



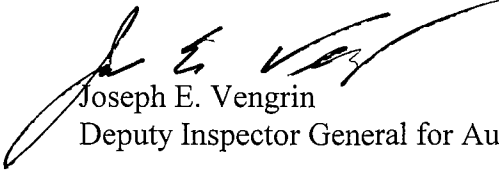
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN 10 2008

TO: Joan E. Ohl
Commissioner, Administration for Children, Youth and Families
Administration for Children and Families

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

SUBJECT: Review of Rhode Island's Title IV-E Adoption Assistance Costs for State Fiscal Years 2003–2005 (A-01-07-02503)

Attached is an advance copy of our final report on Rhode Island's Title IV-E adoption assistance costs for State fiscal years (SFY) 2003–2005. We will issue this report to the Rhode Island Department of Children, Youth and Families (the State agency) within 5 business days.

The Federal Government shares in the States' costs of adoption assistance payments for children who meet supplemental security income (SSI) requirements or other specific requirements. To meet SSI requirements, a child must be disabled, his or her household income must be below a specified ceiling, and he or she must be under a specific age. Children who do not meet SSI requirements may still be eligible for Federal reimbursement if they meet other specific requirements. One of these requirements is that the income of the child's family at the time the child was removed from the home not exceed the ceiling for the former Aid to Families with Dependent Children (AFDC) program (as in effect on July 16, 1996). Children who meet AFDC eligibility requirements qualify for Title IV-E assistance if their removal from the home was based on either a voluntary placement agreement or a judicial determination demonstrating that continuation in the home would be contrary to their welfare.

During SFYs 2003–2005, the State agency claimed approximately \$19.6 million (Federal share) in Title IV-E adoption assistance payments. In SFY 2003, 996 of these payments were for more than \$3,700 each (high-dollar payments).

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

The State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments totaling \$3.4 million for 740 of the 996 children whose cases we reviewed for SFY 2003. However, the remaining 256 children with payments totaling \$954,437 met

neither SSI requirements nor all of the other requirements for Federal reimbursement. Specifically, the State agency claimed payments for 49 children who did not meet AFDC income eligibility requirements at the time they were removed from their homes and for 207 children for whom the State agency did not provide evidence of a voluntary placement agreement or a judicial determination that continuation in the home would be contrary to their welfare.

The State agency continued to claim adoption assistance payments totaling \$1,757,865 in SFYs 2004 and 2005 for many of these children. Thus, the State agency overclaimed \$2,712,302 in SFYs 2003–2005 (\$470,292 for children who did not meet AFDC income eligibility requirements and \$2,242,010 for children who did not meet requirements for voluntary placement agreements or judicial determinations).

These errors occurred because, according to the State agency, it performed only a minimum number of quality control reviews and did not maintain copies of legal records in the adoption assistance case files during our audit period.

We recommend that the State agency:

- make a financial adjustment of \$470,292 on its next Federal quarterly expenditure report for children who did not meet AFDC income eligibility requirements,
- work with the Administration for Children and Families to resolve \$2,242,010 in overpayments for children who did not meet requirements for voluntary placement agreements or judicial determinations, and
- review adoption assistance payments claimed after our audit period to ensure compliance with Federal eligibility requirements.

In its written comments on our draft report, the State agency concurred with our findings and recommendations.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-01-07-02503.

Attachment



JUN 16 2008

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

Report Number: A-01-07-02503

Ms. Patricia Martinez
Director
Department of Children, Youth and Families
101 Friendship Street
Providence, Rhode Island 02903

Dear Ms. Martinez:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Rhode Island's Title IV-E Adoption Assistance Costs for State Fiscal Years 2003-2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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 George Nedder, Audit Manager, at (617) 565-3463 or through e-mail at George.Nedder@oig.hhs.gov. Please refer to report number A-01-07-02503 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Armstrong".

