



Performance-based Contracts at the Department of Family and Protective Services

- The Department conducts several reviews of its performance-based contractors; however, its monitoring was not sufficient to identify and address noncompliance with critical placement requirements for children in temporary custody.
- The current funding model for community-based care was not always sufficient to cover the costs incurred by the SSCCs.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

The Department of Family and Protective Services (Department) has strengthened its processes for monitoring its performance-based contracts with Single Source Continuum Contractors (SSCCs) since an audit in 2022. However, the Department should continue to improve those processes to address a critical weakness in its monitoring of child placement documentation, and it should create a plan to address significant instances of noncompliance identified during its monthly and quarterly reviews of the SSCCs.

- [Background](#) | p. 3
- [Audit Objectives](#) | p. 33

This audit was conducted in accordance with Texas Human Resources Code, Section 40.0583.

PRIORITY

CHILD PLACEMENTS

The Department's monitoring processes were not sufficient to identify and address when SSCCs are not completing critical child placement documentation.

[Chapter 1 | p. 11](#)

MEDIUM

KEY MONITORING REVIEWS

The Department strengthened its reviews of SSCCs' performance with contracted activities. However, it should create a plan to address significant instances of identified noncompliance.

[Chapter 2 | p. 17](#)

NOT RATED

COSTS AND FUNDING

Funding was not sufficient to cover the total costs incurred for one SSCC, but it did cover the costs incurred under the contract for the second SSCC.

[Chapter 3-A | p. 24](#)

MEDIUM

FUNDING RECONCILIATIONS

The Department had processes to help ensure that it accurately pays SSCCs. However, it did not always perform the reconciliations monthly and did not verify certain self-reported information.

[Chapter 3-B | p. 29](#)

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The Department agreed to implement the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

Background Information

The Community-based Care Model and Single Source Continuum Contractors

The Department of Family and Protective Services (Department) oversees children in the State’s care through the legacy model, in which the Department directly monitors providers, and the community-based care model (see Figure 1).

For the community-based care model, the Department has performance-based contracts with Single Source Continuum Contractors (SSCCs) that focus on achieving specified outcomes for children, youth, and families.

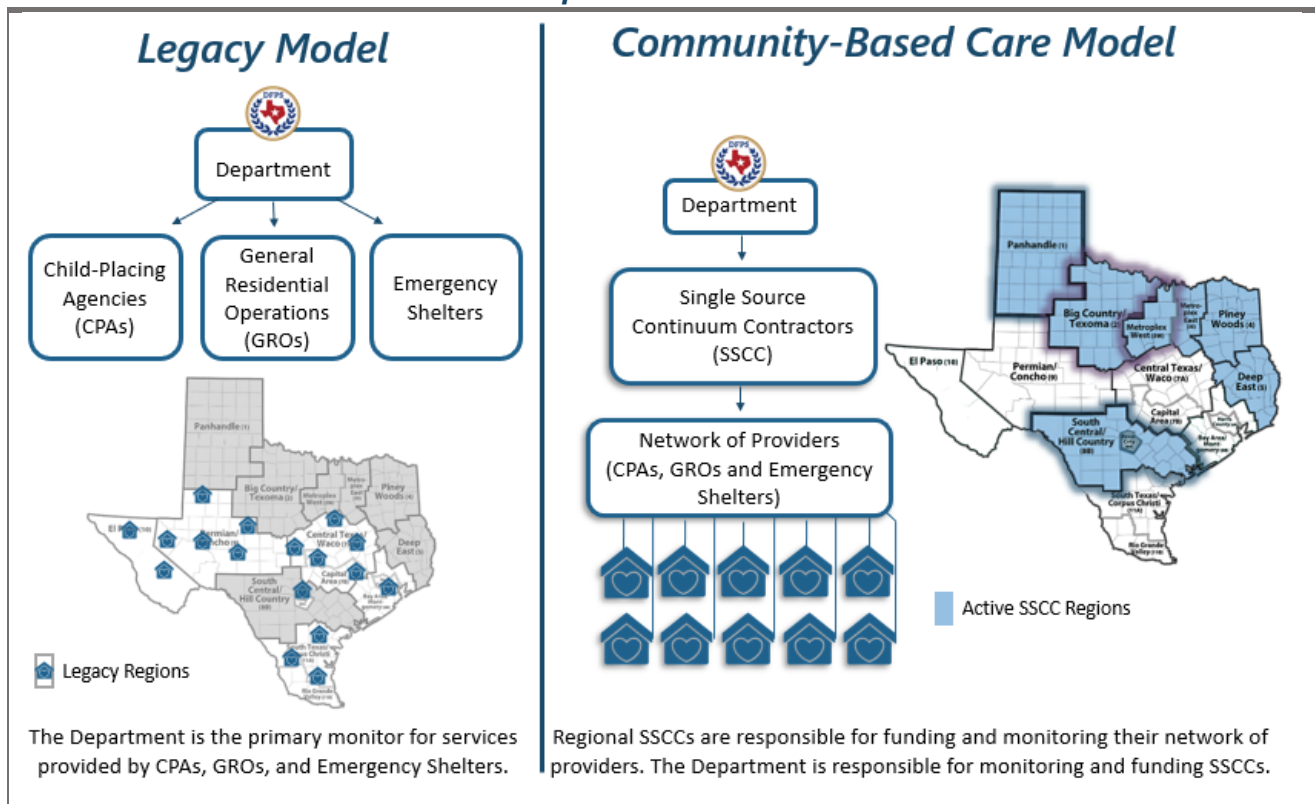
Annual Reviews by the State Auditor’s Office

Effective June 14, 2021, Texas Human Resources Code, Section 40.0583, required the State Auditor’s Office to annually review the Department’s contracts with Single Source Continuum Contractors (SSCCs) to determine if the Department is properly enforcing contract provisions with providers.

This is the second year that the State Auditor’s Office has reviewed the contracts.

Figure 1

Child Care Models for Children in the State’s Care

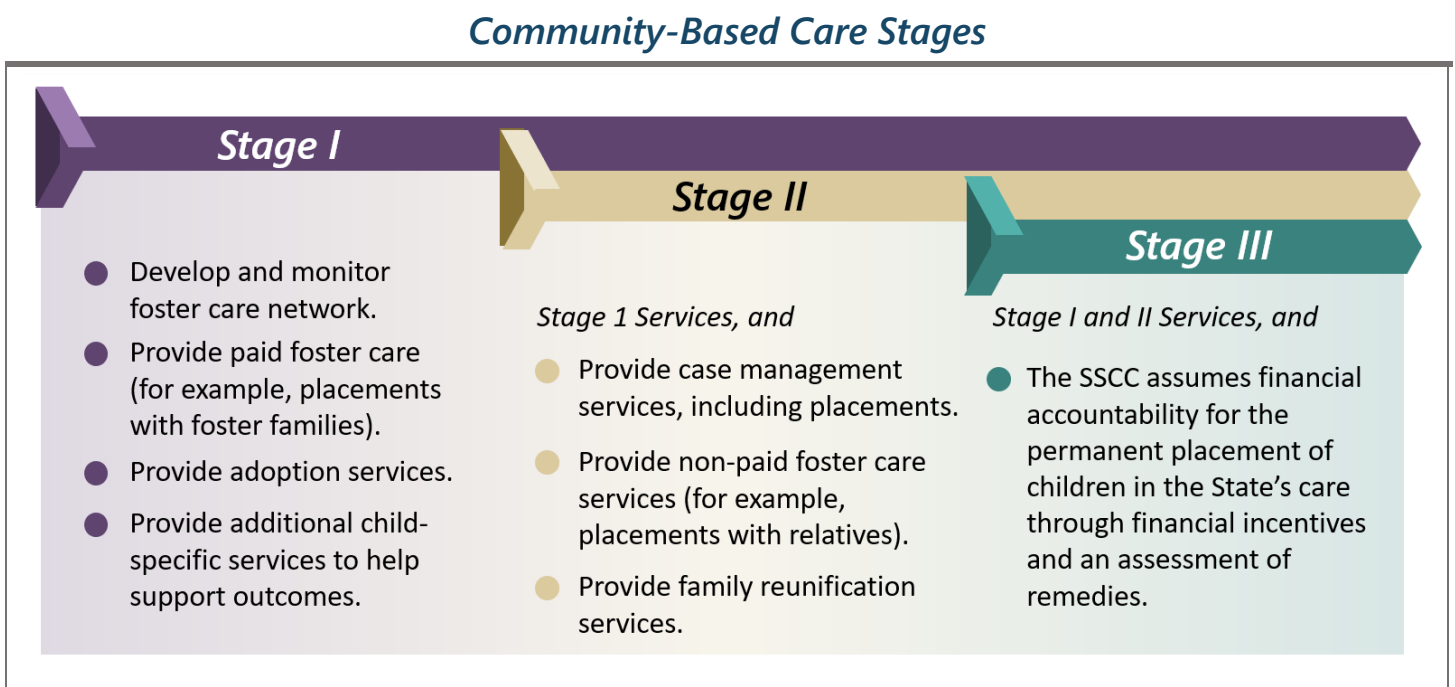


Source: Based on information from the Department.

