

Department of Health and Human Services
Office of Inspector General



Office of Audit Services

October 2026 | OAS-24-05-010

Kentucky Could Better Protect Children Residing in Qualified Residential Treatment Programs

REPORT HIGHLIGHTS



October 2026 | OAS-24-05-010

Kentucky Could Better Protect Children Residing in Qualified Residential Treatment Programs

Why OIG Did This Audit

- The Family First Prevention Services Act (Family First), enacted in February 2018, included requirements to ensure that placement of children in congregate care settings was based on the specialized behavioral and mental health needs or clinical disabilities of the child.
- Family First created a new category of child care institutions called qualified residential treatment programs (QRTPs), which are facilities for children in the foster care system who have serious emotional or behavioral disorders or disturbances.
- This audit examined whether Kentucky and its QRTPs complied with Federal and State requirements related to children in foster care who were eligible for assistance under Title IV-E of the Social Security Act (the Act).

What OIG Found

Kentucky and its QRTPs did not comply with Federal and State requirements related to children in foster care who were eligible for assistance under Title IV-E of the Act from October 1, 2023, through September 30, 2024. Specifically, we found:

- 70 instances of noncompliance in 25 of the 30 children's case files and records that we reviewed, including missing family support group documentation, court approvals, discharge plans, and health records and screenings.
- 165 instances of noncompliance across the 15 QRTPs that we reviewed related to requirements for background checks, personnel and training records, written policies, staffing, and physical environment.

These weaknesses exposed children in Kentucky's QRTPs to unsafe environments, inadequate care, and unqualified staff, and resulted in \$571,306 (\$416,009 Federal share) in improper Title IV-E payments during the placements.

What OIG Recommends

We made four recommendations to Kentucky, including that it work with the Administration for Children and Families to determine the portion of the \$416,009 in improper payments that must be refunded to the Federal Government. In addition, Kentucky should ensure the 15 QRTPs comply with background check requirements and that it conduct onsite monitoring of the facilities. The full recommendations are in the report.

Kentucky concurred with two recommendations and detailed steps it has taken and plans to take in response to them. Kentucky did not concur with the remaining two recommendations.

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INTRODUCTION

WHY WE DID THIS AUDIT

Title IV-E of the Social Security Act (the Act) established the Federal Foster Care Program, which provides funding to States for safe and stable out-of-home care for children who meet certain eligibility requirements. The Family First Prevention Services Act (Family First), enacted in February 2018, amended the Act to include requirements designed to ensure that placement of children in congregate care settings was based on the specialized behavioral and mental health needs or clinical disabilities of the child.¹ State agencies providing certain services under the Act had to comply with the requirements of Family First by October 1, 2021.²

Family First created a new category of child care institutions called Qualified Residential Treatment Programs (QRTPs), which are facilities for children in the foster care system who have serious emotional or behavioral disorders or disturbances.³ QRTPs are intended for limited-time placements when family-based settings cannot meet a child's needs. Family First limits Federal financial support after 14 days for any child residing in a child care institution unless the child is placed in a QRTP or other specified setting.⁴

As part of the Office of Inspector General's oversight of the Federal foster care program, we conducted this audit to assess the Kentucky Cabinet for Health and Family Services, Department for Community Based Services' (State agency's) monitoring of children in foster care who were placed in QRTPs in Kentucky. Specifically, this audit examined the State agency and its compliance with program requirements for Title IV-E-eligible children who resided in QRTPs.

OBJECTIVE

Our objective was to determine whether the State agency and its QRTPs complied with Federal and State requirements related to children in foster care who were eligible for assistance under Title IV-E of the Act.

¹ Family First was enacted by Division E, Title VII of the Bipartisan Budget Act of 2018 (P.L. No. 115-123) (Feb. 9, 2018).

² Administration for Children and Families, Children's Bureau, "[Public Law 115-123, the Family First Prevention Services Act: Implementation of Title IV-E Plan Requirements](#)," memo to State, Tribal and Territorial Agencies Administering or Supervising the Administration of Title IV-E of the Social Security Act (July 9, 2018). Accessed on July 7, 2026.

³ Section 50741 of Family First amending § 472 of the Act.

⁴ The Act § 472(k)(1). "Child care institution" is defined as a private child care institution, or a public child care institution that accommodates no more than 25 children, which is licensed by the State in which it is situated or has been approved by the agency of the State responsible for licensing or approval of institutions of this type as meeting the standards established for the licensing (The Act § 472(c)(2)(A)).

BACKGROUND

Federal Foster Care Program

Title IV-B and IV-E of the Act are Federal entitlement programs that reimburse States for the costs of providing foster care, adoption assistance, and legal guardianship for eligible children. The Administration for Children and Families (ACF) administers the Title IV-E foster care program. To receive funding, eligible States, Territories, or Tribes must have an approved Title IV-E plan that contains official policies and procedures that meet program requirements. Each entity must also designate an agency or agencies responsible for establishing and maintaining standards for foster family homes and child care institutions. The agency must apply those standards to facilities receiving funds under section IV-E of the Act.⁵ The State must also develop and implement standards to ensure that children in foster care placements in public or private facilities receive quality services that protect their health and safety.⁶

The Foster Care Program in Kentucky

The State agency administers Kentucky's Title IV-E program. Its mission is to build an effective system of care for Kentucky residents and communities, including reducing child maltreatment, advancing family self-sufficiency, and ensuring children are safe in their homes and communities. Kentucky's child welfare system includes public and privately run foster homes. Children who have entered the foster system but need higher levels of services beyond what a typical foster home can provide can be placed in child-caring facilities, which include QRTPs.⁷ The State agency must maintain required placement and case records to confirm QRTP compliance with Federal and State requirements and to determine monthly eligibility for Title IV-E foster care maintenance payments.⁸

Qualified Residential Treatment Programs

The State agency began implementing the QRTP provisions on February 1, 2021. The State agency is responsible for designating QRTPs and ensuring that the QRTPs continue to meet

⁵ The Act § 471(a)(10).

⁶ The Act § 471(a)(22).

⁷ Kentucky defines a "child-caring facility" as an institution or group home that provides 24/7 residential care for children who aren't related to the person maintaining the facility. It excludes facilities certified primarily for educational or medical purposes, as well as accredited (or soon-to-be accredited) juvenile justice programs. An "institution" is defined as a child-care facility providing care or maintenance for nine or more children (Kentucky Revised Statutes (KRS) § 199.011).

⁸ The Act § 475A(c) and KRS § 620.230. Foster care maintenance payments are defined as payments that cover the cost of providing food, clothing, shelter, daily supervision, school supplies, incidentals, liability insurance, and reasonable associated travel costs (The Act § 475(4)(A)).

requirements under section IV-E of the Act. A QRTP must be licensed and accredited; follow a trauma-informed care model;⁹ maintain access to clinical staffing 24 hours a day, seven days a week (24/7); involve and support family integration; complete required assessments; obtain approval for continuation of placements; and provide at least six months of aftercare following discharge. In addition, the State agency requires QRTPs to ensure staff complete fingerprint-based criminal history and child-abuse registry checks and to maintain required records. QRTPs must also provide staff training, maintain required records, follow written policies and care practices, and provide a safe, well-maintained physical environment that meets safety standards.

HOW WE CONDUCTED THIS AUDIT

The State agency provided a listing of 996 individuals between the ages of 7 and 19 who resided in at least 1 of Kentucky's 38 QRTPs from October 1, 2023, through September 30, 2024. From this group, we determined that 30 children were eligible for Title IV-E foster care funding, had Title IV-E foster care maintenance payments made on their behalf during the placements, and had resided in at least 1 of 15 QRTPs that were in operation at the time of our fieldwork.^{10, 11} The 15 QRTPs were paid approximately \$2.6 million for the care provided to the children during their placements, of which the State agency claimed \$763,641 (\$555,719 Federal share) in Title IV-E costs.

