



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Reports on Expenditures

**Child Protective Services
Supplemental
Appropriations**

Laws 2003, Second Special Session,
Chapter 6, §52

For the Month Ended January 31, 2004



Debra K. Davenport
Auditor General

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

March 5, 2004

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Richard Stavneak, Director
Joint Legislative Budget Committee

Enclosed are the reports on expenditures of child protective services (CPS) appropriations specified in House Bill 2024, Section 52, and the additional reports on expenditures for new CPS positions requested by Joint Legislative Budget Committee (JLBC) staff for January 2004. These reports are in response to Laws 2003, Second Special Session, Chapter 6, Section 52.

Pursuant to House Bill 2024, Section 52(D), the Office of the Auditor General is required to report to the JLBC Staff Director monthly the expenditure of the appropriations specified in Section 52 of the House Bill. The Department of Economic Security provided the information, and our Office presented it on the reports developed and approved by JLBC staff. Our Office compared and agreed the information presented in these reports to the Department's accounting records and schedules, and verified that the estimated expenditures used were based on the Department's historical data.

If you have any questions regarding these reports, please contact me or Dennis Mattheisen, Financial Audit Director, at (602) 553-0333.

Sincerely,

Debbie Davenport
Auditor General

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Status of Expenditures

The Arizona State Legislature passed House Bill 2024 in December 2003 in a special session called by the Governor to reform child protective services (CPS). Section 52 of the Bill includes \$16.6 million in supplemental appropriations for the Department of Economic Security to fund a number of CPS initiatives that include staffing 160 additional full-time CPS workers and support staff, adjusting CPS employees' salaries, replacing obsolete information technology equipment, increasing the family home foster care rate, and funding the budget shortfall for its Division of Children, Youth and Families. The reports present both state and federal expenditures since the CPS program is also funded by the Federal Title IV-E grant. In addition, the Bill also includes \$25,000 in supplemental appropriation for the Department of Health Services to add one additional foster care licensing position. The status of expenditures for each of the appropriated line items described in House Bill 2024 is discussed below.

Department of Economic Security

Meeting National Staffing Standards and 100% Investigative Response Rate—The Legislature appropriated \$1,953,500 for 93 annual full-time equivalent (FTE) positions and related expenses to meet national staffing standards for CPS caseloads and \$1,674,200 for 67 annual FTE positions and related expenses to fund a 100 percent investigation rate. (See Appendix, House Bill 2024, Section 52(A)1(a) and (b))

These appropriations were calculated based on the phase-in of the total number of authorized new CPS positions over a six-month period from January through June 2004.

In accordance with the Department's phase-in budget worksheets, seven new CPS specialists were hired and one secretary was transferred from another division for the month of January 2004. Of these eight positions, only the secretary and one new employee were paid in January 2004 because the conversion of the state new personnel and payroll system in January 2004 caused some delays in the process of adding these new CPS staff to the system. The Department offered the new CPS specialists the choice of receiving a handwritten check, or waiting for the next pay period. One of the new CPS employees chose to receive the handwritten check, the remaining six chose to be paid retroactively in the subsequent pay period. As a

result, the January 2004 reports presented expenditures for only two employees for this combined appropriated line item.

With respect to the Department's original fiscal year 2004 appropriation for the Division of Children, Youth and Families, as of January 31, 2004, the Department had the following vacancy positions.

CPS Specialists	52
CPS Unit Supervisors	3
Human Service Workers	3
Human Service Unit Managers	0
Secretaries	<u>6</u>
Total vacancies	<u>64</u>

Compensation and Classification Adjustments—The Legislature appropriated \$1,562,400 for performance-based compensation adjustments, classification adjustments, or both, to be distributed at the discretion of the department's director. (See Appendix, House Bill 2024, Section 52(A)1(c)).

The Department allocated this appropriation into three incentive pay increases: 10 percent pay increase for the existing and new authorized positions, a \$1,000 stipend for bilingual employees and/or those having a master degree in social work, and performance-based compensation. The Department plans to pay the 10 percent pay increase retroactive to January 17, 2004, on March 5, 2004. The Department is currently developing the criteria for the stipends and the performance-based compensation. The competency test for the bilingual stipend is anticipated by the Department to begin in April 2004.

The January 2004 reports did not present expenditures for compensation and classification adjustments. According to the Department, the compensation and classification adjustments could not be processed until March 2004 due to the complexity of the new state personnel and payroll system.

