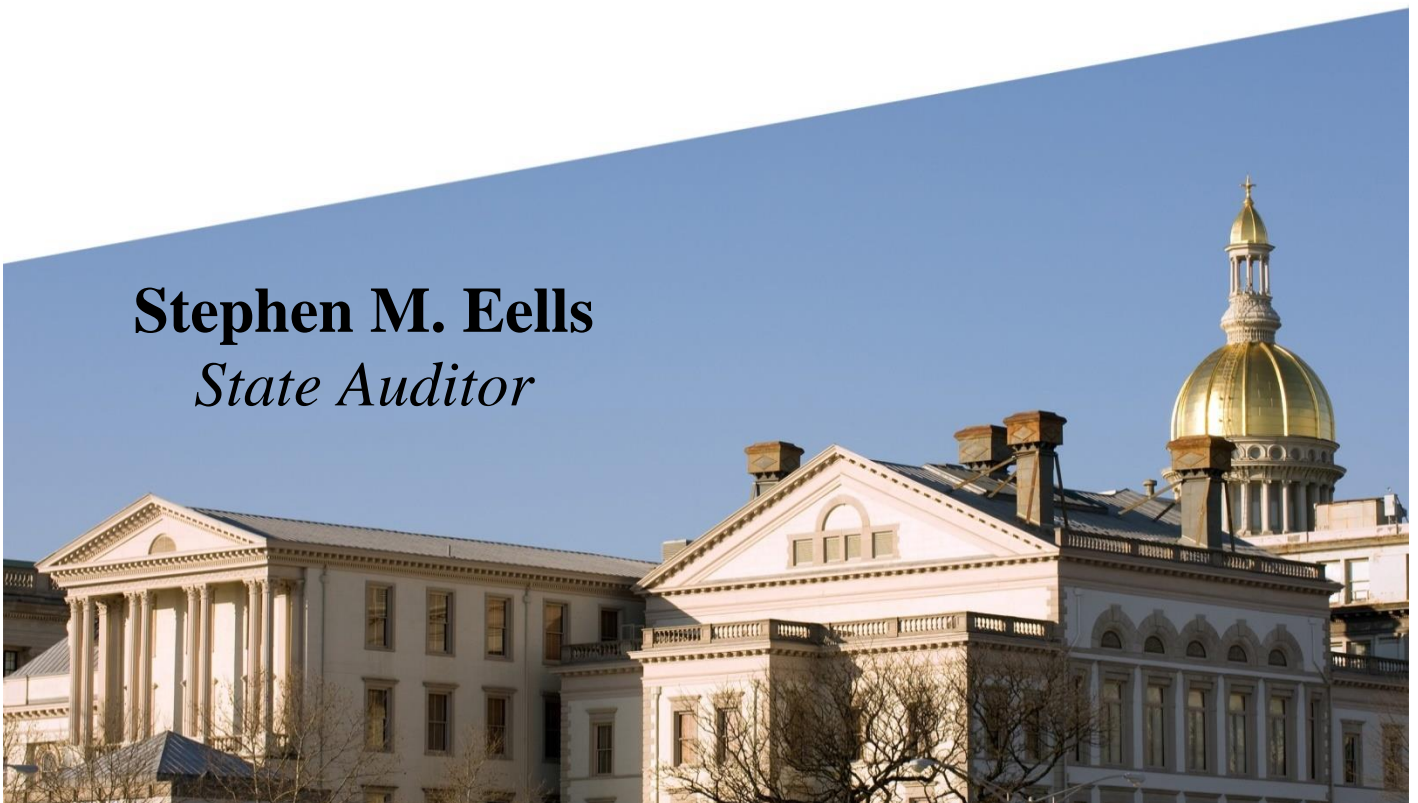


*New Jersey Legislature*  
★ *Office of* LEGISLATIVE SERVICES ★  
**OFFICE OF THE STATE AUDITOR**

Department of Children and Families  
Division of Child Protection and Permanency  
Grants-in-Aid

July 1, 2015 to March 6, 2019

**Stephen M. Eells**  
*State Auditor*



SENATE

CHRISTOPHER J. CONNORS  
KRISTIN M. CORRADO  
NIA H. GILL  
LINDA R. GREENSTEIN  
THOMAS H. KEAN, JR.  
JOSEPH PENNACCHIO  
STEPHEN M. SWEENEY  
LORETTA WEINBERG

GENERAL ASSEMBLY

JON M. BRAMNICK  
ANTHONY M. BUCCO  
JOHN J. BURZICHELLI  
CRAIG J. COUGHLIN  
JOHN DIMAIO  
THOMAS P. GIBLIN  
LOUIS D. GREENWALD  
NANCY F. MUNOZ



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR  
125 SOUTH WARREN STREET  
PO BOX 067  
TRENTON NJ 08625-0067

PERI A. HOROWITZ  
*Executive Director*  
(609) 847-3901

OFFICE OF THE STATE AUDITOR  
(609) 847-3470  
FAX (609) 633-0834

STEPHEN M. EELLS  
*State Auditor*

DAVID J. KASCHAK  
*Assistant State Auditor*

THOMAS TROUTMAN  
*Assistant State Auditor*

The Honorable Philip D. Murphy  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Craig J. Coughlin  
Speaker of the General Assembly

Ms. Peri A. Horowitz  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Children and Families, Division of Child Protection and Permanency, Grants-in-Aid for the period of July 1, 2015 to March 6, 2019. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in dark ink, appearing to read "M. Eells", with a large, stylized loop at the beginning.

