

# Using Efficiency Audits to Improve Child Welfare



September 2020

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## Executive Summary

The last several years have seen extensive activity in Texas and at the federal level aimed at improving outcomes for children who have contact with the child welfare system. In 2017, the Texas Legislature enacted a historic reorganization of the state's foster care system to remedy chronic problems with the centralized child welfare bureaucracy. This reorganization, known as community-based care, transferred primary responsibility for caring for children in foster care to local private and nonprofit charities. One year later, the United States Congress passed the Family First Prevention Services Act (FFPSA), which is widely considered one of the most dramatic overhauls of how the federal government funds state child welfare services. A primary goal of FFPSA is to shift the focus of the child welfare system away from removing children from their families and toward addressing the root causes that lead to foster care involvement. The continued rollout of community-based care and the upcoming October 2021 compliance deadline for FFPSA will require the 87th Legislature to make critical decisions impacting the future success of the state's child welfare system. One tool that the Legislature can employ to aid in the difficult and important work of transforming a system as complex as foster care is the efficiency audit.

Unlike traditional financial audits, which only look at the financial statements of an agency to ensure that records provide a fair and accurate representation of financial activities, efficiency audits are intended to determine if dollars spent by the agency are achieving desired outcomes. The power of efficiency audits lies in their ability to improve agency operations by identifying opportunities to deliver services more effectively, to eliminate duplication of services, and to obtain cost savings through streamlined and innovative processes. In the context of child welfare, an efficiency audit can help ensure that agency activities are prioritizing the safety of children and actually generating positive outcomes in the lives of those served.

This paper examines how efficiency audits have been used by state and municipal governments to improve the effectiveness of services provided while reducing the cost to taxpayers. A case study of how a recent efficiency audit of the Oregon foster care system is helping that state navigate its child welfare crisis will provide a roadmap for how a similar effort can aid Texas in transforming its own system into one that is safer and more responsive to the needs of children.

## Introduction

According to HB 1, which set the budget for the 2020-2021 biennium ([2019, pp. II-2 – II-3](#)), Texas will spend nearly \$4.5 billion on providing child welfare services through the Department of Family and Protective Services (DFPS). The state has increased spending on child welfare by nearly 70% over the last decade

## Key Points

- Despite a 70% increase in child welfare spending over the last decade, significant issues continue to plague the Texas foster care system, placing children at an unreasonable risk of harm.
- The 87th Legislature faces critical decisions related to a federal lawsuit over the Texas foster care system, the ongoing rollout of community-based care, and upcoming federally mandated changes to child welfare funding.
- A regular efficiency audit of the Department of Family and Protective Services can aid in achieving system-wide transformation and improving outcomes for children while saving taxpayer dollars.
- A recent efficiency audit of the Oregon foster care system is helping the state successfully navigate its child welfare crisis.

([Texas Legislative Budget Board, n.d.](#)).<sup>1</sup> Despite this increase in spending, significant issues continue to plague the Texas foster care system.

In 2015, Judge Janis Jack of the U.S. District Court for the Southern District of Texas ruled in [M.D. v. Abbott](#) that DFPS infringed upon the constitutional rights of children in its permanent care by placing them at an unacceptable risk of physical and sexual abuse while in state custody. The court issued remedial orders in 2018, which outlined the actions that the state was required to take to address systemic deficiencies that were placing children in danger. On appeal, the Fifth Circuit partially affirmed, partially reversed, and partially modified the district court's remedial orders and remanded the modified orders back to the district court in July 2019 for implementation ([Fowler & Ryan, 2020, p. 10](#)).

In late June 2020, monitors appointed by the district court to assess the state's progress in implementing the remedial orders issued their first report. Over the course of a 10-month investigation, the monitors found continued deficiencies in DFPS's handling of abuse and neglect investigations, inconsistent oversight and enforcement practices, and a flawed data management system that contributed to a "disjointed and dangerous child protection system" ([Fowler & Ryan, 2020, p. 12](#)). As of this writing, the plaintiffs in the lawsuit have filed a contempt motion with the district court to compel the state to make changes ([Larned, 2020](#)). The state filed an objection claiming that the monitors' report failed to consider ongoing work being done to improve the system and gave the state little time to make the necessary improvements.

