



May 3, 2011

TO: David Hansell
Acting Assistant Secretary
Administration for Children and Families

FROM: /Daniel R. Levinson/
Inspector General

SUBJECT: Review of Georgia's Title IV-E Adoption Assistance Costs (A-04-09-03524)

Attached, for your information, is an advance copy of our final report on Georgia's Title IV-E adoption assistance costs. We will issue this report to the Georgia Department of Human Services within 5 business days. This report is part of a nationwide review of Title IV-E adoption assistance costs.

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 or Peter J. Barbera, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750 or through email at Peter.Barbera@oig.hhs.gov. Please refer to report number A-04-09-03524.

Attachment



Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

May 5, 2011

Report Number: A-04-09-03524

Mr. Clyde Reese
Commissioner
Georgia Department of Human Services
2 Peachtree Street, NW
Suite 29-250
Atlanta, GA 30303

Dear Mr. Reese:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Georgia's Title IV-E Adoption Assistance 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 John T. Drake, Audit Manager, at (404) 562-7755 or through email at John.Drake@oig.hhs.gov. Please refer to report number A-04-09-03524 in all correspondence.

Sincerely,

/Peter J. Barbera/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mrs. Carlis V. Williams
Regional Administrator
Administration for Children and Families
Atlanta Federal Center - Suite 4M60
61 Forsyth Street, SW
Atlanta, GA 30303-8909

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF
GEORGIA'S TITLE IV-E
ADOPTION ASSISTANCE COSTS**



Daniel R. Levinson
Inspector General

May 2011
A-04-09-03524

Office of Inspector General

<http://oig.hhs.gov>

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THIS REPORT IS AVAILABLE TO THE PUBLIC
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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 & Human Services, Administration for Children and Families (ACF), administers the adoption assistance program through its Administration on Children, Youth and Families. 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 who were either involuntarily or voluntarily removed from their homes.

In Georgia, the Department of Human Services, Division of Family and Children Services (State agency), administers the Title IV-E adoption assistance program. During Federal fiscal years (FY) 2006 through 2008, the State agency claimed \$148,837,090 (\$92,103,542 Federal share) in Title IV-E adoption assistance payments on its quarterly expenditure reports.

OBJECTIVE

Our objective was to determine whether the State agency complied with certain Federal requirements in claiming selected adoption assistance payments for Federal reimbursement.

SUMMARY OF FINDINGS

In FYs 2006 through 2008, the State agency complied with certain Federal requirements in claiming adoption assistance payments for 453 of the 1,485 children selected for review. However, the State agency claimed \$23,842,034 (\$14,718,210 Federal share) in unallowable adoption assistance payments for 1,026 children, including:

- 978 children whose eligibility was not supported by adequate documentation (\$14,013,927 Federal share),
- 36 children under the age of 18 who did not meet certain eligibility criteria (\$510,879 Federal share),
- 48 children who became ineligible because they reached the age of 18 (\$189,639 Federal share), and
- 2 children for whom duplicate payments were made (\$3,765 Federal share).

The total number of children exceeds 1,026 because 38 children were ineligible for more than 1 reason. We estimated that unallowable payments for the 1,026 children for FYs 2009 and 2010 totaled \$10,448,668 (\$7,415,564 Federal share). We also estimated that the savings associated with no longer claiming payments for these children in FY 2011 would be \$4,254,036 (\$2,842,653 Federal share).

In addition, we set aside for ACF resolution payments totaling \$96,025 (\$59,279 Federal share) for the six remaining children for FYs 2006 through 2008 because of conflicting ACF guidance on the timing of judicial determinations that remaining in the home would be contrary to the children's welfare. We estimated that payments for these six children for FYs 2009 and 2010 totaled \$22,812 (\$16,160 Federal share). We also estimated that payments for these children for FY 2011 would be \$5,566 (\$3,719 Federal share).

