



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

August 22, 2008

Report Number: A-05-07-00062

Helen E. Jones-Kelley
Director
Ohio Department of Job and Family Services
30 East Broad Street, 32nd Floor
Columbus, Ohio 43215-3414

Dear Ms. Jones-Kelley:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Title IV-E Foster Care Costs Claimed for the Placement of Delinquent Youth in Ohio From October 1, 2004, Through September 30, 2006." 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 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.

Pursuant to the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me or contact Lynn Barker, Audit Manager, at (317) 226-783 or through e-mail at Lynn.Barker@oig.hhs.gov. Please refer to report number A-05-07-00062 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Gustafson".

Marc Gustafson
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Regional Administrator
Administration for Children and Families
U.S. Department of Health and Human Services, Region V
233 North Michigan Avenue, Suite 400
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF TITLE IV-E FOSTER
CARE COSTS CLAIMED FOR THE
PLACEMENT OF DELINQUENT
YOUTH IN OHIO
FROM OCTOBER 1, 2004,
THROUGH SEPTEMBER 30, 2006**



Daniel R. Levinson
Inspector General

August 2008
A-05-07-00062

Office of Inspector General

<http://oig.hhs.gov>

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Department of Health and Human Services

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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

Title IV-E of the Social Security Act (the Act), as amended, authorizes Federal funds for State foster care programs. For children who meet Title IV-E foster care requirements, the Administration for Children and Families (ACF) provides the Federal share of States' cost, including maintenance (room and board) costs and administrative costs. In Ohio, the Ohio Department of Job and Family Services (the State agency) supervises the Title IV-E foster care program through its Office for Children and Families and administers the program through the county agencies.

Section 472(a) of the Act establishes the Title IV-E foster care eligibility requirements, such as age, income, and specified judicial determinations. The State agency claimed \$152 million (Federal share) in Title IV-E maintenance and associated administrative costs during Federal fiscal years (FY) 2005 and 2006 (October 1, 2004, through September 30, 2006). Of this amount, \$13,737,776 (Federal share) was claimed on behalf of delinquent youth.

The State agency certifies foster parents, group homes and institutional care facilities that provide foster care services and establishes a daily maintenance rate ceiling for each approved facility. The county agencies determine Title IV-E foster care eligibility and submit claims to the State agency for reimbursement of maintenance and administrative costs associated with the delinquent youth.

OBJECTIVE

Our objective was to determine whether the State agency claimed Title IV-E maintenance and associated administrative costs for delinquent children in accordance with Federal requirements.

SUMMARY OF FINDINGS

For FYs 2005 and 2006, we estimate the State agency claimed Title IV-E costs totaling \$689,720 (Federal share), including \$646,121 in maintenance costs and \$43,599 in associated administrative costs, that did not meet Federal requirements. Of the 100 claim-months sampled, 14 claim-months included costs for ineligible children or unallowable maintenance costs. Specifically, the State agency claimed Title IV-E reimbursement during:

- 8 claim-months when children were not eligible for services; and
- 6 claim-months that included costs for unallowable services or that exceeded the payment for services.

The claims for unallowable costs were made because the State agency did not ensure that the county agencies' eligibility determinations and maintenance rates complied with Federal requirements. Specifically, the State agency and county agencies (1) made errors in determining eligibility that resulted in incorrect or unsupported Title IV-E eligibility, (2) did not ensure that

the daily maintenance rate claimed by the foster care facilities contained only the costs of allowable services, and (3) made clerical errors that allowed payments for services to exceed the costs claimed by the facility.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government \$689,720 (Federal share) for unallowable costs, including \$646,121 in maintenance costs and \$43,599 in associated administrative costs;
- ensure county agencies make appropriate evaluations and maintain sufficient documentation to support the eligibility determinations;
- ensure that the daily maintenance rate claimed by foster care facilities includes only the costs of allowable services; and
- claim Title IV-E reimbursement only for eligible children and allowable maintenance and administrative costs.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our findings and recommendations, except for refunding the estimate of unallowable maintenance and associated administrative costs. The State agency's comments are included in their entirety in Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that recommending the disallowance of foster care claims based on an estimate from a sample is a sound and reasonable approach and is supported by a prior Departmental Appeals Board decision.

