

Appropriations Committee

Program 354

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Matthew T. Wallen, Director

Division of Children and Family Services

Department of Health and Human Services

Good morning, Chairman Stinner and members of the appropriations committee. My name is Matthew Wallen (M-A-T-T-H-E-W W-A-L-L-E-N), and I serve as the Director of the Division of Children and Family Services (CFS) within the Nebraska Department of Health and Human Services (DHHS). Thank you Mr. Chairman for inviting me here today to provide information related to the Program 354 attestation, which was published by the Auditor of Public Accounts (APA) on August 3rd of this year.

As you know, Program 354, Child Welfare Aid, includes the following sub-programs: post-adoption guardianship, protection and safety, IV-E foster care, IV-E adoption assistance, IV-E guardianship, subsidized adoption, domestic violence program, education assistance for state wards, and child welfare.

Before I address the attestation, I would like to provide the committee with a brief update on progress in our Division.

In his State of the State address, the Governor identified an increase in out of home placements as a top concern. This committee and the body agreed and invested \$55.7 million in additional dollars to address this need.

I'm happy to report that out of home placements are down 357 children year-over-year, which is a 9.9 percent decrease.

Keeping children safe is my team's top priority. When delivering services, we first try to serve kids and families in their homes, but only if it is safe to do so. Last week I traveled across the state to meet with CFS team members and community partners to rollout a new practice model, Safety Organized Practice, to further enhance child safety. Other agencies that have used this model have improved family engagement and collaboration, allowing them to keep more families together safely.

Thank you for your continued support of our work.

CFS is committed to serving families and to doing so in an effective and fiscally responsible way. The audit reviewed Program 354 from July 1, 2016 – December 31, 2017. While the Program 354 audit identifies some areas in which we can improve, we have actively been addressing issues and have been good stewards of the funds appropriated for the program.

This morning, I will provide a brief overview, since our responses to each finding are published in the attestation. There are three main points I would like to make today. First, the audit projects errors and does not identify \$26 million of misspending. Second, the APA used the DHHS Internal Audit team's work product related to

PromiseShip - meaning we had already identified the issues and had addressed the issues as the attestation was released. Finally, the Division strives to be fiscally responsible and draw down federal dollars when we can.

The APA is an important partner in our work and helping us identify areas for improvement, but I want to be clear to this committee and to taxpayers that the agency has not misspent \$26 million. The audit examined payments to child welfare service providers. Of more than 416,000 payments, the audit examined 113, or .027 percent, and handpicked 10 high utilization cases. The audit questions approximately \$45,000 and from that projects an error of \$26 million. This projection, based on the small sample, is not an inventory, or finding, of actual misspent dollars. In our response to the audit, the agency made clear that we disagreed with the editorial decision and the methodology used to extrapolate and magnify the audit findings based on a small sample. Again, to be clear, the audit questions \$45,000 in expenditures, not \$26 million, as has been widely reported in the media.

There are a variety of comments related to PromiseShip in the audit. We've addressed the APA's findings. In fact, our internal audit team had been auditing PromiseShip and we identified issues and worked on remedies. Furthermore, the APA used our findings for their audit, but the attestation does not reflect our efforts. We've reconciled the contract and excluded unallowable and unreasonable expenses.

Last session the Governor proposed and the Legislature approved an appropriation increase for the child welfare program. The audit shows a misunderstanding of the rationale for the appropriation. The audit claims that the Legislature over-appropriated the program based on the increase of children in the state's care. Services are provided based upon the unique needs of the children and families served, and the cost of services has increased. The appropriation also eliminated the need for annual deficit spending. All these factors must be considered to determine the level of appropriation needed for the child welfare program. The audit does not consider all these factors.

The Division and the Department strive for fiscal responsibility through the effective management of resources and drawing down resources when possible. The APA commented that we didn't fully utilize federal funds for adoption assistance. We aggressively try to draw down every dollar we can, but our federal partner, the ACF, did not provide, clear and definitive guidance on Title IV-E funds. In order to not risk other federal funds, we chose to forgo and avoid a potential penalty.

Overall, the Division concurred with four of the Auditor's 10 findings and, because we are committed to fiscal responsibility and effectively managing resources, we are taking steps to address the findings. We disagreed with the audit findings in some areas due to the assumptions and lack of information the audit team had, and made findings on. We have addressed several findings and have ongoing efforts to do so, including: comprehensive internal reviews; training; updating policies, procedures, and internal controls; further monitoring; and more.

The Division of Children and Family Services is committed to serving families and to doing so in an effective and fiscally responsible way, with a focus on safety. While the Program 354 audit identifies some areas in which we can improve, we have been actively addressing issues and have been good stewards of the funds appropriated to us.

Thank you for the opportunity to testify today and I will answer any questions you may have.