



Memorandum

Date JAN 20 1998
From June Gibbs Brown
Inspector General *June G Brown*
Subject Retroactive Claims Under the Title IV-E Foster Care Program in Indiana (A-05-97-00026)
To Olivia A. Golden
Assistant Secretary
for Children and Families

This memorandum is to alert you to the issuance of our final report on January 22, 1998. A copy is attached.

The objective of our audit was to determine whether adequate documentation was available to support retroactive title IV-E foster care claims totalling \$8.5 million submitted by the Indiana State foster care agency. The retroactive claims represent prior quarter adjustments, applicable to Calendar Year (CY) 1993, which were submitted to the Administration for Children and Families (ACF) during CY 1995. The records needed to support the allowability and reasonableness of the claims were not made available for us to review. Details are as follows.

In 1990, the State of Indiana entered into a contract with the Institutes for Health and Human Services, Inc. (IHHS) to enhance title IV-E reimbursement by identifying additional eligible foster care claims. The contract provided for a contingency fee to IHHS of up to 15 percent, based on the incremental increase in title IV-E claims developed by IHHS and submitted to ACF for reimbursement as prior quarter adjustments. The audit was initiated because a prior joint ACF/Office of Inspector General review of retroactive claims developed by IHHS for CYs 1991 through 1993 resulted in a financial adjustment of \$6.4 million by the State agency for ineligible and duplicate claims.

Although we began our audit in May 1997, we were unable to review records supporting the \$8.5 million because the State has not been able to locate supporting documentation originally submitted by IHHS and has been unsuccessful in its attempts to obtain duplicate copies from IHHS. The IHHS has not responded to letters and phone calls from the State agency requesting copies of the supporting documents in accordance with the terms of their contract, nor has IHHS returned our follow-up telephone calls. Details are provided in the attached report.

Since we were unable to determine whether the prior quarter adjustments represent eligible claims, we recommended that the State agency adjust their next Form IV-E-12 quarterly

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claim for the \$8,544,403 in unsupported title IV-E costs. The State concurred with our recommendation and made the financial adjustment.

If you have any questions or comments, or wish to discuss any aspects of this memorandum, please call me or have your staff contact Paul Swanson, Regional Inspector General for Audit Services, at (312) 353-2618.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RETROACTIVE CLAIMS UNDER THE
TITLE IV-E FOSTER CARE
PROGRAM IN INDIANA**

**INDIANA FAMILY AND SOCIAL
SERVICES ADMINISTRATION**



**JUNE GIBBS BROWN
Inspector General**

**JANUARY 1998
A-05-97-00026**



DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

OFFICE OF
INSPECTOR GENERAL

Common Identification No. A-05-97-00026

Katherine L. Davis, Secretary
Indiana Family and Social Services Administration
402 West Washington Street, Room 1W46
Indianapolis, Indiana 46204

Dear Ms. Davis:

This report is to provide you with the results of our audit of retroactive claims for calendar year 1993 submitted by the Indiana Family and Social Services Administration (IFSSA) under the Title IV-E Foster Care program. The objective of our audit was to determine whether adequate documentation was available to support retroactive claims totaling \$8.5 million. Our audit work was suspended as of August 8, 1997 because records needed to determine the allowability of the claims were not available for our review.

BACKGROUND

In 1990, the Indiana Family and Social Services Administration, Division of Family and Children (DFC) entered into an agreement with The Institutes for Health and Human Services, Inc. (IHHS) for the purpose of enhancing Indiana's claims for Federal reimbursement for Title IV-E expenditures. The agreement was later modified to include enhancing Title IV-E eligibility enrollment, enhancing Title IV-E rate reimbursement systems, and assisting in the determination of Title IV-E allowable training costs. Work in connection with this agreement started in July 1990. The agreement initially provided for a contingency fee of 20 percent to IHHS based on the incremental increase in eligible Title IV-E foster care claims submitted to the Administration for Children and Families (ACF) for reimbursement. The fee was later reduced to 10 percent for prospective claims and 15 percent for retroactive claims.