SSCCs’ Stages and Service Regions

The Department created a staged approach to contracting with SSCCs and implementing community-based care. Under that approach, each SSCC monitors the foster care providers in its region and is given more responsibility as it shows that it can provide services during each of the three stages, which are described in Figure 2.

Figure 2






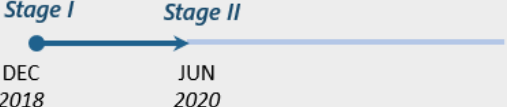


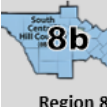
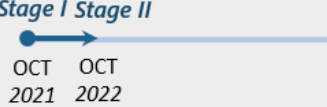



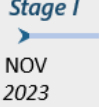

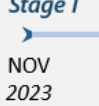
Source: Based on information from the Department.

Figure 3 on the next page shows the SSCCs with which the Department has contracted as of January 31, 2024¹. The number of contracts for community-based care has nearly doubled between September 2021 and January 2024.

¹ The scope of this audit covered Department monitoring from September 1, 2022, through October 31, 2023, and costs and funding associated with the selected SSCCs from September 1, 2021, through August 31, 2023.

Figure 3

SSCCs, Regions, and Stages as of January 31, 2024

Service Area	Title and Description of Service Area	Single Source Continuum Contractor (SSCC)	Current Stage of Community-based Care Services	Timeline
 Region 1	Texas Panhandle 41 counties in Texas Panhandle	Saint Francis Ministries	Stage II	
 Region 2	Big Country and Texoma 30 counties in North Texas	2INgage	Stage II	
 Region 3w	Metroplex West 10 counties around Fort Worth	Our Community Our Kids (OCOK) ^a	Stage II	
 Region 8b	South Central and Hill Country 27 counties in Central Texas	Belong	Stage II	
 Region 3e	Metroplex East 9 counties around Dallas	EMPOWER	Stage I	
 Region 4	Piney Woods 23 counties in far Northeast Texas	4Kids4Families	Stage I	
 Region 5	Deep East 15 counties in Far East Texas	Family Care Network	Stage I	

For this report, auditors reviewed the contract monitoring processes for two SSCCs: (1) Saint Francis Ministries, Region 1, and (2) Belong, Region 8b from September 1, 2022, through October 31, 2023. Auditors also determined the costs to deliver services required under the contracts and whether the Department’s funding sufficiently covered those costs for two other SSCCs: (1) OCOK, Region 3w, and (2) 2INgage, Region 2, from September 1, 2021, through August 31, 2023. All four SSCCs reviewed for this report were in Stage II.

^a OCOK serves region 3w, which as of November 2023 included Cooke, Denton, and Wise counties, as well as the counties in the former region 3b that OCOK served previously: Erath, Hood, Johnson, Palo Pinto, Parker, Somervell, and Tarrant.

Sources: The Department and the Department’s readiness letters.

Department Reviews

The Department performs three main types of reviews of SSCCs to verify compliance with contract requirements:

- **Monitoring reviews.** Annually, the Department will review the SSCCs' monitoring of network providers to verify (1) compliance with certain health and safety requirements and (2) that foster families were paid at least the minimum required rate.
- **Performance reviews.** Quarterly, the Department compares each SSCC's performance measure data to established targets for critical areas related to the well-being, safety, and foster care placement stability for children in state care.
- **Regional case file reviews.** Monthly, the Department reviews child cases to determine if required documentation was completed related to the safety and well-being of the children in state care.

SSCCs' Funding Model

The General Appropriations Act (87th Legislature) directed the Department, with the assistance of the Health and Human Services Commission, to develop an alternative reimbursement methodology proposal for foster care and community-based care rates. The funding model redesign is on-going. The information below presents the funding model for community-based care that was in place during state fiscal years 2022 and 2023 (the audit scope).

The funding model for community-based care is based on²:

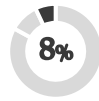


Legacy-based funding. This is funding provided to the SSCC based on the costs that would have been incurred under the legacy system.

² Percentages listed are the average percentages for OCOK and 2INgage Department funding between September 1, 2021, and August 31, 2023.



SSCC-specific funding. This is additional funding established to provide funding for additional administrative costs at the SSCC due to the new model.

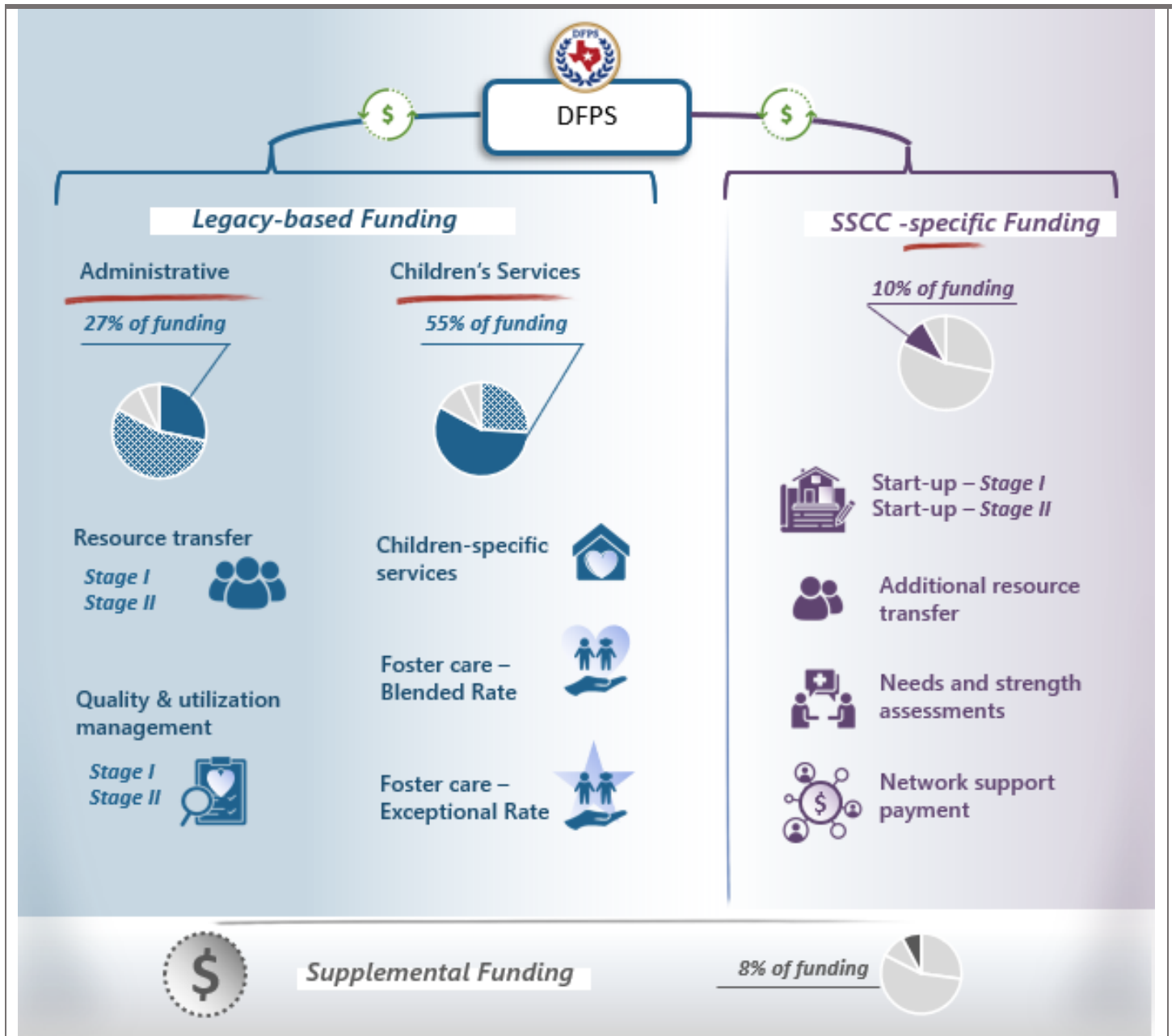


Supplemental funding. This is additional federal and state funding provided as assistance for items such as preparation for adult living, capacity growth, and programs to help alleviate safety concerns for children who are at risk of removal. Most of this funding, provided in fiscal years 2022 and 2023, will not continue into future years.

The amounts of state funding provided to OCOK and 2INgage for state fiscal years 2022 and 2023 are listed in Appendix 2. Figure 4 on the next page illustrates the components of the Department’s funding types for SSCCs. Detailed descriptions of each type of funding follow Figure 4.

Figure 4

Department Funding Types for SSCCs^a



^a Percentages listed are the average percentages for OCOK and 2INGage Department funding between September 1, 2021, and August 31, 2023.

