

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF TITLE IV-E
TRAINING COSTS**

**ILLINOIS DEPARTMENT OF CHILDREN
AND FAMILY SERVICES**



**JUNE GIBBS BROWN
Inspector General**

**FEBRUARY 1996
A-05-95-00022**



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V
105 W ADAMS ST
CHICAGO, ILLINOIS 60603-6201

OFFICE OF
INSPECTOR GENERAL

February 29, 1996

Common Identification No.: A-05-95-00022

Mr. Jess McDonald, Director
Illinois Department of Children
and Family Services
406 East Monroe Street
Springfield, Illinois 62701

Dear Mr. McDonald:

Enclosed for your information and use are two copies of the Department of Health and Human Services, Office of Inspector General report entitled, "**Review** of Title IV-E Training Costs."

Final determination as to actions taken on all matters reported will be made by the HHS action official. We request that you respond to the HHS 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. It should be directed to: Regional Administrator, Administration for Children and Families, Region V, 105 West Adams Street, 20th Floor, Chicago, Illinois 60603.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General audit reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public, to the extent information contained therein is not subject to exemptions in the Act, which the Department chooses to exercise (See 45 CFR Part 5).

To facilitate identification, please cite Common Identification Number (CIN) A-05-95-00022 in all correspondence relating to this report.

Sincerely,

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures

SUMMARY

BACKGROUND. This report provides you with the results of our audit of training costs claimed by the Illinois Department of Children and Family Services (State agency) under the Title IV-E Foster Care and Adoption Assistance programs. Our review was part of a nationwide audit of training activities at selected State agencies. During the period January 1, 1992 through December 31, 1994, the State agency claimed training costs of \$32.3 million for reimbursement under the Title IV-E programs.

Although an objective of our audit was to evaluate the allocation of training costs between State and Federal programs, this area was under appeal and, therefore, is not being covered in this report. We will address this allocation issue in a later audit.

In relation to the audit objectives covered in this report, the State agency inappropriately claimed training costs of **\$7,414,390** (Federal share - **\$2,742,181**). The results of our review are summarized below and discussed in more detail in the Findings and Recommendations section.

University Training Costs. During the period January 1, 1992 through December 31, 1994, the State agency claimed approximately \$13.9 million for reimbursement of training provided under agreements with 20 colleges and universities. We reviewed the three universities with the largest Title IV-E training claims (Governors State **University-\$3,381,231**; Sangamon State **University-\$2,299,917**; and Northern Illinois **University-\$2,095,583**). Our review focused on whether these universities adequately supported their claimed costs.

Costs claimed by the three universities included unallowable and unsupported costs of **\$1,740,719** (Federal share - **\$1,305,539**). We attribute these inappropriate claims to inadequate State agency guidance and oversight to its contractors to ensure that their claims under the training contracts met Federal cost reimbursement principles.

Nontraining Costs. The State agency claimed **\$5,637,221** as training costs at the enhanced Federal financial participation (FFP) rate of 75 percent, rather than at the allowable 50 percent rate. Section 474 of the Adoption Assistance and Child Welfare Act provides FFP in the costs of training personnel who provide services under the Title IV-E program. Federal reimbursement for this training is at the rate of 75 percent of the State's

expenditures. The cost of administrative activities are reimbursed at 50 percent.

The overclaim resulted primarily from the State agency's interpretation of Federal regulations that define the type of costs allowable as training. The amounts inappropriately claimed at 75 percent related to foster parent recruitment (**\$2,127,689**) and indirect costs (**\$3,509,532**). As a result, the State agency overstated its claim for Federal reimbursement by **\$1,409,305** (25 percent of **\$5,637,221**).

Allocation of Office Space Costs. The lease costs of office space for the State agency's Child Welfare Training Institute (CWTTI) were inadvertently allocated 100 percent to the Title IV-E program. Based on the State agency's methodology, costs of leasing space for CWTTI staff were to be allocated 70 percent to Title IV-E. In 1993 and 1994, however, the total lease costs of \$121,500 were charged to Title IV-E. As a result, the State agency overclaimed \$36,450 (Federal share - \$27,337).

