

STATE OF NEVADA

Audit Report

Department of Health and Human Services
Division of Child and Family Services

2011



Legislative Auditor
Carson City, Nevada

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)

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This report contains the findings, conclusions, and recommendations from our completed audit of the Division of Child and Family Services. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This report includes four recommendations to improve the reliability and usefulness of performance measures in assessing program outcomes, and to enhance controls over service contracts. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA
Legislative Auditor

September 15, 2011
Carson City, Nevada

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Introduction

Background

The Division of Child and Family Services was created in 1991 within the Department of Health and Human Services. 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 recognizes that Nevada's families are our future and children, youth, and families thrive when they live in safe, permanent settings; experience a sense of sustainable emotional and physical well-being; and receive support to consistently make positive choices for family and the common good.

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 (outpatient and inpatient acute) in urban Nevada, and (3) statewide juvenile justice services including state-operated youth training centers and youth parole.

The Division is statutorily required to:

- Aid in the preservation, rehabilitation, and reunification of families.
- Ensure that children are placed in the least restrictive environment available that is appropriate to their needs.
- Coordinate and provide services for youth who are in need of residential care or in need of treatment, or both.
- Provide a comprehensive state system for the coordination and provision of services to children and families who need assistance relating to juvenile justice and the care, welfare, and mental health of children.

Budget and Staffing

In fiscal year 2011, the Division had 19 budget accounts and 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. Exhibit 1 shows fiscal year 2011 expenditures for each of the major program areas.

Division of Child and Family Services Expenditures by Program Area Fiscal Year 2011

Exhibit 1

Program Area	Expenditures	Percentage of Total
Child Protective and Welfare Services	\$121,364,344 ⁽¹⁾	58.1%
Juvenile Justice Services	29,536,813	14.2%
Children's Mental/Behavioral Health Services	29,508,939	14.1%
Administrative and Other Services	28,339,505	13.6%
Totals	\$208,749,601	100.0%

Source: State accounting system.

⁽¹⁾ This amount includes about \$74 million for Clark County and about \$29 million for Washoe County to cover the state's portion of costs for child welfare services in these counties. With the passage of legislation in 2001, Nevada adopted a new integrated child welfare service delivery model. This included transferring functions to Clark and Washoe counties which had previously been performed by the Division.

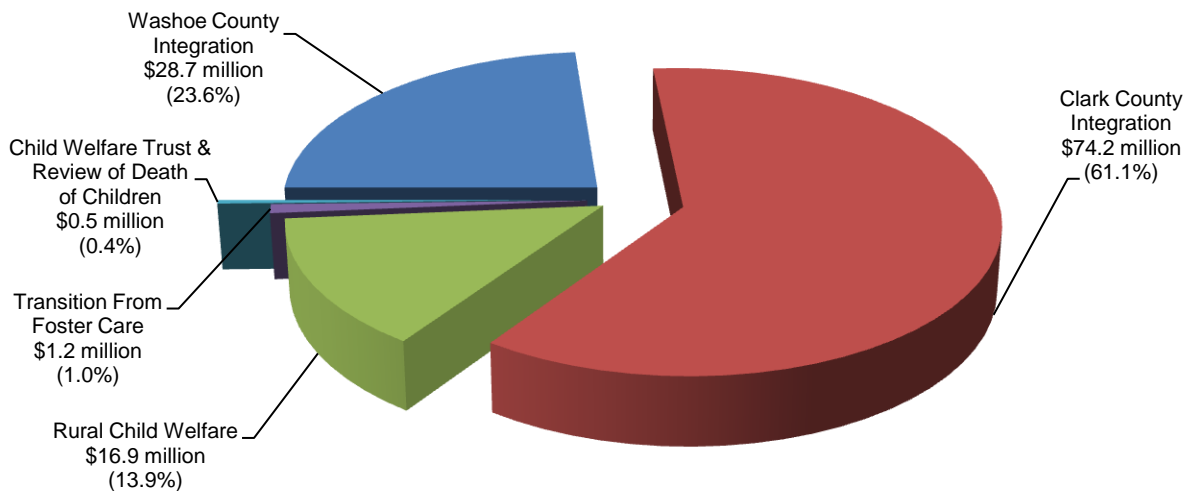
Child Protective and Welfare Services

The Division provides child protective and welfare services in rural counties and supervises services provided by county-operated agencies in Clark and Washoe counties. In its oversight role of the county-operated agencies, the Division provides technical assistance, fiscal oversight for federal monies, and quality improvement activities.

