

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**FOLLOW-UP REVIEW OF STATE  
AGENCY COMMENTS ON AUDIT OF  
TITLE IV-E PAYMENTS TO CHILD  
PLACING AGENCIES**

**INDIANA FAMILY AND SOCIAL  
SERVICES ADMINISTRATION**



**JUNE GIBBS BROWN  
Inspector General**

**SEPTEMBER 1997  
A-05-97-00056**



# Memorandum

Date: September 24, 1997

From: Regional Inspector General for Audit Services  
Region V

Subject: Follow-up Review of State Agency's Comments on our Audit of  
Payments to Child Placing Agencies Under the Title IV-E Foster  
Care Program in Indiana - CIN: A-05-97-00056

To: Linda J. Carson  
Regional Hub Director  
Administration for Children and Families

This report provides you with our analysis of additional comments, dated August 7, 1997, we received from the Indiana Family and Social Services Administration (State agency) in reference to the above audit of Title IV-E payments made to child placing agencies in Indiana. The State agency's additional comments followed their interim response which was appended to our final report (CIN: A-05-96-00055), issued on June 27, 1997. The State agency has not provided any additional information that would cause us to change our recommendations.

## INTRODUCTION

### BACKGROUND

In the prior audit report, we disclosed that four child placing agencies retained a portion of the foster care maintenance payments received from the State agency to meet their operating costs. As a result, the Title IV-E program was overcharged \$2,341,298 (Federal share) for services not eligible for reimbursement as maintenance costs. In addition, we questioned \$442,161 paid to a for-profit child placing agency which is not eligible for Title IV-E reimbursement.

Although the State agency concurred that the costs claimed under Title IV-E included amounts that were not allowable as maintenance costs, it noted that:

...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.



The ACYF-PIQ-82-07 (attached) is a policy interpretation statement issued by the Commissioner for the Administration on Children, Youth and Families which identifies certain costs that can be claimed as administrative costs by non-profit child placing agencies. Any costs that the State agency is able to identify which pertain to these specific activities can be claimed for Federal reimbursement at 50 percent FFP.

Accordingly, the State agency, in its interim response, stated that it would identify and claim these allowable administrative costs for the child placing agencies that had been incorrectly claimed as maintenance and reduce its claim for the remaining ineligible Title IV-E maintenance costs.

#### **SCOPE**

Our review was performed in accordance with generally accepted governmental auditing standards. The audit objective was to determine whether the additional information provided by the State agency provided a basis for revising the amount recommended for financial adjustment in the final audit report. We also reviewed their comments related to reimbursements to child placing agencies. During August 1997, we conducted additional field work at the State agency to determine whether the amounts identified as allowable administrative costs of the child placing agencies are supported and eligible for reimbursement under Title IV-E. The work was performed to assist the Administration for Children and Families in evaluating the State agency's basis and support for their additional comments related to the audit findings and recommendations.

#### **RESULTS OF AUDIT**

The State agency's additional comments addressed two areas covered in our final audit report, dated June 27, 1997: (i) accountability and (ii) the amount recommended for financial adjustment. We have summarized the State agency's comments in the paragraphs that follow and have provided our comments, where appropriate. The State agency's final response to the audit is included as an attachment to this memorandum.

#### **STATE AGENCY RESPONSE**

In regard to accountability, the State agency contends that adequate procedures are in place to correctly reimburse counties for IV-E maintenance payments. They state that an automated County Accounting System should be in place by January 1998, which will interface with the Indiana Child Welfare Information System (ICWIS) and ensure accurate computation of payments.

**OIG COMMENTS**

Although developing an interface for the County and State computer systems is a step in the right direction, procedures for correctly reimbursing counties for IV-E maintenance costs *was* not an audit issue. We reported that the State agency had not implemented adequate procedures to ensure that their maintenance claims exclude unallowable costs. costs of operations, therapy, psychiatric care, respite care, medical needs not covered by Medicaid, etc., were included in the State agency's maintenance claims.

**STATE AGENCY RESPONSE**

With respect to the \$2,783,459 Federal share questioned in the audit, the State agency indicates that they recalculated the amount based on ACYF-PIQ-82-07 and concur in a financial adjustment of \$2,283,873. They did not concur in \$499,586.