These unallowable payments occurred because the State agency misinterpreted record retention requirements, did not always follow Federal requirements for determining adoption assistance eligibility, did not have an adequate process for stopping payments after a child reached the age of 18, and did not have adequate controls to prevent duplicate payments. State agency officials said that they had taken several steps to correct these weaknesses.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$23,842,034 (\$14,718,210 Federal share) on its next quarterly expenditure report for the unallowable payments we identified for periods before FY 2009;
- review adoption assistance payments claimed for FYs 2009 and 2010 for the ineligible children we identified and make a financial adjustment estimated at \$10,448,668 (\$7,415,564 Federal share) on its next quarterly expenditure report;
- ensure compliance with Federal eligibility requirements, thus saving an estimated \$4,254,036 (\$2,842,653 Federal share) for FY 2011, by:
 - revising its record retention policy to meet Federal requirements and ensuring that all claims for Federal reimbursement are adequately supported,
 - implementing procedures to ensure that Federal funds are not claimed for children who have reached the age of 18, and
 - assigning each child a unique statewide identification number in the payment system to prevent or detect duplicate payments; and
- work with ACF to resolve payments for six children affected by conflicting ACF guidance: payments totaling \$96,025 (\$59,279 Federal share) for FYs 2006 through 2008, payments estimated to total \$22,812 (\$16,160 Federal share) for FYs 2009 and 2010, and payments estimated to total \$5,566 (\$3,719 Federal share) for FY 2011.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency partially concurred with our first three recommendations. The State agency noted that it acted in good faith to protect the confidentiality of adoption cases in Georgia in developing policies and procedures that allowed

the destruction of all case documentation not considered part of the permanent sealed adoption record.

For our first and second recommendations, the State agency proposed an alternative method for calculating unallowable costs that would result in a substantial reduction in the amount that it would have to repay. This alternative method is based on an extrapolation of the errors within the cases for which the State agency was able to provide sufficient documentation to enable the auditors to determine the allowability of payments.

The State agency said it had already taken action to refund the unallowable costs associated with the 36 children who did not meet eligibility criteria, the 48 children who had reached age 18, and the 2 children for whom duplicate payments had been made.

The State agency also disagreed with the estimated savings associated with our third recommendation, but it outlined actions it had taken to implement this recommendation. These actions included revising its records retention policy, providing staff training, upgrading its payment system to automatically cancel payments when a child reaches age 18, and upgrading its payment system to create a unique identifier when an adoption assistance case is opened. In response to our fourth recommendation, the State agency said that it would work with ACF to resolve payments for the six children affected by conflicting ACF guidance.

The State agency's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

Although the State agency may have acted in good faith, it did not provide any evidence to change the results of our review. Furthermore, the State agency's alternate error rate calculation methodology is based on only certain cases, and we have no basis to accept it. In contrast, our calculation properly reflects the outcome of all the cases we reviewed.

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INTRODUCTION

BACKGROUND

Title IV-E Adoption Assistance Program

Pursuant to Title IV-E of the Social Security Act (the Act), the Department of Health & Human Services, Administration for Children and Families (ACF), administers the adoption assistance program through its Administration on Children, Youth and Families. 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 who were either involuntarily or voluntarily removed from their homes. Sections 473(a) and (c) of the Act establish adoption assistance eligibility requirements, and ACF's *Child Welfare Policy Manual* provides guidance on these requirements. In addition, Federal regulations (45 CFR § 92.42) specify the requirements for documentation to support eligibility assistance determinations.

A child may be eligible for Title IV-E adoption assistance if he or she is determined by the State to meet the statutory definition of a child with special needs¹ and:

- meets Aid to Families With Dependent Children (AFDC) requirements (as in effect on July 16, 1996) at the time of removal from the home,²
- meets the requirements for Supplemental Security Income,
- is the child of a minor parent in foster care, or
- was previously eligible for Title IV-E adoption assistance.

For an adoption assistance payment to be eligible for Federal reimbursement, a State must document the child's eligibility under one of these four categories. The State must also maintain other pertinent records, such as court records, adoption assistance agreements, evidence of criminal record checks, and birth certificates.

The Federal Government pays its share of a State's adoption assistance payments based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5,

¹ Section 473(c)(1) of the Act lays out the requirements for a State finding of special needs.

² ACF's *Child Welfare Manual*, § 8.4A, Question 18, states: "Prior to the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, each State set its own AFDC need standard to use in determining eligibility for the program. The term 'AFDC need standard' refers to the amount of money a State determined that a particular size family needed to subsist. For Title IV-E purposes, the State's need standard as of July 16, 1996 ... is the amount that provides the basis for both steps in the initial income test portion of the AFDC eligibility determination process."

temporarily increased States' FMAPs for Federal fiscal years (FY) 2009 and 2010 and the first quarter of 2011.

Adoption Assistance in Georgia

In Georgia, the Department of Human Services, Division of Family and Children Services (State agency), administers the Title IV-E adoption assistance program. To claim costs for Title IV-E reimbursement, the State agency submits quarterly expenditure reports (Federal Forms ACF-IV-E-1) to the Federal Government.

In FYs 2006 through 2008, the FMAPs for Georgia's adoption assistance payments were 60.60 percent, 61.97 percent, and 63.10 percent, respectively. During this 3-year period, the State agency claimed \$148,837,090 (\$92,103,542 Federal share) in Title IV-E adoption assistance payments on its quarterly expenditure reports.

