

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**PAYMENTS TO CHILD PLACING  
AGENCIES UNDER TITLE IV-E  
FOSTER CARE PROGRAM**

**INDIANA FAMILY AND SOCIAL  
SERVICES ADMINISTRATION**



**JUNE GIBBS BROWN  
Inspector General**

**JUNE 1997  
A-05-96-00055**



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V  
105 W ADAMS ST  
CHICAGO, ILLINOIS 60603-6201

June 27, 1997

OFFICE OF  
INSPECTOR GENERAL

SUBJECT: Letter Report on Payments to Private Child Placing Agencies under the Title IV-E Foster Care Program in Indiana - Common Identification No. A-05-96-00055

TO: Katherine L. Davis, Secretary  
Indiana Family and Social Services Administration  
402 West Washington Street, Room W461  
Indianapolis, Indiana 46204

This report provides you with the Results of our Audit of Payments to Private Child Placing Agencies under the Title IV-E Foster Care Program in the State of Indiana. The Title IV-E program is administered by the Indiana Family and Social Services Administration (State agency). Our objectives were to determine (i) whether payments claimed for Federal financial participation (FFP) under Title IV-E were made to eligible child placing agencies under contract with the State agency and (ii) whether the child placing agencies were retaining a part of the foster care payment intended for the foster child's maintenance expenses. We also reviewed the State agency's monitoring of child placing agencies to ensure that children placed in foster family homes are receiving adequate and quality care.

The State agency did not have adequate accounting procedures and systems in place to assure that its claims for reimbursement of Title IV-E maintenance payments exclude costs that are unallowable under the program. For the 3-year period ending June 30, 1996, five of the six selected child placing agencies retained a portion of the foster care maintenance payments received from the State agency to meet their operating costs. The retained funds were used for services that do not meet the purpose of maintenance payments as defined in Section 475(4)(A) of the Social Security Act. As a result, for four of these agencies, the Title IV-E program was overcharged \$3,701,729 (Federal share - \$2,341,298). Although the fifth child placing agency also retained a portion of the maintenance payments, we questioned its entire reimbursement due to the organization's for-profit status. Title 42, Part 672(b) prohibits Title IV-E reimbursement for maintenance payments made to for-profit child placing agencies.

We are recommending that the State agency make a financial adjustment of \$3,701,729 (Federal share - \$2,341,298) for the four non-profit agencies and \$697,975 (Federal share - \$442,161) for the for-profit agency. We are also recommending that the State agency review reimbursements to the remaining child placing

agencies to assure that their costs claimed as maintenance under Title IV-E represent allowable costs.

In addition, we found that the State agency could improve its administration and monitoring of the program by ensuring that (i) contracts with child placing agencies require them to specify the types of costs being claimed for reimbursement, (ii) its claims for FFP exclude costs which are unallowable for reimbursement as Title IV-E maintenance costs, and (iii) periodic face-to-face contacts are made with the children and foster parents to evaluate the quality of care the children are receiving. We are recommending that the State agency take steps to improve its oversight activities.

In an interim response to our draft report, dated June 6, 1997, the State agency concurred that the questioned costs claimed as maintenance were not allowable as Title IV-E maintenance costs. The State agency, however, will attempt to identify certain unclaimed administrative costs of the child placing agencies and make appropriate adjustments to its future claims for administrative costs. The State agency fully concurred with the audit finding pertaining to unallowable costs of \$697,975 (Federal share - \$442,161) claimed for the for-profit child placing agency.

The State agency also concurred with our recommendations that it ensure that periodic face-to-face contacts are made with the children and foster parents.

## **BACKGROUND**

The Adoption Assistance and Child Welfare Act of 1980, Public Law 96-272, was enacted on June 17, 1980. This legislation established a new program, the Title IV-E Foster Care program, titled, "Federal Payments for Foster Care and Adoption Assistance." Effective October 1, 1982, Title IV-E replaced the foster care component of the Aid to Families with Dependent Children (AFDC) program. Title IV-E is administered by the U.S. Department of Health and Human Services, Administration for Children and Families.

At the end of the State's fiscal year 1996, the Division of Family and Children Demographic Trend Report showed that there were 5,056 children in the foster care program. The report did not indicate the number of children receiving care under Title IV-E.

