

**Memorandum**

Date MAR 4 1994

From June Gibbs Brown
Inspector General *June G Brown*

Subject Review of Retroactive Foster Care Title IV-E Claims
Submitted by the Missouri Department of Social Services
(A-07-92-00601)

To Mary Jo Bane
Assistant Secretary for
Children and Families

This is to alert you to the issuance on March 8, 1994, of our final report. A copy is attached. The audit was of retroactive title IV-E foster care claims reimbursed to the Missouri Department of Social Services (DSS). The allowability of the costs for the claims is governed by Office of Management and Budget Circular A-87 which requires all costs to be supported by formal accounting records. In addition, the Code of Federal Regulations (45 CFR 95.7) requires a claim to be filed within 2 years of the quarter when services were provided.

The DSS filed five revised claims with the Administration for Children and Families (ACF) for costs of the title IV-E Foster Care program. The claims for Federal reimbursements totaled \$17,861,646 and covered the period January 1, 1989 through December 31, 1991. The revised claims represented administrative and maintenance costs for children who were originally identified as State-only eligible and later determined to be eligible for title IV-E foster care.

We determined that DSS's records did not support their revised claims for Federal reimbursement of \$17,861,646. Notwithstanding the support issue, we determined that \$5,693,408 may be unallowable because the claims were filed after the regulatory deadline. We determined that another \$4,362,197 was unallowable because the revised claims were not based on the approved cost allocation plan. Internal controls at DSS were inadequate to ensure that the claims were properly documented and eligible for title IV-E reimbursement. Also, we were concerned about DSS's use of estimated amounts for purposes of Federal regulations that require claims be filed in a timely manner.

Page 2 - Mary Jo Bane

We are recommending that DSS withdraw unsupported claims of \$17,861,646. We are also making certain procedural recommendations.

The DSS agreed their claims included significant errors. Those errors changed the amount of the claims. The DSS has now requested us to review the new documentation and claim amount they developed subsequent to performing our audit. We advised the DSS that this claim amount supported by the new documentation should be submitted to ACF. The ACF Regional Administrator, Region VII, agreed with our findings.

If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF RETROACTIVE FOSTER
CARE TITLE IV-E CLAIMS SUBMITTED
BY THE MISSOURI DEPARTMENT OF
SOCIAL SERVICES**



A-07-92-00601



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

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

CIN: A-07-92-00601

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

Dear Mr. Stangler:

Enclosed for your information and use are two copies of an Office of Inspector General (OIG), Office of Audit Services (OAS) report titled "REVIEW OF RETROACTIVE FOSTER CARE TITLE IV-E CLAIMS" submitted by the Missouri Department of Social Services, Jefferson City, Missouri. Your attention is directed to the audit findings and recommendations contained in the report.

Final determinations on all matters reported will be made by the HHS action official named below. We request that you respond to her within 30 days from the date of this report. You should present comments or additional information that you believe could affect 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 the exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

Thank you for the courtesy extended to our auditors during the review. Please refer to the above Common Identification Number (CIN) in all correspondence relating to this report.

Sincerely,

Vincent R. Imbriani
Regional Inspector General
for Audit Services, Region VII

Enclosure

Direct Reply to HHS Action Official:

Ms. Linda Carson, Regional Administrator
Administration for Children and Families
601 E. 12th Street
Kansas City, Missouri 64106

SUMMARY

The Missouri Department of Social Services (DSS) filed five revised claims with the Administration for Children and Families (ACF) for costs of the title IV-E Foster Care program. The claims totaled \$17,861,646 in Federal financial participation (FFP) and covered the period January 1, 1989 through December 31, 1991. The revised claims represented administrative and maintenance costs for children who were originally identified as State-only eligible and later determined to be eligible for title IV-E foster care.

We determined that DSS's records did not support their revised claims for Federal reimbursement of \$17,861,646. Notwithstanding the support issue, we determined that \$5,693,408 may be unallowable because the claims were filed after the regulatory deadline. We determined that another \$4,362,197 was unallowable because the revised claims were not based on the approved cost allocation plan (CAP). Internal controls at DSS were inadequate to ensure that the claims were properly documented for title IV-E reimbursement. Also, DSS's use of estimated amounts in the revised claims was contrary to Federal regulations.

