



JUL 9 2007

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

Report Number A-01-06-02509

Ms. Patricia Martinez
Director, Department of Children, Youth and Families
101 Friendship Street
Providence, RI 02903

Dear Ms. Martinez:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Training Costs for Title IV-E Foster Care and Adoption Assistance Programs in Rhode Island for State Fiscal Years 2003 through 2005." A copy of this report will be forwarded to the HHS action official named 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 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 the 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).

Should 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 e-mail at George.Nedder@oig.hhs.gov. Please refer to report number A-01-06-02509 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Armstrong".

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures – as stated

Page 2 – Ms. Patricia Martinez

Direct Reply to HHS Action Official:

Hugh Galligan
Regional Administrator
Administration of Children and Families – Region I
U. S. Department of Health and Human Services
JFK Federal Building - Room 2000
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF TRAINING COSTS FOR
TITLE IV-E FOSTER CARE AND
ADOPTION ASSISTANCE
PROGRAMS IN RHODE ISLAND
FOR STATE FISCAL YEARS 2003
THROUGH 2005**



Daniel R. Levinson
Inspector General

July 2007
A-01-06-02509

Office of Inspector General

<http://oig.hhs.gov>

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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

The U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF) funds foster care and adoption assistance programs under Title IV-E of the Social Security Act. The Federal Government and States share in the costs of administering and providing staff training for these programs.

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 new State caseworkers, reinforcing or developing skills for seasoned caseworkers, and providing short-term courses for foster and adoptive parents of children receiving Title IV-E assistance.

In Rhode Island, the Department of Children, Youth, and Families (the State agency) is the agency responsible for the State and Federal foster care and adoption assistance program. As of July 2001, nearly all training functions had been transferred to Rhode Island's Child Welfare Training Institute, a part of Rhode Island College.

OBJECTIVE

Our objective was to determine whether the State agency properly claimed Federal reimbursement at the enhanced rate for Title IV-E training costs from July 1, 2002, through June 30, 2005.

SUMMARY OF FINDINGS

The State agency properly claimed training costs totaling \$3.2 million (\$2.4 million Federal share) for Federal reimbursement at the enhanced 75-percent rate under Title IV-E. This amount included claims for 35 training courses. However, the State agency improperly claimed:

- 20 administrative courses totaling \$383,112 (\$287,334 Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate and
- administrative costs for agency overhead (indirect costs) totaling \$570,652 (\$427,989 Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$238,441. The State agency did not follow established procedures to ensure that only allowable and qualified training expenses were claimed at the enhanced rate.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$238,441 on its next Quarterly Report of Expenditures,
- establish procedures to ensure that only qualified training expenses are claimed at the enhanced rate, and
- review training costs claimed for Federal reimbursement after the audit period to ensure compliance with Federal requirements.

STATE AGENCY'S COMMENTS

In its June 19, 2007, comments on our draft report, the State agency agreed with our recommendations and said that it was taking appropriate corrective action. According to the State agency, the corrective action will result in an additional reduction in revenue of \$238,411 over the next 3 years. The State agency's comments are included in their entirety as the appendix.

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INTRODUCTION

BACKGROUND

Federal Support for Foster Care and Adoption Assistance Programs

The U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF) funds foster care and adoption assistance programs under Title IV-E of the Social Security Act (the Act). 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 and providing staff training for these programs.

Federal Reimbursement Requirements

The Act and Federal regulations provide for Federal reimbursement to States for administrative costs necessary for the proper and efficient administration of the Title IV-E State plan. In general, the Federal Government reimburses State administrative costs at a rate of 50 percent.

The Act and 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 new State caseworkers, reinforcing or developing skills for seasoned caseworkers, and providing short-term courses for foster and adoptive parents of children receiving Title IV-E assistance.

Rhode Island Training Program

In Rhode Island, the Department of Children, Youth, and Families (the State agency) is the agency responsible for the State and Federal foster care and adoption assistance program. As of July 2001 nearly all training functions had been transferred to Rhode Island's Child Welfare Training Institute, a part of Rhode Island College. The training is not specific to social workers or any other division of employees within the State agency. Rather, it covers a variety of topics, ranging from computer training to more specific child welfare topics.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency properly claimed Federal reimbursement at the enhanced rate for Title IV-E training costs from July 1, 2002, through June 30, 2005.