**OIG COMMENTS**

In their recalculation of the proposed disallowance, the State agency computed \$499,585 of the amount questioned as allowable based on ACYF-PIQ-82-07. Our follow-up review of the recalculation disclosed that the \$499,585 does not represent costs of any of the reimbursable activities cited in the Commissioner's policy statement. Instead, it represents daily supervision of children and *case* management costs. The daily supervision costs represent charges for child placing agency staff. Such costs are not allowable under Section 475(4)(A) of the Social Security Act. The provision of daily supervision in family foster care is a function of the foster parents. The foster parents provided and were paid for daily supervision of the children. These costs were claimed as maintenance by the State agency and included in the amounts accepted in our audit report.

The State agency's recalculation is further flawed because of unreliable data contained in child placing agency cost reports which were used to recalculate the amount of the offset to the proposed disallowance. As stated in our audit report, the State agency does not audit the cost reports received directly from the child placing agencies. The reports serve as the basis for their reimbursement rates. Our audit found that the rates included costs which do not meet the definition of foster care maintenance under Title IV-E. The rates included ineligible costs of operations and case management, as well as therapy, counseling, respite care, psychiatric care, etc. Moreover, the rates for three of the six facilities reviewed were based on unsupported estimates.

Although the State agency, in its initial response, had conceded to a financial adjustment of \$442,161 for the total maintenance costs claimed for the for-profit child placing agency, it now contends that \$33,332 of this amount represents eligible maintenance costs for the first two quarters of calendar year 1996. In Attachment D to their final response, the State agency indicates that this for-profit child placing agency was a "profitable entity until December 31, 1995" at which time it became a tax-exempt organization. During our follow-up visit, the State agency provided documents which show that an application has been filed for exemption under Section 501(c) (3) of the Internal Revenue Code. However, the IRS had not approved the agency's application. The IRS letter states that the child placing agency has brought a "suit for declaratory judgment under Code section 7428." Further, a copy of the Form 990 tax return reportedly filed with IRS was unsigned. Since the for-profit child placing agency has not received non-profit status from the IRS, the \$33,332 which the State agency claims to be eligible maintenance costs is unallowable for reimbursement under Title IV-E.

We also noted that the State agency did not consider a financial adjustment for the administrative costs that it had claimed for the ineligible for-profit child placing agency. On page 7 of our final audit report, we stated that the State agency also needs to adjust a future claim for these unallowable administrative costs which were not determined during the audit. In response to our inquiry regarding the omission, a State agency official told us that they did not calculate the amount because they believed that the amount would be insignificant.

Since the State agency's recalculations have not identified any eligible administrative costs of the child placing agencies or costs of the for-profit agency, we continue to recommend the entire \$2,783,459 financial adjustment. In addition, the State agency needs to adjust a future claim for the administrative costs claimed for the for-profit agency.

Should you have any questions or need additional information, please contact me or Jim Pervisky, Audit Manager, at (312) 353-2618.



Paul Swanson

Attachments

ATTACHMENT

STATE AGENCY ADDITIONAL COMMENTS  
ON PRIOR AUDIT OF CHILD PLACING AGENCIES  
CIN: A-05-96-00055



"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

August 7, 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 N. Pennsylvania Avenue, Room 680  
Indianapolis, IN 46204

Dear Mr. Porter:

This letter is in response to your Draft Report of Audit of payments to private Child Care Placing Agencies providing care for IV-E Foster Care (FC) eligible children dated April 25, 1997.

The foregoing comments address the areas of accountability and the calculated disallowance amount for the facilities you audited. These issues were not fully covered in our interim response of June 6, 1997.

First, the State has adequate procedures in place to correctly reimburse counties for IV-E FC maintenance payments. In addition, we are implementing an automated County Accounting System that should be in place by January 1998. This system will interface with ICWIS and ensure accurate computation of payments.

Secondly, we do not agree with the disallowed federal share of \$2,783,459.00 and have recalculated the amount based on ACYF-PIQ-82-07 dated April 21, 1994. We believe the correct amount of disallowed FFP should be \$2,283,873.50 (See Attachment F).