Despite the apparent lingering issues within the state's child welfare bureaucracy, there is cause for hope. Early data indicate that major reforms enacted in response to the lawsuit are beginning to bear fruit. In 2017, the 85th Legislature passed SB 11, which set in motion a fundamental transformation of the Texas foster care system ([2017, pp. 23-40](#)). This new model, known as community-based care, seeks to make the foster care system safer and more responsive to the needs of children by giving local private and nonprofit charities primary responsibility for caring for and managing the cases of children in foster care. Community-based care is being rolled out through a phased, regional implementation process and currently concerns approximately 3,000 children in four regions of the state ([DFPS, 2020a](#)). According to data published by DFPS, the new, decentralized model is doing exactly what it was designed to do—address

the failures of the old, government-run system and improve outcomes for children ([DFPS, 2020b, pp. 6-10](#)).

Major changes to child welfare are not just happening at the state level though. One year after the Legislature created community-based care, President Donald Trump signed the Bipartisan Budget Act of 2018 into law, which included one of the most dramatic overhauls of federal child welfare policy in over 30 years. This reform, known as the Family First Prevention Services Act (FFPSA), changed how states can utilize federal child welfare funds received through Title IV-E of the Social Security Act with the goal of reducing the number of children placed in dorm-like institutional settings and shifting the focus of child welfare practice from removing children from their families and toward preventing entry into foster care instead. Many major provisions of FFPSA will become effective for Texas in October 2021, meaning that the state has just over a year to make important decisions and changes necessary to achieve compliance.

The combination of the state's ongoing response to the federal lawsuit, the continued rollout of community-based care, and the October 2021 FFPSA compliance deadline mean that the 87th legislative session will be an important session for child welfare issues. Texas has a unique—albeit brief—window of opportunity to take actions that, if done properly, can help make the state a national model of successful child welfare reform. In order for this to become a reality, however, the state must make critical decisions concerning the future of the child welfare system. The economic downturn resulting from the COVID-19 pandemic has all but guaranteed a tight budget session, making it all the more important that the Legislature commit to fiscal restraint and prioritize only those essential child welfare functions and programs that consistently achieve the best outcomes for children and families. Lawmakers will be faced with incredibly difficult decisions in the upcoming session, which must be informed by high-quality data and a clear understanding of the strengths, weaknesses, and inefficiencies of the Texas child welfare system. One tool that the Legislature can employ to aid in this effort is requiring that DFPS undergo a third-party efficiency audit targeted at achieving the best outcomes for children and identifying areas of improvement.

## What is an Efficiency Audit?

According to the International Organisation of Supreme Audit Institutions (INTOSAI), a worldwide association of governmental audit entities, a government efficiency audit (also known as a "performance audit") is "an independent, objective and reliable examination of whether government

<sup>1</sup> Author's calculation based on state budget appropriations for the Department of Family and Protective Services in state budgets between the 2010-11 and 2020-21 budget cycles. Budgets available on the website of the Texas Legislative Budget Board.

undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency, and effectiveness” ([International Organisation of Supreme Audit Institutions, n.d., p. 2](#)). Unlike financial audits, which examine the accuracy of an entity’s financial reports and verify that proper financial controls and policies are in place, an efficiency audit goes deeper by assessing the effectiveness of the entity’s operations ([Troxclair, 2019](#)). An efficiency audit has three primary goals: (a) improve the viability of an organization, (b) determine how resources are being used to achieve organizational goals, and (c) make operations more efficient with an eye toward improving outcomes ([KPMG, 2013, p. 1](#)); [Texas Public Policy Foundation, 2019](#).

The primary goal of an efficiency audit is “to promote economical, effective and efficient governance” ([International Organisation of Supreme Audit Institutions, n.d., p. 3](#)). While generating cost savings is a key concern, these savings do not come at the expense of eliminating essential services. Rather, the audit is geared toward generating the best possible outcomes from available resources and ensuring that taxpayers are receiving maximum value for their money. This is achieved through recommendations to improve services through consolidation of essential functions, outsourcing, and eliminating duplication of efforts ([KPMG, 2013, p. 2](#)).

