

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW
OF
MISSOURI CLAIMS
FOR TRAINING COSTS**



JUNE GIBBS BROWN
Inspector General

FEBRUARY 1996
CIN: A-07-95-01008



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

Region VII
601 East 12th Street
Room 264A
Kansas City, Missouri 64106

CIN: A-07-95-01008
February 21, 1996

Mr. Gary Stangler, Director
Department of Social Services
Broadway State Office Building
Post Office Box 1527
Jefferson City, MO 65102-1527

Dear Mr. Stangler:

This report provides you with the results of an Office of Inspector General (OIG) Office of Audit Services (OAS) review titled *Review of Missouri Claims for Training Costs*. The purpose of our review was to determine the allowability of training costs claimed by the Missouri Department of Social Services (State) under Department of Health and Human Services (HHS) programs. Our review covered the period July 1, 1991 through June 30, 1994.

Generally, we found that costs for training were allowable as claimed. However, with respect to training for title IV-E Foster Care, the State claimed excess reimbursement totaling \$217,408. The State did not allocate all of the direct foster care costs to the benefitting State foster care program. In addition, we found that Missouri's approved Cost Allocation Plan (i) included a sampling methodology that allocated costs only to foster care when in fact the costs benefitted several programs and (ii) allowed indirect costs to be claimed at 75 percent FFP that were only allowable for 50 percent FFP. We are recommending that the State refund unallowable costs and establish procedures to ensure only allowable costs are claimed at the enhanced FFP rate.

The State disagreed with our recommendation to refund unallowable costs and establish procedures to ensure only allowable costs are claimed at the enhanced FFP rate. According to the State, the title IV-E program was not over charged for training costs. They maintained that identified costs were allocated to the title IV-E program in accordance with their approved Cost Allocation Plan. The State also disagreed with our finding related to their approved Cost Allocation Plan. The State maintained that the training program is designed specifically to provide the essential skills for those staff to administer the title IV-E program in a proper and necessary manner. The complete text of the State's response is included as an Appendix to this report.

INTRODUCTION

Background

The Adoption Assistance and Child Welfare Act of 1980 (Act), Public Law 96-272, established title IV-E of the Social Security Act. Title IV-E is a grant-in-aid program in which Federal, State and local governments share the cost of cash assistance provided to certain families with dependent children.

The Act authorized FFP for the necessary training of State or local personnel administering the title IV-E Foster Care plan. All training activities funded under title IV-E must be included in the State training plan. Reimbursement of training costs is subject to the requirements of Office of Management and Budget Circular A-87 (Circular A-87), made applicable to grants to State and local governments by 45 CFR 74.171. Training costs can consist of either direct training expenditures for employees working solely on title IV-E or an allocable portion of training costs incurred by the agency providing foster care services. Allocated costs are charged in accordance with the State's Cost Allocation Plan (CAP) which is approved by the HHS Division of Cost Allocation.

Federal regulations at 45 CFR 1356 cite section 235.64 as applicable to title IV-E training. Section 235.64 provides for FFP at the rate of 75 percent for the following selected costs:

- Full and part time staff assigned to training functions to the extent time is spent performing such functions.
- Agency training sessions for (i) employees in initial in-service training of at least one week, (ii) employees in agency training sessions away from the employee's work site or for training related to the job and sponsored by professional organizations, (iii) experts outside the agency engaged to develop or conduct special programs, and (iv) costs of space, postage, teaching supplies, purchase or development of teaching material and equipment, and costs of the agency's library.
- Training outside of the agency for (i) employees in full-time, long-term training programs, (ii) employees in short-term training programs, and (iii) persons preparing for employment with the State or local government.
- Educational institutions to develop, expand,- or improve training for agency personnel.

Any direct or indirect costs claimed at the enhanced rate must meet the requirements listed in this regulation. Other allowable costs claims may be made at 50 percent FFP pursuant to 45 CFR 1356.60(c).

States claim reimbursement for training costs by submitting quarterly expenditure reports to the regional office of the Administration for Children and Families (ACF). For the period of our review, the State identified a total of **\$6,838,489** in title IV-E training costs which resulted in a FFP claim of **\$5,128,866**.