In FYs 2009 and 2010, the FMAPs for Georgia's adoption assistance payments were 70.69 percent and 71.30 percent, respectively. In FY 2011, the FMAP was 71.30 percent for the first quarter and is 65.33 percent for the second through fourth quarters.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency complied with certain Federal requirements in claiming selected adoption assistance payments for Federal reimbursement.

Scope

During FY 2006, the State agency claimed Federal reimbursement for adoption assistance payments totaling \$52.8 million on behalf of 9,422 children. We limited our review to 1,500 children for whom the State agency made the highest payments, which amounted to \$13.8 million. For ineligible children identified on FY 2006 claims, we determined whether the State agency continued to claim payments in FYs 2007 and 2008. For each child who reached the age of 18 before FY 2006, we estimated overpayments beginning in the month after the child turned 18 through FY 2008.

We limited our review of the State agency's internal controls to the process used to determine a child's eligibility and claim Title IV-E adoption assistance payments during the 3 years that ended September 30, 2008.

We performed fieldwork at the State agency in Atlanta, Georgia.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- reconciled total adoption assistance payments that the State agency claimed in FY 2006 to individual supporting claims;
- reviewed the State agency's quarterly expenditure reports for FYs 2006 through 2008 and traced selected amounts to the State's accounting records;
- interviewed State agency officials regarding policies and procedures for determining adoption assistance payment amounts, making periodic assistance payments to adoptive families, and maintaining adoption assistance records;
- obtained and sorted by child a list of all adoption assistance payments that the State agency made for FY 2006; and
- selected for review the 1,485 children³ for whom the State agency made the highest payments for FY 2006.

For each of the 1,485 children whose files we reviewed, we determined whether State agency records demonstrated that payments met the following Federal reimbursement requirements:

- the child was eligible for Title IV-E adoption assistance because he or she (1) met AFDC requirements at the time of removal from the home, (2) met the requirements for Supplemental Security Income, (3) was the child of a minor parent in foster care, or (4) was previously eligible for Title IV-E adoption assistance;
- the child was under the age of 18 at the time of the payment; and
- the State agency had obtained a judicial determination that remaining in the home was contrary to the child's welfare.

We calculated the Federal share of unallowable payments claimed on behalf of these children by using the FMAP applicable to FY 2006. We also identified payments for these same children for FYs 2007 and 2008 and calculated the Federal share of unallowable payments for those years by using the FMAP applicable to each year. We then estimated the unallowable payments claimed on behalf of these children for FYs 2009 and 2010 and the amount that the Federal Government would save for FY 2011 if the State agency corrected its procedures to comply with Federal requirements. See Appendix A for our estimation methodology and Appendixes B and C for our estimation results for FYs 2009 through 2011.

³ We initially selected 1,500 children. However, because the State agency's payment system did not uniquely identify each child, 15 of these children were selected more than once.

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

In FYs 2006 through 2008, the State agency complied with certain Federal requirements in claiming adoption assistance payments for 453 of the 1,485 children selected for review. However, the State agency claimed \$23,842,034 (\$14,718,210 Federal share) in unallowable adoption assistance payments for 1,026 children, including:

- 978 children whose eligibility was not supported by adequate documentation (\$14,013,927 Federal share),
- 36 children under the age of 18 who did not meet certain eligibility criteria (\$510,879 Federal share),
- 48 children who became ineligible because they reached the age of 18 (\$189,639 Federal share), and
- 2 children for whom duplicate payments were made (\$3,765 Federal share).⁴

We estimated that unallowable payments for these children for FYs 2009 and 2010 totaled \$10,448,668 (\$7,415,564 Federal share). We also estimated that the savings associated with no longer claiming payments for these children in FY 2011 would be \$4,254,036 (\$2,842,653 Federal share).

In addition, we set aside for ACF resolution payments totaling \$96,025 (\$59,279 Federal share) for the six remaining children for FYs 2006 through 2008 because of conflicting ACF guidance on the timing of judicial determinations that remaining in the home would be contrary to the children's welfare. We estimated that payments for these six children for FYs 2009 and 2010 totaled \$22,812 (\$16,160 Federal share). We also estimated that payments for these children for FY 2011 would be \$5,566 (\$3,719 Federal share).

The unallowable payments occurred because the State agency misinterpreted record retention requirements, did not always follow Federal requirements for determining adoption assistance eligibility, did not have an adequate process for stopping payments after a child reached the age of 18, and did not have adequate controls to prevent duplicate payments. State agency officials said that they had taken several steps to correct these weaknesses.