To evaluate whether the State agency or its QRTPs complied with Federal and State requirements, we reviewed documentation for the 30 children maintained in the State agency's TWIST system, which is a database used to manage case information for children in its custody.¹² We also reviewed payments made on behalf of these children during their QRTP placements. In addition, we conducted unannounced site visits at the 15 QRTPs between July and December 2025, accompanied by staff from the State agency, to review: (1) case records maintained by the QRTP for the 30 children; (2) records for employees of the QRTPs, including background check documentation; and (3) licensing, policies, staffing and the physical environments of the QRTPs. Finally, we discussed with State officials the agency's oversight and monitoring practices for children in the QRTPs.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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

⁹ A trauma-informed care model is designed to address each child's assessed clinical and behavioral needs.

¹⁰ The 30 children whose documentation we reviewed ranged in age from 11 to 17.

¹¹ Of the 30 children whose documentation we reviewed, 2 resided in more than one QRTP from Oct. 1, 2023, through Sept. 30, 2024. Therefore, we reviewed 32 cases associated with 30 children who resided in 15 QRTPs.

¹² TWIST stands for The Worker Information System.

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.

Appendix A contains details of our audit scope and methodology.

FINDINGS

The State agency and its QRTPs did not comply with Federal and State requirements related to children in foster care who were eligible for assistance under Title IV-E of the Act from October 1, 2023, through September 30, 2024. Specifically, we found:

- 70 instances of noncompliance in 25 of the 30 children’s TWIST files and QRTP case records that we reviewed, including missing family and permanency team documentation, court approvals, discharge plans, and health records and screenings¹³
- 165 instances of noncompliance across the 15 QRTPs that we reviewed related to requirements for background checks, personnel and training records, written policies, staffing, and physical environment

The issues we identified occurred primarily because of weaknesses in the State agency’s oversight, including insufficient monitoring to ensure QRTP compliance and failure to meet requirements for vetting personnel. As a result, children in Kentucky’s QRTP facilities that we reviewed were exposed to unsafe environments, inadequate care, and unqualified staff.

The State agency’s inadequate oversight led to \$571,306 (\$416,009 Federal share) in improper Title IV-E foster care maintenance payments during the placements.

Appendix B contains the instances of noncompliance at the QRTPs and for the children’s cases. Appendix C contains Federal and State requirements related to children residing in QRTPs.

THE STATE AGENCY DID NOT COMPLY WITH CASE DOCUMENTATION REQUIREMENTS FOR SELECT CHILDREN RESIDING IN QUALIFIED RESIDENTIAL TREATMENT PROGRAMS

Federal and State Requirements for Children Placed in Qualified Residential Treatment Programs

The State agency must meet Federal requirements under section 472(k) of the Act to receive Title IV-E foster care maintenance payments for children placed in QRTPs.¹⁴ These

¹³ The family and permanency team includes the child’s biological relatives and other close family-like adults, along with relevant professionals, including teachers, medical or mental-health providers, or clergy who serve as resources to the family (the Act § 475A(c)(1)(B)).

¹⁴ The Act §§ 472(k) and 475A(c).

requirements include completing a 30-day assessment by a qualified individual, assembling a family and permanency team and gathering members' contact information, obtaining court approval of the placement within 60 days, and providing evidence at each review hearing that the child requires continued QRTP placement.¹⁵ The State agency must submit documentation to ACF supporting the need for continued placement and provide a discharge plan that includes at least 6 months of aftercare services.¹⁶

In addition, Kentucky law requires the State agency to maintain a case plan, obtain a QRTP hearing and court review within 60 days of placement, conduct quarterly evaluations, and ensure a permanency hearing occurs within 12 months of the child entering foster care and then annually thereafter.¹⁷ The State agency maintains these case management records in TWIST. Meanwhile, each QRTP must maintain a case record that includes the child's health record, assessments, treatment plans, related correspondence, discharge documentation, and aftercare services.¹⁸ Children must also receive an initial health screening within 48 hours of placement and an annual physical examination.¹⁹

The State Agency Did Not Comply With Federal and State Documentation Requirements for Most of the Children's Cases We Reviewed

The State agency did not comply with Federal and State requirements for 25 of the 30 children whose case documentation we examined. For the 25 children, we found 44 instances of noncompliance in the TWIST files and 26 instances of noncompliance in the QRTP case records.

State Agency TWIST Files

While the State agency maintained documentation supporting both 30-day and ongoing assessments for all the children's TWIST files reviewed, we found other areas of noncompliance. Specifically, we found a total of 44 instances in which the children's TWIST files were missing court approvals within 60 days of placement, missing approvals for long-term placement in the QRTPs, and missing documentation showing that the family and permanency team was assembled and that efforts were made to obtain family contact information. A breakdown of the 44 instances of noncompliance is found in Figure 1.

¹⁵ "Qualified individual" is defined as a trained professional or licensed clinician who is not an employee of the State agency and who is not connected to, or affiliated with, any setting in which children are placed by the State (The Act § 475A(c)(1)(D)(i)).

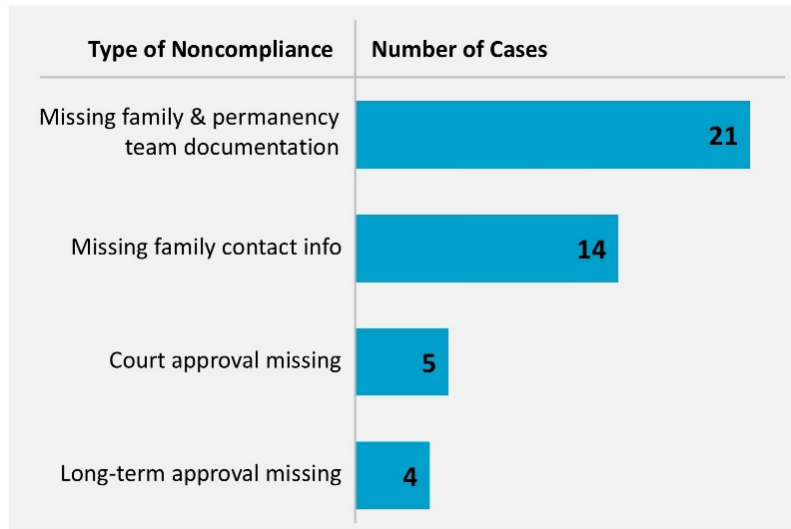
¹⁶ The Act §§ 472(k) and 475A(c)(5).

¹⁷ KRS §§ 620.230 and 610.125; Kentucky Family Rules of Practice and Procedure Rule 28(3)(c). State agency Standards of Practice Manual C6.27, C7.10, and C7.16.

¹⁸ 922 Kentucky Administrative Regulations (KAR) 1:300 §§ (5)(1)(h) and (7)(7). The child's case record must be maintained by the QRTP for at least three years after discharge (922 KAR 1:300 § (7)(7)(h)).

¹⁹ 922 KAR 1:300 § (5)(1)(d-e) and (i).

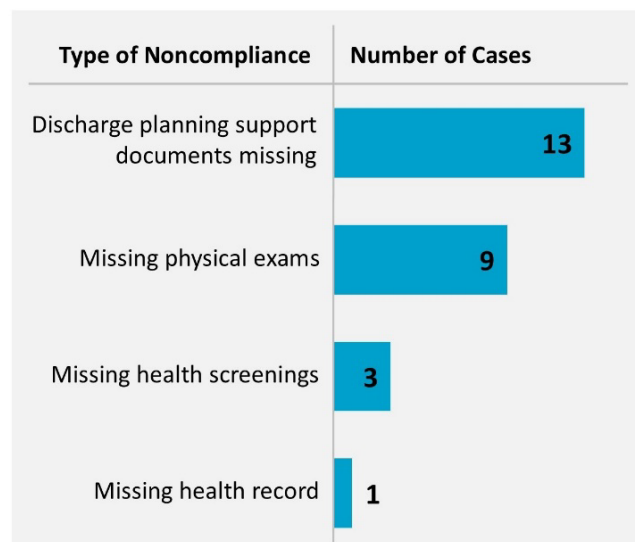
Figure 1: Noncompliance With the State Agency's TWIST Files



QRTP Case Records

The State agency did not monitor the case records maintained at the QRTPs to ensure Federal and State requirements were met for the children we reviewed. Specifically, we found missing documentation for discharge planning with 6 months of aftercare services, annual physical exams, initial health screenings, and the child's health record. A breakdown of the 26 instances of noncompliance is found in Figure 2.