## **SCOPE OF AUDIT AND METHODOLOGY**

Our audit was performed in accordance with generally accepted government auditing standards. The audit objectives were to determine whether (i) child placing agencies were retaining a

part of the State agency's foster care maintenance payment for children in foster family homes, (ii) payments were made only to nonprofit child placing agencies, and (iii) the State agency is adequately monitoring child placing agencies to ensure that foster children are receiving quality care.

To achieve our audit objectives, we:

- Reviewed contracts between the State agency's county departments and six child placing agencies judgmentally selected for audit;
- Determined whether the level-of-care rates paid by the State agency were in conformance with the terms of the contract;
- Determined whether payments were allowable for FFP based on the definition of maintenance payments in Title IV-E of the Social Security Act;
- Reviewed the foster parent and foster children files maintained at the child placing agencies to determine whether quality care was being provided; and
- Reviewed child placing agency job descriptions and manuals to determine the type of services provided to foster parents and children.

The State agency does not maintain computerized records of foster care maintenance payments. As a result, we could not readily identify the universe of child placing agency payments claimed as maintenance. Records were not available at the State or county offices to summarize the universe of Title IV-E payments (sampling units and their values) made to the 27 child placing agencies in the State. As an alternative to statistical sampling, we judgmentally selected 10 of the 27 child placing agencies which received about 90 percent of the total maintenance payments for children in foster family homes, group homes, and institutions. Because the records did not separate maintenance payments made to foster family homes from the other payments, we subsequently eliminated four child placing agencies that were found to provide services primarily to children in group homes and institutions that were not covered in our review. We reviewed payments made to the remaining six child placing agencies for foster family homes.

For the 3-year period ending June 30, 1996, the 27 child placing agencies in Indiana were paid approximately \$24.5 million in foster care maintenance payments. The \$24.5 million included payments for children in foster family homes, group homes, and institutions. We had to perform a detailed review of State agency, county department, and child placing agency records to identify the payments made for children in foster family homes.

Approximately \$13.5 million of the \$24.5 million was paid to the six child placing agencies. We determined that \$8.7 million of the \$13.5 million (64 percent) was for payments made on behalf of children in foster family homes. The remaining \$4.8 million was for children in group homes and institutions (Appendix B).

In relation to quality of care, we randomly selected and reviewed 32 foster homes from a listing of 300 homes under contract with the six selected child placing agencies. We conducted reviews using the guides provided by our Dallas OIG audit office (Home File Review, Case Plan Review, Home Observation, and Provider Interview). During our foster home visits, we were accompanied by a representative from a child placing agency.

We conducted our field work at the State agency's administrative offices in Indianapolis, Indiana, and at 6 selected child placing agencies and 32 foster homes located in various cities in Indiana. Field work was completed in December 1996.

#### RESULTS OF AUDIT

The State agency did not have adequate procedures in place to ensure that its claims for reimbursement of foster care maintenance payments were based on the amounts child placing agencies distributed to foster family homes. In addition, the State agency did not ensure that Title IV-E maintenance payments on behalf of foster children were made only to eligible non-profit child placing agencies. For the 3-year period ending June 30, 1996, \$4,399,704 (Federal share - \$2,783,459) was inappropriately claimed for reimbursement under Title IV-E (Appendix A).

With respect to monitoring the program, the State agency does not maintain any record to show how much is paid to child placing agencies and forwarded to the foster family homes. Consequently, these payments are susceptible to the findings discussed in this report. In addition, our review disclosed that the county department caseworkers did not make periodic face-to-face contact with the foster children and foster parents to verify that quality care was being provided.

#### FOSTER CARE MAINTENANCE PAYMENTS RETAINED

We reviewed records at six child placing agencies, including five non-profit and one for-profit, and determined that five were retaining a portion of the Title IV-E maintenance payments to meet their operating costs. The maintenance payment should be based only on maintenance type costs needed by the foster family to care for the child. For the 3-year period ending June 30, 1996, four of the five child placing agencies retained \$3,701,729 (Federal share - \$2,341,298) of the maintenance payments to cover

their costs of operations and case management, as well as costs of providing therapy, counseling, respite care, psychiatric care, training, and medical needs not covered by Medicaid. For the period of this review, other Federal program sources of funding for these types of services were generally exhausted. These services are usually covered and paid for by other Federal or State programs such as the Social Services Block Grant. Claims for maintenance payments for the fifth child placing agency were questioned in their entirety because it was an ineligible for-profit organization. The sixth child placing agency, which did not retain part of the payments, was part of a mental health center that received revenue from a local tax levee to supplement its operating costs.