⁴ The total number of children exceeds 1,026 because the payments for 38 children were unallowable for more than 1 reason. We questioned the costs associated with these children only once.

UNALLOWABLE PAYMENTS

Federal Requirements

Pursuant to 45 CFR § 92.42, a grantee must maintain all financial and programmatic records, supporting documentation, statistical records, and other pertinent records. The retention period is generally 3 years; if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal FY. In addition, the *Child Welfare Policy Manual*, section 5.2, states:

... in the case of reviews of the eligibility of foster care and adoption assistance claims, the State Agency must make available foster care and adoption records (including sealed foster care and adoption records) in order to document the eligibility of the beneficiaries (children) and related costs of administration. If the requested records cannot or are not made available, all payments made on behalf of the children whose records have not been made available for review and associated costs will be disallowed.

Section 473(a)(1)(A) of the Act states that each State having a Title IV-E plan must enter into adoption assistance agreements (as defined in section 475(3)) with the adoptive parents of children with special needs.

Pursuant to section 473(a)(2)(A)(i)(I) of the Act, a special-needs child may be ruled eligible for Title IV-E adoption assistance if that child would have been eligible for assistance under the AFDC program in the home of removal. Section 473(a)(2)(A)(i)(I)(aa)(AA) of the Act specifies that a State may claim Federal funding for adoption assistance paid to an adoptive parent for an AFDC-eligible child if there is evidence that a judicial determination was made that the child's continuation in the home from which he or she was removed would be contrary to the child's welfare or if the child was removed from the home based on a voluntary placement agreement and previously received Title IV-E foster care maintenance payments.

Section 473(a)(4)(A) of the Act prohibits payment to adoptive parents for any child who has reached the age of 18 (or the age of 21 if the State has determined that the child has a mental or physical handicap that warrants the continuation of assistance).⁵

General principles for determining whether costs are allowable are set forth in 2 CFR part 225, Appendix A, section C.1.j (formerly Office of Management and Budget Circular A-87, Attachment A, section C.1.j). Pursuant to section C.1.j, costs must be adequately documented.

⁵ Georgia's *Adoption Services Manual*, section 109.10, which is incorporated into its approved State plan by reference, allows IV-E adoption assistance payment only up to and including the month in which a child turns 18. Under certain circumstances the State will pay benefits for a child up to the child's 21st birthday.

Inadequate Adoption Assistance Eligibility Documentation

For 978 children, the State agency did not maintain adequate documentation of adoption assistance eligibility, including, but not limited to, evidence of AFDC or Supplemental Security Income eligibility, judicial determinations that remaining in the home would be contrary to the welfare of the children, or voluntary placement agreements. For 37 of the 978 children, the State agency was unable to provide any documentation of the children's eligibility for adoption assistance. In FYs 2006 through 2008, the State agency claimed \$22,689,399 (\$14,013,927 Federal share) for the 978 children.

Based on the unallowable payments identified for FYs 2006 through 2008, we estimated that unallowable payments for the 978 children for FYs 2009 and 2010 totaled \$10,065,369 (\$7,143,474 Federal share). We also estimated that the savings associated with no longer claiming payments for the 978 children in FY 2011 would be \$4,120,758 (\$2,753,593 Federal share).

State agency officials said that they believed a misinterpretation of record retention requirements caused staff to shred some eligibility records once adoptions were finalized. According to the officials, the State agency believed that the retention period began on the date that the child was adopted rather than the date that the State submitted its last quarterly expenditure report on behalf of the child. The officials recognized this deficiency during our audit and said that they had initiated actions to ensure that record retention requirements would be met. For example, the officials said that they had developed a checklist for use by field social service supervisors to ensure that case records adequately supported claims for Federal reimbursement and that regional adoption coordinators would periodically review the completed checklists.

Payments for Children Under the Age of 18 Who Did Not Meet Eligibility Criteria

The State agency claimed Federal reimbursement for payments made on behalf of 36 children who did not meet certain adoption assistance eligibility criteria. For these children, adoption assistance, foster care, and AFDC case records showed that the family incomes exceeded the specified AFDC ceiling or State agency records demonstrated that the families were not AFDC eligible when the children were removed from their homes. In FYs 2006 through 2008, the State agency claimed \$828,032 (\$510,879 Federal share) for these children.

Based on the unallowable payments for the 36 children for FYs 2006 through 2008, we estimated that the unallowable payments for FYs 2009 and 2010 totaled \$383,299 (\$272,090 Federal share). We also estimated that the savings associated with no longer claiming payments for these children in FY 2011 would be \$133,278 (\$89,060 Federal share).