Figure 2: Noncompliance With QRTP Case Records



Improper Title IV-E Foster Care Maintenance Payments

We found 44 instances of noncompliance in TWIST files and 26 instances in QRTP case records. As a result, \$571,306 (\$416,009 Federal share) in Title IV-E foster care maintenance payments made during the placements did not meet requirements under section 472(k) of the Act.²⁰ These payments were unallowable because the State agency did not ensure required documentation was maintained, including records related to family permanency, family contacts, required court approvals, long-term placement decisions, and discharge planning.

State Agency Documentation and Monitoring Failures Led to Inadequate Care and Improper Payments

The State agency's deficiencies in maintaining documentation and monitoring QRTPs contributed to inadequate care and improper Title IV-E payments. The State agency officials cited internal and external challenges in complying with documentation requirements for the TWIST files. Staff reductions during the COVID-19 pandemic left workers with excessive caseloads, and courts struggled to meet the required timeframes because of high case volumes. The State agency also did not monitor QRTPs case records to ensure they met Federal and State requirements. According to agency officials, monitoring was conducted semiannually in 2021 and 2022; however, as of our unannounced site visits (beginning in July 2025), the last monitoring occurred in August 2023. Oversight by social services workers also did not ensure QRTPs met documentation and timeframe requirements for required health screenings and physicals.

The State agency's inadequate monitoring and oversight exposed children in Kentucky's QRTP facilities that we reviewed to inadequate care and resulted in \$571,306 (\$416,009 Federal share) in Title IV-E foster care maintenance payments made during placements that did not meet the requirements of section 472(k) of the Act. After we initiated our audit, the State agency conducted a financial analysis and reported that it maintains internal controls for Title IV-E payments and had already repaid certain amounts to ACF because of those controls. However, the State agency did not provide supporting documentation identifying the specific Title IV-E funds that were repaid.

THE STATE AGENCY DID NOT ENSURE SELECTED QUALIFIED RESIDENTIAL TREATMENT PROGRAMS MET FEDERAL AND STATE REQUIREMENTS

Federal and State Requirements for Qualified Residential Treatment Programs

The State agency must meet certain Federal requirements to receive ongoing Title IV-E foster

²⁰ The \$571,306 represents the amount the State agency claimed on behalf of children who resided in QRTPs where the requirements under section 472(k) of the Act were not met. The \$416,009 reflects the Federal share calculated using the applicable Federal Medical Assistance Percentage. These amounts exclude the first 14 days of each child's placement.

care maintenance payments on behalf of children residing in QRTPs.²¹ Specifically, QRTPs must use a trauma-informed treatment model; have licensed nursing and clinical staff onsite and available 24/7; maintain state licensing and independent accreditation; and ensure that employees undergo fingerprint-based criminal history and child abuse registry checks.²² In addition, the State agency requires QRTPs to adhere to State requirements for background checks, personnel and training records, written policies, and staffing.²³ QRTPs must also provide a safe, well-maintained physical environment in compliance with State fire, transportation, and safety standards.²⁴

All 15 Qualified Residential Treatment Programs Did Not Fully Comply With Federal and State Requirements

The State agency did not ensure that the 15 QRTPs we reviewed fully complied with Federal and State requirements. We identified at least one noncompliance issue at each QRTP, including: background checks (24 instances), personnel and training records (104 instances), written policies and staffing (12 instances), and physical environment (25 instances).

Background Checks

The QRTPs could not adhere to the Federal and State background check requirements because the State agency did not have a fingerprint-based national background check system in place, and the State agency failed to obtain a waiver for the alternate background-check process it used when staff were hired.

Two QRTPs each hired a staff member whose background check identified the disqualifying convictions. The QRTPs received a copy of the background checks for these individuals that identified disqualifying convictions. However, the State agency failed to notify the QRTPs that these individuals were ineligible for hire. By employing staff with disqualifying convictions, the QRTPs placed children at risk and exposed them to harm. One of those ineligible staff members had a complaint filed against them while working at the QRTP after a child found a syringe containing methamphetamine in the staff member's purse and injected themselves. The child was hospitalized and tested positive for the drug. The QRTP reported the incident to the State agency and the investigation resulted in the staff member's termination. The other ineligible staff member was accused of verbally assaulting a child more than a year after they were hired;

²¹ The Act §§ 472(k)(1) and (4).

²² The Act §§ 471(a)(10), (20)(D), and 472(k).

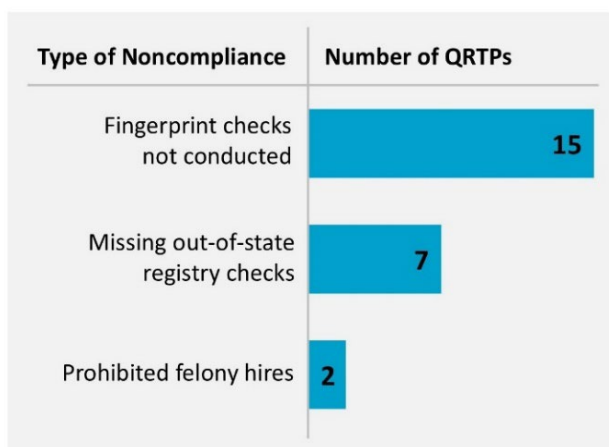
²³ KRS Chapter 199.642; 922 KAR 1:290 §§ (2) and (5); and 922 KAR 1:300 §§ (1), and (3)–(8).

²⁴ KRS Chapter 186; 815 KAR 10:060; 922 KAR 1:300 § (4).

they voluntarily resigned when the QRTP initiated an internal investigation into their actions.²⁵

In addition, the State agency conducted non-fingerprint-based background checks for prospective staff but did not obtain a Federal waiver permitting that process. The State agency also did not notify the 15 QRTPs whether those individuals were eligible for hire.²⁶ At 7 of the 15 QRTPs, child abuse and neglect registry checks were not conducted in other States where prospective staff held out-of-state driver's licenses because the State agency limited its checks to Kentucky court records. A breakdown of the 24 instances of noncompliance is found in Figure 3.

Figure 3: QRTPs' Noncompliance With Background Check Requirements



Personnel and Training Records

The State agency had requirements in place for maintaining personnel records and staff training; however, the State agency did not ensure QRTPs adhered to those requirements. During an unannounced site visit at one QRTP with a State agency representative, our review of personnel records revealed that a staff member providing alcohol and drug counseling services to children had been working with a temporary license that had expired roughly 8 months earlier. We confirmed with the QRTP director that the staff member was onsite and actively treating children. We then notified the State agency representative, who immediately directed the QRTP director to stop the staff member from providing services. Neither the QRTP nor the State agency had previously identified the expired license.

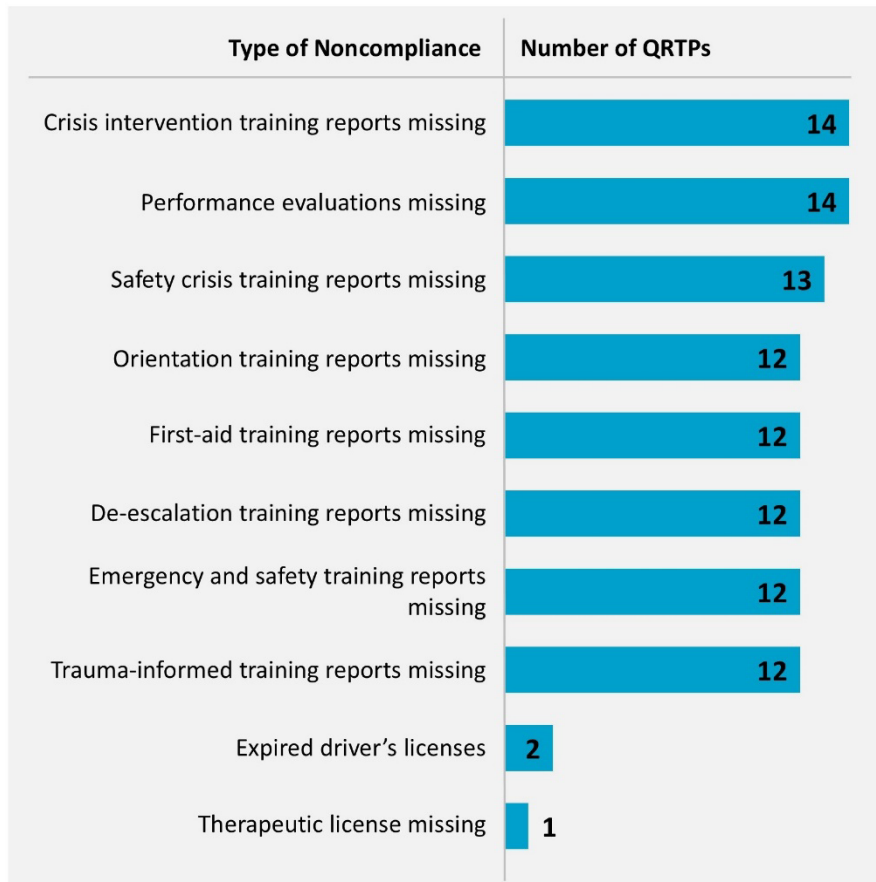
In addition, we identified seven staff members at two QRTPs whose driver's licenses had expired. Two of these staff members had licenses that had been expired for more than seven months. Their duties included providing transportation to children residing in the QRTPs. We

