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December 29, 2004

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Mr. David Berns, Director
Arizona Department of Economic Security

Transmitted herewith is a report of the Auditor General, an information brief on the Department of Economic Security's Federal Title IV-E Waiver Demonstration Project Proposal. This brief was prepared pursuant to and under the authority vested in the Auditor General by A.R.S. §41-1966.

This information brief is the first in a series we plan to issue on various topics relating to Child Protective Services over the next year. It also reflects a new type of report that our Office will be issuing. We have created the information brief at the request of key stakeholders who indicated a need for information on various topics but did not want a full audit. The information briefs will be short and will focus on a single topic or issue. They will not include recommendations, as our standard audit reports do. We hope that these information briefs will fill a need and provide you with timely and useful information on topics of particular interest.

My staff and I will be pleased to discuss or clarify items in the brief.

This information brief will be released to the public on December 30, 2004.

Sincerely,

Debbie Davenport
Auditor General

Enclosure



OFFICE OF THE
**AUDITOR
GENERAL**

**Department of
Economic Security**
Division of Children, Youth, and Families
Child Protective Services

INFORMATION BRIEF

Summary

DES has submitted a federal IV-E waiver demonstration project proposal to the U.S. Department of Health and Human Services (DHHS).

If approved, the demonstration project will allow more flexible use of federal funds and DES anticipates it will expedite reunification by providing additional home-based interventions.

There is no firm timetable for a decision by DHHS on the proposal.



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DES' Federal IV-E Waiver Demonstration Project Proposal

Demonstration projects allow states flexibility to try innovative alternatives and new approaches to child welfare service delivery—Federal law provides the U.S. Department of Health and Human Services (DHHS) with authority to approve up to ten state child welfare demonstration projects per year. These demonstration projects involve the waiver of certain requirements of titles IV-E and IV-B, the sections of the Social Security Act that govern foster care and adoption assistance, and independent living and child welfare services. States approved for the projects are given greater flexibility to use their federal child welfare monies to test innovative alternatives and new approaches to child welfare service delivery and financing to produce positive outcomes for children and their families. In addition, the projects are intended to add to the national evidence base on effective strategies for serving children and families and inform the development of future national policies and program directions.

Projects conducted under the child welfare demonstration authority must meet the following criteria:

- Assure child safety;
- Protect the rights of children and their families;
- Ensure permanency;
- Result in no additional cost to the federal government beyond what would typically be expected;

- Ensure that benefit eligibility to a qualified child or family will not be impaired; and
- Provide health insurance to adopted children with special needs.

In addition to these criteria, the projects should not exceed 5 years in duration and must include an evaluation to assess their effectiveness. If project costs exceed the federal government's expected share, the state is liable for the additional costs.

Applying for and receiving approval for a demonstration project is an iterative process. As such, proposals may undergo several revisions between the time they are initially submitted and finally approved. The steps involved in this process are outlined below:

1. The state must provide a letter of intent briefly describing the proposed project.
2. The state must follow up with a written proposal that includes a detailed project description, target population, expected outcomes, method for ensuring cost-neutrality, evaluation plan, and any statutory and regulatory requirements needing waivers to allow the proposed project to be conducted.
3. DHHS officials will then perform an initial review of the proposal. If the review discloses basic questions or issues with the proposal, the state may be contacted for more information or to resolve the problem so that the process can continue.
4. Following the initial review, a series of questions will be prepared by DHHS and

sent to the state to respond to in writing. These questions will involve issues of programmatic substance that have been raised within DHHS and will outline any problems or issues that may impede approval or that may complicate agreement on the scope, nature, cost neutrality, and evaluation of the proposed demonstration project.

5. Once the issues are substantially resolved, DHHS prepares a draft Terms and Conditions document outlining federal and state responsibilities for the state's review and comment.
6. After the finalized Terms and Conditions have been accepted by the state and the federal Office of Management and Budget, DHHS staff will recommend the project proposal for approval by the Secretary of DHHS.

According to a DHHS official, there is no typical time frame for negotiating and approving demonstration project proposals. Each set of negotiations is unique with timelines depending on a number of factors, including the complexity of the proposed intervention and strength of the evaluation design.

DES' proposed demonstration project—In January 2004, the Department of Economic Security (DES) submitted its initial child welfare demonstration project proposal to DHHS. If approved, DES will be able to use federal monies for services to children geared toward prevention and reunification rather than for restrictive and costly placement settings. This flexibility in using the federal monies is significant since these monies are normally only to be used for children in foster care. Since that time, the proposal has undergone some significant revisions, including a change in project focus, and a narrowing of implementation areas and target population. Specifically:

- **Project focus**—The initial proposal focused on safely reducing the number of children who need to be removed from their homes and placed in foster care and, when out-of-home placement was necessary, to

expedite the return of the child(ren) to their homes. To achieve this purpose, DES proposed three distinct interventions:

1. Parent mentors, some of whom would have a CPS history and have been successfully reunified with their own children, and foster parents who would support child welfare professionals in providing support and assistance to families;
2. Child and family teams comprised of family, friends, and community members who would assist in addressing areas of concern and in implementing a family safety and development plan; and
3. Flexible use of funds by child welfare professionals to help families handle emergency living situations and remove immediate critical barriers to family preservation and reunification.

