

Departments of Public Health and Social Services

Weaknesses in the Administration of the Child Health and Safety Fund and the State Children's Trust Fund Limit Their Effectiveness

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This report concludes that the Department of Public Health (Public Health) and the Department of Social Services (Social Services) exhibited weaknesses in their administration of these funds.

Public Health is responsible for managing the part of the Child Health and Safety Fund (health and safety fund) known as the Kids' Plates Program, a prevention program for unintentional childhood injuries. However, Public Health and its predecessor agency, the Department of Health Services¹ (Health Services), violated state law when they contracted with the San Diego State University Research Foundation (research foundation) to manage the Kids' Plates Program from 2004 to 2010. Specifically, they did not comply with provisions of state law that prohibit state agencies from contracting with private entities to perform work that state employees could perform. Further, Public Health continued to have the research foundation perform services without an approved contract, in violation of state law. Because the research foundation had been operating without a contract, it was not able to award any grants to prevent unintentional childhood injuries between July 2010 and May 2011. Moreover, Public Health and Health Services paid the research foundation to administer the program from the funds that the Legislature had intended it to use directly for childhood injury prevention programs. They spent roughly 40 percent of their total appropriations received between fiscal years 2006–07 and 2009–10, or nearly \$2.1 million, on the research foundation's administrative costs for the Kids' Plates Program. Nearly two years after it stopped contracting with the research foundation, Public Health awarded 115 grants to community agencies, but it did not comply with its own contracting procedures when it awarded these grants.

Our review also noted weaknesses in Social Services' administration of the State Children's Trust Fund (trust fund). Social Services did not fulfill certain monitoring requirements for payments it made to grantees that operate local child abuse and neglect prevention and intervention programs. For example, we found instances in which Social Services may have used money from the trust fund to pay expenditures that did not meet the trust fund's requirements. In addition, although our review found that the five grantees we reviewed appear to have met the performance measures established in their grant agreements, Social Services' Office of Child Abuse Prevention (office) can improve its monitoring of grantees' progress. Specifically, the office's guidelines do not include a process for ensuring that its consultants review the grantees' reports and document their assessments of whether the grantees met the measurable outcomes contained in their grant agreements. Further, the office was unable to provide us with documentary evidence demonstrating that it had done so. Finally, the office has not fully complied with the state law that requires it to publish information about the trust fund. For example, the law requires the office to identify the programs it pays for using the trust fund and the target populations these programs serve. However, the office's Web site does not include conferences, education services, and outreach it paid for with the trust fund.

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

¹ On July 7, 2007, the Department of Health Services was reorganized and became two departments—the Department of Health Care Services and the Department of Public Health.

Recommendation 1.1—See pages 16—18 of the audit report for information on the related finding.

To ensure that it does not violate provisions of state law that prohibit contracts for services that state employees can perform, Public Health should establish that it has adequate justification to contract under Section 19130 (b), prior to submitting contracts to the Department of General Services (General Services) for approval.

Public Health's Action: Pending.

Public Health stated that effective November 3, 2009, its Contracts and Purchasing Services Section Bulletin 09-13, titled, "Contracts/Procurements Involving Personal Services," requires the completion of a form "Justification for Contracting Out Services" for all personal services contracts. Public Health also stated that its Office of Legal Services must review and approve this form before a contract or amendment can be fully executed.

Public Health stated that by December 1, 2012, it will distribute an e-mail reminder of this bulletin to its section chiefs and above. In addition, Public Health stated that its Center for Chronic Disease Prevention and Health Promotion (center), which oversees the Kids' Plates Program, will take the following actions to remind staff of the established policy: (1) distribute an e-mail reminder of this bulletin all center staff; (2) direct division management to ensure compliance with policy; and (3) remind administrative staff from all branches, via administration update meetings, of the need to follow the established policy.

Recommendation 1.2.a—See pages 20 and 21 of the audit report for information on the related finding.