RECOMMENDATIONS. We are recommending that the State agency:

- Make a financial adjustment of **\$7,414,390** (Federal share - **\$2,742,181**).
- Provide additional guidance and instructions to its contractors to assist them in submitting accurate claims for reimbursement based on Federal cost principles.
- Review claims submitted by contractors to ensure that the costs are allocable and allowable under the Title IV-E program.
- Claim only eligible training costs at the enhanced 75 percent FFP rate.

STATE AGENCY COMMENTS. In written responses dated January 19, 1996 and February 8, 1996, the State agency concurred in our recommendations and agreed to make a financial adjustment of **\$3,904,858** (Federal share - **\$1,864,798**). The State agency did not concur with the remaining amount of **\$3,509,532** (Federal share - \$877,383) which represents indirect costs recommended for financial adjustment. They stated that they will evaluate Departmental Appeals Board Decisions 1422 and 1530 (Illinois) which relate to issues similar to those noted by the auditor.

The State agency agreed to distribute regulations to contractors and implement a review system to ensure that the costs claimed are accurate and allowable. Their complete responses are included as Attachments to this report.

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	i
INTRODUCTION	
<i>Background</i>	1
<i>Scope</i>	1
FINDINGS AND RECOMMENDATIONS	
<i>University Training Costs</i>	3
Administrative Fees	3
Estimated Costs	4
Computer Equipment and Software	4
Duplicate Claim	5
Indirect Costs	5
<i>Nontraining Costs</i>	6
Foster Parent Recruitment	7
Indirect Costs	7
<i>Allocation of Office Space Costs</i>	8
<i>Other Matters</i>	9
STATE AGENCY'S RESPONSES TO DRAFT REPORT	10

INTRODUCTION

BACKGROUND

In 1980, the Adoption Assistance and Child Welfare Act, Public Law 96-272, established the Title IV-E program - Federal Payments for Foster Care and Adoption Assistance. Under Section 474 of the Act, states are entitled to Federal financial participation (FFP) to cover the cost of training state personnel to administer the Title IV-E program. Section 474 provides for Federal reimbursement at the enhanced rate of 75 percent for training expenditures.

The Title IV-E program is administered at the Federal level by the Department of Health and Human Services (HHS), Administration for Children and Families (ACF). At the State level, the Illinois Department of Children and Family Services (State agency) is responsible for administering the Title IV-E program. Their staff development office is the Child Welfare Training Institute (CWTI) which plans, coordinates and implements training programs as required by State law. The CWTI makes training available at all levels, from child care staff to top administrators. To assist in providing these training services, the State agency contracts with state universities and colleges.

In regard to training content, Title 45 CFR 1356.60(b) specifies the type of activities that are considered to be allowable training, eligible for reimbursement at 75 percent. Included are training expenditures for staff development personnel assigned to training functions, agency training sessions, and training and education provided outside the agency as described in 45 CFR **235.64**.

During the period January 1, 1992 through December 31, 1994, the State agency claimed Title IV-E training costs totaling approximately \$32.3 million (Federal share - \$24.3 million).

SCOPE

Our audit was conducted in accordance with generally accepted government auditing standards. This review was part of a nationwide audit of training activities at State agencies administering Federal programs. The objectives of our audit were to determine whether:

- ▶ Contract training costs and related administrative costs were properly allocated between Federal and State activities.

- ▶ Training contractors are able to support costs claimed, including their matching share.
- ▶ Costs claimed at the enhanced FFP rate of 75 percent are applicable to eligible training activities.

To accomplish the audit objectives, we reviewed Federal regulations, Department Appeals Board (DAB) decisions and ACF program guidelines. We reconciled training costs claimed for the period January 1, 1992 through December 31, 1994 to the accounting records and other supporting documentation. We also made a limited study and evaluation of the State agency's internal controls to assure the accuracy of its Title IV-E training claims. Our review of the internal control structure focused on examining the methodology followed by the State agency in preparing its claims.