During 1995, Region V staff of the ACF and the Office of Inspector General (OIG) conducted a limited review of \$38.5 million in Title IV-E retroactive claims developed by IHHS for the period October 1, 1991 through December 31, 1993 and claimed by the State agency in 1994. Based on this limited review, ACF disallowed \$6.4 million of the \$38.5 million claimed, and the State agency made the financial adjustment. The disallowance resulted from the inclusion of children ineligible for Title IV-E services, duplicate claims, and computation errors. The State adjusted its Quarterly Statement of Expenditures for Foster Care

and Adoption Assistance Program (Form IV-E-12) for the \$6.4 million overclaim.

Because of the extent of duplicate claims and ineligible children found in the prior review of the IHHS developed claim, a review of the additional retroactive claims developed by IHHS for calendar year 1993 was initiated by the Office of Inspector General.

SCOPE

The purpose of the audit was to determine whether documentation was available to support the additional retroactive claims for calendar year 1993. Quarterly Forms IV-E-12, filed for the period January 1, 1995 through December 31, 1995, included additional claims totaling \$8.5 million (\$3.9 million maintenance and \$4.6 million administrative). These claims were reported as prior quarter adjustments for the calendar year 1993 quarters.

Although we began our audit in May 1997, we were unable to review records supporting the Title IV-E claims due to the State agency's inability to locate supporting documentation and the apparent unwillingness of IHHS to provide copies of its records to the State. Our attempts to obtain documentation are described in the following paragraphs.

Attempts to Obtain Missing Records. In a telephone call to the IHHS project manager, we requested documentation to support the retroactive claims. We were told that upon completion of their work in Indiana, the following records were given to IFSSA, DFC:

- 1) **Six computer diskettes comprising the entire data base of retroactive claims.** We were told that diskette no. 1 identifies all retroactive claims included in the IHHS memorandums which were used by the State agency to claim Title IV-E reimbursement.
- 2) **A print-out of the retroactive claims.** This list contains the child's name, period covered, and amount claimed, by quarter, on the quarterly statements of expenditures.
- 3) **All of the individual case files established for the children.** The IHHS established a case folder for each child in the data base. The files contain a completed eligibility checklist and supports the eligibility of the claim.

Although the DFC provided us with diskettes nos. 2 through 6, it was unable to locate diskette no. 1. Moreover, they could not

find the print-out of the retroactive claims and the IHHS supporting case files. Since diskette no. 1 includes the data base for the \$8.5 million of calendar year 1993 retroactive claims, identified by the IHHS consultants and claimed by the State agency, it is essential to our review. Diskette no. 1 also contains the data base of prior retroactive claims for 1991, 1992 and 1993, jointly reviewed by ACF and OIG in the prior audit. Thus, diskette no. 1 is also needed to identify and compare the individual retroactive claims included in the \$8.5 million with the \$38.5 million covered in the prior ACF/OIG review, some of which were found to be ineligible. The claims on diskettes 2 through 6 are listed by quarter, with identifying information for each child, the amount claimed, and period covered. Included on diskettes 2 through 6 are all of the cases that IHHS reviewed, including those cases eligible, as well as not eligible, for Title IV-E reimbursement. We found that the data on diskettes 2 through 6 are not reconcilable to the quarterly retroactive claims totaling \$8.5 million.

The IHHS initially agreed to provide copies of the requested records, including diskette no. 1, the print-out of retroactive claims for each quarter, and supporting documentation for the amounts claimed as administrative costs. However, the records were never provided to us by IHHS and our follow-up phone calls were not returned.