Through these interventions, DES also planned to enhance its ability to provide comprehensive home-based services. Specifically, child and family teams and flexible use of funds would allow families immediate access to resources to meet their immediate safety concerns and provide additional strategies for family engagement in services. For example, the home-based interventions could involve the provision of in-home services such as counseling, family assessments, goal setting, case planning, and case management.

The current proposal primarily focuses on reunification, eliminates the parent mentor intervention, and expands home-based strategies and interventions. Core home-based services would be completed in approximately 3 months, with an average of 6 to 8 hours of direct contact with each participating family per week. An aftercare phase to support and maintain improved family functioning could continue up to an additional 6 months. A contracted family reunification specialist with at least a master's degree would facilitate providing home-based services.

- **Implementation areas**—The initial proposal was to be implemented in two phases. Phase I was proposed to last between 12 and 16 months and was to test the enhanced intervention and reunification services in Maricopa, Yavapai, Apache, Coconino, and Navajo counties. Then, based on the results of the Phase I activities, enhanced intervention services were to be expanded to Pima and an additional three to nine counties representing special communities and other rural areas.

The current proposal narrows the implementation to include two selected child welfare offices in Maricopa County during Phase I and, depending on preliminary evaluation findings for Phase I, possibly adding additional child welfare sites in Maricopa County, Pima County, and one or more rural Arizona counties for Phase II.

- **Target population**—The original proposal identified two populations of children: 1) children who have been in state care for between 5 days and 15 months and have reunification as a permanency goal; and 2) children at imminent risk of placement in foster care. DES projected that once the project was fully operational, a total of 500 to 700 children in foster care and 600 to 850 children at imminent risk would be served annually.

The current proposal narrows the target population to include children in an out-of-home placement for no more than 9 months, living in congregate care (i.e., shelter facilities, group homes, and residential placements) or a licensed foster home, and whose caregivers agree to participate in the demonstration project. Phase II may include a component that will serve children at imminent risk of removal from their homes. DES expects to serve approximately 100 children during Phase I of the demonstration project. Based on Phase I enrollment results, DES will determine a minimum enrollment target for participating counties during Phase II of the project.

DES is continuing to negotiate with DHHS on the project focus, implementation areas, and target population, in addition

to further refining the specifics of the evaluation and cost-neutrality measurement approaches. Additional changes may result from these negotiations.

Additional actions remain to move the proposal to implementation—Several actions remain before DES can begin implementing the demonstration project. First, DES must complete its negotiations with DHHS on the proposed project so that the Terms and Conditions document can be finalized and moved forward for consideration of approval. In addition, because the State must be legally prepared to implement the demonstration project, any federal and state statutory and/or regulatory requirements needing waivers to permit the proposed project to be conducted must be addressed. For example, DHHS must approve the waiver of certain title IV-E requirements so that DES may use the federal foster care monies for the children and families participating in the demonstration project. According to a DES official, Arizona state laws do not need to be waived or modified since the use of title IV-E funding is only limited by federal regulations.

Further, if DES receives official approval for the project, it must then provide the following documents to DHHS before implementation:

- A plan designating which administrative costs will be associated with developing the project and excluded from the cost-neutrality requirement, due within 30 days of DES accepting the Terms and Conditions;
- A draft of the specifications or Request for Proposals for the demonstration project evaluation, due within 60 days of DHHS approval; and
- An initial design and implementation report, due within 90 days of DES accepting the Terms and Conditions, which must include:
 - A final work plan outlining the key tasks, reporting requirements, and demonstration activity timelines;

- A plan for adjusting the case plans of children still in out-of-home placement once the demonstration project has ended;
- A detailed protocol or set of policies that will guide decisions about which families or children are to be selected to participate in the demonstration, how the selection will be made, and how the suitability of services will be determined;
- Standards of quality and safety and practice requirements identified by the State to be incorporated into any agreements with public and private providers of support and services; and
- The status of evaluation activities, including efforts to engage a third-party evaluator.

Beginning 90 days after DES accepts the Terms and Conditions and continuing until implementation, DES must provide quarterly progress reports. The progress reports should include an update on the status of each activity or task identified in the implementation report, any problems encountered that may have an impact on the design or anticipated implementation schedule, and suggestions for resolving these problems.

Although DHHS awarded two projects for fiscal year 2004, a DHHS official indicated that DES' proposal, along with proposals submitted by other states in fiscal year 2004, have been carried over for continuing consideration in fiscal year 2005. The official also indicated that negotiations between DES and DHHS have been productive and that progress is being made, although no firm timetable for the final outcome is available.