



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

February 8, 2012

Report Number: A-01-11-02508

Mr. David Yacovone
Commissioner
Department of Children and Families
Osgood 3
103 South Main Street
Waterbury, VT 05671

Dear Mr. Yacovone:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Vermont Did Not Always Follow Federal Requirements in Claiming Title IV-E Training Costs*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through email at George.Nedder@oig.hhs.gov. Please refer to report number A-01-11-02508 in all correspondence.

Sincerely,

/Michael J. Armstrong/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Richard Borseti
Grants Management Officer
Office of Grants Management
Administration for Children and Families
U.S. Department of Health and Human Services, Region I
JFK Federal Building
Room 2000
Boston, MA 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**VERMONT DID NOT ALWAYS
FOLLOW FEDERAL
REQUIREMENTS IN CLAIMING
TITLE IV-E TRAINING COSTS**



Daniel R. Levinson
Inspector General

February 2012
A-01-11-02508

Office of Inspector General

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title IV-E of the Social Security Act, the Department of Health and Human Services (HHS), Administration for Children and Families, Children's Bureau, administers the foster care and adoption assistance programs. The Federal and State Governments share in the costs of administering, staffing, and training for these programs as detailed in each State's approved cost allocation plan.

In general, the Federal Government reimburses State administrative costs at a rate of 50 percent. Federal regulations also provide an enhanced reimbursement rate of 75 percent for foster care and adoption assistance training costs to cover the expenses of training a State agency's employees or prospective employees at educational institutions. Furthermore, the State agency may claim costs at the enhanced reimbursement rate for the training of foster care and adoptive parents. Federal regulations require State agencies to allocate certain Title IV-E administrative and training costs in accordance with cost allocation plans that have been approved by the HHS Division of Cost Allocation.

In Vermont, the Agency of Human Services, Department for Children and Families (State agency), is responsible for providing a wide array of programs and services, including adoption, foster care, child care, child development, child protection, child support, disability determination, and economic benefits. The State agency contracts with the University of Vermont's College of Education and Social Services (the University) to form the Child Welfare Training Partnership that provides training and professional development to strengthen the child welfare system in Vermont. The State agency claimed \$4.25 million (\$3.19 million Federal share) in training costs for foster care and adoption programs from October 2007 through September 2010. The State agency's cost allocation plan specified several allocation methods, including random moment time studies, the number of individuals receiving training, and ratios of Title IV-E to non-Title IV-E case counts. These ratios applied to both foster care and adoption programs.

OBJECTIVE

Our objective was to determine whether the State agency complied with Federal requirements in claiming Federal reimbursement for Title IV-E training costs.

SUMMARY OF FINDINGS

The State agency claimed Title IV-E training costs totaling \$2,948,236 (Federal share) that were allowable, supported, and allocated in accordance with Federal requirements. However, the State agency did not always follow Federal requirements in claiming training costs.

Specifically, the State agency improperly claimed:

- \$213,254 in University parent training costs that were allocated incorrectly to the Title IV-E training program and
- \$28,979 in University education and State respite care costs that were not related to the Title IV-E training program.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$242,233. These overstatements occurred because the State agency lacked internal controls over the review of Title IV-E training costs claimed for Federal reimbursement.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$242,233 (Federal share) on its next Quarterly Report of Expenditures and
- implement controls to ensure that only allowable and allocable training costs are claimed for Federal reimbursement.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency states that it does not dispute our findings and will take corrective action. The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Title IV-E Foster Care and Adoption Assistance Program

Pursuant to Title IV-E of the Social Security Act (the Act), the Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Children's Bureau, administers the foster care and adoption assistance programs. The foster care program finds and supports temporary placements for children who cannot remain safely at home. The adoption assistance program finds and supports permanent placements for children who cannot return safely to their homes. The Federal Government and States share in the costs of administering, staffing, and training for these programs.

Federal Reimbursement Requirements

Pursuant to 45 CFR pt. 95, subpart E, States must allocate costs to the Title IV-E program in accordance with a public assistance cost allocation plan approved by the HHS Division of Cost Allocation after ACF reviews and comments on the fairness of the cost allocation methodologies. Cost allocation plans must conform to the accounting principles and standards prescribed in 2 CFR pt. 225.¹

Pursuant to 2 CFR pt. 225, Appendix A, C.3.a., “[a] cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.” In order for costs to be allocated properly among Federal and State Title IV-E programs, a saturation rate is calculated. The saturation rate is usually the quotient of either adoption assistance or foster care cases meeting Title IV-E eligibility requirements divided by the total cases in each of these programs. The saturation rate is calculated quarterly and used to allocate allowable costs between the two programs.

