

TEXAS HEALTH AND HUMAN SERVICES COMMISSION
OFFICE OF INSPECTOR GENERAL

**AUDIT OF PASSAGE OF YOUTH
FAMILY CENTER, INC.**

*Child-Placing Agency Residential Child-Care
Contract with the Texas Department of Family and
Protective Services*



November 30, 2018



HHSC OIG

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WHY THE OIG CONDUCTED THIS AUDIT

Passage of Youth Family Center, Inc. (Passage of Youth) operates as a child-placing agency under a residential child-care contract with the Texas Department of Family and Protective Services (DFPS).

Passage of Youth served 245 children in calendar year 2015, and was responsible for (a) placing children with foster parents, (b) paying foster parents at contracted rates that pay at least minimum amounts established by DFPS, (c) providing case management, and (d) monitoring to ensure the needs of the placed children were met.

Payments for services provided under this contract are based on a daily rate per child set by the level of service required. The contract provided approximately \$2.5 million in funding to Passage of Youth during the scope of the audit, which included the period of January 1, 2015, through December 31, 2015.

WHAT THE OIG RECOMMENDS

Passage of Youth should:

- Update service plans as required by Texas Administrative Code.
- Maintain complete master records for foster parents and children.
- Maintain supporting documentation for all transactions recorded in the general ledger.
- Submit correct cost reports to HHSC.
- Continue to work with accounting professionals to ensure financial reporting is correct.

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WHAT THE OIG FOUND

Passage of Youth did not perform in accordance with selected contract requirements.

Information contained in master records for 60 children indicated that case managers did not timely review and update 14 service plans associated with 11 children. A service plan identifies a child's basic and specific needs, and how the child-placing agency will meet those needs.

Passage of Youth based 47 of the 265 foster family payments tested on information that did not agree with the DFPS system of record. There was no indication a reconciliation had been completed to identify and correct any inaccuracies in the Passage of Youth or DFPS information, and make any needed adjustments to the original payment amounts.

Passage of Youth did not include all required documents in each foster family home's master record. Of 37 family foster home master records tested, master records for 18 foster family homes were missing at least one document, with 2 of the 18 missing multiple documents. Missing documents included background checks, financial records, and records of supervisory visits.

Passage of Youth did not include all required documents in each child's master record. Of 60 children's master records tested, 3 did not include all pertinent information regarding service plans, and 5 did not contain documents to verify therapy services had been performed.

Finally, Passage of Youth did not provide support documentation for various general ledger transactions totaling \$97,293.34, did not provide support for salary and other expenses included in reported officer's compensation of \$253,255.32, and submitted an incorrect cost report to HHSC.

The OIG Audit Division evaluated Passage of Youth to determine whether it (a) used state funds as intended for children placed with foster parents based on the documented service level and need per child, (b) conducted oversight of foster parents, and (c) implemented and updated children's service plans.

The OIG Audit Division presented preliminary audit results, issues, and recommendations to Passage of Youth in a draft report dated July 25, 2018. Passage of Youth provided responses to the audit recommendations, and the action plans are included in the report following each recommendation.

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INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Office of Inspector General (OIG) Audit Division has completed an audit of Passage of Youth Family Center, Inc. (Passage of Youth). Passage of Youth operates as a child-placing agency under a residential child-care contract with the Texas Department of Family and Protective Services (DFPS).

A child-placing agency is an organization that plans for the placement of, or places a child in, a child-care operation or adoptive home, and is a licensed residential child-care operation that may verify and regulate its own homes subject to DFPS minimum standards.

This report details the results of the audit of Passage of Youth's child-placing agency contract with DFPS. Payments for services provided under this contract are based on a daily rate per child set by the level of service required, similar to a fee-for-service contract. The amount of funding from DFPS to Passage of Youth totaled \$2,555,691.23 during calendar year 2015, the scope of the audit.

Objectives and Scope

The objectives of the audit were to determine whether Passage of Youth:

- Used state funds as intended for children placed with foster parents based on the documented service level and need per child
- Conducted oversight of foster parents
- Implemented and updated children's service plans

Based on a request from the Department of Health and Human Services, the scope of the audit included the period of January 1, 2015, through December 31, 2015.

Background

During the audit period, Passage of Youth was licensed to operate as a child-placing agency with offices located in Dallas and Bedford, Texas. The agency placed children with foster family homes within Dallas and Tarrant County. DFPS screens foster family homes to ensure they meet licensing standards.

DFPS contracts with a third party to conduct initial needs assessments of children before Passage of Youth places them in a foster family home. The third-party contractor uses needs assessments to determine the appropriate level of service (basic, moderate, specialized, or intense)¹ for each child, depending on his or her

¹ DFPS Residential Child-Care Contract #23680541, Attachment C (Sept. 1, 2014).

service needs. Foster family homes are to provide an appropriate environment for the children based on each child's needs assessment. The assigned level of service also determines the daily rate DFPS pays to Passage of Youth for the child.

