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Report to the Congress; by Elmer B. Staats, Comptroller General.

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The Federal Government provides funds to States for foster care of children who receive unsuitable care at home by placing the children in either foster family homes or child-care institutions. Findings/Conclusions: State and local agencies responsible for the placing and care of foster children in child care institutions did not always provide required social services to the children and their families, sometimes paid rates to institutions which were based on unallowable and/or unreasonable costs, and did not make sure that physical conditions and services at the institutions were satisfactory. State officials believe the program scope has changed to include children placed primarily because of mental or delinquency problems. Excessive caseloads and insufficient staff prevented required services from being regularly provided. Lack of specific guidelines and criteria to which placing agencies can be held accountable primarily caused these problems. Recommendations: There should be increased interactions between the child-foster parent-caseworker, with a minimum of semi-annual visits to institutionalized children. More specific guidelines are needed for getting expense rates and judging reasonableness of foster care costs. Closer monitoring of licensing standards and facilities is necessary. States should require documentation of services and assessments of children's progress to the placing agencies, as part of the six-month review of placements. Congress should look at the expansion of federally funded Aid to Families with Dependent Children program, which may go beyond the scope originally contemplated by Congress. (Author/DJM)

REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Children In Foster Care Institutions--Steps Government Can Take To Improve Their Care

Social and Rehabilitation Service
Department of Health, Education, and Welfare

State and local agencies responsible for the placing and care of foster children in child-care institutions

--did not always provide required social services to the children and their families,

--sometimes paid rates to institutions which were based on unallowable and/or unreasonable costs, and

--did not make sure that physical conditions and services provided at the institutions were satisfactory.

Lack of specific Federal guidelines and criteria to which placing agencies can be held accountable primarily caused these problems.

The Congress should look at the expansion of federally funded foster care services under the Aid to Families with Dependent Children program. This expansion may go beyond the scope of the program originally contemplated by the Congress.

HRD-77-40

FEB. 22, 1977

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(5)

To the President of the Senate and the
Speaker of the House of Representatives

This report describes actions that the Department of Health, Education, and Welfare can take to improve the care of children in foster care institutions. It also discusses the need for the Congress to clarify foster care legislation to specify the children that the program is intended to serve. We made our review at the request of the Chairman, Subcommittee on Select Education, House Committee on Education and Labor, and Congressman George Miller.

As requested by the Subcommittee, we have not obtained written comments from HEW, State and local agencies, or the institutions visited. However, we have discussed the report with program officials in HEW and have considered their views and comments. Department officials substantially agreed with our conclusions and recommendations. Also, we discussed our findings with State and local agency officials and, where applicable, have included their comments and corrective actions taken.

Copies of this report are being sent to the Director of the Office of Management and Budget; and to the Secretary of Health, Education, and Welfare.

Elmer B. Staats

Comptroller General
of the United States

Contents

ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
IRS	Internal Revenue Service
SRS	Social and Rehabilitation Service

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

CHILDREN IN FOSTER CARE INSTITUTIONS--STEPS GOVERNMENT CAN TAKE TO IMPROVE THEIR CARE

Social and Rehabilitation Service
Department of Health, Education, and Welfare

D I G E S T

The Federal Government provides funds to States for foster care of children who receive unsuitable care at home by placing the children in either foster family homes or child-care institutions. GAO's review of the use of foster care institutions showed that:

--Federal money is spent to provide services to children, such as the mentally retarded or juvenile delinquents, who need care because of their own problems, not problems in the home, which appears to go beyond the originally contemplated scope of the program.

--State and local agencies that place children in foster care institutions do not always provide required services to either the children or their families.

--States are not complying with Federal regulations regarding payments to foster care institutions.

--State licensing inspections are not regularly made and licensing standards are not enforced.

In fiscal year 1975, about 25,000 children in the Aid to Families with Dependent Children program were in foster care institutions, and the total cost to the Government and the States was over $100 million--the Federal share was about $55 million.

EXPANDED FOSTER CARE SERVICES

The legislation establishing the foster care program did not appear to be directed to

children, such as the mentally retarded and delinquent, who need care outside their home because of their own disabilities or problems. (See p. 4.)

According to State officials, the program's scope has changed to include children placed primarily because of mental or delinquency problems. These children, the services they require, and the costs associated with those services may go beyond the originally contemplated scope of the program. The expanded services overlap other Federal, State, and local programs. For example, nine institutions charged the program for educational services which would have otherwise been paid by State and local governments. In other instances, medical service costs could have been charged to Medicaid programs. (See pp. 4 to 6.)

The Secretary of the Department of Health, Education, and Welfare (HEW) should specify the circumstances under which foster care can be included in the Aid to Families with Dependent Children program. Also, the Secretary should direct the States to charge the program for services such as education and medical care only when specific programs, like Medicaid, will not fund the service. (See p. 6.)

The Congress should clarify the legislation to specify the children that the program is intended to serve.

SERVICES TO CHILDREN AND THEIR FAMILIES

Placing agencies focus on identifying and providing the needs for children and eliminating their need for foster care. The lack or inadequacy of their services may cause the children to receive inappropriate care or remain longer than necessary in foster care. (See pp. 7 to 13.)

Federal and State laws and regulations require placing agencies to provide certain services for the care of foster children, or else they cannot receive Federal funds. The required services include

--developing a case plan so that the children will be placed in foster care according to their needs,

--periodically reviewing children's needs and the appropriateness of care and services provided, and

--providing services to improve the conditions in the homes from which the children were removed or to place children in the homes of other relatives.

Were the required services provided? The case files showed

--three of the five agencies reviewed had either no case plans or plans which did not meet Federal laws and regulations for over 25 percent of the children,

--the required 6-month reviews of the children's care were made in less than 40 percent of the cases,

--two of three agencies that required visits to the children met the requirement in less than half the cases,

--over 40 percent of the childrens' parents were not visited by the placing agencies during a 6-month period. (See pp. 8 to 11.)

Agency officials and caseworkers said that excessive caseloads and insufficient staff prevented required services from being regularly provided. The caseloads generally exceeded the level which agencies and the Child Welfare League of America stated was workable. (See p. 12.)

The Secretary of HEW should

--revise Federal regulations to require documented case plans to identify a child's needs and how the placing agency will meet those needs and visits to children and families,

--establish workable caseload guidelines, and

--direct more resources to monitoring how the States provide foster care services. (See p. 13.)

RATES PAID TO FOSTER CARE INSTITUTIONS

Under Federal regulations, States must set specific criteria to use in determining payments to foster homes and child care institutions. States must set rates which--pay institutions only for the cost of services that would be provided in foster homes and--do not pay institutions for overhead cost. However, rates varied, agencies funded different services, and Federal regulations were not complied with.

Payments to child care institutions varied among the States and usually far exceeded the money paid to foster homes. For example, in Los Angeles County, the institutions' monthly rates ranged from $329 to $1,184 a child, while the maximum monthly payment to family homes was $298. In Georgia, foster family homes received a monthly maximum of $293, and monthly payments to institutions ranged from $133 to $321 a child. The differences were largely attributable to the varying criteria and processes used to set institutions' rates. Agencies reimbursed institutions for different costs and services and had varying policies regarding expenses such as educational services, depreciation, and administrative salaries. (See pp. 14 to 16.)

The institutions' financial records showed that they often reported inaccurate or unsubstantiated costs to support their rates. In other instances, the reasonableness of the costs appeared questionable based on the amounts reported or when compared to costs at other institutions. Overhead was the major item of potentially unallowable cost, because agencies made little or no attempt to eliminate overhead from the rates. This occurred because HEW has not specified what costs should be excluded as overhead. (See pp. 16 to 21.)

