October 8, 2014

The Honorable Joan Carter Conway
2 West Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

The Honorable Peter Hammen
241 House Office Building
6 Bladen Street
Annapolis, Maryland 21401

Dear Chairpersons Conway and Hammen:

I am writing to provide an update on one of the follow up steps that the Department of Human Resources (DHR) has taken to help improve our monitoring of the financial condition of group homes and foster care providers for children in Maryland. As described below in greater detail, DHR has created and implemented Financial Incident Forms that are sent to all providers annually.

These forms are designed to be sent halfway between the annual independent audits required of all providers and to improve financial reporting between audits. As you can see from the attached, the form is designed to alert the State to common financial conditions that could potentially affect the quality care. Providers who answer "yes" to any of the eight questions on this form enter into a corrective action plan with the Department.

Please note that each "yes" answer is handled by the Department on a case-by-case basis and does not necessarily mean that the provider is unable to provide adequate care. As always, our primary concern is the safety and well-being of the children who reside at these facilities.

In September 2014, the Department sent these forms to 112 providers across the state. Of the 112 providers contacted, 106 reported no unresolved financial concerns -- 95 percent of all providers surveyed. A summary of the six providers (listed in alphabetical order) who reported financial concerns is below. Two of the issues reported have already been resolved.

1. Brotherhood and Sisterhood International Inc. (BSI): BSI is a group home for those living with developmental disabilities licensed by the Department of Health and Mental Hygiene (DHMH) with which DHR maintains a contract. BSI's Directors and Officer liability insurance policy was cancelled by its carrier on May 24, 2014 due to fiscal issues at BSI. DHR notified DHMH of the cancelled insurance and DHMH required BSI to implement a corrective action plan. BSI is currently appealing the cancellation of the insurance and DHR is working collaboratively with DHMH to determine any appropriate licensing action.

2. Creative Adoptions: Creative Adoptions is an adoption agency that owes approximately $10,000 in state taxes. The provider is currently working with the appropriate offices in Maryland to pay back taxes and resolve the issue. All taxes are expected to be paid by December 31 which should resolve the issue.

3. Hebron Association, Inc.: Hebron is a group homes for those living with developmental disabilities that is licensed by DHMH with which DHR maintains a contract. Hebron reported a liability relating to non-payment of unemployment taxes in June 2014. On October 2nd,

DHR received notification from the Maryland Unemployment Insurance/Contribution Division that Hebron has resolved the liability.

4. Kidspeace: This provider is a child placement and adoption agency that operates in several states. A child placement agency recruits, trains, and pays foster parents who have children in their home. The provider entered into bankruptcy protection in to allow for financial restructuring. Kidspeace voluntarily disclosed its bankruptcy plan prior to the Department issuing this form and the Department's Office of Inspector General reviewed the provider's plan to emerge from bankruptcy to ensure that child safety would not be affected. On September 23, 2014, the Bankruptcy Court issued a final decree indicating that Kidspeace plan of reorganization has been substantially consummated, and that the Bankruptcy estate has been fully administered.

5. Linwood Center: During a May 28th site visit, the Maryland State Department of Education (MSDE) found some billing issues for some days of service billed to Medicaid for three children and requested that Linwood Center submit a corrective action plan by October 5, 2014. Linwood Center has submitted the report from MSDE to their independent auditors who are in the midst of completing their annual audit. The auditors have offered that the issue will not affect the solvency of the Linwood Center. DHR will review the corrective action plan submitted by Linwood during its next quarterly review in October 2014.

6. Residential Care Incorporated (RCI): RCI is a child placement agency that is continuing to have financial difficulties and has trouble meeting the corrective action plans required by the Department. As a result, the Department is working to reassign the foster families associated with RCI and cancel RCIs contract with the Department. The reassignment will have little to no impact on the foster parents or children involved.

Please do not hesitate to contact me should you have any questions or if I can be of any further assistance.

Sincerely,

Theodore Dallas

Theodore Dallas

c: Joshua Sharfstein, M.D., Secretary, Department of Health and Mental Hygiene

FINANCIAL INCIDENT REPORT
for Child Placement Agencies and Residential Child Care Providers

Name of Agency:_____

I attest that the information given below is true and accurate. I understand that the failure to provide notice of the following financial issues could result in (a) a corrective action plan; (b) suspension of placements; (c) removal of placements, if applicable; or (d) a revocation of licensure, if applicable.

_____Date: _____
(Executive Director's Signature)

_____Date: _____
(Program Administrator's Signature)

In the last 6 months, between _____(month/year) and _____(month/year), has the above-named agency experienced any of the following financial issues?

Financial Issue	Yes	No
Example Only: Bankruptcy filing		X
Bankruptcy filings (includes parent company and subsidiaries). Please specify.		
Tax liens from the local jurisdiction in which the agency is located, the State of Maryland, or the Internal Revenue Service		
Receipt of a going concern, adverse, disclaimer, or qualified audit opinion during an annual audit of financials conducted by a Certified Public Accountant (CPA)		
Receipt of a liability offset notice from the Comptroller of Maryland or the Maryland Department of Human Resources		
Receipt of a cancellation notice for an insurance policy the agency is obligated under DHR-contract or COMAR to maintain		
Payroll, corporate, unemployment, or any other state or federal taxes more than 30 days in arrears		
Lease or rent payments more than 30 days in arrears		
Any other adverse financial issues directly related to the agency's fiscal solvency or to compliance with the financial standards established in the agency's contract with DHR or by COMAR		

If you responded "YES" to any of the above, please attach relevant documentation (e.g., tax lien notice). Also attach any plans the agency has to remediate any issues identified through this form.

Note: DHR expects all agencies licensed by or under contract with DHR to report bankruptcy filings to the Office of Licensing and Monitoring or the Social Services Administration Contracts Unit within 24 hours of the filing. All agencies must also report the presence or absence of a bankruptcy filing in this periodic report.