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INTRODUCTION

BACKGROUND

Title IV-E Foster Care Program

Title IV-E of the Social Security Act (the Act), as amended, authorizes Federal funds for States to provide foster care for children under an approved State plan. At the Federal level, the Administration for Children and Families (ACF) administers the program and provides the Federal share of States' cost.

Section 472(a) of the Act establishes the Title IV-E eligibility requirements, including age, income, and specified judicial determinations. For children meeting the Title IV-E eligibility requirements, Federal funds are available to states for maintenance, administrative, and training costs:

- Maintenance costs include room and board, clothing, daily supervision, school supplies, children's personal incidentals, liability insurance with respect to a child, and reasonable travel to a child's home for visitation. Payments are made to licensed foster parents, group homes, and residential childcare facilities. The Federal share of maintenance costs is based on each State's Federal rate for Title XIX (Medicaid) expenditures. During our audit period, the Federal share of Ohio's maintenance costs ranged from 59.23 percent to 59.88 percent.
- Administrative costs include staff activities such as case management and supervision of children placed in foster care and children considered to be Title IV-E candidates, preparation for and participation in court hearings, placement of children, recruitment and licensing for foster homes and institutions, and rate setting. A proportionate share of overhead costs are also reimbursable under this category. The Federal share of administrative costs allocable to the Title IV-E program is 50 percent.
- Training costs include the training of State or local staff to perform administrative activities and the training of current or prospective foster care parents, as well as personnel of childcare institutions. The Federal share of State training costs qualify for a 75 percent Federal funding rate.

Ohio Title IV-E Foster Care Program

The Ohio Department of Job and Family Services (the State agency) supervises the Title IV-E foster care program through its Office for Children and Families and administers the program through the county Title IV-E agencies (the county agencies). The State agency claimed \$152 million (Federal share) in Title IV-E maintenance and associated administrative costs during Federal fiscal years (FY) 2005 and 2006 (October 1, 2004 through September 30, 2006). Of this amount, \$13,737,776 (Federal share) was claimed on behalf of delinquent youth.

The State agency certifies foster parents, group homes and institutional care facilities that provide foster care services and establishes a daily maintenance rate ceiling for each approved facility. The county agencies determine Title IV-E foster care eligibility and submit claims to the State agency for reimbursement of maintenance and administrative costs associated with the delinquent youth.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed Title IV-E maintenance and associated administrative costs for delinquent children in accordance with Federal requirements.

Scope

We reviewed the State agency's claims for reimbursement totaling \$13,737,776 (Federal share), including maintenance costs of \$11,736,240 (Federal share) and associated administrative costs of \$2,001,536 (Federal share) for Title IV-E foster care services provided to delinquent youth during FYs 2005 and 2006.

The State agency provided a detail list of paid claims which it claimed for Federal reimbursement during FYs 2005 and 2006. We extracted records for delinquent youth from the list of all paid claims for each youth during a month (claim-month), and created a list of claim-months. From the resulting universe of 9,039 claim-months, we randomly selected a statistical sample of 100 claim-months totaling \$132,791 (Federal share) in Title IV-E maintenance costs with \$23,027 in associated administrative costs. Appendix A explains our sampling methodology.

We did not assess the State agency's overall internal controls. We limited our review to gaining an understanding of selected State and county agency's controls related to paying for and claiming maintenance and associated administrative costs for the Title IV-E program. We did not review the cost components of services within the facilities' per diem rates.

We performed our fieldwork at the State agency in Columbus, Ohio and the Montgomery County Children's Services office in Dayton, Ohio.

Methodology

To accomplish the objectives, we:

- reviewed Federal and State criteria related to Title IV-E foster care claims;
- interviewed State and county agency personnel regarding the State agency's claims;
- reviewed the State agency's accounting records to identify all maintenance costs claimed for Federal reimbursement;

- obtained from the State agency the list of all payments for the cost of delinquent youth placed in foster care;
- reviewed selected contracts between the county agencies and the foster care facilities;
- reconciled maintenance costs, as reported on the quarterly Title IV-E Foster Care and Adoptive Assistance Financial Report (Form ACF-IV-E-1), to the payments recorded in the State agency's accounting records;
- created a database by combining all FYs 2005 and 2006 payments for services provided to a delinquent youth for one claim-month;
- statistically selected 100 claim-months and;
 - reviewed State and county agencies' documentation supporting the Federal reimbursement claimed, and payments made for the 100 claim-months;
 - identified unallowable maintenance and administrative costs claimed by the State agency; and
 - projected the results of our sample review to the sample population of claim-months (see Appendix B).