Since the State agency contracts with universities and other agencies to provide training services, we examined the contract files and invoices for several training contractors. Training costs of \$13.9 million were claimed for 20 universities. We visited the three universities which submitted the largest training claims. Their claims totaled approximately \$7.8 million. Our review focused on whether the universities could properly support their costs.

Our review was conducted at the State agency during the period January through August 1995. We also made site visits to Governors State University, Northern Illinois University, and Sangamon State University, which is now called the University of Illinois at Springfield.

Report Exclusion. In December 1994, the State agency filed an appeal with the HHS Departmental Appeals Board (DAB). The three primary issues of the appeal dealt with (i) the types of activities allowable as Title IV-E training, (ii) the allocation of training costs exclusively to the Title IV-E program, and (iii) the claiming of indirect costs at the enhanced FFP rate of 75 percent. Because of the appeal, we deferred our planned review of the allocation of training costs to a later date. The DAB, in decision No. 1530 dated August 3, 1995, stated that joint training costs must be allocated among all benefitting programs. The State **agency's** allocation of training costs to the Title IV-E program will be addressed in a subsequent review and a separate report.

FINDINGS AND RECOMMENDATIONS

UNIVERSITY TRAINING COSTS

Costs claimed in the amount of **\$7,776,731** by the three universities reviewed included unallowable and unsupported amounts totaling **\$1,740,719** (Federal share - **\$1,305,539**). The State agency claimed approximately \$13.9 million for training services provided through contractual arrangements with 20 universities and colleges within the State. These contractors submit vouchers to the State agency which identify reimbursable costs. These vouchers are used by the State agency for reimbursing the contractors and for claiming eligible training costs under the Title IV-E program. For the 3-year period ended December 31, 1994, we reviewed contracts with the three universities having the largest Title IV-E training claims. Their costs claimed were, as follows:

Governors State University (GSU)	\$3,381,231
Sangamon State University (SSU)	2,299,917
Northern Illinois University (NIU)	<u>2,095,583</u>
Total	<u>\$7,776,731</u>

We found that the State agency did not provide adequate guidance and oversight to contractors to ensure that their claims for training costs met Federal cost principles. As a result, the claims included unallowable and unsupported costs, as follows:

<u>Unallowable and Unsupported Costs</u>				
<u>Description</u>	<u>GSU</u>	<u>ssu</u>	<u>NIU</u>	<u>Total</u>
Administrative Fees	\$181,248	\$218,692	\$	\$ 399,940
Estimated Costs	20,000	198,281		218,281
Computer Equipment		18,352		18,352
Duplicate Claim	10,677			10,677
Indirect Costs	<u>777,501</u>	<u>117,919</u>	<u>198,049</u>	<u>1,093,469</u>
Total	<u>\$989,426</u>	<u>\$553,244</u>	<u>\$198,049</u>	<u>\$1,740,719</u>

Details are discussed in the following paragraphs.

Administrative Fees - \$399,940. Administrative fees amounting to \$218,692 for six of seven SSU training contracts and \$181,248 for the five GSU contracts were inappropriately claimed. The SSU fees were budgeted for the purpose of recovering its costs of office machine and computer usage, telephones, office supplies, duplicating, postage and other expenses related to administration of the contracts. These type of administrative expenses,

however, were already billed as direct costs to the contracts and were also included in administrative overhead reimbursed through an indirect cost rate. The GSU administrative fees were based on rates specified in the contract budgets. Since both SSU and GSU also claimed indirect costs under the contracts, the administrative fee reimbursements resulted in a duplication or overrecovery of costs. State agency officials were unaware that the administrative fees could not be supported by additional costs incurred by the universities. We are recommending a financial adjustment of \$399,940.

Estimated Costs - \$218,281. SSU and GSU claimed costs amounting to \$218,281 based on unsupported budget estimates. This amount includes internal support costs of \$198,281 claimed by SSU based solely on budget estimates, and a flat fee of \$10,000 claimed by GSU under each of two contracts (nos. 1347189023 and 1347189033). The SSU claims included:

Personnel and Professional Support. Costs of \$110,182 were based on unsupported daily rates applied to a number of days. (Personnel providing these services were not identified nor were actual salaries used to prepare invoices submitted for each contract. The support services included clerical, library media, conferences and publications.)

