

STATE OF CONNECTICUT

**PERFORMANCE AUDIT
DEPARTMENT OF CHILDREN AND FAMILIES
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001**

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**AUDITORS OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

This review indicated that the State could have gained revenue totaling approximately \$6,724,080 in Federal reimbursement for foster care maintenance payments, adoption subsidy payments, and administrative costs incurred by the Department of Children and Families during the fiscal year ended June 30, 2001, in support of the Foster Care-Title IV-E and Adoption Assistance programs.

Audit Objective:

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have conducted a performance audit of the Department of Children and Families' efforts to obtain Federal financial assistance for costs expended on behalf of administering the Foster Care-Title IV-E and Adoption Assistance programs. Our audit objective was to determine whether a significant amount of potential Federal reimbursement was not collected because the Department (or State) failed to properly identify certain children as meeting the eligibility requirements of the Foster Care-Title IV-E and the Adoption Assistance programs. A concurrent audit objective was to determine whether the Department (or State) had controls in place to ascertain that such eligibility requirements were met.

Background:

The Foster Care and Adoption Assistance programs are authorized by Title IV-E of the Social Security Act. The objective of the Federal Foster Care-Title IV-E program is to help States provide safe, appropriate, 24-hour, substitute care for children who are under the jurisdiction of the administering State agency and need temporary placement and care outside their homes. Foster family care is a substitute family life experience. It provides for the needs of the child such as medical, nutritional, physical, psychological, educational, religious, and recreational as well as for the overall nurturing of the child. Foster care is usually a temporary situation to provide a safe and healthy environment when the child's family is unable to do so. The objective of the Adoption Assistance program is to facilitate the placement of hard to place children in permanent adoptive homes and thus prevent long, inappropriate stays in foster care.

The State is reimbursed for its incurred foster care and adoption assistance costs at rates of 50 percent for foster care maintenance payments, adoption assistance subsidy payments and administration costs and 75 percent for training costs. The majority of the foster care maintenance payments are payments made directly to foster homes and other foster care providers for the care of children placed under the Department's protection (supervision). The majority of the adoption subsidy payments represent financial and medical subsidies made available to adoptive parents to facilitate adoption of children with special needs who are under the care of the Department. Foster care children placed in the Department's care and adopted children under the care of the Department are considered eligible under the Foster Care-Title IV-E and Adoption Assistance programs, respectively, if they meet the programs' eligibility requirements.

The basic eligibility requirements of the Adoption Assistance program are as follows:

- The child is Title IV-E foster care eligible; is eligible for the former Aid to Families with

Dependent Children (AFDC) program; or is eligible for Supplemental Security Income (SSI).
Audit Note: The child has to meet AFDC requirements at the time of removal from the home and at the time the adoption proceedings were initiated. At the time of removal, there must be a judicial determination that indicates that it was contrary to the child's welfare to remain in the home or the child must actually receive IV-E foster care payments if the child was removed by a voluntary placement agreement.

- The child was determined by the State to be a child with special needs.
- The State has made reasonable efforts to place the child for adoption without a subsidy.
- The agreement for the subsidy was signed and in effect before the final decree of adoption.

The basic eligibility requirements of the Foster Care program are as follows:

- For children removed by means of a judicial determination, the court action must be initiated within six months of the child's removal and must contain language concerning the child's welfare and that reasonable efforts have been made to prevent the removal.
- For children removed by a voluntary placement agreement, it must be followed within 180 days by a judicial determination to the effect that such placement is in the child's best interests of the child.
- A child must meet the eligibility requirements of the former Aid to Families with Dependent Children (AFDC) program. The child must be under 18 years old unless the child is expected to graduate from a secondary educational institution before the child's 19th birthday. *We did note during our review that, for the quarter ended June 30, 2001 (and each of the three preceding quarters), 64 percent of the DCF placed children met the requirements of the old AFDC program.*
- The provider must be licensed by the proper State Foster Care licensing authority, which is the Department of Children and Families.

A review of the above requirements indicates that the Department or other State agencies have control over assuring that all the requirements are met except for children being eligible for AFDC, SSI, the children's age or whether the children have special needs. That is, the Department or other State agencies can obtain court orders with the proper language in a timely manner, place children with licensed providers, have adoption assistance agreements signed before the final decree of adoption, and make reasonable efforts to place children for adoption without subsidy.