Stephen M. Eells  
State Auditor  
August 27, 2019

## Table of Contents

Scope.....	1
Objectives .....	1
Methodology .....	1
Conclusions.....	2
Findings and Recommendations	
Background Checks .....	3
Inspections of Child Care Centers .....	5
Adoption Assistance Program.....	8
Contract Administration, Closeout, and Recovery of Overpayments.....	10
Observations	
Department of Human Services (DHS) Central Registry of Offenders Against Individuals with Developmental Disabilities .....	11
Individuals with Particular Skill Sets Needed for Licensing Inspections .....	11
Computer Information Systems for Youth Residential Licensing.....	12
Electronic Survey of Child Care Center Inspectors .....	12
Exhibits	
Photographic Examples of Violations in Child Care Centers.....	13
Auditee Response.....	16

---

## *Scope*

We have completed an audit of selected Grants-In-Aid programs within the Department of Children and Families (DCF), Division of Child Protection and Permanency (CP&P) for the period July 1, 2015 to March 6, 2019. The CP&P is New Jersey's child protection and welfare agency. Its mission is to ensure the safety, permanency, and well-being of children and support families. As of December 31, 2018, DCF served approximately 85,798 children and 30,205 families, of which CP&P served approximately 48,536 children and 24,276 families. Our audit included the child abuse hotline, the licensing of child care centers and youth residential centers, the adoption assistance program, and contracts with provider agencies for the purchase and delivery of social services. During fiscal years 2016 through 2018, CP&P total annual grants-in-aid expenditures averaged \$439.9 million.

## *Objectives*

The objectives of our audit were to determine whether the department's child abuse hotline calls were properly documented and coded to ensure appropriate units were notified in a timely manner and that abandoned calls were within acceptable limits, and whether the licensing and monitoring procedures were adequate to ensure that child care centers were licensed and in compliance with licensing regulations. Additional objectives were to determine whether the adoption assistance program was in compliance with accounting and financial reporting standards, and whether contract closeouts and recovery of contract overpayments were completed in a timely manner.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

## *Methodology*

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circulars promulgated by the Department of the Treasury, and policies of the DCF. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing. We interviewed department personnel to obtain an understanding of the internal control systems for the child abuse hotline, the licensing and monitoring process, the adoption assistance program, and the contract closeout and overpayment recovery process.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives, as well as on internal controls and compliance. Sample populations were judgmentally and randomly selected for testing.

### *Conclusions*

We found that the department's child abuse hotline calls were adequately documented and coded in a timely manner to ensure appropriate units were notified and that abandoned calls fell within acceptable limits, and that licensing and monitoring procedures were adequate to ensure child care centers were licensed and in compliance with pertinent licensing regulations. However, in making these determinations, we noted certain weaknesses meriting management's attention regarding the licensing and inspection process, the accounting and financial reporting of the adoption assistance program, and the contract closeout and overpayment recovery process.

We also made observations regarding individuals noted on the Department of Human Services Central Registry of Offenders Against Individuals with Developmental Disabilities, the potential need for specific skills required of employees to expedite the licensing process, the current Youth Residential Licensing computer information systems, and the results of an inspector survey to identify areas where improvements are needed in the licensing of child care centers.

## **Background Checks**

Pursuant to N.J.S.A. 9:3A-2, the Department of Children and Families (DCF) was created on July 1, 2006 to focus exclusively on protecting children and strengthening families. Previously, these functions were handled by the Department of Human Services (DHS), Division of Youth and Family Services. Since DCF's creation, there has been a memorandum of understanding with the DHS Central Fingerprint Unit for the collection, review, interpretation, and dissemination of criminal history background check data.