For many of these children, the State agency was able to supply only minimal supporting documentation. The documentation supplied sometimes included a State agency determination that the child was ineligible for adoption assistance. However, the State agency still made payments on behalf of the children. We could not determine any single cause for these errors.

Payments for Children Who Became Ineligible Because They Reached the Age of 18

The State agency claimed Federal reimbursement for payments made on behalf of 48 children after they reached the age of 18 and therefore were no longer eligible for adoption assistance. Unallowable payments for these children totaled \$318,390 (\$189,639 Federal share).⁶

At the time of our audit, the State agency had inadequate controls to prevent payments on behalf of children who had reached the age of 18. The State agency relied primarily on county caseworkers to identify such children and remove them from the adoption assistance payment system. The State agency's central office provided minimal oversight and followup of this eligibility issue.

For the State FY ended June 30, 2007, Georgia State auditors also found that the State agency did not take timely steps to terminate payments for children who had reached the age of 18. Although the State agency had taken some steps to correct the overpayments, we identified additional overpayments that the State agency had not adjusted at the time we initiated our audit. After we notified the State agency of the additional overpayments, it took corrective actions, including initiating a process for reporting overpayment adjustments and implementing procedures to help preclude payments for children who had reached the age of 18.

Duplicate Payments

For two children, the State agency incorrectly claimed reimbursement for duplicate payments totaling \$6,213 (\$3,765 Federal share) for FY 2006.

In discussions with State agency officials and the payment-processing contractor, we determined that there was no single statewide identification number for a child in the payment system. Thus, for example, the payment system was unable to correctly determine that John Doe and John Smith were the same child under a birth name and an adoptive name. Similarly, the payment system could not detect that payments for John Doe in one county duplicated payments for John Doe in another county. Under the manual procedures that were in place, a caseworker in one county was required to contact and follow up with a caseworker in another county. However, these procedures were not sufficient to prevent all duplicate payments.

In June 2009, the State agency implemented a monthly adoption log to help prevent or detect duplicate payments.

JUDICIAL DETERMINATIONS

Federal Requirements

Pursuant to section 473(a)(2)(A)(i)(I)(aa)(AA) of the Act, for a child to be eligible for Title IV-E adoption assistance payments, a judge must have determined that remaining in the home was

⁶ Of the 48 children, 16 reached the age of 18 before FY 2006. For these 16 children, we estimated overpayments starting from the month after they turned 18 through FY 2008.

contrary to the child's welfare.⁷ However, no clear guidance existed on the timing of these judicial determinations before calendar year 2001. ACF's policy interpretation question ACYF-PIQ-87-05, issued in two versions dated November 1987 and December 1987, contained conflicting interpretations of policy on the timing of the judicial determinations.

In January 2001, ACF issued policy announcement ACYF-CB-PA-01-01, which stated in a footnote that ACYF-PIQ-87-05 was withdrawn in February 2000. This policy announcement clarified that all contrary-to-the-welfare determinations in the Title IV-E adoption assistance program must be made in the first court order removing the child from the home, including a temporary removal.

Conflicting Interpretations of Contrary-to-the-Welfare Policy

The State agency's records on six children did not include judicial determinations specifying that remaining at home was contrary to the children's welfare. The six children were removed from their homes before 1999. In FYs 2006 through 2008, the State agency claimed \$96,025 (\$59,279 Federal share) for the six children. Because the children were removed from their homes before ACF's 2001 policy clarification on contrary-to-the-welfare requirements, we have set aside payments on behalf of these children for ACF resolution.

Based on the set-aside payments for the six children for FYs 2006 through 2008, we estimated that the payments for FYs 2009 and 2010 totaled \$22,812 (\$16,160 Federal share). We also estimated that payments for these children for FY 2011 would be \$5,566 (\$3,719 Federal share).

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$23,842,034 (\$14,718,210 Federal share) on its next quarterly expenditure report for the unallowable payments we identified for periods before FY 2009;
- review adoption assistance payments claimed for FYs 2009 and 2010 for the ineligible children we identified and make a financial adjustment estimated at \$10,448,668 (\$7,415,564 Federal share) on its next quarterly expenditure report;
- ensure compliance with Federal eligibility requirements, thus saving an estimated \$4,254,036 (\$2,842,653 Federal share) for FY 2011, by:
 - revising its record retention policy to meet Federal requirements and ensuring that all claims for Federal reimbursement are adequately supported,
 - implementing procedures to ensure that Federal funds are not claimed for children who have reached the age of 18, and

⁷ A contrary-to-the-welfare determination is not required for an eligible child placed pursuant to a voluntary placement agreement.