Replacement of Obsolete Information Technology Equipment—The Legislature appropriated \$103,500 to replace obsolete information technical support equipment. (See Appendix, House Bill 2024, Section 52(A)1(d))

The Department submitted its request for purchasing desktop computers, monitors, network servers, and other associated hardware and software to the Government Information Technology Agency and the Information Technology Authorization Committee, and received their approvals. The Department is in the process of purchasing the equipment and software and finalizing a 5-year lease financing

agreement. Therefore, the Department reported no expenditures for January 2004 for this appropriated line item.

Family Foster Home Base Rate Increase—The Legislature appropriated \$1,010,700 for family home foster care rate increases. (See Appendix House Bill 2024, Section 52(A)1(e))

The Department increased the family home foster care rate by \$3.75 per day per child on January 1, 2004, and plans to increase the rate again by the same amount on June 1, 2004, in accordance with its budget worksheets, upon which the appropriation was based. The first payment month to reflect the rate increase was February 2004 for foster families services provided in January 2004. Therefore, the Department reported no expenditures for January 2004 for this appropriated line item.

Budget Shortfall Funding for Division of Children, Youth and Families—The Legislature appropriated \$10,300,000 for maintaining current staffing and service levels for CPS, including adoption services, permanent guardianship, and children services. (See Appendix, House Bill 2024, Section 52(A)2)

The Department intends to use the appropriation to offset a portion of the budget shortfall for children services which is expected to occur in March 2004. The Department will then begin utilizing this new appropriation.

Department of Health Services

New Licensing Position—The Legislature appropriated \$25,000 for one annual licensing FTE position. House Bill Section 52(B)

The Department transferred an employee from another position within its Licensing Services Division to fill this position on January 23, 2004. The first pay date for this employee was in February 2004, and therefore, the Department reported no expenditures for January 2004 for this appropriated line item.

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Total Expenditures of Supplemental Appropriations^{1, 2}
 For the Month Ended January 31, 2004
 (Unaudited)

	<u>Supplemental Appropriations</u>	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
State General Fund				
Meeting National Staffing Standards and 100% Investigative Response Rate ^{3,4}	\$ 3,627,700	\$ 5,739		
Compensation and Classification Adjustments New Employees Existing Employees	<u>1,562,400</u>			
Replacement of Obsolete Information Technology Equipment	103,500			
Family Foster Home Base Rate Increase	1,010,700			
Budget Shortfall Funding for Division of Children, Youth and Families	<u>10,300,000</u>			
Total State General Fund	<u>\$ 16,604,300</u>	<u>\$ 5,739</u>		
Federal Title IV-E				
Meeting National Staffing Standards and 100% Investigative Response Rate ^{3,4}		\$ 1,976		
Compensation and Classification Adjustments New Employees Existing Employees				
Replacement of Obsolete Information Technology Equipment				
Family Foster Home Base Rate Increase				
Budget Shortfall Funding for Division of Children, Youth and Families				
Total Federal Title IV-E		<u>\$ 1,976</u>		

Expenditures

April 2004	May 2004	June 2004	13th Month 2004	Administrative Adjustments	Total
---------------	-------------	--------------	--------------------	-------------------------------	-------

\$ 5,739

					\$ 5,739

\$ 1,976

					\$ 1,976

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Total Expenditures for New Child Protective Services Positions^{1, 2}
 For the Month Ended January 31, 2004
 (Unaudited)

	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
Personal Services⁴			
CPS Specialists	\$ 1,020		
CPS Unit Supervisors			
Human Service Workers			
Human Service Unit Managers			
Secretaries	<u>780</u>		
	<u>1,800</u>		
Employee-related Expenditures⁵			
CPS Specialists	338		
CPS Unit Supervisors			
Human Service Workers			
Human Service Unit Managers			
Secretaries	<u>258</u>		
	<u>596</u>		
In-State Travel⁴	<u>1,201</u>		
Other Operating			
Occupancy ⁶	2,251		
Telephone			
Miscellaneous ⁷	<u>1,867</u>		
	<u>4,118</u>		
Equipment			
Vehicles			
Office Furniture			
Computers			
Total State General Fund and Title IV-E	<u>\$ 7,715</u>		