Source: Based on information from the Department.

Legacy-based Funding

The Legacy-based funding includes administrative funding and funding for children's services.

Administrative Funding

This is funding provided to the SSCC to help cover certain administrative costs. Specifically:



Resource transfers. Payments for tasks and functions that Department staff performed in the legacy model that the SSCC now performs under the community-based care model.



Quality and utilization management. Funding to support monitoring activities to ensure that children are receiving the services appropriate for their assessed needs.

Children's Services Funding

This is funding provided to the SSCC for costs related to children-specific services and daily payments for foster care (blended rate and exceptional care rate). This funding is generally passed through the SSCCs to their foster care providers. Specifically:



Children-specific services. These are payments for costs related to adoption services, preparation for adult living services, and other services to support permanency.



Payments to foster care providers – Blended Rate. This is a daily reimbursement, the amount of which is unique to each region based on projected needs of the population in that region.



Payments to foster care providers – Exceptional Rate. This is a daily reimbursement for children whose needs exceed what can be met through use of the blended rate. This includes a 50 percent cost share between the SSCC and the Department.

SSCC-specific Funding

The State provides additional funding to SSCCs to help with additional costs incurred under the community-based care model. This includes:



One-time start-up payments. The Department provided the SSCCs with a one-time start-up payments for Stage I and Stage II to assist with costs associated with workforce development, policy development, and other necessary organizational and financial infrastructure to meet the obligations of the contract.³



Additional resource transfer. An annually recurring amount the Department provides to help support case management services. The amount is based on 25 percent of the initial Stage II Resource Transfer the SSCC received.



Needs and strength assessments. These payments support case planning for children receiving therapeutic services.



Network support payments. The Department pays an amount per child full time equivalent⁴ to support costs for capacity development and oversight, community engagement, and IT systems requirements.

Supplemental Funding



During state fiscal years 2022 and 2023, the SSCCs received additional funding to assist with certain items, including preparation for adult living, capacity growth, and programs to help alleviate safety concerns for children at risk of removal. Most of this funding was short-term and did not continue after fiscal year 2023.

³ Start-up payments are not included in the amounts listed in Appendix 2 because the SSCCs received that funding outside of the audit scope.

⁴ “Child full time equivalent” is the number of days of care provided divided by the number of days in the fiscal year.



PRIORITY

Chapter 1 Child Placements

The Department of Family and Protective Services (Department) is responsible for monitoring Single Source Continuum Contractors (SSCCs) to verify that they are performing their contracted activities, which include completing critical child placement documentation.

The completed documentation helps the Department ensure that (1) the placement of children in temporary custody⁵ is appropriate based on the child's best interest, (2) the placement is properly authorized, and (3) the caregiver is provided with critical information to properly care for the child, including child behavior and medical information.

However, the Department's monitoring processes were not sufficient to identify and address when the SSCCs were not consistently completing the documentation. The Department should address its weaknesses in its monitoring processes, because the SSCCs did not complete that documentation for a significant portion of the placements reviewed.

The Department's processes do not include verifying that SSCCs complete all required placement forms for children in temporary custody.

SSCCs in Stage II of the community-based care model are responsible for foster care placements and for monitoring the foster care provider. The Department is responsible for ensuring that the SSCCs perform their contracted activities.

⁵ When a child is removed from their home, the State takes temporary physical custody of the child. All children in state conservatorship are considered to be in temporary custody until a judge legally appoints a person to be responsible for a child (without adopting a child) and is therefore, considered to be in permanent custody.

The Department had strengthened its monitoring processes since the prior audit in 2022⁶ (see Chapter 2). However, the Department had not yet implemented a process to verify that SSCCs were completing and maintaining required placement documents for children in temporary custody, as the prior audit recommended.

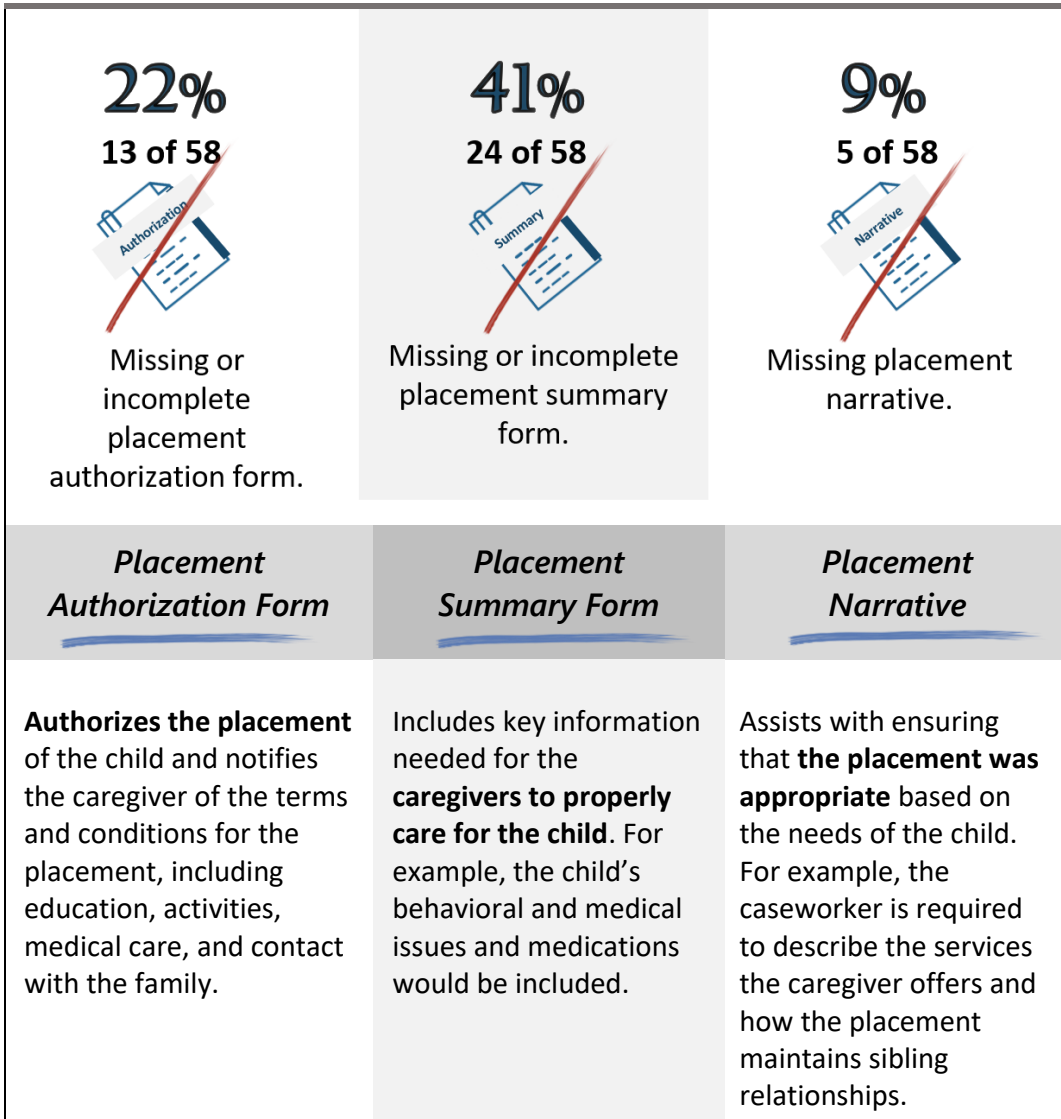
Without the completed documentation, the Department cannot verify that the child placement is appropriate and that the care being provided meets the child's immediate needs and is continuous.

Auditors reviewed the Department's monitoring of two SSCCs: Saint Francis Ministries and Belong. For those SSCCs, 28 (48 percent) of 58 placement records tested for children in temporary custody had one or more of the required placement documents missing or incomplete (see Figure 5 on the next page).

⁶ See [An Audit Report on Performance-based Contracts at the Department of Family and Protective Services](#) (SAO Report No. 23-012, December 2022).

Figure 5

**Missing or Incomplete Child Placement Documentation
(for children in temporary custody) ^a**



^a The total errors noted in Figure 5 do not sum to the 28 placement records tested with missing or incomplete placement documentation because one record could have more than one type of placement documentation that was missing or incomplete.

Source: Department forms.

These results are consistent with the December 2022 audit report, which determined that 58 percent of the placement records tested for two other SSCCs had one or more of the required placement documents missing or incomplete.

The Department's oversight processes did not ensure that SSCCs consistently completed the initial Child Plan of Service within required timeframes.

SSCCs are required to complete a child plan of service within 45 days after the date the Department removes a child from their home. Those plans are critical because they outline identified needs, plans to address needs, and permanency goals and plans. In addition, the plans identify who is responsible for meeting the child's needs and how the case worker will support the placement.