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

For FYs 2005 and 2006, we estimate the State agency claimed Title IV-E costs totaling \$689,720 (Federal share), including \$646,121 in maintenance costs and \$43,599 in associated administrative costs, that did not meet Federal requirements. Of the 100 claim-months sampled, 14 claim-months included costs for ineligible children or unallowable maintenance costs. Specifically, the State agency claimed Title IV-E reimbursement during:

- 8 claim-months when children were not eligible for services; and
- 6 claim-months that included costs for unallowable services or that exceeded the payment for services.

The claims for unallowable costs were made because the State agency did not ensure that the county agencies' eligibility determinations and maintenance rates complied with Federal requirements. Specifically, the State agency and county agencies (1) made errors in determining

eligibility that resulted in incorrect or unsupported Title IV-E eligibility, (2) did not ensure that the daily maintenance rate claimed by the foster care facilities contained only the costs of allowable services, and (3) made clerical errors that allowed payments for services to exceed the costs claimed by the facility.

COSTS CLAIMED FOR SERVICES PROVIDED TO INELIGIBLE CHILDREN

Section 472(a) of the Act establishes the requirements for Title IV-E eligibility. For children who meet the Title IV-E foster care requirements, Federal funds are available to States for maintenance costs.

The State agency claimed costs totaling \$16,588 for 8 claim-months for services provided to delinquent children who did not meet Title IV-E foster care eligibility requirements.

- For two claim-months, two county agencies did not acquire a judicial determination, at the time the youth was placed into temporary custody, that remaining in the home was contrary to the youth's welfare;
- For two claim-months, the county agency did not hold annual permanency hearings;
- For two claim-months, two county agencies did not properly compute each youth's family income;¹
- For one claim-month, the youth did not meet the Title IV-E age requirement;
- For one claim-month, the county agency did not provide evidence to prove deprivation; and
- For one claim-month, the county agency did not acquire a judicial determination that reasonable efforts were made to prevent the youth's removal from the home within 60 days of temporary custody and placement into foster care.

The claims for unallowable costs were generally made due to errors in determining eligibility that resulted in an incorrect or unsupported Title IV-E eligibility.

Remaining in the Home is Contrary to the Welfare of the Child

Section 472(a)(1) of the Act requires that “the removal from the home occurred . . . or was the result of a judicial determination to the effect that continuation therein would be contrary to the welfare of such child” Federal regulations at 45 CFR § 1356.21(c) state:

Contrary to the welfare determination. Under section 472(a)(1) of the Act, a child’s removal from the home must have been the result of a judicial determination . . . to the effect that continuation of residence in the home would be contrary to the welfare . . . If the determination regarding contrary to the welfare is not made in the first court ruling

¹One claim-month was questioned for two reasons (i.e., income eligibility and deprivation); however, the error was only questioned once when estimating the total amount of costs claimed that did not meet Federal requirements.

pertaining to removal from the home, the child is not eligible for title IV-E foster care maintenance payments for the duration of that stay in foster care.

Pursuant to 45 CFR § 1356.21(d), “The judicial determinations regarding contrary to the welfare, . . . must be explicitly documented . . . and so stated in the court order.”

The State agency claimed costs totaling \$1,405 for two claims-months that two county agencies did not obtain the necessary judicial determinations. Specifically, the county agencies did not acquire judicial determinations prior to the children’s placement into foster care. These determinations were obtained approximately 2 months after the children were taken into temporary custody and already placed into foster care. As a result, the children were not eligible for Title IV-E maintenance payments for the duration of their stay in foster care.

Annual Permanency Hearing

Section 475(5) of the Act states:

(C) with respect to each such child, procedural safeguards will be applied, among other things, to assure each child in foster care under the supervision of the State of a permanency hearing to be held, in a family or juvenile court or another court (including a tribal court) of competent jurisdiction, or by an administrative body appointed or approved by the court, no later than 12 months after the date the child is considered to have entered foster care (as determined under subparagraph (F)) (and not less frequently than every 12 months thereafter during the continuation of foster care),

The State agency claimed costs totaling \$5,021 for two claim-months that did not meet the requirements for a permanency hearing. Specifically, the county agency did not provide court documents or any additional evidence to indicate that permanency hearings were completed no later than 12 months from the date that child entered foster care. For one claim-month, the permanency hearing had not been completed, even though the child had been in custody for more than 2 years. For the other claim-month, the permanency hearing was held more than 3 years after the child was placed into foster care.