In addition to DSS's records not supporting the revised claims, we found:

- o Claims totaling \$5,693,408 may not meet the timeliness filing requirement, since Federal regulations require a claim to be filed within 2 years after the quarter when services were provided. The DSS originally estimated an amount due but did not identify actual clients served until after the 2-year filing period was over.
- o The DSS records did not adequately support the data used in the CAP to charge costs to the Federal Government. Records used to support the case count in the CAP did not agree with the claimed numbers in any of the 36 months of the revised claims.
- o The total case count which included title IV-E and non-title IV-E cases on the revised claims did not agree with the original case count in any of the 36 months of the claims. The shifting of State-only clients to title IV-E should not affect the total case count. The DSS officials could not account for or explain the discrepancy.
- o Administrative costs for the period January 1, 1989 through June 30, 1991 were not allocated in accordance with the approved CAP. In this CAP, foster care and

adoption assistance cases were to be combined to determine the overall title IV-E percentages. However, in the revised title IV-E claims, the title IV-E percentages were computed using only foster care cases. The net effect was the title IV-E percentages were overstated and an overclaim of \$4,362,197 resulted.

- o For the quarters ended September 1991 and December 1991, DSS again incorrectly computed the title IV-E percentages used in their revised claims. The CAP required only foster care cases be used during the period to compute the title IV-E percentages. The DSS, however, included adoption assistance cases in their computation. The net effect was the title IV-E percentages were overstated and an undetermined overclaim resulted.

Subsequent to our field work, DSS created a task force to assemble documentation supporting their claims and determined the claims were less than their initial revised claims. The DSS has now requested that we review the new documentation and the new claim amount. Because we believe this constitutes a new claim and should be submitted to ACF for their consideration, we are recommending that DSS withdraw the revised claims totaling \$17,861,646. We are also making certain procedural recommendations.

The DSS officials agreed, in part, with the findings regarding the case counts and the incorrect calculations of the title IV-E percentages. They determined that two significant errors were made on the claims. By determining a new base population of children in paid foster care and a new total of eligible title IV-E children, they have recomputed the title IV-E percentages. The officials disagreed with our finding that the 2-year filing requirement was not met. The officials believe that an estimate was not used to compute the claim. A copy of DSS's comments appears in its entirety as Appendix E.

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	i
INTRODUCTION	1
BACKGROUND	1
SCOPE OF REVIEW	2
FINDINGS AND RECOMMENDATIONS	3
DOCUMENTATION OF TITLE IV-E CASES	3
Recommendations	4
Auditee Comments	4
OIG Response	5
CLAIMS EXCEEDING 2-YEAR FILING PERIOD	5
Recommendation	6
Auditee Comments	6
OIG Response	7
COST ALLOCATION PROCEDURES	7
Reconciliation of Total Cases Claimed	8
Computation of Title IV-E Percentages	8
Recommendation	9
Auditee Comments	9
OIG Response	9
APPENDIXES	
A - Summary Schedule of Revised Title IV-E Claims	
B - Schedule of Revised Claims Title IV-E Case Counts Presented and Claimed	
C - Comparative Schedule of Title IV-E Cases Revised Claims and Original Claims Case Counts	
D - Schedule of Audit Adjustments to Revised Claims Due to Use of Incorrect Title IV-E Percentages	
E - Auditee Comments	

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 (AFDC). In 1980, the Adoption Assistance and Child Welfare Act, Public Law 96-272, established the title IV-E program, Federal payments for foster care and adoption assistance. Title IV-E authorized Federal funds to States to enable them to provide foster care and adoption assistance for children under an approved State plan.

Title IV-E offers foster care as an alternative when a child is removed from the home as a result of a voluntary placement agreement or a judicial determination. A judicial determination is a court order which contains a statement that continued residence in the home would be contrary to the welfare of the child. After October 1, 1983, the court order must also indicate that reasonable efforts were made to prevent the child's removal and to make it possible for the child to return home. Also, FFP is available to States for payments made to licensed or approved foster family homes and nonprofit child care institutions.

Title IV-E is administered at the Federal level by the Department of Health and Human Services, ACF. In Missouri, DSS is responsible for administering title IV-E. The DSS local offices determine eligibility of foster children and place these children into licensed homes, or in homes approved as meeting licensing standards. The costs related to the title IV-E Foster Care program are allocated through the Division of Family Services portion of the CAP.

