

## MINUTES

### AUDIT SUBCOMMITTEE OF THE LEGISLATIVE MANAGEMENT COMMITTEE

The Audit Subcommittee of the Legislative Management Committee met in Room 303, State Capitol Building, Salt Lake City, Utah, January 25, 2001, from 3:30 p.m. until 5:30 p.m.

Committee Members Present: President Al Mansell, Co-Chairman  
Speaker Martin R. Stephens, Co-Chairman  
Representative Brad King  
Senator Mike Dmitrich

Legislative Audit Staff: John M. Schaff, Deputy Auditor  
Tim Osterstock, Audit Manager  
Rick Coleman, Audit Manager  
Excused Wayne L. Welsh, Auditor General  
Janice Coleman, Audit Supervisor  
Leslie Marks, Audit Supervisor  
James Behunin, Audit Supervisor  
Susan Verhoef, Lead Auditor  
John Darrow, Sr. Performance Auditor  
Deanna Herring, Performance Auditor  
Shane Wright, Performance Auditor  
Ivan Djambov, Performance Auditor  
Wayne Kidd, Performance Auditor  
Lynda Maynard, Recording Secretary  
Camille Ahlstrom, Legislative Secretary

Other Interested Parties: Ken Patterson, Dir., Department of Child  
and Family Services (DCFS)  
Jack L. Green, DCFS  
LeRoy Franke, DCFS  
Carol Sisco, Human Services  
Roz McGee, Utah Children  
Vaughn Emett, Dir., Office of Fiscal  
Operations, DHS  
Patrick Ogden, Assoc., Supr., SOE

Steven O. Laing, State Superintendent, Office of Education  
Kim Birmingham, Chairman, State Board of Education  
Stephen Jardine, Governors Office of Planning and Budget (GOPB)  
Thor Nilsen, Legislative Fiscal Analyst  
Bonnie Macri, JEDI for Women  
Christi Hutchings  
Pat Baker, The Utah Federation of Families for Children's Mental Health  
Kersten Swinyard, *Deseret News*  
Jennifer Dobner, *Deseret News*  
Nadine Wimmer, *KSL TV*  
*and others as listed*

**1. Call to Order**

Speaker Stephens called the meeting to order at 3:30 p.m.

**2. Approval of Minutes**

Senator Dmitrich made a motion that the minutes from the December 28<sup>th</sup> meeting be approved. The motion passed unanimously.

**3a. Addendum to a Performance Audit of State Textbook Funding (Report #2001-04)**  
Presented by Janice Coleman, Audit Supervisor

Following the presentation of our November 2000 audit, **A Performance Audit of State Textbook Funding** (Report # 2000-07), legislative leadership requested our office provide information on specific issues during the beginning of the 2001 legislative session. This addendum contains the information we were able to gather.

**Adjustment of the \$30.6 Million Estimate.** Legislative leadership requested that our office adjust the \$30.6 million estimate of textbook needs reported in our November audit to consider textbook purchases made in the summer of 2000. Our estimate was based on a May 2000 snapshot. We re-analyzed our earlier data and now estimate that \$6.8 million of the

May need was satisfied while \$23.8 million still remains.

**Estimate of On-going Textbook Costs.** We were asked to identify the amount of money needed yearly to supply students with the necessary textbooks. Our estimates of on-going textbook costs range between \$17.3 million and \$24.0 million, depending on the replacement cycle chosen. The addendum provides yearly estimates for a five, six and seven year replacement cycle.

**Textbook and Supplies Spending by District.** We were asked to chart on a district-by-district basis the amounts spent on textbooks and on textbooks and supplies for fiscal years 1997-99. We compiled this information for all districts and present it in the addendum. In fiscal year 1997, districts averaged \$44.48 per student on textbooks and \$180.63 per student on textbooks and supplies. In fiscal year 1999, districts averaged \$40.94 per student on textbooks and \$194.63 per student on textbooks and supplies.

**Assessment of Minimum Expenditure Requirement.** We were asked to report, by district, compliance with the 5.5 percent minimum expenditure requirement on textbooks and supplies for fiscal years 1997-99. Prior to the removal of supplemental funding, one district did not meet the yearly minimum expenditure requirement for one of the three years. When supplemental funds are removed, 8 of the 40 districts did not meet the minimum expenditure requirement in one of the three years examined. Four of the eight districts did not meet the expenditure requirement in two of the three years examined.

**Sources of Funding for 5.5 Percent Requirement.** We were asked to report, by district, the sources of funds used to meet the minimum expenditure requirement. We compiled this information for 36 of the 40 districts and present this information for fiscal years 1997-99 in the addendum. Four districts did not report.