### **Resubmitting federal criminal history background checks at license renewal could reduce the risk of centers having disqualified staff members.**

New Jersey statutes require that, in order to secure and maintain a license, a center must ensure that all staff members submit to a fingerprint scan by the state's contracted vendor and to state and federal criminal history background checks conducted by the New Jersey State Police, Bureau of Identification and the Federal Bureau of Investigation (FBI). The Department of Human Services, Central Fingerprint Unit (CFU) is notified of these results and enters them into a database. The CFU is responsible for issuing work clearances to the centers for prospective staff members. If a prospective or current staff member has been arrested or convicted of a disqualifying crime, the CFU is responsible for notifying the center and the DCF Office of Licensing of the disqualification. The State Police criminal database provides notifications when staff members fingerprinted per state statutes are arrested or convicted of a crime in New Jersey. However, the FBI's national criminal database is not equipped to provide similar notifications. Therefore, there is a risk of a staff member having been arrested or convicted of an out-of-state or federal crime since their initial background check that would disqualify them from having contact with children at the centers.

It should also be noted that the federal Child Care and Development Block Grant (CCDBG) Act of 2014 stipulates that, as of September 30, 2017, all states must ensure criminal history background checks are performed at least once every five years. New Jersey has received an extension for this requirement that ends on September 30, 2019. Failure to comply with the federal regulation could result in a five percent penalty (approximately \$7.1 million) in annual federal funding under the CCDBG.

### **Recommendation**

The Department of Children and Families should seek statutory changes, if necessary, to require federal criminal history background checks at the time of license renewal. Otherwise, the department should take action to ensure that all new hires and current staff members under these licensed programs have their fingerprint data archived and submitted for an updated federal criminal history background check upon license renewal.

**The Department of Children and Families (DCF) should improve its monitoring of child care centers and youth residential centers to prevent the hiring of staff members with disqualifying criminal histories.**

The DCF Office of Licensing (OOL) is required to perform unannounced inspections of child care centers and youth residential centers on a regular basis. During these inspections, the OOL reviews the center's personnel files to ensure background checks have been completed. Inspectors rely on a staff records checklist provided by the center to identify all staff members who may come in daily contact with children. The checklist should also include additional staff, such as janitors, cooks, or volunteers whose presence at the center may allow them the opportunity for unsupervised access to children. Inspectors do not request payroll registers or a listing of staff-issued W-2s to ensure appropriate background checks have been completed for all staff members.

The criminal record database maintained by the Department of Human Services, Central Fingerprint Unit (CFU) can generate a listing of criminal history backgrounds for individual centers as well as identify those who have been disqualified or had a criminal record returned. Prior to the summer of 2016, the criminal record database did not provide an indicator to show if an applicant with a criminal record had been cleared to work for a center. When criminal record data is received, it is labeled with either a "3" for a state criminal record or a "4" for a federal criminal record. If the criminal record is for a non-disqualifying crime, or evidence of acceptable rehabilitation has been provided, the individual's criminal history background result is changed to a "Q" for qualified. If the criminal record is identified as a disqualifying crime, the criminal history background result is changed to a "D" for disqualified. Pending a decision, an applicant's criminal history background result will remain in its numeric format.

We performed a data match between the CFU's criminal record database and wage reporting data for anyone in the database that had a numeric criminal history background result as of July 24, 2018 which yielded 1,844 potential instances where an individual had earnings associated with a DCF licensee. We could not determine from the database if these individuals had been cleared to work. We found the comments field in the criminal record database was blank for a majority of these items and were informed that CFU staff are not required to input notations in this field regarding the status of the determination or if the criminal record was for a non-disqualifying crime.

We performed another data match identifying individuals who had been disqualified ("D") due to a criminal record and had earnings with a child care center or youth residential care center in fiscal year 2019. This match yielded a population of 44 individuals, of which 19 had earnings with a licensee subsequent to their date of disqualification. Some of these individuals were disqualified under one of the Department of Human Services' (DHS) programs which have similar disqualifying crimes delineated in their programs' statutes. However, we could not determine if the individual was working for a DCF or DHS program based on the wage reporting data supplied to the state.

For both of these populations, it is possible that an individual may be working in an area that is

not regulated by either department, particularly for large corporate employers. However, the risk remains that these instances should be investigated to ensure the safety and well-being of the children serviced by these centers.

Our database matches could have yielded additional results if applicants were required to supply their social security number (SSN) on forms utilized to perform background checks. When an applicant elects not to provide their SSN, this field is automatically populated with a place holder number starting with the letter “A”. Of the 105,924 unique SSNs in the criminal record database that were processed between July 1, 2015 and July 31, 2018, we noted 14,270 applicants (13.5%) elected not to provide their SSN.

### **Recommendation**

The Department of Children and Families should consider obtaining payroll registers or W-2 listings from regulated centers periodically to verify that all staff members have properly completed the required background checks. In addition, the department could seek on-line access to wage reporting and/or request databases to periodically monitor whether individuals identified as pending or disqualified are working for a licensee without clearance. In order to accomplish this task and achieve optimum results, the department should require social security numbers on the background check forms. Legislative changes may be needed to require such information. The Department of Human Services, Central Fingerprint Unit should require notations to be made in the criminal record database regarding the status of those pending determination or those where the criminal record was for a non-disqualifying crime.



