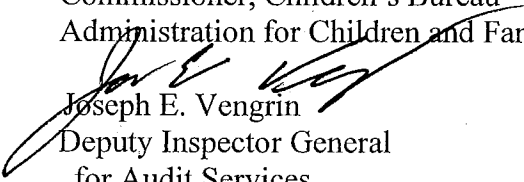




JUL 28 2006

TO: Joan Ohl
Commissioner, Children's Bureau
Administration for Children and Families

FROM: 
Joseph E. Vengrin
Deputy Inspector General
for Audit Services

SUBJECT: Review of Training Costs for Title IV-E Foster Care and Adoption Assistance Programs in Connecticut for State Fiscal Years 2002 Through 2004 (A-01-05-02502)

Attached is an advance copy of our final report on Title IV-E training costs in Connecticut for State fiscal years 2002 through 2004. We will issue this report to the Connecticut Department of Children and Families (the State agency) within 5 business days.

Our objective was to determine whether the State agency properly claimed Federal reimbursement at the enhanced rate for Title IV-E training costs during our audit period of July 1, 2001, through June 30, 2004.

The State agency properly claimed training costs totaling approximately \$10.4 million (\$7.8 million Federal share) for Federal reimbursement at the enhanced 75-percent rate under Title IV-E. This amount included claims for 141 training courses. However, the State agency improperly claimed:

- 26 training courses totaling approximately \$1.5 million (\$1.1 million Federal share) that should not have been charged to the Title IV-E program,
- 59 administrative courses totaling approximately \$3.0 million (\$2.3 million Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate, and
- central office administration costs totaling approximately \$2 million (\$1.5 million Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$2.4 million. The State agency did not have established procedures to ensure that only allowable and qualified training expenses were claimed at the enhanced rate.

We recommend that the State agency:

- make a financial adjustment of \$2.4 million on its next quarterly Report of Expenditures,
- establish procedures to ensure that only qualified training expenses are claimed at the enhanced rate, and
- review training costs claimed for Federal reimbursement after the audit period to ensure compliance with Federal requirements.

In its comments on the draft report, the State agency agreed with our recommendations and said that it was taking appropriate corrective action. According to the State agency, the corrective action will result in an additional reduction in revenue of \$2.4 million over the next 3 years.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joe Green, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1175 or through e-mail at Joe.Green@oig.hhs.gov. Please refer to report number A-01-05-02502 in all correspondence.

Attachment



JUL 31 2006

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

Report Number: A-01-05-02502

Ms. Darlene Dunbar
Department of Health & Human Services
Commissioner, Department of Children and Families
505 Hudson Street, 10th Floor
Hartford, Connecticut 06106

Dear Ms. Dunbar:

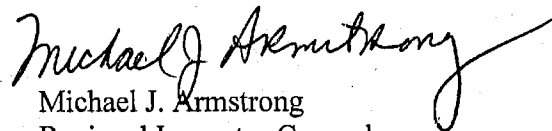
Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Training Costs for Title IV-E Foster Care and Adoption Assistance Programs in Connecticut for State Fiscal Years 2002 Through 2004." A copy of this report will be forwarded to the HHS action official noted below 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.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-01-05-02502 in all correspondence.

Sincerely yours,


Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Mr. Hugh Galligan
Regional Administrator
Administration for Children and Families
U.S. Department of Health and Human Services
John F. Kennedy Federal Building, Room 2000
Boston, Massachusetts 02203-0003

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF TRAINING COSTS FOR
TITLE IV-E FOSTER CARE AND
ADOPTION ASSISTANCE
PROGRAMS IN CONNECTICUT
FOR STATE FISCAL YEARS
2002 THROUGH 2004**



Daniel R. Levinson
Inspector General

July 2006
A-01-05-02502

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

OAS FINDINGS AND OPINIONS

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



EXECUTIVE SUMMARY

BACKGROUND

The U.S. Department of Health and Human Services, Administration for Children and Families funds foster care and adoption assistance programs under Title IV-E of the Social Security Act. The Federal Government and States share in the costs of administering and providing staff training for these programs.

In general, the Federal Government reimburses State administrative costs at a rate of 50 percent. Federal regulations also provide an enhanced reimbursement rate of 75 percent for foster care and adoption assistance training costs to cover the expenses of training new State caseworkers, reinforcing or developing skills for seasoned caseworkers, and providing short-term courses for foster and adoptive parents of children receiving Title IV-E assistance.

In Connecticut, the Department of Children and Families (the State agency) is the agency responsible for the State and Federal foster care and adoption assistance program. Within the State agency, the Training Academy provides Title IV-E training. As of June 30, 2004, the Training Academy consisted of 17 staff members who provided training for all State agency staff.

OBJECTIVE

Our objective was to determine whether the State agency properly claimed Federal reimbursement at the enhanced rate for Title IV-E training costs during our audit period of July 1, 2001, through June 30, 2004.