**Changes to the 5.5 Percent Minimum Expenditure Requirement.** We were asked to determine if the minimum expenditure requirement should be modified. We did not have any data on supply expenditures, which is necessary to answer this question. We believe that the State Office of Education is in the process of making this analysis.

#### **Discussion following presentation:**

Kim Birmingham, Chairman, State Board of Education, told the Audit Subcommittee that he had three observations from the Addendum presented:

1. The State Board of Education's appreciation for the audit. It has been a very valuable tool that has given better insight into the circumstances surrounding textbook funding in Utah.
2. The State Board of Education has taken the information, provided in the Addendum, very seriously. A letter was sent out on January 3<sup>rd</sup> to the districts indicating that there is a need for greater detail. We are in the process of revising our procedures so that we will have more complete information.
3. It is our responsibility, as State Board representatives, to make sure that we provide the oversight needed. We have reorganized our subcommittees and have delegated the responsibility of overseeing compliance with the audit recommendations to one of these subcommittees.

Steven O. Laing, State Superintendent, Office of Education, concluded by saying that the detailed information given in the Addendum is very informative and the State Board is confident that they will be able to provide better data.

Motion: President Mansell made a motion that the **Addendum to a Performance Audit of State Textbook Funding** (Report #2001-04) be approved and sent to the Public Education Appropriations Committee, the Education Standing Committee, and the Funding of Public Education Task Force. The motion passed unanimously.

Motion: Senator Dmitrich made a motion that the Auditor General's Office contact both Jordan and Box Elder school districts to find out why their information changed from the November audit report. The motion passed unanimously.

Motion: President Mansell made a motion that the four school districts, Kane Logan, Grand, and Piute—that failed to respond to the request for additional information, be sent a letter from the Audit Subcommittee giving them 15 days to respond to the request for data. The motion passed unanimously.

**3b. A Performance Audit of Utah's Special Needs Adoption Program** (Report #2001-03)  
Presented by James Behunin, Audit Supervisor

Adoption assistance plays an important role in helping the Division of Child and Family Services (DCFS) find permanent homes for special needs children in state custody. However, a combination of client growth and poor financial controls caused spending to rapidly increase and exceed the program's budget. The lack of financial controls has been most serious in the Salt Lake Valley Region. In fact, if it were not for the Salt Lake Valley Region, the adoption assistance program would have remained within budget during fiscal year 2000 rather than ending with a \$1.4 million deficit.

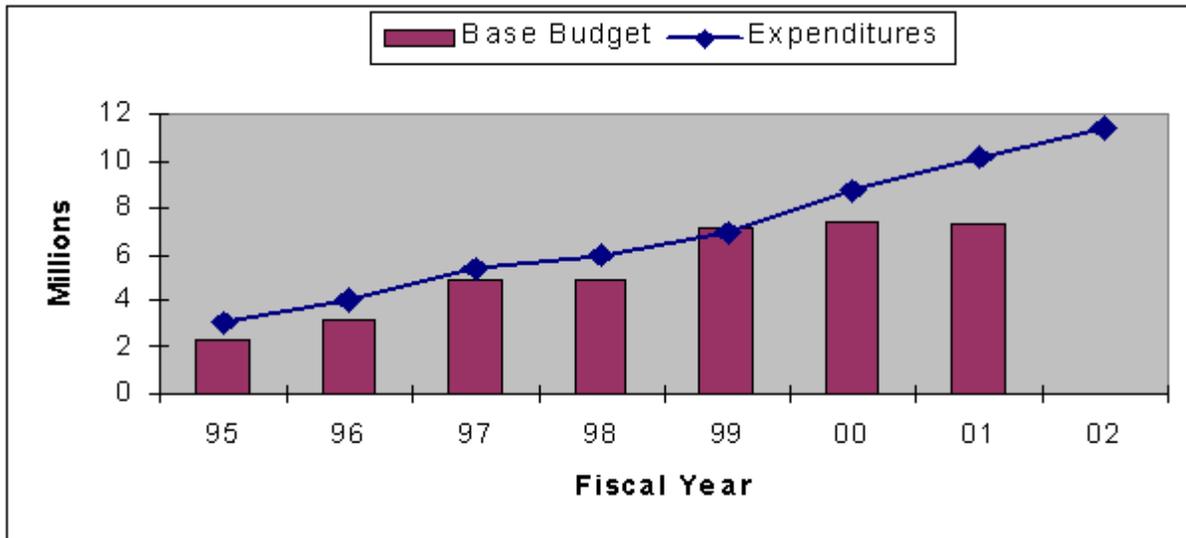
In recent months, the division has made significant progress in improving its financial management practices that should help control spending. Because of the division's recent efforts to control costs, legislators should exercise caution as they consider the division's funding request for adoption assistance during the 2001 General Session. While we feel the governor's budget request is correct to predict expenditures based on estimated client growth, it needs to be updated to reflect cost savings that have resulted and may yet result from stronger fiscal controls.

