

July 6, 2005

Ms. Carmen Hooker Odom, Secretary
North Carolina Department of Health and Family Services
Department for Community Based Services
MCS 2001, 101 Blair Drive, Adams, Bldg.
Raleigh, North Carolina 27699-2001

Dear Secretary Odom:

This letter is in reference to the Title IV-E Eligibility Foster Care review that was conducted by the Administration for Children and Families (ACF) in the State of North Carolina during the week of April 25-28, 2005. The Federal regulation that implements the review process is at 45 CFR §1356.71 and Section 472 of the Social Security Act. The review was classified as a "primary review," as defined in the Title IV-E Foster Care Eligibility Review Guide, which was transmitted to State and Territorial agencies by Information Memorandum ACYF-CB-IM-01-11 dated November 30, 2001.

The purpose of the Title IV-E Foster Care Eligibility review was to (1) to determine if North Carolina is in compliance with the child and provider eligibility requirements as outlined in 45 CFR §1356.71 and Section 472 of the Social Security Act; and (2) to validate the basis of North Carolina's financial claims to ensure that appropriate payments were made on behalf of eligible children and to eligible homes and institutions.

A sample of 80 cases was drawn from a universe of Title IV-E payments for the review period: April 1 2004 - September 30, 2004. Our detailed findings and recommendations from this eligibility review are provided in the enclosed report. For your information and appropriate actions, we offer the following executive summary of review findings.

Of the 80 cases reviewed during this "primary review", the review team identified eligibility errors in three (3) sample cases (#28, #29 and #54) for either part or all of the review period.

In a "Primary Review", a State may have no more than four (4) errors in order to be found in substantial compliance. Since the number of error cases did not exceed this threshold, we have determined that North Carolina is in substantial compliance with Federal requirements as outlined in 45 CFR §1356.71(h)(2)(i) for the period from April 1, 2004 - September 30, 2004. Because North Carolina was found in substantial compliance, the State will not have to submit a Program Improvement Plan (PIP). The next primary review will be conducted in three years.

Some of the strengths that we identified while on-site were:

- The State did an excellent job in preparing for and conducting the review. Case records were well organized and supporting documentation was contained in the case records or was promptly provided to the reviewer.
- Grounds for the issuance of court orders were detailed with child specific and individualized orders.
- Court reports provided detailed information on why the agency could not prevent out of home placement, with emphasis on detailed case history, child's situation, agency plan and recommendations.
- Court orders identified the counties with responsibility for placement and care of the child under review.
- The staff is very knowledgeable about Federal title IV-E eligibility requirements. The State team members actively participated in the review process and were instrumental in accomplishing a successful review.
- Licensing, safety, and criminal records check processes are consistently completed regardless of the child's foster care placement.
- Judicial determinations of "contrary to the welfare" and "reasonable efforts" generally were timely and child-specific. In the majority of the cases, the "contrary to the welfare" and "reasonable efforts to prevent removal" judicial determinations were made in conformance with Federal requirements.
- Eligibility determinations and re-determinations are completed timely and accurately. Re-certifications were completed in conformance with State policies.

We appreciate the hospitality and cooperation of the State staff during the planning and conduct of this review.

Because the three (3) sample cases were determined not eligible for Title IV-E Foster Care maintenance payments, the State is ineligible to receive Federal Financial Participation (FFP) for them. A total of \$2,070 in FFP must be disallowed based on these three (3) cases.

The State is also ineligible for Title IV-E Foster Care administrative costs relating to the error cases. We have calculated the amount of unallowable administrative costs to be \$4,791.

In addition to the above cases found with errors in either part or all of the review period, the review team identified one (1) case with ineligible payments occurring **outside of the review period** (#37). The above referenced three cases also contained ineligible payments outside the review period. The reasons for these improper payments were related to Item #16 - *Reasonable efforts to finalize permanency plans*. These additional findings were not considered in the determination of North Carolina's substantial compliance with Federal requirements. The State is, nevertheless, ineligible to receive FFP for these cases under the Title IV-E program. The amount of ineligible maintenance assistance payments for these cases is \$9,192 in FFP. The respective unallowable administrative costs for these cases are \$10,621 in FFP.