The child welfare agencies provide a continuum of services. This includes case management services that support the child, parents, and caregivers. The continuum also includes emergency shelter care, foster family care (including relative placements), group home care, therapeutic foster care, respite care, residential treatment care both in and out-of-state, independent living services, and in-home counseling. Exhibit 2 shows the fiscal year 2011 expenditures for child protective and welfare services.

Child Protective and Welfare Services Expenditures by Budget Account Fiscal Year 2011

Exhibit 2



Source: State accounting system.

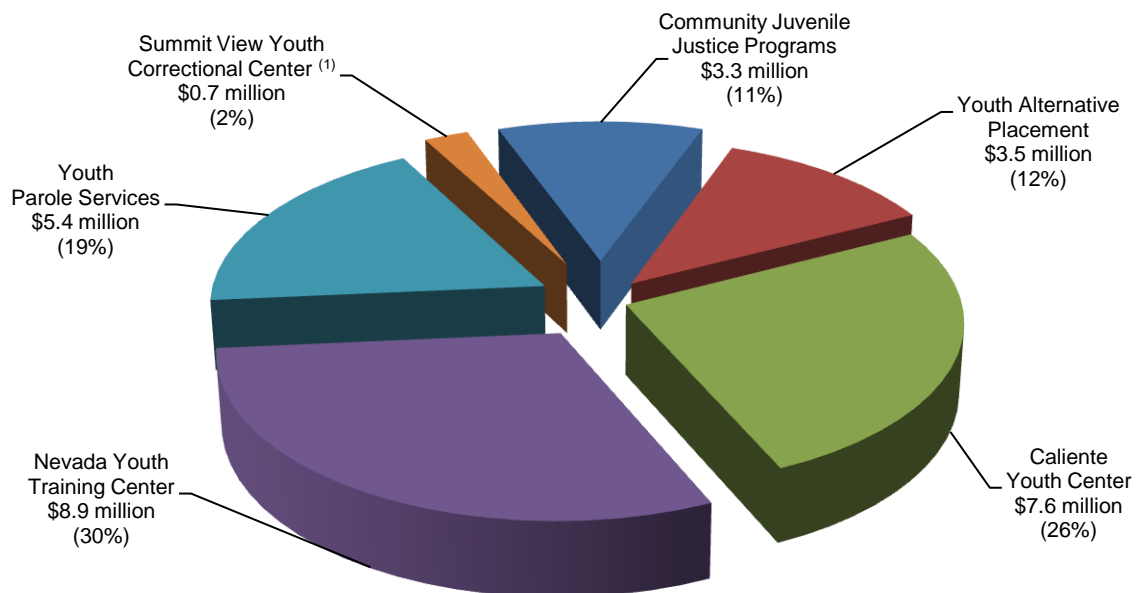
Juvenile Justice Services

The Division provides juvenile justice services to youth ages 12 through 21 who have been committed to the Division for either delinquent behavior or to access services for mental health treatment. In fiscal year 2011, youth were served at the Caliente Youth Center and Nevada Youth Training Center. Generally, youth who are committed for care are placed in one of the centers for an average of 6 to 9 months.

Upon successful completion of the programming in the facility, the youth are released back into the community with supervision and case management services provided by Youth Parole. Youth Parole has offices in Las Vegas, Reno, Elko, Fallon, and Carson City. Youth committed for mental health treatment are placed directly on parole, and receive treatment and case management services based on their identified needs. Exhibit 3 shows the fiscal year 2011 expenditures for juvenile justice services.

**Juvenile Justice Services
Expenditures by Budget Account
Fiscal Year 2011**

Exhibit 3



Source: State accounting system.

⁽¹⁾ Summit View Youth Correctional Center closed in May 2010. The expenditures in fiscal year 2011 were mainly for debt service payments and some personnel expenses.