Expenditures

<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
					\$ 1,020
					780
					<u>1,800</u>
					338
					258
					<u>596</u>
					1,201
					2,251
					1,867
					<u>4,118</u>

					<u>\$ 7,715</u>

(Continued)

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Total Expenditures for New Child Protective Services Positions^{1, 2}
 For the Month Ended January 31, 2004
 (Unaudited)
 (Continued)

	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
State General Fund⁴			
Personal Services	\$ 1,242		
Employee-related Expenditures	411		
In-State Travel	709		
Other Operating Equipment	3,377		
Total State General Fund	<u>5,739</u>	<u> </u>	<u> </u>
Federal Title IV-E⁴			
Personal Services	558		
Employee-related Expenditures	185		
In-State Travel	492		
Other Operating Equipment	741		
Total Federal Title IV-E	<u>1,976</u>	<u> </u>	<u> </u>
Total State General Fund and Federal Title IV-E	<u>\$ 7,715</u>	<u> </u>	<u> </u>

Expenditures

April 2004	May 2004	June 2004	13th Month 2004	Administrative Adjustments	Total
					\$ 1,242
					411
					709
					3,377
					5,739
					558
					185
					492
					741
					1,976
					\$ 7,715

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Personal Services Expenditures for
 New Child Protective Services Positions^{1, 2}
 For the Month Ended January 31, 2004
 (Unaudited)

Position Classification/ Employee Number	Hire/ Transfer Date	Annual Salary	January 2004	February 2004
CPS Specialists^{3, 4}				
(Investigators/Case Managers)				
EIN 000026XXX	1/3/2004	\$ 28,624		
EIN 000086XXX	1/3/2004	\$ 28,624		
EIN 000086XXX	1/3/2004	\$ 26,526		
EIN 000086XXX	1/3/2004	\$ 26,526	\$ 1,020	
EIN 000086XXX	1/3/2004	\$ 28,624		
EIN 000086XXX	1/3/2004	\$ 26,526		
EIN 000086XXX	1/3/2004	\$ 28,624		
			1,020	
Total Expenditures for CPS Specialists			1,020	
Total Actual CPS Specialists			7	
Total Phased-in CPS Specialists ⁸			7	
Total Authorized CPS Specialists				
CPS Unit Supervisors³				
(None)				
Total Expenditures for CPS Unit Supervisors			0	
Total Actual CPS Unit Supervisors			0	
Total Phased-in CPS Unit Supervisors ⁸			1	
Total Authorized CPS Unit Supervisors				
Human Service Workers³				
(None)				
Total Expenditures for Human Service Workers			0	
Total Actual Human Service Workers			0	
Total Phased-in Human Service Workers ⁸			1	
Total Authorized Human Service Workers				

Expenditures

March 2004	April 2004	May 2004	June 2004	13th Month 2004	Administrative Adjustments	Total
						\$ 1,020
						1,020
						7
						7
						104
						0
						1
						17
						0
						1
						17

(Continued)

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Personal Services Expenditures for
 New Child Protective Services Positions^{1, 2}
 For the Month Ended January 31, 2004
 (Unaudited)
 (Continued)

Position Classification/ Employee Number	Hire/ Transfer Date	Annual Salary	January 2004	February 2004
Human Service Unit Managers³				
(None)				
Total Expenditures for Human Service Unit Managers			_____	_____
Total Actual Human Service Unit Managers			0	
Total Phased-in Human Service Unit Managers ⁸			0	
Total Authorized Human Service Unit Managers				
Secretaries³				
EIN000039XXX	1/3/2004	\$ 19,371	<u>\$ 780</u>	_____
Total Expenditures for Secretaries			<u>780</u>	_____
Total Actual Secretaries			1	
Total Phased-in Secretaries ⁸			1	
Total Authorized Secretaries				
Total Personal Services Expenditures—				
State General Fund and Federal Title IV-E			<u>\$ 1,800</u>	=====
Total Actual New CPS FTEs			8	
Total Phased-in CPS FTEs ⁸			10	
Total Authorized New CPS FTEs				
Summary by Funding Source				
Total State General Fund ⁴			\$ 1,242	
Total Federal Title IV-E ⁴			<u>558</u>	_____
Total Personal Services Expenditures—				
State General Fund and Federal Title IV-E			<u>\$ 1,800</u>	=====