## **Inspections of Child Care Centers**

**The Department of Children and Families (DCF), Office of Licensing should improve the inspection process of child care centers.**

### ***Background***

The DCF Office of Licensing (OOL) is the licensing and regulatory authority of child care centers. A center is a home or facility that provides care for six or more children below the age of 13 who attend less than 24 hours per day. As of December 11, 2018, there were 4,170 licensed child care centers with a total licensed capacity of 387,298 children.

Pursuant to N.J.S.A. 30:5B-5, the department is authorized to license and perform unannounced inspections of child care centers. During an inspection, an inspector from the OOL examines the physical facility and all pertinent documentation of a child care center. The results are documented on an inspection violation report, a copy of which is provided to the center, and published online for the public to view. A license shall be issued for a three-year period if the OOL determines a center is in full compliance with the applicable laws and regulations. During



fiscal year 2018, there were 58 inspectors who performed 17,246 inspections. The number of inspections is greater than the number of licensed centers because each center is typically inspected more than once per year.

### *Corrective Action Plans*

Child care centers are not required to submit corrective action plans when violations are cited during an inspection, and DCF does not have the authority to issue fines or penalties for these violations (examples of violations we observed appear in the Exhibits section on page 13). From August 16, 2018 to October 3, 2018, we accompanied inspectors on 25 unannounced inspections of child care centers. After each inspection, we requested the inspection violation reports, documented each violation by category, and calculated the number of days and number of inspections performed from the date each violation was cited to the date each violation was abated or remained open at the time of our inspection. The average number of violations for these centers was 20 with the number of violations ranging from 3 to 47. The results of this analysis are shown in the table below:

Violation Category	Total Violations	Repeat Violations	
		Number of Violations	Average Number of Days in Violation
Building Maintenance	126	80	151
Program Records	77	62	146
Supervision, Staff/Child Ratios, Space	53	24	113
Sanitation & Diapering	51	29	165
Outdoor Play Area, Equipment and Maintenance	46	31	183
Nutrition & Rest	44	17	137
Bathroom & Kitchen Facilities	39	20	150
Health & Fire Safety	38	21	136
Activities & Discipline	17	10	111
Illnesses & Accidents	8	7	105
Environmental Safety	4	3	237
Administration & Parent Involvement	1	1	315
<b>Total</b>	<b>504</b>	<b>305</b>	<b>---</b>
<b>Average</b>	<b>---</b>	<b>---</b>	<b>149</b>

For the 305 repeat violations at the 25 centers inspected, there was an average of 149 days from the date each violation was cited to the date each violation was abated or still open as of our inspection. Of these violations, 62 involved nine centers with an average of 261 days from the date each violation was cited to the date each violation was abated or still open as of our inspection. This occurred even though from five to nine inspections were performed at each of these nine centers during this same time period. The following are examples of these violations:

- One center had ten violations cited on December 6, 2017 and, after 273 days and nine inspections, these violations remained unabated. Eight of these violations pertained to building maintenance, and bathroom and kitchen facilities. They involved replacing cracked and worn floor tiles, replacing broken and missing ceiling tiles, cleaning walls in the hallway, removing insects from light fixtures, cleaning bathroom floors, replacing missing toilet caps, and painting rusted stall dividers and doors in both children's bathrooms.
- Two centers had a total of six violations cited on November 17, 2017 that remained unabated for an average of 284 days, and seven subsequent inspections. These violations pertained to building maintenance which involved repairing holes in walls, repainting areas having chipped paint, ensuring toys were maintained in a sanitary condition, and ensuring power cords were secured and out of reach from children.
- Another center had three violations cited on November 8, 2017 that had not been abated after 293 days and five inspections. These violations pertained to sanitation and diapering, bathroom and kitchen facilities, and building maintenance. They involved repairing an exposed fiberboard on a diaper changing station, ensuring toilet seats were securely fastened, and securing loose laminate flooring.

We inquired to determine if child care centers are required to submit corrective action plans when violations are cited. The OOL stated that corrective action plans are not routinely required. A corrective action plan is a written document that would identify a timeframe and the necessary action a center would take to correct a violation. We identified at least five states that require child care centers to submit corrective action plans when violations are cited. The requirement for centers to submit such plans for significant violations could help create a safe and healthy environment for children by ensuring violations are corrected in a timely manner.

### *Administrative Code Requirements*

For the 25 child care centers visited, we tested compliance with certain administrative code requirements. We noted 86 exceptions pertaining to the following categories: 50 health and fire safety, 14 program records, 14 environmental safety, 4 activities and discipline, 3 illnesses and accidents, and 1 nutrition and rest. Below are examples of these exceptions pertaining to lockdown drills, fire drills, and radon tests:

Pursuant to N.J.A.C. 3A:52-5.3(l), a child care center is required to conduct two lockdown drills per year and maintain on file a record of each drill. We found 14 of 25 centers (56%) did not perform lockdown drills.

