



JUL 29 2009

Region IX
Office of Audit Services
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San Francisco, CA 94103

Report Number: A-09-09-01007

Ms. Michelle Britton
Division Administrator
Family and Community Services
Idaho Department of Health and Welfare
450 West State Street, 5th Floor
Boise, Idaho 83720-0036

Dear Ms. Britton:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of Idaho’s Title IV-E Adoption Assistance Costs for Federal Fiscal Years 2006–2008.” We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

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If you have any questions or comments about this report, please do not hesitate to call me at (415) 437-8360, or contact Doug Preussler, Audit Manager, at (415) 437-8360 or through email at Doug.Preussler@oig.hhs.gov. Please refer to report number A-09-09-01007 in all correspondence.

Sincerely,

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Steve Henigson
Regional Administrator
U.S. Department of Health and Human Services
Administration for Children and Families, Region X
2201 Sixth Avenue
Seattle, Washington 98121

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF IDAHO'S TITLE IV-E
ADOPTION ASSISTANCE COSTS
FOR FEDERAL FISCAL YEARS
2006–2008**



Daniel R. Levinson
Inspector General

July 2009
A-09-09-01007

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title IV-E of the Social Security Act, the Department of Health and Human Services, Administration for Children and Families (ACF), administers the foster care and adoption assistance programs. The Federal Government shares in the States' costs of adoption assistance payments for children who meet supplemental security income (SSI) requirements or other specific requirements. To meet SSI requirements, a child must be disabled, his or her household income must be below a specified ceiling, and he or she must be under a specific age. Children who do not meet SSI requirements may still be eligible for Federal reimbursement if they meet other specific requirements. One of these requirements is that the income of the child's family at the time the child was removed from the home not exceed the ceiling for the former Aid to Families with Dependent Children (AFDC) program (as in effect on July 16, 1996). Children who meet AFDC eligibility requirements qualify for Title IV-E assistance if their removal from the home was based on either:

- a voluntary placement agreement, provided that the child is receiving Title IV-E foster care payments, or
- a judicial determination obtained within 6 months of the child's removal from the home demonstrating that continuation in the home would be contrary to the child's welfare.

The Federal Government pays its share of a State's adoption assistance payments based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Pursuant to the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, States' FMAPs are temporarily increased for Federal fiscal year (FY) 2009, FY 2010, and the first quarter of FY 2011.

In Idaho, the Department of Health and Welfare, Division of Family and Community Services (the State agency), is responsible for administering the Title IV-E foster care and adoption assistance programs. During FYs 2006–2008, the State agency claimed approximately \$8.9 million (Federal share) in Title IV-E adoption assistance payments on its Federal quarterly expenditure reports. Of the 959 adoption assistance payments in FY 2006, we reviewed 250 payments with the highest dollar amounts (high-dollar payments).

OBJECTIVE

Our objective was to determine whether the State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments for Federal reimbursement.

SUMMARY OF FINDINGS

The State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments totaling \$1,116,047 for 246 of the 250 children whose cases we reviewed

for FY 2006. However, the remaining four children with payments totaling \$18,139 met neither SSI requirements nor all of the other requirements for Federal reimbursement. Specifically, the State agency claimed payments for one child that the State agency identified as ineligible and for three children for whom the State agency did not provide evidence of a voluntary placement agreement or a judicial determination that continuation in the home would be contrary to their welfare.

The State agency continued to claim adoption assistance payments totaling \$105,907 in FYs 2007 and 2008 for these children. As a result, the State agency overclaimed \$124,046 in FYs 2006–2008. Of this amount, \$87,918 was for a child that the State agency identified as ineligible, and \$36,128 was for three children who did not meet requirements for voluntary placement agreements or judicial determinations. In addition, based on information that the State agency provided during our review, the Federal Government should avoid paying \$17,764 for FYs 2009 and 2010 for children who do not meet Federal eligibility requirements. This amount consists of \$16,250 that we calculated using the original FMAs for FYs 2009 and 2010 and \$1,514 in additional payments that we calculated using the temporarily increased FMAs for those FYs.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$87,918 on its next Federal quarterly expenditure report for the child identified as ineligible;
- work with ACF to resolve \$36,128 in overpayments for children who did not meet requirements for voluntary placement agreements or judicial determinations; and
- claim adoption assistance payments only for children that meet Federal eligibility requirements, resulting in a savings to the Federal Government of \$17,764 for FYs 2009 and 2010.

