



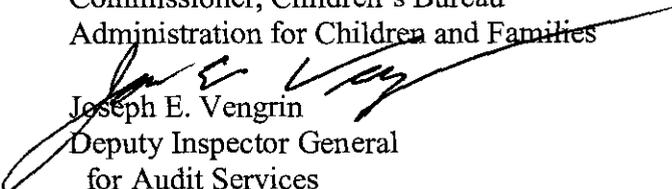
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

APR - 6 2005

TO: Joan Ohl
Commissioner, Children's Bureau
Administration for Children and Families

FROM: 
Joseph E. Vengrin
Deputy Inspector General
for Audit Services

SUBJECT: Review of Title IV-E Adoption Assistance Maintenance Payments in Maine for the Period July 2000 Through June 2003 (A-01-04-02503)

Attached is an advance copy of our final report on Title IV-E adoption assistance maintenance payments in Maine. We will issue this report to the Maine Department of Health and Human Services (the agency) within 5 business days.

Our objective was to determine whether the agency complied with Federal eligibility requirements in claiming adoption assistance payments for Federal reimbursement.

The agency did not consistently comply with Federal eligibility requirements in claiming adoption assistance maintenance payments from State fiscal years (SFY) 2001 through SFY 2003. Specifically, the agency met the Federal adoption assistance eligibility requirements for 966 of 1369 children in SFY 2001. However, our review of adoption assistance records noted that the agency inappropriately claimed adoption assistance maintenance payments for the remaining 403 children as follows:

- 139 children did not meet Aid to Families With Dependent Children program income eligibility at the time of removal;
- 134 children did not meet the judicial determination requirement demonstrating that continuation in the home would be contrary to the welfare of the child;
- 28 children exceeded the age requirement of 18 years; and
- 102 children were identified by the agency as ineligible.

The agency continued to claim adoption assistance payments for 310 of the 403 ineligible children in SFY 2002 and 261 in SFY 2003. These problems occurred because of computer programming errors, and inadequate internal controls and procedures.

As a result, the agency over claimed \$4.2 million (Federal share) in adoption assistance maintenance payments. We are referring to ACF for resolution \$1.7 million (Federal share) of

the over claimed maintenance payments for the 134 children not meeting judicial determination requirements.

The agency informed us that it had corrected its computer problems and initiated procedural changes to address the problems we identified. Based on information provided by the agency during our review, the Federal Government will avoid paying \$1.9 million for SFYs 2004 and 2005. This amount was calculated by the agency. We reviewed the amount and determined it to be reasonable based on the age of each child, and current and future adoption assistance maintenance payments rates for the 261 ineligible children claimed by the agency in SFY 2003.

We recommended that the agency:

- make a financial adjustment of \$2.5 million on its next Federal Quarterly Report of Expenditures;
- work with ACF to resolve the \$1.7 million in over claimed payments for children not meeting judicial determination requirements;
- claim adoption assistance payments for only children that meet Federal eligibility requirements; this should result in Federal cost savings of \$1.9 million for SFYs 2004 and 2005;
- ensure that eligibility specialists completely and accurately enter all manual transactions in the State IV-E computer system;
- claim adoption assistance payments only for children for whom judicial determinations were made within the required time period;
- maintain eligibility information in the adoption assistance case files for three years after the agency submits a claim for Federal reimbursement as required by Federal regulations; and
- identify any new adoption assistance cases in SFY 2002 or SFY 2003 that were claimed in error and make the appropriate financial adjustment.

In its written response dated February 28, 2005 (see Appendix), the agency concurred with our findings and recommendations.

If you have any questions or comments about this report, please do not hesitate to contact me, or your staff may contact Joseph J. Green, Acting Assistant Inspector General for Grants and Internal Activities, at (202) 619-1175, or through e-mail at Joe.Green@oig.hhs.gov. Please refer to report number A-01-04-02503 in all correspondence.



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
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APR - 8 2005

Report Number: A-01-04-02503

Mr. John R. Nicholas
Commissioner
Department of Health and Human Services
11 State House Station
221 State Street
Augusta, Maine 04333-0011

Dear Mr. Nicholas:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Title IV-E Adoption Assistance Maintenance Payments in Maine for the Period July 2000 through June 2003." A copy of this report will be forwarded to the action official noted on page 2 for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR Part 5).