The Secretary of HEW should change the existing regulations to clearly define what services will be funded and which costs are allowable. (See pp. 21 to 22.)

Under Federal law and regulations, Federal money cannot be used to pay for care at private, profit-making institutions. GAO notified HEW that over $600,000 of unallowable Federal payments were made to California, New York, and New Jersey for children placed at profit-making institutions and asked HEW to take action to recover the funds. (See p. 21.)

INSTITUTIONS' CONDITIONS AND LICENSING ACTIVITIES

Conditions at 18 institutions varied from poor to excellent in terms of repair, cleanliness, and available facilities. Seven of 18 institutions had serious deficiencies, including

--bathrooms with broken and unuseable facilities;

--broken-down recreation equipment and scum-filled pools;

--missing and broken doors, windows, and screens;

--broken laundry and kitchen equipment;

--bedrooms with bars on the windows, holes in the walls, trash, broken and smashed chest of drawers and closets, and beds consisting of mattresses without bedframes or springs; and

--storage of prescription drugs in accessible unlocked locations, and failure to destroy outdated and unnecessary prescription drugs.

The States did not make sure that institutions maintained their facilities at acceptable levels. In many instances, annual licensing inspections were not made or standards were not enforced. Three of the 18 institutions were not licensed. Poor conditions at several institutions were not corrected, although licensing agencies knew about the problems. After GAO brought the deficiencies to their attention, placing agencies and institutions generally corrected the problems usually by removing the children from the facilities or making necessary repairs. (See pp. 23 to 28.)

The Social Security Act requires that States designate an authority to establish and maintain standards for foster care institutions that are reasonably consistent with those of national standard setting organizations. HEW should identify such national organizations for the States to consider, since the States' licensing criteria and procedures varied. (See p. 28.)

To improve conditions at foster care institutions, the Secretary of HEW should

--direct regional HEW staff to more closely monitor how the States enforce licensing standards and

--provide guidance to States in establishing and maintaining standards for foster care institutions in accordance with the Social Security Act. (See p. 29.)

DELIVERING AND DOCUMENTING INSTITUTIONAL SERVICES

Institutions did not always keep records of services provided to children, making it difficult for placement officials to follow children's progress and to hold institutions accountable for required service. The children generally received medical services, but at five institutions, one-fourth or more of the children did not receive required physical examinations. (See pp. 30 to 31.)

The Secretary of HEW should require States to assure that institutions maintain service records to enable placing agencies to follow the children's progress and hold the institutions accountable for services. (See p. 32.)

CHAPTER 1

INTRODUCTION

The Chairman, Subcommittee on Select Education, House Committee on Education and Labor and Congressman George Miller requested us to review residential care facilities for children. (See app. I.) We reviewed children placed in child care institutions under the foster care provisions of the Aid to Families with Dependent Children (AFDC) program, administered by the Department of Health, Education, and Welfare (HEW). For purposes of this report, an institution is defined as a residential facility for children which provides 24-hour care in a group setting, usually for about 13 or more children or adolescents.

Our primary objectives were:

--Determine the extent and nature of services provided by child welfare agencies.

--Assess the physical conditions of institutions and the adequacy of licensing reviews.

--Evaluate the fiscal controls and accountability for Federal funds, and the factors considered in setting rates of payment to institutions.

FOSTER CARE LEGISLATION

Title IV-A of the Social Security Act (42 U.S.C. 608) makes federally matched payments available to the States under the AFDC program for foster home care of dependent children. To be eligible, the children must be placed in foster care because of a judicial determination that continuance in their home would be contrary to their welfare and must also meet other AFDC eligibility requirements. Federal payments are available for children living at foster family homes or child care institutions.

Program changes

Before 1961, Federal funding was not available through the AFDC program for dependent children residing outside the home of a parent or a specified relative. Because States were denying assistance to some children on the basis they were residing in unsuitable homes, the Congress, in 1961, provided Federal funding for children who were placed in foster homes because of a court ruling that continuation in the home was contrary to the welfare of the child. In 1962, the Congress extended Federal assistance to children living at foster care institutions.

Since the beginning of the AFDC foster care program in 1961, the number of participants has increased from an estimated 600 to about 115,000 as of March 1976. In fiscal year 1975, the total cost of the program was about $259 million--the Federal share was about $138 million.

HEW reports monthly the number of children and the amount of money spent in the AFDC foster care program. However, several States do not provide data showing the portion of the program that is represented by children residing at institutions. We have estimated, based on the States reporting for March 1976, that about one-fourth of the children resided at institutions which accounted for about 40 percent of program costs.

Additional Federal funding is provided for children not eligible for AFDC as part of the child welfare services program authorized by title IV-B of the Social Security Act (42 U.S.C. 620). Under this program, Federal funds are allocated to the States for various child welfare services and represent less than 10 percent of the total funds spent by the States. In fiscal year 1975, the States spent about $600 million under this program. However, information is not available on the number of children placed in foster care or the amount of program funds spent for foster care placement.

PLACING CHILDREN INTO FOSTER CARE

Children enter foster care in one of two ways--by a court directing placement because of the child's behavior and/or home situation or by the parents voluntarily allowing a placing agency, such as a welfare department, to place the child outside the home. Federal law makes a judicial determination a condition for AFDC-foster care eligibility. As a result, children whose placements are not court ordered are not eligible for AFDC.

Children come to the attention of placing agencies through sources such as police, neighbors, schools, social workers, or the children's parents. The agency investigates the situation and determines if the child should be removed from the home. The agency may obtain voluntary placement from the parents or may decide that the court's intervention is needed.

The judicial review process begins with a court hearing the alleged reasons for removing the child from his home. If the case is sustained, the court orders that the placing agency seek appropriate placement for the child.

In the States we reviewed, the courts reviewed placements every 6 months to 2 years. The review generally consisted of the child's progress report by the agency, and an opportunity for the child, the family, or other interested parties to provide information to the court. The child and the family can have legal counsel during all court proceedings.

SCOPE OF REVIEW

We reviewed selected placing agencies in the States of California, Georgia, New Jersey, and New York. These States accounted for about two-thirds of the AFDC-foster care children placed at institutions as of March 1976. We visited selected institutions used by those placing agencies in California, Florida, Georgia, New York, and Pennsylvania.

As requested by the House Subcommittee on Select Education, we did not obtain written comments from HEW, State and local agencies, or the institutions visited. However, we discussed the report with the responsible program officials in HEW's Social and Rehabilitation Service (SRS) and have considered their views and comments. SRS officials substantially agreed with our conclusions and recommendations. Also, we discussed our findings with State and local agency officials and, where applicable, have included their comments and corrective actions taken.

CHAPTER 2

THE SCOPE OF THE AFDC FOSTER CARE PROGRAM HAS CHANGED

The growth of the Aid to Families with Dependent Children foster care program has resulted, in part, from the changing characteristics of the children served and the services provided them. In addition to increased program costs, this expansion has resulted in potential overlap with other Government programs.

State officials said that children placed in foster care particularly because of mental or behavioral problems currently participate in the program. This situation developed because AFDC foster care law and regulations have been broadly interpreted. For example, a court may determine that a mentally retarded child should be removed from his home because the parent(s) is unable to adequately care for the child's special needs. Similarly, a juvenile delinquent may enter foster care if a court determines that the parent(s) is unable to control the child's behavior. These children, the services they require, and the costs associated with those services appear to go beyond the original scope of the AFDC foster care program.