This letter constitutes our formal notice of the disallowance of \$11,262 in FFP for Title IV-E Foster Care Maintenance payments and \$15,412 in FFP for related IV-E administrative costs. The standard methodologies used by ACF for the computation of both of these disallowances are enclosed for your information.

Since the amount of disallowed funds was included in grants previously awarded to the State, the State must repay these funds by making appropriate prior quarter decreasing adjustments on a separate (stand-alone) ACF-IV-E-1 report. These decreasing adjustments must be identified for the applicable quarter(s) in which the unallowable expenditures were originally claimed.

In accordance with the provisions found at 45 CFR Part 30.13 and 30.14, the unallowable expenditures referenced above are considered as a debt to the Federal government and interest charges will accrue. Such interest will be calculated from the date of this letter and added to the amount of the disallowance.

However, you may avoid the assessment of interest charges by making the adjustment stated above within 30 calendar days of the date of your receipt of this letter. The disallowed funds should be remitted through submittal of a separate ACF-IV-E-1 report. This report should contain the adjustments described above only; other claims or revisions must not be included and will not be accepted. The original report should be submitted to the following address and a copy sent to the ACF Regional Office:

**Administration for Children and Families
Office of Grants Management
Division of Mandatory Grants
370 L'Enfant Promenade S.W.
Washington, DC 20447**

Alternatively, you may choose to retain the disallowed funds while pursuing the administrative appeals process, recognizing that interest charges will apply. However, you must submit a letter stating your intentions to the ACF Regional Administrator within 30 calendar days of the date of your receipt of this letter.

If the State fails to either return the disallowed funds or advise ACF of its intent to retain the funds within the 30-day period, a special negative grant will be issued by ACF to recover the amount of the disallowance plus any interest. The disallowance will be calculated from the date of the disallowance to the date of the award.

The decision on this matter represents the final decision of the Administration for Children and Families. If you disagree with the decision to disallow your claim for Federal funding, Federal regulations at 45 CFR Part 16 provide you with the opportunity to appeal this decision directly to the Departmental Appeals Board. Your written request to appeal the decision should be sent within 30 calendar days of your receipt of this letter.

The use of **certified mail** is recommended to establish the mailing date of all correspondence. The letter to appeal this decision should be sent to:

**Department of Health and Human Services
Department of Appeal Boards
Appellate Division
330 Independence Avenue, S.W.
Cohen Building, Room G-644
Washington, DC 20201**

This letter of appeal should indicate the amount in dispute and include a statement of your position and the reasons why you believe the decision is wrong. A copy of this disallowance decision should be enclosed.

A copy of all correspondence pertaining to this decision, including a copy of your appeal to the Board, if applicable, should be forwarded to this Office.

Thank you and your staff for the excellent efforts made to prepare for and participate in this review. We look forward to working with you and your staff to continue to improve North Carolina's implementation of the title IV-E program requirements. Please contact Kunle Baoku, Children and Families Program Specialist and Review Coordinator, at 404-562-2949 if you have questions about this review. Questions concerning the computation of the disallowance should be directed to Cindy Price-Hull, Program Analyst (Finance), at 404-562-2902.

Sincerely,

Carlis Williams
Southeast Regional Administrator

Enclosures

NORTH CAROLINA

Title IV-E Foster Care Eligibility Review *For the period April 1, 2004 to September 30, 2004*

Introduction:

During April 25-28, 2005, the Administration for Children and Families (ACF) staff from the Central and Regional Offices and the State of North Carolina staff conducted an eligibility review of North Carolina's Title IV-E Foster Care Program. The purposes of the Title IV-E Foster Care Eligibility Review were (1) to determine if North Carolina was in compliance with the child and provider eligibility requirements as outlined in 45 CFR §1356.71 and Section 472 of the Social Security Act; and (2) to validate the basis of North Carolina's financial claims to ensure that appropriate payments were made on behalf of eligible children and to eligible homes and institutions.

This was North Carolina's second primary review. The State was found to be in substantial conformity with title IV-E eligibility requirements because the State had four (4) or fewer cases in error.