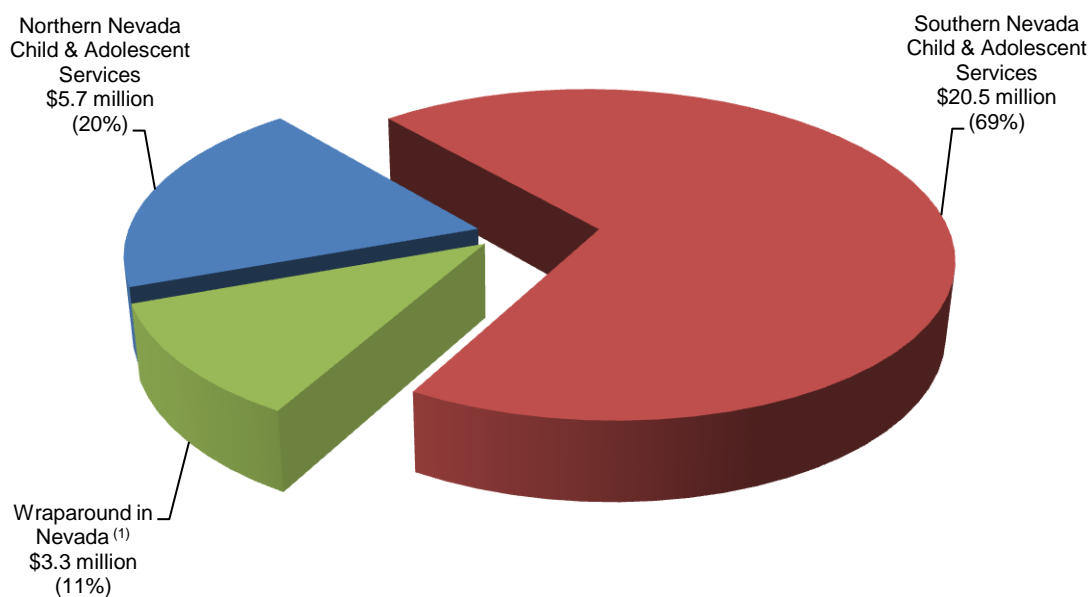
Children's Mental/Behavioral Health Services

The Division provides mental health services to children and their families in Clark and Washoe counties. Treatment services are provided through Southern Nevada Child and Adolescent Services (SNCAS) and Northern Nevada Child and Adolescent Services (NNCAS). SNCAS operates five centers throughout the Las Vegas valley. NNCAS has one primary location in Reno and serves children and families throughout the Reno/Sparks area. Services in the rural region are provided through the Division of Mental Health and Disability Services.

Mental health treatment services are provided for children with significant emotional and/or behavioral problems. Children are referred by parents, schools, child welfare and juvenile justice agencies, and private mental health providers. Exhibit 4 shows the fiscal year 2011 expenditures for children's mental/behavioral health services.

Children's Mental/Behavioral Health Services Expenditures by Budget Account Fiscal Year 2011

Exhibit 4



Source: State accounting system.

⁽¹⁾ WIN provides targeted case management services to children with serious emotional disturbances who are in the custody of child welfare agencies.