Attached is a detailed calculation by Placement Agency of the revised FFP amount. We appreciate you providing us with your audit work papers. If you have any further questions, please contact Richard Hunter at (317) 232-4371.

Sincerely,

*James E. Mooney, Jr.*

James E. Mooney, Jr., Director  
Financial Mangement, FSSA

cc: Jim Hmurovich  
Karen Kinder  
Cathy Graham  
Ann Fuller  
Debra Faut

Equal Opportunity / Affirmative Action Employer



## ATTACHMENT A

### Village's

1. The listings of approved rates for Child Placing agencies that was developed for 1995 and 1996 for villages included cost reports for 1993, 1994, 1995 and 1996. The cost reports were desk reviewed and are eligible for funds for FFP.

<u>CLAIMED RATE</u>	<u>ELIGIBLE RATE</u>	<u>YEAR</u>
\$63.50	\$36.16	1993
\$63.50	\$36.16	1994
\$63.00	\$34.66	1995
\$66.00	\$37.19	1996

2. Adjustments calculated on disallowed claims are based on Eligible Rate and allowable Administrative Percentage.

1993					<u>Allowable</u>	<u>Administrative</u>
a)	<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>		<u>Rate</u>	<u>Recovery</u>
3rd Quarter	\$83,244.00	\$61,200.00	\$22,044.00	50%	\$11,022.00	
4th Quarter	\$105,645.00	\$80,147.00	\$25,498.00	50%	\$12,749.00	
<b>TOTAL ADJUSTMENT 1993</b>					<b>\$23,771.00</b>	

1994					<u>Allowable</u>	<u>Administrative</u>
b)	<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>		<u>Rate</u>	<u>Recovery</u>
1st Quarter	\$121,786.00	\$92,230.00	\$29,556.00	50%	\$14,778.00	
2nd Quarter	\$114,811.00	\$89,678.00	\$25,133.00	50%	\$12,566.50	
3rd Quarter	\$109,521.00	\$81,411.00	\$28,110.00	50%	\$14,055.00	
4th Quarter	\$104,531.00	\$78,876.00	\$25,655.00	50%	\$12,827.50	
<b>TOTAL ADJUSTMENT 1994</b>					<b>\$54,227.00</b>	

1995					<u>Allowable</u>	<u>Administrative</u>
c)	<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>		<u>Rate</u>	<u>Recovery</u>
1st Quarter	\$229,376.00	\$181,159.00	\$48,217.00	50%	\$24,108.50	
2nd Quarter	\$259,227.00	\$190,069.00	\$69,158.00	50%	\$34,579.00	
3rd Quarter	\$243,780.00	\$193,181.00	\$50,599.00	50%	\$25,299.50	
4th Quarter	\$356,119.00	\$279,742.00	\$76,377.00	50%	\$38,188.50	
<b>TOTAL ADJUSTMENT 1995</b>					<b>\$122,175.50</b>	

1996					<u>Allowable</u>	<u>Administrative</u>
d)	<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>		<u>Rate</u>	<u>Recovery</u>
1st Quarter	\$484,821.00	\$357,288.00	\$127,533.00	50%	\$63,766.50	
2nd Quarter	\$434,901.00	\$322,130.00	\$112,771.00	50%	\$56,385.50	
<b>TOTAL ADJUSTMENT 1996</b>					<b>\$120,152.00</b>	

<b>TOTAL FEDERAL ADJUSTMENT-VILLAGES</b>						<b>\$320,325.50</b>
--	--	--	--	--	--	---------------------

## ATTACHMENT B

### WHITE'S FAMILY SERVICE

1. The listings of approved rates for Child Placing agencies that was developed for 1995 and 1996 for White 's Family Services included cost reports for, 1994, 1995 and 1996. The cost reports were desk reviewed and are eligible for funds for FFP.