Of the 59 placements tested⁷, 58 (98 percent) had a complete child plan of service documented. However, for 6 (17 percent) of the 35 placements tested that had an initial plan filed, the SSCC completed the plans after the required 45-day timeframe, from 47 days to 89 days after the child's placement.

Recommendation

The Department should develop and implement a process to verify that SSCCs are:

- Completing and maintaining required placement documents for children in temporary custody.
- Completing a child plan of service for children in temporary custody within 45 days as required.

Management's Response

Recommendation #1:

The Department should develop and implement a process to verify that SSCCs are completing and maintaining required placement documents for children in temporary custody.

⁷ Of the 59 placement records that were sampled, only 58 were tested for placement documentation because 1 of the placements did not require all of the forms.

Management's Response:

Case Management Oversight (CMO) teams complete case reads focused on monitoring compliance with critical task completion and timeliness for tasks. Case reads begin within 3 months of Stage II transition and occur on a monthly basis using a statistically valid sample based on the population size of the SSCCs. Monthly case read data is entered into a database by the CMO teams and summarized into a dashboard which is provided to SSCC leadership. CMO teams meet with SSCC leadership at least quarterly to review data trends, strengths, and any concerns identified in the case read data or any concerns from the CMO case readers. Any major concerns are communicated to the SSCC as soon as possible after the concern is identified.

There is inconsistency in the communications across CMO teams. The Department recognizes that standardization will enhance our ability to manage team performance across catchment areas. Efforts to standardize communications across teams will begin July 12, 2024 and full implementation is expected October 4, 2024.

CMO teams review for the Placement Summary Form 2279 and Attachment A uploaded in One Case. If either of these forms are missing, they communicate this with the SSCC case worker and supervisor. Case reads for placement records began January 2024.

Verification of the relevant 2085 Placement Authorization form and IMPACT narrative for placement initiation will be included into the CMO case reads. The CMO Case Reading Guide will be updated to include verification of the 2085 Placement Authorization form and IMPACT narrative. Revision of the Case Reading Guide will be complete on December 15, 2024.

CMO teams will be trained to verify the recording of the relevant 2085 Placement Authorization form and IMPACT narrative December 31, 2024.

CPS policy will be revised to give specific instruction to complete and upload the 2085 Placement Authorization form into OneCase, and to enter placement relevant information into IMPACT at the time of placement. Policy is expected be revised and released December 15, 2024.

Responsible Person, Title: CPS Deputy Associate Commissioner

Implementation: December 31, 2024

Recommendation #2:

The Department should develop and implement a process to verify that SSCCs are completing a child plan of service for children/youth in temporary custody within 45 days as required.

Management's Response:

The development of the initial Child Plan of Service is a critical task captured in an automated data report and included in a monthly system briefing developed by the Office of Data and Systems Improvement (ODSI) for each individual SSCC which includes data specific to creating an individualized child plan of service within 45 days of the youth entering foster care. SSCCs have access to dashboard with monthly performance data based on case reviews.

To improve follow up with noncompliant foster care providers relative to recording timely initial Child Plan of Service, DFPS Office of Data and Systems Improvement (ODSI) will work with CBC Contracts to establish parameters defining significant noncompliance. The ODSI team will communicate significant noncompliance with foster care providers and establish specific processes for timely remediation. Absent remediation, ODSI will notify CBC Contracts of noncompliant providers, and CBC contracts will document the procedure for corrective action to take upon notification of provider noncompliance.

Responsible Person, Title: CPS Deputy Associate Commissioner/ CBC Operations Director

Implementation: August 31, 2024

MEDIUM

Chapter 2

Key Monitoring Reviews

The Department each year reviews the SSCCs' monitoring of foster care providers to help ensure compliance with key health and safety regulations, as well as compliance with rate payments to the foster care providers. The Department also performs monthly case file reviews and quarterly performance reviews to monitor SSCCs' compliance with requirements.

The Department strengthened its monitoring processes after the prior audit report in December 2022,⁸ but it should continue to improve its monitoring by creating a plan to address consistent or significant instances of noncompliance.

The Department strengthened processes to verify key information in its annual reviews.

During fiscal year 2023, the Department added procedures for its annual monitoring reviews (see text box for information about those reviews). Specifically, the Department independently verified monitoring information provided by the SSCCs by ensuring work was performed for a sample of the reviews including initial and annual medical exams and background checks. The Department also tested a sample of payments to foster families to ensure the families received required minimum rates.

Annual Monitoring Reviews

The Department determines whether SSCCs are monitoring foster care providers to verify compliance with certain health and safety requirements and whether foster families are being paid at least the required minimum rate.



Source: The Department.

⁸ See [An Audit Report on Performance-based Contracts at the Department of Family and Protective Services](#) (SAO Report No. 23-012, December 2022).

The Department should continue to strengthen its annual monitoring review process.

Although the Department added procedures to independently verify selected results of the SSCCs' monitoring, the Department could strengthen its review of SSCC monitoring by reconciling the Department's records of approved providers to the SSCCs' lists of reviewed providers to confirm that the SSCCs monitored all required providers.

The Department adequately performed case file reviews; however, it should consistently communicate issues identified to SSCCs and follow up on those issues.

The Department performed monthly regional case file reviews to identify issues related to each SSCC's completion of required documentation (see text box for more information about those reviews). For example, among the requirements monitored, the Department verified whether the SSCCs completed a family plan according to schedule and provided documentation of a caseworker having face-to-face contacts with the child's parents or other caregivers and the frequency of those visits.

While the monthly case file reviews effectively identified issues related to the requirements monitored, the Department did not consistently communicate those issues to SSCCs. Specifically, the Department's reviewers for St. Francis Ministries communicated trends quarterly and sent individual issues to the SSCC. In contrast, the Department's reviewers for Belong communicated trends to the SSCC quarterly but did not have a process in place to communicate all individual issues. The Department reviewers asserted that they would call the SSCC if there was a safety concern.

Additionally, the Department had not established a process to follow-up on monitoring issues identified during the regional case file reviews to determine

Case File Reviews

The Department reviews child cases to verify that the SSCC has completed required safety- and well-being-related documentation for a child in State care.



Source: The Department.

whether those issues were resolved. For example, of the 26 case file reviews tested, the Department correctly identified 8 instances in which the SSCC had not uploaded documentation into the Department’s Information Management Protecting Adults and Children in Texas (IMPACT) system. However, as of January 2024, the documentation still had not been uploaded for 4 (50 percent) of those 8 instances. The *State of Texas Procurement and Contract Management Guide* requires state agencies to implement a monitoring program that has well-defined follow-up actions. This includes periodically monitoring results to verify that corrective action is taken.

The Department strengthened its contract performance reviews to compare SSCC performance against established targets.

For its performance reviews (see text box), the Department compiled performance data from placement and service information that SSCC and Department employees entered into IMPACT, compared that data to targets, and created a report with the results for each quarter tested. Each quarter’s results were discussed between the Department and the SSCC, with the SSCC detailing reasons for any changes in performance. For two performance metrics that state auditors tested⁹, the Department accurately calculated the measure according to the methodology in the contract.

Since the prior audit, the Department updated the contracts with SSCCs to use only performance measures that were calculated using IMPACT data, instead of less reliable sources of self-reported data.

In addition, the Department had processes and controls to appropriately limit external SSCC access to the Child Protective Services module in IMPACT, which helps secure the data used for performance metrics.

Performance Reviews

The Department determines if the SSCC’s performance meets established targets for critical areas related to the children’s well-being, safety, and placement stability.



Source: The Department.

⁹ Auditors reviewed the calculation methodology for the following performance measures: (1) Children/youth have stability in their placements, and (2) Children/youth are placed in the least restrictive environment.

The Department should strengthen its case file and performance reviews by developing a process to evaluate and correct noncompliance.

Although the Department's contracts with the SSCCs describe corrective actions that can be imposed when an SSCC does not comply with contractual requirements, the Department did not have a process to identify when it is appropriate to impose corrective actions to address noncompliance. This issue was identified in the prior audit. Without a process to hold SSCCs accountable for noncompliance, the safety, health, and well-being of children receiving care may continue to be negatively affected.

The Department created thresholds for intervention for not meeting performance targets during performance reviews. However, the Department had not implemented those thresholds. It asserted that it had implemented them during the second quarter of fiscal year 2024, which was outside the scope of this audit. As of March 2024, the Department had not developed or implemented a process to impose corrective actions for noncompliance identified in its case file reviews.

Recommendations

The Department should:

- Reconcile its records of approved providers to the SSCCs list of reviewed providers to confirm that all required providers are monitored.
- Develop a process to communicate and follow-up on instances of noncompliance identified during regional case file reviews to the SSCCs in a timely manner for all regions responsible for case management.
- Develop and implement documented policies and procedures for reviewing performance metric results and regional case file results to:
 - Describe when staff should consider placing an SSCC on any type of corrective action for not meeting performance metric targets or case file requirements.

- Require documented justifications for not applying corrective action for identified instances of noncompliance.