Meetings with State Agency Officials. During June 1997, we requested that State agency officials obtain copies of the needed records from IHHS. Although the State agency officials requested copies under the terms of its contract with IHHS, the records were never provided. We were told that IHHS officials have not responded to subsequent phone calls and letters from State agency staff. The IHHS apparently is not cooperating because the State agency did not provide them with timely notice of our audit. A contract provision limiting the consultant's liability requires that IHHS be notified within five days of a planned audit. According to the State agency official, IHHS stated that the requested information for the \$8.5 million had already been provided to the State agency on computer diskettes and hard copy and that they are not required to provide the information again. The missing records and apparent lack of cooperation by IHHS was referred by the State agency to its legal department. We were told that the IHHS has not responded to the State agency's General Counsel. Although the State agency has made attempts to locate or obtain copies of the supporting records, they have provided no assurance that the documents would be furnished in the near future.

RESULTS OF REVIEW

Our audit covered the retroactive claims totaling \$8,544,403 (Federal share) developed by IHHS for the State agency's submission to ACF for reimbursement under the Title IV-E program. The IFSSA Division of Finance and DFC staff have been unable to locate the key records needed to support these retroactive claims and has been unsuccessful in its efforts to obtain copies of the needed records from IHHS. Because of significant errors and duplication found in the prior retroactive claims developed by IHHS and lack of records to support eligibility, a financial adjustment should be made for the unsupported claims totaling \$8.5 million.

Retroactive Claims Developed by IHHS - \$8.5 Million. Although retroactive Title IV-E claims for calendar year 1993 were previously settled based on the prior ACF/OIG review conducted in 1995, the IHHS subsequently developed this additional \$8.5 million in retroactive claims for calendar year 1993. The \$8.5 million was shown as prior quarter adjustments applicable to 1993 on the State agency's quarterly Title IV-E claims for 1995 (Forms IV-E-12). Our audit disclosed that these additional claims are not supported by county Schedules of Payments on which the County Directors are required to certify that (i) the schedules are true and correct in proper form, (ii) each person is eligible for the assistance, and (iii) there has been an investigation or reinvestigation of their eligibility within the six month period. Instead of relying on certified county Schedules of Payment, the State agency claimed the \$8.5 million on Forms IV-E-12 based solely on the adjustment totals contained in memorandums from its contractor. The amounts claimed were contained in the IHHS memorandums to the State agency, as follows:

THE INSTITUTES FOR HEALTH AND HUMAN SERVICES, INC.
MEMORANDUMS FOR TITLE IV-E RETROACTIVE CLAIMS

<u>Date of IHHS Memo</u>	<u>Date of Service</u>	<u>Federal Financial Participation</u>		
		<u>Maint.</u>	<u>Admin.</u>	<u>Total</u>
03/30/95	Jan - Mar 93	\$ 644,663	\$1,386,860	\$2,031,523
06/28/95	Apr - Jun 93	868,565	1,220,652	2,089,217
09/28/95	Jul - Sep 93	1,069,403	1,335,827	2,405,230
12/28/95	Oct - Dec 93	1,340,975	677,458	2,018,433
Total		<u>\$3,923,606</u>	<u>\$4,620,797</u>	<u>\$8,544,403</u>

The State agency paid IHHS a contingency fee of \$855,034 for identifying the additional \$8.5 million in retroactive claims for 1993.

In developing amounts to be retroactively claimed, the IHHS recorded and maintained the results of its eligibility determinations in a data base file. Each data base record

contains demographic information and the claimed amounts, by quarter, for each case claimed. Quarterly memorandums were provided to the State agency specifying only the total amount to be retroactively claimed for Title IV-E maintenance and related administrative costs. As previously stated, these memorandums were the basis for the State agency's \$8.5 million claim under the Title IV-E program.

According to a State agency official, the listings of retroactive claims developed by IHHS were subsequently sent to the counties. The counties were asked by the State agency to validate the eligibility of each child and report the retroactive claims on their Schedule of Payments. We made an on-site visit to the Allen county Department of Family and Children and were told that county officials were unaware of any listing sent to them. They searched their files and a listing was not found.

