

Foster Family Home and Small Family Home Insurance Fund

Expanding Its Coverage Will Increase Costs and the Department of Social Services Needs to Improve Its Management of the Insurance Fund

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In September 1986 the Legislature established the Foster Family Home and Small Family Home Insurance Fund (insurance fund) to pay, on behalf of foster family homes and small family homes (licensed homes), the claims of foster children, their parents, or their guardians stemming from an accident that results in bodily injury or personal injury neither expected nor intended by the foster parent.

This report concludes that almost 90 percent of the foster parents running licensed homes who responded to our survey were unaware of the insurance fund's existence. In addition, approximately a third of these foster parents reported that the possibility of liability claims against them made them less likely to continue as foster parents in the future. Expanding the insurance fund's coverage to homes that are certified by foster family agencies (FFAs), which are organizations that recruit, certify, and train parents who provide foster family homes not licensed by the State, may be costly. If the Legislature desires to expand the insurance fund's coverage to include the FFAs' certified homes, it will have to make statutory amendments to expressly permit the insurance fund to pay claims on behalf of certified homes. Based on our survey results and the insurance fund's claims history, our consultant estimated that expanding the insurance fund's coverage to the FFAs' certified homes could potentially cost the State a minimum of \$967,500 each year. Further, if the Legislature desires to enable the insurance fund to cover legal guardians participating in the Kinship Guardianship Assistance Payment (Kin GAP) program, it will have to amend the pertinent statutes to expressly provide coverage for these guardians. Due to limitations in obtaining readily available and pertinent data, we were unable to survey the Kin GAP families and project the financial impact of adding them to the insurance fund.

This report also concludes that the Department of Social Services (Social Services) did not ensure that the Department of General Services (General Services), its designated contract agency, approved or rejected claims filed against the insurance fund within the 180 day time frame state law mandates. Social Services also failed to obtain key information from General Services, and as a result, Social Services has been unable to accurately project the insurance fund's budget needs. As of December 31, 2010, the insurance fund had a balance of roughly \$5.4 million, which is significantly higher than the \$1 million amount we estimate it needs to maintain as a reserve. Should the Legislature choose to expand the insurance fund's coverage to include certified homes and Kin GAP families, Social Services will need to reevaluate this reserve amount.

In the report, the California State Auditor (state auditor) made the following recommendations to Social Services and the Legislature. The state auditor's determination regarding the current status of recommendations is based on Social Services' response to the state auditor as of October 2012.

Recommendation 1.1—See page 18 of the audit report for information on the related finding.

To mitigate foster parents' concerns about liability and to increase the likelihood that they will continue to serve as foster parents, Social Services should develop more effective methods to inform and remind licensed homes about the availability of the insurance fund.

Social Services' Action: Fully implemented.

Social Services issued a memo on September 28, 2011, instructing its Community Care Licensing Division (licensing division) program analysts to provide foster parents with General Services' insurance fund handout during the pre-licensing visit. In addition, Social Services posted the insurance

fund information on the licensing division's Web site on October 20, 2011. Finally, Social Services included the insurance fund information in the licensing division's fall 2011 Children's Residential Quarterly Update Newsletter.

Recommendation 1.2—See pages 21 and 22 of the audit report for information on the related finding.

If the Legislature desires that the insurance fund provide coverage to the FFAs' certified homes and Kin GAP families, it should amend the pertinent statutes to expand the insurance fund's coverage to include them.

Legislative Action: Unknown.

The state auditor is not aware of any action taken by the Legislature as of December 18, 2012.

Recommendation 1.3.a—See pages 23—25 of the audit report for information on the related finding.

To comply with state law and improve the timeliness of claims processing, Social Services should ensure that General Services approves or rejects all claims within the mandated 180-day deadline.

Social Services' Action: Fully implemented.

Social Services stated that General Services has implemented a system to be in compliance with the mandated 180-day deadline, by either accepting or rejecting a claim within 180 days. In addition, Social Services implemented a process to track claims pending at General Services to ensure they are processed in 180 days.

Recommendation 1.3.b—See pages 23—25 of the audit report for information on the related finding.

To comply with state law and improve the timeliness of claims processing, Social Services should require General Services to ensure that claimants receive prompt notification of its decision to approve or reject their claims.

Social Services' Action: Fully implemented.

Social Services stated that General Services has implemented a system to be in compliance with the mandated 180-day deadline, by either accepting or rejecting a claim within 180 days. In addition, Social Services implemented a process to track claims pending at General Services to ensure they are processed in 180 days.

Recommendation 1.4—See pages 23—25 of the audit report for information on the related finding.

To ensure the expedient disposition of claims, the Legislature should consider amending state law to provide claimants the option of litigating against the insurance fund if General Services does not approve or reject their claims within the 180-day deadline described in state law.

Legislative Action: Unknown.

The state auditor is not aware of any action taken by the Legislature as of December 18, 2012.

Recommendation 1.5.a—See pages 26 and 27 of the audit report for information on the related finding.

To ensure that the insurance fund makes the most efficient use of the State's limited resources, Social Services should ensure that General Services provides it with all the claims information specified in the interagency agreement.

Social Services' Action: Fully implemented.

Social Services worked with General Services to revise its quarterly reports to include all of the claims information specified in the interagency agreement.

Recommendation 1.5.b—See pages 27—29 of the audit report for information on the related finding.

To ensure that the insurance fund makes the most efficient use of the State's limited resources, Social Services should use these claims and expenditure data to determine the annual appropriation amount needed for the insurance fund to meet its anticipated liabilities.

Social Services' Action: Pending.

Social Services stated that it developed a methodology for determining an adequate insurance fund appropriation that will be based, in part, upon General Services' quarterly reports. However, Social Services' methodology does not sufficiently explain the steps necessary for making this determination. Social Services stated that it plans to provide us with its fiscal analysis of the fund and the supporting documentation by January 10, 2013.

Recommendation 1.5.c—See pages 27—29 of the audit report for information on the related finding.

To ensure that the insurance fund makes the most efficient use of the State's limited resources, Social Services should establish a written policy or procedures to guide staff on the appropriate methodology to use when calculating these anticipated liabilities.

Social Services' Action: Pending.

Social Services stated that it has developed methodologies for determining the insurance fund's annual appropriation and its reserve requirements. However, both methodologies lack the details necessary to guide staff on the appropriate steps to take when calculating these anticipated liabilities. Social Services stated that it plans to provide us with its fiscal analysis of the fund and the supporting documentation by January 10, 2013.

Recommendation 1.5.d—See pages 27—29 of the audit report for information on the related finding.

To ensure that the insurance fund makes the most efficient use of the State's limited resources, Social Services should establish an adequate reserve amount for the insurance fund and reevaluate it annually.

Social Services' Action: Pending.

Social Services stated that future adjustments to the fund balance and appropriation will be conducted as part of the budget process for developing the fiscal year 2013–14 governor's budget. In its methodology, Social Services states its intent to evaluate the reserve amount annually, or sooner as directed by circumstances or controlling agencies. Social Services stated that it plans to provide us with its fiscal analysis of the fund and the supporting documentation by January 10, 2013.