²⁵ Records of both incidents were included in the employees' personnel files, and the State agency redacted the documents to prevent disclosure of the children's identities.

²⁶ The State agency used the Kentucky Administrative Office of the Courts for background checks on prospective staff, but these checks were not fingerprint-based, as required by Federal law.

also found areas of noncompliance related to maintaining records, including missing training reports and performance evaluations. A breakdown of the 104 instances of noncompliance is found in Figure 4.

Figure 4: QRTPs' Noncompliance with Maintaining Personnel and Training Records



Policies and Staffing

The State agency established requirements for written policies and staffing that were in accordance with Federal and State law. However, the State agency did not conduct onsite monitoring of the QRTPs to ensure compliance with requirements.

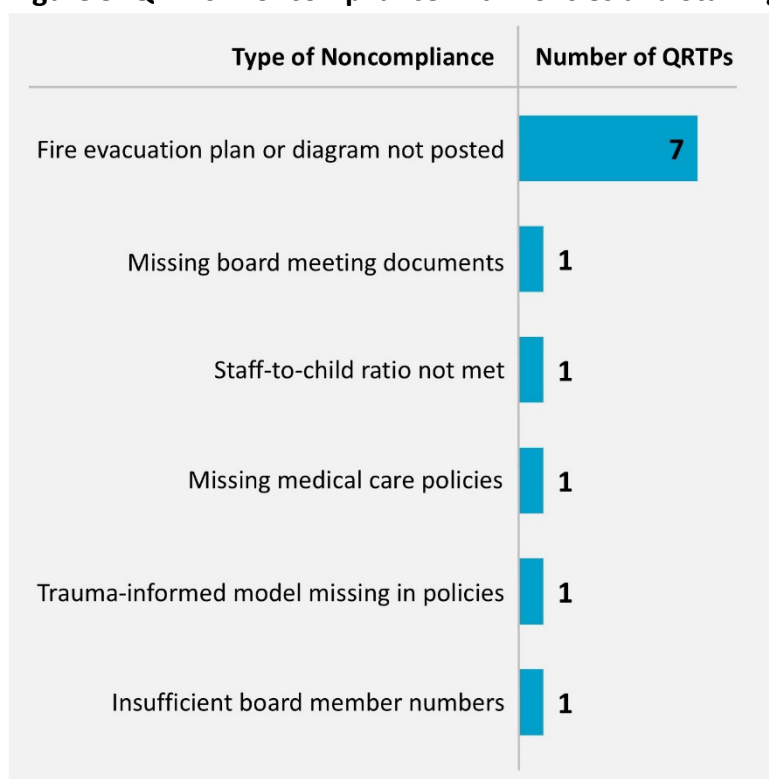
During our audit of one QRTP, we determined that its policies did not include a trauma-informed treatment model, which is designed to address each child's assessed clinical and behavioral needs.²⁷ Procedures instituted at the QRTP required children to sit in the hallway facing away from others, prohibited them from communicating with others, and limited bathroom and water breaks to once per hour. Our review of one child's case record found that the child had been prohibited from interacting with peers and was required to sit facing away from the group for 61 out of 150 placement days. The State agency provided no evidence that

²⁷ The Act § 472(k)(4)(A).

these measures were trauma-informed or that the child’s trauma history was considered when applying behavioral interventions. After our fieldwork concluded, the State agency provided documentation it said was the QRTP’s trauma-informed treatment-model policy, which outlined least-restrictive, supportive, and healing-focused approaches. The State agency did not indicate when this policy was developed or implemented.

Other areas of noncompliance with State requirements include failing to maintain or post a written emergency fire evacuation plan or diagram, failing to maintain board meeting minutes, failing to meet required staff-to-child ratio, lacking policies for medical care and trauma-informed models, and lacking the required seven-member board of directors. A breakdown of the 12 instances of noncompliance is found in Figure 5.

Figure 5: QRTPs’ Noncompliance with Policies and Staffing



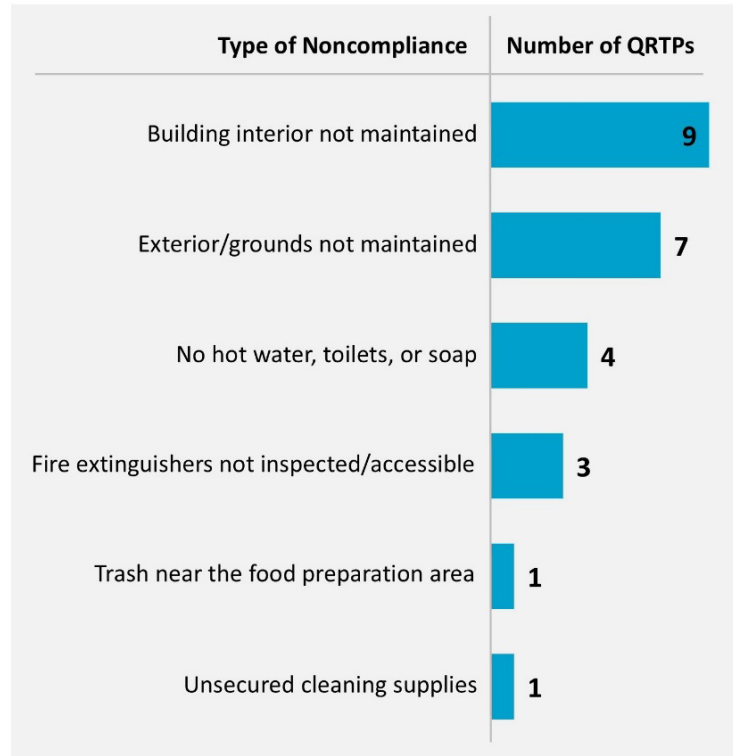
Physical Environment

The State agency had requirements for maintaining the physical environment at the QRTPs that were in accordance with State law; however, the State agency did not monitor the QRTPs to ensure compliance.

During unannounced site visits at nine QRTPs, we determined building interiors were not maintained in a clean, safe, or proper condition. At seven QRTPs, the grounds, outdoor equipment, and building exterior were not properly maintained. During our site visits we observed vegetation growing into a building’s soffit, deteriorated and rotting exterior

structures, and an unsecured, debris-filled stairwell. At four QRTPs, bathrooms lacked hot water, a functioning toilet, and access to soap. Other areas of noncompliance included fire extinguishers that were out of date, not easily accessible, or stored in a locked closet; trash stored near food; and cleaning supplies that were not secured or stored with food products. A breakdown of the 25 instances of noncompliance is found in Figure 6.

