



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

August 31, 2011

Report Number: A-01-11-02504

Ms. Mary C. Mayhew
Commissioner
Department of Health and Human Services
221 State Street
Augusta, ME 04333

Dear Ms. Mayhew:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Maine's Title IV-E Training Costs for Federal Fiscal Years 2008 Through 2010*. 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.

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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-01-11-02504 in all correspondence.

Sincerely,

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

Enclosure

HHS Action Official:

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

REVIEW OF MAINE'S
TITLE IV-E TRAINING COSTS
FOR FEDERAL FISCAL YEARS
2008 THROUGH 2010



Daniel R. Levinson
Inspector General

August 2011
A-01-11-02504

Office of Inspector General

<http://oig.hhs.gov>

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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, Administration for Children and Families (ACF), 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.

In Maine, the Department of Health and Human Services, Office of Child and Family Services (State agency) is the State IV-E agency responsible for the State and Federal foster care and adoption assistance programs. The State agency contracts with the University of Southern Maine's Child Welfare Training Institute (the University) to offer training to State employees and foster and adoptive parents. The agency claimed \$4.37 million (\$3.28 million Federal share) in training costs for these programs from October 2007 through September 2010.

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 \$2,495,375 (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:

- \$263,659 in State employee salaries and University educational costs that were not related to the Title IV-E training program;
- \$474,270 in State administrative and University educational costs that were allocated incorrectly to the Title IV-E training program; and
- \$45,668 in indirect costs that did not qualify for reimbursement at the enhanced rate.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$783,597. The overstatements occurred because the State agency made clerical errors that improperly allocated, coded, and calculated Title IV-E training costs. The State agency had corrected these clerical errors in the last quarter of our review.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$783,597 on its next Quarterly Report of Expenditures and
- continue the corrective actions it has taken to claim Title IV-E training costs in accordance with Federal requirements.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our findings and recommendations. The State agency's comments are included in their entirety as an 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, 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 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 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 § 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 in-service 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 in-service training or training at educational institutions be provided pursuant to the provisions of 45 CFR §§ 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.

Section 474(a)(3)(E) of the Act and 45 CFR § 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.

Maine's Title IV-E Training Program

In Maine, the Department of Health and Human Services, Office of Child and Family Services (State agency) is responsible for the well-being of children (age 0 through 20)

and families in the State. It is the State agency's responsibility to provide services for children in its custody, including educational, developmental, health, mental health, social, and permanency needs.

The State agency contracts with the University of Southern Maine's Child Welfare Training Institute (the University) to offer training that provides basic knowledge on current social work precepts and assists in professional development to personnel employed or preparing for employment. In addition, the State agency provides supervised field instruction to students of the University's Bachelor of Social Work program. In return, students agree to work for the State agency for 1 year after graduation. The University also provides parent training to prospective and existing foster and adoptive parents to provide the skills needed to care for children.

The University invoices the State agency for the training services provided to State employees and foster and adoptive parents. The training invoices identify the benefiting program (i.e., foster care or adoption assistance). The State agency uses the University's invoices to allocate costs between the State and Federal programs and applies the appropriate Federal reimbursement rates. In addition, the State agency allocates administrative costs to the Title IV-E training program that it calculates using its cost allocation plan.

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 \$4.37 million (\$3.28 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 December through March 2011 at the State agency in Augusta, Maine.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations, and ACF's *Child Welfare Policy Manual*;

- reviewed Maine's Single State Audit reports for State fiscal years (FY) 2007, 2008, and 2009;
- met with Maine's Department of Audit to ensure audit results were not duplicated;
- reviewed the State 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 objective. 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 \$2,495,375 (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:

- \$263,659 in State employee salaries and University educational costs that were not related to the Title IV-E training program;
- \$474,270 in State administrative and University educational costs that were allocated incorrectly to the Title IV-E training program; and
- \$45,668 in indirect costs that did not qualify for reimbursement at the enhanced rate.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$783,597. The overstatements occurred because the State agency made clerical errors that improperly allocated, coded, and calculated Title IV-E

training costs. The State agency had corrected these clerical errors in the last quarter of our review.

UNALLOWABLE TITLE IV-E TRAINING COSTS

Federal Requirements

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.”

Unallowable Costs

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

- Two employees stopped providing direct services to the Title IV-E training program in June 2007 when they were transferred to other positions. However, the State agency continued to charge the employees’ salaries and related expenses directly to the IV-E program through September 2010. Thus, the State agency improperly claimed \$226,885 to the Title IV-E training program.
- The State agency inadvertently transcribed the Medicaid training unit code to a Title IV-E training unit code when encumbering the training contract into its accounting system. Thus, the State agency improperly claimed \$36,774 to the Title IV-E program.

As a result, the State agency overstated its Federal claim by a total of \$263,659. The overstatements occurred because the State agency made clerical errors that miscoded training costs.

UNALLOCABLE COSTS TO THE TITLE IV-E PROGRAM

Federal Requirements

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 addition, ACF’s *Child Welfare Policy Manual*, 8.1H Title IV-E Training, states, “All training costs must be allocated to Title IV-E, State foster care and other State/Federal programs in such a manner as to ensure that the cost is charged to the program in accordance with the relative benefits that the program receives from the training.”

