



September 7, 2010

**TO:** Yvette Sanchez Fuentes  
Director, Office of Head Start  
Administration for Children and Families

**FROM:** /George M. Reeb/  
Acting Deputy Inspector General for Audit Services

**SUBJECT:** Review of New Jersey's Adoption Assistance Subsidies Submitted for Federal Reimbursement as a Result of Its Contract With Maximus, Inc. (A-02-09-02019)

Attached, for your information, is an advance copy of our final report on New Jersey's adoption assistance subsidies submitted for Federal reimbursement as a result of its contract with Maximus, Inc. We will issue this report to New Jersey within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov) or James P. Edert, Regional Inspector General for Audit Services, Region II, at (212) 264-4620 or through email at [James.Edert@oig.hhs.gov](mailto:James.Edert@oig.hhs.gov). Please refer to report number A-02-09-02019.

Attachment



Office of Audit Services  
Jacob Javits Federal Building  
26 Federal Plaza, Room 3900  
New York, NY 10278

September 8, 2010

Report Number: A-02-09-02019

Allison Blake, Ph.D., L.S.W.  
Commissioner  
New Jersey Department of Children and Families  
222 South Warren Street  
P.O. Box 729  
Trenton, NJ 08625-0729

Dear Dr. Blake

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of New Jersey's Adoption Assistance Subsidies Submitted for Federal Reimbursement as a Result of Its Contract With Maximus, Inc.* 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 John Madigan, Audit Manager, at (518) 437-9390, extension 224, or through email at [John.Madigan@oig.hhs.gov](mailto:John.Madigan@oig.hhs.gov). Please refer to report number A-02-09-02019 in all correspondence.

Sincerely,

/James P. Edert/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Carolyn Baker-Goode  
Acting Regional Program Manager  
Administration for Children and Families  
26 Federal Plaza, Room 4114  
New York, NY 10278

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF NEW JERSEY'S ADOPTION  
ASSISTANCE SUBSIDIES SUBMITTED  
FOR FEDERAL REIMBURSEMENT AS A  
RESULT OF ITS CONTRACT WITH  
MAXIMUS, INC.**



Daniel R. Levinson  
Inspector General

September 2010  
A-02-09-02019

# ***Office of Inspector General***

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

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 & Human Services, Administration for Children and Families (ACF), administers the adoption assistance program. The adoption assistance program provides Federal funds to States to facilitate the timely placement of children whose special needs or circumstances would otherwise make them difficult to place with adoptive families. Monthly adoption subsidies assist adoptive families with the care of eligible children.

In New Jersey, the Department of Children and Families (the State agency) is responsible for administering the Title IV-E adoption assistance program. To claim these costs for Title IV-E reimbursement, the State agency submits claims on a quarterly basis to ACF. To determine its quarterly expenditures, the State agency uses an electronic database that contains adoption assistance subsidy information for the entire State.

In September 2004, New Jersey awarded a contingency fee contract to Maximus, Inc. (Maximus), to perform reviews of Title IV-E determinations made by the State agency regarding individual cases. During its review process, Maximus recommended that the State agency categorize some adoption assistance subsidies, for which it had not received Federal reimbursement, as eligible for Title IV-E reimbursement based on Federal eligibility requirements. As a result of its contract with Maximus, the State agency claimed \$19,246,941 (\$9,623,470 Federal share) in adoption assistance subsidies from October 1, 2003, through June 30, 2007.

### **OBJECTIVE**

Our objective was to determine whether adoption assistance subsidies that the State agency identified as a result of its contract with Maximus were claimed twice for Federal reimbursement.

### **SUMMARY OF FINDINGS**

The State agency claimed Federal reimbursement twice for the same \$9,623,470 (\$4,811,735 Federal share) in adoption assistance subsidies identified as a result of its contract with Maximus. This occurred because the State agency's procedures for reporting adoption assistance subsidies on its quarterly expenditure reports were inadequate.

### **RECOMMENDATION**

We recommend that the State agency refund \$4,811,735 to the Federal Government.