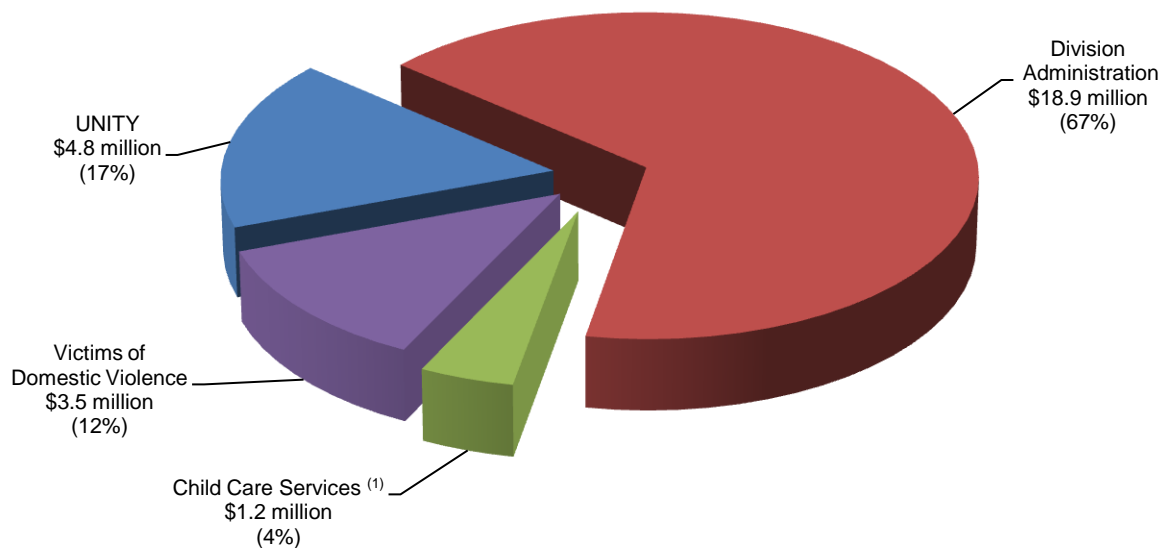
Administrative and Other Services

Administrative and Other Services provide child protective and welfare quality assurance and oversight, information management, central office fiscal support, personnel services, systems advocate services, and grants management.

There are four budget accounts within this program area. Exhibit 5 shows the fiscal year 2011 expenditures for administrative and other services.

Administrative and Other Services Expenditures by Budget Account Fiscal Year 2011

Exhibit 5



Source: State accounting system.

⁽¹⁾ With the passage of Senate Bill 430 during the 2011 Legislative Session, Child Care Services was transferred to the Health Division on July 1, 2011.

Scope and Objectives

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent

and reliable information about the operations of state agencies, programs, activities, and functions.

This audit included a review of the Division's performance measure and contract activities from July 1, 2009 through March 31, 2011. The objectives of our audit were to determine if the Division:

- has performance measures that are reliable and useful in assessing program outcomes, and
- effectively monitors service contracts.

Reported Results for Performance Measures Were Often Not Reliable

The reported results for 8 of 20 performance measures we tested were not reliable.¹ 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. The reported results were unreliable because they were not supported by competent underlying records or used an inappropriate 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.

There are three main users of performance measures:

Performance Measures Are Beneficial to Many Users

- **Agency managers** can use measures to focus agency efforts on achieving goals and objectives and, thereby, improve the quality of services. If developed properly, measures provide key agency decision makers with the information necessary to determine the real social and economic value of a program.
- **Oversight bodies** can use measures in making decisions about the allocation of resources. Both the executive branch and legislative committees need information to help them make decisions about the programs they oversee. In Nevada, the Legislature uses performance measures to evaluate programs and make budget decisions. Performance measures are included in agency budget requests and are especially useful in evaluating new programs and deciding whether to expand a program.
- **Stakeholders and the general public** can use performance measures to rate a program's performance and assess accountability. Measures can be used to

¹ See Appendix A for a list of the 20 performance measures we tested and our results.

increase the awareness, understanding, and involvement of citizens in their government.

The benefits of using performance measures for agency managers, the Legislature, and the public emphasize the need for performance measures to be reliable. In summary, it is important for the reported results of performance measures to be reliable because they affect program operations, budget and policy decisions, and stakeholders' views about government programs.

Results Were Not Supported by Competent Underlying Records

Performance measures cannot be considered reliable unless they are supported by competent underlying records. However, 4 of the 20 measures tested did not have competent underlying records. Either the documents provided did not support the number reported or supporting documents could not be provided. For example, the following two measures did not have underlying records to support the number reported for fiscal year 2010:

- Number of Former Foster Youth Receiving Independent Living Services: Supporting documents for this measure are reports submitted by grant recipients. However, our review of these reports found they reported a total of 3,058 individuals were served, which is a significant difference from the 768 reported in the Executive Budget.
- Foster Care Average Length of Stay (Months) for Washoe County: Data for this measure comes from computer system reports. For each month in the fiscal year, a summary report and a detail report was available. The reports show the number of days in foster care for children that exited care that month. The number reported in the Executive Budget is taken from the summary report. However, the detail reports had different numbers than the summary reports. For example, for 1 month the summary report had a total of 29,077 days and the detail report had 32,644 days. This is a difference of 3,567 days for just that month.