Section 475(4) (A) of the Social Security Act states, in part, that:

. . .The term 'foster care maintenance payments' means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to a child's home for visitation...

For the 3-year audit period, four of five non-profit child placing agencies received \$7,183,706 in payments and retained \$3,701,729 (51.5 percent). Only \$3,481,977 was forwarded to their foster families to cover the maintenance expenses of the foster children. Although the balance was for services that were not allowed for reimbursement as maintenance payments under the Title IV-E program, the State agency claimed the \$3,701,729 (Federal share - \$2,341,298) as Title IV-E maintenance costs. Further, since the for-profit child placing agency cannot participate in the Title IV-E program, the entire amount of \$697,975 (Federal share - \$442,161) claimed is unallowable. Under Title 42, Part 672(b), foster care maintenance payments made on behalf of a Title IV-E eligible child are allowable if the payments are made to the foster parent, a public, or non-profit private child placement or child care agency, or a child care institution.

The State agency did not review the child placing agencies' costs to ensure that its reimbursement claims reflected the amount of the maintenance payments made to foster family homes or to assure that they were non-profit child placing agencies. In fact, it did not have a record of the amounts of the Title IV-E maintenance payments that were forwarded to foster family homes. For example, for a daily payment of \$66.00, one child placing agency provided only \$27.25 to the foster home for the child's care. The difference of \$38.75 was retained by the child placing agency. In another example, a child placing agency paid its foster care homes \$34.50 a day for children who had a maintenance

rate of \$72.50. The agency retained the difference of \$38.00 for non-maintenance costs. Five of the six child placing agencies paid their foster homes less than the amount of the maintenance payment they received from the State agency. With respect to the for-profit child placing agency, State agency officials stated that they were aware that payments made to this child placing agency were not allowable for Federal reimbursement but unaware that the amounts paid were being claimed for FFP. In a letter dated January 8, 1996, the Director of the Division of Family and Children, Indiana Family and Social Services Administration, stated that recent county IV-E case reviews by the Central Eligibility Unit disclosed that:

"...claims were being made on maintenance payments for placements in therapeutic foster homes licensed through the... Child Placing Agency. These homes are not IV-E eligible because of the for-profit status of this child placing agency."

#### **Recommendations**

We are recommending that the State agency, in its next Quarterly Statement of Expenditures, make a financial adjustment of \$3,701,729 (Federal share - \$2,341,298) for the unallowable Title IV-E maintenance payments retained by the non-profit agencies and \$697,975 (Federal share - \$442,161) for all payments made to the for-profit agency.

We are also recommending that the State agency review reimbursements to the remaining child placing agencies to ensure that the amounts claimed as maintenance costs represent eligible amounts paid to foster families for maintenance costs of the children.

#### **STATE AGENCY RESPONSE**

In its response dated June 6, 1997, the State agency concurred that the costs claimed as maintenance were not allowable. The State agency proposes to identify certain costs of the child placing agencies that can be claimed as administrative; adjust its claim for FFP in maintenance costs; and revise its claim for administrative cost reimbursement to include any unclaimed administrative costs. The State agency will provide a final response to the audit findings after it completes its review.

The State agency concurred with the audit finding of \$697,975 (Federal share - \$442,161) pertaining to the for-profit agency.

The State agency did not address our recommendation that it review reimbursements to the remaining child placing agencies to ensure that the amounts claimed as maintenance costs are eligible for reimbursement.

**OIG COMMENTS**

When the State completes its review to identify any unclaimed administrative costs of the non-profit child placing agencies, the appropriate adjustments to administrative costs should be submitted on the subsequent Quarterly Statements of Expenditures. The State agency will also need to identify and refund the administrative costs of the for-profit agency that were claimed for reimbursement.

A policy interpretation issued on April 21, 1994, by the Commissioner for the Administration on Children, Youth and Families, states that ACYF-PIQ-82-07 allows Federal reimbursement for certain types of administrative costs incurred by private non-profit child placing agencies. A State agency may contract with non-profit child placing agencies to perform the necessary functions of foster home licensing, recruitment, training, and supervision of foster parents. Any costs that the State agency is able to identify that pertain only to these specific activities can be claimed for Federal reimbursement as administrative costs at 50 percent FFP. When the State completes its review to identify any unclaimed administrative costs, a retroactive claim for Federal reimbursement should be submitted. With respect to the maintenance costs questioned in this audit, the State agency needs to adjust its next Quarterly Statement of Expenditures by \$3,701,729 (Federal share - \$2,341,298) to decrease prior quarter claims for maintenance costs.