## **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our finding and recommendation. The State agency's comments are included in their entirety as the appendix.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Title IV-E Adoption Assistance Program**

Pursuant to Title IV-E of the Social Security Act, the Department of Health & Human Services, Administration for Children and Families (ACF), administers the adoption assistance program. The adoption assistance program provides Federal funds to States to facilitate the timely placement of children whose special needs or circumstances would otherwise make them difficult to place with adoptive families. Monthly adoption subsidies assist adoptive families with the care of eligible children.

#### **New Jersey's Adoption Assistance Program**

In New Jersey, the Department of Children and Families (the State agency) is responsible for administering the Title IV-E adoption assistance program.<sup>1</sup> To claim these costs for Title IV-E reimbursement, the State agency submits claims on a quarterly basis to ACF. To determine its quarterly expenditures, the State agency uses an electronic database that contains adoption assistance subsidy information for the entire State.

In September 2004, New Jersey awarded a contingency fee contract to Maximus, Inc. (Maximus), to perform reviews of Title IV-E determinations made by the State agency regarding individual cases.<sup>2</sup> During its review process, Maximus recommended that the State agency categorize 5,194 adoption assistance subsidies, for which it had not received Federal reimbursement, as eligible for Title IV-E reimbursement based on Federal eligibility requirements. As a result of this contract with Maximus, the State agency claimed an additional \$19,246,941 (\$9,623,470 Federal share) in adoption assistance subsidies.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether adoption assistance subsidies that the State agency identified as a result of its contract with Maximus were claimed twice for Federal reimbursement.

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<sup>1</sup> Within the State agency, the Division of Youth and Family Services (DYFS) is responsible for investigating allegations of child abuse and neglect and, if necessary, arranging for child protection and family treatment. DYFS may ask the local family court to place the child in foster care. If the family court determines a child cannot be safely returned home from foster care, DYFS assists with adoption planning.

<sup>2</sup> The contract was awarded by the State's Department of the Treasury, Office of Management and Budget. According to the terms of the contract, Maximus received \$170 per case provided that each Title IV-E determination made by the State agency was accurate.

## Scope

Our audit covered adoption assistance subsidies for which the State agency claimed \$19,246,941 (\$9,623,470 Federal share) during Federal fiscal years (FYs) 2004 through 2007 as a result of the Maximus contract. During our audit, we did not review claims for adoption assistance subsidies submitted for Federal reimbursement for compliance with Federal eligibility requirements.<sup>3</sup> In addition, we did not review the overall internal control structure of the State agency. Rather, we reviewed only those internal controls that pertained directly to the objective of our audit.

We performed our fieldwork during June and July 2009 at the State agency's offices in Trenton, New Jersey.

## Methodology

To accomplish our objective, we:

- reviewed relevant Federal regulations;
- reviewed New Jersey's contingency fee contract with Maximus;
- held discussions with State agency officials regarding how the agency claimed Federal reimbursement for adoption assistance subsidies;
- obtained from the State agency a database of adoption assistance subsidy claims paid by the State agency to adoptive families during FYs 2004 through 2007;
- reconciled this database to claims submitted by the State agency on its quarterly expenditure reports for Federal reimbursement;
- identified adoption assistance subsidy claims submitted twice for Federal reimbursement for FY 2006; and
- obtained from the State agency and validated a list of adoption assistance subsidy claims submitted twice by the State agency for Federal reimbursement for FYs 2004, 2005, and 2007.

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 finding and conclusions based on our audit objective.

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<sup>3</sup> We are conducting a separate review of Title IV-E adoption assistance subsidies for compliance with Federal reimbursement requirements for claims submitted during FY 2006 (A-02-09-02003).

## **FINDING AND RECOMMENDATION**

The State agency claimed Federal reimbursement twice for the same \$9,623,470 (\$4,811,735 Federal share) in adoption assistance subsidies identified as a result of its contract with Maximus. This occurred because the State agency's procedures for reporting adoption assistance subsidies on its quarterly expenditure reports were inadequate.