- assigning each child a unique statewide identification number in the payment system to prevent or detect duplicate payments; and
- work with ACF to resolve payments for six children affected by conflicting ACF guidance: payments totaling \$96,025 (\$59,279 Federal share) for FYs 2006 through 2008, payments estimated to total \$22,812 (\$16,160 Federal share) for FYs 2009 and 2010, and payments estimated to total \$5,566 (\$3,719 Federal share) for FY 2011.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency partially concurred with our first three recommendations. The State agency noted that it acted in good faith to protect the confidentiality of adoption cases in Georgia in developing policies and procedures that allowed the destruction of all case documentation not considered part of the permanent sealed adoption record.

For our first and second recommendations, the State agency proposed an alternative method for calculating unallowable costs that would result in a substantial reduction in the amount it would have to repay. This alternative method is based on an extrapolation of the errors within the cases for which the State agency was able to provide sufficient documentation to enable the auditors to determine the allowability of payments.

The State agency said it had already taken action to refund the unallowable costs associated with the 36 children who did not meet eligibility criteria, the 48 children who had reached age 18, and the 2 children for whom duplicate payments had been made.

The State agency also disagreed with the estimated savings associated with our third recommendation, but it outlined actions it had taken to implement this recommendation. These actions included revising its records retention policy, providing staff training, upgrading its payment system to automatically cancel payments when a child reaches age 18, and upgrading its payment system to create a unique identifier when an adoption assistance case is opened. In response to our fourth recommendation, the State agency said that it would work with ACF to resolve payments for the six children affected by conflicting ACF guidance.

The State agency's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

Although the State agency may have acted in good faith, it did not provide any evidence to change the results of our review. Furthermore, the State agency's alternate error rate calculation methodology is based on only certain cases, and we have no basis to accept it. In contrast, our calculation properly reflects the outcome of all the cases we reviewed.

APPENDIXES

APPENDIX A: METHODOLOGY FOR ESTIMATING UNALLOWABLE PAYMENTS FOR FISCAL YEARS 2009 THROUGH 2011

ESTIMATION METHODOLOGY

We identified instances in which the Department of Human Services, Division of Family and Children Services (State agency), did not comply with certain Federal requirements in claiming adoption assistance payments in Federal fiscal years (FY) 2006 through 2008. Once a child has been deemed ineligible for Title IV-E adoption assistance, future payments on behalf of the child remain unallowable for Federal reimbursement. Thus, without action on the part of the State agency, the improper payments identified for FYs 2006 through 2008 would have continued into FYs 2009 through 2011. However, we assumed that payments stopped the month after a child reached the age of 18.

Using information about ineligible children for FY 2008, we estimated unallowable payments for FYs 2009 and 2010 and cost savings for FY 2011. In calculating these estimates, we did not take into account any increases in statewide payment rates for adoption assistance for FYs 2009 through 2011.

SOURCES OF DATA

We obtained data to estimate State payments for FYs 2009 through 2011 from the actual payments made for ineligible children for FY 2008. We obtained these data from the State agency's adoption assistance payment system.

We used FY 2008 data for our estimates because actual payment data for FYs 2009 and 2010 were not available at the time we initiated our audit. Also, complete payment data for FY 2011 were not available as of the end of our fieldwork. Therefore, we included the estimates associated with FY 2011 in this report as future cost savings.

**APPENDIX B: CALCULATION OF ESTIMATED UNALLOWABLE PAYMENTS
FOR FISCAL YEARS 2009 AND 2010**

**Estimated Unallowable Payments for 978 Children Under the Age of 18 for
Whom Documentation To Support Eligibility Was Inadequate**

FY	FY 2008 Payments for Children Who Remained Ineligible	Federal Medical Assistance Percentage (FMAP)	Federal Share
2009	\$5,431,736	70.69%	\$3,839,694
2010	4,633,633	71.30%	3,303,780
Total	\$10,065,369		\$7,143,474

**Estimated Unallowable Payments for 36 Children Under the Age of 18
Who Did Not Meet Eligibility Criteria**

FY	FY 2008 Payments for Children Who Remained Ineligible	FMAP	Federal Share
2009	\$197,125	70.69%	\$139,348
2010	186,174	71.30%	132,742
Total	\$383,299		\$272,090

**APPENDIX C: CALCULATION OF ESTIMATED SAVINGS FOR FISCAL YEAR 2011
IF PAYMENTS ARE NOT CLAIMED**

**Estimated Savings for 978 Children Under the Age of 18 for Whom
Documentation To Support Eligibility Was Inadequate**

FY 2011	FY 2008 Payments for Children Who Remained Ineligible	FMAP	Federal Share
First quarter	\$1,030,190	71.30%	\$734,525
Second through fourth quarters	3,090,568	65.33%	2,019,068
Total	\$4,120,758		\$2,753,593