For the for-profit child placing agency, the State agency should adjust its claim for the \$697,975 (Federal share - \$442,161) in unallowable costs, and adjust a future claim for the related administrative costs claimed that are not allowable for reimbursement under Title IV-E.

**STATE AGENCY MONITORING OF THE FOSTER CARE PROGRAM**

The State agency has not implemented adequate procedures to ensure that maintenance claims exclude unallowable costs or that delegated monitoring of quality of care was effective. Details are presented below.

**Accounting for Foster Care Payments.** The State agency does not have adequate procedures and systems in place to assure that its claims for reimbursement of Title IV-E maintenance payments excludes costs that are unallowable under the program. In Indiana, foster care services are contracted for by the county departments, which pay and account for the costs of all the services including foster care maintenance. The State agency does not maintain any database of these payments, nor does it maintain any record that would provide information needed to determine how much of the payments received by the child placing agencies is given to the foster families for maintenance.

The county departments contract with child placing agencies for all foster care services which are reimbursed from county funds based on their daily rates approved by the State agency. The county departments, in turn, provide monthly payment reports to the State agency showing total foster care payments and the amount related to eligible IV-E children allowable for FFP based on the approved per diem rates. These State-approved rates are computed based on financial and other data contained in cost reports received from the child placing agencies. Although the rates are provided to the county departments for determining and reporting the foster care payments allowable for FFP, these rates do not specify the portion related to non-maintenance services being provided by the child placing agencies. When the county reports payments for IV-E children, it includes the costs of both maintenance and non-maintenance services provided by the child placing agencies. The State agency then manually summarizes data from the county's monthly payment reports to prepare its claim for Title IV-E reimbursement. The Federal payment is then used to reimburse the counties.

We found that the State agency does not audit cost reports that are received directly from the child placing agencies and which serve as the basis for their rates. Consequently, the State agency has no assurance that the rates for the child placing agencies are reasonable, adequately supported, and based only on costs allowable for reimbursement under Title IV-E. Although the six child placing agencies selected for our review generally provided the same basic services, their per diem rates ranged from \$42 to \$81. We found that per diem rates for three of the child placing agencies were based on prior year costs, an inflation factor, and number of placement days. The other three agencies did not have support for the per diem costs they claimed. Their rates were based on estimates of the costs of providing services to the children. In addition to including the maintenance payments to foster parents, we found that their rates included costs of services not meeting the definition of foster care maintenance under Title IV-E. The rates included costs of operations and case management, as well as providing therapy, counseling, respite care, psychiatric care, training, and medical needs not covered by Medicaid. These costs are unallowable charges to the Title IV-E Foster Care program. The State agency should review cost reports submitted by the child placing agencies to ensure that their rates are reasonable, properly supported, and based only on costs allowable for Title IV-E reimbursement.

**Quality of Care Review.** The State agency has relied on child placing agencies to monitor the quality of care for foster care children. Under State regulations, the State agency is allowed to delegate its responsibility to conduct licensing studies of foster homes to the child placing agencies. A completed study showing that the foster home is in substantial compliance with

requirements serves as a basis for the State agency to license the home. The State agency also delegates its responsibility for placement and supervision of foster children to the county departments of family and children, which enters into contracts for placement of foster children with the child placing agency. When the child is placed in a foster home, a contract is signed between the child placing agency and the foster parent. The contracts specify each party's responsibilities. County department caseworkers did not make periodic face-to-face contact with the foster children and foster parents to evaluate the services being provided by the child placing agencies and verify that the children were receiving quality care.

Although the State agency delegates various responsibilities to its county departments and child placing agencies, the State agency is ultimately responsible for the proper operation of the foster care program and is responsible for the placement and care of the foster child. The State agency and county departments generally had minimal contacts with the child placing agencies and did not actively monitor the quality of care provided to the children in foster homes. We did note that county caseworkers made telephone contacts with child placing agency caseworkers regarding the children's care, but did not make periodic face-to-face contacts with the children or the foster parents at the foster home to verify that they were receiving adequate and quality care. In addition to more contacts with the child placing agencies, State agency and county department oversight should include periodic face-to-face contacts with the children and foster parents to evaluate the quality and adequacy of services being provided by the child placing agencies.

