulations (CFR) at 45 CFR parts 1355, 1356, and 1357. It is an annually-appropriated program with specific eligibility requirements and fixed allowable uses of funds. Funding is awarded by formula as an open-ended entitlement grant and is contingent upon an approved title IV-E plan to administer or supervise the administration of the program. VDSS must submit to the Administration for Children and Families' (ACF) Children's Bureau yearly estimates of program expenditures as well as quarterly reports of estimated and actual program expenditures in support of the awarded funds. Funds are available for monthly maintenance payments for the daily care and supervision of eligible children.

Periodic and systematic reviews of Virginia's title IV-E foster care programs are conducted by the Administration for Children and Families' Children's Bureau to ensure federal funds are expended for intended purposes and to recover improper expenditures. Full implementation of the final regulatory rule for the monitoring review advanced the federal government's efforts in partnering with states to improve overall management of the foster care eligibility program and to secure safe foster care placements for children. States responded to the monitoring reviews by initiating program assessments and improvements to meet compliance standards in anticipation of the reviews or by developing and implementing program improvements as a result of the reviews. Since federal fiscal year (FFY) 2000, title IV-E Foster Care Eligibility Reviews have been conducted in each of the 50 States, Washington DC, and Puerto Rico.

Virginia’s title IV-E maintenance expenditures for state fiscal year (SFY) 2019 totaled \$59,924,924.36. Expenditures will continue to be in line with services and federal requirements for improved compliance and additional financial accountability. VDSS will continue with intensive reviews and supervision of foster care expenditures.

**Error Rates and Compliance with State and Federal Review**

There are ten fulltime title IV-E consultants employed by VDSS conducting on-sight reviews of local department of social services (LDSS), in each of the five VDSS regions. The availability of these consultants has allowed VDSS, for the past five years, to review cases where the child had been determined IV-E eligible. The title IV-E positions and review process is instrumental in passing the upcoming 2019 title IV-E federal review.

The title IV-E consultants administer two types of reviews for LDSS: ongoing reviews and new case validations. Ongoing reviews are designed to provide continuous quality control and support to the LDSS by reviewing 100% of open title IV-E cases at least once each fiscal year. New case validations are designed to review and ensure appropriate eligibility determinations are made within approximately 90-120 days of children entering foster care. This validation process ensures timely, appropriate, and maximum utilization of federal dollars.

**New Case Validations**

The results for the new case validations for SFY2019 by VDSS region are in the table below:

<b>Region</b>	<b>Number of cases reviewed</b>	<b>Number of total errors</b>	<b>Overall error rate</b>
Central	365	91	24.93%
Eastern	393	62	15.77%
Northern	611	75	12.27%
Piedmont	707	101	14.29%
Western	512	46	8.98%
Total	2588	375	14.49%

Staff validated 2,588 new cases on 369 visits at 118<sup>1</sup> agencies between July 1, 2018 and June 30, 2019.

Local departments with one or more error cases were considered to be in non-compliance with state and federal guidance and regulations. Fifty six of 118 LDSS reviewed between July 1, 2018 and June 30, 2019 had either zero or one error. The table below shows the LDSS breakdown for the number of errors for new case validation reviews:

<b>Number of LDSS reviewed</b>	<b>Number of cases validated</b>	<b>Number of errors identified</b>
32	270	0 errors
24	402	1 error

<sup>1</sup> Note: Not all LDSS have title IV-E children. The reviews were conducted in 118 out of 120 LDSS.

12	273	2 errors
14	163	3 errors
10	323	4 errors
5	168	5 errors
23	989	6 or more errors

### Ongoing Case Reviews

Ongoing reviews were conducted in SFY2019 to include a percentage of open and active cases reported in the On-line Automated Services Information System (OASIS) during the period under review. During the review process, the consultants were required to review financial documents and verify the eligible IV-E payments and OASIS data using the title IV-E federal review instrument utilized during a federal title IV-E review. The results for the ongoing reviews are in the table below:

Region	Number of cases reviewed	Number of total federal errors	Overall federal error rate
Central	304	105	34.54%
Eastern	430	137	31.86%
Northern	576	145	25.17%
Piedmont	683	140	20.50%
Western	531	96	18.08%
Total	2524	623	24.68%

Staff reviewed 2,524 ongoing cases on 129 visits at 119<sup>2</sup> LDSS between July 1, 2018 and June 30, 2019. Those with one or more error cases were considered to be in non-compliance with state and federal regulations. Forty two LDSS (35.29 %) of all LDSS reviewed had either zero or one error. The table below shows the breakdown for the number LDSS with errors for ongoing case reviews:

Number of LDSS reviewed	Number of cases reviewed	Number of errors identified
32	183	0 errors
12	185	1 error
14	111	2 errors
10	240	3 errors
5	126	4 errors
6	142	5 errors
41	1537	6 or more errors

VDSS continues to have a higher error rates than the federal standard despite having a robust Quality Assurance and Accountability unit and review process. This year's increased error rate can be attributed to both some process changes as well as continued systemic challenges. One of the changes is related to an improvement on data collection and reporting leading to more accurate

<sup>2</sup> Note: Not all LDSS have title IV-E children. The reviews were conducted in 116 of the 120 LDSS.

results. The review process also changed to include a more in-depth review of the local agencies' resource home files to validate the safety check requirements. The reviewers now review two resource home files at every ongoing review. In addition the QAA unit discontinued the process of allowing agencies to correct errors while on-site. In the past if an error was corrected on site it would not be counted on the report. The data in this report now includes errors that could have resulted from missing documentation and upon receipt of the documentation the payment would be eligible but the finding would remain on the report. This process helped us identify risk and assisted in preparation for our September 2019 federal review. A systemic area that has led to challenges this year has been an increase in workforce issues within the local agencies as well as staff turnover within the QAA unit. Increased staff turnover in the local agencies has led to an inconsistent prioritization of dedicated title IV-E staff. In efforts to address the higher error rate the QAA unit has built in more transparent reporting to include quarterly error rate reports that share all 120 local agencies results as well as providing more training opportunities across the state. However, all of these efforts do not address the biggest systemic challenge in not having an integrated electronic system. Virginia continues to be the only state which does not have a system and still relies on a paper process. Until there is an integrated system in place a robust manual review process will continue to be required.

During the week of September 23-27, 2019, the federal government completed a full primary title IV-E review on the Commonwealth of Virginia. Virginia's process once again proved successful and the preliminary result indicate that for the second consecutive time, the Commonwealth has passed the review. Not only did Virginia pass the review, but the disallowance amount of approximately \$10,000 was identified by the Feds as the lowest amount they have ever identified. While this could not have been possible without the ten positions authorized by this act. Virginia has to look at investing in technology to manage the title IV-E program. This was a key recommendation from the review due to the risk this creates for Virginia.