To comply with state contracting laws and policies that protect the State's interest, Public Health should ensure that its staff do not allow contractors to work before General Services has approved the contracts.

Public Health's Action: Pending.

Public Health stated that by December 1, 2012, the center will take the following actions to ensure that its staff comply with this mandate and with the internal contracting policies that speak to this mandate: (1) distribute an e-mail reminder of the relevant Public Contract Code, *State Contracting Manual*, and *Public Health Administrative Manual* sections regarding noncommencement of work without a fully executed contract; (2) direct division management to ensure compliance with this mandate; and (3) remind administrative staff from all branches, via administration update meetings, of the need to follow established policy.

Recommendation 1.2.b—See pages 23 and 24 of the audit report for information on the related finding.

To comply with state contracting laws and policies that protect the State's interest, Public Health should ensure that its staff do not use service orders to circumvent the State's contracting policies.

Public Health's Action: Pending.

Public Health stated that by December 1, 2012, the center will instruct program staff to review the *Public Health Service Order Manual* and ensure that all staff are aware of the appropriate use of service orders. In addition, Public Health stated that the center will provide verbal reminders to division and branch managers and administrative assistants and that the center will require staff involved in the procurement process to attend Public Health's Procurement Training series held by its program support branch. Finally, Public Health reported that the administrative support unit chief within its Safe and Active Communities Branch (branch) will complete the series on October 31, 2012.

Recommendation 1.2.c—See page 25 of the audit report for information on the related finding.

To comply with state contracting laws and policies that protect the State's interest, Public Health should recoup the overpayment made to the San Diego State University Research Foundation (research foundation), if applicable.

Public Health's Action: Pending.

Public Health stated that by December 31, 2012, the administrative support unit chief within its branch will work with its Accounting Section to review the audit finding on the payments made to the research foundation. Further, Public Health stated that its Accounting Section will bill the research foundation to recoup any amount that it has overpaid.

Recommendation 1.3—See page 22 of the audit report for information on the related finding.

To determine whether the appropriation to administer the Kids' Plates Program is sufficient, Public Health should continue its plans to evaluate the costs of the regional grants Request for Application (RFA) process and its monitoring of the awards for fiscal year 2012–13. If Public Health determines that the appropriation is insufficient, it should seek an amendment to state law.

Public Health's Action: Pending.

Public Health stated that it will continue its plans to evaluate the costs of the regional grants RFA process and its monitoring of the awards for fiscal year 2012–13. According to Public Health, its branch will continue to document the staff hours expended to conduct the regional grants RFA process and monitor the awards. Further, Public Health stated that if the \$25,000 set aside to cover administrative support for the program is not sufficient, it will seek alternative resources, including exploring an amendment to state law.

Recommendation 1.4—See pages 24–26 of the audit report for information on the related finding.

To comply with the *State Contracting Manual*, if Public Health chooses to use contractors for the Kids' Plates Program, it should direct its staff to substantiate the expenditures contractors claim. For example, Public Health could ask the contractors to submit for review detailed records substantiating all or a sample of their invoices.

Public Health's Action: Pending.

Public Health stated that by December 1, 2012, the center will institute a policy requiring random or periodic review of detailed expenditures.

Recommendation 1.5.a—See pages 28 and 29 of the audit report for information on the related finding.

To ensure that it is able to measure its progress toward fulfilling the requirements of the health and safety fund, Public Health should establish performance measurements for the Kids' Plates Program.

Public Health's Action: Pending.

Public Health stated that the Kids' Plates Program RFA requires the completion of a template, which requires a specific "Performance Measure and/or Deliverable" for each major project activity. Public Health indicated that it will build these performance measures into the contract deliverables of each of the three awardees and it anticipated the contracts will begin January 1, 2013. Finally, Public Health stated it will require the contractors to submit progress reports on June 30, 2013, December 31, 2013, and June 30, 2014.