Figure 6: Noncompliance of the Physical Environment at QRTPs



State Agency Oversight Failures Led to Risks and Harm to Children in Qualified Residential Treatment Programs

Although the State agency conducted annual unannounced inspections, officials reported during our July 2025 site visits that routine onsite monitoring had not occurred since August 2023. Instead, the State agency relied on an interagency agreement with the Kentucky Office of the Inspector General to perform licensing inspections and to notify the State agency when facilities were out of compliance.²⁸ These inspections did not ensure compliance with QRTP program requirements or identify risks related to the QRTP's physical environment. As a result, the 15 QRTPs we reviewed did not consistently meet Federal and State requirements related to background checks, personnel and training records, written policies, staffing, and physical environment standards.

²⁸ Under the interagency agreement, the Kentucky Office of the Inspector General conducts initial licensing and annual relicensing inspections of QRTPs to assess compliance with regulatory standards, including staffing, safety measures, living conditions, and required reporting.

Specifically, by hiring staff with disqualifying convictions, two QRTPs exposed children to harm that could have been avoided if those individuals had not been employed. Children were also exposed to unqualified staff, increasing the likelihood of inappropriate or ineffective treatment. In addition, at one QRTP, although written procedures existed, they were not trauma-informed and were applied in a punitive manner. These procedures did not meet trauma-informed care requirements and may have exposed children to emotional harm and ineffective treatment. Finally, the onsite inspections relied on by the State agency failed to identify that staff training records were not maintained and physical environment deficiencies posed safety risks to children.

RECOMMENDATIONS

- We recommend that the State agency identify the specific Title IV-E funds that were repaid and work with ACF to determine whether any portion of the remaining \$416,009 in those payments is unallowable and must be refunded to the Federal Government.
- We recommend that the State agency implement procedures to ensure that case records contain all required documentation and staff training records are maintained.
- We recommend that the State agency immediately direct and ensure that the 15 QRTPs included in our audit complete fingerprint-based national background checks for all staff who lacked them.
- We recommend that the State agency conduct routine onsite monitoring of QRTPs to ensure compliance with Federal and State requirements, including verifying staff qualifications, enforcing trauma-informed care practices, and identifying physical environment deficiencies.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our second and third recommendations and provided information on actions that it had taken and planned to take to address them. However, the State agency did not concur with our first and fourth recommendations. After reviewing the State agency's comments, we maintain that these recommendations are valid. The State agency's comments are included in their entirety as Appendix D.

STATE AGENCY COMMENTS

Regarding our second and third recommendations, the State agency stated that it plans to have new systems in place in January 2027 that will capture case record documentation and house staff training records. The State agency indicated that fingerprint-based national background checks have been completed for all staff at the 15 QRTPs included in our audit.

Regarding our first recommendation, the State agency indicated that the \$416,009 in unallowable payments identified in our report did not account for costs paid back as a result of a February 2026 State Title IV-E audit. The State agency also indicated that our finding included costs that were never claimed to Title IV-E but were instead charged to a different funding source. After completing a financial analysis of the Title IV-E payments covered by the audit, the State agency estimated that the overpayment amount is \$80,730 less than what we estimated.

Regarding our fourth recommendation, the State agency did not concur and stated that our audit did not account for an intra-agency agreement that contains procedures for coordinating efforts to monitor private child caring agencies between the Cabinet for Health and Family Services (CHFS) Department of Community Based Services and the CHFS Division of Regulated Child Care. The State agency did acknowledge however that the audit findings reflected a need for enhanced collaboration to adequately ensure compliance.

OFFICE OF INSPECTOR GENERAL RESPONSE

We commend the State agency for the actions it has taken and plans to take to address our recommendations.

With respect to our first recommendation, on multiple occasions we requested documentation from the State agency to support that a portion of the funds were refunded and to verify that certain costs were not claimed to Title IV-E prior to publication of the final report. However, the State agency did not provide the requested documentation.

With respect to our fourth recommendation, we also requested on multiple occasions the intra-agency agreement and other monitoring reports prior to publication of the final report. Again, that State agency did not provide the requested documentation.

Because we are unable to obtain and consider the requested documentation related to our audit findings, we maintain that our first and fourth recommendations are valid.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

The State agency provided a listing of 996 individuals between the ages of 7 and 19 who resided in at least 1 of the State's 38 QRTPs from October 1, 2023, through September 30, 2024. From this group, we determined that 30 children, who ranged in age from 11 to 17: (1) were eligible for Title IV-E foster care funding (2) had Title IV-E foster care maintenance payments made on their behalf during the placements, and (3) had resided in at least 1 of 15 QRTPs that were in operation at the time of our fieldwork. The 15 QRTPs were paid approximately \$2.6 million for the care provided to the children during their placements, of which the State agency claimed \$763,641 (\$555,719 Federal share) in Title IV-E costs during the placements.

To evaluate the State agency's compliance with Federal and State requirements, we reviewed documentation for the 30 children maintained in the State agency's TWIST system, which is a database used to manage case information for children in its custody. We also reviewed payments made on behalf of these children during their QRTP placements. In addition, we conducted unannounced site visits at the 15 QRTPs between July and December 2025 throughout Kentucky.

We did not review the overall internal control structure of the State agency during our audit. Rather, we limited our review of internal controls to those related to our objective. Specifically, we assessed the State agency's application of the Federal and State QRTP requirements, how it monitored the children residing in QRTPs, and its oversight of the QRTPs.

We conducted our audit from January 2025 through July 2026.

METHODOLOGY

We took the following steps to accomplish our objective:

- Reviewed and gained an understanding of applicable Federal and State requirements, policies and procedures, and guidance related to children in the State agency's custody and QRTPs
- Met with State officials to gain an understanding of how it monitors children in its custody and QRTPs
- Accessed the design, implementation, and operating effectiveness of the State agency's control activities; information and communication processes; and monitoring of children in its custody and QRTPs

- Reviewed previous Kentucky audits and reviews to gain an understanding of findings related to the audit objective
- Obtained placement and payment data from the State agency for children residing in QRTPs from October 1, 2023, through September 30, 2024
- Developed a listing of children who: (1) were eligible for Title IV-E foster care funding during the placements, (2) had Title IV-E foster care maintenance payments made on their behalf, and (3) resided in QRTPs operating at the time of our fieldwork
- Validated the placement data from the State agency to its TWIST files using identifiable information for the children and QRTPs
- Validated the payment data from the State agency to QRTP invoices and the payment details summary from TWIST
- Developed case review and QRTP checklists using Federal and State requirements as a guide for conducting site visits
- Reviewed the case files and records for the 30 children in foster care that met the selection criteria described above
- Conducted unannounced site visits at the 15 QRTP where at least one of the 30 selected children resided from October 1, 2023, through September 30, 2024
- Determined the State agency's compliance using the case review and QRTP checklists
- Calculated the Title IV-E foster care maintenance payments that did not meet requirements under section 472(k)
- Discussed the results of the audit with State agency officials

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

**APPENDIX B: INSTANCES OF NONCOMPLIANCE FOR TITLE IV-E CHILDREN RESIDING IN
QUALIFIED RESIDENTIAL TREATMENT PROGRAMS THAT WE REVIEWED**

Table 1: Instances of Noncompliance for Children’s Cases That We Reviewed

Case²⁹	TWIST File	QRTP Record	Total
1	0	0	0
2	0	0	0
3	0	0	0
4	2	1	3
5	2	3	5
6	3	1	4
7	2	1	3
8	2	2	4
9	1	1	2
10	1	1	2
11	3	0	3
12	1	0	1
13	2	1	3
14	1	0	1
15	2	0	2
16	1	0	1
17	0	1	1
18	1	2	3
19	1	1	2
20	2	1	3
21	0	0	0
22	2	0	2
23	2	2	4
24	1	2	3
25	2	2	4
26	1	0	1
27	3	1	4
28	1	1	2
29	1	1	2
30	2	1	3

²⁹ Of the 30 children we reviewed, 2 resided in more than one QRTP from Oct. 1, 2023, through Sept. 30, 2024. Therefore, we reviewed 32 cases associated with 30 children who resided in 15 QRTPs.