Scope

We reviewed the State agency's claim for Federal reimbursement under Title IV-E for foster care and adoption assistance training costs totaling \$4.1 million (\$3.1 million Federal share). These costs covered 55 training courses held in State fiscal years 2003 through 2005 (July 1, 2002, through June 30, 2005). We limited our review of internal controls to obtaining an understanding of the State agency's policies and procedures for claiming foster care and adoption assistance training costs for reimbursement under Title IV-E.

We performed our fieldwork at the State agency's offices in Providence, Rhode Island, and at the ACF Region I Office in Boston, Massachusetts, from July 2006 through March 2007.

Methodology

To determine whether the State agency properly claimed Federal reimbursement at the enhanced rate for Title IV-E training costs, we:

- reviewed applicable Federal laws and regulations and ACF policy,
- reviewed the State agency's policies and procedures for recording and allocating training costs,
- reviewed descriptions and syllabi for training courses claimed for enhanced reimbursement,
- reconciled total foster care and adoption assistance training costs claimed on the quarterly Federal Title IV-E financial reports to supporting documentation,
- reviewed supporting documentation to determine whether training costs claimed under Title IV-E were allocated among Federal and State programs, and
- discussed our findings with regional ACF officials.

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

FINDINGS AND RECOMMENDATIONS

The State agency properly claimed training costs totaling \$3.2 million (\$2.4 million Federal share) for Federal reimbursement at the enhanced 75-percent rate under Title IV-E. This amount included claims for 35 training courses. However, the State agency improperly claimed:

- 20 administrative courses totaling \$383,112 (\$287,334 Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate and
- administrative costs for agency overhead (indirect costs) totaling \$570,652 (\$427,989 Federal share) that that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$238,441. The State agency did not follow established procedures to ensure that only allowable and qualified training expenses were claimed at the enhanced rate.

FEDERAL REQUIREMENTS

Federal regulations (45 CFR § 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.

Costs Reimbursed at Enhanced 75-Percent Rate

Section 474(a)(3) of the Act provides for a 75-percent Federal reimbursement rate for the cost of training employees and potential employees and for the short-term training of foster parents, adoptive parents, and other potential caregivers. Federal regulations (45 CFR § 1356.60(c)(2)) list examples of allowable administrative activities, including:

- referral to services,
- preparation for and participation in judicial determinations,
- placement of the child,
- development of the case plan,
- case reviews,
- case management and supervision,
- recruitment and licensing of foster homes and institutions,
- rate setting,
- costs related to data collection and reporting, and
- agency overhead (a proportionate share).

The Departmental Appeals Board (DAB) has held that the cost of training that is outside the scope of these permissible administrative activities is not allowable for enhanced reimbursement under Title IV-E (Illinois Department of Children and Family Services, DAB No. 1530 (1995)).

The DAB also held in Decision No. 1530 that indirect training costs developed from a cost pool that includes only allowable training costs may also be claimed at the enhanced rate of 75 percent.

Costs Reimbursed at 50-Percent Rate

Section 474(a)(3)(E) of the Act and 45 CFR § 1356.60(c) provide for reimbursement at a 50-percent rate for administrative expenditures necessary for the proper and efficient administration of the Title IV-E State plan. Thus, although a training course may not be eligible for the 75-percent matching rate because it does not relate to the allowable Title IV-E topics listed in 45 CFR § 1356.60(c)(2), the cost of the course may still be eligible for the 50-percent rate if it is "necessary for the proper administration of the Title IV-E plan."

Section 1356.60(c) also limits the Federal share for all administrative expenses, including indirect costs, to 50 percent. Under DAB No. 1530, indirect training costs developed from a cost pool that also contains Title IV-E costs that are not allowable as training costs may be claimed only at the 50-percent reimbursement rate for administrative expenditures.

ADMINISTRATIVE COURSES NOT ELIGIBLE FOR ENHANCED FEDERAL REIMBURSEMENT

The State agency claimed enhanced Federal reimbursement for 20 administrative courses totaling \$383,112 (\$287,334 Federal share) that were unallowable at the 75-percent rate. The cost of the courses was unallowable at the enhanced rate because the courses' topics were outside the scope of the allowable administrative activities in 45 CFR § 1356.60(c)(2). However, they were allowable at the 50-percent administrative rate because our review of course descriptions indicated that these courses were related to administrative functions that were necessary for the proper and efficient administration of the Title IV-E State plan. For example, several of these courses addressed general computer skills such as Microsoft Word.