When the program was established in 1961, its basic intent was to protect those AFDC children who required foster care because of unsuitable home conditions. The program did not appear to be directed to children who needed outside care primarily because of their own physical, mental, or behavioral problems. The AFDC law and regulations restrict federally funded foster care services to those items included in foster family homes. We believe this limitation suggests excluding services often needed by children with physical, mental, or behavioral problems.

In California, many juvenile delinquents are placed at foster care institutions rather than juvenile detention facilities, and their care is partially financed by the AFDC program. Some children participate in a State program which pays subsidies to local governments to divert juveniles and adults from State operated correctional institutions to local community resources. Similarly, tightening admission criteria at State institutions for the mentally retarded has resulted in mentally retarded children entering New York's foster care program.

The States and the Department of Health, Education, and Welfare did not collect specific data about the characteristics of AFDC foster care children in institutions. However, California and New York City had prepared reports in 1975 showing the primary reasons for placing children under their total foster care programs. For example, children placed voluntarily, rather than by judicial determination, were included in the statistics. The statistics also included children in foster family homes and institutions.

This data shows that for California and New York City, about 33 percent and 16 percent, respectively, of the children were placed into foster care because of child-related problems, such as behavior or disability, rather than parent-related problems, such as abuse or neglect.

FOSTER CARE SERVICES SOMETIMES PARALLEL OTHER PROGRAM SERVICES

Federal and State agencies provide substantial funding for services to target groups, such as the mentally retarded and juvenile delinquents. In fiscal year 1975, HEW spent $1.5 billion for programs for the mentally retarded. A U.S. Department of Justice report for fiscal year 1975 estimated that about $90 million was spent for juvenile delinquency treatment programs by Federal agencies, such as HEW and the Department of Justice. These funds were supplemented by unknown amounts of State and local governments' money.

In addition to overlapping target group programs, the AFDC program sometimes parallels services provided by broad based programs. The cost of education, for example, is largely the responsibility of State and local governments. However, the AFDC program was charged for educating children at half the institutions we reviewed. These institutions administered education programs using their own staff, and the cost was included in the foster care rate.

Several institutions provided medical and/or psychological treatment and included the cost in their foster care rate. For example, one institution's medical department had an annual expense of about $300,000. In contrast, other institutions used outside physicians and contractors to provide medical service and the cost was charged to Medicaid. We determined that two States placing children at the same institution charged the total cost of care to different programs. One State used Medicaid funds and the other used AFDC foster care funds.

Providing parallel services may not increase the total cost of care. However, as the preceeding examples showed, the costs may be shifted between programs and from State or local governments to the Federal Government. Also, the requirements and controls that are part of programs, such as Medicaid, may be circumvented. For example, medical services charged to Medicaid are subject to utilization controls and cost ceilings which do not apply to such services if provided as part of foster care rates. This situation may result in reduced control of the cost and content of services.

CONCLUSIONS

The range and level of services provided by the AFDC foster care program apparently has expanded beyond its originally contemplated scope. This expansion occurred because of broad interpretations of the AFDC regulations. In addition to increasing the scope and cost of the program, the expanded AFDC foster care services sometimes overlap or parallel services provided by other Federal, State, or local programs.

RECOMMENDATION TO THE SECRETARY OF HEW

We recommend that the Secretary of HEW:

--Specify the circumstances under which foster care may be provided and the scope of services to be included in the AFDC foster care program. To the extent possible, States should be required to charge the costs of services to the most specific program, such as charging medical costs to Medicaid.

RECOMMENDATION TO THE CONGRESS

Because the expanded scope of the present AFDC foster care program did not appear to be contemplated when the original legislation was enacted, the Congress should clarify the legislation to specify the children to be served. As part of its deliberations, the Congress should take into account the availability of services to children from other government programs, and the need to coordinate AFDC services with the delivery, accountability, and intent of those programs

CHAPTER 3

FOSTER CARE CHILDREN AND THEIR FAMILIES DO NOT ALWAYS RECEIVE REQUIRED SERVICES

Placing agencies did not always provide required services to foster care children and their families. The services are directed to identifying and meeting the needs of the child and enabling the child to return to his or her natural home or the home of a relative. The lack or inadequacy of placing agency services may result in the child receiving inappropriate care or remaining longer than necessary in foster care. Placing agency officials and caseworkers said that they could not provide the required level of service because of insufficient staff.

REQUIRED SERVICES

Federal law and regulations require placing agencies to provide certain services to foster care children as a condition for receiving Federal funds. The placing agencies must also comply with their State's plan of service which details to the Department of Health, Education, and Welfare how the State will manage the program in accordance with Federal laws and regulations. The services which are required by Federal law and regulations include

--developing a case plan so that the child is placed in a foster family home or institution in accordance with his needs;

--semi-annually reviewing the child's needs and appropriateness of care and services provided; and

--providing services to improve the conditions in the home from which the child was removed or to place the child in the home of another relative.

We reviewed the placing agencies' files to determine if the required services were provided. For the New York children, we reviewed the case files at the institutions instead of the placing agency, because the agency contracted with the institutions for the required services as well as foster care. The New York institutions were responsible for planning, assessing, and providing the services for the children and their families. The placing agency monitored the children's progress by reviewing reports submitted by the institutions.

We randomly selected case files of about 30 children placed at institutions under the Aid to Families with Dependent Children program at each agency reviewed. The entire case file was reviewed, but we specifically looked for evidence of service within a 6-month period before we reviewed the files. At the Georgia agency, we reviewed all AFDC children at institutions because the entire enrollment was only 34 children. At the California counties, two agencies--probation and welfare--made placements, and we selected 25 cases at each agency to review or a total of 50 cases for each county.

Case plans

Case plans should document the child's needs and how the agency will meet those needs. A good case plan makes it possible for the caseworker and supervisor to review the child's progress and the delivery of services by the caseworker. Without case plans, the agency may not establish timeframes and specific service goals which may result in the child remaining in an inappropriate setting or in foster care longer than necessary.

The Federal requirements for case plans are very general and do not require that the plans be documented. The regulations of the four States reviewed specified more detail and required considering the child's adoptability, anticipated duration of foster care, and identification of the child's medical or psychological needs. The State regulations also required documented case plans.

Case files in Georgia, New Jersey, and New York contained case plans in almost all instances. However, the California agencies often did not prepare the required plan. The results are summarized below:

Location	Case files showing required case plan
Calif.:	
Los Angeles County	27 of 50
Orange County	a/1 of 38
Ga.	24 of 34
N.J.	30 of 30
N.Y.	30 of 30

a/Twelve of the 50 cases reviewed were determined to be non-AFDC children and were deleted from the case file review.

HEW reports, regarding counties in California and Georgia that were not included in our review as well as other States, also showed that placing agencies often did not prepare adequate case plans.

Case plans also provide continuity of care to the child when caseworkers change. The importance of documented case plans was illustrated in one California county we reviewed, when all of the caseworkers resigned or transferred within several months. The county had poor records, therefore, the new caseworkers started with little knowledge of the children. A supervising caseworker said that the lack of documentation made the transition difficult for the new workers.

Periodic review of placement

Federal law and regulations require the agencies to review the child's needs and the appropriateness of the child's care at least every 6 months. This requirement was stated in more detail by the State regulations. The objectives of the semi-annual reviews are to assure that the child receives needed services and does not remain in foster care unnecessarily. The following table shows that overall, semi-annual reviews which, in our opinion, satisfied Federal and State requirements, were prepared for less than half of the children.

Location	Case files showing required 6-month review (note a)		
Calif.:			
Los Angeles County	7	of	38
Orange County	23	of	35
Ga.	21	of	34
N.J.	6	of	30
N.Y.	5	of	30
Total	62		167

a/Analysis excluded cases which were not in placement for at least 6 months.