Scope

We conducted our review in accordance with generally accepted government auditing standards. The objectives of our review did not require an evaluation of internal controls. The review was limited to determining the allowability of training costs claimed for FFP under HHS programs. Our review included:

- reconciling the costs claimed on quarterly expenditure reports for training costs with the accounting records.
- reviewing Federal regulations and the State Child Welfare Services Plan used for administering the programs,
- reviewing the Missouri Department of Social Services Cost Allocation Plan,
- holding discussions with officials of the State and the ACF and HHS Division of Cost Allocation (DCA) Regional Offices, and
- determining allowability of training costs claimed in accordance with applicable Federal regulations.

Field work was performed from February, 1995 through July, 1995 at the State office in Jefferson City, Missouri and at the ACF Regional Office. in Kansas City, Missouri.

FINDINGS AND RECOMMENDATIONS

DIRECT TRAINING COSTS

The State did not allocate direct foster care costs of \$217,408 (FFP) to the benefiting State foster care program as required by Federal regulations. As a result, we are recommending that the State refund \$217,408 (FFP) in unallowable costs and establish procedures to ensure only allowable costs are claimed at the enhanced FFP rate.

State Foster Care Program

For the period of our review, the State identified **\$1,013,962** directly to title IV-E training. However, except for costs of IV-E Study Training Family Services and Transfer from IV-E Study Administration, these direct costs benefitted not only the title IV-E Foster Care program, but also the State-only Foster Care program. Attachment A Section C.2. of

Circular A-87, states *A cost is allocable to a particular cost objective to the extent of the **benefits** received by such objective.* Consequently, direct training costs were not allocated to the benefiting State-only program as required by Circular A-87.

An acceptable allocation method would have been the respective case count percentages for federally eligible and State-only eligible children in foster care.¹ As a result of the State not allocating cost to the State-only program there was an over claim of \$217,408 (FFP) to the title IV-E.

DIRECT COSTS CHARGED TO TRAINING	
<u>Cost Category</u>	<u>Costs Claimed</u>
Travel	\$ 19,157
Other Direct Costs	8
Foster Parent Training	577,970
Behavioral Foster Care Consulting and Training	123,741
IV-E Study Training Family Services	11,254
Transfer from IV-E Study Administration	98,379
IV-E Educational Leave	<u>183,453</u>
Totals	<u>\$1,013,962</u>
FFP Rate	75%
Federal Share Claimed	760,472

Recommendations

We recommend that the State:

- ❶ Refund \$ 217,408 FFP to the title IV-E program.
- ❷ Identify unallowable FFP claimed subsequent to the audit period and refund that amount to the title IV-E program.
- ❸ Allocate future direct training costs to both State-only and federal programs to the extent benefits were received by each.

Auditee Comments

The State believed that the title IV-E program requires them to train staff irrespective of whether children are eligible for title IV-E, and to train staff before any cases are assigned to the individual. In reference to Foster Parent Training and IV-E Education Leave, the State states:

We believe that the OIG is taking an unnecessarily narrow interpretation of federal law. ACF, since the inception of these activities, has taken a broader interpretation of these costs and the claiming procedures.

Therefore, they do not feel that the \$217,408 should be refunded.

¹ As discussed later, indirect costs distributed to training through the Cost Allocation Plan were allocated between the State-only and title IV-E programs.

OIG Response

We found nothing in the State's response that would lead us to believe that the title IV-E program was the sole beneficiary of the training. Unless the program is the sole beneficiary of the training, it must be allocated to a particular cost objective to the extent of the benefits received by such objective. Not only is this a requirement of OMB Circular A-87, it is a ACF policy directive and is supported by a recent (August 3, 1995) Departmental Appeals Board Decision (DAB).

According to ACF Policy Announcement, ACF-IM-91- 15, training costs must be allocated among all benefitting programs and may not be direct-charged to title IV-E, unless title IV-E is the only benefitting program.