Management's Response

Recommendation #1:

The Department should reconcile the Department's records of approved providers to the SSCCs list of reviewed providers to confirm that all required providers are monitored.

Management's Response:

In FY24 DFPS implemented a reconciliation process to confirm that the SSCCs monitor providers according to their approved monitoring plan.

All SSCCs share responsibility for completing the annual SSCC Joint Monitoring Review of Residential Providers (CPA, Adoption, GRO, ES, RTC) which includes any provider contracted with one or more SSCC. The SSCCs submit their annual joint monitoring assignments and plan to DFPS each fiscal year. The SSCCs upload each provider monitoring report into the DFPS SharePoint for verification. DFPS contract administration managers work collaboratively at the end of the year to verify that all required providers on the joint monitoring list have been monitored. CBC contracts staff implemented the reconciliation process in FY24 and will complete the written procedure August 31, 2024.

Responsible Person(s), Title: CBC Operations Director

Implementation: August 31, 2024

Recommendation #2:

The Department should develop a process to communicate and follow-up on instances of noncompliance identified during regional case file reviews to the SSCCs in a timely manner for all regions responsible for case management.

Management's Response:

Case Management Oversight (CMO) teams complete case reads focused on monitoring compliance with critical task completion and timeliness

for tasks. A communication plan to review performance evaluated through case reads was developed and is included in the CMO Case Read Procedures document. The CMO case reader emails the SSCC case worker and supervisor if they note any incorrect or missing information. Full case read summaries are shared by email every month with SSCC case worker and supervisor. SSCCs have access to the dashboard with monthly performance data based on case reviews. CMO teams meet with SSCC leadership at least quarterly to review data trends, strengths, and any concerns identified in the case read data or any concerns from the CMO case readers. Any major concerns are communicated to the SSCC case worker and supervisor immediately. A safety staffing for follow up is scheduled for any safety related concerns.

To improve follow up with noncompliant SSCCs relative to placement records for cases reviewed, DFPS Case Management Oversight (CMO) will work with CBC Contracts to establish parameters defining significant noncompliance. The CMO teams will communicate significant noncompliance with SSCCs and establish specific processes for timely remediation. Absent remediation, the CMO teams will notify CBC Contracts of noncompliant SSCCs, and CBC contracts will document the procedure for corrective action to take upon notification of provider noncompliance.

Standardization of the CMO feedback process August 31, 2024.

Procedure for corrective action of provider noncompliance December 31, 2024.

Responsible Person, Title: CPS Deputy Associate Commissioner / CBC Operations Director

Implementation: December 31, 2024

Recommendation #3:

The Department should develop and implement documented policies and procedures for reviewing performance metric results and regional case file results to:

3a. Describe when staff should consider placing an SSCC on any type of corrective action for not meeting performance metric targets or case file requirements.

Management's Response:

The Data Systems Improvement division, in collaboration with CPS Program, Community Based Care (CBC) Contracting Unit, and The Office of Community Based Care Transition, developed and implemented standardized compliance thresholds for each SSCC performance metric. The compliance thresholds were put in place starting FY24, quarter 2. With the necessary contract language in place, CBC contract management staff will develop written procedures that explain how to review the performance metric results and take corrective action when SSCCs fall below compliance thresholds.

CBC Contracts and DFPS Case Management Oversight (CMO) will establish a communications process so that CMO can inform CBC contracts when corrective action should be applied to an SSCC. CBC contracts will document the procedure when it is established with CMO.

Responsible Person(s), Title: CBC Operations Director / CPS Deputy Associate Commissioner

Implementation: August 31, 2024.

3b. Require documented justifications for not applying corrective action for identified instances of noncompliance.**Management's Response:**

CBC Contracts will establish a process for documenting justifications for not applying corrective action with SSCCs for identified instances of non-compliance.

Responsible Person(s), Title: CBC Operations Director

Implementation Date: August 31, 2024.

NOT RATED

Chapter 3-A Costs and Funding

The current funding model for community-based care was not always sufficient to cover the costs incurred by the SSCCs. Specifically, of the two SSCCs audited, funding from the Department did not cover the total costs incurred for one SSCC reviewed, but it was sufficient to cover the costs incurred under the contract for the other SSCC reviewed.

This audit focused on costs and funding for state fiscal years 2022 and 2023. The numbers identified in this report may change based on the contractors' end-of-year accounting procedures and the Department's reconciliations for fiscal year 2023, which were not completed during the audit scope (see Chapter 3-B for information about the reconciliations).

Expenditures tested from each SSCC were supported and costs were associated with each contract. See the Background section for more information on the community-based care funding model and Appendix 2 for amounts by funding mechanism for each contract.

State Auditor's Office Review of Costs and Funding

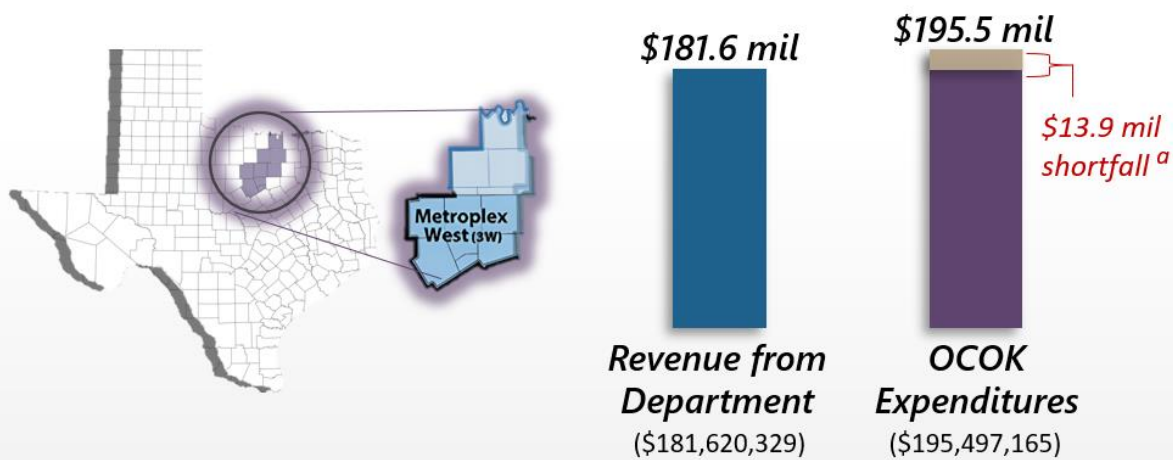
The State of Texas House Committee on Appropriations and the Senate Committee on Finance requested that the State Auditor's Office identify the actual administrative costs incurred by an SSCC and determine whether the current funding methodology is sufficient to cover costs.

The funding of performance-based contracts did not cover costs that Our Community Our Kids (OCOK) incurred under the contract.

Funding from the Department did not cover the costs incurred from September 1, 2021, through August 31, 2023, under the community-based care contract for OCOK,¹⁰ which provides foster care placement services in Metroplex West Region 3w.¹¹ The Department provided OCOK \$181.6 million in funding, and OCOK’s records identified \$195.5 million in foster care contract-related expenses (see Figure 6 below and Figure 7 on the next page for details).

Figure 6

Overview: OCOK Fiscal Year 2022 through Fiscal Year 2023



Background

Our Community Our Kids (OCOK) is a division of ACH Child and Family Services, a 501(c)3 nonprofit organization. It has provided community-based care in the Texas foster care system since 2014. In March 2020, OCOK became the first contractor to enter Stage II of Community-Based Care. It serves the Metroplex West region, which includes several counties around the Fort Worth area.

^a This does not include \$4.0 million that the Department owed OCOK as a result of the annual reconciliations completed in May 2024 (after the audit scope) or \$1.6 million in non-state revenue that OCOK reported it received.