The DSS performed a special review of non-title IV-E cases to determine if title IV-E eligibility could be substantiated. A computer match compared foster care data with title IV-A data for the month in which a child was removed by court order. The DSS concluded that eligibility existed for a large number of cases, and it submitted revised claims for FFP to ACF. Five revised claims were filed for title IV-E costs of \$17,861,646 FFP. The dates and amounts of the claims were:

<u>Claim #</u>	<u>Quarters Covered</u>	<u>Claim Dated</u>	<u>FFP Amount Claimed</u>
1	3/89 thru 6/89	6/27/91	\$ 2,231,369
2	9/89	9/25/91	1,918,530
3	12/89	12/16/91	1,819,257
4	3/89 thru 9/91	1/29/92	8,433,374
5	3/90 thru 12/91	4/28/92	<u>3,459,116</u>
			<u>\$17,861,646</u>

An initial review by ACF determined that there was insufficient documentation to justify approval of the claims. In August 1991, ACF began deferrals of the claims pending further review. Regional ACF staff conducted a limited review of the claims at the State and Jackson County DSS offices. In April 1992, ACF released the deferrals and advised the State that the Office of Inspector General (OIG), Office of Audit Services would be requested to review the claims.

SCOPE OF REVIEW

Our review of the revised title IV-E foster care claims was conducted in accordance with generally accepted government auditing standards. The purpose of our review was to determine the allowability of a series of prior quarter adjustments submitted by DSS for reimbursement under the title IV-E Foster Care program.

Our evaluation of DSS internal controls was limited to those procedures related to the identification and documentation of costs to the title IV-E Foster Care program. In this regard, we reviewed DSS' written policies and procedures and their implementation actions for assuring that cost allocations were in accordance with the approved CAP. We discussed the policies and procedures and implementation actions with DSS officials.

To accomplish our objectives, we: (1) discussed pertinent policies, procedures, and practices with officials of DSS and ACF; (2) reviewed Federal requirements of Public Law 96-272, 45 Code of Federal Regulations (CFR) part 95, 45 CFR subchapter G, and title IV-E of the Social Security Act; (3) traced costs generated by the approved CAPs for the quarters ended June 30, 1989 and March 31, 1992 to supporting documentation; (4) reviewed case files; and (5) verified the five revised title IV-E foster care claims to supporting documentation.

Our review was conducted from July 1992 through February 1993 at DSS' offices in Jefferson City, Kansas City, Springfield, and St. Louis, Missouri.

FINDINGS AND RECOMMENDATIONS

DOCUMENTATION OF TITLE IV-E CASES

We found the five revised claims with costs of \$17,861,646 FFP applicable to the title IV-E Foster Care program were not supported by adequate documentation.

Office of Management and Budget Circular A-87 states that:

"A plan for allocation of costs will be required to support the distribution of any joint costs related to the grant program. All costs included in the plan will be supported by formal accounting records which will substantiate the propriety of eventual charges."

Federal regulations require States to make available for inspection all documents and materials which are necessary to determine the allowability of a claim. A State has 60 days, on receipt of a notice of deferral, to provide:

"***in readily reviewable form, all requested documents and materials, or when necessary, shall identify those documents and items of information which are not available." (45 CFR 201.15 (c) (3))

Federal regulations also state that:

"It is the responsibility of the State agency to establish the allowability of a deferred claim."
(45 CFR 201.15 (c) (7))

The DSS gave us a computer disk of all cases previously determined ineligible for title IV-E foster care, and which, as a result of the special review, were determined to be eligible. The disk contained two separate listings of eligibility determinations. The first listing consisted of cases determined to be eligible in 1991 and contained 2,175 cases. The second listing consisted of cases determined to be eligible in 1992 and contained 767 cases.

To verify the disk information, we determined the number of cases that were eligible for each month as listed on the disk and compared this with the number of cases claimed as eligible on the revised claims for each month. The number of cases listed on the disk did not agree with the number of cases claimed for any month of the revised claims (Appendix B).

For example, there were 1,491 cases with eligibility in January 1989 listed on the disk. There were only 427 cases claimed as eligible on the revised claim for January 1989. The difference of 1,064 cases could not be explained by DSS.

In an effort to determine the reasons for the difference, we requested DSS to provide a listing of the 427 cases claimed on the revised claim for January 1989. A listing of 535 cases was provided which was 108 more than claimed. The DSS believed that a listing showing more cases than was claimed was adequate documentation supporting the claim.

We again requested a listing of the 427 cases claimed on the revised claim and two listings totaling 427 cases were provided. The listings showed 189 cases which were found by matching the disk data with the Children's Information and Payment System (CSIPS) and 238 cases which were found where the disk data did not match the CSIPS payment data. We believe this later listing was inadequate because the 238 cases were part of a larger listing which was cut off when a total of 427 cases was identified.