Passage of Youth serves children by (a) placing them with foster parents, (b) paying foster parents at contracted rates that pay at least minimum amounts established by DFPS, (c) providing case management, and (d) monitoring to ensure the needs of the placed child are met.

The OIG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

The OIG Audit Division presented preliminary audit results, issues, and recommendations to Passage of Youth in a draft report dated July 25, 2018. Passage of Youth provided responses to the audit recommendations, and the action plans are included in the report following each recommendation.

AUDIT RESULTS

Passage of Youth is required to perform services in accordance with the DFPS Residential Child-Care Contract,² which requires Passage of Youth to comply with the minimum standards for child-placing agencies detailed in the Texas Administrative Code (TAC). The OIG Audit Division reviewed the extent to which Passage of Youth met selected requirements contained in the contract.

CHILDREN’S SERVICE PLANS

TAC requires a child-placing agency to create, review, and update service plans for children it places into foster family homes.³ A service plan identifies a child’s basic and specific needs, and how the child-placing agency will meet those needs. Timely service plan updates are necessary to ensure children receive all necessary medical and therapeutic services. Failure to identify changes in a child’s condition on a timely basis could compromise the child’s health and wellbeing.

Passage of Youth, per contract, must assign case managers⁴ responsible for reviewing and updating service plans. Service plans must be reviewed and updated within specific timeframes of 90 or 180 days from the child’s last service plan, depending on the services required, as detailed in Table 1.⁵

Table 1: Minimum Standards for Child-Placing Agencies

Type of Service	Review and Update
Child-care services	At least 180 days of the child’s last service plan.
Treatment services for emotional disorder, pervasive developmental disorder, or primary medical needs	At least 90 days from the child’s last service plan.
Treatment services for mental retardation	In the first year of care, the plan must be reviewed at least every 180 days from the date of the child’s last service plan. Thereafter, the plan must be reviewed at least annually from the date of the child’s last service plan review.

Source: Texas Administrative Code

² DFPS Residential Child-Care Contract #23680541 § 24 (Sept. 1, 2014).

³ 40 Tex. Admin. Code §§ 749.1301 through 749.1339 (Jan. 1, 2007, through Dec. 1, 2014).

⁴ DFPS Residential Child-Care Contract #23680541, Attachment B (Sept. 1, 2014).

⁵ 40 Tex. Admin. Code §749.1331 (Jan. 1, 2007).

Issue 1: Passage of Youth Did Not Always Timely Review and Update Children’s Service Plans

Passage of Youth’s case managers did not always timely review and update children’s service plans.

Passage of Youth served 245 children during calendar year 2015. The OIG Audit Division selected a haphazard sample⁶ of master records⁷ for 60 of the children to test the service plans documented in the records. Audit results indicated that, for the master records tested, Passage of Youth did not timely review and update the service plans for 11 children identified by sample numbers in Table 2. Fourteen service plans were past due from one to 20 days, as detailed in Table 2.

Table 2: Delinquent Service Plans

Sample Number	Number of Delinquent Instances	Number of Days Past 90 Days	Number of Days Past 180 Days	Total Delinquent Days
02	1	—	6	6
03	1	—	6	6
04	1	—	6	6
17	1	—	2	2
19	1	—	5	5
24	2	3	—	3
35	3	20	—	20
41	1	1	—	1
42	1	—	1	1
45	1	—	15	15
50	1	—	8	8

Source: OIG Audit Division

A delay in updating a child’s service plan could harm the emotional, psychological, intellectual, and physical health of the child by not timely identifying the need for new or additional treatment services. The OIG Audit Division could not determine whether there was a negative impact on any of the children associated with the 14 instances where the case manager did not review and update the service plans on time, as required by TAC.

⁶ “Haphazard selection refers to selecting sample items without intentional bias. Haphazard does not imply that the auditor is careless in selecting the items to be sampled; rather, it typically involves an effort to choose an unbiased sample.” Barbara Apostolou, “Nonstatistical Sample Selection Methods,” in *Sampling: A Guide for Internal Auditors*, the Institute of Internal Auditors Research Foundation (May 2004).

⁷ A “master record” is the compilation of all required records for a specific person or home, such as a master personnel record, master case record for a child or a master case record for a foster or adoptive home.

Recommendation 1

Passage of Youth should put processes and controls in place to ensure its staff follow TAC requirements for timely updating service plans.

Management Response**Action Plan**

Passage of Youth disagrees with Updating Service Plans finding in the OIG Report. Passage of Youth was not given the opportunity to explain in detail or/and justify and reason for a delay in an initial or updating a service plan. Contractor explained to HHSC OIG that dates of a service plans may vary or changed based subsequent move placements, runaway status, psychiatric hospital bed-days, respite days, etc. This documentation is maintained in the child's master files and within case managers summary notes. Children must be present at all service plan meetings. Therefore, dates may be altered or delayed if the child is not in the home. An explanation of these common occurrences was provided to HHSC OIG on 2/15/18. Further explanation for each tested sample number was not given to contractor.