The Revenue Enhancement Unit of the Department of Children and Families consists of processing technicians who review and determine the Title IV-E eligibility for all children in out-of-home care. The processing technicians utilize the information maintained in the children's case records to make the eligibility determinations. The processing technicians also review the data maintained in the Department's computer system to determine whether foster care providers are licensed. The Revenue Enhancement Unit enters into a computer system the eligibility (Title IV-E) code that corresponds to the eligibility determinations that were made. *The Revenue Enhancement Unit would assign only one eligibility code to a child for a specific service period.*

We selected 25 transactions that did not receive Federal reimbursement from each of four different groups of children that were determined not to have met the Foster Care-Title IV-E program's eligibility requirements. In addition, we selected 39 transactions that did not receive Federal reimbursement from all of the children that were determined not to have met the Adoption Assistance program's eligibility requirements. The following table shows the total adoption subsidy and foster care maintenance payments paid by the State during the fiscal year ended June 30, 2001, on behalf of children who were determined not to have met at least one of the respective program's eligibility requirements. The table is divided by the various reasons for not obtaining Federal reimbursement.

Reason for not obtaining Federal reimbursement	Population (Dollars)	Population (Children)
Because adopted children were determined not to have met all of the Adoption Assistance program's eligibility requirements.	\$ 5,561,948	777
Because Foster care children were determined not to have been deprived of parental support	\$16,752,600	1,213
Because foster care children were determined not to have been living with specified relatives at the time of removals	\$ 2,014,704	86
Because foster care children were determined not to have met the AFDC financial need requirement	\$32,521,272	1,468
Because of computer coding problems	\$ 6,600,736	750

Results of Review:

Our review disclosed that the Department did not claim all of the Federal reimbursement that could have been allowed due to apparent administrative deficiencies, which the Department or other State agencies should have been able to eliminate. Discussed next is a summary of the basis for the conclusion we reached from our review.

Adoption Subsidy Payments:

Our review disclosed that the Department could not claim Federal reimbursement for 17 adoption subsidy payments totaling \$6,531 (at the 50 percent Federal reimbursement rate) made during the fiscal year ended June 30, 2001. This occurred because the Department did not document in its case records the information needed to perform proper eligibility determinations or because of clerical errors. If the same conditions exist in regard to all the transactions in the population, as our evaluation of the sample indicates is likely, the State would have incurred a loss of approximately \$1,196,870 in Federal reimbursement for adoption subsidy payments that were made during the fiscal year ended June 30, 2001.

Our test of adoption subsidy payments also disclosed 11 payments that were made on behalf of children with medical conditions which were not claimed for Federal reimbursement under the Adoption Assistance program. These children did not meet the program's requirement that a child must be either eligible for Foster Care-Title IV-E, Aid to Families with Dependent Children (AFDC) or Supplemental Security Income (SSI). Further review disclosed that DCF did not file applications for SSI with the Social Security Administration for these 11 children even though DCF documented in the case records that these children had a medical condition.

Hence, we could not determine whether the children met SSI and therefore would have potentially met the requirements of the Adoption Assistance program, which could have resulted in an additional increase in State revenue under the Adoption Assistance program.

See the Recommendations Section of this Audit Report for our recommendations related to the audit exceptions noted during our test of adoption subsidy payments.

Foster Care Maintenance Payments:

Our review disclosed that the Department could not claim Federal reimbursement for 12 foster care maintenance payments totaling \$15,513 (at the 50 percent Federal reimbursement rate) made during the fiscal year ended June 30, 2001. This occurred because the Department did not document in its case records the information needed to perform proper eligibility determinations or because there were clerical errors. If the same conditions exist in regard to all the transactions in the population, as our evaluation of the sample indicates is likely, the State would have incurred a loss of approximately \$2,130,002 in Federal reimbursement for foster care maintenance payments that were made during the fiscal year ended June 30, 2001.

Further, we noted that the Department is not properly documenting in the case records the information that is necessary to perform a complete eligibility determination. We noted wage information was not documented in the case records in four instances, and we noted conflicting information concerning whether a child lived or did not live with a specified relative at the time of removal in one instance.

We also noted that the Department's Revenue Enhancement Unit has to review a number of different sources of information to determine whether the children were deprived of parental support; whether children were living with a specified relative; and whether the children's parents earned wages as part of determining whether the child met the financial need requirements of the former AFDC. This review process appears to be very time consuming and does not provide reasonable assurance that a proper eligibility determination will be made.

See the Recommendations Section of this Audit Report for our recommendations related to audit exceptions noted during our test of foster care maintenance payments.