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Hugh Galligan
Regional Administrator
Administration for Children and Families, Region 1
U.S. Department of Health and Human Services
JFK Federal Building, Room 2000
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF RHODE ISLAND'S
TITLE IV-E ADOPTION
ASSISTANCE COSTS FOR STATE
FISCAL YEARS 2003–2005**



Daniel R. Levinson
Inspector General

June 2008
A-01-07-02503

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 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. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General 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).

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

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

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

In Rhode Island, the Department of Children, Youth and Families (the State agency) is responsible for administering the Title IV-E foster care and adoption assistance programs. During State fiscal years (SFY) 2003–2005, the State agency claimed approximately \$19.6 million (Federal share) in Title IV-E adoption assistance payments on its Federal quarterly expenditure reports. In SFY 2003, 996 of these payments were for more than \$3,700 each (high-dollar payments).

OBJECTIVE

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

SUMMARY OF FINDINGS

The State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments totaling \$3.4 million for 740 of the 996 children whose cases we reviewed for SFY 2003. However, the remaining 256 children with payments totaling \$954,437 met neither SSI requirements nor all of the other requirements for Federal reimbursement. Specifically, the State agency claimed payments for 49 children who did not meet AFDC income eligibility requirements at the time they were removed from their homes and for 207 children for whom the State agency did not provide evidence of a voluntary placement agreement or a judicial determination that continuation in the home would be contrary to their welfare.

The State agency continued to claim adoption assistance payments totaling \$1,757,865 in SFYs 2004 and 2005 for many of these children. Thus, the State agency overclaimed \$2,712,302 in SFYs 2003–2005 (\$470,292 for children who did not meet AFDC income eligibility requirements and \$2,242,010 for children who did not meet requirements for voluntary placement agreements or judicial determinations).

These errors occurred because, according to the State agency, it performed only a minimum number of quality control reviews and did not maintain copies of legal records in the adoption assistance case files during our audit period.

RECOMMENDATIONS

We recommend that the State agency:

- make a financial adjustment of \$470,292 on its next Federal quarterly expenditure report for children who did not meet AFDC income eligibility requirements,
- work with ACF to resolve \$2,242,010 in overpayments for children who did not meet requirements for voluntary placement agreements or judicial determinations, and
- review adoption assistance payments claimed after our audit period to ensure compliance with Federal eligibility requirements.

DEPARTMENT OF CHILDREN, YOUTH AND FAMILIES COMMENTS

In its written comments on our draft report, the State agency agreed with our findings and recommendations. The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Title IV-E Foster Care and Adoption Assistance Programs

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

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

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

Title IV-E Federal Reimbursement of Adoption Assistance Payments in Rhode Island

In Rhode Island, the Department of Children, Youth and Families (the State agency) is responsible for administering the Title IV-E foster care and adoption assistance programs. The State agency provides subsidy payments (ranging from \$44 to \$4,000 per month) to all families that adopt foster care children. To claim costs for Title IV-E reimbursement, the State agency submits a quarterly claim to the Federal Government.

During State fiscal years (SFY) 2003–2005, the Federal share of Rhode Island's adoption assistance program ranged from 52.45 percent to 56.03 percent of the costs incurred. The State agency claimed approximately \$19.6 million (Federal share) in Title IV-E adoption assistance payments on its Federal quarterly expenditure reports during that period. In SFY 2003, 996 of these payments were for more than \$3,700 each (high-dollar payments).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed the eligibility of children for whom the State agency claimed Title IV-E adoption assistance costs in SFY 2003 (July 2002 through June 2003). We limited our review to claims over \$3,700, or 996 of the 1,588 claims that the State agency submitted for Federal reimbursement in SFY 2003. In total, we reviewed claims totaling \$4.4 million of the \$5.6 million submitted for reimbursement. For ineligible children identified in SFY 2003, we determined whether the State agency continued to claim payments in SFYs 2004 and 2005.

We limited our consideration of the State agency's internal controls to obtaining an understanding of the process used to determine a child's eligibility and claim Title IV-E adoption assistance payments for the 3 years that ended in June 2005.