Income Requirements

Section 472(a)(4)(A) of the Act establishes the standard of need by defining a needy child, in part, as one who “would have received aid under the State plan approved under section 402 (as in effect on July 16, 1996) in or for the month in which . . . court proceedings leading to the removal of such child from the home were initiated” Similarly, 45 CFR 1356.71(d)(1) states, “The eligibility of the children on whose behalf the foster care maintenance payments are made . . . to include . . . eligibility for AFDC [Aid to Families and Dependent Children] under such State plan as it was in effect on July 16, 1996.”²

²The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 repealed AFDC and established in its place the Temporary Assistance for Needy Families (TANF) block grant. Title IV-E foster care requirements still look back to the 1996 AFDC criteria for eligibility.

Countable income considers earned wages and other household income, as well as, various expenses and payments. The Ohio Administrative Code § 5101:2-47-14(4)(E) states that the standard of need, as of July 16, 1996, was based on a maximum countable income ranging from \$566 per month for a family of one to \$3,204 per month for a family of 15, with an additional allowance of \$234 added for each family member above 15.

The State agency claimed costs totaling \$5,081 for two claim-months when the families' income exceeded the State plan's standard of need.³ For one claim-month, the county agency improperly computed the family's income. For the other claim-month, the county agency did not consider the parent's income with whom the child resided at the time of removal when computing the income for eligibility.

Age Requirements

Section 472(a) of the Act requires that children for whom the States claim Title IV-E funding must meet the eligibility requirements for AFDC as established in section 406(a) or 407 (as in effect on July 16, 1996). Section 406(a)(2), as in effect on July 16, 1996, states that the child must be:

(A) under the age of eighteen, or (B) at the option of the State, under the age of nineteen and a full-time student in a secondary school (or in the equivalent level of vocational or technical training), if, before he attains age nineteen, he may reasonably be expected to complete the program of such secondary school (or such training).

The State agency claimed costs totaling \$2,612 for one claim-month when a child who was at least 18 years of age and could not reasonably have been expected to complete a secondary education program (or equivalent vocational or technical training) before age 19. The county agency did not provide any evidence that the child attended secondary school or participated in an equivalent vocational or technical training during the claim-month. Although the age requirements were not met, the State agency continued to claim Title IV-E costs on his behalf for nearly the entire year the child was eighteen.

Deprivation of the Support of Parents in the Home

Section 472(a) of the Act states: "Each State with a plan approved under this part shall make foster care maintenance payments (as defined in section 475(4)) under this part with respect to a child who would have met the requirements of section 406(a) or of section 407 (as such sections were in effect on July 16, 1996)." Section 406(a) of the Act, as it existed in 1996, reads:

The term "dependent child" means a needy child (1) who has been deprived of parental support or care by reason of the death, continued absence from the home (other than

³One claim-month was questioned for two reasons (i.e., income eligibility and deprivation); however, the error was only questioned once when estimating the total amount of costs claimed that did not meet Federal requirements.

absence occasioned solely by reason of the performance of active duty in the uniformed services of the United States), or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, or niece, in a place of residence maintained by one or more of such relatives as his or their own home,

The State agency claimed costs totaling \$2,612 for one claim-month when the county agency did not document that either parent was incapacitated; however, the county agency provided documentation that indicated the child lived with both parents and the principle wage earner was employed with sufficient income to exceed the standard of need. Therefore, the child did not meet deprivation requirements.

Reasonable Efforts to Prevent Removal from the Home

Section 471(a)(15)(B) of the Act states: “except as provided in subparagraph (D), reasonable efforts shall be made to preserve and reunify families – (i) prior to the placement of a child in foster care, to prevent or eliminate the need for removing the child from the child’s home;” Pursuant to 45 CFR 1356.21, section (b) states:

Reasonable efforts. The State must make reasonable efforts to maintain the family unit and prevent the unnecessary removal of a child from his/her home, . . . In order to satisfy the “reasonable efforts” requirements of sections 471(a)(15) (as implemented through section 472(a)(1) of the Act), the State must meet the requirements of paragraphs (b) and (d) of this section.