STATE AGENCY COMMENTS

In its written comments on our draft report, the State agency agreed with our findings and described actions that it had taken or planned to take to address our recommendations. The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Title IV-E Foster Care and Adoption Assistance Programs

Pursuant to Title IV-E of the Social Security Act (the Act), the Department of Health and Human Services, Administration for Children and Families (ACF), administers the foster care and adoption assistance programs. The foster care program helps States provide proper care for children who need placement in a foster home or an institution. The adoption assistance program helps States encourage the adoption of children with special needs. As it does in the foster care program, the Federal Government shares in the States' costs of adoption assistance payments for eligible children.

Sections 473(a) and (c) of the Act establish adoption assistance eligibility requirements, and ACF's "Child Welfare Policy Manual" provides guidance on these requirements. Specifically, special needs children must meet supplemental security income (SSI) requirements or other specific requirements to qualify for Federal reimbursement under the adoption assistance program. To meet SSI requirements, a child must be disabled, his or her household income must be below a specified ceiling, and he or she must be under a specific age. Children who do not meet SSI requirements may still be eligible for Federal reimbursement if they meet other specific requirements. One of these requirements is that the income of the child's family at the time the child was removed from the home not exceed the ceiling for the former Aid to Families with Dependent Children (AFDC) program (as in effect on July 16, 1996). Children who meet AFDC income eligibility requirements qualify for Title IV-E assistance if their removal from the home was based on either:

- a voluntary placement agreement, provided that the child is receiving Title IV-E foster care payments, or
- a judicial determination obtained within 6 months of the child's removal from the home demonstrating that continuation in the home would be contrary to the child's welfare.

The Federal Government pays its share of a State's adoption assistance payments based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Pursuant to the American Recovery and Reinvestment Act (ARRA) of 2009, P.L. No. 111-5, States' FMAPs are temporarily increased for Federal fiscal year (FY) 2009, FY 2010, and the first quarter of FY 2011.

Title IV-E Federal Reimbursement of Adoption Assistance Payments in Idaho

In Idaho, the Department of Health and Welfare, Division of Family and Community Services (the State agency), is responsible for administering the Title IV-E foster care and adoption assistance programs. The State agency provides subsidy payments (ranging from \$40 to \$1,441 per month) to all families that adopt foster care children. To claim costs for Title IV-E reimbursement, the State agency submits a quarterly claim to the Federal Government.

During FYs 2006–2008, the FMAPs for Idaho’s adoption assistance payments ranged from 69.87 percent to 70.36 percent. The original FMAPs for Idaho’s adoption assistance payments for FYs 2009 and 2010 are 69.77 and 69.40 percent, respectively. The increased FMAPs due to the ARRA are 76.07 percent for both of these FYs.

The State agency claimed approximately \$8.9 million (Federal share) in Title IV-E adoption assistance payments on its Federal quarterly expenditure reports during FYs 2006–2008. Of the 959 adoption assistance payments in FY 2006, we reviewed 250 payments with the highest dollar amounts (high-dollar payments).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments for Federal reimbursement.

Scope

We reviewed the eligibility of children for whom the State agency claimed Title IV-E adoption assistance costs in FY 2006 (October 2005 through September 2006). Of the 959 claims that the State agency submitted for Federal reimbursement in FY 2006, we limited our review to 250 claims with the highest dollar amounts. In total, we reviewed \$1,134,186 (42 percent) of the \$2,681,284 submitted for reimbursement. For ineligible children identified in FY 2006, we determined whether the State agency continued to claim payments in FYs 2007 and 2008.

We limited our consideration of the State agency’s internal controls to obtaining an understanding of the process used to determine a child’s eligibility and claim Title IV-E adoption assistance payments for the 3 years that ended in September 2008.