Case	TWIST File	QRTP Record	Total
31	0	0	0
32	2	0	2
Totals	44	26	70

Table 2: Instances of Noncompliance at the QRTPs That We Reviewed

QRTP	Background Checks	Personnel and Training Records	Policies and Staffing	Physical Environment	Total
1	1	8	2	3	14
2	2	7	1	4	14
3	1	8	1	1	11
4	2	8	0	4	14
5	2	4	3	1	10
6	2	5	0	0	7
7	1	2	1	0	4
8	1	9	1	3	14
9	1	8	0	3	12
10	2	8	1	1	12
11	3	8	0	2	13
12	1	6	0	0	7
13	2	8	0	0	10
14	1	8	1	1	11
15	2	7	1	2	12
Totals	24	104	12	25	165

APPENDIX C: FEDERAL AND STATE REQUIREMENTS

FEDERAL REQUIREMENTS

Family First was enacted by Division E, Title VII of the Bipartisan Budget Act of 2018 (P.L. No. 115-123) (Feb. 9, 2018). Section 50741 of the Families First amended the Act § 472.

Definitions

“Child care institution” is defined as a private child care institution, or a public child care institution which accommodates no more than 25 children, which is licensed by the State in which it is situated or has been approved by the agency of the State responsible for licensing or approval of institutions of this type as meeting the standards established for the licensing (The Act § 472(c)(2)(A)).

“Foster care maintenance payments” are defined as payments that cover the cost of providing food, clothing, shelter, daily supervision, school supplies, a child’s personal incidentals, liability insurance with respect to a child, reasonable travel to the child’s home for visitation, and reasonable travel for the child to remain in the school in which they are enrolled at the time of placement (The Act § 475(4)(A)).

“Qualified individual” is defined as a trained professional or licensed clinician who is not an employee of the State agency and who is not connected to, or affiliated with, any placement setting in which children are placed by the State (The Act § 475A(c)(1)(D)(i)).

“Qualified residential treatment program [QRTP]” means a program that has a trauma informed treatment model that is designed to address the needs, including clinical needs as appropriate, of children with serious emotional or behavioral disorders or disturbances and, with respect to a child, is able to implement the treatment identified for the child by the assessment of the child. This includes registered or licensed nursing staff and other licensed clinical staff who are on-site and available 24 hours a day and 7 days a week. The QRTP must appropriately involve the child’s family in treatment when it is in the child’s best interests and actively reach out to family members, including siblings, while documenting outreach efforts and maintaining contact information for biological family and fictive kin. The QRTP must also document how family members participate in the child’s treatment and how sibling relationships are supported during and after placement. Additionally, the QRTP must provide discharge planning and at least six months of family-based aftercare support. The QRTP must also be properly licensed under section 471(a)(10) and accredited by the appropriate independent, not-for-profit organizations, or other approved organization (The Act § 472(k)(4)).

Qualified Residential Treatment Programs

The State shall assemble a family and permanency team for the child. The qualified individual conducting the assessment shall work in conjunction with the family of, and permanency team for, the child while conducting and making the assessment (The Act § 475A(c)(1)(B)(i)).

The State shall document in the child's case plan:

1. the reasonable and good faith effort of the State to identify and include all the individuals on the child's family and permanency team;
2. all contact information for members of the family and permanency team, as well as contact information for other family members and fictive kin who are not part of the family and permanency team;
3. evidence that meetings of the family and permanency team, including meetings relating to the assessment are held at a time and place convenient for family;
4. if reunification is the goal, evidence demonstrating that the parent from whom the child was removed provided input on the members of the family and permanency team;
5. evidence that the assessment is determined in conjunction with the family and permanency team;
6. the placement preferences of the family and permanency team relative to the assessment that recognizes children should be placed with their siblings unless there is a finding by the court that such placement is contrary to their best interest; and
7. if the placement preferences of the family and permanency team and child are not the placement setting recommended by the qualified individual conducting the assessment, the reasons why the preferences of the team and of the child were not recommended (The Act § 475A(c)(1)(B)(iii)).

Within 60 days of the start of each placement in a QRTP, a family or juvenile court or another court (including a tribal court) of competent jurisdiction, or an administrative body appointed or approved by the court, independently, shall—

- (A) consider the assessment, determination, and documentation made by the qualified individual conducting the assessment;
- (B) determine whether the needs of the child can be met through placement in a foster family home or, if not, whether placement of the child in a QRTP provides the most effective and appropriate level of care for the child in the least restrictive environment and whether that placement is consistent with the short- and long-term goals for the child, as specified in the permanency plan for the child; and
- (C) approve or disapprove the placement (The Act § 475A(c)(2)).

The written documentation and documentation of the determination and approval or disapproval of the placement in a QRTP by a court or administrative body shall be included in and made part of the case plan for the child (The Act § 475A(c)(3)).

As long as a child remains placed in a QRTP, the State agency shall submit evidence at each status review and each permanency hearing held with respect to the child—

- (A) demonstrating that ongoing assessment of the strengths and needs of the child continues to support the determination that the needs of the child cannot be met through placement in a foster family home, that the placement in a QRTP provides the most effective and appropriate level of care for the child in the least restrictive environment, and that the placement is consistent with the short- and long-term goals for the child, as specified in the permanency plan for the child;
- (B) documenting the specific treatment or service needs that will be met for the child in the placement and the length of time the child is expected to need the treatment or services; and
- (C) documenting the efforts made by the State agency to prepare the child to return home or to be placed with a fit and willing relative, a legal guardian, or an adoptive parent, or in a foster family home (The Act § 475A(c)(4)).

In the case of any child who is placed in a QRTP for more than 12 consecutive months or 18 nonconsecutive months (or, in the case of a child who has not attained age 13, for more than 6 consecutive or nonconsecutive months), the State agency shall submit to the Secretary—

- (A) the most recent versions of the evidence and documentation; and
- (B) the signed approval of the head of the State agency for the continued placement of the child in that setting (The Act § 475A(c)(5)).

Criminal Records and Child Abuse and Neglect Registry Checks

In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which provides procedures for any child-care institution, including a group home, residential treatment center, or other congregate care setting, to conduct criminal records checks, including fingerprint-based checks of national crime information databases, and child abuse and neglect registry maintained by the State, on any adult working in a child-care institution, unless the State reports to the Secretary the alternative criminal records checks and child abuse registry checks the State conducts, and why the checks specified in this subparagraph are not appropriate for the State (The Act § 471(a)(20)(D)).

Title IV-E Foster Care Maintenance Payments

In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which provides for the establishment or designation of a State authority or authorities that shall be responsible for establishing and maintaining standards for child care institutions which are reasonably in accord with recommended standards of national organizations concerned with standards for the institutions, including standards related to admission policies, safety, sanitation, and protection of civil rights, and which shall permit use of the reasonable and prudent parenting standard (The Act § 471(a)(10)).

In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which provides that, not later than January 1, 1999, the State shall develop and implement standards to ensure that children in foster care placements in public or private

agencies are provided quality services that protect the safety and health of the children (The Act § 471(a)(22)).

Beginning with the third week for which foster care maintenance payments are made under this section on behalf of a child placed in a child-care institution, no Federal payment shall be made to the State for amounts expended for foster care maintenance payments on behalf of the child unless a child is placed in a QRTP with requirements met (The Act § 472(k)(1)).

In the case of a child who is placed in a QRTP, if the assessment required under section 475A(c)(1) is not completed within 30 days after the placement is made, no Federal payment shall be made to the State under section 474(a)(1) for any amounts expended for foster care maintenance payments on behalf of the child during the placement. If the assessment required under section 475A(c)(1) determines that the placement of a child in a QRTP is not appropriate, a court disapproves such a placement under section 475A(c)(2), or a child who has been in an approved placement in a QRTP is going to return home or be placed with a fit and willing relative, a legal guardian, or an adoptive parent, or in a foster family home, Federal payments shall be made to the State under section 474(a)(1) for amounts expended for foster care maintenance payments on behalf of the child while the child remains in the QRTP only during the period necessary for the child to transition home or to such a placement. In no event shall a State receive Federal payments under section 474(a)(1) for amounts expended for foster care maintenance payments on behalf of a child who remains placed in a QRTP after the end of the 30-day period that begins on the date a determination is made that the placement is no longer the recommended or approved placement for the child (The Act § 472(k)(3)).