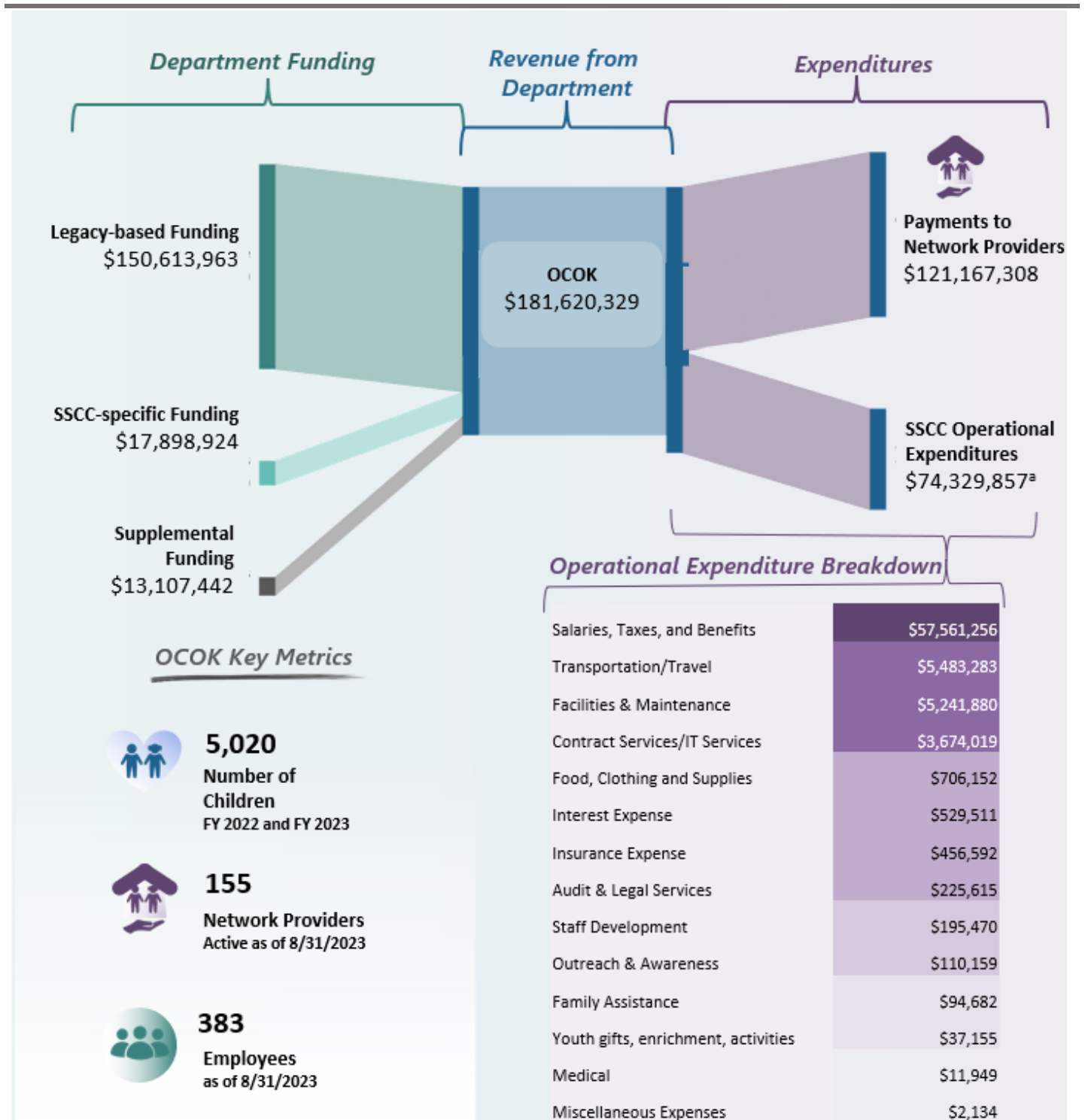
Source: Based on information from the Department and OCOK.

¹⁰ Funding did not cover costs for OCOK in either fiscal year 2022 or 2023.

¹¹ Metroplex West, which as region 3b had consisted of seven counties around Fort Worth, grew by three adjacent counties in November 2023 and became region 3w.

Figure 7

Overview: OCOK Fiscal Years 2022 and 2023 continued



^a The SSCC operational expenditures include both (1) administrative costs and (2) expenditures for the support of children, such as salaries for case managers.

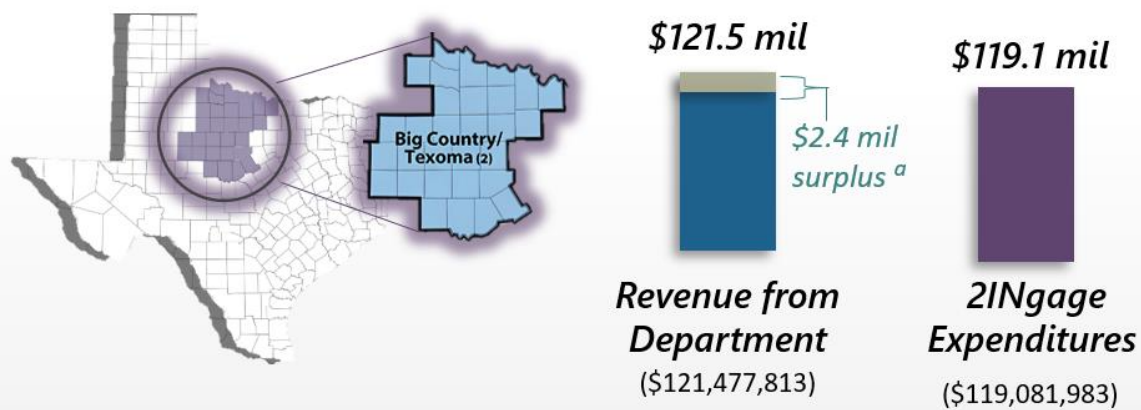
Sources: Based on information from the Department and OCOK.

The funding was sufficient to cover the costs that 2INgage incurred under the contract.

Funding from the Department was sufficient to cover the costs incurred from September 1, 2021, through August 31, 2023, under the community-based care contract for 2INgage,¹² which provides foster care placement services in the Big Country and Texoma region of northwest Texas. The Department provided 2INgage \$121.5 million in funding, and 2INgage’s records showed that it incurred \$119.1 million in foster care contract-related expenses (see Figure 8 below and Figure 9 on the following page for details).

Figure 8

Overview: 2INgage Fiscal Year 2022 through Fiscal Year 2023



Background

2INgage is a division of TFI: The Family Initiative, a 501(c) 3 nonprofit organization. It has provided community-based care in the Texas foster care system since 2018. In June 2020 it became the second contractor to enter Stage II of Community-based Care. 2INgage serves 30 counties in northwest Texas, an area that includes the cities of Abilene and Wichita Falls.

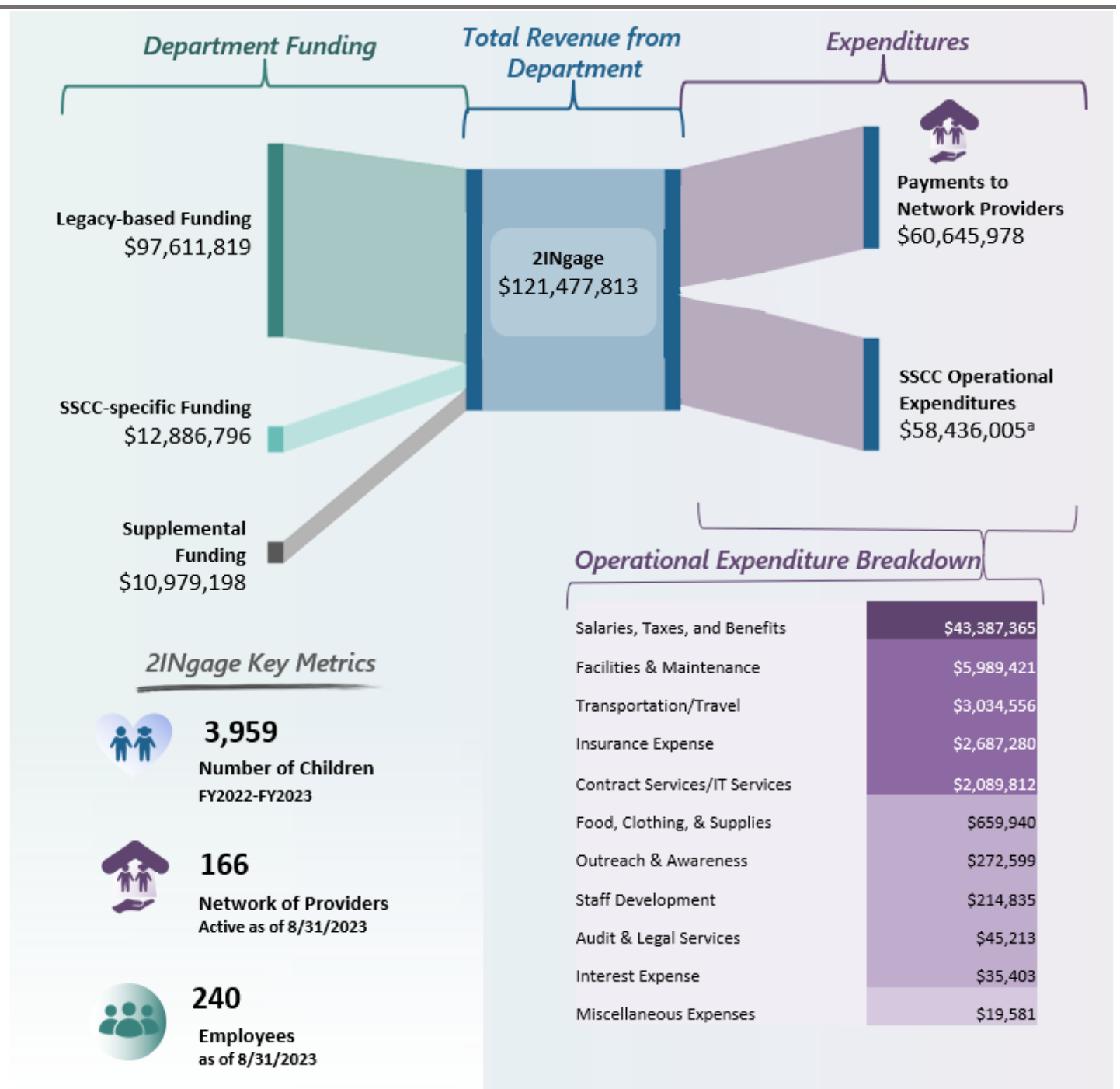
^a This does not include \$1.8 million that the Department determined 2INgage owed the State as a result of the annual reconciliations completed in May 2024 (after the audit scope). This also does not include \$233,184 in non-state revenue that 2INgage reported it received.

