

# Audit Highlights



Highlights of Legislative Auditor report on the Division of Child and Family Services issued on October 17, 2011. Report # LA12-05.

## Background

The mission of the Division is to provide support and services to assist Nevada's children and families in reaching their full human potential. The Division is primarily responsible for: (1) child protective and welfare service delivery in rural Nevada and oversight of urban county-operated child protective and welfare services, (2) children's mental/behavioral health treatment and residential services in urban Nevada, and (3) statewide juvenile justice services including state-operated youth training centers and youth parole.

In fiscal year 2011, the Division had expenditures of about \$209 million. The Division is funded primarily by state appropriations and federal funds. General fund appropriations were about \$131.5 million in fiscal year 2011. Federal funds, such as Medicaid and Title IV-E, were the second largest revenue source. The Division has offices in Carson City, Las Vegas, Reno, and various sites in rural Nevada, with the Administrator's office in Carson City. For fiscal year 2011, the Division had 1,011 authorized positions.

## Purpose of Audit

The purpose of this audit was to determine if the Division: (1) has performance measures that are reliable and useful in assessing program outcomes, and (2) effectively monitors service contracts. Our audit focused on the Division's performance measure and contract activities from July 1, 2009 through March 31, 2011.

## Audit Recommendations

This audit report contains two recommendations to improve the reliability of performance measures and usefulness in assessing program outcomes. In addition, there are two recommendations to enhance controls over service contracts.

The Division accepted the four recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on January 18, 2012. In addition, the six-month report on the status of audit recommendations is due on July 18, 2012.

# Division of Child and Family Services

## Department of Health and Human Services

## Summary

Key performance measures reported by the Division were often not reliable. It is important for performance information to be reliable because it can affect budget and policy decisions made by agency managers and oversight bodies, and judgments made by stakeholders and the public about the Division's operations. Further, we found a majority of the Division's performance measures were indicators of the agency's efforts (outputs), rather than measures that demonstrate the impact of its efforts (outcomes). Increasing the number of outcome measures would provide useful information to management and oversight bodies such as the Governor and Legislature in making budget and policy decisions.

Overall, the Division has an effective process for monitoring service contracts. However, the Division could improve its monitoring to verify all insurance requirements are continuously met over the life of the contract. In addition, because one contractor's invoices did not include adequate detail, the Division had limited assurance amounts billed were valid, accurate, and in accordance with terms of the contract.

## Key Findings

The reported results for 8 of 20 performance measures we tested were not reliable. The reported results were unreliable because they were not supported by competent underlying records or used an inappropriate methodology. We found four of the measures tested did not have competent underlying records and four did not use a sound methodology. These problems with reliability were caused by the lack of written policies and procedures on how results were to be computed and by inadequate review. (page 8)

We identified a total of 154 performance measures that were reported by the Division in the 2011-2013 Executive Budget and other budget-related documents. We analyzed these measures and found 73% were output measures and 16% were outcome measures. The remaining were either effectiveness or quality measures. The Department of Administration's budget instructions to agencies recommend outcome measures because they demonstrate the impact the agency is having on a stated issue or problem. Further, the Federal Office of Management and Budget strongly encourages the use of outcome measures because they are more meaningful to the public than outputs. We surveyed seven states with programs similar to the Division's. All seven states indicated the use of outcome performance measures has resulted in positive feedback from legislators, governors, and the public. (page 12)

The Division did not always obtain proof of insurance from contractors to verify all insurance requirements were met throughout the life of the contract. For 6 of 27 contracts with insurance requirements, the Division did not obtain proof of insurance for all required policies. The types of insurance that were not always verified included general liability, professional liability, workers' compensation, and auto. The length of time ranged from 3 months without general liability to almost 2 years without workers' compensation. When contractors do not have all required insurance, there is an increased risk to the State. Although the agency's written procedures require contract monitors to ensure insurance requirements are met, regular monitoring of required insurance policies was not performed. (page 14)

For one of the 30 contracts we tested, the invoices were not adequate because they did not indicate how the amount billed was calculated and other details required by the contract. As a result, the Division did not have reasonable assurance it paid the proper amount. This contractor was paid about \$569,000 during fiscal years 2010 and 2011 for support services provided to families of children with severe emotional disabilities. The State Administrative Manual states invoices must describe all work performed in detail and by whom it was performed. Further, one of the attachments to this contract states invoices are to include specific data regarding cost, client, and referral source. (page 15)