The 6-month reviews prepared by the agencies in California often did not comply with the reporting requirements of California's State plan. Some required elements which the reviews often omitted were

--assessment of the children's adjustment and progress;

--assessment of the natural parents' situation and progress; and

--the necessity and anticipated length of foster care placement.

Since the agencies in California did not use a specified format for the 6-month reviews, we searched the entire case files for the required elements. The search included court reports, caseworker notes, and correspondence. We considered the review inadequate if these sources did not substantially address the required elements.

New York's situation was caused by institutions failing to submit 6-month assessment reports. At four of the five institutions which were used by the New York agency, semi-annual or other periodic progress reports were either not prepared or delinquent. Caseworkers had not performed the required reviews at the Georgia and New Jersey agencies.

Visits to children and their families

HEW foster care program officials believed that assessing a child's placement could not be accomplished without visiting the child. Caseworkers said that their visits to the children are important because

--the worker is the child's link to his or her family;

--the visits enable the worker to better judge the child's progress and adjustment to the placement; and

--the worker becomes more familiar with the institution which results in better coordination in the child's treatment and more accountability for the services and upkeep at the institution.

Despite the apparent importance of visiting children, Federal regulations do not require agencies to provide this service.

Two States required the placing agencies to periodically visit foster care children. California required monthly caseworker visits to the children, and Georgia required visits at least every other month. But these agencies often did not visit the children at the required intervals.

Location	Child was visited in accordance with State regulations
Calif.:	
Los Angeles County	21 of 49
Orange County	37 of 38
Ga.	12 of 34

New Jersey and New York permitted progress reports from the institutions instead of visiting the children, but such reports were often not received from the institutions.

The program's primary purpose is to enable independent children to reside in their homes or those of relatives. To achieve this objective, the Federal law requires placing agencies to provide services to the children's families to enable the children to return to their natural home or the home of a relative. As part of our case file review, we looked for placing agency visits to the family. Although not required by Federal regulations, such information would provide a basis for determining the extent of contact with the family. Caseworkers said that visits to families would be recorded in the case files. The following table shows that the files contained no evidence of placing agency visits to over 40 percent of the families during the 6-month period.

Location	Case files showed that family was visited within the 6-month period (note a)	
Calif.:		
Los Angeles County	35 of	45
Orange County	13 of	35
Ga.	13 of	29
N.J.	10 of	23
N.Y.	(note b)	
Total	71	132

a/Our analysis excluded cases where parents did not exist or could not be located.

b/Family visits were performed by the institutions as part of their service contract with the placing agency. The institutions visited the parents of each of the 22 New York children we reviewed.

Caseloads

Placing agency officials and caseworkers generally agreed that case plans, reviews of placements, and visits to children and their families are necessary services for providing effective foster care and enabling the agencies to return the child to his home or other family setting as soon as possible. The agencies cited excessive caseloads as the reason that required services were not always provided. At the agencies we reviewed the caseloads varied from 35 to 75 children to a caseworker. We asked agency officials and caseworkers what caseload level would allow them to provide the required services. They said that between 35 and 40 cases would be a workable number.

HEW has not established requirements or guidelines for foster care caseloads. The only standard we could identify was the Child Welfare League of America's recommended caseload of 20 to 30 children. This workload was based on the recognition that in foster care, the caseworker is responsible for providing services to the child, his family, and the foster home or institution. Because of these multiple responsibilities, a caseload of 30 children would represent up to 90 clients, including the families and the foster homes.

HEW MONITORING OF FOSTER CARE PROGRAM

HEW's Social and Rehabilitation Service (SRS) is responsible for managing the AFDC foster care program. SRS monitors the States from 10 regional offices located throughout the United States. Our review included States in the jurisdiction of three HEW regional offices.

Although each regional office had personnel assigned to the foster care program, the personnel was not assigned full-time to the program. SRS officials said that foster care was only a small part of the AFDC activity for which they were responsible. The regional staffs said that they monitored the States primarily by reviewing monthly statistical reports. The following table shows the SRS personnel assigned to foster care and the number of AFDC-foster care children in their region.

HEW regional office	Number of persons assigned to foster care	Number of children in program as of March 1976
New York, Region II	2	27,500
Atlanta, Region IV	2	11,400
San Francisco, Region IX	1	14,200

The SRS personnel assigned to foster care had other responsibilities, such as reviewing the eligibility of children to participate in the AFDC program.

CONCLUSIONS

Placing agencies did not always provide required foster care services. This lack of service, which the agencies attributed to excessive caseloads, may result in children receiving inappropriate care or remaining longer than necessary in foster care. We believe that the Federal regulations could be improved by specifying what should be included in case plans and how the plans should be documented. Also, HEW needs to devote more resources to monitor the program.

Visiting the children and their families is an important factor in providing effective care, and we believe such visits should be required. These visits would require additional caseworker time which agencies stated is now insufficient to meet existing service requirements. We, therefore, believe that HEW must consider the caseload levels that would be needed to provide sufficient time for agencies to effectively carry out required foster care services.

RECOMMENDATIONS

We recommend that the Secretary of HEW:

--Revise Federal regulations to require

a. documented case plans which would identify the child's needs, the services the agency will provide, and a timetable to deliver the services and return the child to his family or other non-foster care setting, and

b. visits to the children and their families by the placing agencies. As a minimum, semi-annual visits to children at institutions should be required as an integral part of the 6-month reviews of placements.

--Establish caseload guidelines, which would recognize the caseload levels needed to provide the required services to foster care children and their families.

--Direct the SRS's regional staffs to more closely monitor the State and local agencies' delivery of services to foster children and their families. This may require additional staff.

CHAPTER 4

VAGUE FEDERAL REGULATIONS RESULT IN VARYING AND INCONSISTENT FOSTER CARE RATE SETTING PRACTICES

Federal regulations require States to establish specific criteria in determining the amount of payment for care in foster family homes and in child care institutions. However, the Federal regulations provide little criteria for the States to follow. We found varying methods for establishing rates, inconsistencies in what services the agencies funded, and non-compliance with Federal regulations regarding allowable costs and use of profit institutions. Also, the rates paid to foster care institutions sometimes included or were justified by, costs which were unallowable, inaccurate, and of questionable reasonableness.

FOSTER CARE RATES ARE ESTABLISHED IN VARYING WAYS

The Federal regulations for setting foster care rates direct the States to establish rates which

--pay institutions only for those costs of services which would be included in the cost of care in foster family homes; and

--exclude the institutions' overhead costs.

The regulations do not specify the services for foster family home care and do not define overhead costs. Reasonableness of costs are not addressed by the regulations.

In the absence of specific Federal guidance, the States and local agencies have established rate setting criteria and practices which result in varying rates and services. The following table shows the varying institution rates and their relation to foster family home rates at the agencies we reviewed.

Location	Range of monthly rates to institutions	Maximum monthly foster home rate
Calif.:		
Los Angeles County	$329 - $1,184	$298
Orange County	400 - 1,251	197
Ga.	133 - 311	293
N.J.	522 - 1,594	238
N.Y.	795 - 1,107	408

The Federal Government pays about one-half of the placement cost of Aid to Families with Dependent Children foster care children.

The differences in rates are largely attributable to the criteria and processes used to set institutions' rates. As the previous table shows, Georgia paid institutions relatively lower rates which were similar to foster family home rates. Georgia established its rate schedule for institutions by using a base rate equal to foster family homes. The base rate was adjusted to provide additional fees based on the services provided and the characteristics of the children accepted by the institution. Officials said that the rate schedule was not directly based on the institutions' costs of service and was not intended to cover all the institutions' costs. We observed that private donations significantly subsidized the operations of the State's institutions.