Recommendation 1.5.b—See pages 28 and 29 of the audit report for information on the related finding.

To ensure that it is able to measure its progress toward fulfilling the requirements of the health and safety fund, Public Health should periodically assess its progress toward meeting its measureable outcomes.

Public Health's Action: Pending.

Public Health stated that the small number and limited scope of Kids' Plates Program projects funded at this time preclude a large-scale evaluation. Public Health also indicated that its injury data surveillance system (<http://epicenter.cdph.ca.gov>) has county-level data on serious injuries and deaths. According to Public Health, beginning in January 2013, it will assess trend data annually to monitor reductions in injuries in those counties that have instituted projects.

Recommendation 2.1.a—See pages 31—36 of the audit report for information on the related finding.

To ensure that the office complies with the *State Contracting Manual*, Social Services should direct the office to substantiate the expenditures that grantees claim. For example, the office could ask the grantees to submit for review detailed records for all or a sample of their invoices.

Social Services' Action: Pending.

Social Services stated that it has begun reviewing and updating its internal grant and contract manuals to strengthen its process for substantiating expenditures. Specifically, Social Services indicated that it will update its internal manuals to include procedures for requesting random samples of backup documentation on at least a quarterly basis from the grantee or contractor in order to substantiate claimed expenditures. Social Services plans to complete its update of the internal manuals by December 31, 2012.

Recommendation 2.1.b—See page 33 of the audit report for information on the related finding.

To ensure that the office complies with the *State Contracting Manual*, Social Services should direct the office to recover the overpayment from the Children's Bureau of Southern California, if applicable.

Social Services' Action: Pending.

Social Services stated that it has initiated contact with the Children's Bureau of Southern California and plans to resolve this audit finding by November 30, 2012.

Recommendation 2.2.a —See pages 31—36 of the audit report for information on the related finding.

To ensure that it uses trust fund moneys only for permissible uses, Social Services should direct its internal audits staff to periodically perform reviews of the trust fund expenditures.

Social Services' Action: Pending.

Social Services stated that it will periodically audit or review all special fund expenditures. Social Services also indicated that it will include a special fund review in its 2013 audit plan.

Recommendation 2.2.b—See pages 33 and 34 of the audit report for information on the related finding.

To ensure that it uses trust fund moneys only for permissible uses, Social Services should revise its invoicing process to clearly identify the objectives in the scope of work section of its grant agreements and their corresponding funding sources.

Social Services' Action: Pending.

Social Services stated that the office has begun the process of updating its invoice form to identify the objectives in the scope of work section of its grant agreements to the corresponding funding sources. Social Services plans to complete this process by January 31, 2013.

Recommendation 2.3—See pages 36—39 of the audit report for information on the related finding.

To ensure compliance with the state law governing the trust fund that allows it to fund research and demonstration projects that explore the nature and incidence of child abuse and the development of long-term solutions to the problem of child abuse, Social Services should establish procedures to ensure that all grants it awards for research and demonstration projects clearly demonstrate a linkage to the trust fund's requirements.

Social Services' Action: Pending.

Social Services stated that it will add a section to its grant manual that specifically identifies the allowable uses of the trust fund as set forth in the Welfare and Institutions Code and identifies the process to use to document linkages to these requirements when funding all new projects utilizing the trust fund.

Recommendation 2.4.a—See pages 39 and 40 of the audit report for information on the related finding.

To ensure that the office complies with the *State Contracting Manual*, Social Services should direct the office to update its guidelines for grant administration to establish a formal process for reviewing the grantees' progress reports and interim products. This process should include documenting the office's review and assessment of whether the grantees meet the goals, objectives, and measurable outcomes in their grant requirements.

Social Services' Action: Pending.

Social Services stated that the office has begun reviewing its grant manual and will update it to include a section on reviewing grantees' progress reports. Social Services also indicated that the office has created a new form to document the receipt, review, and approval of grantees' progress reports. Social Services plans to complete the update of the grant manual by December 31, 2012.