**Estimated Savings for 36 Children Under the Age of 18 Who
Did Not Meet Eligibility Criteria**

FY 2011	FY 2008 Payments for Children Who Remained Ineligible	FMAP	Federal Share
First quarter	\$33,319	71.30%	\$23,757
Second through fourth quarters	99,959	65.33%	65,303
Total	\$133,278		\$89,060

APPENDIX D: STATE AGENCY COMMENTS



Georgia Department of Human Services • Suite 29.250 • Two Peachtree Street, NW • Atlanta, Georgia 30303-3142 • 404/463-3390

Clyde L. Reese, III, Esq., Commissioner

February 22, 2011

Mr. Peter J. Barbera
Regional Inspector General for Audit Services
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

RE: Report Number A-04-09-03524
Report of Internal Audit
Review of Georgia's Title IV-E Adoption Assistance Costs

Dear Mr. Barbera:

Enclosed is the State of Georgia, Department of Human Services' response to the Report of Internal Audit Review of Georgia's Title IV-E Adoption Assistance Costs. We thank you for your time and consideration during this review.

Sincerely,

A handwritten signature in cursive script that reads "Clyde L. Reese III".

Clyde L. Reese III, Esq.

Enclosure

c: Sharon King, Deputy Commissioner, DHS
Brenda Woodard, General Counsel, DHS
Rachelle Carnesale, Director, Division of Family and Children
Services
Robert Dorr, Director, DHS Office of Inspector General

**State of Georgia
Department of Human Services
Response to the Report of Internal Audit**

Auditor's Recommendations. We recommend that the State agency:

- **make a financial adjustment of \$23,842,034 (\$14,718,210 Federal share) on its next quarterly expenditure report for the unallowable payments we identified for the periods before FY 2009;**

DHS Response: We partially concur with this recommendation.

DHS agrees with the auditors that, for the 978 identified cases, certain eligibility documentation records were not available for review. We do however; take exception with the somewhat unclear language in the Child Welfare Policy Manual, Section 5.2, which forms the basis for the auditor's determination that the lack of documentation automatically makes the payments on those cases disallowable. During the period in which these cases were initiated, DHS was operating in good faith, under an obligation to protect the confidentiality of adoption cases in Georgia. This obligation, coupled with our lack of awareness of the long-term records retention implications for IV-E eligibility, guided the development and implementation of internal policies which allowed that all case documentation not considered part of the permanent sealed adoption record, be destroyed. DHS acted in good faith in the execution of those policies and during the history of the agency, had no indication from external sources that these policies were erroneous. However, immediately upon learning of the inadequacy of our records retention policies, those policies were changed.

The auditors reviewed cases covering 1,485 children receiving assistance during the FY's 2006-2008. Of those 1,485 cases, 539 cases were sufficiently documented for the auditors to determine allowability of payments. Within that population of cases, 86 cases valued at \$704,283(Federal) were determined to be unallowable due to improper determinations; payments continued beyond age 18, duplicate payments or payments determined to be ineligible, but erroneously charged to IV-E. We analyzed the data provided to us by the auditors and determined that, for FY 2006, the value of these appropriately disallowed costs indicates that, for the cases which were adequately documented, our error rate in charging payments as IV-E eligible, was approximately 8.8%.

- Error Rate Calculation Methodology: Payments of \$442,644 made on cases determined to be ineligible divided by total payments of \$5,024,946 made on all 539 cases equals 8.8%

We believe this to be an appropriate indicator of our overall eligibility determination performance during the period under review. Based upon this premise, we believe that it would be more appropriate for the allowability of the population of 978 cases for which eligibility determination was not possible at the time of the audit, to be determined based upon the 8.8% error rate determined for the documented cases. Application of this error rate to the value of the 978 cases disallowed for non-documentation reveals a disallowance of \$1,233,226 (Federal), as opposed to the \$14,013,927 (Federal) proposed in the audit report for these same 978 cases.

In addition to the 978 children whose IV-E eligibility documentation was not available, the auditors identified:

- o 36 children under the age of 18 who did not meet certain eligibility criteria (\$510,879 Federal share).
- o 48 children who became ineligible because they reached the age of 18 (\$189,639 Federal share), and
- o 2 children for whom duplicate payments were made (\$3,675 Federal share).