The results of our review of the division's treatment of parents were mixed. While most parents report they are satisfied, many are justifiably frustrated with efforts to control program costs because division staff made inappropriate promises about financial support. On the other hand, we found little evidence to support allegations that the division staff intentionally misled adoptive parents about children or unfairly pressured them to adopt. Whether or not the claims by some dissatisfied parents are valid, we believe the division needs to improve the services it provides to adoptive parents.

Following the introduction in Chapter I, this report contains three chapters that are summarized below:

**Spending for Assistance Has Outpaced Funding.** As the following figure shows, spending for adoption assistance has increased rapidly in recent years. The resulting budget deficits have been financed by transfers from other programs and by supplemental appropriations.

**Figure A. Comparison of Adoption Assistance Base Budget to Expenditures.**



The spending growth has resulted from the state’s increased emphasis on finding a permanent home for children in foster care. Although the state has achieved its goal of increasing the number of special needs adoptions, this achievement has put a great deal of pressure on the budget for adoption assistance. One significant concern is that adoption assistance in some regions is much higher than those offered in other regions.

**Better Fiscal Controls Are Needed.** Until the division improves its fiscal controls, it will be difficult to determine what level of funding is needed for Utah’s adoption assistance program. In the past, DCFS has exercised little control over the spending in each region. In response, Department of Human Services officials have increased oversight of the division’s financial management practices. We found that the Salt Lake Region’s spending practices exceed the other regions in many instances. For example, we found the Salt Lake Region accounted for 88 percent of all supplemental payments made to adoptive parents. Supplemental payments are solely state funded but have often been made for mental health services that could be obtained through Medicaid. Bringing the Salt Lake Region’s spending under control will have a significant impact on program costs.

1. We recommend that the Division of Child and Family Services strengthen its fiscal controls by:
  - a. Requiring regions to obtain division approval before exceeding their budgets
  - b. requiring staff to verify, as each child enters state custody, whether the child qualifies for federal adoption assistance under Title IV-E

- c. clarifying its rules and procedures for determining the amount of monthly subsidies a family should receive and ensuring that regions follow those rules
  - d. directing staff to refrain from including general provisions for supplemental assistance in adoption assistance contracts, and
  - e. clarifying its rules for approving supplemental payments and ensuring that regions follow those rules.
2. We recommend that the Division of Child and Family Services propose to the Legislature statutory language requiring
  - a. that the courts, when considering the termination of parental rights, determine whether or not the child's continuation in the home would be contrary to the welfare of the child, and
  - b. if the court so finds, that the court order include language necessary to qualify the child as eligible for assistance under Title IV-E.
3. We recommend that the Division of Child and Family Services consider ways to more cost-effectively provide mental health services to special needs adoptees, including:
  - a. requiring clients to receive services within the capitated system except under extraordinary circumstances, and
  - b. providing adoptive children and foster children the same fee-for-service mental health plan.
4. We recommend that the Legislature consider directing the Division of Child and Family Services to limit the use of supplemental payments to extraordinary circumstances.
5. We recommend that the Legislature consider the following factors as it determines the adoption assistance budget:
  - a. changes in the number of children receiving assistance
  - b. the expected effect of improved fiscal controls
  - c. possible changes in state policy regarding the payment of supplemental assistance.

**Some Parents Need Better Post-adoptive Support.** While most adoptive parents feel they are treated fairly by DCFS, our survey shows that there are some families who believe that they were not treated fairly because the division broke promises by reducing their monthly subsidy and imposing restrictions on the use of supplemental assistance. Some parents also felt that DCFS did not disclose to them all the information available regarding their child's special needs before the adoption and a few parents reported that they felt undue pressure to adopt.

It appears that division employees did make inappropriate promises about financial support. We found a great deal of confusion about adoption assistance policy among division staff. Thus, its not surprising that we found inconsistent practices and poor communication with parents. However, we were not able to confirm complaints that DCFS purposely withheld information about children or inappropriately pressured parents. In general, case files did not include the type of information we needed to address the complaints. On the other hand, in some files we found documents signed by the parents stating that they had been given access to the information about their adoptive child even though the parents had claimed otherwise. Whether or not the claims by parents are valid, we believe the division needs to improve the services it provides to adoptive parents.