Administration Costs:

As the result of the deficiencies noted during our test of foster care maintenance and adoption subsidy payments, the Department could not claim for Federal reimbursement a greater share of administrative costs incurred on behalf of administering the Foster Care-Title IV-E and Adoption Assistance programs as allowed in the Department's Cost Allocation Plan. This is because the number of children that would have been eligible for Federal reimbursement would have increased, which would have produced a larger allocation statistic that would have allowed the Department to claim additional administrative costs for Federal reimbursement. Based on adjusting the DCF Cost Allocation Plan formulas, additional administrative costs totaling \$849,302 could have been claimed for Federal reimbursement for the related administration costs that were incurred during the quarter ended June 30, 2001. Assuming that the amount of expenditures and the rate of exception were the same, the annual loss of State revenue would total approximately \$3,397,208.

INTRODUCTION

The objective of the Federal Foster Care-Title IV-E program is to help States provide safe, appropriate, 24-hour, substitute care for children who are under the jurisdiction of the administering State agency (Department of Children and Families) and need temporary placement and care outside their homes. The objective of the Adoption Assistance program is to facilitate the placement of hard to place children in permanent adoptive homes and thus prevent long, inappropriate stays in foster care. The Foster Care and Adoption Assistance programs are authorized by Title IV-E of the Social Security Act, as amended (42 USC 670 *et seq.*). States are to implement the programs according to their State plan, which is submitted to the Department of Health and Human Services (DHHS) for approval. These programs are considered open-ended entitlement programs and allow the State to be funded at a specified percentage (Federal reimbursement) for program costs for payments made by the State on behalf of eligible children. The percentages of Federal reimbursement are as follows:

- 50 percent for adoption subsidy payments (financial and medical subsidies made to adoptive parents to facilitate adoption of children under the Department's care);
- 50 percent for foster care maintenance payments (board and care payments made to foster care providers for the care of children placed under the Department's protection (supervision));
- 75 percent for expenditures made for training at educational institutions of employees, and short-term training of foster or adoptive parents and staff members of State-licensed or State-approved child-care institutions; and
- 50 percent for all other allowable administrative expenditures.

Adoption assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met:

- (1) The child is Title IV-E foster care eligible; is eligible for the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act); or is eligible for SSI (42 USC 673(a)(2)(A)). Audit Note: The child has to meet AFDC requirements at the time of removal from the home and at the time the adoption proceedings were initiated. At the time of removal, there must be a judicial determination that indicates that it was contrary to the child's welfare to remain in the home or the child must actually receive IV-E foster care payments if the child was removed by a voluntary placement agreement.
- (2) The child was determined by the State to be a child with special needs (42 USC 673(c)).
- (3) The State has made reasonable efforts to place the child for adoption without a subsidy (42 USC 673(c)).
- (4) The agreement for the subsidy was signed and was in effect before the final decree of adoption and contains information concerning the nature of services; the amount and

duration of the subsidy; the child's eligibility for Title XX social services and Title XIX Medicaid services of the Social Security Act; and covers the child should he/she move out of State with the adoptive family (42 USC 675(3)).

Federal Foster Care benefits may be paid on behalf of a child only if all of the following requirements are met:

- a. Foster Care maintenance payments are allowable only if the foster child was removed from his or her home by means of a judicial determination or pursuant to a voluntary placement agreement (42 USC 672(a)).
 - (1) If the removal was by judicial determination, the court action must have been initiated within six months of the child's removal from the home of a specified relative (42 USC 672(a)) and must contain language to the effect that: (i) the child's remaining at home would be contrary to his or her welfare, and (ii) reasonable efforts have been made to prevent the removal and to make it possible for the child to safely return home (42 USC 672(a)).
 - (2) If the removal was by a voluntary placement agreement, it must be followed within 180 days by a judicial determination to the effect that such placement is in the best interests of the child (42 USC 672(e)).
- b. A child must meet the eligibility requirements of the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act). Unless the child is expected to graduate from a secondary educational institution before his or her 19th birthday, eligibility ceases at the child's 18th birthday (42 USC 672(a)).

Audit Note: As part of determining whether the child met the requirements of the old AFDC program, the Department verifies that the child was living with a specified relative within six months of the court petition to remove the child or the voluntary placement agreement, the child was deprived of parental support, and the child met the financial need requirement.
- c. The provider, whether a foster family home or a child-care institution, must be licensed by the proper State Foster Care licensing authority (42 USC 672(b) and (c)).