Efficiency audits provide a number of benefits for organizations. First, by comparing inputs like capital invested with outcomes, efficiency audits give organizations a reality check concerning the results of their investment and labor. The results of a properly conducted efficiency audit can cut through the noise of daily operations and organizational politics to allow leaders to clearly see if the organization is actually achieving its desired objectives ([Troxclair, 2019](#)). Second, efficiency audits go a step further than merely comparing financial investment with results achieved by assessing *how* the results were achieved to determine whether the same results could have been achieved with a smaller investment. Putting it another way, an efficiency audit looks at whether the organization is achieving the maximum output possible for the resources expended ([KPMG, 2013, p. 1](#)). While this is beneficial for both public and private organizations to help identify and eliminate waste, it is particularly important for government as it promotes transparency and accountability in the use of taxpayer dollars. Finally, many efficiency audits conducted by independent third parties provide recommendations for changes that an organization can make to its operations that will allow it to improve the effectiveness of its operations while reducing costs ([Alvarez & Marsal Public Sector Services, n.d.-a, pp. 1-2](#)).

### **Government Efficiency Audit Examples**

State and municipal governments that have undergone efficiency audits focused on providing existing services in a more cost-effective manner have identified millions of dollars per year in savings. A 2009 efficiency audit of the Seattle Public Utilities Department conducted by KPMG, for example, found that inefficiencies in the department’s operations contributed to a water utility tax rate in Seattle that was 98.2% higher than the average rate charged by other Washington cities ([KPMG, 2009, pp. 10-11](#)). KPMG auditors identified more than \$7 million in potential cost savings ([KPMG, 2009](#)). This included an estimated annual cost savings of \$2.1 million by simply increasing the department’s staff to manager ratio by just one full-time equivalent employee ([KPMG, 2009, p. 25](#)). Elsewhere, in November 2019, the Wyoming Government Efficiency Commission sent recommendations from a 2018 statewide audit to that state’s governor and Legislature totaling more than \$85 million in cost savings/avoidance for the 2021-2022 biennium ([Office of the Wyoming Governor, 2019](#); [Wyoming Spending and Government Efficiency Commission, 2019b, p. 79](#)). Prior to this recommendation, the state had already saved an estimated \$6.2 million in cost savings and avoidance as a result of audit recommendations ([Wyoming Spending and Government Efficiency Commission, 2019a, p. 2](#)). The state paid \$1.8 million for the audit ([Coulter, 2020](#)).

In Kansas, a 2016 efficiency audit identified 105 recommendations that provide benefits to the state of more than \$2 billion over 5 years ([Alvarez & Marsal, 2016, p. 1](#)). According to a 2019 progress report on the status of implementation of the Kansas audit’s recommendations, the Kansas Legislative Division of Post Audit (KSLPA) found that 43 of the 105 recommendations had been implemented by state agencies and 5 are in progress, resulting in estimated cost savings or avoidance of nearly \$50 million ([Stowe, 2019](#)). While this report is based solely on self-reported information from state agencies and the data was not audited by KSLPA staff, its results illustrate that implementation of audit recommendations can generate significant savings for taxpayers. However, the number of recommendations classified as “will not implement” in the report also shows that the success of an efficiency audit is ultimately rooted in what action is taken in response to the recommendations. Realizing potential savings, then, will require close oversight by the Governor’s Office and Legislature to ensure that state agencies follow through with implementing recommended changes.

### **Oregon Child Welfare Efficiency Audit**

In April 2019, a federal class action lawsuit was filed against the state of Oregon on behalf of children in the legal custody of the Department of Human Services. The

lawsuit, styled *Wyatt B. v. Brown*, alleges that the department violated the constitutional and statutory rights of children in its care by systematically failing to provide them with adequate protection or services ([A Better Childhood, n.d.](#)). According to the original complaint filed by the plaintiffs, Oregon repeatedly failed to respond to problems highlighted by audits of the system for well over a decade, including recommendations made by a federal review of the system ([Wyatt B. v. Brown, 2019, p. 47](#)). These failures resulted in a system that was so dysfunctional that a 2018 audit conducted by the Oregon secretary of state concluded that Department of Human Services data and records were “unreliable for our audit purposes” (quoted in [Wyatt B. v. Brown, 2019, p. 46](#)).

