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FOLLOW-UP REPORT ON AUDIT FINDINGS

Early Childhood Development, Education, and Care Fund

August 2015

Report No. 2015-056



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*Includes selected findings



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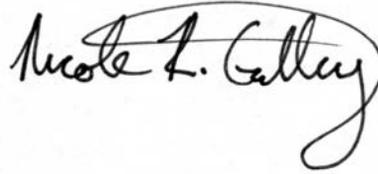
Honorable Jeremiah W. (Jay) Nixon, Governor
and
Dr. Margie Vandeven, Commissioner of Education
Department of Elementary and Secondary Education
and
Brian Kinkade, Director
Department of Social Services
Jefferson City, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2015-005, *Early Childhood Development, Education, and Care Fund* (rated as Poor), issued in February 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the Department of Social Services (DSS) and the Department of Elementary and Secondary Education (DESE) about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - **Implemented:** Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - **In Progress:** Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - **Partially Implemented:** Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - **Not Implemented:** Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the DSS and the DESE, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we received each department's written status to selected findings and related

supporting documentation. We reviewed this information and made additional inquiries as needed. This report is a summary of the results of this follow-up work, which was substantially completed during May and June 2015.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping 'y' at the end.

Nicole R. Galloway, CPA
State Auditor

Early Childhood Development, Education, and Care Fund

Follow-Up Report on Audit Findings

Status of Findings

1. **DSS Contract Awards and Costs** In fiscal year 2014, the Department of Social Services (DSS) paid Early Head Start (EHS) contractors at least 2 times more money than the prior year but only required contractors to provide additional services for the last 5 months of the year. The DSS allowed some contractors to serve less children and expectant mothers than required. Some EHS contractors' budgeted expenditures did not appear reasonable and did not support the need to provide additional funding. Additionally, the DSS did not limit the cost per child, expectant mother, or family for the EHS or Home Visitation (HV) programs. The HV and EHS programs are funded with monies from the Early Childhood Development, Education, and Care (ECDEC) Fund.

1.1 **Early Head Start funding** During fiscal year 2014, the DSS increased EHS funding and paid EHS contractors a full year's funding, but only required contractors to increase services for the final 5 months of the fiscal year. Eight of the nine EHS contractors did not serve the required number of children and expectant mothers. The DSS paid these contractors their full contract amount of \$5.4 million, and as a result, paid approximately \$1.5 million (28 percent) for services not provided. The DSS allowed contractors up to 7 months to increase children and mothers served and even after the January 31, 2014 deadline, the DSS allowed four contractors to serve less children and expectant mothers than required. The DSS paid these contractors approximately \$133,000 for services not delivered and had not attempted to recover any monies. DSS officials indicated the contracts did not include provisions for not meeting these thresholds, and the DSS had not established procedures to request repayment of funds if contractors were unable to meet the minimum contract requirements.

Budgets submitted by three contractors did not support the need to provide increased funding in fiscal year 2014. These contractors used the majority of additional fiscal year 2014 monies for personnel and administrative costs rather than direct services to children and expectant mothers. Payments for direct services represented less than 30 percent of total fiscal year 2014 expenditures for these contractors.

Recommendation The DSS ensure contract decisions, including price increases, are reasonable, properly documented, and in the best interest of the state. In addition, the DSS should establish minimum thresholds for actual women and children served, recover overpayments from contractors that did not maintain contractually required enrollment for the EHS program after January 31, 2014, and thoroughly review contractor budgets.

Status **Not Implemented**

The DSS, through the Office of Administration, issued a request for proposals and awarded new EHS contracts, effective November 1, 2014. As of June 2015, the DSS has not granted any price increases or additional funding to EHS contractors without an equivalent increase in services



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provided. Effective with the new contracts, the DSS reimburses EHS contractors monthly for actual costs incurred. DSS officials indicated they review monthly invoices to ensure expenditures are allowable under the contract and comply with the contractor's budget and monitor monthly enrollment reports. However, the DSS has not established procedures or instituted contract amendments to address recovery of funds if the contractor fails to provide services to the required number of participants monthly.

As indicated in the department's response to the audit, the DSS has no plans to pursue recovery of any monies paid to EHS contractors during fiscal year 2014. DSS officials believe the additional monies paid to EHS contractors were justified in order for these contractors to expand the capacity of EHS programs including hiring and training additional staff, establishing curriculum, and expanding or opening facilities. DSS officials indicated the increased costs for the three contractors for personnel, vehicles, and playground equipment were necessary for them to meet federal and state EHS program requirements.

1.2 Price variation

The DSS did not limit the price paid per child or expectant mother for the EHS program or per family for the HV program, and there were significant differences in the prices paid to contractors for services. Additionally, the DSS provided little incentive for HV contractors to provide additional services.