We performed our fieldwork at the State agency in Boise, Idaho, from December 2008 through March 2009.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and ACF program and policy announcements,
- reconciled total adoption assistance payments that the State agency claimed in FY 2006 to individual supporting claims,
- reviewed eligibility case files for 250 claims with the highest dollar amounts that the State agency submitted for Federal reimbursement in FY 2006,

- determined whether the State agency continued to claim payments during FYs 2007 and 2008 for ineligible children identified in our FY 2006 review by reconciling the amounts that the State agency claimed for Federal reimbursement to individual supporting claims,
- verified the State agency's calculation of the amounts it would have claimed in FYs 2009 and 2010 for the ineligible children identified in our FY 2006 review, and
- determined the overall savings to the Federal Government for FYs 2009 and 2010 by applying the original and temporarily increased FMAPs for those FYs to the claim amounts that the State agency calculated.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

The State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments totaling \$1,116,047 for 246 of the 250 children whose cases we reviewed for FY 2006. However, the remaining four children with payments totaling \$18,139 met neither SSI requirements nor all of the other requirements for Federal reimbursement.

ADOPTION ASSISTANCE PAYMENTS CLAIMED FOR INELIGIBLE CHILDREN

Contrary to sections 473(a) and (c) of the Act, four claims (1.6 percent of the 250 claims we reviewed) with payments totaling \$18,139 were for ineligible children. Specifically, the State agency claimed payments for one child that the State agency identified as ineligible and for three children for whom the State agency did not provide evidence of a voluntary placement agreement or a judicial determination that continuation in the home would be contrary to their welfare.¹

The State agency continued to claim adoption assistance payments totaling \$105,907 in FYs 2007 and 2008 for these children. Of this amount, \$76,324 was claimed in FY 2007 and \$29,583 was claimed in FY 2008.

As a result, the State agency overclaimed \$124,046 in FYs 2006–2008. Of this amount, \$87,918 was for a child that the State agency identified as ineligible, and \$36,128 was for three children who did not meet requirements for voluntary placement agreements or judicial determinations.

¹In 2001 guidance (ACYF-CB-PA-01-01 (Jan. 23, 2001)), ACF explained that the judicial determination must be made in the first court ruling that authorizes the child's removal from the home. Prior to the publication of the Title IV-E foster care regulation at 45 CFR § 1356.21(c) in January 2000, States were allowed up to 6 months after a child's removal to obtain the requisite judicial determination. In our audit, the State would have had 6 months to obtain the judicial determination because the ineligible children in our sample were removed from the home prior to the implementation of this policy change.

In addition, based on information that the State agency provided during our review, the Federal Government should avoid paying \$17,764 for FYs 2009 and 2010 for children who do not meet eligibility requirements. This amount consists of \$16,250 that we calculated using the original FMAPs for FYs 2009 and 2010 and \$1,514 in additional payments that we calculated using the temporarily increased FMAPs for those FYs.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$87,918 on its next Federal quarterly expenditure report for the child identified as ineligible;
- work with ACF to resolve \$36,128 in overpayments for children who did not meet requirements for voluntary placement agreements or judicial determinations; and
- claim adoption assistance payments only for children that meet Federal eligibility requirements, resulting in a savings to the Federal Government of \$17,764 for FYs 2009 and 2010.

STATE AGENCY COMMENTS

In its written comments on our draft report, the State agency agreed with our findings and described actions that it had taken or planned to take to address our recommendations. The State agency's comments are included in their entirety as the Appendix.

APPENDIX



IDAHO DEPARTMENT OF
HEALTH & WELFARE

C.L. "BUTCH" OTTER - GOVERNOR
RICHARD M. ARMSTRONG - Director

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June 27, 2009

Lori A. Ahlstrand, Regional Inspector General
Region IX - Office of Audit Services
90 - 7th Street, Suite 3-650
San Francisco, CA 94103

RE: Report Number: A-09-09-01007

Dear Ms. Ahlstrand:

Idaho is in agreement with your findings as set forth in the draft report entitled "Review of Idaho's Title IV-E Adoption Assistance Costs for Federal Fiscal Years 2006-2008."

We have made plans to address your recommendations as follows:

- We will make the necessary adjustment on our next quarterly expenditure report (\$87,918);
- We are in contact with Region X ACF staff and will work toward resolving these overpayments (\$36,128); and
- We have implemented business practices, protocols and quality assurance mechanisms to ensure all adoption assistance claims going forward meet the federal eligibility requirements.

If you have questions or require additional specifics as to how we are implementing the recommendations please do not hesitate to call Steve Seale (208) 334-6643.

Sincerely,

Michelle Britton, Administrator
Division of Family and Community Services

MB/db