STATE REQUIREMENTS

Definitions

Kentucky defines a “child-caring facility” as an institution or group home that provides 24/7 residential care for children who aren’t related to the person maintaining the facility. It excludes facilities certified primarily for educational or medical purposes, as well as accredited (or soon-to-be accredited) juvenile justice programs. An “institution” is defined as a child-care facility providing care or maintenance for nine or more children (Kentucky Revised Statutes (KRS) § 199.011).

“Driver’s license” means an operator’s license issued (KRS § 186.401).

“Treatment professional” means an individual with the following credentials or an individual with a master’s degree in a human services field practicing under the direct supervision of an individual with the following credentials; a licensed psychiatrist; a certified or licensed clinical psychologist; a licensed clinical social worker; a licensed marriage and family therapist; a licensed professional clinical counselor; a licensed professional art therapist; a licensed clinical alcohol and drug counselor; or a licensed behavior analyst (922 KAR 1:300 § (1)(38)).

Background Checks

The State agency requires a staff member of a child-caring facility or child-placing agency to submit background checks in accordance with Federal rules, including national and state fingerprint-supported criminal background checks conducted by the Department of Kentucky State Police and the Federal Bureau of Investigation (KRS § 199.642(2)).

A prospective child-caring staff member shall complete the background check process and have been found to have no disqualifying offense prior to becoming a child-caring staff member (922 KAR 1:290 § (2)(3)).

An individual shall be ineligible to be hired or serve as a staff member if the individual:

- Has a felony conviction, entered an Alford plea, a plea of guilty, or a plea of nolo contendere, related to:
 - A spouse, a child, sexual violence, or death;
 - Physical abuse, battery, drugs, or alcohol within the five year period prior to the check.
- Has a criminal conviction relating to child abuse or neglect (922 KAR 1:290 § (5)(1)).

Personnel and Training Records

A personnel record shall be maintained for each employee that includes their name, address, Social Security number, date of employment and date of birth; evidence of a current registration, certification, licensure, and college credentials, if required by the position; record of ongoing participation in an agency staff development program; record of performance evaluation; background check as required; personnel action; and application for employment, resume, or contract (922 KAR 1:300 § (3)(6)(g)).

The facility shall secure needed services for a child who has an assessed need for a psychological, psychiatric, or other professional treatment service not provided by the residential child-caring facility (922 KAR 1:300 (8)(1)).

If transportation is provided directly, contracted for, or arranged, a child-caring facility shall require:

- a. Compliance with state laws pertaining to vehicles, drivers, and insurance;
- b. A seat for each child and that the child remain seated while the vehicle is in motion;
- c. A seat belt be used to secure the child;
- d. A vehicle used to transport a child off campus to provide a seat for each passenger as manufactured stand equipment;
- e. That a child never be left unattended in a vehicle; and
- f. Compliance with KRS 605.080(3) pertaining to court-ordered transportation (922 KAR 1:300 § (5)(2)(d)).

General rules for vehicles, operator licenses and autonomous vehicles (KRS Chapter 186).
Unlawful to drive or permit another to drive without license (KRS § 186.620).

Full-time direct child care staff shall have at least forty hours, and part-time direct child care staff shall have at least twenty-four hours, of training specific to the tasks to be performed and of annual training in the following:

1. Emergency and safety procedure;
2. Principle and practice of child residential care;
3. Behavior management, including de-escalation training;
4. Physical management for a child-caring facility using the technique
5. First aid;
6. Personnel orientation; and
7. Trauma-informed care (922 KAR 1:300 § (3)(6)(I)).

Policies and Staffing

The board of directors shall:

1. Consist of at least seven members;
2. Meet at least quarterly;
3. Cause minutes of each meeting to be taken and kept in written form;
4. Have the authority and responsibility to ensure continuing compliance with this administrative regulation and other relevant Federal, State, and local law;
5. Have procedures in place to ensure that its staff receives ongoing training;
6. Obtain a background check of prior convictions of the executive director prior to employment; and
7. Approve a mission statement delineating the purpose, objective, and scope of service to be provided (922 KAR 1:300 § (3)(2)).

Maintain policies in accordance with the standards for child-caring facilities (922 KAR 1:300).

Physical Environment

Housekeeping and maintenance service.

- a. The building and its content shall be maintained in a clean and safe condition and in good repair.
- b. A maintenance plan shall be implemented.
- c. The child-caring facility shall ensure that the grounds and outdoor equipment are well kept and the exterior of the building is in good repair.
- d. The interior of the building and its contents shall be in good repair.
- e. Garbage and trash shall be:
 1. Stored in an area separate from those used for the preparation and storage of food;
 2. Removed from the premises regularly; and
 3. Placed in a container that is cleaned regularly.

- f. Insecticides, pesticides, and chemical poisons shall be plainly labeled and stored in a secure, locked area. Access shall be given to:
 1. The facility's maintenance personnel; and
 2. A pest control company with which the facility has a contract (922 KAR 1:300 § (4)(6)).

Bathroom.

- a. For every six (6) children residing in the living unit, a living unit shall have a minimum of:
 1. One (1) wash basin with hot and cold water;
 2. One (1) flush toilet; and
 3. One (1) bath or shower with hot and cold water (922 KAR 1:300 § (4)(9)).

The child-caring facility shall conform to the Kentucky Standards of Safety in accordance with 815 KAR 10.060 (922 KAR 1:300 § (4)(2)).

Children in QRTPs

For each child placed in the custody of the State agency by an order of commitment, the State agency files a case permanency plan for the child with the court and send a copy to the Administrative Office of the Courts Citizen Foster Care Review Board as soon as the plan is prepared but no later than thirty days after the effective date of the order (KRS § 620.230).

If a child has been removed from the home and placed in the custody of the Department of Juvenile Justice or the State agency, a judge of the District Court shall conduct a permanency hearing no later than twelve months after the date the child is considered to have entered foster care, and every twelve months thereafter if custody and out-of-home placement continues, to determine the future status of the child. For purposes of this section, a child shall be considered to have entered foster care on the earlier of the date of the first judicial finding that the child has been subjected to child abuse or neglect or the date that is sixty days after the date on which the child is removed from the home (KRS § 610.125).

The health record may be maintained separately from the QRTP case record but kept at the QRTP (922 KAR 1:300 §§ (5)(1)(h) and (7)(7)(a)).

Except for a weekend or holiday, within forty-eight hours of admission to a child-caring facility, a child shall have:

1. An initial health screening for illness, injury, and communicable disease or other immediate needs, by a nurse or trained child-care staff;
2. After the initial health screening, a physical examination by a licensed physician or a qualified person under the supervision of a licensed physician, within two weeks of admission, unless it has been documented that the child has received an examination during the past twelve months; and

3. The examining professional shall report, in writing, observations and findings including:
- a. Developmental history of the child, illnesses, operations, and immunizations if available to the professional;
 - b. A limitation the child may have that may prevent participation in an activity scheduled by the child-caring facility;
 - c. Visual and auditory examination results;
 - d. Recommendation and order for future care, treatment, and examinations;
 - e. TB skin test results, unless contraindicated by a qualified person under the supervision of a licensed physician; and
 - f. Other tests for communicable disease as indicated by the medical and social history of the child.

An annual physical examination shall be scheduled and documented as required by paragraph (d)3 of this subsection (922 KAR 1:300 § (5)(1)(d-e)).

The health record shall contain the following:

1. Copy of each physical examination, including any recommendations for treatment;
2. Previous and continuing health and medical history, if available;
3. Record or report of each test, immunization, periodic reexamination, and physician order and instruction;
4. Report and date of each dental examination and treatment;
5. Authorization for regular and emergency medical, dental, and surgical care, signed at admission by the legal custodian;
6. Documentation of medication administered to the child; and
7. Documentation of a special provision made for the child in accordance with a physician's order (922 KAR 1:300 § (5)(1)(i)).

After the discharge of a child:

1. Maintain the case record at the child-caring facility for at least three years; and
2. After three years, the child-caring facility may archive the case record; or
3. Maintain the case record permanently at the child-caring facility (922 KAR 1:300 § (7)(h)).