The other agencies generally requested financial statements to support rate requests for institutions located within their jurisdictions. Rates were negotiated on the basis of the institutions' previous year's costs, exclusion of unallowable costs, and rate ceilings set by the agencies.

The following table compares selected elements of the agencies' procedures, criteria, and policies for setting institution rates.

	Calif.				
Practice	L.A. County	Orange County	Ga.	N.J.	N.Y.
Requests financial data	yes	sometimes	no	yes	yes
Audits rate submission	yes	no	no	sometimes	yes
Sets rate ceilings	yes	no	yes	no	yes
Limits employees' salaries	yes	a/	a/	no	yes
Allows cost of:					
depreciation	no	a/	a/	yes	no
children's education	no	a/	a/	yes	yes
professional membership	limited	a/	a/	yes	yes
interest	yes	a/	a/	no	yes
fund raising	limited	a/	a/	yes	no

a/These agencies did not specifically allow or disallow costs.

Rate setting practices also varied within agencies. Despite elaborate procedures to set rates for institutions within their jurisdiction, when placements were made at institutions located in other counties or States, the agencies either approved amounts requested by institutions or used rates approved by the local agency. As a result, agencies paid institutional costs which they would not have to pay to institutions within their jurisdiction.

ANALYSIS OF INSTITUTIONS' RATES

We reviewed financial records at 18 institutions to evaluate information reported to placing agencies in support of their foster care rates. In several cases, the reported costs were inaccurate or unsubstantiated, were unallowable as part of the institution's rates, or appeared to be unreasonable.

Inaccurate or unsubstantiated costs

Institutions' financial records showed that costs reported to support their rates were sometimes inaccurate or unsubstantiated. These situations resulted from accounting errors, missing records, and including employees' personal expenses in the institution's costs. The placing agencies did not detect the errors because the financial data received from institutions did not have sufficient detail or was not audited.

The following are selected examples of inaccurate or unsubstantiated costs which were reported by some of the institutions we reviewed.

1. About $3,000 of rental expense for the director's personal residence was reported as part of the institution's rent expense.

2. Child care costs at an institution included personal expenses of the director/owner. Personal items included household appliances (clothes washer and dryer), clothing, and entertainment expenses.

3. An institution reported paying the director's children for services which could not be substantiated. The institution paid $3,500 to the children for housekeeping services, although this service was regularly provided by others. The payments were made in lump sums around Christmas, and the checks were deposited to the director's personal account.

4. Lease costs at an institution appeared unreasonable as well as unsubstantiated. The director leased equipment to the institution, but did not maintain any record on the equipment's value or the items included. The annual lease expense was $13,000; available records showed only $16,000 of equipment was leased, and no evidence that the items were still in existence.

5. The food expense at an institution did not reflect the income received by charging children 25 cents for soft drinks from a vending machine. The cost of the drinks (about $2,000 a year) was paid by the placing agencies as part of the institution's rate.

6. An institution showed $18,000 as the annual cost of a pension plan, but was unable to identify the plan's participants or the conditions for joining the plan.

We discussed our findings with the respective placing agencies. They said that appropriate action would be taken including obtaining better information from institutions, developing specific criteria for negotiating rates, and requiring additional justification for certain cost items.

Three of the five agencies reviewed had audited the financial records of some foster care institutions. Several audits identified large sums due to the agencies. For example, the New York agency had identified about $1.7 million in overpayments to 14 institutions. Despite the findings of these audits, the New York agency is far behind its audit schedule. As of May 1976, almost 100 institutions were overdue for audit--over half were more than 3 years overdue. New York officials said that they had insufficient staff to conduct the necessary audits.

Unallowable costs

Some of the costs described in the preceeding examples should not be allowed as part of the institutions' rates. However, overhead was the major element of potentially unallowable costs. This occurred because agencies made little or no attempt to eliminate overhead from the rates.

As stated previously (see page 14), Federal regulations do not allow overhead to be included in institutions' rates, but do not define overhead. Understandably, State agencies were uncertain of what expenses were overhead costs. For illustrative purposes, we analyzed the rates of 17 of the 18 institutions to identify expenses which we believe appeared to be indirect or overhead costs. No financial records were available at one institution. We included expenses such as administrative salaries, office expenses, insurance and taxes, and administrative travel. These costs are common business expenses, but are not directly related to child care. e following table shows that 12 of the 17 institutions had "hypothetical"overhead rates of over 20 percent.

Institutions	Total annual expenses	Percent of total expenses identified as overhead
	(in thousands)	
A	$ 350	9
B	696	11
C	633	13
D	a/N/A	a/N/A
E	3,909	16
F	19,287	20
G	1,200	22
H	1,096	22
I	314	23
J	165	2[illegible]
K	6,255	25
L	264	26
M	3,590	26
N	1,883	27
O	778	28
P	319	29
Q	2,326	31
R	194	39

a/No financial records available.

The table also shows that large and small institutions had relatively high overhead rates.

If the Department of Health, Education, and Welfare defined overhead in the same manner as our illustration, the institutions' rates would be affected greatly.

Reasonableness of costs

Our analysis showed that the reasonableness of some institutions' costs appeared questionable because of the amounts reported and comparisons with costs at other facilities. Federal regulations for the AFDC foster care program do not provide criteria to determine reasonableness of institutions' costs. However, Federal regulations pertaining to other HEW programs contain criteria which could be used to guide States in considering the reasonableness of foster care rates.

We selected four cost elements to review-food supplies, administrative expenses, facility rent, and transportation expenses. These expenses were calculated on the basis of cost per month per child because the differences in facility size would distort comparisons of total dollar cost. We did not compare the costs of child care staffs because these costs would vary with the type of program offered and the characteristics of the children served.

The analyses showed that institutions' food expenses (excluding labor and other costs to prepare the meals) were similar--about $2 to $3 a day for each child. However, the other expenses varied substantially and had no apparent relationship to the monthly rate charged or the size of the institution. All of the institutions are not shown in the following table because, in some instances, sufficient financial data was not available or the analysis was not applicable because the institution owned the facility.

Monthly rate (note)	Capacity (note b)	Monthly expense per child		
		Administrative	Rent	Transportation
$ 156	100	$ 17	$ -	$ 6
222	56	66	-	9
311	20	233	-	18
560	100	77	157	30
650	29	62	68	12
680	38	115	72	38
768	88	161	77	31
847	28	174	145	26
893	70	54	56	38
941	176	157	-	9
1,107	365	232	53	15
1,107	280	131	79	55
1,200	340	134	73	8
1,320	c/1,100	24	-	29

a/Some institutions received funds from sources such as charities in addition to the rates charged to placing agencies.

b/Maximum number of children which could be housed at the institution.

c/Capacity included facilities located throughout the United States.

We further analyzed the rental costs at one institution and the transportation costs at another to identify some of the reasons for their relatively high costs. Rental costs were reviewed for a facility which was one of several operated by an institution. The institution's monthly rental expense per child for the facility was about $100. The facility was a large, converted residence located in a rural area and housed 22 children--4 or 5 children to a bedroom. The residence was situated on barren property and the recreation facilities, such as the swimming pool and carpentry shop, were in disrepair.

The property was leased to the institution by two of its officers. We compared the annual rent charged by the landlords to the current estimated market value determined by the local tax assessor. The annual rent equaled about 50 percent of the estimated market value. We identified several other instances of persons closely affiliated with institutions renting property to the organizations.

The transportation expenses we reviewed were over $54,000 and largely consisted of buying and operating two luxury automobiles. The vehicles, a Cadillac and a Chrysler, were used by the institution's two directors.