The inadequacy of DSS documentation is also shown by DSS claiming some type of maintenance payment for 249 foster care and 219 adoption assistance cases in January 1989. However, only 104 of the foster care cases claimed for maintenance payments were included on the listing of 427 cases provided by DSS. The remaining 145 foster care plus 219 adoption assistance cases had maintenance payment claims in January 1989, but the cases never were claimed on the revised claim as being eligible in January 1989.

The DSS had ample opportunity to provide adequate documentation supporting the allowability of their revised claims. Since the documentation was not provided, we considered the revised claims of \$17,861,646 to be unallowable.

Recommendations

We recommend that DSS:

- (1) Withdraw the five initial claims for \$17,861,646 FFP covering the period January 1, 1989 through December 31, 1991.
- (2) Ensure that adequate documentation exists to support claims for title IV-E.

Auditee Comments

The DSS did not agree with our finding and recommendations. However, DSS concurred that there was a significant error in the documentation supporting their claims. The DSS stated:

"***the data file against which the case review results were merged was not an appropriate file."

By using the appropriate files, DSS stated they have now identified those eligible for title IV-E. Also, the title IV-E percentages have been recomputed for the adjusted claims. The DSS stated the dollar amounts identified by using the appropriate files are different than the amounts originally reimbursed on the revised claims.

The DSS has requested that we "reopen" the field work and review their revised claim.

OIG Response

During the audit, we requested documentation to support the claims made by DSS. When the information submitted did not support the claims, we advised the designated DSS official. After several attempts, DSS was still unable to provide the proper documentation.

The DSS now agrees proper documentation was not provided during the audit. We also recognize that a significant portion of the revised claims may be allowable if submitted with adequate documentation. Therefore, in lieu of the draft report's recommendation to refund the claimed costs of \$17,861,646, this final report recommends that DSS withdraw the claims and resubmit them to ACF with adequate documentation. The DSS will in no way be prejudiced by the resubmission of a new claim to ACF if it has compiled the necessary documentation.

CLAIMS EXCEEDING 2-YEAR FILING PERIOD

The DSS filed revised claims totaling \$5,693,408 FFP which were filed after a regulatory 2-year filing period. Federal regulations (45 CFR 95.7) require a claim to be filed within 2 years after the quarter when services were provided. In our opinion, DSS attempted to meet the 2-year deadline by filing claims based on an estimate of what might be due. However, they did not identify actual clients until after the 2-year filing period was over. Notwithstanding the supporting documentation issue, these claims may be unallowable because of Federal regulations governing timely submission of claims.

The implementing regulations state that the Federal Government will pay for expenditures only if:

***the State files a claim with us for that expenditure within 2 years after the calendar quarter in which the State agency made the expenditure." (45 CFR 95.7)

As discussed in the **DOCUMENTATION OF TITLE IV-E CASES** section of this report, DSS was unable to adequately identify eligible clients included in their claims.

Four of the five revised claims included amounts for the period January 1, 1989 through December 31, 1989. The title IV-E eligibility percentages used to claim costs on the first three revised claims were estimated and later modified to actual percentages on a fourth revised claim submitted January 29, 1992. The dates and amounts of the claims were:

Date	Quarters Ending				Total
	3/31/89	6/30/89	9/30/89	12/31/89	
6/27/91	\$1,150,919	\$1,080,450			\$2,231,369
9/25/91			\$1,918,530		1,918,530
12/16/91				\$1,819,257	1,819,257
1/29/92	<u>132,147</u>	<u>247,246</u>	<u>(388,900)</u>	<u>(266,241)</u>	<u>(275,748)</u>
Total	<u>\$1,283,066</u>	<u>\$1,327,696</u>	<u>\$1,529,630</u>	<u>\$1,553,016</u>	<u>\$5,693,408</u>

The DSS, in our opinion, used estimates for the revised claims because the claims had to be filed before the 2-year filing period had expired. Based on their computer match, DSS concluded that eligibility existed for a large number of cases. Consequently, DSS submitted a fourth revised claim which modified the three revised claims from estimated to actual costs.

We were concerned about the manner in which DSS met the 2-year filing period required by Federal regulations because: (1) the original revised claims for all four quarters in 1989 were based on estimates, (2) the review to determine eligibility was not started until after the first two revised claims had been filed, (3) the revised claims showing actual costs were not submitted until after the 2-year filing period had passed, and (4) the claims were subsequently found to be wrong; documentation showed the claimed amounts to be too high.

Recommendation

We recommend that DSS:

- (1) Submit future revised claims within the 2-year filing period required by Federal regulations.