<u>CLAIMED RATE</u>	<u>ELIGIBLE RATE</u>	<u>YEAR</u>
\$48.00	\$32.61	1994
\$48.00	\$31.80	1995
\$48.00	\$31.80	1996

2. Adjustments were calculated on disallowed claims are based on Eligible Rate and allowable Administrative Percentage.

<b>1994</b>				<b>Allowable</b>	<b>Administrative</b>
	<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>	<u>Rate</u>	<u>Recovery</u>
a) 1st Quarter	\$3,787.00	\$3948.00	\$739.00	50%	\$369.00
2nd Quarter	\$6,216.00	\$4,055.00	\$2,161.00	50%	\$1,081.00
3rd Quarter	\$3,239.00	\$2,200.00	\$1,039.00	50%	\$520.00
4th Quarter	\$6,781.00	\$5,565.00	\$1,216.00	50%	\$608.00
TOTAL ADJUSTMENT 1994					<b>\$2,578.00</b>
<b>1995</b>				<b>Allowable</b>	<b>Administrative</b>
	<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>	<u>Rate</u>	<u>Recovery</u>
b) 1st Quarter	\$32,612.00	\$25,500.00	\$7,112.00	50%	\$3,556.00
2nd Quarter	\$26,312.00	\$22,193.00	\$4,119.00	50%	\$2,060.00
3rd Quarter	\$58,271.00	\$49,170.00	\$9,101.00	50%	\$4,551.00
4th Quarter	\$73,653.00	\$62,535.00	\$11,118.00	50%	\$5,559.00
TOTAL ADJUSTMENT 1995					<b>\$15,726.00</b>
<b>1996</b>				<b>Allowable</b>	<b>Administrative</b>
	<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>	<u>Rate</u>	<u>Recovery</u>
c) 1st Quarter	\$84,103.00	\$73,205.00	\$10,898.00	50%	\$5,449.00
2nd Quarter	\$90,667.00	\$78,403.00	\$12,264.00	50%	\$6,132.00
TOTAL ADJUSTMENT 1996					<b>\$11,581.00</b>
<b>TOTAL FEDERAL ADJUSTMENT-WHITE'S</b>					<b>\$29,885.00</b>

## ATTACHMENT C

### CHILDREN'S BUREAU

1. The listings of approved rates for Child Placing agencies that was developed for 1995 and 1996 for White 's Family Services included cost reports for, 1994, 1995 and 1996. The cost reports were desk reviewed and are eligible for funds for FFP.

<u>CLAIMED RATE</u>	<u>ELIGIBLE RATE</u>	<u>YEAR</u>
\$69.00	\$45.59	1994
\$69.00	\$51.43	1995
\$72.00	\$51.43	1996

2. Adjustments were calculated on disallowed claims are based on Eligible Rate and allowable Administrative Percentage.

1994		<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>	<u>Allowable Rate</u>	<u>Administrative Recovery</u>
a)	1st Quarter	\$54,410.00	\$37,546.00	\$16,864.00	50%	\$8,432.00
	2nd Quarter	\$61,199.00	\$45,024.00	\$16,175.00	50%	\$8,088.00
	3rd Quarter	\$81,464.00	\$59,865.00	\$21,599.00	50%	\$10,800.00
	4th Quarter	\$86,707.00	\$63,717.00	\$22,990.00	50%	\$11,495.00
<b>TOTAL ADJUSTMENT 1994</b>						<b>\$38,815.00</b>
1995		<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>	<u>Allowable Rate</u>	<u>Administrative Recovery</u>
b)	1st Quarter	\$84,174.00	\$63,722.00	\$20,452.00	50%	\$10,226.00
	2nd Quarter	\$88,771.00	\$67,275.00	\$21,496.00	50%	\$10,748.00
	3rd Quarter	\$103,581.00	\$78,369.00	\$25,212.00	50%	\$12,606.00
	4th Quarter	\$119,172.00	\$90,183.00	\$28,989.00	50%	\$14,495.00
<b>TOTAL ADJUSTMENT 1995</b>						<b>\$48,075.00</b>
1996		<u>State Adjusted Claim</u>	<u>Approved Federal</u>	<u>Difference</u>	<u>Allowable Rate</u>	<u>Administrative Recovery</u>
c)	1st Quarter	\$98,281.00	\$69,345.00	\$28,936.00	50%	\$14,468.00
	2nd Quarter	\$89,228.00	\$59,858.00	\$29,370.00	50%	\$14,685.00
<b>TOTAL ADJUSTMENT 1996</b>						<b>\$29,153.00</b>
<b>TOTAL FEDERAL ADJUSTMENT- CHILDREN'S BUREAU</b>						<b>\$116,043.00</b>

# ATTACHMENT D

## Debra Corn

Debra **Corn** Inc. was a profitable entity until December 31, 1995

Debra **Corn** Inc. filed Form 1023, Application for Recognition of Exemption Under Section 501 (c) (3) Of the Internal Revenue Code as of January 1, 1996 based on the IRS letter dated January 13, 1997.

