

# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

## Management and Financial Audit of the Foster Board Payment Program

### Summary

In response to the Legislature's request, we conducted a management and financial evaluation of the Child Foster Care Payment Program administered by the Family and Adult Services Division (FASD) of the Department of Human Services (DHS). We examined how foster board payments are formulated, projected and budgeted, approved, issued, and accounted for, and evaluated expenditures made under the program. We also assessed the impact of the Families Together Initiative on Foster Board Payment Program expenditures. We contracted with the firm of KPMG Peat Marwick LLP (KPMG) to conduct a financial audit of the Child Foster Care Services Program.

We found that the department is not managing the Foster Board Payment Program so that it can budget for it responsibly. Program administrators have not paid sufficient attention to budgeting, and they have not scrutinized the requirements of the program as they have other DHS entitlement programs. We found that the department lacks guidelines to control expenditures as well as complete and consistent data on foster children. Even the scope of the payment program is unclear. DHS does not have readily available information on children for whom it makes payments.

We found that the impact of the Families Together Initiative on foster care remains unclear. The current implementation of FTI does not permit a direct cause and effect relationship to be made between FTI and foster care. Furthermore, FTI is viewed by DHS as only a part of a continuum of services available for children and youth.

The financial audit by KPMG found that the department has not adequately monitored and administered the financial operations of the program. Deficiencies in the department's financial accounting and control practices were sufficiently serious to result in two reportable conditions. Deficiencies of this magnitude are rare. In addition, one condition is of such magnitude as to be a material weakness. This means that errors or irregularities in financial transactions may occur and not be detected.

One reportable condition is that DHS is not adequately monitoring payments. Overpayments have occurred and DHS is unable to determine the extent of

weakness—DHS has no system to monitor and recover reimbursements. It cannot determine the total amounts owed to the State and from whom they should be recovered. Even when recovered, DHS does not record properly or deposit them on a timely basis.

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## Recommendations and Response

We recommend that the director of DHS ensure that the department begins to budget responsibly for the Foster Board Payment Program. Responsibility for developing budget projections should be assigned to the DHS Committee on Payment Projections. Also, the scope of the program should be clearly identified in terms of DHS' responsibilities for making payments for children placed by other agencies.

The Family Adult Services Division (FASD) should implement uniform and consistent internal expenditure guidelines. It should conduct timely reviews of case files and monthly reports. FASD should require a second or supervisory review of authorization for payment and data entered into the computer system and develop a checklist of documentation required for client files. It should coordinate with the Child Support Enforcement Agency to monitor child support collections and with the DHS Administrative Services Office to receive reports regularly on collections and receipts.

We recommend that the DHS Administrative Services Office establish appropriate internal controls over collections and expenditures for the Foster Board Payment Program. It should develop written procedures manual clearly defining responsibilities of each position in its Collections and Recovery Section and adequately train and supervise its staff. Subsidiary ledgers detailing all board overpayments, Supplemental Security Income payments, and individual private fund accounts should be prepared.

We recommend that the department maximize Title IV-E reimbursements by converting adoption cases to federal funding, examining and coordinating child placement responsibilities with other agencies, obtaining accurate and complete information for board payments, and continuing discussions with the federal government to maximize the recovery of administrative costs.

DHS responded that it found the points made in our report to be very useful and that, in general, it agrees with our comments and recommendations. DHS also added comments and clarified and updated information provided in the draft. We incorporated some of the clarifications in the report.

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