Responsible Manager

Case Manager, Program Director and Executive Director

Auditor Comment

Passage of Youth did not complete the identified service plan updates within the required timelines.

FOSTER FAMILY HOME PAYMENTS

DFPS pays Passage of Youth a daily rate to meet a child's basic needs based on the child's service level assessed by a contracted third party. DFPS also mandates child-placing agencies pay a minimum specific portion of the payment to foster family homes per day for the child's assessed service level.⁸ Passage of Youth has adopted an internal policy to pay more than the minimum DFPS-required amount to its foster family homes. TAC requires a child-placing agency to have an agreement with its foster family homes that includes the agreed upon payment per child.⁹ The agreement should be honored, even if the amount is greater than required by DFPS.

DFPS billing staff use information generated from the Information Management Protecting Adults and Children in Texas (IMPACT) to create provider statements. IMPACT is the application DFPS uses to record case information about the children and adults the agency protects, including the child's service level at placement and the number of days the child was with the child-placing agency. IMPACT is considered the system of record for this information, which DFPS uses to calculate child-placing agency payment amounts.

Passage of Youth is required to make payments to foster family homes no later than the tenth day after it receives payment from DFPS.¹⁰

Issue 2: Data Supporting Passage of Youth Payments Did Not Always Align with IMPACT Data

Passage of Youth made timely payments to its foster family homes and made accurate payments based on internal records Passage of Youth maintained for the number of days in care and the assessed service level for each child. Passage of Youth pays a higher rate to its foster family homes than DFPS. However, data supporting Passage of Youth payments to the foster family homes did not always align with the data in IMPACT.

Passage of Youth made 980 payments, totaling \$895,252.95, to foster family homes where it had placed children from January 1, 2015, through December 31, 2015. The OIG Audit Division haphazardly selected 4 months from the audit period, and reviewed all 265 payments Passage of Youth made during those months to test the timeliness and accuracy of Passage of Youth payments to foster care homes. Passage of Youth made the 265 payments, totaling \$239,413.95, to 37 foster family homes.

⁸ DFPS Residential Child-Care Contract #23680541, Attachment A (Sept. 1, 2014).

⁹ 40 Tex. Admin. Code § 749.2487(b)(2) (Jan. 1, 2007).

¹⁰ Tex. Gov. Code § 2251.022(a) (Sept. 1, 1993).

Passage of Youth entered the number of days in care and the assessed service level for each child in a spreadsheet and used that information to calculate foster family home payments.

To test whether the information Passage of Youth used to calculate its foster family home payment amounts was accurate for the four selected months, the OIG Audit Division obtained provider statements from DFPS, and compared the information in the provider statements with the information in the Passage of Youth spreadsheet.

Audit results indicated that information for 47 of the 265 payments tested included differences in either number of days of care or service levels. Of the 47 instances where the information was inconsistent between the sources, 35 had different placement dates or discharge dates, which impacted a calculation of the number of days of care, and 12 had different service levels. Differences in the information could be the result of keying errors by either Passage of Youth staff or DFPS staff, or could result from system limitations in IMPACT. When the difference is the result of a Passage of Youth error, the incorrect information in the spreadsheet would result in inaccurate payment to the foster family home.

Passage of Youth stated that it works with DFPS to resolve any inconsistencies in the data used to support payments to foster family homes, a process that sometimes takes several months to complete after Passage of Youth receives the DFPS provider statements. The reconciliation process indicates that errors are made by both the Passage of Youth and DFPS staff. When the Passage of Youth information contains errors, Passage of Youth corrects the errors and adjusts any corresponding overpayments or underpayments to foster family homes. When IMPACT has errors, DFPS corrects the errors in the system and adjusts payments to Passage of Youth. Auditors noted instances outside of the four months of payments tested in which both Passage of Youth and DFPS made payment adjustments.

For the payments tested, there was no evidence that Passage of Youth had received the DFPS provider statements, and there was no indication that a comparison of information had been performed.

The OIG Audit Division requested source documentation from DFPS for the 47 instances where information differed, but the information was not readily available for testing. As of the date when audit fieldwork ended, Passage of Youth had not initiated the process of working with DFPS to reconcile the differences, and no payment adjustments had been made.

Under an assumption that the IMPACT information was correct (which is not always the case), recalculation of payments associated with the 47 instances where information for the payments tested differed would have resulted in net

underpayments of \$95 per DFPS payments requirements, and net underpayments of \$1,102 at the rates Passage of Youth pays the foster family homes. Appendix C provides details about the inconsistent payments.

Without timely comparison and resolution that results in Passage of Youth using accurate information to calculate payment amounts, Passage of Youth could inadvertently make, and fail to timely adjust, incorrect payment amounts to foster family homes. Passage of Youth cannot perform payment reconciliations until it receives provider statements from DFPS.

The OIG has notified DFPS of the potential for incorrect foster family home payments when child-placing agencies do not timely receive provider statements with which to reconcile.