We performed our fieldwork at the State agency in Providence, Rhode Island, from April through November 2007.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and ACF program and policy announcements,
- reconciled total adoption assistance payments that the State agency claimed in SFY 2003 to individual supporting claims,
- reviewed eligibility case files for 996 claims that the State agency submitted for Federal reimbursement in SFY 2003, and
- determined whether the State agency continued to claim payments during SFYs 2004 and 2005 for ineligible children identified in our SFY 2003 review by reconciling the amounts that the State agency claimed for Federal reimbursement to individual supporting claims.

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

FINDINGS AND RECOMMENDATIONS

The State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments totaling \$3.4 million for 740 of the 996 children whose cases we reviewed for SFY 2003. However, the remaining 256 children with payments totaling \$954,437 met neither SSI requirements nor all of the other requirements for Federal reimbursement. Specifically, the State agency claimed payments for 49 children who did not meet AFDC income eligibility requirements at the time they were removed from their homes and for 207 children for whom the State agency did not provide evidence of a voluntary placement agreement or a judicial determination that continuation in the home would be contrary to their welfare.

The State agency continued to claim adoption assistance payments totaling \$1,757,865 in SFYs 2004 and 2005 for many of these children. Thus, the State agency overclaimed \$2,712,302 in SFYs 2003–2005 (\$470,292 for children who did not meet AFDC income eligibility requirements and \$2,242,010 for children who did not meet requirements for voluntary placement agreements or judicial determinations).

These errors occurred because, according to the State agency, it performed only a minimum number of quality control reviews and did not maintain copies of legal records in the adoption assistance case files during our audit period.

FEDERAL REQUIREMENTS

Sections 473(a) and (c) of the Act establish adoption assistance eligibility requirements, and ACF's "Child Welfare Policy Manual" provides guidance on these requirements. Specifically, a special needs child is eligible for Title IV-E adoption assistance payments if the child is eligible for SSI or meets other specific requirements. One of these requirements is that the income of the child's family at the time the child was removed from the home not exceed the ceiling for the former AFDC program (as in effect on July 16, 1996). Children who meet AFDC income eligibility requirements qualify for Title IV-E adoption assistance if their removal from the home was based on either:

- a voluntary placement agreement, provided that the child is receiving Title IV-E foster care payments, or
- a judicial determination obtained within 6 months of the child's removal from the home demonstrating that continuation in the home would be contrary to the child's welfare.¹

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

CLAIMS FOR INELIGIBLE CHILDREN

Of the 996 claims for Federal adoption assistance in SFY 2003 that we reviewed, 256 (26 percent) totaling \$954,437 were for ineligible children. None of these children met SSI requirements. In addition:

- For 49 of these children, adoption assistance, foster care, and AFDC case records showed that the family incomes exceeded the specified AFDC ceiling, or the State records did not demonstrate that the families were AFDC eligible at the time the children were removed from the home. Of the 49 children, 30 were ineligible solely because they did not meet AFDC income eligibility requirements and 19 were ineligible because they met neither AFDC income eligibility requirements nor requirements for removal from the home.
- For the remaining 207 children, the State agency did not have evidence of a voluntary placement agreement or a timely judicial determination that continuation in the home would be contrary to their welfare. The State agency could not locate court files for 23 of the 207 children, and the case files for 184 children contained no evidence that the State agency had obtained a voluntary placement agreement or a judicial determination.

The State agency continued to claim adoption assistance payments for 248 of these children in SFY 2004 (\$933,825) and for 223 children in SFY 2005 (\$824,041).

ADOPTION ASSISTANCE OVERPAYMENTS

By claiming adoption assistance payments for ineligible children, the State agency received Title IV-E overpayments totaling \$2,712,302 (Federal share) in SFYs 2003–2005:

- \$470,292 for children who did not meet AFDC income eligibility requirements and
- \$2,242,010 for children who did not meet requirements for voluntary placement agreements or judicial determinations.