Use Charues. Internal billings of \$58,058 were charged to the training contracts for use of university-owned office machines, equipment and computer software. (The costs were based on estimates and monthly rates which could not be supported. In addition, there were no records to support usage under the training contracts.)

Other. Costs of \$30,041 were charged to contracts based on budgets and estimates which were not supported. (These costs represented unsupported telecommunication usage, continuing education fees, and personal service costs claimed as cost sharing.)

The GSU flat fees were listed in the approved budgets to cover administrative type expenses. We determined the fees of \$20,000 were not directly related to any specific costs, nor were they supported.

There were no records available to document these costs. We were unable to make a determination as to their allowability or allocability. **As a result**, we are recommending a financial adjustment of \$218,281.

Computer Equipment and Software - \$18,352. SSU included costs of \$18,352 for acquiring computer equipment and software. These equipment purchases were claimed as equipment rental and library media support charges. Since these items were not identified as

equipment in claims submitted to the State agency, the State's approval was not obtained as required by OMB Circular A-21.

Duplicate Claim - \$10,677. We identified a duplicate claim of \$10,677 attributable to weaknesses in **GSU's** accounting system. The claims were not prepared from the accounting records, but rather from invoices submitted by vendors. Since payment on the first invoice had not been received, the American Humane Association submitted invoice 91979 twice. Although the invoice was only paid once, the amount was claimed twice on reimbursement invoices submitted to the State agency.

Indirect Costs - \$1,093,469. Indirect costs claimed by the universities included **\$1,093,469** of unallowable costs, comprised of (i) unallowable direct costs (GSU-\$138,239; **SSU-\$117,919**), (ii) subcontractor costs (**GSU-\$639,262**), and (iii) excessive and unsupported indirect costs (NIU-\$198,049). Details follow.

(i) GSU applied a 65.23 percent indirect cost rate to total direct costs, while SSU applied a 30.31 percent rate. The questioned amounts of \$138,239 and \$117,919 for GSU and SSU, respectively, represent indirect costs applicable to previously cited unallowable and unsupported costs.

(ii) The GSU indirect cost rate was also applied to total subcontractor costs of **\$1,105,013**, which resulted in inappropriate indirect cost claims totaling \$720,800. Since Office of Management and Budget (OMB) Circular A-21 allows indirect cost recovery on only \$25,000 of each subcontract, we determined that the 65.23 percent rate should have been applied to only \$125,000 (5 subcontracts). As a result, indirect costs of \$639,262 (**\$720,800 less \$81,538**) were erroneously claimed under the Title IV-E program.

(iii) To recover its administrative and indirect costs, NIU generally applied a rate of 20 percent to direct costs. An additional 30 percent rate **was** applied to these direct costs for reported cost sharing. These rates were not supported by cost determinations or an indirect cost agreement. Although NIU has an indirect cost rate agreement with HHS, the negotiated rates apply to research and are not applicable to costs incurred under contracts with the State agency. Since we acknowledge that NIU did incur indirect costs for which it is entitled to reimbursement, we used 30 percent as a reasonable and equitable indirect cost rate. Accordingly, we are questioning indirect costs of \$198,049 which exceed the 30 percent rate.

SUMMARY. In summary, we identified total unallowable and unsupported costs of **\$1,740,719** (Federal share - **\$1,305,539**) claimed by the three universities, as follows:

<u>Description</u>	<u>Total costs</u>	<u>Federal Share</u>
Administrative fees	\$ 399,940	\$ 299,955
Estimated costs	218,281	163,710
Computer equipment	18,352	13,764
Duplicate claim	10,677	8,008
Indirect costs	<u>1,093,469</u>	<u>820,102</u>
Total	<u>\$1,740,719</u>	<u>\$1,305,539</u>

We attribute the unallowable and unsupported costs claimed by the universities to a need for the State agency to provide more guidance and oversight to contractors. The contractors should be informed of the requirements contained in Federal cost principles. In addition, fiscal monitoring of the contracts and claims should be improved to ensure the accuracy and allowability of charges to the Title IV-E program.