Inappropriate Methodology Was Used to Measure Results

Performance measures cannot be reliable unless the reported results are calculated using a sound methodology. Four of the 20 measures tested had unsound methodology. For example, the following two measures did not have a sound methodology:

- Number Served by the Community Corrections Partnership Block Grants (Juvenile Justice): Our review of supporting records found each of the nine judicial districts provided reports to the Division listing the number of people they served during fiscal year 2010. The total reported by these districts was 1,250 but the Division reported 885. Staff said there were duplicates that needed to be removed from four of the districts. However, they removed 29% from the entire population rather than a systematically applied percentage from just the four districts with duplicates. Although we concur duplicates should be removed, staff had no explanation for why the reduction was applied to the entire population or why it was 29%.
- Percent of Children Showing Improvement – Early Childhood (Mental Health): The Division has a sound method for determining “improvement” based on scores from an industry standard test. However, some of the children with improvement had test dates that were not during fiscal year 2010, which is the time period that the measurement results were reported for. The Division used improvement between the child’s first and second test, regardless of when the tests were taken. We found test scores for 3 of 5 children randomly selected were from tests taken prior to fiscal year 2010. For example, one of these children showed improvement in January 2007, yet this child was included in the count of children showing improvement in fiscal year 2010. Division personnel indicated this methodology is used by the federal oversight agency. Nevertheless, we believe this methodology could be misleading since it reflects performance in the last few fiscal years, not fiscal year 2010 as is stated in budget documents.

Recommendation

1. Develop policies and procedures on the compilation of performance measures to ensure reported results are reliable, including retention of supporting documentation and supervisory review of calculations and methodology.

Additional Outcome Measures Would Be Helpful In Assessing Impacts of Agency Operations

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. Furthermore, outcome measures are more meaningful to stakeholders and the public than output measures, which tend to be more process-oriented rather than results-oriented.

Types of Performance Measures

When planning, managing, and budgeting, administrators and policymakers need to evaluate various aspects of performance. Different types of measures can be used to provide specific information about a program's activities.

There are six common types of performance measures. Exhibit 6 lists the six types, their definition, and an example of each type.

Types of Performance Measures

Exhibit 6

Type	Definition	Example
Input	Measures the resources used to provide a service.	Number of employees devoted to the service.
Output	Measures what comes out of the agency's efforts.	Number of times service provided.
Outcome	Measures the result (impact) of your efforts.	Percent of clients employed 6 months after completing job-training program.
Efficiency	Ratio of outputs or outcomes produced to inputs used or how quickly a service is provided.	Number of customers served per employee.
Effectiveness	Ratio of units of output to total output (or input).	Percent of complaints resolved.
Quality	Measures customers' opinions of the services provided or goods produced.	Average score on customer satisfaction survey.

Source: Department of Administration's Division of Budget and Planning.

The State Administrative Manual states measurement of performance is crucial to the overall management of programs since it is a tool of self-assessment, goal-setting, and progress monitoring.

Majority of Division’s Performance Measures Are Output Measures

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. Exhibit 7 shows the results of our analysis for each major program area, including the percentages that were output measures and outcome measures.

Percentage of Output and Outcome Measures By Major Program Area **Exhibit 7**

Program Area	Output Measures	Outcome Measures
Child Protective and Welfare Services	72%	14%
Juvenile Justice Services	77%	19%
Children’s Mental/Behavioral Health Services	76%	24%
Administrative and Other Services	65%	3%
Division Totals⁽¹⁾	73%	16%

Source: Auditor analysis.

⁽¹⁾The remainder of the Division’s measures were 10% effectiveness and 1% quality.

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, testimony in recent Legislative Sessions indicates there is a strong interest in agencies having more outcome measures. Finally, the Federal Office of Management and Budget (OMB) strongly encourages the use of outcome measures because they are more meaningful to the public than outputs. OMB advises agencies to focus on outcomes, but use outputs when necessary.

Other States With Outcome Measures Have Had Positive Feedback

We surveyed seven states with programs similar to the Division’s. All seven indicated the use of outcome performance measures

has resulted in positive feedback from legislators, governors, and the public. These states also indicated the outcome measures have assisted them in justifying their budget, and in identifying agency trends, progress, and problems.²

Recommendation

2. Increase the number of outcome performance measures to help agency managers, the Governor and the Legislature, and other oversight bodies make budget and policy decisions about the Division's operations.

² The seven states surveyed were Utah, Texas, Washington, Oregon, Florida, Virginia, and Idaho. See Appendix B for examples of other states' outcome measures.

Controls Over Service Contracts Can Be Strengthened

Overall, the Division has an effective process for monitoring service contracts. However, the Division could improve its monitoring to verify insurance requirements are continuously met over the life of the contract. When contractors do not have all required insurance, such as professional liability or workers' compensation, there is an increased risk to the State. Further, because one contractor's invoices did not include adequate detail, the Division had limited assurance amounts billed were valid, accurate, and in accordance with the terms of the contract.