Expenditures						
<u>March 2004</u>	<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
						0
						0
						5
						\$ 780
						780
						1
						1
						17
						<u>\$ 1,800</u>
						8
						10
						160
						\$ 1,242
						\$ 558
						<u>\$ 1,800</u>

Child Protective Services Supplemental Appropriations
 Department of Health Services
 Report on Total Expenditures of Supplemental Appropriation¹
 For the Month Ended January 31, 2004
 (Unaudited)

	<u>Supplemental Appropriation</u>	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
State General Fund				
New Licensing Position	\$ 25,000	_____	_____	_____
Total State General Fund	<u>\$ 25,000</u>	<u>\$ -</u>	<u>_____</u>	<u>_____</u>

Expenditures

<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
_____	_____	_____	_____	_____	_____
=====	=====	=====	=====	=====	\$ -

Notes

- 1 Appropriations information and authorized FTE amounts were obtained from House Bill 2024, Section 52. All expenditures, actual FTE amounts, and position information presented for the Department of Economic Security in these reports were obtained from its Financial Management Control System and estimated expenditures were based on its historical data (See notes 5 to 7). The Department of Economic Security's phased-in FTE amounts were obtained from its budget worksheets, upon which the appropriation was based.
- 2 Actual expenditures are reported in the month cash was disbursed.
- 3 The new CPS staff positions authorized by House Bill 2024, Section 52(A)1(a) and (b) and the related personal services expenditures are presented together on these Reports because the investigation and case management functions are not currently separated among the CPS employees. The Department is in the process of separating these two functions as required by House Bill 2024.
- 4 The Department is funding 82 percent of the 160 new CPS positions authorized by House Bill 2024, Section 52(A)1(a) and (b) from State General Fund appropriations and the remaining 18 percent from Federal Title IV-E funding, with one exception. During the initial CPS specialist program training period that the new CPS specialists attend, the training funding percentages are 59 percent from the State General Fund and 41 percent from Federal Title IV-E for personal services and travel expenditures. These percentages are based on the actual allocation percentages used to pay for the Division of Children, Youth and Families (DCYF) expenditures in fiscal years 2002, 2003, and the first half of fiscal year 2004.
- 5 Employee-related expenditures were calculated at 33.12 percent of total personal services expenditures based on actual DCYF expenditures in the first half of fiscal year 2004.

- 6 Occupancy costs were calculated at \$3,376 per FTE on an annual basis (185 square feet at \$18.25 per square foot). The 185 square feet estimate was obtained from the Department of Economic Security's space policies for field offices and the \$18.25 per square foot rate was established by the State Lease Cost Review Board.
- 7 Miscellaneous other operating expenditures include telephone services, postage, office supplies, copiers, repairs and maintenance, and were calculated at \$2,800 per FTE on an annual basis based on actual DCYF expenditures in fiscal year 2003.
- 8 Total phased-in FTEs represent the planned number of new positions to be staffed each month. The appropriations were developed based on the assumption that a specified number of new positions would be added each month until the Department meets the total authorized new positions.

Appendix

House Bill 2024

Sec. 52. Appropriations; department of economic security; department of health services; purposes

A. The following sums are appropriated from the state general fund in fiscal year 2003-2004 to the department of economic security for the following child protective services:

1. \$6,304,300 for the following purposes:

(a) \$1,953,500 for 93 annual FTE positions and related expenses to meet national staffing standards for child protective service caseloads. The 93 annual FTE positions shall include 60 investigator and case manager positions and 33 support staff.

(b) \$1,674,200 for 67 annual FTE positions and related expenses to fund a one hundred percent investigation rate. The 67 annual FTE positions shall include 44 investigator and case manager positions and 23 support staff.

(c) \$1,562,400 for performance-based compensation adjustments, classification adjustments or both at the discretion of the director of the department.

(d) \$103,500 to replace obsolete information technical support equipment.

(e) \$1,010,700 for family home foster care rate increase.

2. \$10,300,000 to maintain current staffing and service levels for child protective services including adoption services, permanent guardianship and children services.

B. The sum of \$25,000 and 1 FTE position is appropriated in fiscal year 2003-2004 from the state general fund to the department of health services for licensing.

C. Monies remaining unexpended and unencumbered from the appropriations made in this section revert to the state general fund on July 1, 2004.

D. The auditor general shall report monthly to the staff director of the joint legislative budget committee on the expenditure of the appropriations made in this section.