The Department's Revenue Enhancement Unit performs the eligibility determinations for each foster care child that is placed in the Department's care and for each adopted child under the care of the Department. The Revenue Enhancement Unit consists of processing technicians who complete a Foster Care-Title IV-E Eligibility/Reimbursability Worksheet or a Title IV-E Adoption Subsidy Worksheet for each child, as applicable. The Eligibility Worksheets include the applicable eligibility requirements that the child must meet for the child to be eligible for Federal reimbursement under Foster Care-Title IV-E or Adoption Assistance. The processing technicians utilize the information maintained in the children's case records and the licensing information maintained in the Department's computer system to make the eligibility determinations. The processing technicians would determine what IV-E Code should be assigned to each child based on whether the child did meet all the eligibility requirements or based on the

reason why the child did not meet an eligibility requirement of the Foster Care-Title IV-E program or Adoption Assistance program, as applicable. Only one IV-E Code would be assigned to a child for a specific service period even if more than one code was applicable. Prior to calendar year 2000, the Department's Adoption Subsidy Unit performed the eligibility determinations for each child that was adopted.

The Department's training and all other allowable administrative expenditures are allocated to the Foster Care-Title IV-E and the Adoption Assistance programs in accordance with the Department's Federally approved Cost Allocation Plan (CAP). The CAP formulas for allocating costs are based, among other things, on the proportion of foster care children placed in the Department's care or adopted children that meet the eligibility requirements of the Foster Care-Title IV-E or Adoption Assistance programs, as applicable.

The Department claims reimbursement of its expenditures incurred in support of the Foster Care-Title IV-E and Adoption Assistance programs from DHHS. The expenditures reported would include the foster care maintenance and adoption assistance subsidy payments that meet the eligibility and reimbursability requirements of the Foster Care-Title IV-E and Adoption Assistance programs, as applicable, and the training and all other administrative expenditures allocated to Foster Care-Title IV-E and Adoption Assistance through the Department's Cost Allocation Plan. The Department uses quarterly reports to accumulate the number of children by IV-E Code, and these totals are used in the Cost Allocation Plan formulas for allocating Department administration costs. The claim is submitted on a quarterly basis and includes the current quarter expenditures and any adjustments made to the previous seven quarters.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Audit Objective:

The Auditors of Public Accounts, in accordance with Section 2-90 of the Connecticut General Statutes, are responsible for examining the performance of State agencies to determine their effectiveness in achieving expressed legislative purposes. We conducted a performance audit of some aspects of the Department of Children and Families' process for claiming Federal reimbursement for expenditures incurred by the Department as part of administering the Foster Care-Title IV-E and Adoption Assistance programs. The audit was conducted in accordance with *Government Auditing Standards* and covered effectiveness issues, which is a type of performance audit.

Our audit objective was to determine whether a significant amount of potential Federal reimbursement was not collected because the Department (State) failed to properly identify certain children as meeting the eligibility requirements of the Foster Care-Title IV-E and Adoption Assistance programs. A concurrent audit objective was to determine whether the Department (State) had controls in place to ascertain that such eligibility requirements were met.

Scope:

Our audit consisted of reviewing a sample of the eligibility determinations made by the Department's Revenue Enhancement Unit and Adoption Subsidy Unit for those foster care

maintenance and adoption assistance subsidy payments that did not meet the Federal eligibility requirements of the Foster Care-Title IV-E and Adoption Assistance programs. The sample was limited to expenditures that were paid during the fiscal year ended June 30, 2001, to providers on behalf of foster children placed in the Department's care and adopted children.

We reviewed the Eligibility Worksheets prepared by the Revenue Enhancement and Adoption Subsidy Units and the supporting documentation included in the case records. As part of reviewing the eligibility determinations, we verified whether the IV-E Code assigned to the child was appropriate. We did not test the conclusions reached by the Revenue Enhancement and Adoption Subsidy Units that all the other Federal requirements necessary for the child to be eligible for Federal reimbursement were or were not met.

Methodology:

We considered for our test sample the transactions that were paid during the entire fiscal year ended June 30, 2001, and that were not claimed for Federal reimbursement as of the quarter ended June 30, 2001. We randomly selected a total of 139 expenditures made by the Department on behalf of program beneficiaries during the fiscal year ended June 30, 2001, that were not claimed for Federal reimbursement.

For the Adoption Assistance program, we selected a sample from all the adopted children that were coded as not meeting the eligibility requirements of the Adoption Assistance program.