Responding to the lawsuit, Oregon Governor Kate Brown issued [Executive Order No. 19-03](#) authorizing the engagement of a crisis management team to review the system and establishing a Child Welfare Oversight Board tasked with implementing recommended changes. The executive order enumerated a number of specific deficiencies to be addressed, including building foster care capacity and ensuring the availability of accurate and timely data. Of particular concern was the high number of children the state was sending to out-of-state psychiatric facilities due to a lack of foster homes. The number of children placed out of state peaked at 88 in March 2019 ([Oregon Health Authority and Oregon Department of Human Services, 2019, p. 6](#)). According to a report by Oregon Public Broadcasting ([Dake, 2019a](#)), between 2017 and the peak in 2019, the number of children sent out of state had more than doubled.

Shortly after issuing the executive order, Governor Brown engaged Alvarez & Marsal as the crisis management team and tasked them with not only conducting an efficiency audit of the system but also catalyzing action on recommendations for change ([Withycombe, 2019](#)). A multinational consulting firm specializing in efficiency audits, Alvarez & Marsal is most notable for having overseen the wind-down of Lehman Brothers following its sudden collapse during the financial crisis of 2007-2008 ([Hornig, 2009](#)).

The engagement lasted for 8 months, ending in December 2019. During this time, Alvarez & Marsal consultants identified several key problem areas that were contributing to the system’s failures, including a lack of adequate staff necessary to respond to the needs of children, poor data tracking

and communication, and mismanagement of the abuse hotline resulting in long wait times and significant delays in assigning cases for response (E. Covington, T. Shaffer, and M. Morton, personal communication, July 8, 2020). After identifying high priority areas for improvement, the team developed a work plan to guide the Department of Human Services in overhauling its child welfare operations.

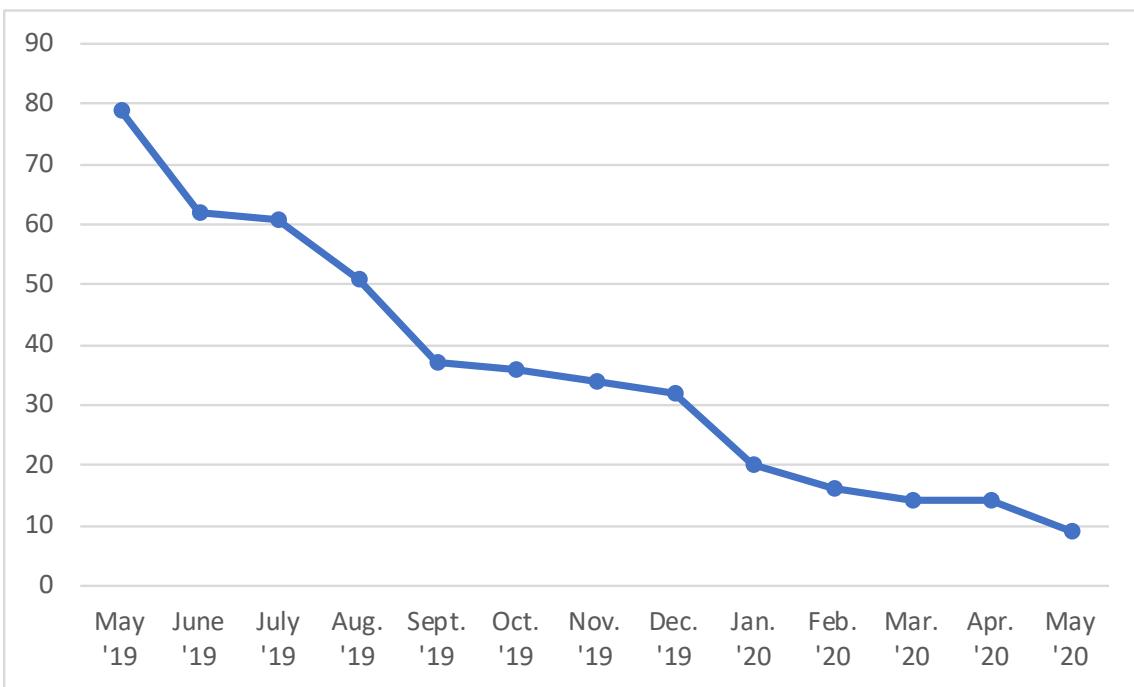
Although progress has been slow and many problems persist, data indicate that things are beginning to move in the right direction. In response to the lack of adequate contacts with children in care, Alvarez & Marsal oversaw a hiring program that overhauled the agency’s hiring processes and resulted in a 20% increase in the number of caseworkers (E. Covington, T. Shaffer, and M. Morton, personal communication, July 8, 2020). Additionally, caseworker retention has improved with separations trending downward between July 2019 and May 2020 ([Oregon Department of Human Services, 2020b, p. 5](#)). Improved staff training and the implementation of workforce support procedures like one-on-one coaching were contributing factors to the reduction in staff turnover.