Please refer to report number A-01-04-02503 in all correspondence.

Sincerely yours,

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures- as stated

Direct Reply to HHS Action Official:

Mr. Hugh F. Galligan
Regional Administrator
U.S. Department of Health and Human Services
John F. Kennedy Federal Building, Room 2000
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF TITLE IV-E ADOPTION
ASSISTANCE MAINTENANCE
PAYMENTS IN MAINE FOR THE
PERIOD JULY 2000
THROUGH JUNE 2003**



APRIL 2005
A-01-04-02503

Office of Inspector General

<http://oig.hhs.gov>

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

In Maine, the Department of Health and Human Services is the State Title IV-E agency (the agency) responsible for administering the foster care and adoption assistance programs. During State fiscal years (SFY) 2001 through 2003, the agency claimed approximately \$32.9 million (Federal share \$21.8 million) in adoption assistance payments paid to parents who adopted Title IV-E children. The Federal share for Maine's adoption assistance program was about 66 percent of the costs (Federal medical assistance percentage rate) incurred for cases meeting Federal eligibility requirements.

The United States Department of Health and Human Services, Administration for Children and Families (ACF), administers the foster care and adoption assistance programs in accordance with Title IV-E of the Social Security Act. The foster care program helps States provide proper care for children who need placement outside their homes, in a foster family home or an institution. The adoption assistance program helps States to encourage the adoption of hard-to-place children.

As it does in the foster care maintenance program, the Federal Government shares in the cost of adoption assistance maintenance payments for eligible children. Among other things, eligible children must meet supplemental security income (SSI) requirements or certain Federal foster care eligibility requirements. To meet the SSI requirements, a child must be disabled, his or her family household income must be below a specified ceiling, and he or she must be under a specific age limit. The Federal foster care requirements related to adoption assistance include:

- income eligibility of the child's home at the time the child was removed from that home based on the Aid to Families with Dependent Children (AFDC) program criteria;¹
- judicial determinations demonstrating that continuation in the home of removal would be contrary to the welfare of the child; and
- age not to exceed 18 years. Payments can be extended to age 21 if the child meets the special needs criteria established by the State agency. For example, the agency defines special needs as a medical condition or a mental, physical, or emotional handicap.

OBJECTIVE

Our objective was to determine whether the agency complied with Federal eligibility requirements in claiming adoption assistance payments for Federal reimbursement.

¹ Although the Temporary Assistance to Needy Families program replaced the AFDC program in 1996, eligibility for foster care and adoption assistance is still based on AFDC eligibility requirements in effect on July 16, 1996.

SUMMARY OF FINDINGS

The agency did not consistently comply with Federal eligibility requirements in claiming adoption assistance maintenance payments from SFY 2001 through SFY 2003. Specifically, the agency met the Federal adoption assistance eligibility requirements for 966 of 1369 children in SFY 2001. None of the remaining 403 children met SSI requirements. Additionally, our review of adoption assistance records noted that the agency inappropriately claimed adoption assistance maintenance payments for the remaining 403 children as follows:

- 139 children did not meet AFDC income eligibility at the time of removal;
- 134 children did not meet the judicial determination requirement demonstrating that continuation in the home would be contrary to the welfare of the child;
- 28 children exceeded the age requirement of 18 years; and
- 102 children were identified by the agency as ineligible.

The agency continued to claim adoption assistance payments for 310 of the 403 ineligible children in SFY 2002 and 261 in SFY 2003. These problems occurred because of computer programming errors, and inadequate internal controls and procedures.

As a result, the agency over claimed \$4.2 million (Federal share) in adoption assistance maintenance payments. We are referring to ACF for resolution \$1.7 million (Federal share) of the over claimed maintenance payments for the 134 children not meeting judicial determination requirements.

The agency informed us that it had corrected its computer problems and initiated procedural changes to address the problems we identified. Based on information provided by the agency during our review, the Federal Government will avoid paying \$1.9 million for SFYs 2004 and 2005. This amount was calculated by the agency. We reviewed the amount and determined it to be reasonable based on the age of each child, and current and future adoption assistance maintenance payments rates for the 261 ineligible children claimed by the agency in SFY 2003.