Auditee Comments

The DSS disagreed that \$5,693,408 of their claims did not meet the 2-year filing requirement. The DSS said that the basis of the adjusted claims was a computer match which contained data for a 3-year period. The computer match compared "***the children who had been in the Alternative Care system in the previous three years with the Income Maintenance system." That match indicated over 70 percent of the children in custody had received AFDC.

The DSS considered the computer match to be sufficient documentation for submitting an increased adjustment, and they did not consider it to be an estimate.

OIG Response

We found nothing in DSS's response that would change our position on their not meeting the 2-year filing period required by Federal regulations. The DSS said that the basis of the adjusted claims was a computer match which contained data for a 3-year period. The computer match was followed by a case review, and subsequent adjustments, both decreasing and increasing, were made. This computer match, in our opinion, had nothing to do with establishing title IV-E eligibility.

The case review by DSS involved non-title IV-E cases from the match and cases not in the match. In our opinion, the case review, rather than the computer match, was the basis for computing the revised claims. The linkage between receipt of AFDC and eligibility for title IV-E is relevant only if other title IV-E eligibility criteria is met. By itself, receipt of AFDC does not entitle one to title IV-E.

The DSS used the results of the computer match to estimate the number of eligible cases for the claims. When the case reviews were completed, the claims were adjusted to actual eligible cases. The review resulted in both increasing and decreasing adjustments to the claims. Making these additional adjustments to the computer match results after the case reviews were completed, in effect, would render the 2-year filing period meaningless since DSS would have more than 2 years to prepare and submit a claim. If the computer match was not an estimate, the adjustments based on the case review would be unnecessary.

In addition, the first claim based on the computer match for the quarter ended March 31, 1989 was not submitted until June 27, 1991. Submission was after the 2-year filing period had ended. The \$1,283,066 claimed for this period would not be allowable even if estimates were not used. Even though we did not recommend financial adjustments associated with the claims exceeding the 2-year filing period, this issue will have to be considered by ACF if the State elects to file a revised claim as discussed above.

COST ALLOCATION PROCEDURES

We identified additional problems with DSS's claims, and these problems related to cost allocation procedures. Although we identified unallowable amounts related to the cost allocation problems, we are not proposing any financial adjustments. The unallowable amounts are already included in our recommendations on page 4. If DSS were to provide adequate documentation on

\$12,168,238 in unsupported claims that were filed within the 2-year filing period, we would propose financial adjustments for the unallowable amounts discussed in this section. Instead, several procedural recommendations have been made based on our review of DSS' CAP.

Reconciliation of Total Cases Claimed

The DSS reviewed all cases not claimed under title IV-E to determine eligibility for title IV-E funding. We found that DSS' computations of the title IV-E percentages on the CAP were incorrect. The total case count did not reconcile to source documents (Appendix C). Consequently, incorrect percentages were used to compute costs on the revised claims for title IV-E.

For example, DSS reviewed 2,467 non-title IV-E cases for January 1989 and determined that 427 cases should have been eligible for title IV-E. With this determination, the title IV-E case count should have increased by 427 and non-title IV-E cases should have decreased by 427. However, in computing the title IV-E percentages on the revised claims, DSS increased title IV-E cases by 427 and decreased non-title IV-E cases by 952. This decrease in non-title IV-E cases caused an overclaim of title IV-E on the revised claims.

For the 36 months covered by the revised claims, the increase in title IV-E cases did not equal the decrease in non-title IV-E cases. For 21 of the months, the increase in title IV-E cases was smaller than the decrease in non-title IV-E cases. This disparity had the effect of overstating the percentages of title IV-E cases.

For the other 15 months, the increase in title IV-E cases was larger than the decrease in non-title IV-E cases. This disparity appeared to understate the percentages of title IV-E cases.

The DSS could not explain the fluctuations in the case counts, but agreed that the increases and decreases should have been equal. The total number of cases should remain the same with only the distribution between title IV-E cases and non-title IV-E cases changing.

Computation of Title IV-E Percentages

Revised claims for the quarters ended March 1989 through December 1991 were overstated because DSS did not follow their CAP, and incorrect case totals were used to compute the title IV-E percentages. Revised claims for the quarters ended March 1989 through June 1991 were overstated resulting in an overclaim of at least \$4,362,197 (Appendix D). We could not determine the amount of the overclaim for the quarters ended September 1991 and December 1991.

