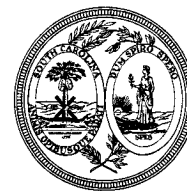




## FOLLOW-UP REPORT



### SOUTH CAROLINA'S BABYNET PROGRAM

#### A REVIEW OF EARLY INTERVENTION SERVICES FOR INFANTS AND TODDLERS WITH DEVELOPMENTAL DELAYS

### INTRODUCTION

In 2011, the Legislative Audit Council published an audit entitled *South Carolina's BabyNet Program: A Review of Early Intervention Services for Infants and Toddlers With Developmental Delays*. BabyNet is a program through which infants and toddlers receive early intervention services, and has been managed by South Carolina First Steps to School Readiness since 2010. The audit included a review of the program's administration, funding, compliance with federal law, and performance in reaching and serving eligible children and families. We found:

- The program's decentralized funding structure inhibited efficiency and oversight by the lead agency.
- South Carolina's historical compliance with the federal Individuals with Disabilities Education Act was lacking, and program administrators had not adequately monitored BabyNet service providers.
- The program could improve its method to locate and serve eligible children.

In this follow-up review, we examined the implementation of the report recommendations to First Steps and the General Assembly and found that the program has made some improvements. However, the U.S. Department of Education recently determined that South Carolina's BabyNet program "needs intervention" for the fourth consecutive year, and must submit a corrective action plan. If First Steps fully utilizes the capabilities of the new data system and completes implementation of the planned provider monitoring system, the program's federal determination should improve from "needs intervention."

#### STATUS OF LAC RECOMMENDATIONS\*

	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
First Steps	11	6	4
General Assembly	1	0	2

\* A proviso in the FY 14-15 appropriations act requires that First Steps post, on its website, a quarterly report of progress in implementing recommendations from the 2011 LAC report. The proviso has been in place since the FY 12-13 appropriations act. Our conclusions may not be consistent with First Steps conclusions.

SEPTEMBER 2014

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### RECOMMENDATIONS AND CURRENT STATUS

1. *The General Assembly should appropriate all BabyNet funding directly to First Steps to increase accountability for the lead agency with regard to partner agencies and providers. NOT IMPLEMENTED*
3. *If the General Assembly does not enact recommendation 1 to appropriate all BabyNet funds through First Steps, it should make specific line-item appropriations to state agencies for the BabyNet program. IMPLEMENTED*

The General Assembly did not appropriate all BabyNet funding directly to First Steps. Funding for the School for the Deaf and the Blind flows through First Steps, but the Department of Disabilities and Special Needs (DDSN) receives funding directly. However, recent appropriations acts include a specific BabyNet line item in DDSN's appropriation. Less than half of the state's total funding for BabyNet, and none of the state's general fund commitment, flows through First Steps.

2. *First Steps should comply with §44-7-2570 (C) of the South Carolina Code of Laws. NOT IMPLEMENTED*
4. *First Steps should develop and annually implement a formal methodology to calculate the extent of its compliance with federal regulation 34 CFR 303.124. IMPLEMENTED*
5. *First Steps should prepare and publish each year a financial statement for the complete BabyNet system, including all expenditures and all sources of revenue. IMPLEMENTED*
6. *First Steps should contract with independent accountants to audit its annual financial statements for the BabyNet program. The annual audits should follow generally accepted government auditing standards, including the provision of reasonable assurance that the statements are accurate, that internal controls to prevent fraud and abuse are adequate, and that BabyNet funds have not been spent on non-BabyNet activities. NOT IMPLEMENTED*

First Steps and its agency partners have produced a joint agency expenditure report. Continued use of this report will allow for an annual comparison to ensure that the program is meeting maintenance of effort requirements (formerly 34 CFR §303.124 and currently 34 CFR §303.225). However, First Steps and its agency partners have not developed a program-wide budget request (S.C. Code §44-7-2570(C)), nor has First Steps had the joint agency expenditure report audited. According to First Steps staff, both the joint budget request and an audit of the expenditure report are forthcoming.

7. *When drafting contracts between First Steps and BabyNet service providers, First Steps should have them reviewed by procurement and legal staff. IMPLEMENTED*
8. *First Steps should review contracts between other state agencies and BabyNet service providers before they are finalized. PARTIALLY IMPLEMENTED*

In September 2014, external legal counsel reviewed the boilerplate BabyNet service provider contract. According to staff, external legal counsel had reviewed previous service provider contracts. According to staff, a First Steps internal procurement staff person also reviews the contracts. Also, while First Steps staff have reviewed a contract between DDSN and BabyNet service providers, they were unable to provide documentation of a review of the most recent contract, prior to its finalization.