RECOMMENDATIONS

We recommend that the agency:

- make a financial adjustment of \$2.5 million on its next Federal Quarterly Report of Expenditures;
- work with ACF to resolve the \$1.7 million in over claimed payments for children not meeting judicial determination requirements;

- claim adoption assistance payments for only children that meet Federal eligibility requirements; this should result in Federal cost savings of \$1.9 million for SFYs 2004 and 2005;
- ensure that eligibility specialists completely and accurately enter all manual transactions in the State IV-E computer system;
- claim adoption assistance payments only for children for whom judicial determinations were made within the required time period;
- maintain eligibility information in the adoption assistance case files for three years after the agency submits a claim for Federal reimbursement as required by Federal regulations; and
- identify any new adoption assistance cases in SFY 2002 or SFY 2003 that were claimed in error and make the appropriate financial adjustment.

STATE AGENCY COMMENTS

In its response, dated February 28, 2005 (see Appendix), the agency concurred with our findings and recommendations.

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INTRODUCTION

BACKGROUND

In Maine, the Department of Health and Human Services is the State Title IV-E agency (the agency) responsible for administering the foster care and adoption assistance programs. During State fiscal years (SFY) 2001 through 2003, the agency claimed \$32.9 million (\$21.8 million Federal share) in adoption assistance maintenance payments paid to parents who adopted children that met Federal eligibility requirements. The Federal share for Maine's adoption assistance program was about 66 percent of the costs (Federal medical assistance percentage rate) incurred for cases meeting Federal eligibility requirements.

Foster Care and Adoption Assistance Programs

The United States Department of Health and Human Services, Administration for Children and Families (ACF), administers the foster care and adoption assistance programs in accordance with Title IV-E of the Social Security Act (the Act).

The foster care program helps States provide proper care for children who need placement outside their homes, in a foster family home or an institution. The adoption assistance program helps States to encourage the adoption of hard-to-place children. The Federal Government provides States with funding to assist them with the cost of foster care maintenance payments for eligible children. Eligible children must meet nine basic foster care requirements, several of which pertain to the adoption assistance program.

As it does in the foster care maintenance program, the Federal Government shares in the cost of adoption assistance maintenance payments for eligible children. Among other things, eligible children must meet supplemental security income (SSI) requirements or certain Federal foster care eligibility requirements. To meet the SSI requirements, a child must be disabled, his or her family household income must be below a specified ceiling, and he or she must be under a specific age limit. The Federal foster care requirements related to adoption assistance include:

- income eligibility of the child's home at the time the child was removed from that home based on the Aid to Families with Dependent Children (AFDC) program criteria;¹
- judicial determinations demonstrating that continuation in the home of removal would be contrary to the welfare of the child; and
- age not to exceed 18 years. Payments can be extended to age 21 if the child meets the special needs criteria established by the State agency. For example, the agency defines special needs as a medical condition or a mental, physical, or emotional handicap.

¹ Although the Temporary Assistance to Needy Families program replaced the AFDC program in 1996, eligibility for foster care and adoption assistance is still based on AFDC eligibility requirements in effect on July 16, 1996.

Claiming Maintenance Payments for Federal Reimbursement

The Federal and State Governments share in the cost of maintenance payments for the foster care and adoption assistance programs as detailed in each State's approved plan. The Federal share varies among States from 50 percent to 78 percent.

To claim maintenance costs for reimbursement, the agency submits a quarterly claim to the Federal Government. While the agency provides maintenance payments to all families who adopt foster care children, it can only claim maintenance payments for children meeting Federal eligibility requirements. The maintenance payment is based on a daily rate that varies between \$14.39 and \$60 per day depending on whether the child has special needs. The agency defines special needs as a medical condition or a mental, physical, or emotional handicap.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the agency complied with Federal eligibility requirements in claiming adoption assistance payments for Federal reimbursement.

Scope

We reviewed the eligibility of children claimed for payment in SFY 2001 (July 2000 through June 2001). For any ineligible children identified in SFY 2001, we determined whether the agency continued to claim payments in SFYs 2002 and 2003 (July 2001 through June 2003).

We considered internal control policies and procedures relating to our audit objective by obtaining an understanding of the process used to claim adoption assistance maintenance payments for reimbursement for the three years ended June 2003.