Improperly Allocated Training Costs

The State agency improperly charged training costs to the Title IV-E program that did not directly benefit the program, including the following:

- The State agency inadvertently allocated Title IV-E training costs based on an incorrect calculation rather than charging costs directly to each benefiting program. By applying the incorrect calculation to all University invoices, the Federal program was overcharged, and the State program was undercharged. Thus, the State agency improperly charged \$299,304 in State foster care training costs to the Federal adoption assistance program.¹
- The State agency inadvertently claimed the total costs without applying the saturation rate (the percentage of federally funded adopted children divided by the total IV-E adoption population) to allocate costs between State and Federal programs. Thus, the State agency improperly charged \$99,090 in State adoption assistance training costs to the Federal adoption assistance training program.²
- The State agency allocated administrative training costs to the Title IV-E training program using an inaccurate direct head count. The State agency did not revise the head count allocation amounts to include the transfer of two employees from Title IV-E Field Instructor positions. Thus, the State agency improperly charged \$75,876 in administrative costs to the Title IV-E training program.

As a result, the State agency overstated its Federal claim by a total of \$474,270. The overstatements occurred because the State agency made clerical errors that improperly allocated training costs.

CALCULATION OF THE FEDERAL SHARE OF INDIRECT COSTS

Federal Requirements

Federal regulation 45 CFR § 1356.60 (c) states that Federal financial participation is available at the rate of 50 percent for administrative expenditures necessary for the proper and efficient administration of the title IV-E State program. Training costs not allowable at the enhanced reimbursement rate may be claimed at this rate. The State's cost allocation plan shall identify all costs to be allocated and claimed under this program.

¹ Maine's Department of Audit identified in its Single Audit Report, Fiscal Year Ending June 30, 2010, that \$55,198 in foster care training costs was improperly allocated to the adoption assistance program. These costs were included in our questioned costs.

² Maine's Department of Audit identified in its Single Audit Report, Fiscal Year Ending June 30, 2010, that \$31,355 in State adoption assistance training costs was improperly allocated to the Federal adoption assistance program. These costs were included in our questioned costs.

Incorrect Calculation of the Federal Share Indirect Costs

The State agency incorrectly calculated the Federal share of indirect costs by applying the enhanced Federal financial participation rate of 75 percent. Specifically, the State agency claimed indirect expenses that applied to the general operation of the University and other administrative expenditures that were not related directly to IV-E but are necessary for the proper administration of the training program. Since these indirect costs apply to the general operation of the State and University, the costs can be claimed only at the 50 percent participation rate. As a result, the State agency's Federal claim was overstated by a total of \$45,668. The overstatements occurred because of clerical errors made by the State agency in using the incorrect Federal participation rate in the allocation of costs to the Title IV-E program.

CONCLUSION

The State agency did not always follow Federal requirements in claiming Title IV-E training costs. As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$783,597. The overstatements occurred because the State agency made clerical errors that improperly allocated, coded, and calculated Title IV-E training costs. The State agency had corrected these clerical errors in the last quarter of our review.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$783,597 on its next Quarterly Report of Expenditures and
- continue the corrective actions it has taken to claim Title IV-E training costs in accordance with Federal requirements.

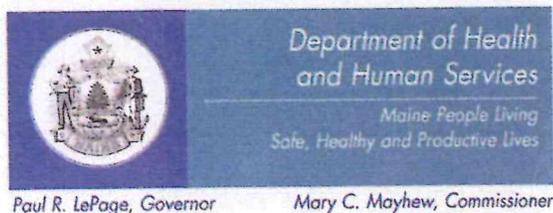
STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed with our findings and recommendations. The State agency's comments are included in their entirety as an Appendix.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS

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Department of Health and Human Services
Commissioner's Office
221 State Street
11 State House Station
Augusta, Maine 04333-0011
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August 15, 2011

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

Re: *Review of Maine's Title IV-E Training Costs for Federal Fiscal Years 2008 through 2010* –
Report Number A-01-11-02504.

Dear Mr. Armstrong:

The Department of Health and Human Services (DHHS) appreciates the opportunity to respond to the above mentioned draft audit report. We offer the following comments in relation to the recommendations on Page 6 of this report.

For your convenience, below we include the summary finding and list each recommendation followed by our response. Each response includes the State's proposed corrective action plan which we believe will bring the State into compliance with Federal requirements.

Finding:

The State agency did not always follow Federal requirements in claiming Title IV-E training costs. As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$783,597. The overstatement occurred because the State agency made clerical errors that improperly allocated, coded, and calculated Title IV-E training costs. The State agency had corrected these clerical errors in the last quarter of our review.

Recommendation:

Make a financial adjustment of \$783,597 on its next Quarterly Report of Expenditures.

Response:

DHHS agrees with this recommendation. DHHS will refund \$783,597 in the first quarter after receipt of the final report.

Mr. Michael J. Armstrong
August 15, 2011
Page Two

Recommendation:

Continue the corrective actions it has taken to claim Title IV-E training costs in accordance with Federal requirements.

Response:

DHHS agrees with this recommendation. DHHS will continue the corrective actions it has taken to claim Title IV-E training costs in accordance with Federal requirements.

We appreciate the time spent in Maine by OIG's staff reviewing Maine's Title IV-E training costs. We believe this effort will enable us to perform this function more accurately in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mary C. Mayhew".

Mary C. Mayhew
Commissioner

MCM/klv

cc: Tim Lawrence, Internal Audit Manager, DHHS