Our review of operating procedures at the 6 child placing agencies and visits to 32 foster homes disclosed that the child placing agencies appear to be fulfilling the terms of their contracts, operating within Federal and State guidelines, and ensuring that Title IV-E foster children under their administrative control were receiving appropriate quality care. The agencies provided adequate training to the foster parents, had plans of care for the children, and conducted case and periodic reviews to determine whether the minimum standards of care were being met. The child placing agency caseworkers generally visit their foster parents and foster children every week or two. Observations at the selected foster family homes did not disclose any material violations of State standards. During our interviews, we found that the foster parents were generally very pleased with the services being provided by the child placing agencies.

### **Recommendations**

We recommend that the State agency ensure that:

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- the county contracts with child placing agencies require them to specify the types of costs being claimed for reimbursement.

- its claims for FFP exclude costs which are unallowable for reimbursement as Title IV-E maintenance costs.

- the county department oversight activities include periodic face-to-face contacts with the children and foster parents at the foster home to be able to evaluate the services and care provided by the child placing agencies.

### **STATE AGENCY RESPONSE**

The State agency did not address the first two recommendations.

The State agency concurred with the third recommendation and proposes to "strengthen its quality assurance reviews to include minimum bi-monthly face-to-face contacts with children in purchased foster care placements through licensed child placing agencies."

### **OTHER MATTERS**

#### **STATE'S FOSTER CARE TRACKING SYSTEM**

The State agency uses the Child Welfare Automated Tracking System (CWATS) in the administration of their Title IV-E Foster Care program. The CWATS is a State computerized system that tracks Title IV-E eligibility, foster care placement data, and other information relating to State programs. The CWATS is a limited system and, in our opinion, does not provide the State agency with information needed to fully administer the Title IV-E program. Not only is there a lack of a foster care payment database, the CWATS is unreliable.

Our review of records maintained at the child placing agencies for a CWATS listing of Title IV-E children who were placed in foster care during the 3-year period that ended June 30, 1996, determined that the CWATS database is incomplete and unreliable. For four of the child placing agencies reviewed, the CWATS generated a list of 533 children identified as having received Title IV-E maintenance payments. We determined that 263 children, or about 49 percent, were not Title IV-E children. In addition, our examination of records maintained at the four child placing agencies identified an additional 335 Title IV-E children that were not on the CWATS list.

In a meeting with State agency officials on April 2, 1997, we were told that an interface between current systems is being developed and should be in place by early 1998. The new system will interface the County Accounting System with the Indiana

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Child Welfare Information System (ICWIS). With this interface, the State's ICWIS will include a data base of foster care payments for all 92 county departments.

Since the State agency is actively assessing and modifying its current systems, we are providing our assessment results for its consideration.

\* \* \* \* \*

Final determinations as to actions to be taken on all matters reported will be made by the HHS action official. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination. It should be directed to: Regional Hub Administrator, Administration for Children and Families, Region V, 105 West Adams Street, 20th Floor, Chicago, Illinois 60603.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General audit reports issued to the Department's grantees and contractors are made 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).

To facilitate identification, please refer to Common Identification No. A-05-96-00055 in all correspondence relating to this report.

*for*   
**Paul Swanson**  
Regional Inspector General  
for Audit Services

SCHEDULE OF COSTS RECOMMENDED FOR FINANCIAL ADJUSTMENT  
AND THE FEDERAL SHARE  
JULY 1, 1993 THROUGH JUNE 30, 1996

<u>Agency</u>	<u>Amount of IV-E Payment</u>	<u>Recommended for Financial Adjustment Amount</u>	<u>Federal Share</u>
1	\$1,442,162	\$ 739,338 1/	\$ 467,918
2	790,164	356,730 1/	225,696
3	535,672	197,065 1/	124,502
4	4,415,708	2,408,596 1/	1,523,182
5	806,818 2/		
6	<u>697,975</u>	<u>697,975 3/</u>	<u>442,161</u>
Total	<u>\$8,688,499</u>	<u>\$4,399,704</u>	<u>\$2,783,459</u>

**Notes:**

1. For the 3-year audit period, agencies 1 through 4 received \$7,183,706 in maintenance payments and retained \$3,701,729, or an average of 51.5 percent of the payments.
2. Agency No. 5 did not retain a portion of the maintenance payments. This agency was part of a comprehensive mental health center which received revenue from a local tax levee that was used to help pay foster parents and supplement the child placing agency's operations.
3. Agency No. 6 is a for-profit child placing agency. Foster care payments made to for-profit child placing agencies are unallowable for FFP under Title IV-E.