9. *First Steps should require all invoices submitted by BabyNet service providers to contain the signature of the parent/guardian of the child receiving the services. IMPLEMENTED*

In December 2011, First Steps began to require that all service providers obtain a parent or guardian's signature to verify service delivery.

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10. *First Steps should establish a policy of using Medicaid rates for similar services reimbursed with BabyNet early intervention funds. IMPLEMENTED*

11. *The General Assembly should amend state law to authorize First Steps to charge a sliding fee, based on family income and size, to families with children in the BabyNet program. NOT IMPLEMENTED*

In September 2011, the First Steps Board of Trustees adopted a policy that BabyNet rates would not exceed Medicaid rates. State law prohibits charging families a fee for BabyNet services.

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12. *First Steps should continue the use of federally-funded technical assistance regarding its General Supervision function and increase the use of assistance in other priority areas where improvement is needed. PARTIALLY IMPLEMENTED*

While First Steps staff continue to use technical assistance related to general supervision and have increased usage related to its Annual Performance Plan, there has been little use of technical assistance in the remaining priority areas — state interagency coordinating council orientation/planning and early childhood transition. Poor performance in timely transition is one of the primary reasons for the program's recent low federal determination of "needs intervention."

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13. *First Steps staff should continue to collect child results data and, when appropriate, use it to make program improvement decisions. IMPLEMENTED*

First Steps staff continue to collect child results data and have started to use the data to address disparate autism rates across the state. In 2015, the U.S. Department of Education will begin to use a state's child results data to determine if the program is performing well.

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14. *First Steps should develop and implement a comprehensive plan to regularly monitor BabyNet service provider performance. PARTIALLY IMPLEMENTED*

15. *First Steps should not renew a BabyNet service provider's contract without first measuring the provider's performance over the course of the current contract. NOT IMPLEMENTED*

16. *First Steps should review the BabyNet provider performance monitoring processes of other state agencies in South Carolina to ensure consistency with any comprehensive provider performance monitoring plan developed by First Steps. IMPLEMENTED*

First Steps staff have developed a comprehensive provider monitoring plan, but they have not implemented it statewide. Therefore it has not been used to measure provider performance over the course of a contract. First Steps staff reviewed the provider performance monitoring processes of the partner agencies, and determined that certain federally-required indicators were not being measured by these processes. According to program staff, the new data system will capture that information.

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17. *First Steps should research low-cost methods of creating printed materials as well as radio and TV public service advertisements to increase public awareness about BabyNet. PARTIALLY IMPLEMENTED*

18. *First Steps should contact state pediatric, neo-natal, and other associations to investigate offering training to doctors, nurses, and others regarding the referral of children to BabyNet. IMPLEMENTED*

19. *First Steps should update the BabyNet website to increase its readability and usefulness. IMPLEMENTED*

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First Steps staff have not researched the types of low-cost solutions for creating BabyNet public awareness materials suggested in the initial review. The current BabyNet materials were created under a contract executed just prior to the conclusion of the initial audit. First Steps has not expended funds, additional to those initially committed, to develop public awareness materials. First Steps staff have completed public awareness activities at both primary referral sources and First Steps offices that implement the Early Intervention and Screening strategy. In addition, the BabyNet section of the First Steps website now provides prominent links to information for parents and referral sources.

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20. *First Steps should track and publically report the age in months at which children are referred to the BabyNet program.* PARTIALLY IMPLEMENTED
21. *First Steps should track and publically report the age in months of first BabyNet service.* PARTIALLY IMPLEMENTED
23. *First Steps should develop or obtain a data system that allows for the monitoring of BabyNet children's transition conferences and plans.* IMPLEMENTED
24. *First Steps should develop or obtain a data system that allows for the creation and dissemination of electronic versions of children's Individualized Family Service Plans.* IMPLEMENTED

The recently implemented BabyNet data system, BabyNet Reporting and Intervention Data Gathering Electronic System (BRIDGES), allows for tracking of a child's age at referral and first service, in months. However, First Steps has not yet publically reported this information. BRIDGES also allows system users to create and disseminate electronic versions of the child's Individualized Family Service Plan and monitor a child's transition.

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22. *First Steps should continue to conduct outreach, training, and technical assistance to increase the number of service providers available in South Carolina.* NOT IMPLEMENTED

According to First Steps staff, they have identified parts of the state where there are provider shortages, the root causes, and are implementing solutions. However, they were unable to provide documentation of this process.

This follow-up was limited to the issues in the 2011 audit for which we made recommendations. We received information from relevant agencies regarding the implementation of the recommendations in the audit. We reviewed this and other information, and verified evidence supporting the agency information as appropriate.

SOUTH CAROLINA GENERAL ASSEMBLY  
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Independence, Reliability, Integrity

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