Federal regulations pertaining to other programs could be used to guide States in establishing foster care rates. The Code of Federal Regulations prescribes principles for determining costs applicable to HEW grants and contracts with nonprofit institutions (45 C.F.R. 74, app. f). The regulations cover costs such as salaries, professional service fees, and property rental. For example, the regulations specify that rentals of property from affilliated persons to an organization are limited to the cost that the organization would incur if it owned the property. Applying this principle would have reduced rental costs at one institution by about 40 percent.

USE OF INELIGIBLE INSTITUTIONS

Federal law and regulations do not allow Federal financial participation in the cost of care at private, profit-making institutions (42 U.S.C. 608). California, New Jersey, and New York had claimed Federal participation for children at profit-making facilities. We notified HEW that over $600,000 of unallowable Federal payments were made to the States for children placed at profit-making institutions, and we asked HEW to take action to recover the funds.

We also identified actions by nonprofit institutions that appeared to jeopardize their nonprofit, tax exempt status under the Internal Revenue Code. The actions included interest-free loans to officers and officers renting property to the organization at seemingly high costs. We referred these matters to the Internal Revenue Service (IRS) for its consideration. IRS replied that the institutions' actions would be examined.

CONCLUSIONS

Present rate setting procedures do not provide adequate control or accountability for services purchased from foster care institutions. Vague Federal regulations were partly responsible for the inconsistent and questionable costs identified in our review. We believe more specific guidelines are needed for setting rates and for judging the reasonableness of foster care costs.

RECOMMENDATIONS

We recommend that the Secretary of HEW:

--Revise Federal regulations to clearly define which foster care services will be funded and which costs are allowable. Terms such as overhead and "cost of a foster family home" should be expressed as specifics such as food, shelter, and depreciation.

--Establish guidelines for States to use in setting rates and for judging the reasonableness of foster care costs. Existing Federal regulations pertaining to other programs could be used as a basis to establish rate setting criteria.

CHAPTER 5

FOSTER CARE INSTITUTIONS WERE NOT ALWAYS LICENSED OR IN GOOD PHYSICAL CONDITION

Almost half of the institutions we visited were either unlicensed or had serious physical deficiencies. Many deficiencies at foster care institutions remained uncorrected because State licensing agencies did not always inspect facilities or enforce standards. The agencies generally took corrective action after we brought the deficiencies to their attention. The corrective actions taken by agencies or institutions included removing children from institutions and making necessary repairs.

STATE LICENSING ACTIVITIES

Under the Social Security Act, Federal funding is available for children placed in a foster care institution only if the institution is licensed or approved by the appropriate agency in the State where the institution is located. In Georgia, the appropriate State agency for licensing institutions is the Georgia Department of Human Resources. In New York, the appropriate State licensing agency is the State Board of Social Welfare, and in California it is the State Department of Health. In New Jersey, institutions must be approved by the State Division of Youth and Family Service.

All four States provided for annual inspections of foster care institutions. However, the requirements for such inspections varied among the States as the following table shows:

Requirements for Annual Inspection

State	Average time spent to inspect an institution	Type of visit	Form of inspection reports
Calif.	4-8 hours	surprise, unannounced	standard form used to record deficiencies and corrective action
Ga.	2-4 hours	prearranged with institution	10 page check list and short letter to the institution
N.J.	6 days	prearranged with institution	several pages of narrative comments
N.Y.	4 or 5 days	prearranged with institution	45 to 60 page evaluation report

California was the only State that had fully complied with the annual inspection requirement. New licenses had not been issued to most of the institutions in Georgia for several years, although they are required to be issued annually. Our review of 20 randomly selected licensing files showed that inspection reports had been issued in 15 cases in 1975 and in 16 cases in 1976.

One New York licensing agency did not visit half of the facilities it was supposed to visit during fiscal year 1975. An official at the office said that this situation continued through fiscal year 1976. The State official said that New York was unable to carry out its responsibility for inspecting and supervising child care facilities, both as to quality and frequency, because of insufficient staffing. Although California made annual inspections, licensing officials said that they did not have enough staff to pursue the lengthy process of license revocation for the more deficient institutions. Therefore, they were unable to do much if an institution did not corrrect deficiencies which they had brought to its attention.

Institutions used by New Jersey which were located out-of-State were required to be approved by New Jersey. The requirements for approval provided that such institutions must be licensed or approved by the other State. We found that one of the three out-of-State institutions had not been licensed by the State in which it was located, and was, therefore, not eligible for Federal funding.

CONDITIONS AT THE INSTITUTIONS

We visited a total of 18 institutions in California, Florida, Georgia, New York, and Pennsylvania. The institutions were selected from those often used by the placing agencies we reviewed. (See page 3.) These institutions were selected judgmentally to provide diverse monthly rates, capacities, locations, and settings. At the Subcommittee's request, we selected some institutions that were located at a relatively long distance from the placing agency or were located in other States. A description of the 18 institutions is included in appendix II.

Conditions at the institutions varied from poor to excellent in the maintenance of physical facilities. We observed serious deficiencies at 7 of the 18 institutions. Some of the deficiencies we observed were:

--Missing windows and screens at facilities located in areas where flies were a major problem.

--Children sleeping on mattresses on the floor in cramped and dingy rooms.

--Broken and dirty bathroom facilities which were cited by two health agencies as inadequate.

--Dirty and unsanitary sleeping, living, and kitchen areas that had a bad odor, worn rugs, and battered furniture.

--Children's beds pushed up against gas heaters that were operating at full power even though it was a hot summer day.

--Children without clean clothes because they had few clothes, and the laundry was not done regularly.

--Recreation facilities that included a carpentry shop with unuseable power tools and a caved-in roof, gymnastic equipment that was placed off limits to the children because it was broken and dangerous; and, although it was summer, a swimming pool that was unuseable and full of green scum.

Medical supplies

State licensing agencies generally required institutions to have first aid supplies available and to keep prescription drugs locked in storage facilities. These controls were especially important because some children had histories of drug abuse.

We identified inadequate controls over prescription drugs at seven institutions. Some of our observations included:

--Prescription drugs left in shoeboxes on desk tops and in unlocked closets at two institutions.

--At another institution, medication given to a house-parent to be administered daily to a child was not given for a period of 1 month.

--At another institution, prescription drugs were left in an unlocked accessible cabinet, and some drugs were open. Obsolete drugs were not disposed of properly; and in some cases, prescription drugs were present for children who had left the institution over a year before.

At three institutions first aid supplies were not provided or were not readily available including the following examples:

--First aid supplies were inaccessible at one institution. The key was broken in the lock of one first aid kit, and the person who had the key to the other kit was off grounds.

--First aid supplies did not meet State requirements. A first aid kit contained only adhesive bandages. A thermometer, cotton, and burn spray were the only other supplies available.

Staff records

State licensing agencies required institutions to maintain certain records on the institution staff. Nine institutions lacked required records on some personnel including health reports and applications or other background information. For example, one institution had no personnel records of any kind, including health reports and applications, on 40 of their 45 employees.

LICENSING AND PLACING AGENCY INACTION ON THE DEFICIENCIES

The conditions we observed showed that licensing and placing agencies' activities did not make certain that institutions maintained their facilities at acceptable levels. Both Federal and State regulations require placing agencies to use only licensed institutions. Although 3 of the 18 institutions we visited were unlicensed, placing agencies continued to use them.