There were two separate CAPs in effect for the quarters ended March 1989 through December 1991. The first CAP, in effect through June 1991, provided that foster care cases and adoption assistance cases were to be combined to determine the overall title IV-E percentages. The second CAP, effective July 1, 1991, provided that only foster care cases were to be used to compute the title IV-E percentages.

For the quarters ended March 1989 through June 1991, DSS incorrectly computed the title IV-E percentages used in their revised claims. It considered only foster care cases instead of a combination of foster care and adoption assistance cases. Thus, the title IV-E percentages were incorrectly computed. The result was an overclaim of \$4,362,197.

For the quarters ended September 1991 and December 1991, DSS also incorrectly computed the title IV-E percentages used in their revised claims. For the CAP in effect during this period, only foster care cases were to be considered. The DSS used this method; however, the number of cases determined to be eligible included adoption assistance cases. Including the eligible adoption assistance cases in the computation overstated the title IV-E percentages, and an overclaim resulted.

We could not determine the amount of the overclaim. We were unable to determine how many adoption assistance cases were included for determining the title IV-E percentages.

Recommendation

We recommend that DSS:

- (1) Establish procedures and controls to ensure that costs are allocated in accordance with the approved CAP.

Auditee Comments

The DSS officials concurred in part with the findings about the case counts and the incorrect calculations of the title IV-E percentages. The DSS agreed that there was a:

***misinterpretation of the intent of the CAP in determining the base population to use in computing the Title IV-E penetration rate."

OIG Response

By stating that their original revised claims were based on a misinterpretation of the CAP, DSS has acknowledged that their claims were not for the correct amount.

SUMMARY SCHEDULE OF REVISED
TITLE IV-E CLAIMS
MISSOURI DEPARTMENT OF SOCIAL SERVICES

FOR THE QUARTERS ENDED
3/31/89 THROUGH 12/31/91

<u>Quarter Revised</u>	<u>Claim</u>	
	<u>Federal share</u>	<u>Total</u>
March 1989	\$1,150,919	
June 1989	<u>1,080,450</u>	
1st Claim		\$ 2,231,369
September 1989	<u>\$1,918,530</u>	
2nd Claim		\$ 1,918,530
December 1989	<u>\$1,819,257</u>	
3rd Claim		\$ 1,819,257
March 1989	\$ 132,147	
June 1989	247,246	
September 1989	(388,900)	
December 1989	(266,241)	
March 1990	1,461,838	
June 1990	1,469,024	
September 1990	1,438,223	
December 1990	1,451,339	
March 1991	982,517	
June 1991	985,461	
September 1991	<u>920,720</u>	
4th Claim		\$ 8,433,374
March 1990	\$ 326,318	
June 1990	343,576	
September 1990	361,353	
December 1990	420,870	
March 1991	415,135	
June 1991	435,596	
September 1991	618,268	
December 1991	<u>538,000</u>	
5th Claim		\$ <u>3,459,116</u>
Total Claims		\$ <u>17,861,646</u>

SCHEDULE OF REVISED CLAIMS
TITLE IV-E CASE COUNTS
PRESENTED AND CLAIMED
MISSOURI DEPARTMENT OF SOCIAL SERVICES

BY MONTH FOR QUARTERS ENDED
3/31/89 THROUGH 12/31/91

<u>Month</u>	<u>No. of Eligible Title IV-E Cases Per Disk</u>	<u>Claimed</u>	<u>Unaccountable Difference</u>
JAN 89	1,491	427	1,064
FEB 89	1,515	484	1,031
MAR 89	1,554	508	1,046
APR 89	1,630	539	1,091
MAY 89	1,676	552	1,124
JUN 89	1,708	574	1,134
JUL 89	1,753	682	1,071
AUG 89	1,814	756	1,058
SEP 89	1,866	773	1,093
OCT 89	1,965	889	1,076
NOV 89	2,011	881	1,130
DEC 89	1,982	829	1,153
JAN 90	2,023	1,432	591
FEB 90	2,000	1,224	776
MAR 90	1,987	1,290	697
APR 90	1,987	1,230	757
MAY 90	1,977	1,204	773
JUN 90	1,961	1,134	827
JUL 90	1,945	1,238	707
AUG 90	1,939	1,227	712
SEP 90	1,925	1,245	680
OCT 90	1,900	1,187	713
NOV 90	1,884	1,121	763
DEC 90	1,893	967	926
JAN 91	1,878	1,338	540
FEB 91	1,875	1,422	453
MAR 91	1,880	1,433	447
APR 91	1,874	1,483	391
MAY 91	1,885	1,551	334
JUN 91	1,889	1,568	321
JUL 91	1,864	1,685	179
AUG 91	1,866	1,701	165
SEP 91	1,881	1,659	222
OCT 91	1,880	795	1,085
NOV 91	1,868	792	1,076
DEC 91	1,874	563	1,311