RECOMMENDATIONS. We recommend the State agency:

- make a financial adjustment of **\$1,740,719** (Federal share **\$1,305,539**) to the Title IV-E program.
- provide sufficient guidance and instructions to contractors to assist them in submitting accurate claims for reimbursement of costs.
- monitor and review contractor claims to ensure that the costs are accurate, allowable and allocable under the Title IV-E program.

STATE AGENCY COMMENTS. In a letter dated January 19, 1996, the State agency concurred with the financial adjustment of **\$1,740,719** and stated that it will be made in a claim subsequent to issuance of the final audit report. The State agency will distribute pertinent regulations to all training contractors and implement a review system to ensure that costs claimed are accurate and allowable.

NONTRAINING COSTS

During the period January 1, 1992 through December 31, 1994, the State agency claimed **\$5,637,221** at the enhanced FFP rate of 75 percent for training, rather than at the allowable rate of 50 percent. The costs claimed were for activities that do not meet the definition of eligible training as specified in Federal regulations. As a result, the State agency overstated its claim for Federal reimbursement by **\$1,409,305**. Details follow.

Foster Parent Recruitment. The State agency inappropriately claimed foster parent recruitment costs of **\$2,127,689** as training under the Title IV-E program. These costs were incurred under contracts with not-for-profit agencies. The contracts were administered by the State agency's regional offices. We examined contracts, abstracts, program plans, and billing summaries for several of the agencies, indicating that the primary goal of the programs was to expand the number of licensed foster care slots. The contracts were awarded to identify, recruit, and assist in the expansion of the foster care program. Recruitment services were often indicated on the contractor billing summaries.

Although 75 percent reimbursement is available to states for short-term training expenditures related to current and prospective foster parents, the recruitment activities furnished under these contracts are not eligible for this higher rate. Since the training components of these contracts could not be identified, we are recommending that reimbursement be limited to the 50 percent nontraining rate. We are questioning the difference of \$531,922 (25 percent of **\$2,127,689**).

Indirect Costs. Training costs claimed by the State agency included indirect costs of **\$3,509,532**. This amount includes **\$2,120,368** claimed in behalf of the State agency and **\$1,389,164** for the three selected universities. The propriety of claiming indirect costs at the rate of 75 percent under Title IV-E has been addressed in previous Departmental Appeals Board (DAB) decisions (Nos. 1422, 1463 and 1530). The latter decision indicated that if the indirect costs are based on rates determined from cost pools containing other than allowable training costs, indirect costs of the State agency may not be charged as training at the 75 percent rate of FFP. Instead, the indirect costs should be claimed at the Federal reimbursement rate of 50 percent for administrative costs. Since indirect costs were claimed at the FFP rate of 75 percent, Federal reimbursement was overstated by \$877,383 (25 percent of **\$3,509,532**). Details follow.

State Agency. During the period January 1, 1992 through September 30, 1994, the State agency computed its indirect costs by applying various rates, established through negotiation agreements with HHS, to personal service costs. Since the cost pools **used to develop** the rates contained costs other than those allowable as defined in 45 CFR 235.64, the indirect costs are not eligible for reimbursement at 75 percent.

Because indirect costs of **\$2,120,368** were claimed at the FFP rate of 75 percent, Federal reimbursement was overstated by \$530,092 (25 percent of **\$2,120,368**). Since October 1, 1994, the State agency's indirect costs were claimed at the correct rate of 50 percent.

Universities. Indirect costs of **\$1,389,164**, claimed at the rate of 75 percent for the three selected universities, were generally computed by applying indirect cost rates to direct training costs. The rates were calculated using cost pools containing costs of support services from the library, accounting, business operations, administrative computing, word processing and personnel. Under 45 CFR 235.64, these types of costs are not allowable at 75 percent FFP. Because the cost pools used to compute the rates included nontraining costs, the indirect costs should have been claimed at 50 percent. The difference in the Federal share is \$347,291 (25 per cent of **\$1,389,164**).