For example, an institution had operated for almost 3 years without a license and had tried unsuccessfully for over 15 months to obtain it. The licensing official would not grant the institution a license because it could not meet State fire safety standards and had many physical deficiencies. The licensing official said that during the time this unlicensed institution was in operation, he and placement agency officials using the institution had not communicated with each other about the unlicensed status and numerous deficiencies. Another placing agency had officially disapproved of this unlicensed institution for placement of foster children, but placement workers used the institution anyway.

At some institutions, deficiencies which we observed remained uncorrected despite licensing agencies knowing about the problems. At two institutions, in particular, we observed serious uncorrected deficiencies which were known to licensing agencies.

Some of the uncorrected deficiencies we observed at one institution included:

--Bars were on the children's bedroom windows, a violation of licensing regulations.

--Some doors, windows, and screens were missing or broken. A glass door was broken and the jagged glass was still in place. Some door knobs were missing, and rags were stuffed in the empty holes.

--Furniture and closets were broken and smashed.

--Exposed light bulbs hung from the ceiling.

--A refrigerator was broken and contained rotten fruits and vegetables.

--The laundry facilities were broken, and children were hanging their clothes to dry over the backyard fence.

--One recreation room had only one broken game table and no supplies. The other recreation room was flooded with about 1 inch of water.

Some of the deficiencies we observed at the other institution included:

--Grounds were littered with trash, broken glass, and old clothes.

--Some bathroom facilities were broken and unuseable.

--A room used to isolate problem children had holes in the walls; was littered with trash; and had a seatless, broken toilet in the adjoining bathroom.

--Some children had insufficient clothing. Children who didn't own a jacket and had holes in their tennis shoes played in the snow.

--Children were often unsupervised and opened desk drawers and closets in the institution offices at will.

CORRECTIVE ACTIONS TAKEN BY INSTITUTIONS AND PLACING AGENCIES

After confirming our observations, placing agencies' officials removed their children from the two institutions with several serious deficiencies. We were also informed that several deficiencies were corrected at the other institutions including repairs of screens, windows, bathrooms, and recreation equipment. One agency is revising its evaluation procedures for institutions since its previous evaluation procedures left many serious deficiencies undetected.

STANDARDS FOR FOSTER CARE INSTITUTIONS

Title XX of the Social Security Act, effective October 1, 1975, requires that States designate an authority to establish and maintain standards for foster care institutions which are reasonably in accordance with the recommendations of national standard setting organizations. Although our findings indicated that such would be helpful, Department of Health, Education, and Welfare officials said they have not informed the States of any specific national standard setting organizations for foster care institutions whose standards States should follow. The only standard setting organization we identified was the Child Welfare League of America which published standards in 1963. State standards for foster care institutions varied and did not generally follow Child Welfare League standards.

CONCLUSIONS

Licensing and placing agencies did not regularly inspect institutions and enforce licensing standards. As a result, many institutions had serious deficiencies. In some cases, deficiencies known by licensing agencies remained uncorrected. Placing agencies sometimes used unlicensed facilities. Licensing and placing agencies did not always communicate the deficiencies and licensing status of institutions between each other so that corrective action could be taken. Also, we found that it would be helpful to the States for HEW to identify specific national standard setting organizations whose standards States should follow in accordance with title XX of the Social Security Act. HEW has not yet identified any such organizations.

RECOMMENDATIONS

We recommend that the Secretary of HEW:

--Direct regional HEW staff to more closely monitor the States' enforcement of licensing standards and assure that Federal funds are not paid for children in unlicensed facilities.

--Provide guidance to the States for developing standards for foster care institutions in accordance with title XX of the Social Security Act.

CHAPTER 6

IMPROVEMENT NEEDED IN DELIVERING AND DOCUMENTING INSTITUTIONAL SERVICES

Foster care institutions often did not maintain records of services provided to children. The lack of records made it difficult for placement officials to follow children's progress and to hold institutions accountable for required services. Also, medical and recreation services were not always provided to foster children.

TREATMENT PROGRAM SERVICES

The States required institutions to maintain records of services. Depending on the State, required service records included treatment plans and quarterly and/or semi-annual progress reports. Placing agencies' officials said the institutions' documentation of services is necessary for following the child's progress. Eight of the 18 institutions did not maintain the required documentation of services. Some examples of missing records for the cases we reviewed included:

--At one institution, half of the cases lacked required semi-annual and annual reports.

--One institution did not have formal treatment plans and quarterly therapy reports for some of the children.

--Another institution did not have quarterly progress reports on any children. Other records at this institution were not safeguarded. For example, some of the children's records received from the placing agencies were wadded behind a desk.

INSTITUTION STAFF

The Subcommittee requested information on the professional training of the institutions' staff. The staff can be categorized as (1) professionals such as administrators, social workers, psychologists, and teachers and (2) child care staff such as counselors, cottage life supervisors, and houseparents. Although the professional staff were generally college graduates, the child care staff often had no education or training which related to their jobs. For example, counselors included persons with high school diplomas or some general college credits, and work experiences such as clerk, stockboy, or bar and grill operator.

MEDICAL SERVICES

The Subcommittee requested information on the availability and nature of medical care. Under title XIX of the Social Security Act, States can elect to make children placed in foster care under the Aid to Families with Dependent Children program eligible for medical care through the Medicaid program. Each of the States we reviewed had included that provision in their Medicaid program.

Our review of institution records indicated that children generally received medical services. However, some of the children at eight institutions did not receive physical exams required by placement and licensing agencies. At 5 of the institutions, 25 percent or more of the children had not received the required examinations.

OTHER SERVICES

The Subcommittee requested information on the nature and availability of education programs at foster care institutions, and the availability of recreation equipment and instruction.

Education

The children were provided education services at all of the institutions at either public schools or at schools on the institutions' grounds. The on-grounds schools were staffed either by the public school system or the institution's personnel. Each institution's private school had been approved by the appropriate State agency. Some on-grounds education programs received Federal assistance through title I of the Elementary and Secondary Education Act. A description of the education programs is included in appendix III.

Recreation

Most of the institutions provided the children with recreation programs and had recreation facilities and equipment such as swimming pools, athletic fields, and play areas. However, the recreation equipment at two institutions was unuseable because it was in poor condition. (See pages 25 and 26.)

CONCLUSIONS

Following the children's progress at foster care institutions is difficult without adequate documentation. The required documentation was inadequate or missing at eight institutions.

RECOMMENDATION

We recommend that the Secretary of Health, Education, and Welfare:

--Require that the States assure that institutions provide documentation of services and assessments of children's progress to the placing agencies. This requirement should be part of the 6-month review of foster children's placements.

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March 31, 1976

B-164031(5)

The Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
441 G Street
Washington, D. C. 20548

Dear Mr. Staats:

We very much appreciate the briefing on March 4, 1976, by members of your Manpower and Welfare Division and the New York and Los Angeles Regional Offices on the status of our inquiry concerning residential care facilities for children.

From the briefing, it would appear that GAO already has sufficient data, based on the California-New York/New Jersey preliminary study, to provide data on administrative responsibility for management of foster care; the participation of the Federal funds in the financing and operation of this kind of foster care; and the administrative and legal processes involved in the placement, review and releasing of children. Basically, these categories correspond to sections (a), (f) and (g) of our original letter dated September 19, 1975. In addition, the auditors appear to have adequate data to show the changing population in foster care and the underlying reasons.

The briefing raised some questions, and pointed to the need to obtain comparative data on other areas of concern. While comparative data were provided on the above subjects, the information on services provided to children and fiscal accountability was drawn primarily from the southern California area. It is our belief that comparative data on these additional subjects of concern must be developed from other geographical areas of the country.