MASTER RECORD DOCUMENTATION

Passage of Youth is required to maintain comprehensive and legible records of all actions performed by the agency, including financial, programmatic, and other records pertinent to claims or services delivered to children in its care during the contract period.¹¹

Passage of Youth manually files documentation in three ring binders because it does not have a case management system to store information electronically. Passage of Youth organized one set of binders by foster family home with tabs for application, background checks, financial status, home assessments, quarterly visits, and other important information. Passage of Youth used a second set of binders organized by child with tabs that included psychological assessments and evaluations, service plans, and therapy reports.

TAC requires Passage of Youth to maintain records¹² for:

- Background checks, conducted by federal and state agencies to determine whether a person has any history of criminal or abuse and neglect, or their presence poses a risk to the health and safety of children in care. Background checks must be maintained for prospective foster parents and all members in the foster family home age 14 or older (and any other person who regularly or frequently stays in or is present in the home) prior to placement of a child.¹³
- Financial status reviews, conducted by Passage of Youth to validate the family's financial stability before placing a child in the home, of prospective foster parents in the foster family home.¹⁴
- Quarterly supervisory visits in the foster family home, conducted by Passage of Youth to evaluate and document changes in household, major life changes, and challenging behaviors of the children in the foster family home.¹⁵

¹¹ DFPS Residential Child-Care Contract #23680541 § 43 (Sept. 1, 2014).

¹² 40 Tex. Admin. Code § 749.571 (Sept. 1, 2010).

¹³ 40 Tex. Admin. Code § 749.2447(7) (Sept. 1, 2014).

¹⁴ 40 Tex. Admin. Code § 749.2447(6) (Sept. 1, 2014).

¹⁵ 40 Tex. Admin. Code § 749.2815 (Sept. 1, 2014).

Issue 3: Passage of Youth Foster Family Home Master Records Were Incomplete

Passage of Youth did not include all required documentation in its foster family home master records. Some master records were missing (a) background checks, (b) financial documents, or (c) records of supervisory visits.

The OIG Audit Division tested for the existence of selected required documents for individuals aged 14 and older and parents associated with the 37 foster family homes. The selected documentation included (a) background checks for foster parents and individuals age 14 or older living in the home, (b) foster parent financial records, and (c) foster family home quarterly supervisory visits.

Test results indicated that master records for 13 foster family homes were missing at least one required document.

Detailed results for each of the three types of required records follow.

Background Check Clearances

Background checks determine whether a person has any criminal history, or abuse and neglect history that may pose a risk to the health and safety of children. State and federal agencies perform the following background checks:¹⁶

- Name-based criminal history check (performed by the Texas Department of Public Safety).
- Fingerprint-based criminal history check (performed by the Federal Bureau of Investigation).
- DFPS central registry check (performed by DFPS).
- Out-of-state central registry check¹⁷ (performed by the Texas Department of Public Safety).

Passage of Youth submits a background check request on potential foster parents and persons 14 or older who will have frequent contact with placed children through the DFPS website. The request is electronically submitted to the agencies that perform the background checks (see above), and the results are electronically

¹⁶ 40 Tex. Admin. Code § 745.611 (June 1, 2008).

¹⁷ Out-of-state central registry checks are required when the foster parent applicant and any other adult living in the home has lived outside the state any time during the five years preceding the application date. 40 Tex. Admin. Code §745.615(c) (Mar. 1, 2014).

returned to DFPS and Passage of Youth for their records. Child-placing agencies are required to obtain results from background checks before placing a child in a foster family home,¹⁸ and to keep those master records on file.

Test results indicated that Passage of Youth did not have evidence of required background check clearance documents for 5 individuals age 14 or older, each in different foster family homes.

To confirm that the absence of this documentation was not an indication of placed children being at risk, the OIG Audit Division requested background check documentation for the nine individuals from DFPS. DFPS provided evidence that all required background checks had been performed and resulted in clearances for the nine individuals and the foster family homes.

Financial Documents

While at least some documentation was contained in Passage of Youth files for each of the 37 foster family homes, records for individuals in 7 of 37 foster family homes did not contain required documents for Passage of Youth to assess the financial status of the family, or to demonstrate that a thorough financial review had been performed. Copies of required documents, including (a) proof of income for the 60 days, or 2 complete calendar months, prior to verification of foster parent eligibility, (b) two consecutive bank statements, or the previous year's tax return, and (c) monthly household expense reports, were not on file at Passage of Youth. Financial stability must be validated prior to placing children with a foster family home¹⁹ to ensure prospective foster parents can support their household and all children in care prior to receiving reimbursement for services provided.

Records of Quarterly Supervisory Visits

The Passage of Youth master record for one of the 37 foster family homes was missing documentation for one required quarterly visit to indicate that a Passage of Youth case manager had performed a supervisory visit. There was no alternative information to demonstrate that the quarterly visit occurred.

Since there is no evidence in Passage of Youth master records that case managers performed one quarterly visit to the foster family home, it is possible that the case managers did not perform the visit. Failure to perform the required supervisory visits increases the likelihood that any activity that could result in potential harm to the child would not be timely detected and addressed.