Pursuant to N.J.A.C. 3A:52-5.3(n), a child care center is required to conduct fire drills at least once per month and maintain a record of each fire drill. We found 9 of 25 centers (36%) did not fully comply with this requirement. Three of these centers did not have any documentation of performing fire drills for a five to seven month period in calendar year 2018.

Pursuant to N.J.A.C. 3A:52-5.3(a), a child care center is required to test for the presence of

radon gas in each classroom, on the lowest floor level used by children, at least once every five years and post the test results in a prominent location. We found 6 of 25 centers (24%) did not fully comply with this requirement. One center did not have documentation of their most recent test results, three had test results ranging from five months to two years past due, and two centers had current test results but did not appear to have tested each classroom on the lowest floor level.

### **Recommendation**

The Department of Children and Families (DCF), Office of Licensing (OOL) should require child care centers to submit corrective action plans for significant or repeat violations. The DCF should also consider seeking the statutory authority to issue fines or penalties for significant or repeat violations. We further recommend the OOL strengthen the necessity for child care centers to comply with certain administrative code requirements such as lockdown drills, fire drills, and radon tests.



### **Adoption Assistance Program**

**The Department of Children and Families (DCF) was not in compliance with accounting and financial reporting standards regarding the liability of adoption subsidy payments.**

Pursuant to N.J.A.C. 3A:23-1.3, the DCF shall make monthly adoption subsidy payments to adoptive parents for the care and maintenance of children with special needs who are considered difficult to place. Adoption subsidy payments shall only be made pursuant to a written agreement between the Division of Child Protection and Permanency (CP&P) and the adoptive parents. As promulgated by the agreement, adoption subsidy payments are generally provided to the adoptive parents until the child reaches 18 years of age or ineligibility occurs.

According to Governmental Accounting Standards Board (GASB) Statement No. 33, the contracts entered into between CP&P and the adoptive parents should be classified as voluntary nonexchange transactions. The standard requires the recognition of these transactions in the state's Comprehensive Annual Financial Report (CAFR) unless they are not measurable or cannot be reasonably estimated. DCF was not recognizing or reasonably estimating these transactions to be included in the CAFR. By not recognizing and not disclosing these transactions, the state may be unaware of existing liabilities.

Per the May 2017 adoption subsidy payment database provided by DCF, we analyzed adoption subsidy payments to the adoptive parents of 13,980 children who were Title IV-E eligible. Title IV-E of the federal Social Security Act provides a 50 percent federal reimbursement for those children determined eligible prior to adoption. Adoption subsidy payments during this month totaled approximately \$11 million, with an average adoption subsidy payment of \$787. We were able to reasonably project the state's liability when each of these children reaches 18 years

of age. We grouped the children by age, determined the number of years the parents would be eligible to receive adoption subsidy payments, and multiplied this amount by the adoption subsidy payments in May 2017. The results of the calculation are summarized in the table below:

**Estimate of State Liability for the Adoption Assistance Program**

Child's Age as of May 2017 Payment Date	Count of Children	Total State Liability	Title IV-E (50 %) Federal Reimbursement
< 1 year	3	\$521,892	\$260,946
1	49	\$7,892,999	\$3,946,499
2	197	\$30,381,718	\$15,190,859
3	342	\$50,657,904	\$25,328,952
4	487	\$67,735,498	\$33,867,749
5	596	\$76,490,872	\$38,245,436
6	647	\$84,758,118	\$42,379,059
7	777	\$94,770,501	\$47,385,251
8	803	\$88,921,304	\$44,460,652
9	954	\$95,209,873	\$47,604,937
10	967	\$87,006,366	\$43,503,183
11	1,038	\$79,945,368	\$39,972,684
12	1,006	\$65,873,674	\$32,936,837
13	1,044	\$59,470,482	\$29,735,241
14	1,125	\$51,892,997	\$25,946,499
15	1,060	\$38,121,158	\$19,060,579
16	1,083	\$29,196,069	\$14,598,035
17	1,077	\$18,857,853	\$9,428,927
18	725	\$6,581,773	\$3,290,886
<b>Grand Total</b>	<b>13,980</b>	<b>\$1,034,286,419</b>	<b>\$517,143,210</b>

Based on the information provided by DCF, our calculation determined that the state would be obligated to pay approximately \$1.0 billion in adoption subsidy payments, and could receive up to approximately \$517.1 million in federal reimbursement over the life of these contracts. This is a conservative estimate because it does not account for periodic increases in subsidy rates for cost of living and age categories. After we discussed with DCF the necessity to comply with these standards, these amounts were reported to the Department of the Treasury, Office of Management and Budget and were initially disclosed in the fiscal year 2017 CAFR and updated by DCF for the fiscal year 2018 CAFR.