Paragraph (b)(1)(i) reads:

When a child is removed from his/her home, the judicial determination as to whether reasonable efforts were made, or were not required to prevent the removal, in accordance with paragraph (b)(3) of this section, must be made no later than 60 days from the date the child is removed from the home

Paragraph (b)(1)(ii) further states: “If the determination concerning reasonable efforts to prevent the removal is not made as specified in paragraph (b)(1)(i) of this section, the child is not eligible under the title IV-E foster care maintenance payments program for the duration of that stay in foster care.”

The State agency claimed costs totaling \$2,469 for one claim-month when the county agency did not meet the reasonable efforts requirements. Specifically, the reasonable efforts determination occurred more than 6 months after the child was removed from the home.

Unallowable Administrative Costs

The State agency claimed \$1,623 in associated administrative costs for the 8 claim-months that included unallowable maintenance costs for ineligible youth. We projected the sample results

and estimated that at least \$43,599 of the \$2,001,536 claimed for administrative costs was unallowable for Federal reimbursement.

UNALLOWABLE MAINTENANCE COSTS

The State agency claimed unallowable Title IV-E maintenance costs. Of the 100 claim-months sampled, 6 claim-months included costs for unallowable services or that exceeded the costs claimed by the facility:

- 2 claim-months included costs for unallowable services; and
- 4 claim-months included costs that exceeded the costs claimed by the facility.

The State agency did not ensure that the county agency limited its claim to payments for allowable services and to costs claimed by the facility. Specifically, the unallowable maintenance costs were claimed because the State agency did not ensure that the daily maintenance rate claimed by the foster care facilities only included the costs of allowable services. Additionally, clerical errors allowed the payments for services to exceed the costs claimed by the facility.

Costs Claimed for Unallowable Services

Section 472(b)(2) limits maintenance payments to “only those items which are included in the term ‘foster care maintenance payments’ (as defined in section 475(4)).”

Section 475(4)(A) of the Act states:

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 the child's home for visitation. In the case of institutional care, such term shall include the reasonable costs of administration and operation of such institution as are necessarily required to provide the items described in the preceding sentence.

The State agency claimed costs totaling \$391 for two claim-months when the State agency included costs for services that did not meet the Federal requirement. Specifically, the State agency claimed costs for behavioral and case management services which were included in the foster care daily rate paid to the foster care facility.

Costs Claimed Exceeded Payment for Services

OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments,” establishes that an allowable cost (1) must be determined in accordance with generally accepted accounting principles, (2) must be adequately documented, and (3) is reasonable if “in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

The State agency claimed costs totaling \$273 for 4 claim-months when the payment exceeded the costs claimed by the facilities. Clerical errors allowed the payments for services to exceed the costs claimed by the facility.

SUMMARY OF UNALLOWABLE COSTS CLAIMED

Of the 100 claim-months sampled, 14 claim-months included costs for ineligible children or unallowable maintenance costs. We estimate that at least \$646,121 of the \$11,736,240 claimed for maintenance payments was unallowable for Federal reimbursement. For 8 claim-months with costs that were unallowable due to ineligible youth, we estimate that at least \$43,599 of the \$2,001,536 claimed for corresponding administrative costs was unallowable for Federal reimbursement.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government \$689,720 (Federal share) for unallowable costs, including \$646,121 in maintenance costs and \$43,599 in associated administrative costs;
- ensure county agencies make appropriate evaluations and maintain sufficient documentation to support the eligibility determinations;
- ensure that the daily maintenance rate claimed by foster care facilities includes only the costs of allowable services; and
- claim Title IV-E reimbursement only for eligible children and allowable maintenance and administrative costs.

STATE AGENCY COMMENTS

In its comments on the draft report, the State agency concurred with our findings and recommendations, except for refunding the estimate of unallowable maintenance and associated administrative costs. The State agency stated that “[w]ithout delineation by the OIG auditors of which children were deemed ineligible, or which foster care agency’s rate includes unallowable services, or which county made clerical errors that allowed payments to exceed costs, the assessment of \$670,845 is undocumented and should be removed from the report as a repayment.” The State agency’s comments are included in their entirety in Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that recommending the disallowance of foster care claims based on an estimate from a sample is a sound and reasonable approach. The Department of Health and Human Services (HHS) has accepted sampling as appropriate when records exist, but are too voluminous for every record to be examined individually. In 1991, the Pennsylvania Department of Public

Welfare challenged the ACF disallowance of Federal financial participation based on an extrapolation of the results of a random sample. The Departmental Appeals Board (DAB No. 1278, 1991) decision states: “The State’s argument that the disallowance was improperly based on an extrapolation from a sample has no merit.” The decision further states: “ACF was justified in basing the disallowance of foster care payments on extrapolation from a sample . . . The Board has upheld disallowances based on an extrapolation from a statistical sample in a variety of HHS programs.” We believe this decision supports our recommendation and refutes the State agency’s position against using extrapolation to estimate recommended recoveries, as well as the need to delineate each and every case to develop our recommended recovery. Our method of estimating recommended recoveries of maintenance and administrative costs is supported by the prior DAB decision as reasonable and appropriate.