Title IV-E, section 474(a)(3)(A), of the Act authorizes Federal reimbursement to States at a 75 percent matching rate for the training of personnel employed or preparing for employment by the State or local agency administering the Title IV-E program. Title IV-E regulations (45 CFR pt. 1356.60(b)) state that Federal reimbursement is available at 75 percent for the costs of short- and long-term training at educational institutions as well as for inservice training. Furthermore, the State agency may claim costs at the enhanced reimbursement rate for the training of foster and adoptive parents. The regulations require that inservice training or training at educational institutions be provided pursuant to the provisions of 45 CFR pts. 235.63–235.66(a), which specify who may be trained, the types of expenses that are allowable, and the sources of funds for the State's share of expenditures.

¹ Formerly the Office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments.

Section 474(a)(3)(E) of the Act and 45 CFR pt. 1356.60(c) provide for a 50 percent Federal reimbursement rate for administrative expenditures. Training costs not allowable at the enhanced reimbursement rate may be claimed at this rate provided the costs are included in the State's cost allocation plan.

Vermont's Title IV-E Training Program

In Vermont, the Agency of Human Services, Department for Children and Families (State agency), is responsible for providing a wide array of programs and services, including adoption, foster care, child care, child development, child protection, child support, disability determination, and economic benefits. Within the State agency is the Family Service Division that is responsible to work with Vermont families that need help to keep their children safe. Children who cannot remain safely in their homes are placed with relatives, close family friends, or licensed foster parents. Children who cannot return safely to their homes are placed with adoptive families.

The State agency contracts with the University of Vermont's College of Education and Social Services (the University) to form the Child Welfare Training Partnership. The partnership offers long- and short-term training that provides professional development to strengthen the child welfare system in Vermont. Through the long-term training, the partnership offers a degree program to support current and prospective employees who are pursuing careers in child welfare. The partnership also provides short-term training for new and existing State agency staff, who work with children and families, and to Vermont foster and adoptive parents.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency complied with Federal requirements in claiming Federal reimbursement for Title IV-E training costs.

Scope

We reviewed the State agency's claims for Federal reimbursement under Title IV-E for foster care and adoption assistance training costs totaling \$4.25 million (\$3.19 million Federal share) from October 2007 through September 2010. We limited our review of internal controls to obtaining an understanding of the State agency's procedures for claiming foster care and adoption assistance training costs for reimbursement under Title IV-E.

We performed fieldwork from April through September 2011 at the State agency and the University in Waterbury and Burlington, Vermont.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and ACF's *Child Welfare Policy Manual*;
- reviewed Vermont's Single State Audit reports for State fiscal years (FY) 2007, 2008, and 2009;
- met with Vermont's Single State auditors to ensure audit results were not duplicated;
- reviewed the State agency training and cost allocation plans;
- reconciled total foster care and adoption assistance training costs claimed on the quarterly Federal Title IV-E financial reports to supporting documentation for Federal FYs 2008, 2009, and 2010;
- reviewed supporting documentation to determine whether training costs claimed under Title IV-E were allocated properly between Federal and State programs;
- reviewed course descriptions and syllabi for training costs claimed for enhanced reimbursement; and
- discussed our results with State officials and regional ACF 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 objective.

FINDINGS AND RECOMMENDATIONS

The State agency claimed Title IV-E training costs totaling \$2,948,236 (Federal share) that were allowable, supported, and allocated in accordance with Federal requirements. However, the State agency did not always follow Federal requirements in claiming training costs. Specifically, the State agency improperly claimed:

- \$213,254 in University parent training costs that were allocated incorrectly to the Title IV-E training program and
- \$28,979 in University education and State respite care costs that were not related to the Title IV-E training program.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$242,233.

UNALLOCABLE COSTS TO THE TITLE IV-E PROGRAM

Federal Requirements

Federal regulations (45 CFR pt. 95.517) require that a State claim Federal funding in accordance with its cost allocation plan. Title IV-E regulations (45 CFR pt. 1356.60) require the State's cost allocation plan to identify which costs are allocated and claimed. Furthermore, Federal regulations governing public assistance cost allocation plans (45 CFR pt. 95.507) states that States must "[d]escribe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency" in its cost allocation plan. Finally, pursuant to 45 CFR pt. 95.519, if costs are not claimed in accordance with the cost allocation plan, the costs improperly claimed will be disallowed.