## The return of children placed out-of-state appears to have been achieved without significant increases in foster care capacity.

Focus on addressing mismanagement of the state’s child abuse hotline by establishing metrics and procedures for responding to calls has also yielded impressive results. The child abuse hotline is a centralized phone number that people can call to report suspected abuse. In October 2019, just over 50% of calls to the Oregon hotline were answered within the national best practice standard of 4 minutes ([Oregon Department of Human Services, 2019, p. 8](#)). By April 2020, 99% of calls were answered in 4 minutes or less ([Oregon Department of Human Services, 2020a, p. 6](#); E. Covington, T. Shaffer, and M. Morton, personal communication, July 8, 2020).

The most dramatic change, however, was the rapid reduction in the number of children placed out of state. As discussed earlier, Oregon had been sending increasing numbers of children to facilities in other states, with 88 Oregon children placed in these facilities at the height of the practice ([Oregon Health Authority and Oregon Department of Human Services, 2019, p. 6](#)). It is estimated that the state was charged as much as \$10,000 per month for each child served and spent \$2.5 million between October 2018 and December 2018 alone on sending children out of state ([Dake, 2019a](#)). Yet the sticker shock of this expenditure pales in comparison to the alleged maltreatment these

**Figure 1**  
*Children Placed Out of State*



Note. From *Child Welfare Progress Report: June 2020 in Child Welfare* by the Oregon Department of Human Services, 2020 (<https://www.oregon.gov/dhs/CHILDREN/Documents/CW-Monthly-Report-2020-06.pdf>).

children endured. Investigations into the practice revealed numerous reports of children being assaulted by other classmates as well as facilities using drugs and inappropriate physical restraint techniques to manage children's behavior (Young, 2019; Dake 2019a).

Bringing these children home and reducing reliance on out-of-state placement became a top priority of efforts to overhaul the child welfare system. Alvarez & Marsal worked with state officials to refine procedures governing the use of out-of-state placements and establish processes for creating return home plans for children (Alvarez & Marsal Public Sector Services, n.d.-b, p. 3). As a result of these efforts, Oregon successfully returned nearly every child to the state within one year. As of May 2020, only nine children remained in an out-of-state placement (Oregon Department of Human Services, 2020b, p. 4).

Interestingly, the return of these children appears to have been achieved without significant increases in foster care capacity. Rather, changes to department practices and improved efficiencies drove the drop in out-of-state placements (M. Morton, personal communication, July 21, 2020). Key actions contributing to the result included:

- Improved collaboration between the Department of Human Services and the Oregon Health Authority to increase capacity in psychiatric residential treatment

facilities and other placements providing high levels of care for children in need of more intensive therapy.

- Increased focus on providing wraparound services to support the child in his or her home community.
- More creative casework and problem solving to find appropriate care for the children within Oregon.
- Closer tracking of treatment plans to expedite stepping children down to lower levels of care.
- Greater emphasis on developing detailed and focused “return home” plans for each child placed out of state.

While these are promising signs, it remains to be seen whether Oregon officials will continue implementing the recommendations for restructuring the state's child welfare system and the results those efforts will yield. Future research should be done to assess actions taken and outcomes achieved over the next years. Nevertheless, early indicators show that the efficiency audit performed by Alvarez & Marsal and accompanying action plans have helped the state begin to address some of its most glaring systemic problems and laid a foundation for future improvement.