SUMMARY. The State agency's inappropriate claims for training under the Title IV-E program are summarized, as follows:

<u>Description</u>	<u>Total costs</u>	<u>Federal Share</u>
Foster parent recruitment	\$2,127,689	\$ 531,922
Indirect costs:		
State agency	2,120,368	530,092
University	<u>1,389,164</u>	<u>347,291</u>
Total	<u>\$5,637,221</u>	<u>\$1,409,305</u>

RECOMMENDATION. We recommend that the State agency make a financial adjustment of **\$5,637,221** (Federal share - **\$1,409,305**).

STATE AGENCY COMMENTS. In a letter dated February 8, 1996, the State agency agreed with a financial adjustment in the amount of **\$2,127,689** (Federal share - \$531,922) for foster parent recruitment costs claimed at the 75 percent rate.

In a letter dated January 19, 1996, the State agency did not concur with the remaining amount of **\$3,509,532** (Federal share - \$877,383) which represents indirect costs claimed on behalf of the State agency and the three selected universities. The State agency is evaluating DAB decisions 1422 and 1530 regarding the propriety of claiming indirect costs at 75 percent. They plan to resolve the issues with ACF based on interpretations and applicability of the prior DAB decisions. We advised the State agency that our working papers are available if needed to assist in resolving the issues.

ALLOCATION OF OFFICE SPACE COSTS

The lease costs for **CWTI's** office space were inadvertently allocated 100 percent to the Title IV-E program. The State agency had determined that 30 percent of the activity at CWTI is not related to foster care. Therefore, the lease costs should

have been allocated at 70 percent. In preparing the claims for 1993 and 1994, lease costs of \$121,500 were charged to Title IV-E. This resulted in an overclaim of \$36,450 (30 percent of \$121,500).

RECOMMENDATION. We recommend that the State agency make a financial adjustment of \$36,450 (Federal share - \$27,337).

STATE AGENCY COMMENTS. In a letter dated January 19, 1996, the State agency concurred in the financial adjustment of \$36,450.

OTHER MATTERS

During our review at the universities, another condition was noted which needs to be addressed by the State agency.

- ▶ The indirect cost rates for GSU and SSU were not reviewed by the State agency to ensure that the rates were developed in accordance with Federal cost principles. The propriety of the universities' indirect cost rates was not included in the scope of our review.

ATTACHMENTS

STATE AGENCY'S RESPONSE
TO DRAFT REPORT



STATE OF ILLINOIS

JESS McDONALD
DIRECTOR

**DEPARTMENT OF
CHILDREN AND FAMILY SERVICES**

406 EAST MONROE
SPRINGFIELD, ILLINOIS 62701 217/785-2509
217/524-3715 TDD/TTY

January 19, 1996

Common Identification No. : A-05-95-00022

Mr. Victor Schmitt
HHS - OIG Office of Audit Services
Illinois Business Center
400 West Monroe, Suite 204B
Springfield, Illinois 62704

Dear Mr. Schmitt:

We have reviewed the draft report of your review of our Title IV-E training costs dated December 1995 and provide the following comments.

UNIVERSITY TRAINING COSTS

Unallowable and unsupported costs were found in the following areas:

- 1) Administrative fees
- 2) Estimated costs
- 3) Computer equipment
- 4) Duplicate claims
- 5) Indirect costs (associated with unallowable and unsupported costs)

Recommendations.

- make a financial adjustment of \$1,740,719 (Federal share \$1,305,539) to the Title IV-E program.

We concur. A financial adjustment will be made in a claim subsequent to the final report.

- provide sufficient guidance and instructions to contractors to assist them in submitting accurate claims for reimbursement of costs.

We concur. Universities were notified during contract negotiations for SFY 1.996 that unsupported administrative fees would not be allowed. A review of contracts confirmed that no SFY 1996 contracts include unsupported administrative fees. A formal notification of DCFS and federal rules and regulations related to the other four areas will be distributed to all training contractors.

- monitor and review contractor claims to ensure that the costs are accurate, allowable and allocable under the Title IV-E program.