COMPARATIVE SCHEDULE OF TITLE IV-E CASES
REVISED CLAIMS AND ORIGINAL CLAIMS CASE COUNTS
MISSOURI DEPARTMENT OF SOCIAL SERVICES

FOR THE QUARTERS ENDED
3/31/89 THROUGH 12/31/91

<u>Month</u>	<u>Revised No. of Cases</u>			<u>Original Non-IV-E</u>	<u>Unaccountable Difference</u>
	<u>IV-E</u>	<u>Non-IV-E</u>	<u>TOTAL</u>		
JAN 89	427	1,515	1,942	2,467	(525)
FEB 89	484	1,525	2,009	2,544	(535)
MAR 89	508	1,520	2,028	2,620	(592)
APR 89	539	1,518	2,057	2,667	(610)
MAY 89	552	1,538	2,090	2,630	(540)
JUN 89	574	1,524	2,098	2,658	(560)
JUL 89	682	1,492	2,174	2,665	(491)
AUG 89	756	1,513	2,269	2,732	(463)
SEP 89	773	1,515	2,288	2,835	(547)
OCT 89	889	1,531	2,420	2,727	(307)
NOV 89	881	1,557	2,438	2,802	(364)
DEC 89	829	1,575	2,404	2,739	(335)
JAN 90	1,432	1,461	2,893	2,680	213
FEB 90	1,224	1,488	2,712	2,763	(51)
MAR 90	1,290	1,491	2,781	2,747	34
APR 90	1,230	1,500	2,730	2,843	(113)
MAY 90	1,204	1,523	2,727	2,849	(122)
JUN 90	1,134	1,553	2,687	3,171	(484)
JUL 90	1,238	1,498	2,736	2,681	55
AUG 90	1,227	1,522	2,749	2,858	(109)
SEP 90	1,245	1,488	2,733	2,961	(228)
OCT 90	1,187	1,510	2,697	3,052	(355)
NOV 90	1,121	1,593	2,714	3,039	(325)
DEC 90	967	1,618	2,585	2,815	(230)
JAN 91	1,338	1,592	2,930	1,955	975
FEB 91	1,422	1,642	3,064	2,040	1,024
MAR 91	1,433	1,671	3,104	2,075	1,029
APR 91	1,483	1,714	3,197	2,105	1,092
MAY 91	1,551	1,756	3,307	2,133	1,174
JUN 91	1,568	1,780	3,348	2,045	1,303
JUL 91	1,685	1,777	3,462	2,031	1,431
AUG 91	1,701	1,790	3,491	1,981	1,510
SEP 91	1,659	1,758	3,417	1,955	1,462
OCT 91	795	1,795	2,590	2,039	551
NOV 91	792	1,823	2,615	2,092	523
DEC 91	563	1,848	2,411	2,298	113

SCHEDULE OF AUDIT ADJUSTMENTS TO REVISED CLAIMS
DUE TO USE OF INCORRECT TITLE IV-E PERCENTAGES
MISSOURI DEPARTMENT OF SOCIAL SERVICES

FOR THE QUARTERS ENDED
3/31/89 THROUGH 12/31/91

<u>Month</u>	<u>Adjusted Amount</u>
MAR 89	\$ 819,355
JUN 89	819,505
SEP 89	574,898
DEC 89	529,417
MAR 90	416,092
JUN 90	558,902
SEP 90	470,830
DEC 90	631,453
MAR 91	(168,157)
JUN 91	(290,098)
SEP 91	-0-
DEC 91	-0-
Total Questioned	<u>\$4,362,197</u>

MEL CARNAHAN
GOVERNOR

DEPARTMENT OF SOCIAL SERVICES
P.O. BOX 1527
BROADWAY STATE OFFICE BUILDING
JEFFERSON CITY, MO 65102-1527
314-751-4815, FAX: 314-751-3213
TDD: 1-800-735-2966, VOICE: 1-800-735-2466

CARY J. STANGLI
DIRECTOR

July 28, 1993

Mr. Vincent R. Imbriani
Regional Inspector General
for Audit Services
Region VII
Room 284 A
601 East 12th Street
Kansas City, MO 64106

Dear Mr. Imbriani:

Thank you for sending your staff to meet with us on July 20, 1993 to discuss the draft audit report CIN: A-07-92-00801. The meeting was helpful to both your staff and mine, in that we now have a better understanding of each other's position. Our comments to the draft report were discussed with your staff during the meeting, and are contained, herewith, as our response.