### **Recommendation**

The Department of Children and Families should continue to comply with the accounting and

financial reporting standards set forth in GASB Statement No. 33 by reasonably estimating the liabilities of the adoption assistance program. These amounts should be reported annually to the Department of the Treasury, Office of Management and Budget and be disclosed in the Comprehensive Annual Financial Report.



### **Contract Administration, Closeout, and Recovery of Overpayments**

The Department of Children and Families enters into contracts to provide social services and to train personnel responsible for the delivery of these services. These contracts are coordinated and managed by the Office of Contract Administration (OCA) and its five business offices. As of February 28, 2019, the department had 1,168 active contracts. Of these contracts, 444 received scheduled payments and were subject to a contract closeout. Contracts that exceed \$100,000 in combined federal and state awards are subject to an independent audit of the provider's financial statements. The contract closeout process includes reconciling the provider's final report of expenditures with the financial statement audit and determining whether any funds need to be recovered. Contract funds identified by the closeout as overpayments must be returned to the department. The Office of Accounting (OOA), along with the Office of Revenue and Financial Reporting (ORFR), are responsible for tracking and recovering contract overpayments.

#### **The contract closeout process needs to be improved.**

After a contract period ends, the responsible OCA business office must complete a contract closeout and submit the results to the OOA. The results of the closeouts will inform the OOA of any overpayments. As of February 19, 2019, the OOA had not received closeouts for 152 contracts that ended prior to calendar year 2018. Of the 152 outstanding contract closeouts, 69 contracts were less than two years old, 39 were two to three years old, and 44 were more than 3 years old. We found one contract that ended on June 30, 2016, with an overpayment of \$27,915 upon closeout, that was not reported to the OOA until April 18, 2019. Failure to submit contract closeouts renders the OOA unaware of and unable to recover overpayments. We also noted a lack of communication between OCA, OOA, and ORFR. Lack of communication and coordination between these offices can prolong the overpayment recovery process.

#### **Recommendation**

All contract closeouts should be submitted to the Office of Accounting in a timely manner. Steps should be taken to improve communication and coordination between the Office of Contract Administration, the Office of Accounting, and the Office of Revenue and Financial Reporting.



## **Observations**

### **Department of Human Services (DHS) Central Registry of Offenders Against Individuals with Developmental Disabilities**

The Department of Children and Families (DCF) uses the DHS Central Registry to track individuals with a substantiated incident of abuse against an individual with developmental disabilities. Per the Stephen Komnino's Law, these individuals are prohibited from being employed by employers of regulated programs that are associated with the Children's System of Care program servicing children with developmental disabilities, including those of DCF. However, as currently interpreted, the prohibition does not extend to all DCF personnel or those employed by other programs that are licensed, contracted, regulated or funded by the DCF. We performed a data match which identified 24 individuals from the DHS Central Registry with earnings linked to employer identification numbers of DCF licensees for child care and youth residential centers.

### **Individuals with Particular Skill Sets Needed for Licensing Inspections**

The Department of Children and Families is in need of highly skilled individuals who can review architectural and mechanical drawings for proposed new building construction or alterations to existing structures in order to ensure compliance with codes and regulations of state and federal agencies for child care and youth residential centers that are licensed by the department. These individuals are needed to perform site inspections prior to the opening of new licensed centers and to ensure compliance with the approved plans. In addition, they would be expected to provide advice to private architects, engineers, and others in the building industry regarding the codes and regulations affecting the construction or alteration of these licensed centers.

Currently, the department has 116 child care quality assurance inspectors responsible for evaluating physical and programmatic compliance with applicable state laws and regulations governing child care. Their responsibilities include performing inspections for initial and renewal licenses with a focus on programmatic criteria and obvious safety hazards based on department regulations. Overall, the staff is not qualified to review architectural and mechanical drawings, and is not familiar with all of the building and fire code requirements. Lack of expertise in the review of architectural and mechanical drawings can cause delays in the opening of new centers and create additional costs to prospective child care licensees. This can result in children not receiving services and could have a negative financial impact on families. The department should consider submitting a written proposal documenting their need for specific job titles to the Civil Service Commission or partnering with another state agency such as the Department of the Treasury, Division of Property Management and Construction or the Department of Community Affairs, Division of Codes and Standards to access the necessary skill sets needed for the review of architectural and mechanical drawings.

### **Computer Information Systems for Youth Residential Licensing**

The Youth Residential Licensing (YRL) unit within the Office of Licensing (OOL) is responsible for licensing and inspecting youth residential programs that include children's residential treatment centers, children's group homes, children's shelter facilities, community care residences for individuals with developmental disabilities, adoption agencies, and children's partial care programs. The YRL unit is comprised of four life safety inspectors and 16 programmatic inspectors. As of July 24, 2018, there were 613 open licenses with a total licensed capacity of 5,261 children.