We concur. DCFS will develop and implement a review system to ensure that the costs claimed by contractors are accurate and allowable.

NON-TRAINING COSTS

Items found to not meet the definition of eligible training were as follows:

- 1) Foster parent recruitment
- 2) Indirect costs (State agency and University)

Recommendations.

- make a financial adjustment of **\$5,564,831** (Federal share - **\$1,391,208**).
- 1) Foster parent recruitment

AUDITOR'S NOTE: Please refer to the State agency's subsequent letter dated February 8, 1996. The State concurs in a financial adjustment of **\$2,127,689** (Federal share \$531,922).

- 2) Indirect costs (State Agency and Universities) are claimable at **50%**, rather than 75 %, if the indirect costs are based on rates determined from cost pools containing other than allowable training costs.

We do not concur. Illinois is evaluating DAB Board Decisions 1422 and 1530 regarding the assertion a valid and approved indirect cost rate applied to a 75 % training program **cannot** be claimed at 75 % and reserves the right to claim this cost at 75 % at a later time.

Regarding the Inspector General's position that the cost pool used to determine the indirect cost has unallowable costs, we request that records be provided substantiating these unallowable costs. A meeting to review these records is also requested.

State Agency Indirect

Notwithstanding the result of these reviews, we do not concur that this adjustment should be retroactive to January 1, 1992.

The record contains no indication that either DCA or ACYF gave Illinois notice that it could not claim the indirect training costs of the State agency Child Welfare Institute training costs at 75%. In fact, the claiming of indirect costs of training was in accord with an opinion of DHHS' General Counsel's Office. It was not until, at the earliest, August 1992, that ACYF issued its first training disallowance. Even then, however, the notice was premature in that the claims had been submitted in accordance with a proposed (and not yet disapproved) CAP.

Illinois contends that no retroactive adjustments prior to July 1, 1993 should be made. There is even a distinct argument against seeking any adjustments for indirect costs, since even after July 1, 1993, Illinois has reason to believe that States have in fact been permitted to continue claiming their indirect costs of training at 75%, well after the Board's Decision No. 1422.

University Indirect

Regarding claiming of indirect training costs of universities at 50%, the record contains no indication that either DCA or ACYF gave Illinois notice that it could not claim the indirect costs of universities at 75% until the issuance of this draft report.

Board Decision No. 1422, issued July 1, 1993, responded only to the claiming of indirect costs of the Child Welfare Training Institute. Thus, Illinois has never been provided notice prior to this draft report that DHHS' position is that DAB Board Decision No. 1422 also applies to university indirect costs.

ALLOCATION OF OFFICE SPACE COST

Lease costs were not allocated between Title IV-E and State training programs.

Recommendation.

- make a financial adjustment of \$36,450 (Federal share - \$27,337).

We concur. A financial adjustment will be made in the claim subsequent to the final report.

OTHER MATTERS

Recommendations.

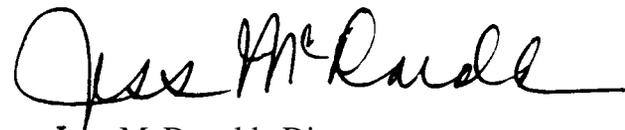
- The indirect cost rates for GSU and SSU were not reviewed by the State agency to ensure that the rates were developed in accordance with Federal cost principles. The propriety of the universities' indirect cost rates was not included in the scope of our review.

We concur. Procedures will be developed to ensure indirect cost rates submitted by universities are reviewed.

AUDITOR'S NOTE: We have deleted this section of the State agency's response as it pertains to material in our draft report which we deleted.

If you have questions or comments related to the matters presented, please contact Francis L. Kauzlarich at 217-785-2564.

Sincerely,

A handwritten signature in black ink that reads "Jess McDonald". The signature is written in a cursive style with a large initial "J" and "M".