State Agency Manual

From the moment of the initial contact with the family, the social services worker (SSW), and the Department for Community Based Services (DCBS) are obligated under Federal and State law to make reasonable efforts to keep families intact whenever possible, and in removal situations, to make reasonable efforts to reunify children with their families. Out-of-home care (OOHC) case plans are also expected to make appropriate plans to ensure the child's mental health, educational stability, physical health, and the establishment and support of a stable placement for the duration of their time in OOHC. In addition, for a child in OOHC, the SSW and DCBS are responsible for creating a plan that demonstrates reasonable efforts to obtain a safe,

permanent placement that permits the child to exit foster care in a reasonable timeframe. The components of a well-designed case plan include documentation around all these efforts (SOP § C7.16).

Family First sets forth guidelines and requirements for the placement of youth in residential treatment facilities, in addition to their ongoing treatment, discharge, and aftercare planning. Family First mandates the creation of a family and permanency team that will inform the child's QRTP assessment and placement decision-making process. To identify residential facilities that meet a high standard of care, Family First requires States to recognize the designation of QRTP. These programs must provide trauma-informed treatment modalities, provide family engagement and treatment, have trauma-informed staff, and provide ongoing aftercare for the youth and their family. Family First requires that youth be placed in a family-like setting unless their individual treatment needs require a higher level of care. To determine the appropriateness of a child's placement in residential treatment, an evidenced-based assessment will be conducted by a qualified individual within the first thirty calendar days of the youth's placement in a residential setting, or sooner if possible (SOP § C7.10).

A permanency hearing is held no later than twelve months after the date the child is considered to have entered foster care and every twelve months thereafter, if the State agency retains custody of the child. This includes youth eighteen years of age or older on extended/reinstated commitment as long as the State agency maintains custody (SOP § C6.27).

APPENDIX D: STATE AGENCY COMMENTS



CABINET FOR HEALTH AND FAMILY SERVICES Department for Community Based Services Division of Protection and Permanency

Andy Beshear
Governor

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Dr. Steven J. Stack
Secretary

Lesa Dennis
Commissioner

August 25, 2026

Kari B. Lowery
Action Regional Inspector General for Audit Services
U.S. Department of Health and Human Services
330 Independence Avenue, SW
Washington, DC 2021

Dear Acting Regional Inspector General Lowery:

Kentucky's Cabinet for Health and Family Services (CHFS) appreciates the opportunity to respond to the Office of Inspector General draft report titled, *Kentucky Could Better Protect Children Residing in Qualified Residential Treatment Programs*, (OAS-24-05-010). Please see below for our responses to the recommendations included in the draft report, as well as comments regarding the recent audit process.

Recommendation 1: "We recommend that the State agency identify the specific Title IV-E funds that were repaid and work with the ACF to determine whether any portion of the remaining \$416,009 in those payments is unallowable and must be refunded to the Federal Government."

CHFS Response: CHFS does not concur with the above recommendation as the agency has multiple internal controls in place to ensure proper Title IV-E claiming, which this report does not consider. As a part of this process, payback payments may have already been made to the Children's Bureau regarding some of the cases included in this review though it's unclear that this was considered. Specifically, the report does not account for costs paid back through the State's Title IV-E Audit that occurred in February 2026, which entailed payback payments for *QRTP 30* included in the above. Additionally, findings of this report include payback requests for costs that were never claimed to Title IV-E, rather they were charged to a different funding source. After completing a financial analysis on the detailed Title IV-E payment information provided from the audit, CHFS noted discrepancies in financial payback numbers included in the Federal report. While some payback may be warranted, CHFS notes the current estimation being \$80,730.26 less than what auditors estimated.

Recommendation 2: "We recommend that the State agency implement procedures to ensure that case records contain all required documentation and staff training records are maintained."



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CHFS Response: CHFS concurs with the recommendation to enhance procedures to ensure all required documentation is maintained, including case records and staff training records. The State Agency is in the process of implementing the Kentucky Youth Services Information System (KYSIS) and Commonwealth Offerings for Learning & Training (COLT) system, which will house all provider information. KYSIS will capture information pertaining to programming (i.e., services provided, service intensity, dates of services, etc.) while COLT will house staff training records. Though these remain in development, CHFS intends to have both systems in use beginning in January 2027. Implementation will allow the Division of Protection and Permanency (DPP) within CHFS to enhance oversight of records.

Recommendation 3: “We recommend that the State agency immediately direct and ensure that the 15 QRTPs included in our audit complete fingerprint-based national background checks for all staff who lacked them.”

CHFS Response: CHFS concurs with the recommendation to ensure that agencies complete fingerprint-based national background checks for all staff, and this has been completed. During the audit period, CHFS was working to build the *Kentucky Applicant Registry and Employment Screening (KARES) System*, though it had not been implemented while awaiting release. In February 2025, agencies began submitting documentation to have staff fingerprinted. All active staff were entered into the KARES system by 6/1/2025; subsequent requests were submitted for prospective employees prior to hiring. This system wasn’t fully active until 8/6/2025 though, since that date, fingerprint-based national background checks have been completed for all staff members at private-child caring agencies, including residential treatment programs. During the audit period (and to date), the Division of Regulated Child Care (DRCC) within the State’s Office of Inspector General (OIG) maintains documentation on all agency renewals, including compliance with background checks.

Recommendation 4: “We recommend that the State agency conduct routine onsite monitoring of QRTPs to ensure compliance with Federal and State requirements, including verifying staff qualifications, enforcing trauma-informed care practices, and identifying physical environment deficiencies.”

CHFS Response: CHFS does not concur with this recommendation, as the accompanying report does not account for procedures in place for monitoring private-child caring agencies. There is an intra-agency agreement between the Department for Community Based Services (DCBS) and the Office of Inspector General (OIG) – both within CHFS – establishing an agreement for *Private Childcare Licensing Services*. Per this agreement, the DRCC is responsible for: 1) ensuring that child-caring facilities are annually licensed per applicable standards and regulations, 2) performing an initial inspection prior to licensing, 3) revisiting the facility or agency prior to annual re-licensing, 4) providing information to agencies pertaining to licensing standards and enforcement of regulatory issues, 5) notifying any agency that is deemed to be out of compliance, 6) develop a Directed Plan of Correction (DPOC), if required, and monitor for no less than three (3) months including site-visits, and 7) ensure that documentation is issued to the facility in a timely manner. Any allegations of noncompliance were investigated by the DRCC, though required notification to DCBS within 24-hours, and any Statement of Deficiencies were issued by their division. DRCC is responsible for submitting monthly reports to DCBS summarizing licensing, complaint, and investigation activities. While quarterly meetings are held between DRCC and DCBS to discuss any areas needing improvement, DRCC is responsible for immediately informing DCBS staff of any negative action (i.e., suspensions, revocations, etc.) and subsequent actions (i.e., injunctions, appeals, etc.), as such action may affect DPP. CHFS acknowledges that audit findings reflect need for enhanced collaboration amongst DPP and DRCC to adequately ensure compliance. DPP and OIG will meet to review the responsibilities identified in the current intra-agency agreement, clarify monitoring requirements, and establish a clear routine for collaborative-approach to oversight of services.

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TTY: 1-800-377-4950

Who Can Report?

Anyone who suspects fraud, waste, and abuse should report their concerns to the OIG Hotline. OIG addresses complaints about misconduct and mismanagement in HHS programs, fraudulent claims submitted to Federal health care programs such as Medicare, abuse or neglect in nursing homes, and many more. [Learn more about complaints OIG investigates.](#)

How Does It Help?

Every complaint helps OIG carry out its mission of overseeing HHS programs and protecting the individuals they serve. By reporting your concerns to the OIG Hotline, you help us safeguard taxpayer dollars and ensure the success of our oversight efforts.

Who Is Protected?

Anyone may request confidentiality. The Privacy Act, the Inspector General Act of 1978, and other applicable laws protect complainants. The Inspector General Act states that the Inspector General shall not disclose the identity of an HHS employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the investigation. By law, Federal employees may not take or threaten to take a personnel action because of [whistleblowing](#) or the exercise of a lawful appeal, complaint, or grievance right. Non-HHS employees who report allegations may also specifically request confidentiality.

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