We performed our fieldwork at the Department of Health and Human Services in Augusta and Portland, Maine, from March 2004 through October 2004.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations;
- reviewed applicable program and policy announcements issued by ACF;
- reconciled total adoption assistance payments claimed to supporting records;
- reviewed eligibility case files for 1369 children (100 percent claimed for Federal reimbursement) in SFY 2001 for SSI eligibility or adoption assistance eligibility for

AFDC income eligibility, judicial determinations demonstrating that it was contrary to the welfare of the child to remain in the home, and age;

- determined whether the agency continued to claim payments for ineligible children identified in SFY 2001 during SFYs 2002 and 2003; and
- verified the agency's calculation of savings the Federal Government should realize from SFYs 2004 through 2005 as the result of the agency taking corrective action.

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

FINDINGS AND RECOMMENDATIONS

The agency did not consistently comply with Federal eligibility requirements in claiming adoption assistance maintenance payments from SFY 2001 through SFY 2003. Specifically, the agency met the Federal adoption assistance eligibility requirements for 966 of 1369 children in SFY 2001. None of the remaining 403 children met SSI requirements. Additionally, our review of adoption assistance records noted that the agency inappropriately claimed adoption assistance maintenance payments for the remaining 403 children as follows:

- 139 children did not meet AFDC income eligibility at the time of removal;
- 134 children did not meet the judicial determination requirement demonstrating that continuation in the home would be contrary to the welfare of the child;
- 28 children exceeded the age requirement of 18 years; and
- 102 children were identified by the agency as ineligible.

The agency continued to claim adoption assistance payments for 310 of the 403 ineligible children in SFY 2002 and 261 in SFY 2003. These problems occurred because of computer programming errors, and inadequate internal controls and procedures.

As a result, the agency over claimed \$4.2 million (Federal share) in adoption assistance maintenance payments. We are referring to ACF for resolution \$1.7 million (Federal share) of the over claimed maintenance payments for the 134 children not meeting judicial determination requirements.

The agency informed us that it had corrected its computer problems and initiated procedural changes to address the problems we identified. Based on information provided by the agency during our review, the Federal Government will avoid paying \$1.9 million for SFYs 2004 and 2005. This amount was calculated by the agency. We reviewed the amount and determined it to be reasonable based on the age of each child, and current and future adoption assistance maintenance payments rates for the 261 ineligible children claimed by the agency in SFY 2003.

FEDERAL CRITERIA

Section 473(a)(2) and Section 473(a)(4) of the Social Security Act establishes the adoption assistance eligibility requirements.

ACF's Policy Announcement ACYF-CB-PA-01-01, Adoption Assistance Eligibility, interprets the eligibility requirements established by the above Act. Specifically, eligibility for adoption assistance maintenance payments under Title IV-E of the Act is based on a child's eligibility for SSI, or

- AFDC income eligibility, including household income at the time of removal;
- judicial determinations obtained from a judge demonstrating that continuation in the home would be contrary to the welfare of the child. Prior to October 2000, States were allowed up to six months after a child's removal to obtain contrary to the welfare determination, consistent with the Department Appeals Board decision 1508 for foster care eligibility; and
- age not to exceed 18 years. Payments can be extended to age 21 if the child meets the special needs criteria established by each State agency. For example, the agency defines special needs as a medical condition or a mental, physical, or emotional handicap.

ADOPTION ASSISTANCE PAYMENTS CLAIMED FOR INELIGIBLE CHILDREN

The agency claimed payments for 403 ineligible children (29 percent) out of a population of 1369 adoption assistance children in SFY 2001. Specifically, none of the children met the SSI requirements, and our review of adoption assistance records noted that the agency inappropriately claimed:

- 139 children who did not meet the requirements for AFDC income eligibility. Our review of adoption assistance, foster care and AFDC case records found no evidence that the children's families met AFDC income eligibility requirements at the time the child was removed from the home. Thirty-two of the 139 children also did not meet the requirement for judicial determinations;
- 134 children for whom a judicial determination was not obtained within six months or case files for foster care and adoption assistance could not be located by the agency. Based on our review of the 71 available case files, the agency did not obtain a judicial determination that continuation in the home would be contrary to the welfare of the child within the six-month time limitation. For the 63 children without case files, we worked with the agency to obtain and review any available court records and found that the courts did not have the required judicial determinations;
- 28 children that exceeded the age limit of 18 years. The agency did not identify any special needs qualifying the children for additional payments until age 21; and

- 102 children that were identified by the agency as ineligible.

The agency continued to claim 310 of the 403 ineligible children in SFY 2002 and 261 in SFY 2003.