The State agency did not have established procedures to ensure that only qualified training expenses were claimed at the enhanced rate because it believed that all costs related to training, including administrative costs, were covered at the 75-percent enhanced rate under Title IV-E. Accordingly, we worked with the agency on separating the training costs eligible for enhanced reimbursement from administrative training costs.

To determine the Federal share of costs for courses that should have been claimed as administrative costs at the 50-percent rate, we applied the agency cost allocation methodology for each quarter and excluded training costs that were eligible at the 50-percent rate. We reviewed the results and judgmentally tested the calculations.

We determined that the State agency overclaimed \$95,778 (Federal share) for training courses that should have been claimed at the 50-percent rate.

ADMINISTRATIVE COSTS NOT ELIGIBLE FOR ENHANCED FEDERAL REIMBURSEMENT

The State agency incorrectly calculated the Federal share of administrative costs for agency overhead (indirect costs) totaling \$570,652 (\$427,989 Federal share) by using a rate of 75 percent instead of 50 percent. These indirect costs apply to the general operation of the training facility. Because the State agency did not distinguish indirect training costs from other indirect costs and included both in the cost pool from which the indirect training costs were developed, it did not meet the requirement for the enhanced Federal funding rate of 75 percent.

The State agency did not have established procedures to ensure that only qualified training expenses were claimed at the enhanced rate because it believed that all costs related to training were reimbursable at the 75-percent rate under Title IV-E. Accordingly, we worked with the agency on separating the training costs eligible for enhanced reimbursement from administrative training costs.

We determined that the Federal share of these costs calculated at the 50-percent rate is \$142,663.

TOTAL OVERSTATED CLAIMS

The State agency overclaimed Federal reimbursement at the enhanced rate for Title IV-E related administrative and training costs by a total of \$238,441 (\$95,778 for administrative courses and \$142,663 for agency overhead (indirect costs)). (See table below.)

Training Costs Claimed at Enhanced 75-Percent Rate¹

Description	Amount Claimed	Federal Share	Amount Accepted (Federal Share)	Amount Questioned
Training Allowable at 75%	\$ 3,173,456	\$ 2,380,092	\$ 2,380,092	\$ 0
Training Allowable at 50%	383,112	287,334	191,556	95,778
Administrative Costs	570,652	427,989	285,326	142,663
Total	\$ 4,127,220	\$ 3,095,415	\$ 2,856,974	\$ 238,441

¹All dollar amounts in the table are rounded.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$238,441 on its next Quarterly Report of Expenditures,
- establish procedures to ensure that only qualified training expenses are claimed at the enhanced rate, and
- review training costs claimed for Federal reimbursement after the audit period to ensure compliance with Federal requirements.

STATE AGENCY'S COMMENTS

In its June 19, 2007, comments on our draft report, the State agency agreed with our recommendations and said that it was taking appropriate corrective action. According to the State agency, the corrective action will result in an additional reduction in revenue of \$238,411 over the next 3 years. The State agency's comments are included in their entirety as the appendix.

APPENDIX



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Children, Youth and Families
OFFICE OF MANAGEMENT AND BUDGET
101 Friendship Street
Providence, RI 02903

June 19, 2007

Mr. Michael J. Armstrong
Regional Inspector General for Audit Services
Office of the Inspector General
Department of Health and Human Services
John F. Kennedy Building
Boston, MA 02203

Dear Mr. Armstrong,

I am writing in response your April 30, 2007 draft report entitled "Review of Training Costs for Title IV-E Foster Care and Adoption Assistance Programs in Rhode Island for State Fiscal Years 2003 Through 2005." I reviewed the report and offer the following responses to your recommendations found on page 6 of the report:

Recommendation 1: Make a financial adjustment of \$238,441 on its next Quarterly Report of Expenditures.

Response 1: We concur with the recommendation and will make the financial adjustment in the QE September 30, 2007 IV-E 1.

Recommendation 2: Establish procedures to ensure that only qualified training expenses are claimed at the enhance rate.

Response 2: We concur with the recommendation and have modified the Cost Allocation Plan to comply. The modification was implemented on the March 31, 2007 IV-E 1.

Recommendation 3: Review training costs claimed for Federal reimbursement after the audit period to ensure compliance with Federal requirements.

Response 3: We concur with the response and anticipate a reduction in revenue of an additional \$238,411 over the next three year period.

If you need additional information, please contact me at (401) 528-3540.

Sincerely,

Patricia Martinez,
Director