APPENDIXES

SAMPLING METHODOLOGY

AUDIT OBJECTIVE

The audit objective was to determine whether the State agency claimed Title IV-E maintenance and associated administrative costs for delinquent children in accordance with Federal requirements.

POPULATION

From all monthly payments for a foster care child who was claimed on the quarterly claim submissions for Title IV-E Foster Care maintenance payments during the period October 1, 2004, through September 30, 2006, we extracted all records for delinquent youth and combined the payments for a youth during a month (claim-month). The audit population consisted of 9,039 claim-months with maintenance payments totaling \$11,736,240 (Federal share) for the audit period.

SAMPLING FRAME

The sampling frame is the same as the population.

SAMPLE UNIT

The sampling unit was a claim-month of payments for the services provided to a delinquent foster care child.

SAMPLE DESIGN

We used an unrestricted random sample of claim-months.

SAMPLE SIZE

We selected a sample size of 100 claim-months.

SOURCE OF THE RANDOM NUMBERS

The source of the random numbers was the Office of Inspector General, Office of Audit Service's statistical sampling software. We used the random number generator for our simple random sample.

METHOD FOR SELECTING SAMPLE ITEMS

The Title IV-E claim-months were sequentially numbered. A list of 100 random numbers between 1 and 9,039 was generated. The random number was matched to the corresponding line in the Title IV-E claim-month listing.

ESTIMATION METHODOLOGY

We used an unrestricted variable appraisal program to project the dollar amount of sample errors to the audit population of claim-months.

SAMPLE RESULTS AND ESTIMATES

SAMPLE RESULTS

The results of our review of 100 claim-months were as follows:

Cost Category	Number of Claim-Months in Population	Total Costs Claimed in the Population (Federal Share)	Total Costs Claimed in Sampled Claim-months (Federal Share)	Number of Claim-Months with Unallowable Costs Claimed	Value of Unallowable Costs Claimed (Federal Share)
Maintenance	9,039	\$11,736,240	\$132,791	14	\$17,252
Administrative	9,039	2,001,536	23,027	8	1,623

ESTIMATES OF THE FEDERAL SHARE OF UNALLOWABLE COSTS CLAIMED

Using statistically valid sampling techniques, we estimated:

SAMPLE ESTIMATE AT THE 90-PERCENT CONFIDENCE LEVEL		
	Federal Share of Maintenance Payments	Federal Share of Administrative Costs
Lower Limit	\$ 646,121	\$ 43,599
Point Estimate	1,559,412	146,660
Precision Amount	913,291	103,060

Ted Strickland
Governor



Helen E. Jones-Kelley
Director

30 East Broad Street Columbus, Ohio 43215-3414
jfs.ohio.gov

July 14, 2008

Marc Gustafson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

RE: Report Number A-05-07-00062

Dear Inspector General Gustafson:

We are in receipt of the draft report issued by your office for the audit entitled "Title IV-E Foster Care Costs Claimed for the Placement of Delinquent Youth in Ohio from October 1, 2004, Through September 30, 2006." We appreciate your office's thorough review of our foster care claims and are committed to implementing the recommendations as expediently as possible so as to maintain the integrity of our state's foster care claiming. To that end, we have already taken steps to communicate the findings to our county agencies and have provided technical assistance as appropriate. The auditors' recommendations and our state's responses are detailed below.

OIG Recommendation:

The first recommendation is for Ohio to refund to the Federal Government \$689,720 (Federal share) for unallowable costs, including \$646,121 in maintenance costs and \$43,599 in associated administrative costs.

ODJFS Response:

We concur with the fourteen case errors identified in the report and the associated maintenance overpayment in the amount of \$17,252. We further concur with the eight errors identified and the associated administrative overpayment in the amount of \$1,623. Our Department will take the following steps to correct the errors as identified in the report and mitigate the areas of non-compliance found during the review.