¹⁸ 40 Tex. Admin. Code § 745.631 (Mar. 1, 2008).

¹⁹ 40 Tex. Admin. Code § 749.2479 (Jan. 1, 2007).

Recommendation 3

Passage of Youth should improve its internal processes and controls to ensure required information is maintained and readily available to document the existence of background check clearances, to demonstrate that Passage of Youth performed a financial status review for every prospective foster family home, and to document that Passage of Youth performed quarterly supervisory visits for every foster family home.

To help ensure all documentation is readily available, Passage of Youth should use a checklist that lists the documents that must be contained in each master record and perform periodic supervisory review of the master records for completeness.

Management Response

Action Plan

Passage of Youth disagrees with the Background Check Clearance findings of the OIG Report. All required background checks were completed for all household member ages 14 and older. Additional background checks and clearances were requested by the HHSC OIG and were submitted on 3/5/2018, 12/1/2017 and 11/21/2017. These results are maintained in a home file, master file and agency server. The Contractor will continue to remain in compliance with Residential Child-Care Licensing Minimum Standards and TAC. The contractor will perform backgrounds checks every 24 months. A database is maintained with all entered checks on foster parents, caregivers, household members and visitors. As quality assurance, Passage of Youth will have additional staff verify background history checks, accuracy and expiring dates. Monthly monitoring of this database will be conducted to eliminate any inaccuracy or expired checks.

Passage of Youth disagrees with the number of families with incomplete Financial Documents findings of the OIG Report. (2) out of (37) viewed families records did not have financial documents. Both families were self-employed and a Self-Employment Verification Form was not in the family file. (35) out of (37) foster families had (a) proof of income for 60 days, or 2 complete calendar months, (b) two consecutive bank statements or the previous year's tax return, and (c) monthly household expense reports. Additional income verification was requested by HHSC OIG and was submitted on 3/5/2018 and 12/1/2017. Contractor will ensure that all prospective foster parents have financial a) proof of income for 60 days, or 2 complete calendar months, (b) two consecutive bank statements or the previous year's tax return, and (c) monthly household expense reports prior to license verification and financial documentation will be maintained in family file.

Passage of Youth disagrees with Records and Quarterly Supervisory Visits finding in the OIG Report. All quarterly supervisory visits were conducted in a timely

matter and reported were completed by staff. All records are maintained in the master family file and agency server. (3) Quarterly Supervisory Visits Reports were not located in the family file day of audit. Reports were on the server and submitted to HHSC OIG on 3/5/2018. Passage of Youth will remain in compliance with conducting quarterly visits to each home. These reports will be conducted by case managers of the home and then signed and reviewed by management.

Responsible Manager

Case Manager, Program Director and Executive Director

Auditor Comment

Background Checks

Passage of Youth did not produce evidence to demonstrate that background checks had been performed for five individuals before children were placed in the homes, as required. OIG Audit was able to obtain the background check clearance documents from DFPS, but not from Passage of Youth.

Financial Documents

Passage of Youth did not produce evidence that it validated the financial stability of seven prospective foster families, as required.

Quarterly Visits

Passage of Youth did not produce evidence that it conducted one quarterly visit for one foster family home, as required.

Issue 4: Passage of Youth Children Master Records Were Incomplete

Passage of Youth did not maintain all required documentation in each child's master record. Master records were missing some updated service plans and documentation of therapy sessions.

The OIG Audit Division tested a haphazard sample of 60 children's master records²⁰ selected from records associated with the 245 children Passage of Youth served during the audit period, to determine whether master records contained required documents.

²⁰ The sample includes master records for the same 60 children as Issue 1.

TAC requires Passage of Youth to maintain master records for each child receiving treatment services that includes, “A list of emotional, physical, and social needs that require specific professional expertise, and plans to obtain the appropriate professional consultation and treatment for those needs. Any specialized testing, recommendations, and/or treatment must be documented in the child’s record.”²¹ For each child receiving child-care services, the master record must identify “[t]herapeutic needs, including plans for psychological/psychiatric testing and follow-up treatment.”²²

The OIG Audit Division tested whether the selected master records contained service plans. For children with service plans prescribing therapy treatment, documents indicating children attended prescribed therapy sessions were reviewed.

Audit results indicated that three children’s master records did not contain an updated service plan in the audit period. TAC requires Passage of Youth to review and update the children’s service plans based on the type of service the child requires as indicated in Table 1.

Five master records did not contain a total of 23 documents to indicate the children attended therapy sessions, which should have been performed according to each child’s service plan. In an effort to determine whether the therapy sessions actually took place, the OIG Audit Division requested Passage of Youth to obtain the missing therapy records. Passage of Youth requested copies of the documents from the applicable therapy providers, but did not receive the requested information. Passage of Youth stated that occasionally therapists do not provide therapy session records because a child has requested the sessions remain confidential.