During fiscal year 2013, the average amount paid for a child or an expectant mother served through the EHS program ranged from about \$6,200 to \$12,800 annually. The average cost to serve a family through the HV program ranged from about \$1,400 to \$5,200 annually. The DSS reimbursed HV contractors a fixed price per participating family each month. Thus, the DSS reimbursed contractors at the same rate regardless of how many home visits were provided per family per month.

Recommendation

The DSS evaluate possible cost containment measures for the HV and EHS programs such as establishing a maximum allowable price per child, expectant mother, or family. Additionally, the DSS should consider reimbursing contractors based on actual services completed.

Status

Not Implemented

As indicated in the department's response to the audit, the DSS does not plan to implement cost limits for the HV or EHS programs. DSS officials believe price variation is expected since contracts are competitively bid, multiple contracts are awarded, and HV contractors use varying models for delivery of services in various geographic regions. Effective November 1, 2014, the DSS reimburses EHS contractors actual costs regardless if the required number of children or expectant mothers were served and



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continues to reimburse HV contractors a fixed price per participating family each month.

2.1 Program Efficiency -
Delivery of services

Four state agencies administered six different HV programs for families with young children, representing an inefficient method to deliver services. The Department of Elementary and Secondary Education (DESE) and DSS HV programs were funded from the ECDEC Fund while Department of Health and Senior Services (DHSS) and OA Children's Trust Fund (CTF) programs were funded from other sources.

The DESE, DHSS, and CTF programs targeted families with children up to age 5. The DSS program targeted families with children up to age 3. All of the programs provided services to expectant mothers. While the various programs differed in terms of how services were delivered, the programs shared common objectives and each included an in-home visit component.

Recommendation

The DESE and the DSS study the current methods to deliver HV services to determine if these services could be delivered more efficiently by consolidating responsibility for programs under fewer state agencies.

Status

In Progress

DSS and DESE officials indicated they continue to participate on the Coordinating Board for Early Childhood (CBEC) along with various other state agencies and organizations. The CBEC has an HV committee that meets quarterly. In March 2015, the committee reviewed the results of the audit, approved an agreed-upon definition for HV statewide, began drafting a document describing how HV is a vital component of a comprehensive early childhood system, and agreed to consider revisions to the HV matrix established in 2012. The development of the HV document and revision of the matrix are ongoing. DESE officials indicated the HV committee members believe the current programs across various state agencies are meeting the intent of the legislative mandates.

2.2 Program Efficiency -
Duplicate billing

The DESE and the DSS had not implemented adequate controls to prevent duplication of services. In addition, these departments reimbursed two public school districts for the same HV services. One of the districts had billed the same families to both the DSS HV program and the DESE Parents as Teachers (PAT) program for at least 13 years. The DESE and the DSS did not have procedures to identify such duplication of services and did not consider this situation when determining if a recipient was higher risk and should have been subject to additional monitoring. Neither agency was familiar with the other agency's monitoring procedures.

Recommendation

The DESE and the DSS implement additional monitoring and risk assessment procedures to ensure school districts do not bill the same



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services to both the PAT and the HV programs, and pursue recovery of duplicate billings.

Status

Partially Implemented

Officials from the DESE and DSS stated that future DSS funding should only support services to families not receiving services funded by the PAT program. In December 2014, the DSS amended HV contracts to prohibit contractors from billing the DSS for duplicate services provided to participating families, and from enrolling a family that is already receiving HV services from another state agency or contracted provider. DSS officials indicated if payment of duplicate services is identified through ongoing monitoring, the DSS will pursue recovery of duplicate billings. However, the DSS has not revised its HV monitoring procedures to review for and identify potential duplicate payments.

DSS officials indicated they discussed the duplicate payments identified in the audit with officials of both school districts. Based on those discussions, they believe the districts provided additional visits and services above and beyond those provided under the PAT program. As a result, the DSS did not seek recovery of funds. DSS officials indicated they completed an on-site monitoring visit for one of the school districts in March 2015 and scheduled a desk monitoring review for the other district in June 2015. DSS officials indicated if duplicate payments are identified during these reviews, the DSS will pursue recovery from the school districts. Results of these reviews should be finalized in late July 2015.

DESE officials indicated they believe no overpayments were made to either district since the HV program was supplementing the existing PAT program that all public schools are required to provide. DESE officials indicated they have been working with the district that had double billed the same families for at least 13 years to ensure district officials understand future funding requirements and the school district is developing a process to distinguish between the two funding streams. Additionally, DESE officials indicated they continue to provide information to the DHSS regarding DESE programs since the DHSS receives federal grants for HV.