Debra Corn N.P. Inc. Filled **Form** 990 "Return of Organization Exempt from Income Tax" for calendar year January 1, 1996 - December 31, 1996.

The cost reports were desk reviewed and eligible for direct payments to foster parents.

Therefore the state is adjusting the amount recommended for the Federal adjustment as follows:

<u>Quarter</u>	<u>Year</u>	<u>Approved Federal</u>	<u>Approved Federal %</u>	<u>State Adjusted Claims</u>
1st	1996	\$21,884.00	63.21%	\$13,833.00
2nd	1996	\$30,711.00	63.49%	\$19,499.00
<b>Total</b>		<u>\$52,595.00</u>		<u>\$33,332.00</u>

## ATTACHMENT E

### SUMMARY OF STATE ADJUSTED CLAIM

#### VILLAGE'S

<u>QUARTER/YEAR</u>		<u>Administrative cost</u>	<u>FEDERAL SHARE</u>
3rd	1993	\$22,044.00	\$11,022.00
4th	1993	\$25,498.00	\$12,749.00
1st	1994	\$29,556.00	\$14,778.00
2nd	1994	\$25,133.00	\$12,566.50
3rd	1994	\$28,110.00	\$14,055.00
4th	1994	\$25,655.00	\$12,827.50
1st	1995	\$48,217.00	\$24,108.50
2nd	1995	\$69,158.00	\$34,579.00
3rd	1995	\$50,599.00	\$25,299.50
4th	1995	\$76,377.00	\$38,188.50
1st	1996	\$127,533.00	\$63,766.50
2nd	1996	\$112,771.00	\$56,385.50
Totals		<u>\$640,651.00</u>	<u>\$320,325.50</u>

#### WHITE'S FAMILY SERVICES

<u>QUARTER/YEAR</u>		<u>ADMINISTRATIVE COST</u>	<u>FEDERAL SHARE</u>
1st	1994	\$739.00	\$369.00
2nd	1994	\$2,161.00	\$1,081.00
3rd	1994	\$1,039.00	\$520.00
4th	1994	\$1,216.00	\$608.00
1st	1995	\$7,112.00	\$3,556.00
2nd	1995	\$4,119.00	\$2,060.00
3rd	1995	\$9,101.00	\$4,551.00
4th	1995	\$11,118.00	\$5,559.00
1st	1996	\$10,898.00	\$5,449.00
2nd	1996	\$12,264.00	\$6,132.00
Totals		<u>\$59,767.00</u>	<u>\$29,885.00</u>

## AII-ACHMENT E

### CHILDREN'S BUREAU

<u>QUARTER/YEAR</u>		<u>ADMINISTRATIVE COST</u>	<u>FEDERAL SHARE</u>
1st	1994	\$16,864.00	\$8,432.00
2nd	1994	\$16,176.00	\$8,088.00
3rd	1994	\$21,600.00	\$10,800.00
4th	1994	\$22,990.00	\$11,495.00
1st	1995	\$20,452.00	\$10,226.00
2nd	1995	\$21,496.00	\$10,748.00
3rd	1995	\$25,212.00	\$12,606.00
4th	1995	\$28,990.00	\$14,495.00
1st	1996	\$28,936.00	\$14,468.00
2nd	1996	\$29,370.00	\$14,685.00
Totals		<u>\$232,086.00</u>	<u>\$116,043.00</u>

### DEBRA CORN

<u>QUARTER/YEAR</u>		<u>DIRECT PAYMENTS</u>	<u>FEDERAL SHARE</u>
1 st	1996	\$21,884.00	\$13,833.00
2nd	1996	\$30,711.00	\$19,499.00
Totals		<u>\$52,595.00</u>	<u>\$33,332.00</u>