Source: Based on information from the Department and 2INgage.

¹² Funding covered costs for 2INgage in both fiscal year 2022 and 2023.

Figure 9

Overview: 2INgage Fiscal Years 2022 and 2023 continued



^a The SSCC operational expenditures include both (1) administrative costs and (2) expenditures for the support of children, such as salaries for case managers.

Sources: Based on information from the Department and 2INgage.

MEDIUM

Chapter 3-B Funding Reconciliations

To help ensure that it accurately pays SSCCs, the Department implemented monthly reconciliations between SSCC case management records and IMPACT placement records. The Department also established annual reconciliations to identify the correct payments for three funding types.

While the Department utilized these processes to correct payment discrepancies identified between SSCC records and Department records, it did not always perform the reconciliations monthly for one of the SSCCs and did not have a process to verify information provided by the SSCCs for exceptional care payments.

The Department performed reconciliations to determine whether payments for SSCC foster care services were accurate.

The Department implemented processes to perform monthly reconciliations with SSCCs to (1) correct foster care placement discrepancies between SSCC case management records and IMPACT placement records, and (2) update payments based on the resolution.

The Department and 2INGage performed the monthly reconciliations as required by the contract, and the Department updated the payments upon resolution of the reconciliations.

The Department and OCOK also performed reconciliations of foster care placement information. However, instead of monthly reconciliations as required by the contract, OCOK reported its information needed for the reconciliation for time periods ranging from four months to eight months.

The Department performed annual reconciliations for foster care and network support payments.

The contract requires the Department to perform reconciliations six months after the fiscal year end to identify:

- (1) The difference between the foster care payments made at the blended rate and what the SSCC would have been paid using legacy rates,
- (2) The equal cost share for the exceptional rate, and
- (3) The difference between the actual and projected number of child full time equivalents for the network support payment.

The reconciliations the Department completed for fiscal year 2022 were effective in identifying the amounts and updating the payments.

The Department could strengthen its reconciliations for the exceptional rate if it reviewed the accuracy of the expense amounts that the SSCC self-reports to verify information supporting the cost share payments.

After it completed the fiscal year 2022 reconciliations, the Department compensated OCOK \$5,568,200 for underpaid amounts and identified that 2iNgage owed \$880,719 for overpayments.¹³

Recommendations

The Department should:

- Work with SSCCs to perform reconciliations on foster care payment information for all regions each month as required.
- Create processes to verify exceptional care expenses before payments from annual reconciliations are processed.

¹³ The fiscal year 2023 annual reconciliations were performed after the scope of the audit and therefore were not included for this report.

Management's Response

Recommendation #1:

The Department should work with SSCCs to perform reconciliations on foster care payment information for all regions on monthly basis as required.

Management's Response:

For the regions under SSCC contracts, DFPS currently conducts an end-of-month placement discrepancy and reconciliation process with the SSCC to ensure accurate payment data is in IMPACT. The SSCCs are contractually required to participate in the process. CBC facilitates these meetings and works in collaboration with the SSCCs to track and verify accurate placement data is recorded and payment data is correct in IMPACT. CBC will develop a standardized method and tools for conducting and documenting this process with regions under SSCC contracts.

Responsible Person(s), Title: CBC Operations Director

Implementation Date: September 1, 2024.

Recommendation #2:

The Department should create processes to verify exceptional care expenses before the payments from the annual reconciliations are processed.

Management's Response:

Implemented for FY 2024 reporting. The Q1 reports were issued in March 2024.

The Cost Reports process to verify exceptional care expenses was implemented for FY24 reporting and first quarter reports were issued in March 2024. This process requires SSCCs to submit a Cost Report in the format prescribed by the Texas Health and Human Services Provider Finance Division under the authority of 1 TAC 355.102 – 355.111 and 40 TAC 700-1751 – 700.1753.

The Cost Reports require sufficient supporting documentation for all entries, including exceptional care, and each report requires certification by an executive of the SSCC.

DFPS has access the Cost Report via the State of Texas Automated Information Reporting System (STAIRS) and utilizes the reports to validate exceptional care expenditures in the reconciliation process.

Cost Reports are submitted quarterly 120 days after close of the fiscal period. Cost Report instructions are attached.

Responsible Person(s), Title: CBC Operations Director

Implementation Date: The cost report process was implemented in FY24 and the Q1 reports were issued March 2024.



Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine:

- If the Department of Family and Protective Services (Department) has processes and related controls to monitor its performance-based contracts to help ensure that select contract provisions are being enforced.
- The costs for selected Single Source Continuum Contractors (SSCCs) to administer and deliver services required under their performance-based contracts.
- Whether the Department's funding of contractors is sufficient to cover the incurred cost associated with administering and delivering contracted services.

The following members of the State Auditor's staff performed the audit:



- Anna Howe, CFE (Project Manager)
- Link Wilson, CFE (Assistant Project Manager)
- Michael Bennett
- Rachel Lynne Goldman, CPA, CISA, CFE
- Arnton Gray, CPA, CIA
- Rory Hardin
- Benjamin Nathaniel Keyfitz, CPA, CFE
- Matthew J. Montgomery, CISA, CFE
- Venus Santos, CFE
- Heather Sterns
- Josh Wright
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Hillary Eckford, CIA, CFE (Audit Manager)

Scope

The scope of this audit included the Department’s monitoring of two SSCCs— Saint Francis Ministries and Belong—from September 1, 2022, through October 31, 2023. Additionally, for two other SSCCs, OCOK and 2INgage, it included the Department’s funding and the SSCCs’ incurred costs associated with administering and delivering the performance-based contracted services from September 1, 2021, through August 31, 2023.

The scope also included a review of significant internal control components related to the Department’s monitoring and funding of the SSCCs.

Methodology

We conducted this performance audit from August 2023 through May 2024 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Department management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed Department management and staff to gain an understanding of the Department’s processes.
- Interviewed SSCC staff to gain an understanding of contractors’ accounting methods.
- Identified the relevant criteria:
 - Performance-based contracts and *Joint Operations Manuals* between the Department and the SSCCs included in the scope of the audit.

- Department policies including the *Child Protective Services Handbook*, *Community-Based Care Contract Administration Manager Guide*, *Foster Care Pass-Through Payment Audit Sample Determination Guide*, and the *Community Based Care Guide to Stage II Case Reads*.
- *State of Texas Procurement and Contract Management Guide*.
- Evaluated the Department’s oversight of Saint Francis Ministries and Belong by:
 - Determining if the Department performed oversight activities on areas it determined to be high risk.
 - Evaluating the following oversight activities: (1) annual reviews of the SSCCs’ monitoring and payments to foster care network providers, (2) reviews of SSCC contract performance measures, and (3) case file reviews.
 - Reviewing the SSCCs’ user access in the Information Management Protecting Adults and Children in Texas (IMPACT) system.
- Identified costs incurred to administer and deliver the contracted services with OCOK and 2INGage by obtaining each SSCC’s general ledger, reviewing the support for a sample of expenditures to verify the costs were associated with the contract, and classifying costs into categories.
- Evaluated the Department’s funding of OCOK and 2INGage by (1) comparing total funding the Department provided to incurred costs identified and (2) reviewing the reconciliation processes associated with Department payments to the SSCCs.
- Tested the populations and samples listed in Figure 10 on the next page.