We grouped the foster care expenditures paid during the fiscal year ended June 30, 2001, on behalf of children who did not meet the eligibility requirements of the Foster Care-Title IV-E program by the IV-E Code assigned by the Revenue Enhancement Unit. There were 29 different IV-E Codes for which Federal reimbursement was not obtained that were used during the fiscal year ended June 30, 2001. We grouped these 29 IV-E codes into 22 groups that were similar with respect to the reason for not meeting the eligibility requirements of the Foster Care-Title IV-E program. We judgmentally selected four of the groups for audit testing the Foster Care-Title IV-E program.

A description of each IV-E Code (group) that was selected for testing Foster Care follows:

- Code 401/Blank - Code 401 is a system generated code as a result of a child returning into placement within six months of the child's return to his or her home. "Blank" refers to no code was entered into the Department's computer system.
- Code 307 - The child was not deprived of parental support.
- Codes 308 - The child did not live with a specified relative at the time of removal.
- Code 309/310 - The child did not meet the financial need test of the former AFDC program.

Initially, in choosing the universe of transactions from which our sample was selected, we removed miscellaneous payments and any credits from the four groups selected for testing. Below is a table providing the total population and sample sizes of the foster care maintenance

payments and adoption subsidy payments related to our audit. The potential loss of direct Federal reimbursement of foster care maintenance payments and adoption subsidy payments is based on 50 percent of the total expenditure population. Indirect Federal reimbursement for administrative or training costs are not included in this table.

IV-E Code	Total Expenditure Population	Potential Loss In Direct Federal Reimbursement	Total Child Population	Total Children Sampled	Expenditure Sample
Adoption	\$ 5,561,948	\$2,780,974	777	39	\$26,698
307	\$16,752,600	\$8,376,300	1,213	25	\$47,556
308	\$ 2,014,704	\$1,007,352	86	25	\$69,600
309/310	\$32,521,272	\$16,260,636	1,468	25	\$54,084
401/Blank	\$ 6,600,736	\$3,300,368	750	25	\$46,342

To determine the significance of our sample, we extrapolated, when appropriate, the audit exceptions to the populations. In order to do this, we calculated what the total error would be if the audit exceptions reflects the actual total number of errors that would be found in the populations if we were to test all of the transactions in the populations. The resulting projections (extrapolations) would indicate the amount that the State failed to qualify for possible Federal reimbursement for foster care maintenance and adoption subsidy payments that were made during the fiscal year ended June 30, 2001. Since we used a random sample, we believe our extrapolations of the sample results to the populations are reasonable.

RESULTS OF REVIEW

Item 1: Adopted Children Not Eligible For Federal Reimbursement

The Department did not properly document adoption subsidy cases in accordance with Federal requirements. This resulted in a loss of Federal financial assistance.

Title 42 Section 673 of the United States Code provides that adoption subsidy payments are allowable for Federal reimbursement under the Adoption Assistance program for any adopted child who:

- Is Title IV-E foster care eligible; is eligible for the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act); or is eligible for Supplemental Security Income (SSI);
- Was determined by the State to be a child with special needs; and
- The State has made reasonable efforts to place for adoption without a subsidy.

Title 45 Part 1356 Section 40 Paragraph (b) of the Code of Federal Regulations provides that the adoption assistance agreement for payments must be signed and in effect at the time of or prior to the final decree of adoption.

The Child Welfare Policy Manual, which became effective September 24, 2001, developed by the Federal Children's Bureau has further guidance on administering the Adoption Assistance program. This Manual explains the ways that a child can be eligible for Title IV-E Adoption Assistance as follows:

1. The child is eligible for AFDC and meets the definition of a child with special needs. Adoption assistance eligibility that is based on a child's AFDC eligibility (in accordance with the program rules in effect on July 16, 1996) is predicated on a child meeting the criteria for such both at the time of removal from the child's home and in the month the adoption petition is initiated. In addition, the State must determine that the child meets the definition of a child with special needs prior to finalization of the adoption.

The method of removal from a child's home has the following implications for the AFDC-eligible child's eligibility for Title IV-E Adoption Assistance: the child is removed from the home pursuant to a judicial determination, which must indicate that it was contrary to the child's welfare to remain in the home; or, if the child is removed from the home pursuant to a voluntary placement agreement, that child must actually receive Title IV-E Foster Care payments to be eligible for Title IV-E Adoption Assistance. Children placed pursuant to a voluntary placement agreement under which a Title IV-E Foster Care maintenance payment is not made are not eligible to receive Title IV-E Adoption Assistance.