We concur with the auditors' findings and recommendations on these cases and have taken the following actions:

- o To repay on the 36 children who did not meet the eligibility criteria, DHS will reate the costs of these children from Title IV-E funds to State funds during the current quarter. This adjustment in the amount of \$510,879 will be reflected on the 3/31/11 quarterly claim,
 - o To repay on the 48 children who had reached age 18, DHS already processed an adjustment to the 3/31/09 quarterly claim in the amount of \$271,230.10 (gross). After reviewing the payment records on all of the children cited, an additional adjustment (gross) of \$193,279.74 will be incorporated into the quarterly claim ending 12/31/10. The total gross adjustment made by DHS (\$464,509.84 gross) is somewhat higher than the amount cited by the auditors, based upon our analysis of all payments made on behalf of these 48 children for all of the months reviewed, and
 - o To repay on the 2 children receiving duplicate payments, a gross adjustment of \$6,973.34 will be made on the 12/31/10 quarterly claim. This amount is slightly higher than the amount estimated by the auditors, based upon our analysis of all payments made on behalf of these 2 children for all of the months reviewed,
- **review adoption assistance payments claimed for FYs 2009 and 2010 for the ineligible children we identified and make a financial adjustment estimated at \$10,448,668 (\$7,415,564 Federal share) on its next quarterly expenditure report;**

DHS Response: We partially concur with this recommendation.

For the same reasons described in our response to the auditors' first recommendation above, we believe that the appropriate amount of the disallowance for the 978 non-documented cases would be \$628,626 (Federal) for the FY 2009-2010 period, as opposed to the \$7,143,474 (Federal) proposed in the audit report.

To repay on the 36 children who did not meet the eligibility criteria, DHS will reate the costs of these children from Title IV-E to state funds during the current quarter. This adjustment will be reflected on the 3/31/11 quarterly claim. OIG estimates the gross cost at \$383,299 (\$272,090 Federal share).

- **ensure compliance with Federal eligibility requirements, thus saving an estimated \$4,254,036 (\$2,842,653 Federal share) for FY11, by:**
 - o **Revising its records retention policy to meet Federal requirements and ensuring that all claims for Federal reimbursement are adequately supported,**
 - o **Implementing procedures to ensure that Federal funds are not claimed for children who have reached the age of 18, and**
 - o **Assigning each child a unique statewide identification number in the payment**

system to prevent or detect duplicate payments

DHS Response: We partially concur with this recommendation.

For the same reasons described in our response to the auditors' first recommendation above, we believe that the appropriate amount of the disallowance for the 978 non-documented cases would be \$242,316 (Federal) for the FY 2011 period, as opposed to the \$2,753,593 (Federal) proposed in the audit report

To repay on the 36 children who did not meet the eligibility criteria, DHS will rerate the costs of these children from Title IV-E to state funds during the current quarter. This adjustment will be reflected on the 3/31/11 quarterly claim. OIG estimates the gross cost at \$133,278 (\$89,060 Federal share)

In addition, DHS has taken the following actions to address the deficiencies noted in the audit, and to ensure compliance with IV-E requirements in the future:

- IV-E Records Organization/Retention Policy policy was revised effective May 1, 2009 to meet minimum Federal IV-E Records retention requirements. Training for all staff working with foster care to adoption assistance records was completed June 30, 2009.
- SHINES upgrades have been implemented which will cause an automatic cancellation of IV-E adoption assistance payments upon the 18th birthday of the child.
- Adoption Assistance cases have been migrated to GA. SHINES. The system creates a unique identifier at the time that the adoption assistance case is opened. Upon finalization of the adoption, the case is closed. If a post adoption assistance case is opened, a new unique identifier is created in the adoptive name. The implementation of GA. SHINES statewide, should eliminate the possibility of duplicate payments.
- **Work with ACF to resolve payments totaling \$96,025 (\$59,279 Federal Share) for FYs 2006 through 2008, and payments totaling \$22,812 (\$16,160 Federal share) for FYs 2009 and 2010 for six children that we set aside, and review adoption assistance payments made for 2011 for these same children, resulting in calculated savings of \$5,566 (\$3,719 Federal share).**

DHS Response: DHS/DFCS will work with ACF in gaining consensus on these cases/issues.

Other Items for Consideration:

Georgia was found to be in substantial compliance in the 2003 and 2009 Administration for Children and Families, Children's Bureau Title IV-E Foster Care Eligibility Reviews. Georgia was found not to be in substantial compliance for the 2006 Title IV-E Foster Care Eligibility Review. As a result of the 2006 review, Georgia submitted a Program Improvement Plan in April 2007 and received ACF approval. We successfully completed the Program Improvement Plan in April 2008. Upon request, DHS can provide prior IV-E audit finding letters to DHR Commissioner and approved/completed Program Improvement Plan).