## Applying Efficiency Audits to the Texas System

Like Oregon, Texas has struggled with persistent problems with its child welfare system over the last decade. Also, like Oregon, these issues led to the filing of a federal class action

lawsuit against the state alleging that the policies and practices of the DFPS placed children in permanent care at an unreasonable risk of harm ([M.D. v. Abbott, 2015, pp. 11-12](#)). A 2015 judgment against the state by U.S. District Court Judge Janis Jack resulted in a number of remedial orders requiring the state to take immediate action to fix underlying problems that contributed to creating an environment that placed children in danger.

The state Legislature responded to the crisis in 2017 by passing several bills aimed at reforming the Texas child welfare system, including [HB 5](#), which made DFPS a standalone agency outside of the Health and Human Services Commission (HHSC), and infused an additional \$500 million into the agency to hire more caseworkers and provide staff raises to reduce turnover ([Chang, 2018](#)). Despite these reforms, system transformation has progressed slowly. A report released in June 2020 ([Fowler & Ryan](#)) by monitors appointed by Judge Jack to assess the state's progress in complying with her remedial orders found that DFPS remains deficient in several key areas of reform ([p. 12](#)).

Many of the deficiencies highlighted in the monitors' report are strikingly similar to issues faced by the Oregon system, including slow response times to child abuse hotline calls, ineffective supervision of children in the state's care, and poor data management that often resulted in the department not knowing where children were placed.

Unfortunately, this is not the first time that DFPS has struggled to implement necessary structural changes. In 2014, the Stephen Group, a business and government consulting firm based in New Hampshire, conducted an operational assessment of the Child Protective Services division within DFPS ([Stephen Group, 2014, p. 9](#)). Two years later, the Stephen Group provided an update on CPS transformation to the Texas Senate Finance Committee. Although the report noted that CPS had implemented two thirds of the recommendations from the report and highlighted some areas of slight outcomes improvement, it noted that "Sustaining Transformation [sic] has been challenging" and "not all changes have [been] embedded into practice or have been sustained" ([Stephen Group, 2016, pp. 3, 7](#)). The report also pointed to a lack of flexibility in making changes to technology and data management practices as a factor preventing good ideas from being implemented. According to the report, promoting a culture of transformation was a key challenge to be addressed for the department to achieve long-term improvement. As seen in the examples

of Wyoming and Kansas, achieving this kind of cultural change to fully realize the benefits an efficiency audit can provide will require oversight and accountability from the Governor's Office and Legislature.

The 2014 assessment by the Stephen Group was the last time an outside third party conducted an in-depth review of DFPS operations, and—aside from the monitors' oversight of the state's compliance with the *M.D. v. Abbott* remedial orders—there has been no independent review of department operations since the 85th Legislature enacted its sweeping reforms. Sections [2102.005](#) and [2102.009](#) of the Texas Government Code require that DFPS conduct an *internal* audit and submit an annual report by November 1 of each year. However, these audits are focused on risk management and the agency's "major systems and controls," such as accounting and other administrative systems. They also lack the focused action plans that are a hallmark of efficiency audits and make them an effective tool for pushing agencies to achieve transformational change that improves outcomes for the public while saving taxpayer dollars.

Additionally, [Section 321.013\(a\)](#) of the Texas Government Code provides for periodic audits of entities receiving state funds by the Texas State Auditor's Office (SAO) at the direction of the Legislative Audit Committee. Audits conducted by the SAO are often focused on specific programs or concerns within agencies. For example, a review of SAO reports published on

the office's website reveals a total of 10 audit reports relating to DFPS functions since 2004, with the most recent being a 2019 audit of child care services provided for children in CPS custody ([Texas State Auditor's Office, n.d.](#)). While helpful for government transparency and accountability, these audits typically do not have the focus that efficiency audits have on improving the effectiveness of an agency's operations or services. Moreover, they tend to focus on inputs and processes rather than child-specific outcomes like reducing the number of children removed from their families, increasing adoptions of children who are unable to return home, and ensuring the safety and well-being of children in foster care. Given the importance a well-functioning child welfare system plays in protecting children who have suffered abuse and the risk posed when that system breaks down, Texas should seriously consider including efficiency audits as a regular component of DFPS oversight.

## Many of the deficiencies highlighted in the DFPS monitors' report are strikingly similar to issues faced by the Oregon system.