Scope of the Review:

The North Carolina Title IV-E Foster Care Review encompassed a sample of all the Title IV-E Foster Care cases that received a foster care maintenance payment during the period from April 1, 2004 to September 30, 2004. A computerized statistical sample of 80 cases, plus 20 over sample cases was drawn from the Adoption and Foster Care Analysis and Reporting System (AFCARS) data, which were transmitted by the State agency to the ACF for the period under review. Each child's case file was reviewed for the determination of Title IV-E eligibility, and the related provider's file was reviewed to ensure that the foster home or child care institution in which the child was placed was licensed or approved for the period of the review.

Case Record Summary:

During the primary review, 80 sample cases were reviewed. Three (3) of the cases were determined to be in error for either part or all of the period under review.

Attachment A of this report details each sample case, the reason(s) for ineligibility and the ineligible dollar amounts associated with that case. The three error cases were related to the judicial determination of reasonable efforts to finalize a permanency plan.

Listed below are specifics of the three error cases:

1. Reasonable Efforts to Finalize Permanency Plan - Sample Cases #28, #29 and #54 - These cases were determined to be ineligible based on question 16. In these three cases, the judicial determination regarding reasonable efforts to finalize the permanency plan was not made. **Statutory Citation: Section 472(a)(1), 471(a)(15)(B)(ii) and (C); Regulatory Citation: 45 CFR §1356.21(b)(2)]**

Areas In Need of Improvement:

During the review, the following areas were identified as areas in need of improvement:

1. *Judicial Determinations of Reasonable Efforts to Finalize Permanency Plan.* Three sample cases were determined to be ineligible to receive title IV-E payments during the specified period the payments were claimed because the cases did not meet the Federal requirements related to the judicial determination of reasonable efforts.

We recommend that the State agency continue its collaboration with the judicial community to emphasize and strengthen the link between judicial findings and Title IV-E eligibility.

Strengths:

The following areas were noted to be strengths for North Carolina's Title IV-E Eligibility Foster Care system:

- Case records were well organized and supporting documentation was contained in the case records or was promptly provided to the reviewer.
- Grounds for the issuance of court orders were detailed with child specific and individualized orders.
- Court report provides detailed information on why agency could not prevent out of home placement, with emphasis on detailed case history, child's situation, agency plan and recommendations.
- Court orders identified the counties with placement and care responsibility of the child under review.
- The staff is very knowledgeable about Federal eligibility requirements. The State team members actively participated in the review process and were instrumental in accomplishing a successful review.
- Licensing, safety, and criminal records check processes are consistently completed regardless of the child's foster care placement.
- Judicial determinations of "contrary to the welfare" and "reasonable efforts" generally were timely and child-specific.

- Eligibility determinations and re-determinations are completed timely and accurately. Re-certifications were completed in conformance with State policies.

Disallowances:

Three (3) cases were determined to be in error, thus not eligible for title IV-E Foster Care maintenance payments, and the State is ineligible to receive Federal Financial Participation (FFP) for them. A total of \$2,070 in FFP must be disallowed based on these three (3) cases.

The State is also ineligible for Title IV-E Foster Care administrative costs relating to the error cases. We have calculated the amount of unallowable administrative costs to be \$4,791. The enclosed **Attachment A** includes spreadsheets for each of these cases, which show the computations used to determine both the maintenance payment and the associated administrative disallowance for unallowable costs claimed during the period under review.

In addition to the above cases found with errors in either part or all of the review period, the review team identified one (1) case with ineligible payments occurring **outside of the review period** (#37). The reason for this error was related to item #16-Reasonable efforts to finalize permanency plans. These additional findings were not considered in the determination of North Carolina's substantial compliance with Federal requirements. The State is, nevertheless, ineligible to receive FFP for this case under the Title IV-E program.

The amount of ineligible maintenance assistance payments for the four (4) cases is \$9,192 in FFP. The respective unallowable administrative costs for the four cases are \$10,621 in FFP. The enclosed **Attachment B** includes spreadsheets for each of these cases, which show the computations used to determine both the maintenance payment and the associated administrative disallowance for unallowable costs made outside of the period under review.