SUMMARY OF FINDINGS

The State agency properly claimed training costs totaling approximately \$10.4 million (\$7.8 million Federal share) for Federal reimbursement at the enhanced 75-percent rate under Title IV-E. This amount included claims for 141 training courses. However, the State agency improperly claimed:

- 26 training courses totaling approximately \$1.5 million (\$1.1 million Federal share) that should not have been charged to the Title IV-E program,
- 59 administrative courses totaling approximately \$3.0 million (\$2.3 million Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate, and
- central office administration costs totaling approximately \$2 million (\$1.5 million Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$2.4 million. The State agency did not have established procedures to ensure that only allowable and qualified training expenses were claimed at the enhanced rate.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$2.4 million on its next quarterly Report of Expenditures,
- establish procedures to ensure that only qualified training expenses are claimed at the enhanced rate, and
- review training costs claimed for Federal reimbursement after the audit period to ensure compliance with Federal requirements.

STATE AGENCY'S COMMENTS

In its June 27, 2006, comments on our draft report, the State agency agreed with our recommendations and said that it was taking appropriate corrective action. According to the State agency, the corrective action will result in an additional reduction in revenue of \$2.4 million over the next 3 years. The State agency's comments are included in their entirety as the appendix.

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STATE AGENCY’S COMMENTS

INTRODUCTION

BACKGROUND

Federal Support for Foster Care and Adoption Assistance Programs

The U.S. Department of Health and Human Services, Administration for Children and Families (ACF) funds foster care and adoption assistance programs under Title IV-E of the Social Security Act (the Act). The foster care program finds and supports temporary placements for children who cannot remain safely at home. The adoption assistance program finds and supports permanent placements for children who cannot return safely to their homes. The Federal Government and States share in the costs of administering and providing staff training for these programs.

Federal Reimbursement Requirements

The Act and Federal regulations provide for Federal reimbursement to States for administrative costs necessary for the proper and efficient administration of the Title IV-E State plan. In general, the Federal Government reimburses State administrative costs at a rate of 50 percent.

The Act and Federal regulations also provide an enhanced reimbursement rate of 75 percent for foster care and adoption assistance training costs to cover the expenses of training new State caseworkers, reinforcing or developing skills for seasoned caseworkers, and providing short-term courses for foster and adoptive parents of children receiving Title IV-E assistance.

Connecticut Training Program

In Connecticut, the Department of Children and Families (the State agency) is the agency responsible for the State and Federal foster care and adoption assistance program. Within the State agency, the Training Academy provides Title IV-E training. As of June 30, 2004, the Training Academy consisted of 17 staff members who provided training for all State agency staff.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency properly claimed Federal reimbursement at the enhanced rate for Title IV-E training costs during our audit period of July 1, 2001, through June 30, 2004.

Scope

We reviewed the State agency's claim for Federal reimbursement under Title IV-E for foster care and adoption assistance training costs (including central office administration) totaling \$16.9 million (\$12.7 million Federal share). These costs covered 226 training courses held in State fiscal years 2002 through 2004 (July 1, 2001, through June 30, 2004). We limited our review of internal controls to obtaining an understanding of the State agency's policies and procedures for claiming foster care and adoption assistance training costs for reimbursement under Title IV-E. We relied upon the State agency's random moment timestudy for determining the allowability of training and administrative costs.

We performed our fieldwork at the State agency's offices in Hartford and Meriden, Connecticut, and at the ACF Regional Office in Boston, Massachusetts, from June 2005 through February 2006.

Methodology

To determine whether the State agency properly claimed Federal reimbursement at the enhanced rate for Title IV-E training costs, we:

- reviewed applicable Federal laws and regulations and ACF policy,
- reviewed the State agency's policies and procedures for recording and allocating training costs,
- reviewed descriptions and syllabi for training courses claimed for enhanced reimbursement,
- reconciled total foster care and adoption assistance training costs claimed on the quarterly Federal Title IV-E financial reports to supporting documentation,
- reviewed supporting documentation to determine whether training costs claimed under Title IV-E were allocated among Federal and State programs,
- developed methods for separating the costs of training eligible for enhanced reimbursement from unallowable training costs and from administrative costs, and
- discussed our findings with regional ACF officials.

We conducted our audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency properly claimed training costs totaling approximately \$10.4 million (\$7.8 million Federal share) for Federal reimbursement at the enhanced 75-percent rate under Title IV-E. This amount included claims for 141 training courses. However, the State agency improperly claimed:

- 26 training courses totaling approximately \$1.5 million (\$1.1 million Federal share) that should not have been charged to the Title IV-E program,
- 59 administrative courses totaling approximately \$3.0 million (\$2.3 million Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate, and
- central office administration costs totaling approximately \$2 million (\$1.5 million Federal share) that did not meet the requirements for enhanced reimbursement but were eligible for reimbursement at the 50-percent rate.