PERFORMING QUALITY CONTROL REVIEWS AND MAINTAINING COURT DOCUMENTS

These errors occurred because, according to the State agency, it performed only a minimum number of quality control reviews and did not maintain copies of legal records in the adoption assistance case files during our audit period. The State agency told us that after our audit period, it had begun conducting quality control reviews of all cases and maintaining copies of legal records in the adoption assistance case files.

RECOMMENDATIONS

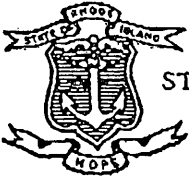
We recommend that the State agency:

- make a financial adjustment of \$470,292 on its next Federal quarterly expenditure report for children who did not meet AFDC income eligibility requirements,
- work with ACF to resolve \$2,242,010 in overpayments for children who did not meet requirements for voluntary placement agreements or judicial determinations, and
- review adoption assistance payments claimed after our audit period to ensure compliance with Federal eligibility requirements.

DEPARTMENT OF CHILDREN, YOUTH AND FAMILIES COMMENTS

In its written comments on our draft report, the State agency agreed with our findings and recommendations and described its corrective actions. The State agency's comments are included in their entirety as the Appendix.

APPENDIX



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Children, Youth and Families
OFFICE OF MANAGEMENT AND BUDGET
101 Friendship Street
Providence, RI 02903

April 29, 2008

Michael J. Armstrong
Regional Inspector General
for Audit Services
Office of Audit Services
Region 1
John F. Kennedy Federal Building
Boston, MA 02203

Dear Mr. Armstrong,

I received the Office of Inspector General's Review of Rhode Island's Title IV-E Adoption Assistance Costs for State Fiscal Years 2003 through 2005, [draft] report number A-01-07-02503, and reviewed your findings.

You recommend that the Department of Children, Youth, and Families (DCYF) "make a financial adjustment of \$470,292 on its next Federal Quarterly Report of Expenditures for children who did not meet AFDC income eligibility requirements." DCYF concurs with the findings and will make the adjustment in the quarter after the final report is approved. I would like to point out that systems have improved in this area. The median birth year for children who cases did not meet compliance was 1988. In the past several years, the DCYF has improved quality control measures and AFDC determinations processes in order to improve accuracy in meeting federal claiming requirements.

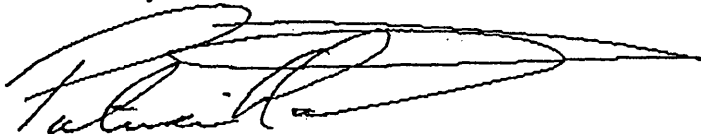
Secondly, your report recommended that DCYF "work with ACF to resolve \$2,242,010 in overpayments for children who did not meet requirements for voluntary placement agreements for judicial determinations." Once again, the department concurs with you findings and will work with ACF to negotiate a reasonable settlement that will allow the department to continue the adoption subsidy program that currently serves over 2600 children and their families. When reviewing the problems in this area, it was determined that the median birth year for children who cases did not meet compliance was 1989, so a significant number of cases were children who were adopted well over a decade ago. This posed previously unforeseen problems for DCYF. The department relied on the RI Family Court record keeping to maintain original legal documents. Twenty-six cases could not be located. We have updated our record keeping system and now keep copies

of all legal documents in the fiscal record so that we will not have to search elsewhere for documents. The Management and Budget Office have also implemented a quality control procedure that reviews all determinations for accuracy.

Lastly, it was recommended that DCYF "review adoption assistance payments claimed after our audit period to ensure compliance with Federal eligibility requirements." We concur with this finding. Adoption assistance payments will be reviewed and all necessary adjustments will be made.

If you have any questions, please contact Brian Peterson, Chief Financial Officer, at (401) 528-3630 or Kevin Savage, Administrator for Licensing and Regulation, at (401) 528-3629.

Sincerely

A handwritten signature in black ink, appearing to read "Patricia Martinez", with a long, sweeping horizontal stroke extending to the right.

Patricia Martinez,
Director

Cc: Jorge Garcia
Brian Peterson
Kevin Savage
Lisa McInnis