Addressing an Illinois' case, the DAB in Decision No. 1530 stated that costs are to be allocated to benefitting programs of all training costs that did not solely benefit the IV-E program, even if the principal benefit of the training accrued to IV-E.

According to DAB Decision No. 1530:

*DCA properly found that the list of training topics proposed by Illinois **after** disapproval of its proposed CAP included some topics which were not related to the activities listed at 45 CFR 1356.60 (c)(1) and (2) and thus not within the scope of the IV-E program. Even where a topic is related to an activity which is listed in this regulation, moreover, DCA may require Illinois to allocate the cost **of** training on that topic if it benefits children in addition to those who are either IV-E-eligible or candidates **for** IV-E.*

This same principle is applicable to the present situation in Missouri. Therefore, we continue to believe that our proposed recommendations are appropriate.

MISSOURI'S COST ALLOCATION PLAN

Missouri's approved Cost Allocation Plan (i) included a sampling methodology that allocated costs only to the foster care programs when in fact the costs benefitted several other programs and (ii) allowed costs to be claimed at 75 percent FFP that were only allowable at 50 percent FFP. As a result, we are recommending that the State amend the cost allocation plan to ensure only allowable costs are claimed at the enhanced FFP rate.

Sampling Methodology

As part of the State's approved Cost Allocation Plan (CAP), the State conducts a Random Moment Time Study (time study) of the field staff workers performing Social Services program activities. The study is used to determine the percentage of time spent in various activities and to distribute aggregate costs to various activities. The

CAP (Section VI-B) defines the Sampling Plan used to allocate expenses for Social Services Program activities and includes the 12 different codes for worker activity as itemized at the right.

This broad range of activities includes programs other than foster care. Further, the general definition of child welfare states in part that:

<u>Code</u>	<u>Field Staff Worker's Program Activity</u>
01	Child Welfare Emergency Assistance Eligibility Determination
02	Child Welfare Title IV-E Eligibility Determination
03	Medicaid Eligibility Determination
04	Child Welfare - Treatment and Counseling
05	Child Welfare Case Management & Administration - Non-Custodial
06	Child Welfare - Case Management - Foster Care
07	Child Welfare - Case Management - Adoption
08	Child Welfare - Court-Related Activity
09	Child Welfare - Health-Related Activity
10	Child Welfare Training
11	All Other Program Related
12	General Administration - Not Program Related

Child Welfare describes the broad range of preventive and protective services designed to prevent child abuse and neglect.

The instructions for using Code 10 state:

This code should be used when the worker is engaged in or preparing for training, either as a trainer of other divisional staff or as a trainee, and the subject of the training falls within the CHILD WELFARE General Definition. Also included would be preparing for training and training of alternative care providers and adoptive parents.

The State used only one code for training (10). All training time, regardless of the program, was charged to this code. However, not all benefiting programs were allocated costs from this code. The foster care programs were allocated the entire cost from this code. As a result of this methodology, other benefiting programs such as Emergency Assistance did not receive an allocation of training costs.

During the period of our review, these training costs were claimed under an approved CAP. Consequently, we did not attempt to identify or quantify any potential excess FFP received by the State. However, it is our opinion that the CAP should be modified to allocate training activities to all benefiting programs.

Indirect Costs-Children Services Pool

During the period of our review, the State included \$14,028,239 of indirect costs in their Children Services cost pool. Of that amount, \$420,866 in indirect costs was allocated to training activities through the time study and reimbursed at the FFP rate of 75 percent. Indirect costs can be claimed at the 75 percent FFP rate, as long as

only allowable costs (that is, those specified in 45 CFR 235.64) are included in the calculation. However, not all of the indirect costs in the pool were eligible for reimbursement at the 75 percent FFP rate. As a result, costs *could have been* overclaimed by as much as \$105,216.

The issue of indirect costs was addressed in an April 1994 memorandum from the Director Office of Financial Management of the Administration for Children and Families. That memorandum did not set any new policy, but it did clarify what indirect costs are allowable for title IV-E training. The memorandum did not require adjustments for a prior indirect costs claims charged at the 75 percent FFP rate. For periods starting with the date of the memorandum, indirect cost claims were to be limited to the allowable costs as defined in the **memorandum**.²

Recommendations

We recommend that the State:

- ❶ Modify the CAP to allocate training activities to all benefitting programs.
- ❷ Limit claims for title IV-E training indirect costs to those activities specifically identified in 45 CFR 235.64.

