



FACT SHEET

Date: September 29, 2011

Report: 2010-121

The California State Auditor released the following report today:

Foster Family Home and Small Family Home Insurance Fund

Expanding Its Coverage Will Increase Costs and the Department of Social Services Needs to Improve Its Management of the Insurance Fund

BACKGROUND

The Department of Social Services (Social Services) manages California's county-administered foster care program. It issues licenses to the foster family homes and small family homes (licensed homes), in which the county welfare departments place foster children, and to foster family agencies (FFAs)—organizations that recruit, certify, and train parents who provide foster family homes the State has not licensed (certified homes). Nearly 24,000 foster children were placed in over 11,400 homes early this year—75 percent of these children were placed in certified homes. California offers liability protection to licensed homes through the Foster Family Home and Small Family Home Insurance Fund (insurance fund), but certified homes are not eligible for coverage under the insurance fund. Social Services contracts with the Department of General Services (General Services) to process claims and perform the accounting for the insurance fund.

KEY FINDINGS

In our review of Social Services' administration of the insurance fund, we reported the following:

- The majority of the licensed foster parents are unaware of the insurance fund and the protections that it provides. Based on our survey, we estimate that almost 90 percent of those parents are not aware that the insurance fund exists and, for about a third of the licensed homes, the possibility of liability claims against them make them less likely to continue as foster parents.
- Most FFAs use private insurance to protect themselves and the homes they certify against liability, and those that do not frequently cite the high cost of such coverage. Expanding the insurance fund's coverage to the FFA's certified homes will significantly increase the number of homes eligible for the coverage and could cost the State approximately \$1 million each year.
- Social Services neither ensures that General Services processes claims efficiently nor that it provides certain data.
 - ✓ Over a five and a half-year period, General Services took an average of 51 days to process the majority of the claims we reviewed, but exceeded the state-mandated 180-day deadline to process 14 percent of the claims—it took between 182 and 415 days to process these claims.
 - ✓ General Services has not provided Social Services with claims data and thus, Social Services has not been able to accurately budget for the insurance fund's needs.
- Social Services overestimated the insurance fund's needs and, as of December 21, 2010, its fund balance had grown to \$5.4 million—significantly more than the \$1 million we estimate it needs as a reserve under current conditions.

KEY RECOMMENDATIONS

We make several recommendations to Social Services including that it develop more effective methods to inform and remind licensed homes about the availability of the insurance fund, that it ensure General Services approves or rejects all claims within the mandated deadline, and that it provide Social Services with the claim data per their agreement. We also recommend that Social Services determine the annual amount needed for the insurance fund to meet its anticipated liabilities, establish a written policy and procedures for determining the fund's financial needs, and set an adequate reserve amount for the insurance fund. Further, we recommend that the Legislature consider amending state law to expressly provide claimants the option of litigating against the insurance fund when claims are not processed timely.