Recommendation 4

Passage of Youth should:

- Improve its internal processes and controls to ensure that required information is maintained and readily available in children’s master records.
- When it does not receive documentation of therapy sessions, request documentation from the child’s therapist to indicate the child’s name and date of service, and include that information in the child’s master record.
- Use a checklist that includes documents that must be contained in each master record, and perform periodic supervisory review of master records for completeness.

²¹ 40 Tex. Admin. Code § 749.1309 (b)(2)(D) (Dec. 1, 2014).

²² 40 Tex. Admin. Code § 749.1309(b)(1)(A)(vii) (Dec. 1, 2014).

Management Response

Action Plan

Passage of Youth disagrees with Updating Service Plans finding in the OIG Report. Passage of Youth was not given the opportunity to explain in detail or/and justify and reason for a delay in an initial or updating a service plan. Contractor explained to HHSC OIG that dates of a service plans may vary or changed based subsequent move placements, runaway status, psychiatric hospital bed-days, respite days, etc. This documentation is maintained in the child's master files and within case mangers summary notes. Children must be present at all service plan meetings. Therefore, dates may be altered or delayed if the child is not in the home. An explanation of these common occurrences was provided to HHSC OIG on 2/15/18. Further explanation for each tested sample number was not given to contractor.

Child not being in the home will also suspend any scheduled therapy session; including dates and times. The contractor provided additional therapy session notes on 3/5/2018, 12/11/2017, 11/21/2017 and 11/12/2017. Further notes were not made available by the therapist and this documentation was provided with explanation to HHSC OIG on 3/5/2018. All notes will be maintained in the child file and made unavailable to HHSC OIG. Additional missing notes were requested from the subcontractor therapist.

Contractor will ensure that all proper documentation for scheduled sessions are maintained in the child's file. Contractor will continue to request these notes from the independent therapist by the 5th of each month. Contractor will document if a child is absent from the home and sessions were missed or cancelled. Therapist will receive a written notice of noncompliance, if deadlines are not maintained. If therapist has rescheduled appointments, documentation will be reviewed and maintained in the child's file.

Responsible Manager

Case Manager, Program Director and Executive Director

Auditor Comment

Passage of Youth did not produce evidence to demonstrate that 23 therapy sessions had been provided to children, as required. Passage of Youth did not provide these 23 therapy session reports during the audit.

FISCAL RESPONSIBILITY

TAC requires Passage of Youth to establish and maintain itself on a sound fiscal basis and maintain complete financial records.²³ In addition, Passage of Youth's treatment of accounting records must comply with Generally Accepted Accounting Principles.²⁴

Issue 5: Passage of Youth Did Not Provide Support for Payment Transactions Listed in the General Ledger

Passage of Youth did not provide support documentation for various general ledger transactions totaling \$97,293.34, did not provide support for salary and other expenses included in reported officer's compensation of \$253,255.32, and submitted an incorrect cost report to HHSC.

The OIG Audit Division selected a judgmental sample²⁵ of 59 transactions contained in 8 account codes in the Passage of Youth general ledger to test whether support documentation existed for the selected general ledger entries. It also selected one other account code, officer's compensation, for additional testing.

The 59 transactions included Passage of Youth payments for utilities, furniture and equipment, office supplies, telecommunications, parent incentives, office expense, recreation, and automobile repairs and expenses. Passage of Youth did not provide any of the requested invoices, receipts, vouchers, or other support documents, to the auditors. Unsupported general ledger transactions are categorized in Table 3.

²³ 40 Tex. Admin. Code § 749.161 (Jan. 1, 2007).

²⁴ DFPS Residential Child-Care Contract #23680541 §39 (Sept. 1, 2014).

²⁵ "Judgment selection refers to the auditor's attempt to select an unbiased sample by deliberately including large items and a selection of smaller items." Barbara Apostolou, "Nonstatistical Sample Selection Methods," in *Sampling: A Guide for Internal Auditors*, The Institute of Internal Auditors Research Foundation (May 2004).

Table 3: Unsupported General Ledger Transactions

Account code	Number of Transactions	Total Dollar
62890 · Rent, Parking, Utilities	22	\$ 9,051.47
15000 · Furniture and Equipment	6	59,318.50
65040 · Office Supplies	1	7,000.00
65050 · Telecommunications	10	1,481.24
62135 · Parent Incentive- Recruitment	5	954.02
65116 · Office Expense	3	162.53
65140 · Recreation	5	10,067.03
68322 · Automobile Repairs and Expenses	7	9,258.55
Total Dollar Amount for Expenses	59	\$ 97,293.34

Source: *OIG Audit Division*

Another entry in the general ledger recorded a Passage of Youth officer's compensation as salary and other expenses totaling \$253,255.32. The OIG Audit Division reviewed a related officer compensation agreement, which included a salary of \$140,000 plus \$10,000 for expenses incurred by the officer, and identified additional Passage of Youth expenses, based on information notated in general ledger memo lines for the transactions, as officer's compensation. In response to the auditors' request for support of these payments, Passage of Youth did not provide any documentation.