Specifically, we would like to have some comparative information on such areas as: the professional training of staff members in institutions; the nature and availability of educational and medical services; the administrative mechanisms for monitoring the treatment of children placed at a

The Honorable Elmer B. Staats -2- March 31, 1976

distance from their natural homes, either within the child's home state or in another state; and the accuracy and adequacy of fiscal controls on the expenditure of Federal funds. These areas correspond generally to items (b) through (e) and (b) through (j) of our original request letter.

The high quality of the briefing raised supplemental questions which are closely related to the original requests, and we would ask that the GAO staff pursue these subjects:

(a) the extent and nature of contacts by social service agencies with the child's natural family during the period of foster care placement;

(b) the activities of HEW and State agencies on finding alternatives to, or improvements in, institutionalized care, such as research and demonstration projects;

(c) the factors considered by agencies in approving rates charged by residential care facilities, and the specific information required in support of such rates;

(d) the standards established by states for residential child facilities and the extent to which such standards are in accord with recommended standards of appropriate national standard setting organizations;

(e) the practices followed by social service agencies for periodically assessing the appropriateness of placement, and the extent to which visits by the agency with the child are required in that assessment; and

(f) the extent of data available showing where children go after leaving institutional care.

We appreciate the diligence and thoroughness of the GAO work already completed and look forward to working together with the staff on the remainder of the study. On the basis of the material we have seen, we believe it more important than ever that this study be continued.

Sincerely,

John Brademas

JOHN BRADEMAS
Chairman
Subcommittee on Select Education

George Miller

GEORGE MILLER
Member
Subcommittee on Select Education

CONGRESS OF THE UNITED STATES
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B-164031(5)

September 19, 1975

The Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
441 G Street
Washington, D.C. 20548

Dear Mr. Staats:

We are writing to request that the General Accounting Office undertake a study for the Subcommittee on Select Education. Th subject of this study would be residential care facilities for childr n.

Current lawsuits have raised serious questions about he interstate transportation of young children to such facilities. In particular, the Gary W. v. William Stewart case in Louisiana already has focused attention on the lack of procedural due process accorded children and their parents in the decision, often by courts, to send children to such institutions. Recent newspaper and magazine articles have alleged that widespread misuse of drugs, physical abuse, and denial of education are common features of life for many children in care facilities. Similar charges have been made before Senator Bayh's Juvenile Delinquency Subcommittee.

Preliminary investigations by members of our staffs suggest that a substantial degree of the funding for residential care facilities comes from the Federal treasury. Sources of this money include, among others, the Law Enforcement Assistance Administration, the Aid to Families with Dependent Children program, the CHAMPUS program, and the Social Security Administration.

As the Subcommittee on Select Education considers holding hearings and drafting legislation to deal with the issues raised by various critics of the existing programs, GAO could provide invaluable data. We respectfully request that a GAO study obtain information in the following areas:

(a) Federal programs providing funds or other assistance to residential care facilities;

(b) State licensing procedures for these facilities and their personnel;

(c) the educational programs provided to children in these facilities, specifically: the availability of suitable classrooms; the professional training of the staff; the availability of recreational equipment and instruction; and whether the educational program of the facility meets the requirements mandated by state and federal laws;

(d) the availability of medical care;

(e) the extent to which these facilities meet local health and fire standards;

(f) the administrative and legal processes involved in the placement and releasing of children;

(g) the placement of children in facilities located at substantial distance from their homes;

(h) physical and drug abuse of children;

(i) financial controls over Federal funds used by these facilities; and

(j) whether children with emotional, mental, or physical handicaps are placed in the same facilities programs as children of a violent or criminal background.

Obviously, we are requesting a study of some breadth and detail. For this reason, we believe that it would be reasonable to select a number of States upon which to base the study. We believe that these States should be selected so as to provide a reasonable geographic and demographic sampling. In addition, it would be logical to include in any examination those States which have been alleged to contain the most widespread abuses. We suggest that an overall pilot study be conducted in California, and that the interstate traffic in children among New York, New Jersey and Pennsylvania also be included in this preliminary survey, which can serve as a basis for developing the scope and approach for conducting a broader review of other States.

We have held preliminary discussions with staff from your Manpower and Welfare Division. We would like to continue working with your staff during the course of this study to more specifically determine the final scope of work to be performed, and additional States to be included upon completion of a pilot study in California and the Eastern States.

We appreciate your attention to this matter.

Sincerely,

GEORGE MILLER, M.C.
Member
Select Subcommittee on Education

JOHN BRADEMAS
Chairman
Select Subcommittee on Education

CHARACTERISTICS OF FOSTER CARE INSTITUTIONS

INCLUDED IN OUR REVIEW

Institution	Monthly rate per child	Capacity	Location	Setting
A	$ 680	28	Calif.	Rural
B	893	70	Calif.	Rural
C	650	29	Calif.	Suburban
D	525	76	Calif.	Rural
E	560	100	Calif.	Rural
F	847	28	Calif.	Rural
G	768	88	Calif.	Urban
H	975-1,200	340	Fla.	Suburban
I	1,060	53	Fla.	Suburban
J	160	36	Fla.	Rural
K	156	100	Ga.	Urban
L	311	20	Ga.	Urban
M	222	56	Ga.	Rural
N	964-1,107	365	N.Y.	Rural
O	941	176	N.Y.	Rural
P	408-1,107	280	N.Y.	Rural
Q	867	50	Pa.	Rural
R	1,320	1,100	Pa.	Rural

APPENDIX III

SCHEDULE OF EDUCATION PROGRAMS AT FOSTER CARE INSTITUTIONS INCLUDED IN OUR REVIEW

Number of institutions providing program (note a)	Type of educational program provided
C, J, K, M	Children attend community public school exclusively.
A, E, H, I, L	Children attend community public school or private school on-grounds at the institution. At the on-grounds school teachers are employed by the institution.
G	Children attend community public school, and the public school provides tutoring services on-grounds at the institution.
D, F	Children attend community public schools or on-grounds school run by the public school district. Teachers at the on-grounds school are public school employees.
B	Children attend community public school or an on-grounds school at the institution. The on-grounds school is partially run by the public school with part of the education program provided by the institution. Teachers are both public school and institution employees.
O, Q, R	Children attend a privately-run school on-grounds at the institution. At the on-grounds school, teachers are privately employed by the institution.
N, P	Children attend a public school on-grounds at the institution. Teachers are employed by the public school district.

a/See app. II for key to institutions.

PRINCIPAL HEW OFFICIALS RESPONSIBLE FOR ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office From		To	
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:				
Joseph A. Califano, Jr.	Jan.	1977	Present	
David Mathews	Aug.	1975	Jan.	1977
Caspar W. Weinberger	Feb.	1973	Aug.	1975
ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE:				
Don I. Wortman (acting)	Jan.	1977	Present	
Robert Fulton	June	1976	Jan.	1977
Don I. Wortman (acting)	Jan.	1976	June	1976
John A. Svahn (acting)	June	1975	Jan.	1976
James S. Dwight, Jr.	June	1973	June	1975
COMMISSIONER, ASSISTANCE PAYMENTS ADMINISTRATION:				
David Hurwitz (acting)	Jan.	1977	Present	
Nicholas Norton	Dec.	1976	Jan.	1977
Nicholas Norton (acting)	Jan.	1976	Dec.	1976
John A. Svahn	July	1973	Jan.	1976
COMMISSIONER, PUBLIC SERVICES ADMINISTRATION:				
Michio Suzuki (acting)	Jan.	1977	Present	
Carolyn Betts	Sept.	1976	Jan.	1977
Michio Suzuki (acting)	Jan.	1976	Sept.	1976
John C. Young	Mar.	1974	Jan.	1976