Recommendation 2.4.b—See pages 39 and 40 of the audit report for information on the related finding.

To ensure that the office complies with the *State Contracting Manual*, Social Services should direct the office to retain the documentary evidence of its review and assessment in the grantee files.

Social Services' Action: Pending.

Social Services stated that the office has created a new form to document the receipt, review, and approval of grantees' progress reports, which will be retained in the grantees' files. In addition, Social Services indicated that this form instructs consultants to keep any backup documentation (e-mails, document phone calls, etc.) in the grantees' files, in accordance with its document retention policies. Social Services plans to implement this process by December 31, 2012.

Recommendation 2.5.a—See pages 39 and 40 of the audit report for information on the related finding.

To ensure that its efforts funded by the trust fund are preventing or reducing incidences of child abuse and neglect, Social Services should develop universal performance measurements for the trust fund.

Social Services' Action: No action taken.

- ➔ Social Services did not specifically address this recommendation.

Recommendation 2.5.b—See pages 39 and 40 of the audit report for information on the related finding.

To ensure that its efforts funded by the trust fund are preventing or reducing incidences of child abuse and neglect, Social Services should ensure that the performance measurements are reflected in the grants it awards.

Social Services' Action: No action taken.

- ➔ Social Services did not specifically address this recommendation.

Recommendation 2.5.c—See pages 39 and 40 of the audit report for information on the related finding.

To ensure that its efforts funded by the trust fund are preventing or reducing incidences of child abuse and neglect, Social Services should evaluate the performance measurements annually to assess whether the trust fund's programs and services are effective in reducing incidences of child abuse and neglect.

Social Services' Action: No action taken.

- ➔ Social Services did not specifically address this recommendation.

Recommendation 2.6.a—See pages 40—44 of the audit report for information on the related finding.

To ensure compliance with the state law that requires the office to publish certain trust fund information, Social Services should require the office to establish procedures to ensure inclusion on its Web site of all programs and services it funded using the trust fund.

Social Services' Action: Pending.

Social Services stated that by February 1, 2013, the office will ensure that the Web site provides information on all the programs and services financed with all the fund sources it administers, including those financed wholly or in part by the trust fund.

Recommendation 2.6.b—See pages 40—44 of the audit report for information on the related finding.

To ensure compliance with the state law that requires the office to publish certain trust fund information, Social Services should require the office to publish on its Web site the amount in the trust fund as of June 30 each year.

Social Services' Action: No action taken.

- ➔ Social Services stated that the office updated its Web site to include the publication of the amount of, and expenditure data associated with, the trust fund as of June 30 each year and will ensure the Web site is updated annually with the information required by statute. However, as of December 6, 2012, our review of the attachment containing the trust fund's expenditures from the office's Web site link titled "Funding Information" revealed that the office did not provide updated information for the trust fund. Specifically, the attachment did not contain the trust fund balance as of June 30, 2012, as state law requires.

Recommendation 2.7.a—See pages 40—44 of the audit report for information on the related finding.

To improve the presentation of the information it publishes for the trust fund, Social Services should establish a link that separately provides descriptions of the types of programs and services it funds using the trust fund and the target populations that benefit from the programs.

Social Services' Action: Pending.

Social Services stated that the office will provide information on all the types of programs and services financed with all the fund sources it administers, including those financed wholly or in part by the trust fund. In addition, Social Services indicated that the office will also include target populations served. Social Services plans to complete this process by January 1, 2013.

Recommendation 2.7.b—See pages 40—44 of the audit report for information on the related finding.

To improve the presentation of the information it publishes for the trust fund, Social Services should present the amount it disbursed from the trust fund in the prior fiscal year by the amount spent for each program or service.

Social Services' Action: Pending.

Social Services stated that, by January 31, 2013, it will update its Web site with information on the amount disbursed from the trust fund at the close out of each fiscal year.