Auditee Comments

The State did agree that the sampling methodology of the Random Moment Time Study uses only one code to identify training. Also, the State indicated that the training program is designed specifically to provide the essential skills for those staff to administer the title IV-E program. They stated that the codes and allocation principles are part of the approved Cost Allocation Plan, which is used to distribute costs to the respective federal programs.

The State added the following comments concerning title IV-E training indirect costs:

*Although no recommendation was made regarding indirect costs chargeable to training, we assure you that we are operating in accordance with the April 1994 correspondence you referenced in your draft report. However, we feel that ACF unduly limited the amount **of "costs"** that can be claimed at the enhanced rate. **OMB Circular A-87, in Attachment A, Section D. (1), identifies total costs of federal awards as "comprised of the allowable direct cost of the program, plus its allocable portion of indirect costs, less applicable credits."***

² Because the memorandum was written near the end of our audit period, we did not make any recommendations for financial adjustment of prior periods.

OIG Response

The State's sampling methodology does allocate all training costs to the foster care programs. These training costs are then allocated between the federal title IV-E program and the State only foster care program. However, our point here is that other benefiting programs such as Emergency Assistance, do not receive an allocation of training costs. Training for title IV-E is allowable at 75 percent FFP. Training costs of most other federal programs would be classified as an administrative cost and allowable at 50 percent FFP.

Although the cost allocation plan had been approved by the HHS Division of Cost Allocation, the plan was inequitable because it did not allocate indirect costs to all benefiting programs. Therefore, we believe that our recommendation the cost allocation plan be modified is appropriate.

By limiting their claims for IV-E training costs to those activities specifically identified in 45 CFR 235.64, the State will then be receiving their allocable portion of indirect costs.

INSTRUCTIONS FOR AUDITEE RESPONSE

Final determination as to actions to be taken on all matters reported will be made by the HHS action official identified below. We request that you respond to each of the recommendations in this report within 30 days from the date of this report to the HHS action official, presenting any comments or additional information that you believe may have a bearing on final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, OAS 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

Page 9 - Gary Stangler

information contained therein is not subject to exemption in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to the above Common Identification Number (CIN) 07-95-01008 in all correspondence relating to this report.

Sincerely,

A handwritten signature in black ink that reads "Barbara A. Bennett". The signature is written in a cursive style with a large initial 'B'.

Barbara A. Bennett
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Ms. Linda Carson
Regional Administrator, Region VII
Administration for Children and Families
601 East 12th Street Room 276
Kansas City, Missouri 64106



MISSOURI
DEPARTMENT OF SOCIAL SERVICES
P.O. BOX 1527
BROADWAY STATE OFFICE BUILDING
JEFFERSON CITY, MO 65102-1 527
314-751-4815, FAX: 314-751-3203
TDD: 1-800-735-2966, VOICE: 1-800-735-2466

MEL CARNAHAN
GOVERNOR

December 19, 1995

Ms. Barbara A. Bennett
Regional Inspector General
for Audit Services, Region VII
Department of Health and Human Services
601 East 12th Street
Room 284 A
Kansas City, MO 64 106

Dear Ms. Bennett:

We have received your draft report, dated October 27, 1995, which provides the results of your audit of Claims for Training Costs, submitted by the Department of Social Services. The audit control number is CIN A-07-95-01008. Please consider the following comments to your report.

Direct Training Costs

We disagree with your findings that the Title IV-E program was overcharged for training costs, and the recommendation to refund the amount. In accordance with our approved cost allocation plan, we identified costs allocable to the Title IV-E Training Program, and claimed those costs at the proper rate.

The training program that exists for the Children's Services staff is designed specifically to provide the essential skills for those staff to administer the Title IV-E program in a proper and necessary manner. These costs are chargeable to the Title IV-E program.