### **DUPLICATE CLAIMS FOR ADOPTION ASSISTANCE SUBSIDIES**

Pursuant to Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Att. A, § C.1.a (2 CFR, pt. 225, App. A, § C.1.a), costs submitted under a Federal award must be necessary and reasonable.

The State agency claimed Federal reimbursement twice for the same \$9,623,470 (\$4,811,735 Federal share) in adoption assistance subsidies identified as a result of its contract with Maximus. Specifically, on a quarterly basis, from the first quarter of FY 2004 through the third quarter of FY 2007, the State agency claimed a total of 5,194 duplicate adoption assistance subsidies.

This occurred because the State agency's procedures for reporting adoption assistance subsidies on its quarterly expenditure reports were inadequate. To determine its quarterly expenditures, the State agency used an electronic database which recorded adoption assistance subsidy information for the entire State. This database included all adoption assistance subsidies identified by Maximus. However, the State agency also generated a separate report on adoption assistance subsidies identified by Maximus and included the same exact claim information in the quarterly expenditure reports. As a result, the State agency duplicated all of its claims for adoption assistance subsidies identified by Maximus.

In June 2007, during our audit period, the State agency revised its procedures for reporting adoption assistance subsidies. We determined that, beginning in the fourth quarter of FY 2007, the State agency's quarterly expenditure reports did not include duplicate claims for adoption assistance subsidies identified as a result of its contract with Maximus.

### **RECOMMENDATION**

We recommend that the State agency refund \$4,811,735 to the Federal Government.

### **STATE AGENCY COMMENTS**

In written comments on our draft report, the State agency concurred with our finding and recommendation. The State agency's comments are included in their entirety as the appendix.

# **APPENDIX**

**APPENDIX: STATE AGENCY COMMENTS**



CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

**State of New Jersey**  
DEPARTMENT OF CHILDREN AND FAMILIES  
P.O. Box 729  
TRENTON, NJ 08625-0729

ALLISON BLAKE, PH.D., L.S.W.  
*Commissioner*

July 22, 2010

United States Department of Health & Human Services  
Office of Inspector General, Region II  
Jacob Javits Federal Building  
26 Federal Plaza – Room 3900  
New York, NY 10278

Attention: James P. Edert  
Regional Inspector General for Audit Services

Re: Report Number A-02-09-02019

Dear Mr. Edert:

I am writing to you in response to your letter dated June 22, 2010, concerning report number A-02-09-02019 entitled "Review of New Jersey's Adoption Assistance Subsidies Submitted for Federal Reimbursement as a Result of Its Contract with Maximus, Inc."

During federal fiscal years 2004-2007, certain adoption assistance subsidies were claimed by New Jersey as a result of a contract with Maximus, Inc. The data used to claim these adoption assistance costs was obtained through New Jersey's database: Service Information System (SIS).

These adoption assistance costs were summarized on two reports that were submitted for reimbursement via the Federal IV-E-1 report; the SI 112-3 Adoption Assistance Costs and the SI 112-5 Adoption Assistance Costs for Maximus Clients. It was not apparent until the audit that the costs for the Maximus clients were also included in the SI 112-3 adoption assistance claiming data.

The Department of Children and Families (DCF) concurs with your finding in this matter and agrees with your determination, as stated in your report, that "...beginning in the fourth quarter of FY2007, the State agency's quarterly expenditure reports did not include duplicate claims for adoption assistance subsidies identified as a result of its contract with Maximus." DCF will take the necessary steps to process repayment of the duplicate payments that were identified by your office.

With the implementation of New Jersey's SACWIS system (NJSPIRIT) on August 21, 2007, DCF has taken appropriate action to insure that there will be no duplication of any federal claiming costs.

James P. Edert  
July 22, 2010  
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If you have any questions or concerns please contact Alfonso Nicholas, Assistant Director for Revenue, Financial Reporting and Title IV-E Operations at 609-633-6904.

Sincerely,

A handwritten signature in cursive script that reads "Allison Blake".

Allison Blake, Ph.D., L.S.W.  
Commissioner

AB:1C