Your audit report recommends that we refund \$17,861,646 (FFP) for five unallowable claims applicable to the Title IV-E program. We disagree with your finding and recommendation.

In early 1991, we suspected that there may have been a significant number of children in the custody of the Division of Family Services (DFS) that had not been correctly counted as eligible for Title IV-E. A computer match was performed to compare the children who had been in the Alternative Care system in the previous three years with the Income Maintenance system. This match indicated that over 70% of the children in DFS custody had received AFDC. The report contains a listing of the children's names, case numbers, date entering the alternative care system, and whether or not they had been in a household which received AFDC.

This report caused two events to occur. First, a case-by-case review of the children in custody was initiated to ensure that the data processing system contained the correct eligibility information for the children in care. Second, based on the results of the report, prior quarter adjustments were submitted for the quarters ended March 30, 1989 and June 30, 1989. Although the receipt of AFDC is an indication of eligibility for Title IV-E, there are other factors involved, so we chose to use a penetration rate of 60% for these two quarters. The prior period adjustments we submitted for the quarters ended September 30, 1989 and December 31, 1989 used the 70% rate for the Title IV-E penetration. Because

this was a report of the previous three years, this was not an estimate, but it was documentation sufficient to submit an increased adjustment.

The review of the case files was done in two phases. Upon completion of the first phase adjusting claims were submitted on January 29, 1992, for the period January 1, 1989 through September 30, 1991. Documentation exists to support the numbers used to compute the Title IV-E penetration rate and includes the list of names and case numbers of the Title IV-E eligibles and non-eligibles for each month.

Upon completion of the second phase of the case review, adjusting claims were submitted on April 28, 1992 which covered the period January 1, 1990 through December 31, 1991. Again, documentation exists to support the numbers used to compute the Title IV-E penetration rate and includes the list of names and case numbers of the Title IV-E eligibles and non-eligibles for each month.

On February 22, 1993, at the exit conference held with the auditors at the end of the field work, it was discovered that this documentation was not presented to the auditors. The staff who were working with the auditors to provide the documentation either misunderstood their requests, or miscommunicated the requests for information of the appropriate staff. Subsequent to that exit meeting, a task force was formed to address the issues and concerns that were discussed at the meeting.

While retrieving the documentation to support the adjusting claims, the task force realized that there were two significant errors made. The first was that the data file against which the case review results were merged was not an appropriate file. The second was a misinterpretation of the intent of the CAP in determining the base population to use in computing the Title IV-E penetration rate. The combination of the two errors caused the problems cited by the auditors in the report that caused them to believe that the documentation was inadequate. These conditions were explained and discussed with your staff when they met with us on July 20, 1993.

The errors noted above also led to other findings and recommendations in your report. We agree in part with the findings about the case counts and the incorrect calculations of the Title IV-E percentages. By using the appropriate base population of children in paid foster care, we have identified those that are eligible for Title IV-E, and have recomputed the Title IV-E percentages for the adjusting claims, and the related dollar amounts which are different than the amounts in your draft report.

Your report indicates that, notwithstanding the documentation issues discussed above, claims totalling \$5,693,408 should not be allowed because we did not meet the regulatory 2-year filing requirement. Your finding indicates that the adjusting claims submitted for calendar 1989 were based on estimates, and that the actual data was not available until after the two years had elapsed.

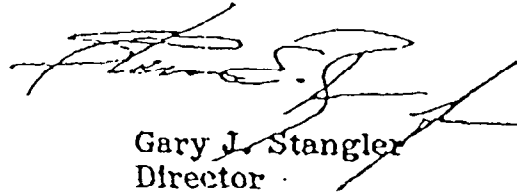
We disagree with the finding and recommendation. As discussed above, the basis of the adjusting claims was a computer match which contained data for a three year period. This match was followed by a case review, as described above, and subsequent adjustments, both decreasing and increasing, were made.

Note: Comments deleted because they pertain to material not included in this final report.

As discussed with your staff, we respectfully request that you reopen the field work on this audit, and review the documentation.

Again, I would like to express my appreciation for allowing us to meet with your staff on July 20, and for extending the comment period for our response. If you need more information, or if you have any questions, please let me know.

Sincerely,



Gary J. Stangler
Director

GJS:mw