Our objective was to determine if inspections of youth residential programs were performed timely and if there was a backlog of inspections. For fiscal years 2015 through 2018, we requested data regarding the number of inspections performed by each inspector. Management was not able to provide this data for our review and stated the YRL unit does not have adequate computer information systems to capture inspection data that can be used to help manage inspection timeframes.

The YRL unit utilizes the Licensing Information System (LIS) to help with oversight of the youth residential programs. According to the LIS Reference Guide, goals of the LIS include establishing an inventory of licenses, consolidating common data elements of existing computer licensing systems into one central database, and providing a menu of standardized queries and reports to facilitate management of the licensing process. According to management, LIS was not designed to meet the organizational objectives of the YRL unit. As a result, a separate Microsoft Access database was created to help manage the youth residential programs. However, management stated both computer information systems have remained inadequate in capturing inspection data. Without adequate computer information systems to track inspections, it can be difficult to assess whether youth residential programs are inspected timely and if there is a backlog of inspections that need to be completed. If a youth residential program is not inspected timely, this could put the children living there at risk.

In January 2018, the YRL unit submitted a proposal to the Office of Information Technology requesting the incorporation of youth residential licensing into the Department of Children and Families upcoming software contract with the System for Administering Grants Electronically (SAGE). SAGE is a web-based system that would be accessed by all staff in the YRL unit. With the incorporation of the current computer information systems into the SAGE information system, the YRL unit would be able to effectively monitor inspection data and timeframes.

### **Electronic Survey of Child Care Center Inspectors**

We conducted an electronic survey of inspectors from the Office of Licensing (OOL) who are responsible for performing inspections of child care centers. The objectives of the survey were to obtain an understanding of the inspection process from the perspective of the inspectors and to determine if improvements could be made.

We received responses from 40 of the 58 inspectors surveyed, indicating the following results:

- 34 of 40 inspectors (85%) stated centers should be required to submit corrective action plans when substantial violations are cited.
- 38 of 40 inspectors (95%) stated it would be beneficial if OOL issued a negative action such as a fine, suspension, or revocation of a license if a center was cited for a significant or repeat violation. This could help ensure violations are abated in a timely manner.

The results of the survey further strengthen the need for corrective action plans when significant or repeat violations are cited. Furthermore, OOL should consider implementing negative actions such as a fine, suspension, or revocation of licenses when significant or repeat violations occur. This could help ensure cited violations are abated in a timely manner and improve child safety.

## **Exhibits**

### **Photographic Examples of Violations in Child Care Centers**

During the 25 unannounced inspections of child care centers, we photographed some of the violations we encountered. See below:



Missing ceiling tiles.



Potential mold on a bathroom ceiling.





Loose baseboard, chipped paint and dry wall, loose outlet cover, and cords within reach of children.



Damaged wall, chipped paint, and loose baseboard.



Cracked floor tile, loose baseboard, and exposed chipped drywall.



Damaged emergency exit sign.



Exposed landscaping fabric.



Broken light fixture.



Toys stored in a mechanical room.



Potential mold present on toys being used by children.







## State of New Jersey

DEPARTMENT OF CHILDREN AND FAMILIES

PO Box 729

TRENTON, NJ 08625-0729

PHILIP MURPHY

*Governor*

SHEILA Y. OLIVER

*Lt. Governor*

CHRISTINE NORBUT BEYER, MSW

*Commissioner*

August 22, 2019

Mr. Stephen M. Eells  
State Auditor  
Office of the State Auditor  
PO Box 067  
Trenton, NJ 08625-0067

Dear Mr. Eells:

The New Jersey Department of Children and Families is in receipt of your letter of August 5, 2019 concerning the Office of Legislative Services, Office of the State Auditor's (OSA) draft audit report, entitled "Department of Children and Families, Division of Child Protection and Permanency, Grants-in-Aid." Your letter invited the Department to respond to the draft report's findings and recommendations.

The OSA draft audit report affirmed:

- DCF's child abuse hotline calls are adequately documented and coded in a timely manner to ensure appropriate units are notified and its abandoned calls fall within acceptable limits; and, that
- DCF's licensing and monitoring procedures are adequate to ensure child care centers are licensed and in compliance with pertinent licensing regulations.

In making these determinations, OSA also noted areas in need of attention related to the licensing and inspection process, the accounting and financial reporting of the adoption assistance program, and the contract closeout and overpayment recovery process. The auditor's recommendations and the DCF responses are provided below.

### **Background Checks:**

#### **OSA Recommendation:**

The Department of Children and Families should seek statutory changes, if necessary, to require federal criminal history background checks at the time of license renewal. Otherwise, the department should take action to ensure that all new hires and current staff members under these licensed programs have their fingerprint data archived and submitted for an updated federal criminal history background check upon license renewal.