A review of the case findings and amounts identified per case will be conducted at our Department's next Executive Audit Committee meeting. The Executive Audit Committee will determine appropriate resolution for the counties where case errors occurred. The Department will make an adjustment on the Title IV-E1 federal report in the amount of \$18,875 subsequent to the final report being released by the OIG.

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As identified above, our Department agrees to refund the total error case disallowance amount of \$18,875.

The balance left in the estimated finding is \$670,845 (\$628,869 maintenance and \$41,976 administration). Without delineation by the OIG auditors of which children were deemed ineligible, or which foster care agency's rate includes unallowable services, or which county made clerical errors that allowed payments to exceed costs the assessment of \$670,845 is undocumented and should be removed from the report as a repayment.

As the auditors found during the review, each case must be reviewed for all the details to determine if a claim has been made that meets the federal IV-E regulations, without such detail OIG has not proven that an unallowable claim has been made.

OIG Recommendation:

The second recommendation is to ensure county agencies make appropriate evaluations and maintain sufficient documentation to support the eligibility determinations.

ODJFS Response:

We will continue with our Quality Assurance review process whereby all county agency FCM eligibility determinations are subject to a review that encompasses all of the elements included in the federal IV-E eligibility review. This process is currently conducted for abused, neglected and dependent youth cases. We will ensure claims for delinquent and unruly youth are incorporated into this process. The review process includes an approximate sample of 700-800 total cases statewide and is conducted on an annual basis. When errors are detected in the course of these reviews, county agencies are required to submit and implement corrective measures which may include the repayment of any identified Federal overpayment.

OIG Recommendation:

The third recommendation is to ensure that the daily maintenance rate claimed by foster care facilities includes only the costs of allowable services. The fourth recommendation is to claim Title IV-E reimbursement only for eligible children and allowable maintenance and administrative costs.

ODJFS Response:

Our state is currently in the process of converting all foster care cases to a new statewide automated computer system. The Statewide Automated Child Welfare Information System (SACWIS) has been specifically designed to prevent claiming for unallowable costs or services as well as costs for ineligible or non-reimbursable children in placement. The automated functionality has been designed to capture all IV-E FCM

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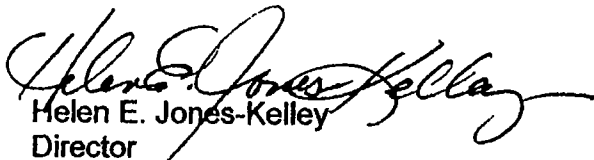
eligibility and reimbursability components and will not permit reimbursements to be paid for any non-reimbursable or ineligible child.

The system also includes claiming safeguards for reimbursable cases. The system automation includes a contracting component designed to help manage and maintain provider contracts. A payment will not be issued to a provider without a valid contract. The system includes a service authorization and maintenance component whereby all services must be pre-approved and payment will not be issued nor reimbursed for any unapproved service. In addition, a cost tracking and claiming mechanism has been automated to capture all costs incurred for a particular child in care. The costs are tracked based on a delineated service type (e.g., maintenance, ancillary, administration, clothing, graduation expenses, child personal incidental expenses, difficulty of care, etc...) as well as whether those service types are reimbursable. The system has claiming functionality that prohibits reimbursement for non-reimbursable service types. All cases statewide should be converted to the new system by the end of October 2008.

In summary, we are confident the new automated system will provide the additional assurances sought in the draft report and will help in our State's efforts to fully comply with all federal Title IV-E rules and regulations. We will continue with our Quality Assurance review process whereby all county agency FCM eligibility determinations are subject to a review that encompasses all of the elements included in the federal IV-E eligibility review. We agree to repay the case error amount of \$18,875. However, we do not agree to repay the estimation in the amount of \$670,845.

Please direct any additional follow-up comments or questions to Dan Shook, Chief, Office for Children and Families, Bureau of Administration and Fiscal Accountability, at (614) 752-0619, or via e-mail at Dan.Shook@ifs.ohio.gov.

Sincerely,


Helen E. Jones-Kelley
Director

Attachment

CC: Sandra Holt, Deputy Director, ODJFS, Office for Children and Families (OCF)
Dan Shook, Administration & Fiscal Accountability, OCF
Robert Ferguson, Deputy Director, Office of the Chief Inspector (OCI)