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# Highlights

Highlights of [GAO-06-649](#), a report to the Honorable Wally Herger, Chairman Subcommittee on Human Resources, Ways and Means Committee, House of Representatives

## Why GAO Did This Study

Policymakers have expressed concern over how costs to administer the Foster Care and Adoption Assistance programs are contributing to overall increased federal expenditures for these programs, estimated by the Congressional Budget Office to rise from about \$6 billion in fiscal year 2003 to \$8 billion in fiscal year 2008. The purpose of these programs is to provide financial support for the proper care of children who need placement outside their homes and find adoptive homes for children with special needs. They are authorized under Title IV-E of the Social Security Act and administered by the Department of Health and Human Services' Administration for Children and Families (ACF). GAO was asked to address (1) how the amounts and types of administrative costs changed from FY 2000 to FY 2004; (2) the reasons for differences in and among states in administrative spending and how these differences affect program services; and (3) whether HHS's oversight of administrative costs provides adequate controls over program spending.

## What GAO Recommends

GAO recommends a number of actions for HHS to better safeguard federal resources and ensure consistent federal support for state administration of foster care and adoption assistance. HHS did not explicitly agree or disagree with the recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-649](http://www.gao.gov/cgi-bin/getrpt?GAO-06-649).

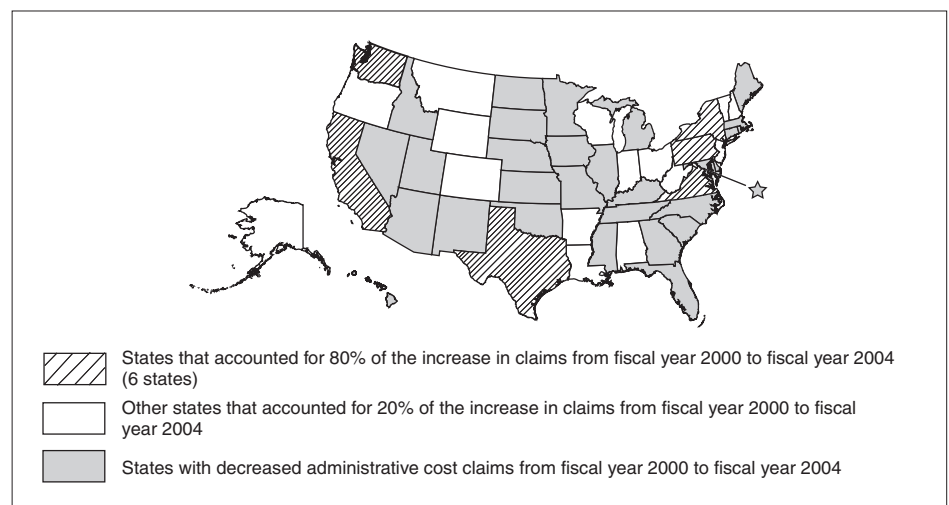
To view the full product, including the scope and methodology, click on the link above. For more information, contact Cornelia M. Ashby at (202)-512-7215 or [ashbyc@gao.gov](mailto:ashbyc@gao.gov).

# FOSTER CARE AND ADOPTION ASSISTANCE

## Federal Oversight Needed To Safeguard Funds And Ensure Consistent Support For States' Administrative Costs

### What GAO Found

Total federal expenditures to help states pay for the costs of administering their Foster Care and Adoption Assistance programs increased 7 percent between fiscal years 2000 and 2004 from approximately \$2.5 to \$2.6 billion, when adjusted for inflation. Over a third of states received increased federal assistance, but over 80 percent of the increase was limited to six states, as shown in the figure below. Nearly all of the federal expenditures—89 percent in fiscal year 2004—were for costs related to child placement services. However, inconsistencies in how states tracked and reported data precluded analysis of the types of cost incurred within this category.



Source: GAO analysis of HHS data.

Our review of spending in 11 states between fiscal years 2000 and 2004 showed that the methods states used to identify eligible children and related staff costs for serving them were two primary reasons for differences in IV-E spending within and among states. One state changed how it identified eligible children and calculated the proportion of eligible children, resulting in higher IV-E costs. Other states varied in their practice of claiming costs for serving children not yet removed from their homes or living in places ineligible for foster care payments. Because states use other funding sources to supplement or supplant IV-E, the effect of IV-E spending on program services is unclear.

HHS has not implemented a strategic approach in its monitoring efforts to ensure adequate control over program spending. Oversight staff located in the regional offices are not correlated with the risk of states claiming inappropriate costs. Oversight is also hindered by inadequate guidance, including lack of a current financial review manual. While HHS clarified policies concerning whether certain expenditures are allowable in critical areas, policies were not uniformly applied across regions.