COMPUTER PROBLEMS AND INADEQUATE PROCEDURES

The agency claimed adoption assistance payments for ineligible children because of computer problems and inadequate procedures. Specifically,

- the computer was programmed to automatically classify a child as eligible unless the eligibility specialist checked a box for ineligible children on the computer screen;
- the computer was not programmed to edit for income, judicial determination dates, and date of birth prior to the agency claiming a payment for Federal reimbursement;
- the computer included a programming error that resulted in the agency claiming maintenance payments for ineligible children;
- the agency did not establish adequate input procedures to ensure that eligibility specialists completely and accurately recorded eligibility information to the computer;
- the agency did not have adequate procedures for obtaining judicial determinations within six months. When a child was removed from his or her home, the agency did not always obtain a judicial determination nor did it have an edit in its computer to remind caseworkers that a judicial determination was needed within six months from removal; and
- the agency did not establish adequate procedures to ensure that eligibility information for all active adoption assistance case files were maintained in accordance with Federal regulations.

INELIGIBLE ADOPTION ASSISTANCE MAINTENANCE PAYMENTS

As a result, the agency over claimed \$4.2 million in ineligible adoption assistance maintenance payments as follows:

- \$1.6 million in SFY 2001
- \$1.4 million in SFY 2002
- \$1.2 million in SFY 2003.

We are referring \$1.7 million (Federal share) of the over claimed maintenance payments for the 134 children not meeting judicial determination requirements to ACF for their review and determination of an appropriate resolution.

The agency informed us that it had corrected its computer problems and initiated procedural changes to address these issues. Based on information provided by the agency during our review, the Federal Government will avoid paying \$1.9 million for SFYs 2004 and 2005. This amount was calculated by the agency. We reviewed the amount and determined it to be reasonable based on the age of each child, and current and future adoption assistance maintenance payments rates for the 261 ineligible children claimed by the agency in SFY 2003.

RECOMMENDATIONS

We recommend that the agency:

- make a financial adjustment of \$2.5 million on its next Federal Quarterly Report of Expenditures;
- work with ACF to resolve the \$1.7 million in over claimed payments for children not meeting judicial determination requirements;
- claim adoption assistance payments for only children that meet Federal eligibility requirements; this should result in Federal cost savings of \$1.9 million for SFYs 2004 and 2005;
- ensure that eligibility specialists completely and accurately enter all manual transactions in the State IV-E computer system;
- claim adoption assistance payments only for children for whom judicial determinations were made within the required time period;
- maintain eligibility information in the adoption assistance case files for three years after the agency submits a claim for Federal reimbursement as required by Federal regulations; and
- identify any new adoption assistance cases in SFY 2002 or SFY 2003 that were claimed in error and make the appropriate financial adjustment.

STATE AGENCY COMMENTS

In its response, dated February 28, 2005 (see Appendix), the agency concurred with our findings and recommendations.

APPENDIX



STATE OF MAINE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
11 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0011

JOHN ELIAS BALDACCI
GOVERNOR

JOHN R. NICHOLAS
COMMISSIONER

February 28, 2005

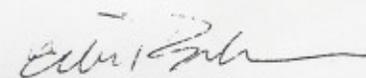
Office of Inspector General
Office of Audit Services
Michael J. Armstrong, Regional Inspector
Region I
John F. Kennedy Federal Building
Boston, MA 02203

REF: Report Number A-01-04-02503

Dear Mr. Armstrong,

We have received your draft report entitled "Review of Title IV-E Adoption Assistance Subsidy Payments in Maine for the Period July 2000 through June 2003". We concur with the findings and recommendations in this report. We look forward to working with the Office of the Inspector General and the Administration for Children and Families to make improvements in future claims.

Sincerely,


Gilbert M. Bilodeau
Deputy Commissioner

cc: John R. Nicholas, Commissioner, DHHS
Jim Beougher, Director, BCFS, DHHS
Elizabeth Hanley, Director, ACM, DHHS
Edward A. Karass, State Controller



This report was prepared under the direction of Michael J. Armstrong, RIGA. Other principal Office of Audit Services staff who contributed include:

Lori Pilcher, Audit Manager
George Nedder, Senior Auditor
Gregory Diagle, Auditor
Janis Cutone, Auditor
Lori Stamper, Auditor

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.