Contractor Compliance With Insurance Requirements Needs Better Monitoring

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 tested 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.

Although the agency's written procedures require contract monitors to ensure insurance requirements are met, regular monitoring of required insurance policies was not performed. The Division stated it relies on the Purchasing Division's Contract Entry and Tracking System for monitoring insurance. This system is designed to track insurance requirements and identify when policies are about to lapse. However, it does not automatically notify contract monitors. Instead, system users must log into the system in order to access this information.

At the time of our audit, the Division had 195 contracts and interlocal agreements with a combined contract maximum of about \$56 million.³ Because contracts can have multiple insurance requirements, and the Division has a significant number of contracts, procedures should be revised to strengthen the monitoring of insurance requirements.

Certain Invoices Were Not Adequate

For one of the 30 contracts tested, the invoices were not adequate because they did not indicate how the amount billed was calculated and other details required by the contract. We found no evidence Division personnel requested the additional information needed to verify the invoice amount was correct prior to making payment in full. 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. This contract is for support services provided to families of children with severe emotional disabilities. Services include parent mentoring and informing parents of the services available for their children.

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.

Our review also noted the Division contracts for a wide range of services. This includes services such as psychological evaluations, medical transcription, and electrical maintenance. As previously mentioned, the Division contracts with a large number of vendors for a significant dollar amount. Although there was not a pervasive problem with the contracts we tested, it is important that all contractor invoices include information necessary for staff to verify charges are valid and accurate.

Recommendations

3. Revise contract procedures to help ensure contract monitors obtain proof of insurance for all required policies throughout the life of the contract.

³ Obtained from Division's list of contracts and cooperative agreements entered into from July 1, 2008 through June 30, 2010, or in effect from prior years (excluding agreements with Clark and Washoe counties to provide child welfare services).

4. Review contracts to ensure vendor invoices have information necessary to verify charges are accurate and invoices are properly reviewed to verify services charged were provided.

Appendix A

List of Measures Tested For Reliability

Performance Measure		Number Reported For Fiscal Year 2010	Was Measure Reliable?	Reason For Not Being Reliable
Child Protective and Welfare Services				
1	Number of former foster youth receiving independent living services.	768	No	Underlying records did not support the number reported.
2	Foster care average length of stay in months (Washoe County).	21.76	No	Underlying records did not support the number reported.
3	Child welfare average end-of-month caseload (Clark County).	2,193	Yes	N/A
4	Child welfare average end-of-month caseload (Rural counties).	323	Yes	N/A
5	Percent of child maltreatment reports initiated timely.	86%	Yes	N/A
6	Percent of safety and risk assessments completed timely.	55%	Yes	N/A
7	Percent of time visitation standard is met.	56%	Yes	N/A
8	Adults served (Victims of Domestic Violence grant).	103,800	Yes	N/A
Juvenile Justice Services				
9	China Spring Youth Camp recidivism rate.	12.5%	No	Underlying records could not be provided.
10	Percent of youth paroled from Caliente who were revoked or returned to placement.	24%	No	Unsound methodology.
11	Average length of stay in months (Nevada Youth Training Center).	6	No	Underlying records did not support the number reported.
12	Average institutional caseload (includes sex offenders).	306	Yes	N/A
13	Number served by the Community Corrections Partnership block grants.	885	No	Unsound methodology.
14	Number of inspections of jails and lockups.	43	Yes	N/A
Children's Mental/Behavioral Health Services				
15	Unduplicated number of children served (NNCAS).	149	Yes	N/A
16	Early Childhood Mental Health: monthly average number of clients on wait list (NNCAS).	15	Yes	N/A
17	Outpatient Services: average number of clients on wait list (SNCAS).	89	Yes	N/A
18	Total number served in acute and long-term residential programs (SNCAS).	326	Yes	N/A
19	Percent of children showing improvement – Early Childhood.	49%	No	Unsound methodology.
20	Percent of outpatient children showing improvement.	48%	No	Unsound methodology.

Source: Auditor prepared.