Improperly Allocated Parent Training Costs

The State agency improperly allocated the University's parent training costs based on an unapproved allocation methodology. The State agency allocated parent training costs using a blended saturation rate (total cases meeting foster care and adoptive Title IV-E eligibility requirements divided by the total cases in the programs). However, the State agency's cost allocation plan requires parent training costs to be allocated based on a foster care saturation rate (total cases meeting foster care Title IV-E eligibility requirements divided by total cases in State custody). Based on an internal estimate of parent training costs by the University, we determined that the State agency claimed \$909,028 in parent training costs; however, we determined that only \$695,774 of the claimed costs were allowable under the State agency's cost allocation plan.

As a result, the State agency overstated its Federal claim by a total of \$213,254.

UNALLOWABLE TITLE IV-E TRAINING COSTS

Federal Requirements

Federal regulations (45 CFR pt. 1356.60) identify the training and administrative costs that the Title IV-E program may reimburse and the rates at which the Federal Government reimburses these costs. Furthermore, 45 CFR pt. 1356.60(c)(3) states that allowable administrative costs do not include the costs of social services provided to the child or to the child's family or foster family to address personal problems or home conditions.

ACF's *Child Welfare Policy Manual*, 8.1H, states that funds are not allowable at either the 75 percent or 50 percent match rate for training on topics that do not address a general administrative need that is determined necessary for the proper and efficient

administration of the Title IV-E program. Examples of training topics that are not allowable under the Title IV-E program include but are not limited to:

- how to address or treat child or family problems or behaviors because it supports the delivery of social services rather than the administration of the Title IV-E State plan,
- how to conduct child abuse and neglect investigations because such specialized skills are required for staff activities that occur prior to a child entering foster care or adoption and even prior to a child becoming a candidate for foster care, and
- child welfare/social service topics that are not related directly to the Title IV-E programs or the administration of the Title IV-E State plan.

In addition, the *Child Welfare Policy Manual*, 8.3B.1, states, "... respite care is defined in Federal regulation as an allowable Title IV-B child welfare service and is not an allowable expenditure under Title IV-E foster care maintenance."

Unallowable Training Costs

The State agency improperly claimed unallowable costs to the Title IV-E training program, including the following:

- The State agency inadvertently claimed respite care costs to its Title IV-E foster care parent training program. The State agency made respite care payments to individuals who were not the child's regular caregivers. Respite care is not an allowable cost under the Title IV-E program. Therefore, the State agency improperly claimed \$24,213 in respite care costs to the Federal Title IV-E program.
- The State agency inadvertently claimed University employees' salaries and related fringe benefit and indirect costs associated with training course material that are unallowable for Federal reimbursement. The course material is unallowable either as enhanced training or as administrative activities under Title IV-E because a portion of the training course related to providing social services rather than to placing a child in foster care. For example, several of these courses focused on conducting investigations to assess the child's home environment. Therefore, based on the University's internal estimate, the State agency improperly claimed \$4,766 in training costs to the Federal Title IV-E program. We reviewed the University's supporting documentation and determined that its estimate was reasonable.

As a result, the State agency overstated its Federal claim by a total of \$28,979.

CONCLUSION

The State agency did not always follow Federal requirements in claiming training costs. As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$242,233. These overstatements occurred because the State agency lacked internal controls over the review of Title IV-E training costs claimed for Federal reimbursement.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$242,233 (Federal share) on its next Quarterly Report of Expenditures and
- implement controls to ensure that only allowable and allocable training costs are claimed for Federal reimbursement.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency states that it does not dispute our findings and will take corrective action. The State agency's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS



Department for Children and Families
Commissioner's Office
2nd Floor, 5 North
103 S. Main Street
Waterbury, VT 05671-5920
www.dcf.vermont.gov

[phone] 802-241-2100
[fax] 802-241-2980

Agency of Human Services

January 30, 2012

Mr. Michael Armstrong
Regional Inspector General for Audit Services
Office of Audit Services, Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

Re: A-01-11-02508

Dear Mr. Armstrong:

I am in receipt of the draft report prepared by the Office of the Inspector General following your audit of Vermont's Title IV-E Training Program.

As you know, our Department has cooperated fully with this review of its Title IV-E Training Program. The Department does not dispute the findings.

The Department will take corrective action to ensure correct claiming, in accordance with the Department's approved cost allocation plan.

Sincerely,

/Dave Yacovone/

Dave Yacovone
Commissioner

cpm