#### **DCF Response:**

DCF will develop a process to ensure that all new hires and current staff members under these licensed programs have their fingerprint data archived and submitted for an updated federal criminal history background check upon license renewal. This process entails communicating with the Department of Human Services the need to archive the results of the background checks. Furthermore, it is important to note that New Jersey already takes additional precautions as one of 20 participants in the National Fingerprint File (NFF) for which the FBI has direct access and automatically checks each NFF state's criminal history repositories, in addition to the FBI database, as part of its search.

#### **OSA Recommendation:**

The Department of Children and Families (DCF) should consider obtaining payroll registers or W-2 listings from regulated centers periodically to verify that all staff members have properly completed the required background checks. In addition, the department could seek on-line access to wage reporting and/or request databases to periodically monitor whether individuals identified as pending or disqualified are working for a licensee without clearance. In order to accomplish this task and achieve optimum results, the department should require social security numbers on the background check forms. Legislative changes may be needed to require such information. The Department of Human Services, Central Fingerprint Unit should require notations to be made in the criminal record database regarding the status of those pending determination or those where the criminal record was for a non-disqualifying crime.

#### **DCF Response:**

DCF will investigate the feasibility of obtaining payroll registers or W-2 listings from regulated centers periodically to verify that no one remains employed by a center following a failed background check. DCF also will explore the possibility of on-line access to wage reporting and/or request databases to periodically monitor whether individuals identified as pending or disqualified are working for a licensee without clearance. In addition, DCF will examine the legal and other implications of requiring social security numbers on the background check forms. As part of its partnership, DCF will encourage the Department of Human Services, Central Fingerprint Unit to require notations to be made in the criminal record database regarding the status of those pending determination or those where the criminal record was for a non-disqualifying crime.

**Inspection of Child Care Centers:**

**OSA Recommendation:**

The Department of Children and Families (DCF), Office of Licensing (OOL) should require child care centers to submit corrective action plans for significant or repeat violations. The DCF should also consider seeking the statutory authority to issue fines or penalties for significant or repeat violations. We further recommend the OOL strengthen the necessity for child care centers to comply with certain administrative code requirements such as lockdown drills, fire drills and radon tests.

**DCF Response:**

DCF's Office of Licensing (OOL) will develop a protocol for child care centers to submit corrective action plans for significant or repeat violations. The Office of Licensing will commit to a renewed focus on ensuring that lockdown/fire drills and radon tests are occurring and well documented.

The department does not, however, believe the audit findings support a need for any authority to issue fines or penalties. The department's authority to suspend or revoke a license offers sufficient remedial authority for programs that cannot adequately resolve issues of noncompliance. The imposition of fines or enforcement of penalties against a program, while allowing it to continue to serve children, would divert resources better directed towards corrective action, and be contrary to the public interest.

**Adoption Assistance Program:**

**OSA Recommendation:**

The Department of Children and Families should continue to comply with the accounting and financial reporting standards set forth in GASB Statement No. 33 by reasonably estimating the liabilities of the adoption assistance program. These amounts should be reported annually to Department of Treasury, Office of Management and Budget and be disclosed in the Comprehensive Annual Financial Report.

**DCF Response:**

DCF continues to comply with the accounting and financial reporting standards regarding the liability of adoption subsidy payments.

**Contract Administration, Closeout, and Recovery of Overpayments:**

**OSA Recommendation:**

All contract closeouts should be submitted to the Office of Accounting in a timely manner. Steps should be taken to improve communication and coordination between the Office of Contract Administration, the Office of Accounting, and the Office of Revenue and Financial Reporting.

**DCF Response:**

DCF is taking steps to ensure that the Office of Contract Administration, the Office of Accounting, and the Office of Revenue and Financial Reporting work collaboratively to streamline the contract closeout process.

**OSA Observations:**

Department of Human Services (DHS) Central Registry of Offenders Against Individuals with Development Disabilities

Individuals with Particular Skill Sets Needed for Licensing Inspections

Computer Information Systems for Youth Residential Licensing

Electronic Survey of Child Care Center Inspectors

Photographic Examples of Violations in Child Care Centers

**DCF Response:**

DCF appreciates the observations offered by the OSA and will continue to review them in the context of its mission, staffing and fiscal responsibilities.

While remediation of the issues represented in the OSA's photographs from child care centers has been addressed, DCF believes the photographs do not fully represent the condition of those centers, nor the more than 4,200 licensed child care centers across the state. The standards required of these centers are among the strictest in the nation.

The Department also would like to acknowledge the professionalism and dedication demonstrated by OSA staff throughout this review.

Sincerely,

A handwritten signature in black ink that reads "Christine Beyer". The signature is written in a cursive, flowing style.

Christine Norbut Beyer, MSW  
Commissioner