Appendix B

Examples of Other States' Outcome Measures

Performance Measure	
Child Protective and Welfare Services	
1	Percent of children not abused or neglected during services.
2	Percent of children who age out of foster care who are working or in post-secondary education.
3	Percent of children reunified within 12 months of the latest removal.
4	Percent of adoptions finalized within 24 months of latest removal.
5	Percentage of legal resolution within 12 months.
6	Percent of children re-entering foster care within 12 months of discharge from a previous episode of foster care.
7	Rate of substantiated complaints of abuse or neglect.
8	Percent of children with two or fewer placements that have been in care 12 months or less.
9	Percent of children returned to own home.
10	Percent of children in custody placed with relatives who re-enter foster care within 12 months of exit.
Juvenile Justice Services	
1	1, 2, and 3-year reincarceration rates.
2	Percent of individual student SAT scores that improve while juvenile is in custody.
3	Offenders regularly attending school or vocational training or employed at time of release from supervision.
4	Percent with a diploma or GED.
5	Percent reading at grade level.
6	Percent of residents who successfully transition to a less restrictive alternative without committing a serious program violation that resulted in being returned to total confinement.
7	Percent of youth that exhibited a decrease in substance abuse.
8	Percent of youth that exhibited a desired change in family relationships.
9	Percent of youth that exhibited a decrease in anti-social behavior.
10	Percent of youth served whose risk factors have decreased.
Children's Mental/Behavioral Health Services	
1	Percent readmitted to state facility within 365 days of discharge.
2	Percent of youth successfully completing treatment episode.
3	Percent of youth arrested in the year prior to initiation of mental health treatment versus the year following initiation of mental health treatment.
4	Percent of youth completing residential treatment.
5	Percent of youth completing outpatient treatment.
6	Percent of caregivers reporting an increase in their child's attendance at school following initiation of mental health treatment.
7	Percent of children with mental illness restored to competency.
8	Percent of children whose school performance improves after receiving treatment.
9	Percent of children receiving treatment who are expelled or suspended from school.
10	Percent of caregivers reporting a decrease in their child's encounters with police following initiation of mental health treatment.

Source: Auditor prepared.

Appendix C

Audit Methodology

To gain an understanding of the Division of Child and Family Services (Division), we interviewed staff and reviewed statutes and regulations. We also reviewed financial information, budgets, legislative committee minutes, and other information describing activities of the Division. Further, we documented and assessed internal controls over performance measures and contracts.

To determine if the reported results for the Division's performance measures were reliable, we judgmentally selected 20 measures. Judgment was based on various locations, budget accounts, types of programs, and our perception of legislative and public interest. For each measure selected, we reviewed supporting documentation and inquired of staff to determine if the reported results for fiscal year 2010 were mathematically accurate, supported by competent underlying records, and calculated using a sound methodology. Finally, we determined if each measure had written policies and procedures, was properly reviewed, and the description accurately reflected what was reported.

To analyze if the Division's performance measures were useful in assessing program outcomes, we identified all Division measures reported in the 2011-2013 Executive Budget, Priorities of Government, Expanded Program Narratives, and the Nevada Executive Budget System. For each performance measure identified, we determined what type of measure it was: input, output, outcome, efficiency, effectiveness, or quality. We compiled our results and calculated the percentage for each type of measure. We also grouped the measures based on the Division's four major program areas. Additionally, we surveyed seven other states with program areas similar to the Division's. For each state, we conducted interviews with agency management and staff to determine if there has been positive

feedback from stakeholder groups, how the results of outcome measures have impacted management decisions, and other considerations with outcome performance measures. In addition, we reviewed various reports and identified examples of outcome performance measures for each major program area.

To determine if the Division effectively monitors service contracts, we judgmentally selected 30 contracts. Judgment was based on contracts from various budget accounts, locations, and types of services. For each contract selected, we reviewed the contract, contractor invoices, proof of insurance statements, and other related documents to verify compliance with state requirements and payments were proper. To determine compliance with state requirements, we verified contract services met the definition of an independent contractor, Board of Examiner approval was obtained, insurance requirements were met, and the contractor was properly licensed or certified. In addition, we verified solicitations were obtained and sole source contracts were properly approved. To determine if payments were proper, we verified the invoice included adequate information and was properly reviewed and approved, payments were in accordance with terms of the contract and did not exceed the contract maximum, and amounts paid for travel and per diem were in accordance with state rates or terms of the contract.