The Passage of Youth officer has employed an accountant to review and revise the Passage of Youth financial statements, including the general ledger, and to review the officer's personal finances to correct past income tax reporting.

The OIG Audit Division obtained Passage of Youth's cost report for 2015 and reviewed it to determine whether Passage of Youth correctly reported its expenses to HHSC. Passage of Youth is required to prepare and submit an annual cost report to HHSC. Cost report information is used to define direct and indirect costs that are allowable and therefore, may be considered for use in the overall reimbursement cost (daily rate per child) determination process. The cost determination process seeks to collect accurate financial and other statistical data that constitutes the foundation upon which reimbursements are determined. Results indicated that Passage of Youth did not appropriately reflect the officer's compensation amount in its 2015 cost report, because it did not include the amounts recorded in the general ledger as other expenses.

The HHSC Rate Analysis Department conducts desk reviews and field audits of provider cost reports to determine whether financial and statistical information reported in the cost reports conforms to applicable rules and instructions, and if not, requires adjustments to the cost report. The OIG Audit Division notified the Rate Analysis Department of the discrepancies in the Passage of Youth 2015 cost report, but the Rate Analysis Department indicated it had already completed a desk review

of Passage of Youth's 2015 cost report. It also indicated that it could make no further adjustments to the Passage of Youth 2015 cost report because the cost report review had been finalized and closed. The Rate Analysis Department indicated it would perform thorough reviews of Passage of Youth's 2016 cost report and future cost reports in an effort to ensure more accurate reporting.

Passage of Youth management's lack of oversight for financial accountability, and the existence of an inadequate financial control environment, may have contributed to the unavailability of general ledger support documentation. Without adequate internal controls to ensure properly maintained support documentation are readily available, public funds are at risk for misappropriation, misuse, or undetected loss.

Recommendation 5

Passage of Youth should:

- Maintain supporting documentation for all transactions recorded in the general ledger.
- Submit cost reports to HHSC that reflect costs in the appropriate cost codes.
- Continue using the services of accounting professionals to ensure financial reporting is correct.

Management Response

Action Plan

The Contractor will work closely with a Certified Public Accountant to enhance the financial processes of the agency. The Certified Public Accountant will be responsible for reviewing and overseeing the monthly expenditures, including General Ledgers, Income Statements, Profit and Loss Statements and Balance Sheets. Contractor will follow the General Accepted Accounting Principles (GAAP) to improve the risk of inaccuracies and comply with the Rate Analysis for RCC Contractors. The contractor will develop and implement financial policies to ensure the integrity and financial responsibility of the agency.

Supporting documents, receipts and invoices will be reviewed monthly to consolidate expenses and transactions. The petty cash policy will be reviewed and revised for proper implementation. Expense logs will be utilized on company purchases and must include description, amount and payee. The Board of Directors and Accountant will review all purchases monthly.

Responsible Manager

Director of Operations, Executive Director and Accountant

Target Implementation Date

September 1, 2018

CONCLUSION

The OIG Audit Division completed an audit of Passage of Youth. The audit evaluated Passage of Youth to determine whether it (a) used state funds as intended for children placed with foster parents based on the documented service level and need per child, (b) conducted oversight of foster parents, and (c) implemented and updated children's service plans.

Audit results indicated that Passage of Youth:

- Did not always timely review and update service plans.
- Made payments to foster family homes that were inconsistent with DFPS records for the number of days and level of service.
- Did not include all pertinent information regarding background checks, financial status, and quarterly supervisory visits in its foster family home master records.
- Did not include all required service plans and therapy services records in the children's master records.
- Did not have support documentation for all general ledger transactions.

The OIG Audit Division offered recommendations to Passage of Youth, which, if implemented, will ensure:

- Service plans are timely reviewed and updated
- Foster family home master records are complete
- Children's master records are complete
- General ledger transactions are supported with appropriate documentation

The OIG Audit Division thanks management and staff at DFPS and Passage of Youth for their cooperation and assistance during this audit.

Appendix A: Objective, Scope, Methodology, Criteria, and Auditing Standards

Objectives

The objectives of the audit were to determine whether Passage of Youth:

- Used state funds as intended for children placed with foster parents based on the documented service level and need per child
- Conducted oversight of foster parents
- Implemented and updated children's service plans

Scope

The scope of the audit included the period from January 1, 2015, through December 31, 2015.

Methodology

To accomplish its objectives, the OIG Audit Division collected information for this audit through discussions and interviews with responsible management and staff at Passage of Youth and DFPS, and through request and review of the following information:

- DFPS provider statements for payments to foster parents.
- Foster family home master records, including background checks, financial status, and quarterly visits.
- Children's master records, including service plans and therapy services documentation.
- General ledger transactions.
- Fiscal year 2015 cost report.

The OIG Audit Division team conducted a preliminary planning site visit at Passage of Youth on October 11 and 12, 2017, to interview responsible personnel and review relevant documents related to the contracts and license requirements. The OIG Audit Division issued an engagement letter to Passage of Youth on October 31, 2017, providing information about the upcoming audit, and conducted fieldwork at Passage of Youth facility in Dallas, Texas, from October 31, 2017, through November 3, 2017.