Figure 10

Total Populations and Samples Selected for Testing

Population	Population Size	Sampling Size and Methodology ^{a b}
Child Placements (Those in Temporary Custody) ^b	2,243 placement records	Tested 59 placements: <ul style="list-style-type: none"> • Randomly selected 50 placements. • Selected a risk-based sample of 9 placements to provide coverage of different pay rates and those with missing data fields.
Case File Reviews ^b	1,901 reviews	Tested 26 case file reviews: <ul style="list-style-type: none"> • Randomly selected 25 case file reviews. • Used professional judgement to select 1 review from the 11 case file reviews that were subject to additional quality assurance processes.
Performance Measure Reviews ^b	8 quarters	Tested 4 quarters that were selected using professional judgment to provide coverage of the year and include year-end reports.
Annual Review - Minimum Required Payments ^b	50 payments reviewed by the Department	Tested 10 payments that were selected using professional judgment to provide coverage of payment reviews for various providers, rates, and months.
Monthly Reconciliation - 2iNgage ^{c d}	24 monthly reconciliations	Tested four randomly selected monthly reconciliations. Additionally, 10 discrepancies were selected within each month by random selection to test updates to payments.
General Ledger Expenditures - OCOK	10,990 non-payroll expenditures associated with administrative costs and 2,209 payroll expenditures	Tested 28 expenditures: <ul style="list-style-type: none"> • Randomly selected 25 non-payroll expenditures. • Used professional judgment to select 1 non-payroll expenditure to obtain coverage of a large expenditure and 2 payroll expenditures to obtain coverage of the largest salaries and bonus expenditures.
General Ledger Expenditures – 2iNgage	6,329 non- payroll expenditures associated with administrative costs and 2,710 payroll expenditures	Tested 31 expenditures: <ul style="list-style-type: none"> • Randomly selected 25 non-payroll expenditures • Used professional judgment to select 4 non-payroll expenditures to obtain coverage of large expenditures and 2 payroll expenditures to obtain coverage of the largest salaries and bonus expenditure.
General Ledger Expenditures– 2iNgage Capacity Funding ^e	563 non-payroll expenditures associated with administrative costs	Tested 10 expenditures: <ul style="list-style-type: none"> • Randomly selected 9 expenditures. • Used professional judgment to select 1 expenditure to get coverage of large expenditures.

^a Except for the sample selected for monthly reconciliations, the samples listed in this figure are nonstatistical samples and were not representative of the populations. The results, as reported, do not identify which items were randomly selected so the sample could be evaluated in the context of the population or were selected based on risk factors or using professional judgment; therefore, it would not be appropriate to project the test results to the populations.

^b The population sizes and sample sizes for child placements, case file reviews, performance measure reviews, and minimum required payments include both Belong and Saint Francis Ministries.

Population	Population Size	Sampling Size and Methodology ^{a b}
<p>^c The population includes only 2INGage reconciliations because OCOK’s reconciliations were not performed monthly during the scope of this audit.</p> <p>^d For monthly reconciliations, the sample is nonstatistical and the random sample design was used so the sample would be representative and could be evaluated in the context of the population. Sample results may be projected to the population, but the accuracy of the project cannot be measured.</p> <p>^e 2INGage provided auditors with an additional general ledger covering expenditures associated with Capacity Grant Funding.</p>		

Data Reliability and Completeness

To determine data reliability and completeness, auditors (1) observed the extraction of requested reports for placements, user access, funding, and general ledgers, (2) reviewed data queries and report parameters for all reports, (3) analyzed the reports for reasonableness and completeness, (4) tested SSCCs’ user access to IMPACT, and (5) tested samples of expenditures to verify that they were associated with the contracts. Auditors determined that the following data sets were sufficiently reliable and complete for the purposes of the audit:

- **IMPACT:**
 - Population of child placement data for children in temporary custody between September 1, 2022, and October 31, 2023.
 - Population of performance data results for two selected metrics for the quarter ending August 31, 2023.
 - Access reports for SSCC users as of November 13, 2023.
- **CAPPS (Centralized Accounting and Payroll/Personnel System):** Payments from the Department to SSCCs between September 1, 2021, and August 31, 2023.
- **SSCC Financial Systems:** General ledgers and trial balances for September 1, 2021, through August 1, 2023.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse;

significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Appendix 2

Department Payments to OCOK and 2INgage

Figure 11 details the state funding that OCOK received for fiscal years 2022 and 2023. Figure 12 details the state funding that 2INgage received for the same period.

Figure 11

Payments to Our Community Our Kids (OCOK) Fiscal Years 2022 and 2023

Type of Funding	Funding Sub-Type	Fiscal Year 2022	Fiscal Year 2023
Legacy-based Funding			
Administrative	Resource Transfer - Stage I Functions	\$3,212,804	\$3,609,548
	Resource Transfer - Stage II Functions	\$18,454,657	\$19,769,582
	Quality and Utilization Management	\$151,926	\$161,642
Children-specific services	Preparation for Adult Life Skills - Stages I and II	\$149,600	\$64,271
	Substance Use Disorder Testing and Treatment - Stage II	\$343,101	\$290,907
	Other Purchased Services (Supports Permanency Efforts) - Stage II	\$1,283,660	\$1,591,244
	Adoption Purchased Services	\$1,096,000	\$999,000
Foster Care Rates	Blended Rate and Rate Add-On	\$38,904,186	\$35,137,662
	Exceptional Rate	\$16,828,084	\$7,325,199
	Supervised Independent Living	\$608,244	\$632,647
SSCC-specific Funding			
Administrative Funding Established Specifically for SSCCs	Additional Resource Transfer – Recurring Payment of 25 Percent of Initial Stage II Resource Transfer	\$5,103,016	\$5,103,016
	Child and Adolescent Needs and Strengths (CANS)	\$237,881	\$250,019
	Network Support Payment (\$1,900 per child full time equivalent)	\$3,329,393	\$3,875,598

Type of Funding	Funding Sub-Type	Fiscal Year 2022	Fiscal Year 2023
Supplemental Funding			
Additional Federal and State Funds	Supplemental Chafee Independent Living Funding	\$367,737	\$0
	Supplemental Kinship Support Services	\$33,964	\$26,029
	State Rider 51 – Capacity Grant Funding	\$5,526,064	\$5,363,517
	State Rider 48 - Texas Family First Pilot Program	\$715,864	\$613,502
	Other Child Protective Services (CPS) Funds	\$239,670	\$221,095
Totals for Each Fiscal Year		\$96,585,851	\$85,034,478
Total for Both Fiscal Years		\$181,620,329	

Source: Department accounting records from the Centralized Accounting and Payroll/Personnel System.

Figure 12

*Payments to 2iNgage
Fiscal Years 2022 and 2023*

Type of Funding	Funding Sub-Type	Fiscal Year 2022	Fiscal Year 2023
Legacy-based Funding			
Administrative	Resource Transfer - Stage I Functions	\$1,811,558	\$1,996,804
	Resource Transfer - Stage II Functions	\$15,858,929	\$17,269,691
	Quality and Utilization Management	\$87,220	\$94,510
Children-specific services	Preparation for Adult Life Skills - Stages I and II	\$107,800	\$103,933
	Substance Use Disorder Testing and Treatment - Stage II	\$282,137	\$341,750
	Other Purchased Services (Supports Permanency Efforts) - Stage II	\$1,022,715	\$1,024,718
	Adoption Purchased Services	\$686,000	\$413,000
Foster Care Rates	Blended Rate and Rate Add-On	\$21,354,108	\$20,691,434
	Exceptional Rate	\$5,407,759	\$8,688,206
	Supervised Independent Living	\$184,020	\$185,528

Type of Funding	Funding Sub-Type	Fiscal Year 2022	Fiscal Year 2023
SSCC-specific Funding			
Administrative Funding established specifically for SSCCs	Additional Resource Transfer – Recurring Payment of 25 Percent of Initial Stage II Resource Transfer	\$3,500,000	\$3,500,000
	Child and Adolescent Needs and Strengths (CANS)	\$78,659	\$84,252
	Network Support Payment (\$1,900 per child full time equivalent)	\$2,579,643	\$3,144,242
Supplemental Funding			
Additional Federal and State Funds	Supplemental Chafee Independent Living Funding	\$375,000	\$0
	Supplemental Kinship Support Services	\$43,635	\$30,810
	State Rider 51 – Capacity Grant Funding	\$4,378,179	\$3,882,708
	State Rider 48 – Texas Family First Pilot Program	\$1,085,557	\$930,333
	Other Child Protective Services (CPS) Funds	\$127,950	\$125,025
Totals for Each Fiscal Year		\$58,970,869	\$62,506,944
Total for Both Fiscal Years		\$121,477,813	

Source: Department accounting records from the Centralized Accounting and Payroll/Personnel System.

Appendix 3

Related State Auditor's Office Reports

Figure 13

Report Number	Report Name	Release Date
<u>23-012</u>	<i>An Audit Report on Performance-based Contracts at the Department of Family and Protective Services</i>	December 2022
<u>22-011</u>	<i>An Audit Report on the Information Management Protecting Adults and Children in Texas (IMPACT) System at the Department of Family and Protective Services</i>	December 2021
<u>22-006</u>	<i>An Audit Report on On-site Financial Audits of Selected Residential Foster Care Contractors</i>	October 2021
<u>18-022</u>	<i>An Audit Report on Foster Care Redesign at the Department of Family and Protective Services</i>	March 2018



Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Department of Family and Protective Services

Ms. Stephanie Muth, Commissioner



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our website: <https://sao.texas.gov>.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), or 1-800-RELAY-TX (TDD); or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government, visit <https://sao.fraud.texas.gov>.