

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REPORT OF COSTS ALLOCATED TO THE  
TITLE IV-E FOSTER CARE PROGRAM**

**FOR THE PERIOD  
JANUARY 1, 1992 TO DEC. 31, 1996**



**JUNE GIBBS BROWN  
Inspector General**

JUNE 1997  
CIN: A-07-97-01027



Region VII  
601 East 12th Street  
Room 284A  
Kansas City, Missouri 64106

CIN: A-07-97-0 1027

June 11, 1997

Mr. Gary J. Stangler  
Director, Department of Social Services  
Broadway State Office Building  
P.O. Box 1527  
Jefferson City, Missouri 65102

Dear Mr. Stangler:

This report provides you with the results of an Office of Inspector General (OIG), Office of Audit Services review titled *Costs Allocated to the Title IV-E Foster Care Program*. The objective of our review was to evaluate costs charged to the title IV-E Foster Care Program as a result of including certain ineligible children during the period. January 1, 1992 through December 31, 1996. This review focused on issues identified during a prior audit.

The Missouri Department of Social Services (State) used allocation rates to compute certain categories of costs for reimbursement under the title IV-E Foster Care Program. Our review determined that **\$1,233,855** (\$641,149 Federal financial participation (FFP)) was not allowable as follows:

- o In calculating the allocation rates used to claim title IV-E administrative costs, the State included counts of children who were ineligible because their age exceeded title IV-E criteria. As a result, title IV-E administrative costs were overclaimed by **\$1,209,407** (\$626,341 FFP) for the period reviewed.
- o An additional \$24,448 (\$14,808 FFP) was unallowable because the State made direct payments on behalf of the ineligible children identified in our review of the allocation rates.

The State concurred with our recommendations. A copy of the State's response to our draft report is provided in its entirety as Appendix A.

## INTRODUCTION

### BACKGROUND

The 1967 amendments to the Social Security Act established foster care as a mandatory program under title IV-A, Aid to Families with Dependent Children. In 1980, the Adoption Assistance and Child Welfare Act, Public Law 96-272, established the title IV-E program.

Title IV-E authorized Federal funds for states to enable them to provide foster care and adoption assistance for children under an approved State plan.

The Department of Health and Human Services, Administration for Children and Families (ACF), administers title IV-E at the Federal level. In Missouri, the Department of Social Services is responsible for administering title IV-E. Costs related to the title IV-E Foster Care Program are allocated in accordance with the Division of Family Services (DFS) portion of the Cost Allocation Plan.

#### SCOPE OF REVIEW

We conducted our review in accordance with generally accepted government auditing standards. The purpose of our review was to determine the allowability of specific administrative costs allocated to the title IV-E program during the period January 1, 1992 through December 31, 1996.

During the current review, we: (1) reviewed the work performed on prior reviews of the State's title IV-E program (CINs: A-07-92-00601, A-07-95-01010, and A-07-96-01020) and performed additional work deemed necessary; (2) discussed pertinent policies, procedures, and practices with officials of the State; (3) verified the State's calculation of the quarterly allocation rates used to claim specific title IV-E costs, and (4) reviewed payment history data for title IV-E youths age 19 and older.

We performed our work during the period December 1996 through March 1997 at State offices in Jefferson City, Missouri.

#### FINDINGS AND RECOMMENDATIONS

##### ALLOCATION RATES

In computing the allocation rates used to claim some of the title IV-E administrative costs, the State included counts of children whose age exceeded title IV-E criteria. As a result, title IV-E administrative costs were overclaimed by \$626,341 (FFP) for the audit period.

Under section 406(a) of the Social Security Act, a dependent child is defined as one under the age of 18. This age limit applies to title IV-E foster care eligibility under section 472 of the Act. The only exception under section 406(a) is (at State option) for those children who are over 18 and under the age of 19 and who are full-time students expected to complete their secondary schooling or equivalent training before reaching age 19. (45 CFR 233.90(b)(3))

The State used rates to allocate certain administrative costs related to the care of children to the Federal government. These rates were calculated by dividing (1) the number of title IV-E foster care eligible children who were in the care and custody of the DFS 15 days or

more during the month by (2) the total population of children in the care and custody of the DFS. In computing the rates, the State included some 18, 19, 20 and 21 year olds as eligible for title IV-E.

The following table shows the effect on the State's claims of including the counts of children who exceeded title IV-E age criteria in the rate calculations.

<b>Quarter Ended</b>	<b>Claimed Rate Percentage</b>	<b>Audited Rate Percentage</b>	<b>Adjusted costs (FFP)</b>
March 1992	<b>68.900</b>	68.267	<b>\$39,211</b>
June 1992	70.100	69.507	31,961
September 1992	69.200	68.599	33,124
December 1992	68.400	67.786	32,980
March 1993	68.200	67.575	36,594
June 1993	67.930	67.370	31,697
September 1993	67.926	67.301	36,929
December 1993	67.410	66.770	35,998
March 1994	66.767	66.078	39,858
June 1994	66.476	65.820	38,545
September 1994	66.350	65.719	38,471
December 1994	67.110	66.444	40,043
March 1995	66.482	65.736	43,617
June 1995	65.759	65.084	40,579
September 1995	65.447	64.879	35,714
December 1995	65.452	64.984	28,940
March 1996	65.854	65.455	24,224
June 1996	65.616	65.557	3,681
September 1996	65.667	65.565	6,741
December 1996	66.219	66.097	<u>7,434</u>
Total			<u>\$626,341</u>

Note: The State included some children 18, 19, 20, and 21 year olds in calculating their quarterly **claims**. Allowing that all those 18 years of age were title IV-E eligible, based on their school status, we have considered only those age 19 and over as impacting the overstatement of the title **IV-E** allocation rates.