As a result, the State agency overstated the Federal share of foster care and adoption assistance training costs by \$2.4 million. The State agency did not have established procedures to ensure that only allowable and qualified training expenses were claimed at the enhanced rate.

FEDERAL REQUIREMENTS

Federal regulations (45 CFR § 1356.60) identify the training and administrative costs that the Title IV-E program may reimburse and the rates at which the Federal Government reimburses these costs.

Costs Reimbursed at Enhanced 75-Percent Rate

Section 474(a)(3) of the Act provides for a 75-percent Federal reimbursement rate for the cost of training employees and potential employees and for the short-term training of foster parents, adoptive parents, and other potential caregivers. Federal regulations (45 CFR § 1356.60(c)(2)) list examples of allowable administrative activities, including:

- referral to services,
- preparation for and participation in judicial determinations,
- placement of the child,
- development of the case plan,
- case reviews,
- case management and supervision,
- recruitment and licensing of foster homes and institutions,
- rate setting,
- costs related to data collection and reporting, and
- agency overhead (a proportionate share).

The Departmental Appeals Board (DAB) has held that the cost of training that is outside the scope of these permissible administrative activities is not allowable for enhanced reimbursement under Title IV-E (Illinois Department of Children and Family Services, DAB No. 1530 (1995)).

DAB No. 1530 also held that indirect training costs developed from a cost pool that includes only allowable training costs may also be claimed at the enhanced rate of 75 percent.

Costs Reimbursed at 50-Percent Rate

Section 474(a)(3)(E) of the Act and 45 CFR § 1356.60(c) provide for reimbursement at a 50-percent rate for administrative expenditures necessary for the proper and efficient administration of the Title IV-E State plan. Thus, although a training course may not be eligible for the 75-percent matching rate because it does not relate to the allowable Title IV-E topics listed in 45 CFR § 1356.60(c)(2), the cost of the course may still be eligible for the 50-percent rate if it is “necessary for the proper administration of the Title IV-E plan.”

Section 1356.60(c) also limits the Federal share for all administrative expenses, including indirect costs, to 50 percent. Under DAB No. 1530, indirect training costs developed from a cost pool that also contains Title IV-E costs that are not allowable as training costs may be claimed only at the 50-percent reimbursement rate for administrative expenditures.

Costs Not Reimbursed

Federal regulations (45 CFR § 1356.60(c)(3)) state that allowable administrative costs do not include the costs of social services provided to the child or to the child’s family or foster family to address personal problems or home conditions. DAB No. 1530 held that training topics related to the provision of social services are not eligible for Title IV-E funding because they do not advance the limited goals of the Title IV-E program.

TRAINING COURSES NOT ELIGIBLE FOR FEDERAL REIMBURSEMENT UNDER TITLE IV-E

The State agency claimed enhanced reimbursement for 26 training courses totaling approximately \$1.5 million (\$1.1 million Federal share) that were unallowable for Federal reimbursement. These courses were unallowable either as enhanced training or as administrative activities under Title IV-E because they related to providing social services rather than to placing a child in foster care. For example, several of these courses focused on conducting investigations to assess the child’s home environment.

The State agency did not have established procedures to ensure that only allowable training expenses were claimed at the enhanced rate because it believed that all costs related to training were reimbursable at the 75-percent rate under Title IV-E.

Accordingly, we developed a method for separating the cost of training eligible for enhanced reimbursement from unallowable training costs.

To determine the share of training costs that were unallowable, we calculated a percentage of the actual hours of unallowable courses relative to the total hours of courses for each quarter. We then applied these percentages to the total training costs claimed by the State agency for each quarter to determine the Federal share of unallowable training costs.

Using this method, we calculated that the State agency overclaimed approximately \$1.1 million (Federal share) for training courses that should not have been charged to the Title IV-E program.

ADMINISTRATIVE COURSES NOT ELIGIBLE FOR ENHANCED FEDERAL REIMBURSEMENT

The State agency claimed enhanced Federal reimbursement for 59 administrative courses totaling approximately \$3.0 million (\$2.3 million Federal share) that were unallowable at the 75-percent rate. The cost of the courses was unallowable at the enhanced rate because the courses' topics were outside the scope of the allowable administrative activities in 42 CFR § 1356.60(c)(2). However, they were allowable at the 50-percent administrative rate because our review of course descriptions indicated that these courses were related to administrative functions that were necessary for the proper and efficient administration of the Title IV-E State plan. For example, several of these courses addressed general computer skills such as Microsoft Word.

The State agency did not have established procedures to ensure that only qualified training expenses were claimed at the enhanced rate because it believed that all costs related to training, including administrative costs, were covered at the 75-percent enhanced rate under Title IV-E. Accordingly, we developed a method for separating the cost of training eligible for enhanced reimbursement from administrative costs.