1. We recommend that DCFS provide the training and supervision necessary to ensure that division staff follow division policies and procedures regarding the disclosure of information to adoptive parents.
2. We recommend that DCFS complete and distribute its booklet outlining details of the adoption assistance services as soon as possible.
3. We recommend that the division assess the need and develop a plan to improve post-adoption services for adoptive children and their families. Some of the services the division should consider are:
  - a. making an inquiry with adoptive parents each year regarding their child's special needs
  - b. identifying any services the families may require to address those needs, and
  - c. helping the families find existing programs within the Department of Human Services or through other community agencies that can help them address those needs.

**Discussion following presentation:**

Ken Patterson, Director, Division of Child and Family Services (DCFS), thanked the Auditor General's Office and staff for the open communication throughout the audit. Mr. Patterson also expressed appreciation for the foster parents and adoptive parents of Utah.

Mr. Patterson highlighted the following:

- The division acknowledges the audit findings that improved fiscal controls are needed and improved consistency in pre-adoption disclosure and post-adoption assistance are necessary.

- The survey, sent out by the audit staff, helped clarify that the majority of adoption experiences with DCFS were rated either “good” or “very good” and the adoptive parents were very knowledgeable about the child they were adopting.
- A number of changes have been made to correct weaknesses in the fiscal controls:
  - a. A new budget officer has been appointed at the state level,
  - b. Three administrative regions in Salt Lake have been combined into one single region,
  - c. A new associate director, who is not a social worker, has been hired, and
  - d. A new regional director has been hired to replace the former regional director.

Mr. LeRoy Franke, Adoptions Specialist, Division of Child and Family Services told the Audit Subcommittee that DCFS has modified their policies and rules, but they have only been minor changes. DCFS wants to follow the intent of the legislation in Senate Bill 97, that is being discussed this year, before any further rule changes.

Mr. Franke concluded by saying that DCFS needs to provide more post-adoptive support.

Roz McGee, Utah Children, said she had three areas of special interest that the Legislature has before them: mental health funding; the creation of a task force to study mental health services for children; and, the support of kinship parents. Ms. McGee indicated that Utah Children have followed the reform in the child protection and foster care system and appreciate the leadership the Legislature has given.

Christi Hutchings, an adoptive parent, told the Audit Subcommittee that most parents that adopt have a really good experience but are concerned with the tighter fiscal controls that have been put in place. Ms. Hutchings said that tighter fiscal controls may be needed but that doesn't mean that the support needs to be totally cut off to families who need this assistance. She said that she was grateful that the Senate had taken steps to amend Senate Bill 97 so that the bill will be a useful bill and she appreciated the recommendations the audit has given regarding post-adoption support.

Pat Baker, told the Audit Subcommittee that, besides working with the Utah Federation of Families for Children's Mental Health, she is also an adoptive parent who found out that love alone cannot take care of all problems that adoptive children have. Ms. Baker said that children's mental health treatment programs are very effective and she believes that post-adoption support is crucial.

Bonnie Marci, Executive Director, JEDI Women, suggested that if foster children were not so aggressively taken from their homes, there would be little need for mental health care and that if the families that are losing their children received subsidies, many other subsidies would not be necessary. Ms. Marci also said that special needs children of color should have more outreach to the community.

Motion: Representative King made a motion that the **Performance Audit of Utah's Special Needs Adoption Program** (Report #2001-03) be approved and sent to the Health and Human Services Appropriations Subcommittee and the Health and Human Services Standing Committee. The motion passed unanimously.

#### 4. Other Business

John Schaff, Deputy Auditor General, told the Audit Subcommittee that the Auditor General's Office was given the task, according to the **Utah Code**, to develop a brochure that would go to all new programs managers and directors in state government detailing the best practices to be used in government operations. Mr. Schaff said that a copy of the "Best Practices" brochure was in their packets.

After discussing the Audits in Process list and Other Approved Audits, the following motions were made.

Motion: Senator Dmitrich made a motion that the request for an audit of Property Tax Exemptions be place on hold. The motion passed unanimously.

Motion: President Mansell made a motion that the request for a follow-up audit of Applied Technology Education be deleted from the Other Approved Audits list. The motion passed unanimously.

Motion: President Mansell made a motion that the request for an audit of Mineral Lease Funds be deleted. The motion passed unanimously.

Motion: Representative King made a motion that the new request for an audit of the Utah Department of Environmental Quality be put on the Previous Requested list and the Auditor General's Office obtain additional information as to the scope of this audit. The motion passed unanimously.

Mr. Schaff told the Audit Subcommittee that there were two reports that needed to be presented to them during session: A Performance Audit of the Office of Child Care; and Processing Cost for Concealed Weapon Permits so that the respective committees could use the information.

It was decided that a short Audit Subcommittee meeting would be held on Friday, February 2<sup>nd</sup> to approve the above audits.

## **5. Adjournment**

Speaker Stephens adjourned the meeting at 5:30 p.m.