The problem of including ineligible children in the counts for the allocation rate calculation was identified in our prior audit (**CIN A-07-95-01010**), where we reported that the cause was the State's policy of automatically continuing title IV-E foster care payments to children turning 18 years of age. The State's system required action to stop a child's eligibility and foster care payments. State officials indicated that this procedure was done to prevent stopping a legitimate payment.

The State took action to address this problem following the issuance of our prior audit draft report. Beginning in November 1995, the State's Division of Research and Evaluation (**DRE**) generated a monthly report that identified title IV-E eligible children that turned 19 years of age during the preceding month. Children 19 and older appearing in the report were then manually edited from the Alternative Care Tracking System. This report was created as part of a state-wide effort to ensure children age 19 and older were excluded from the State's title **IV-E** eligible population. According to State officials, the DFS will continue to utilize this report until an automatic edit is activated in the Alternative Care Tracking System.

Even though the State initiated this new procedure in November 1995, its impact did not significantly reduce the number of ineligible children until the second quarter of calendar **year** 1996. Furthermore, the State had not entirely eliminated ineligible children **from** their allocation calculations.

#### Recommendations

We recommend that the State:

- (1) Adjust \$626,341 (**FFP**) from their claims due to overstated rates.
- (2) Continue reviewing and improving their system to eliminate ineligibles age 18 and above **from** the counts used for computing allocation rates.

#### **Auditee** Comments

The State concurred with our recommendations.

#### **DIRECT PAYMENTS** MADE ON BEHALF OF INELIGIBLE CHILDREN

We determined that the State also made direct payments for some of the ineligible children who were identified in our review of the allocation rates. The State claimed direct costs totaling \$24,448 (\$14,808 **FFP**) made on behalf of those children not meeting the title IV-E age criteria. (We used the same age criteria for reviewing direct payments as was used for reviewing allocation rates.)

The State paid directly 27 ineligible children, who were 19 years of age or older, representing about ten percent of the total ineligible children in the system. The amount of ineligible payments for an individual child during our 60 month audit period ranged from \$2.29 (1 month) to \$4,301 (7 months).

We utilized payment history information provided by the **DRE** in order to identify the direct payments made to these children. The State did not have computer edits in place to identify payments to these ineligible individuals.

Recommendations

We recommend that the State:

- (1) Adjust \$14,808 (**FFP**) from their claims for direct payments.
- (2) Establish controls to ensure that Federal direct payments are only made to children meeting the title IV-E age criteria.

**Auditee** Comments

The State concurred with our recommendations.

INSTRUCTIONS FOR **AUDITEE** RESPONSE

Final determinations as to actions to be taken on all matters reported will be made by the HHS action official identified below. We request that you respond to each of the recommendations in this report to the HHS action official, presenting any comments or additional information that you believe may have a bearing on the final determination.

\* \* \* \* \*

In accordance with the principles of the Freedom of Information Act (Public Law **90-23**), OIG, OAS reports issued to the Department's grantees and contractors are made available, if requested 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.)

Sincerely,



Barbara A. Bennett  
Regional Inspector General  
for Audit Services

Enclosure

HHS Action Official:  
Linda Lewis  
Regional Administrator, Region VII  
**HHS/Administration** for Children and Families  
601 East 12th Street, Room 276  
Kansas City, Missouri 64106

JUN 3 1997



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MEL CARNAHAN  
GOVERNOR

May 28, 1997

Ms. Barbara A. Bennett  
Regional Inspector General  
for Audit Services, Region VII  
Department of Health and Human Services  
60 1 East 12th Street  
Room 284 A  
Kansas City, MO 64 106

Dear Ms. Bennett:

This is in response to the draft report, dated March 31, 1997, which provides the results of your review of Costs Allocated to the Title IV-E Foster Care Program. The audit control number is CIN A-07-97-01 027. Please consider the following comments to your report.

Allocation Rates

We recommend that the State:

- (1) Adjust \$626,341 (FFP) from their claims due to overstated rates; and
- (2) Continue reviewing and improving their system to eliminate ineligibles age 18 and above from the counts used for computing allocation rates.

STATE RESPONSE

- (1) We concur with the recommendation.
- (2) We will continue reviewing and improving the system to eliminate ineligibles from the counts used for computing allocation rates.

Direct Payments Made on Behalf of Ineligible Children

We recommend that the State:

- (1) Adjust \$14,808 (FFP) from their claims for direct payments; and



Ms. Barbara A. Bennett

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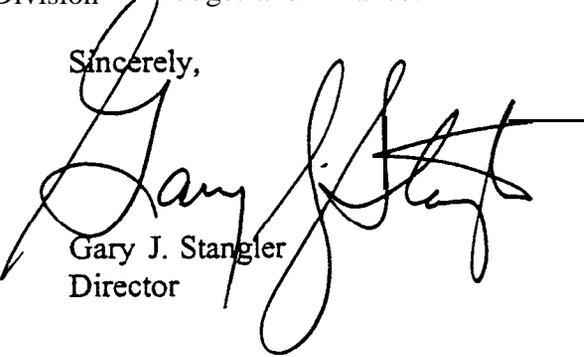
- (2) Establish controls to ensure that Federal direct payments are only made to children meeting the Title IV-E age criteria.

STATE RESPONSE

- (1) We concur with the recommendation.
- (2) We are working on establishing controls to ensure that Federal direct payments are only made to children meeting the Title IV-E age criteria.

Thank you for the opportunity to respond to your **draft** report. If you have any additional questions, or if you would **like** to discuss our comments in further detail, please contact Ms. Christine A. Rackers, Director of the Division of Budget and Finance.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary J. Stangler". The signature is stylized with large loops and a long horizontal stroke at the end.

Gary J. Stangler  
Director

GJS:AH:lk