

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF ADMINISTRATIVE COSTS  
CLAIMED UNDER TITLE IV-E OF THE  
SOCIAL SECURITY ACT BY INTERACT  
FAMILY SERVICES OF INDIANA  
FOR CALENDAR YEAR 2000**



**JANET REHNQUIST**  
Inspector General

**NOVEMBER 2002**  
A-05-02-00055



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
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REGION V  
OFFICE OF  
INSPECTOR GENERAL

November 26, 2002

CIN: A-05-02-00055

Ms. Angela Sears Spittal, Interim Director  
Indiana Family and Social Services Agency  
Division of Family and Children's Service  
Room 402, MS03  
402 West Washington Street  
Indianapolis, IN 46204

Dear Ms. Sears-Spittal:

This letter report provides you with the results of our audit titled "Review of Administrative Costs Claimed Under Title IV-E of the Social Security Act by Interact Family Services of Indiana for calendar year 2000." The audit objective was to determine whether administrative costs claimed on the Interact Family Services of Indiana (Interact) cost report for calendar year (CY) 2000 were reasonable and allowable for reimbursement under the Foster Care Program (Title IV-E of the Social Security Act).

## INTRODUCTION

### BACKGROUND

Interact Family Services of Indiana (Interact) is a publicly supported organization under Internal Revenue Code Section 509 (a) (2). Interact was established in 1994 to institute, operate, manage and consult with foster care homes to help prevent and alleviate the effects of cruelty to children. Interact has one location in Indianapolis, Indiana. Interact, however, maintains its headquarters in Flint, Michigan.

Title IV-E of the Social Security Act authorizes the payment of Federal funds to states to provide foster care to children, who have been removed from their homes through a voluntary placement agreement or judicial determination. The program is administered at the federal level by the Department of Health and Human Services, Administration for Children and Families (ACF). Federal financial participation is available at the rate of 50 percent for allowable administrative expenses, including those administrative costs incurred by contracted private organizations that place and maintain the children in foster care homes.

The Indiana Family and Social Services Agency, Division of Family and Children's Service (state agency), is the single state agency responsible for administering the program in Indiana. At the local level, each of Indiana's 92 counties has a children's services agency that administers the foster care program. County agencies enter into contracts with private organizations to place and maintain the children in foster care homes for a negotiated daily administrative per diem

rate. The county agencies can receive partial reimbursement of the administrative costs for those children who are eligible under the Title IV-E program. The State Agency establishes its county reimbursement rates based, in part, on the cost reports submitted by the private contractors.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our audit was conducted in accordance with generally accepted government auditing standards. The objective of our audit was to determine whether the administrative costs reported on Interact's CY 2000 cost report were reasonable and allowable for reimbursement under Title IV-E of the Social Security Act. In that regard, our internal control review was limited to assessing that (i) costs were actually incurred, (ii) costs were allowable in accordance with Federal regulations, (iii) duties were properly segregated, (iv) cost allocation methodologies used were equitable and logical, and (v) inappropriate related party transactions were excluded. We did not review management's overall internal controls because the objectives of this audit did not require an understanding or assessment of management's controls taken as a whole. We reviewed a total of \$191,896 in administrative costs claimed on the CY 2000 cost report.

**Methodology.** We reviewed Interact's cost report on file at Maximus, a state agency contractor who established the administrative cost rates for the foster care program. Concerning the methodologies used in assembling the cost report, we interviewed Interact's financial personnel. We also reviewed selected supporting data and toured one of the foster homes utilized by Interact.

We evaluated the allowability of costs claimed by applying cost guidelines contained in the Indiana Administrative Code and in Office of Management and Budget (OMB) Circulars. Specifically, OMB Circular A-122, "Cost Principles for Non-Profit Organizations," and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," are applicable. Because Interact is organized as a publicly supported organization, provisions of 26 United States Code, Section 509 (a)(2), are also applicable.

We also analyzed selected Interact cost allocation methodologies and found that they were equitable and logical. We traced all costs claimed on the cost report back to Interact's general ledger, and then selectively traced expenditures back to supporting documentation such as vendor invoices. We reviewed all canceled checks to ensure that listed vendors and endorsers appeared to be for valid business purposes. We also concluded that appropriate segregation of duties existed.

Our fieldwork was performed at Maximus offices in Indianapolis, Indiana, and at Interact offices in Indianapolis, Indiana, between January and April 2002.


## **FINDINGS AND RECOMMENDATION**

Based on the results from audit procedures cited above, we believe that expenditures reported on Interact's CY 2000 cost report are reasonable and allowable for reimbursement under Title IV-E of the Social Security Act. Therefore, we have no recommendations to report.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104.231), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

Should you have any questions or comments concerning the matters commented on in this report, please direct them to the HHS official named below. To facilitate identification, please refer to Common Identification Number A-05-02-00055 in all correspondence relating to this report.

Sincerely yours,



Paul Swanson  
Regional Inspector General  
for Audit Services

Direct Reply to HHS Action Official:

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## ACKNOWLEDGMENTS

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