## ATTACHMENT F

### COSTS RECOMMENDED FOR FINANCIAL ADJUSTMENT

	<u>AMOUNT</u>	<u>FEDERAL SHARE</u>
VILLAGE'S	\$640,651 .00	\$320,325.50
WHITE'S	\$59,767.00	\$29,885.00
CHILDREN'S	\$232,086.00	\$116,043.00
DEBRA CORN	\$52,595.00	\$33,332.00
TOTAL DIFFERENCE	<u>\$985,099.00</u>	<u>\$499,585.50</u>
Original Federal Share	\$2,783,459.00	
Adjusted Federal Share	\$2,283,873.50	
Difference	<u><u>\$499,585.50</u></u>	

**ACF POLICY STATEMENT  
DATED APRIL 21, 1994**



DEPARTMENT OF HEALTH & HUMAN SERVICES

*[Handwritten signature]*

ADMINISTRATION FOR CHILDREN AND FAMILIES  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

APR 21 1994

TO: Leon R. McCowan  
Regional Administrator  
Region VI

FROM: Commissioner, Administration on  
Children, Youth and Families

SUBJECT: Policy Interpretation Question: Payments to Child  
Placing Agencies

Region VI requested clarification of the foster care maintenance payments made to child placing agencies (CPAs). In your memorandum you noted that the State of Texas and possible other states are using foster care maintenance payments to cover the administrative or social services costs of CPAs.

Question 1:

Are payments to licensed child placing agencies, made in accordance with the state's level of care payment structure, fully allowable, although the total amounts of such payments may not ultimately be paid to the physical provider of care?

Answer:

No. Foster care maintenance payments to licensed CPAs may only be used to cover two types of costs as identified in ACYF-PA-82-01. Payments may include the items of cost and the costs of providing the items. Payments may not be for social services or for the costs of administration and operation of the child placing agency. As you already identified, ACYF-PA-82-01 states, "Costs borne by child placing agencies are not eligible for FFP."

Question 2:

If the answer to question 1 is no, and the hold back is construed to be "administrative costs," may the State agency revise its claim to claim the "hold back" component at the administrative matching rate?

**Answer:**

**Yes.** The ACYF-PIQ-82-07 does allow Federal reimbursement to States for foster care-related functions performed by private nonprofit child-placing agencies. A State agency may contract with an institution that performs as part of their overall program the functions of foster home licensing, recruitment, training and supervision of foster parents. Under title IV-E, these costs are defined as necessary for the proper administration of the State plan and may be claimed for purposes of FFP (sec. 474(a)(3)(B)).

Question 3:

If a State computes its rate structure using aggregate cost data from a number of providers, and the computation process reasonably excludes social services from the title IV-E billable rate, does the State have a responsibility to examine the ultimate disposition of the foster care payments made to licensed child placing agencies?

**Answer:**

**Yes.** The ACYF-PIQ-82-07 identifies that the responsibility for the placement and care of the child is ultimately the responsibility of the State agency. The ACYF-PIQ-82-07 states, 'The State agency must actively supervise the various activities performed by the contractor or other agency. This supervision includes case plan assessment and case review functions and adherence to the requirements of the Act, Federal rules, regulations and policy interpretations in operation of the foster care maintenance program, The State is ultimately responsible for proper operation of the foster care program.'

Question 4:

With respect to a literal reading of PA-82-01, item (3)(a), which would indicate that there is no provision for Federal financial participation in payments to child placing agencies for items not listed in Sec. 475(4)(A), what funding mechanism may be used to provide for ongoing operational and administrative costs necessary to operate child placing agencies? May the state enter into a contract to reimburse the child placing agency and

Page 3 - Leon R. **McCowan**

**allocate a portion** of such administrative cost (**not including** social services) to title IV-E on a pro **rata basis?**

**Answer:**

**Yes.** See the Answer to Question 2.

A handwritten signature in black ink that reads "Olivia A. Golden". The signature is written in a cursive, flowing style.

Olivia **A.** Golden

cc: Regional Administrators  
Region I-X