

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF ADMINISTRATIVE COSTS  
CLAIMED UNDER TITLE IV-E  
OF THE SOCIAL SECURITY ACT  
BY INDIANA YOUTH ADVOCATE  
FOR CALENDAR YEAR 2000**



**JANET REHNQUIST**  
Inspector General

**NOVEMBER 2002**  
A-05-02-00036



**DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**OFFICE OF AUDIT SERVICES**  
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**REGION V**  
**OFFICE OF**  
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November 26, 2002

CIN: A-05-02-00036

Ms. Angela Sears Spittal, Interim Director  
Indiana Family and Social Services Agency  
Division of Family and Children's Service  
Room 402, MS03  
402 West Washington Street  
Indianapolis, IN 46204

Dear Ms. Sears-Spitttal:

This letter report provides you with the results of our audit titled "Review of Administrative Costs Claimed Under Title N-E of the Social Security Act by Indiana Youth Advocate for calendar year 2000." The audit objective was to determine whether administrative costs claimed on the Indiana Youth Advocate's (IYA) cost report for calendar year (CY) 2000 were reasonable and allowable for reimbursement under the Foster Care Program (Title IV-E of the Social Security Act).

## **INTRODUCTION**

### **BACKGROUND**

The IYA is a tax-exempt organization under Internal Revenue Code, Section 501 (c) (3) that was established in 1987 to (i) develop and provide residential services, (ii) advocate support services, and (iii) provide professional management services for the care of the needy, disabled, and troubled youth. The IYA is part of the National Youth Advocate Program, Inc. (NYAP) that has locations in six other states. The NYAP is headquartered in Columbus, Ohio, and has its centralized accounting office in Wapakoneta, Ohio.

Title N-E of the Social Security Act authorizes the payment of Federal funds to states to provide foster care to children, who have been removed from their homes through a voluntary placement agreement or judicial determination. The program is administered at the federal level by the Department of Health and Human Services, Administration for Children and Families (ACF). Federal financial participation is available at the rate of 50 percent for allowable administrative expenses, including those administrative costs incurred by contracted private organizations that place and maintain the children in foster care homes.

The Indiana Family and Social Services Agency, Division of Family and Children's Service (state agency), is the single state agency responsible for administering the program in Indiana. At the local level, each of Indiana's 92 counties has a children's services agency that administers the foster care program. County agencies enter into contracts with private organizations to place and maintain the children in foster care homes for a negotiated daily administrative per diem

rate. The county agencies can receive partial reimbursement of the administrative costs for those children who are eligible under the Title IV-E program. The State Agency establishes its county reimbursement rates based, in part, on the cost reports submitted by the private contractors.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our audit was conducted in accordance with generally accepted government auditing standards. The objective of our audit was to determine whether the administrative costs reported on IYA's CY 2000 cost report were reasonable and allowable for reimbursement under Title IV-E of the Social Security Act. In that regard, our internal control review was limited to assessing that (i) costs were actually incurred, (ii) costs were allowable in accordance with Federal regulations, (iii) duties were properly segregated, (iv) cost allocation methodologies were equitable and logical, and (v) inappropriate related party transactions were excluded. We did not review management's overall internal controls because the objectives of this audit did not require an understanding or assessment of management's controls taken as a whole. We reviewed a total of \$847,722 in administrative costs claimed on the CY 2000 cost report.

**Methodology.** We reviewed IYA's cost report on file at Maximus, a state agency contractor, who established the administrative cost rates for the foster care program. Concerning the methodologies used in assembling the cost report, we interviewed IYA's financial personnel. We also reviewed selected supporting data and toured three of the foster homes utilized by IYA.

We evaluated the allowability of costs claimed by applying cost guidelines contained in the Indiana Administrative Code and in Office of Management and Budget (OMB) Circulars. Specifically, OMB Circular A-122, "Cost Principles for Non-Profit Organizations," and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," are applicable. Because IYA has Federal tax-exempt status, provisions of 26 United States Code, Section 501(c)(3), are also applicable.

We also analyzed selected IYA cost allocation methodologies and found that they were equitable and logical. We traced all costs claimed on the cost report to IYA's general ledger, and then selectively traced expenditures to supporting documentation, such as vendor invoices. We reviewed all canceled checks to ensure that listed vendors and endorers appeared to be for valid business purposes. During our site visit, we also established that appropriate segregation of duties existed at the centralized financial operations office in Wapakoneta, Ohio.

Our fieldwork was performed at Maximus offices in Indianapolis, Indiana, and at IYA offices in Indianapolis, Indiana, and Wapakoneta, Ohio between December 2001 and February 2002.

## **FINDINGS AND RECOMMENDATION**

Based on the results from audit procedures cited above, we believe that expenditures reported on IYA's CY 2000 cost report are reasonable and allowable for reimbursement under Title IV-E of the Social Security Act. Therefore, we have no recommendations to report.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104.231), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

Should you have any questions or comments concerning the matters commented on in this report, please direct them to the HHS official named below. To facilitate identification, please refer to Common Identification Number A-05-02-00036 in all correspondence relating to this report.

Sincerely yours,



Paul Swanson  
Regional Inspector General  
for Audit Services

Direct Reply to HHS Action Official:

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## ACKNOWLEDGMENTS

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