At the time of the audit, Passage of Youth did not use electronic information management systems. The lack of information systems and automated processes required the audit team to test source documentation and necessitated expanded testing. Consequently, the OIG Audit Division performed substantive testing²⁶ of Passage of Youth's financial and case management documents.

Criteria

The OIG Audit Division used the following criteria to evaluate the information provided:

- Tex. Gov. Code § 2251.022 (a) (1993)
- 40 Tex. Admin. Code § 745 (2008 through 2014)
- 40 Tex. Admin. Code § 749 (2007 through 2014)
- DFPS Residential Child-Care Contract – Child Placing Agency #23680541 (2014)
- Passage of Youth Family Center, Inc., Financial Policy Manual
- Passage of Youth Family Center, Inc., Foster Parent Manual

Auditing Standards

The OIG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The OIG Audit Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

²⁶ "Substantive testing" involves testing for specific elements within source documentation rather than the controls over the process or document.

Appendix B: Sampling Methodology

Children's Master Records

A haphazard sample of 60 children was selected to test records from the 245 children served by Passage of Youth during calendar year 2015. A haphazard sample was used to simulate random testing.

Foster Parent Payment Testing

A haphazard sample of four months (January, April, July, and November) from calendar year 2015 was selected, and all 265 payments for those months were tested. A haphazard sample was used to simulate random testing.

Foster Family Home Master Records

Master records for all 37 foster family homes with children served by Passage of Youth during calendar year 2015 were tested.

General Ledger

A judgmental sample of 59 transactions contained in 8 account codes in the Passage of Youth general ledger, and all transactions in another account code, were selected for testing. A judgmental sample was used to ensure selection of specific high-dollar accounts.

Appendix C: Inconsistent Payments

The following tables provide summaries of inconsistent payments based on (a) number of days of care and (b) service level of care, as described in Issue 2.

Table 4: Inconsistent Payments Based on the Number of Days of Care

Type	Number of Inconsistent Payments	Days Overpaid or Underpaid	Total per Passage of Youth Policy
Payment in excess of days per IMPACT	20	93	\$ 3,277.00
Payment for fewer days per IMPACT	15	(80)	(2,216.00)
Total	35	13	\$ 1,061.00

Source: *OIG Audit Division*

Table 5: Inconsistent Payments Based on Service Level of Care

Type	Number of Inconsistent Payments	Total per Passage of Youth Policy
Payment for higher service level	2	\$ 1,020.00
Payment for lower service level	10	(3,183.50)
Total	12	\$(2,163.50)

Source: *OIG Audit Division*

Appendix D: Report Team and Distribution

Report Team

The OIG staff members who contributed to this audit report include:

- Kacy J. VerColen, CPA, Audit Director
- Lisa Kanette Blomberg, CPA, Audit Manager
- Maria M. Johnson, CFE, Audit Project Manager
- Sarah C. Warfel, CISA, IT Staff Auditor
- Aaron Christopher, Staff Auditor
- Emery Hizon, CIGA, Staff Auditor
- Melissa S. Larson, CISA, CIA, CFE, HCISPP, IT Audit Manager
- Mo Brantley, Senior Audit Operations Analyst

Report Distribution

Health and Human Services

- Dr. Courtney N. Phillips, Executive Commissioner
- Cecile Erwin Young, Chief Deputy Executive Commissioner
- Victoria Ford, Chief Policy Officer
- Karen Ray, Chief Counsel
- Karin Hill, Director of Internal Audit

Department of Family and Protective Services

- Henry Whitman, Commissioner
- Trevor Woodruff, Deputy Commissioner
- Lynn Blackmore, Associate Commissioner, Program Operations
- Jean Shaw, Associate Commissioner, Child Care Licensing State Office
- Kristene Blackstone, Associate Commissioner, Child Protective Services
- Audrey Carmical, General Counsel
- Chance Watson, Internal Audit Director

Passage of Youth Family Center, Inc.

- Laurice Jackson, Executive Director, Passage of Youth Family Services, Inc.

Appendix E: OIG Mission and Contact Information

The mission of the OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG’s mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Inspector General
- Anita D’Souza, Chief of Staff and Chief Counsel
- Olga Rodriguez, Chief Strategy Officer
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Brian Klozik, Deputy IG for Medicaid Program Integrity
- Lizet Hinojosa, Deputy IG for Benefits Program Integrity
- David Griffith, Deputy IG for Audit
- Quinton Arnold, Deputy IG for Inspections and Investigations
- Alan Scantlen, Deputy IG for Data and Technology
- Judy Hoffman-Knobloch, Assistant Deputy IG for Medical Services

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- Phone: 1-800-436-6184

To Contact the OIG

- Email: OIGCommunications@hhsc.state.tx.us
- Mail: Texas Health and Human Services Commission
Office of Inspector General
P.O. Box 85200
Austin, Texas 78708-5200
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