Although more than two years have passed since the State agency submitted some of the Form IV-E-12 retroactive claims, the counties have not performed the required validations and submitted the required Schedules of Payments to support the claims. Based on conversations with State and county personnel, it appears that the counties do not intend to submit the Schedules of Payments to support the \$8.5 million identified by IHHS. We were told by a State agency official that the counties are skeptical of the accuracy of the work performed by IHHS and do not want to be responsible for claiming the Title IV-E retroactive amounts based on IHHS's eligibility determinations.

Because records have not been made available to us, we are unable to review eligibility under Title IV-E and perform tests for possible duplicate claims by IHHS and the State agency. One State agency official told us that the \$8.5 million in Federal funds claimed has not been drawn down because the Schedules of Payments have not been received from the counties. Another State agency official stated that the Federal funds awarded for administrative costs have been drawn down, but not the Federal share of the maintenance costs. We have not established the actual amount withdrawn by the State agency.

Conclusions

The State agency has not been able to support the retroactive claims and obtain county certification of the individual cases. Since the records needed to determine Title IV-E eligibility and screen for duplicates have not been provided by the State agency or its consultant, we cannot determine the reasonableness of the State agency's claims. Therefore, the State agency should adjust their next Form IV-E-12, Quarterly Statement of Expenditures for Foster Care and Adoption Assistance Program, for the \$8,544,403

claimed as the Federal share for Title IV-E maintenance and related administrative costs.

Recommendation

We are recommending that the State agency adjust their next Form IV-E-12 for the amount of \$8,544,403 in unsupported Title IV-E costs.

STATE AGENCY RESPONSE

In a written response dated November 26, 1997, the State agency concurred with our recommendation to a make a financial adjustment for the unsupported retroactive claims. If supporting documentation is found, the State agency will resubmit its retroactive claims. A copy of the response is attached.

* * * * *

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: Ms. Linda J. Carson, Regional HUB Director, 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 available to 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 wish to discuss any issues related to our review, please feel free to call me at (312) 353-2618 or have a member of your staff contact James W. Pervisky, Regional Audit Manager, at (312) 353-7907. To facilitate identification, please refer to Common Identification No. A-05-97-00026 in all correspondence relating to this report.

Sincerely,



Paul Swanson
Regional Inspector General
for Audit Services

ATTACHMENT

STATE AGENCY'S RESPONSE
TO DRAFT AUDIT REPORT



"People
helping people
help
themselves"

Frank O'Bannon, Governor
State of Indiana

Indiana Family and Social Services Administration

402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

Katherine L. Davis, Secretary

November 26, 1997

Mr. Paul Swanson, Regional Inspector General
for Audit Services
Department of Health & Human Services
105 West Adams Street
Chicago, IL 60603-6201

Common Identifier No.
A-05-97-00026

Dear Mr. Swanson:

This is in response to your draft report entitled "Audit of Retroactive Claims Under the Title IV-E Foster Care Program in Indiana." We want to first express our appreciation for the October 16th meeting led by Mr. James Pervisky of your Chicago office and Mr. George Porter of your Indianapolis office with representatives of this agency.

In response to your report, the State of Indiana continues to search diligently for the missing diskette with the information necessary to complete the audit of IV-E retroactive funds. This agency's latest attempt to contact the Institute for Health and Human Services (IHHS) resulted in no response or acknowledgment by the officers of IHHS.

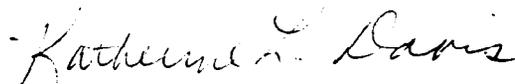
The State of Indiana will begin the process of recoupment of federal funds identified in your report for the quarter ending December 31, 1997.



Paul Swanson, Regional Inspector General
Dept. of Health & Human Services
November 26, 1997
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We regret that the documentation has not been located and reserve the right to resubmit this claim for retroactive funds when the documentation has been found. Thank you for patience and consideration in this effort.

Sincerely,

A handwritten signature in cursive script that reads "Katherine L. Davis".

Katherine L. Davis, Secretary
Indiana Family & Social Services Adm.

KLD:CG:amt

cc: Rachel McGeever
James M. Hmurovich
James E. Mooney
Cathleen Graham