**AGENCY**

- 1 Children's Bureau of Indianapolis
- 2 Regional Youth Services, Inc.
- 3 Whites Family Services
- 4 The Villages of Indiana, Inc.
- 5 Park Center, Inc.
- 6 Debra Corn Specialized Family Care, Inc.

## APPENDIX B

CHILD PLACING AGENCIES  
SELECTED FOR REVIEW

Foster Care Maintenance Payments  
July 1, 1993 through June 30, 1996

<u>Child Placing Agency</u>	<u>Total Title IV-E Payments</u>	<u>Payments Applicable to Foster Family Homes</u>
The Villages of Indiana, Inc.	\$ 6,342,453	\$4,415,708
Children's Bureau of Indianapolis	2,688,155	1,442,162
Whites Family Services	2,162,230	535,672
Regional Youth Services, Inc.	852,159	790,164
Park Center, Inc.	806,818	806,818
Debra Corn Specialized Family Care, Inc	<u>685,055</u> 1/	<u>697,975</u> 1/
Total	<u>\$13,536,870</u> 2/	<u>\$8,688,499</u> 1/
	100%	64.18%

Notes

- 1/ The \$685,055 represents the net amount claimed during the period of audit and includes adjustments for prior years and end of year adjustments that do not pertain to services provided during our audit period. The \$697,975 represents the actual amount claimed for our audit period based on dates of service.
- 2/ The \$13,536,870 represents foster care maintenance payments for children in foster family homes, group homes, and institutions. A 100 percent review was performed on the \$8,688,499 paid to the child placing agencies on behalf of children in foster family homes.

ATTACHMENT

STATE AGENCY RESPONSE TO DRAFT AUDIT REPORT



People  
helping people  
help  
themselves

Frank O Bannon, Governor  
State of Indiana

***Division of Family and Children  
Bureau of Family Protection /Preservation***

402 W WASHINGTON STREET ROOM W364  
INDIANAPOLIS IN 46204-2739

Katherine L Davis Secretary

June 6, 1997

Mr. George H. Porter  
Senior Auditor  
U. S. Department of Health and Human Services  
Office of the Inspector General  
Office of Audit Services  
575 North Pennsylvania Street, Room 680  
Indianapolis IN 46204

RE: Interim Response Letter Regarding the  
Audit of LCPA, IVE-FC Cases: Common  
Identification No. A-05-94-00055

Dear Mr. Porter:

The following is an interim response to the April, 1997 draft report concerning the above-referenced audit.

As a result of the audit, Indiana recognizes that costs were claimed as maintenance which were not allowable. However, ACYF-PIQ-82-07 does allow federal administrative cost reimbursement for foster care-related functions provided by private non-profit child placing agencies, specifically the cost of providing allowable maintenance costs and the functions of foster home licensing, recruitment and supervision of foster parents.

When Indiana completes its review and the above allowable administrative costs are identified for the agencies and dollars involved in this audit, Indiana will adjust its claim for federal maintenance cost FFP and revise its claim for administrative cost reimbursement to include those administrative costs claimed in error as maintenance costs. A final response to the audit findings will be made at that time.

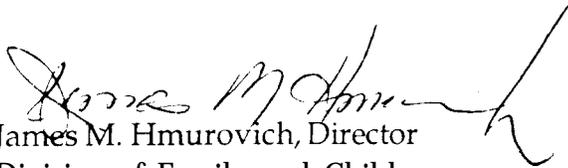
Indiana concedes audited findings with regard to the for-profit licensed child placing agency.

Indiana will strengthen its quality assurance reviews to include minimum bi-monthly face-to-face contacts with children in purchased foster care placements through



licensed child placing agencies. As noted during the exit conference, Indiana has increased the number of child welfare case managers from 470 in 1992 to over 700 at the end of 1996. The Division of Family and Children is committed to reasonable caseloads which allow quality services to children and families.

Sincerely,

  
James M. Hmurovich, Director  
Division of Family and Children

JMH:CG:RLF;jr

cc: Jim Mooney  
Cathleen Graham  
Robert L. Franklin  
Thurl B. Snell  
AM Fuller  
Janet Rhodes-Carlson