### **Key Considerations for a DFPS Efficiency Audit**

The 2021 legislative session provides a unique opportunity for the 87th Legislature to revisit many of the reforms enacted in 2017 and chart a path forward for bringing them to fruition through the application of DFPS efficiency audits. In addition to the renewed attention on the system's continued struggles highlighted in the June 2020 monitors' report, impending federal child welfare reforms and ongoing efforts to give local communities greater responsibility for caring for children in foster care create an environment in which a DFPS efficiency audit could be particularly effective at helping achieve these goals.

In February 2018, President Donald Trump signed the Bipartisan Budget Act of 2018, which included one of the most dramatic overhauls of how the federal government funds state child welfare services in more than 30 years. This sweeping budget bill included provisions that allow states to utilize foster care funds provided to states under Title IV-E of the Social Security Act for services aimed at strengthening families to prevent children from entering foster care in the first place ([Bipartisan Budget Act, 2018, §50702](#)). Due to a number of factors, Texas chose to take advantage of a provision in the act that allowed states to delay implementation of many provisions for up to 2 years from the original October 1, 2019, compliance deadline ([DFPS, 2018](#)). As a result of this delay, the 87th Legislature will be faced with important decisions to ensure that the state is able to demonstrate compliance with the law by the new deadline of October 1, 2021.

Concurrently, Texas continues work on rolling out a historic overhaul of its foster care system contained in SB 11 enacted by the 85th Legislature. The centerpiece of SB 11 was a new model for providing foster care services, known as community-based care, which seeks to make the system more responsive to the needs of children by transferring primary responsibility for caring for and managing the cases of children in foster care to local private and nonprofit charities ([SB 11, 2017, p. 23](#)). Currently, four regions of the state are operating under this new model, with a fifth scheduled to launch by the end of FY 2020 ([DFPS, 2020a](#)). Approximately 3,000 children, roughly 6% of the Texas foster care population, are being served by community-based care ([DFPS, 2020a](#)). Early data from regions operating under community-based care reveal that local providers are showing positive gains in key performance indicators related to child safety and well-being ([Brown & Huntzinger, 2020, p. 6](#)). The 87th Legislature should work to build on this early success and ensure the efficient expansion of community-based care statewide.

The convergence of these three variables heading into the 2021 legislative session provides a unique opportunity for Texas to take a major step forward in creating a more compassionate child welfare system that strengthens families and protects children who are in imminent danger of harm. Seizing the moment, however, will require policymakers to make critical decisions that align the requirements of each with the ultimate goal of achieving the best possible outcomes for children who enter the state's care. As evidenced by the experience of states discussed in this paper, efficiency audits can be a powerful tool for prioritizing efforts and finding creative, cost-effective solutions for challenging issues and achieving system-wide transformation.

### **Conclusion**

Texas is facing a critical moment in the history and future of its child welfare system. The decisions made by the 87th Legislature carry the potential of achieving generational change for the tens of thousands of children who enter the state's care each year ([DFPS, n.d.](#)). Halting attempts at reforming the system over the last decade have resulted in marginal gains, but it remains a "disjointed, inefficient system in which gaps ... conspire to create risk of harm" ([Fowler & Ryan, 2020, p. 18](#)).

The success of ongoing efforts to remedy systematic deficiencies brought to light by the *M.D. v. Abbott* lawsuit and to transition the state to community-based care, along with the October 1, 2021, compliance deadline for FFPSA, will require a focused, outcome-driven approach. As demonstrated in this paper, the incorporation of regular third-party efficiency audits into the oversight of DFPS will aid the state in transforming its system into a model for the nation and, more importantly, contribute to the future prosperity of the state's most vulnerable children.

### **Recommendations**

- Require DFPS to undergo an immediate efficiency audit aimed at lawsuit compliance, community-based care expansion, and FFPSA compliance.
- Build regular efficiency audits into DFPS audit requirements to help sustain transformation.
- Set child-focused, rather than input- or process-focused, outcomes to guide the efficiency audit and aid in the development of actionable recommendations that improve the lives of children while promoting better stewardship of taxpayer dollars.
- Appoint a legislative oversight committee to ensure that DFPS follows through with implementing recommended actions. ☆

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