The principles involved in charging the training costs to Title IV-E are similar to the principles behind charging the costs of determining eligibility to Title IV-E, as decided by the Departmental Appeals Board in its Decision No. 844. Whereas the steps taken to determine a child's eligibility are the same regardless of the final outcome, so too are the steps in training staff to perform the proper steps in carrying out the Title N-E program. The Title IV-E program requires us to train staff irrespective of whether children are eligible for Title IV-E or not, and to train staff before any cases are assigned to the individual. As such, we disagree that the \$256,180 (FFP) should be refunded.

1/

1/ OAS Note: Recommended refund amount was modified in the final report.



Ms. Barbara A. Bennett
Page 2

In the table presented in your letter, a portion of those costs have already been distributed to a State-only category. The amounts identified as IV-E Study Training Family Services and Transfer from IV-E Study Administration, \$11,254 and \$98,379, respectively, represent costs for a consultant's contract payments, that had been approved by the Regional Office of ACF. A portion of each payment under that contract was assigned to a State-only category, based on the invoiced amount from the contractor using the number of hours spent for each service. These amounts represent the amount properly charged to the Title IV-E Training Program and should be completely separated from this discussion. 2/

The table also includes costs for Foster Parent Training and IV-E Educational Leave, \$577,970 and \$183,453 respectively. We believe that the OIG is taking an unnecessarily narrow interpretation of federal law. ACF, since the inception of these activities, has taken a broader interpretation of these costs, explicitly referenced at 45 CFR 1356.60, as evidenced by the continual acceptance and approval of the costs and the claiming procedures. These costs should also be completely separated from this discussion.

You are correct that during the period October 1, 1992 through September 30, 1993, Foster Parent Training was eligible for 50% FFP instead of 75% FFP. You are also correct that for the quarter ended December 31, 1992, we claimed these costs at 75%. However, as instructed by 2/ ACYF-PI-93-02, an adjustment was made on the expenditure report for the quarter ended March 31, 1993, to reduce the FFP requested to the 50% rate. Therefore, no further adjustment is necessary.

Missouri's Cost Allocation Plan

We disagree with your finding and recommendation. You are correct that the Random Moment Time Study uses only one code to identify training. As described above, the training program is designed specifically to provide the essential skills for those staff to administer the Title IV-E program in a proper and necessary manner.

The persons responsible for observing the sampled employees at the random moments have been trained in the proper uses of the respective codes in the RMTS. If a "Training" code is used, it is used only when the employee's activity is properly chargeable to that code. The same is true for any activity code being used by the observer.

The RMTS codes, and the allocation principles have been approved by the HHS Division of Cost Allocation, in conjunction with the Administration for Children and Families. These codes and allocation principles are a part of the approved Cost Allocation Plan, which is used to distribute costs to the respective federal programs.

Although no recommendation was made regarding indirect costs chargeable to training, we assure you that we are operating in accordance with the April 1994 correspondence you referenced in your draft report. However, we feel that ACF unduly limited the amount of "costs" that can be claimed at the enhanced rate. OMB Circular A-87, in Attachment A, Section D.(1),

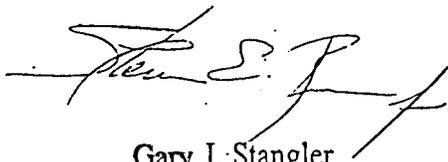
2/ OAS Note: Comments not applicable in the final report. Comments were related to draft finding deleted from the final report.

Ms. Barbara A. Bennett
Page 3

identifies total costs of federal awards as “comprised of the allowable direct cost of the program, plus its allocable portion of indirect costs, less applicable credits.” (Emphasis added.)

Thank you for the opportunity to respond to your draft report. If you have any additional questions, or if you would like to discuss our comments in further detail, please contact Ms. Christine A. Rackers, Director of the Division of Budget and Finance.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary J. Stangler". The signature is written in a cursive style with a long horizontal line extending to the right.

Gary J. Stangler
Director

GJS:lk
c: Linda Carson, ACF Regional Administrator