To determine the Federal share of costs for courses that should have been claimed as administrative costs at the 50-percent rate, we calculated a percentage of the actual hours of administrative courses relative to the total hours of courses for each quarter. We then applied these percentages to the total training costs claimed by the State agency for each quarter to determine the Federal share of allowable administrative costs.

Using this method, we determined that the Federal share of these costs calculated at the 50-percent rate was approximately \$1.5 million. However, the State agency claimed approximately \$2.3 million (Federal share) for these administrative courses at the 75-percent rate. As a result, the State agency overclaimed approximately \$800,000 (\$2.3 million – \$1.5 million) for administrative costs.

CENTRAL OFFICE ADMINISTRATION COSTS NOT ELIGIBLE FOR ENHANCED FEDERAL REIMBURSEMENT

The State agency incorrectly calculated the Federal share of central office administration costs (indirect costs) totaling approximately \$2 million (\$1.5 million Federal share) by using a rate of 75 percent instead of 50 percent. These indirect costs apply to the general operation of the training facility. Because the State agency did not distinguish indirect training costs from other indirect costs and included both in the cost pool from which the indirect training costs were developed, it did not meet the requirement for the enhanced Federal funding rate of 75 percent.

The State agency did not have established procedures to ensure that only qualified training expenses were claimed at the enhanced rate because it believed that all costs related to training were reimbursable at the 75-percent rate under Title IV-E.

The Federal share of these costs calculated at the 50-percent rate is approximately \$1 million. However, the State agency claimed approximately \$1.5 million because it calculated these costs at the 75-percent rate. As a result, the State agency overclaimed approximately \$500,000 (\$1.5 million – \$1 million) for central office administration costs.

TOTAL OVERSTATED CLAIMS

The State agency overclaimed Federal reimbursement at the enhanced rate for Title IV-E-related administration and training costs by a total of \$2.4 million (\$1.1 million in unallowable training costs, \$800,000 for administrative activities, and \$500,000 for central office administration costs) because the State agency believed that all costs related to training were reimbursable at the 75-percent rate under Title IV-E. (See the table.)

Training Costs Claimed at Enhanced 75-Percent Rate¹

Description	Amount Claimed	Federal Share	Amount Accepted (Federal Share)	Amount Questioned
Training allowable at 75%	\$10,400,000	\$7,800,000	\$7,800,000	\$0
Training unallowable to Title IV-E	1,500,000	1,100,000	0	1,100,000
Training allowable at 50%	3,000,000	2,300,000	1,500,000	800,000
Central office administration	2,000,000	1,500,000	1,000,000	500,000
Total	\$16,900,000	\$12,700,000	\$10,300,000	\$2,400,000

¹All dollar amounts in the table are rounded.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$2.4 million on its next quarterly Report of Expenditures,
- establish procedures to ensure that only qualified training expenses are claimed at the enhanced rate, and
- review training costs claimed for Federal reimbursement after the audit period to ensure compliance with Federal requirements.

STATE AGENCY'S COMMENTS

In its June 27, 2006, comments on our draft report, the State agency agreed with our recommendations and said that it was taking appropriate corrective action. According to the State agency, the corrective action will result in an additional reduction in revenue of \$2.4 million over the next 3 years. The State agency's comments are included in their entirety as the appendix.

APPENDIX



Darlene Dunbar, MSW
Commissioner

DEPARTMENT of CHILDREN and FAMILIES
Making a Difference for Children, Families and Communities



M. Jodi Rell
Governor

June 27, 2006

Mr. Michael J. Armstrong
Regional Inspector General for Audit Services
Office of the Inspector General
Department of Health and Human Services
John F. Kennedy Federal Building
Boston, MA 02203

Dear Mr. Armstrong:

I am writing to you in response to your June 5, 2006 draft report entitled "Review of Title IV-E Training and Adoption Costs in Connecticut for the Period July 1, 2001, Through June 30, 2004." We reviewed the draft report and offer the following information related to the recommendations contained on page 7.

Recommendation: Make a financial adjustment of \$2.4 million on the next quarterly Report of Expenditures.

Response: We concur with the recommendation and will make the adjustment in the QE June 30, 2006 IV-E 1.

Recommendation: Establish procedures to ensure that only qualified training expenses are claimed at the enhanced rate.

Response: We concur with the recommendation and will modify the Cost Allocation Plan effective July 1, 2006.

Recommendation: Review training costs claimed for Federal reimbursement after the audit period to ensure compliance with Federal requirements.

Response: We concur with the recommendation and anticipate a reduction in revenue of an additional \$2.4 million over the next three year period.

If you need additional information, please contact Kathy Bannon of my staff at (203) 427-2854.

Sincerely,

Darlene Dunbar, MSW
Commissioner