Jess McDonald, Director

cc: Cheryl Cesario, Joe Loftus, Phil Gonet, Francis L. **Kauzlarich**



STATE OF ILLINOIS

JESS McDONALD
DIRECTOR

**DEPARTMENT OF
CHILDREN AND FAMILY SERVICES**

406 EAST MONROE
SPRINGFIELD, ILLINOIS 62701

217/785-2509
217/524-3715 TDD/TTY

February 8, 1996

Victor Schmitt, Senior Auditor
DHHS Office of Inspector General
Office of Audit Services, Region V
400 West Monroe, Suite **204B**
Springfield, Illinois 62704

Dear Mr. Schmitt:

In our response to your draft audit report on Title IV-E **training** costs received December 12, 1995 (CIN: **A-05-95-00022**), we requested additional time to review the costs claimed as Foster Parent Training and Recruitment.

We have completed our review and have attached our revised calculation of costs claimed. The draft report showed cost inappropriately claimed as **training** of **\$2,055,299** (federal share \$513,825). The revised adjustment is **\$2,127,689** (federal share \$531,922). The difference is a combination of prior quarter adjustments which were made and \$36,903 of **training** which was identified.

If you have any other questions, please let me know.

Sincerely,


Francis L. Kauzlarich

enc

Illinois Department of Children and Family Services
Foster Parent Training and Recruitment Costs
 January 1, 1992 through December 31, 1994

	Claimed	Training	Adjustment	@ 75%	@ 50%	Di fference
March1992	14,696.45	0.00	14,696.45	11,022.34	7,348.23	3,674.11
June1992	30,862.19	0.00	30,862.19	23,146.64	15,431.10	7,715.55
Total SFY92	45,558.64	0.00	45,558.64	34,168.98	22,779.32	11,389.66
Sept. 1992	454,723.98	0.00	454,723.98	341,042.99	227,361.99	113,681.00
Dec. 1992*	0.00	0.00	0.00			
March 1993*	0.00	0.00	0.00			
June 1993*	0.00	0.00	0.00			
Total SFY93	454,723.98	0.00	454,723.98	341,042.99	227,361.99	113,681.00
Sept. 1993*	0.00	0.00	0.00			
Dec. 1993	370,337.94	0.00	370,337.94	277,753.46	185,168.97	92,584.49
March1994	283,355.63	17,870.67	265,484.96	199,113.72	132,742.48	66,371.24
June1994	288,344.92	6,472.35	281,872.57	211,404.43	140,936.29	70,468.14
Total SFY94	942,038.49	24,343.02	917,695.47	688,271.60	458,847.74	229,423.87
Sept. 1994	560,672.63	12,274.38	548,398.25	411,298.69	274,199.13	137,099.56
Dec. 1994	161,597.72	285.37	161,312.35	120,984.26	80,656.18	40,328.09
Total SFY95	722,270.35	12,559.75	709,710.60	532,282.95	354,855.30	177,427.65
Total	2,164,591.46	36,902.77	2,127,688.69	1,595,766.52	1,063,844.35	531,922.17

Illinois Department of Children and Family Services
 Ada S. McKinley Vouchers
 January 1, 1992 through December 31, 1994

VOUCHER NUMBER	VOUCHER DATE	AMOUNT		TRAINING	% TRAINING
GAD05054	11/05/93	109,471.23	(109,471.23)	0.00	0.000%
GAD06091	12/08/93	25,932.09		4,244.73	16.369%
GAD061 04	12/10/93	47,583.78		10,023.27	21.064%
GAD061 89	12/29/93	43,535.25		1,890.51	4.342%
GAD081 18	02/08/94	39,700.73		1,712.16	4.313%
GAD08383	03/16/94	23,292.51		535.05	2.297%
GAD09069	04/22/94	28,429.09		1,926.19	6.775%
GAD09068	04/26/94	2,960.64		0.00	0.000%
GAD0921 4	04/29/94	33,690.40		4,011.11	11.906%
SAD01216	08/10/94	0.00	29,638.20	1,065.53	3.595%
SAD01217	08/17/94	0.00	36,517.16	9,898.44	27.106%
SAD01218	08/17/94	0.00	41,582.30	1,310.41	3.151%
AGD00228	09/29/94	28,887.91	1,733.56	285.37	0.932%
TOTALS		383,483.63	(0.01)	36,902.77	9.623%