Our audit work was conducted from November 2010 to June 2011. We conducted this performance audit 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 accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Administrator of the Division. On September 13, 2011, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix D, which begins on page 22.

Contributors to this report included:

Dennis Klenczar, CPA
Deputy Legislative Auditor

Richard Neil, CPA
Audit Supervisor

Roland Erickson
Deputy Legislative Auditor

Appendix D

Response From the Division of Child and Family Services

BRIAN SANDOVAL
Governor

STATE OF NEVADA

MICHAEL J. WILLEN
Director
DIANE J. COMEAUX
Administrator



DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF CHILD AND FAMILY SERVICES

4126 Technology Way - 3rd Floor
Carson City, Nevada 89706
(775) 684-4400

September 15, 2011

Paul Townsend, CPA
Legislative Auditor
Legislative Counsel Bureau
401 South Carson Street
Carson City, NV 89701

RE: Legislative Counsel Bureau Audit Findings September 2011

The Division of Child and Family Services has reviewed the audit recommendations provided to us on September 7, 2011, and subsequently reviewed with you and your staff on September 13, 2011. The Division is in agreement with all four recommendations and has included our high level response for each recommendation with the understanding a detailed corrective action plan will be submitted within the next 60 days.

Recommendation 1 ***Develop policies and procedures on the compilation of performance measures to ensure reported results are reliable, including retention of supporting documentation and supervisory review of calculations and methodology.***

During the 2011 Legislative process, the Division recognized that this was a deficiency that needed to be addressed division-wide. As indicated in the audit report, the Auditors identified a total of 154 performance measures that were reported by the Division in the 2011-2013 Executive Budget and other budget-related documents. Having multiple staff collecting and reporting on such a large number of indicators while ensuring consistent collection and reporting processes are followed has proven extremely difficult. The feedback from the Auditors regarding the process for collecting and reporting data came at an opportune time. The Division recently hired a Statistician which will allow us to have a single person responsible for ensuring consistency in collecting and reporting data. Additionally, we are currently in the process of recruiting a Management Analyst

position to oversee data quality. This position will be responsible for developing, and maintaining appropriate policies and procedures and for continually improving oversight of the performance measure reporting process.

Recommendation 2 *Increase the number of outcome performance measures to help agency managers, the Governor and the Legislature, and other oversight bodies make budget and policy decisions about the Division's operations.*

In preparation of the Governor's Performance Planning initiative, the Division has already begun evaluating all 154 performance measures to see which measures should be kept and which could be eliminated or replaced with more appropriate outcome/quality measures. The initial review should be complete with proposed recommendations within the next 60 days.

Recommendation 3 *Revise contract procedures to help ensure contract monitors obtain proof of insurance for all required policies throughout the life of the contract.*

The Division's contract policy and procedure manual has been revised to address this recommendation.

Recommendation 4 *Review contracts to ensure vendor invoices have information necessary to verify charges are accurate and invoices are properly reviewed to verify services charged were provided.*

In preparation of renewing the contract identified in the audit as not having adequate billing documentation, the fiscal staff has worked with the vendor to ensure that the documentation required in the contract is meaningful and obtainable. The new contract was approved by the BOE on July 20, 2011.

The Division is very appreciative of the professional manner in which the Legislative audit was conducted and of the timeliness of the review of the business practices. I believe that recommendations made will help to make positive changes in the organization.

You will find attached the Division's accepted checklist of your findings. If you have any questions or comments, please do not hesitate to contact me at (775) 684-4400.

Sincerely,


Diane J. Comeaux
Administrator

cc: Mike Willden, Director, Department of Health and Human Services

Division of Child and Family Services' Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Develop policies and procedures on the compilation of performance measures to ensure reported results are reliable, including retention of supporting documentation and supervisory review of calculations and methodology.	<u>X</u>	<u> </u>
2. Increase the number of outcome performance measures to help agency managers, the Governor and the Legislature, and other oversight bodies make budget and policy decisions about the Division's operations.	<u>X</u>	<u> </u>
3. Revise contract procedures to help ensure contract monitors obtain proof of insurance for all required policies throughout the life of the contract.	<u>X</u>	<u> </u>
4. Review contracts to ensure vendor invoices have information necessary to verify charges are accurate and invoices are properly reviewed to verify services charged were provided.....	<u>X</u>	<u> </u>
TOTALS	<u>4</u>	<u>0</u>