2. The child is eligible for SSI benefits and meets the definition of a child with special needs. A child is eligible for Adoption Assistance if, at the time the adoption petition is filed, the child meets the requirements for Title XVI SSI benefits, and prior to the finalization of the adoption is determined by the State to be a child with special needs. There are no additional criteria that a child must meet to be eligible for Title IV-E Adoption Assistance when eligibility is based on a special needs child meeting SSI requirements. Specifically, how a child is removed from his or her home or whether the State has responsibility for the child's placement and care is irrelevant in this situation.

Unlike AFDC eligibility that is determined by the State child welfare agency, only a designated Federal Social Security Administration claims representative can determine SSI eligibility and provide the appropriate eligibility documentation to the State. The child's eligibility for SSI benefits must be established no later than at the time the adoption petition is filed.

We sampled 39 adoption subsidy payments totaling \$26,698 (\$13,349 at the 50 percent Federal reimbursement rate) that were paid to adoptive parents on behalf of DCF adopted children that were coded as not being Federally reimbursable because the children did not meet one of the Adoption Assistance program's eligibility requirements. Our test disclosed that the Department did not claim for Federal reimbursement 11 adoption subsidy payments totaling \$8,696 out of the 39 payments tested due to apparent administrative deficiencies. Further review of these 11 payments disclosed the following:

- Four payments totaling \$2,852 were coded as not being eligible for Federal reimbursement because adequate documentation was not in the case records. We noted the adoption decrees were not in the case records for two children, a termination of parental rights court order was not in the case record for one child, and the initial court order for placing the child in the Department's care as part of the Foster Care program was not in the case record of one child. These four children met all the other eligibility requirements of the Adoption Assistance program. Per our request, the Department obtained copies of the adoption decrees from the Probate Court and a copy of the initial court order placing the child in the Department's care. As a result of obtaining this documentation, the applicable three children met the eligibility requirements of the Adoption Assistance program. We did not request a copy of the termination of parental rights court order.
- Five payments totaling \$4,382 were not claimed for Federal reimbursement because of clerical errors. We noted the proper IV-E Code was not entered into the computer databases used by the Department in four cases and an eligibility determination was not performed correctly in one case.
- Two payments for \$1,462 could have been claimed for Federal reimbursement if the Department obtained the necessary documentation in a timely manner. We noted the special needs of the child were not documented prior to the finalization of the adoption in one case and the initial adoption agreement was not signed before the adoption decree in

the other case. These children met all the other eligibility requirements of the Adoption Assistance program.

Of these 11 payments, the eligibility determinations could potentially be adjusted for the first nine payments listed above if the proper documentation was obtained or if the corrections were made to the coding errors. The last two payments cannot be claimed for any future payments because the required documentation cannot be obtained to resolve the exception. The documentation that the Department has on file for these two cases was not dated and obtained prior to the adoption.

Extrapolating these 11 audit exceptions totaling \$8,696 (\$4,348 at the 50 percent Federal reimbursement rate) to the entire population would indicate a loss by the State of \$905,811 in Federal reimbursement for adoption subsidy payments that were made during the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$4,348] Divided By *sample size* [\$13,349] Multiplied By *population amount* [\$2,780,974].)

Our test also disclosed a potential loss in Federal reimbursement for an additional six adoption subsidy payments totaling \$4,366 out of the 39 payments tested because the initial court orders documenting the children's placement into the Department's care as part of the Foster Care program were not in the case records. Further review disclosed that these six children met all the other requirements of the Adoption Assistance program except we could not determine whether the children met the requirements of the former AFDC program because the AFDC information was not completed on the Eligibility Worksheets. We did note that, for the quarter ended June 30, 2001 (and each of the three preceding quarters), 64 percent of the DCF placed children met the requirements of the former AFDC program. Extrapolating these six audit exceptions totaling \$4,366 (\$2,183 at the 50 percent Federal reimbursement rate) to the entire population would indicate a loss by the State of \$291,059 in Federal reimbursement for adoption subsidy payments that were made during the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$2,183] Divided By *sample size* [\$13,349] Multiplied By *population amount* [\$2,780,974] Multiplied By *percent of children meeting AFDC* [64 percent].)

All 17 of the above exceptions in regard to the factors affecting eligibility determinations that were noted during our audit, occurred prior to the 2000 calendar year. Therefore, we reviewed Federal eligibility determinations that were made after July 1, 2000, to determine whether the Department's current controls are adequate. We did not find similar errors during this test as we did with the initial sample of 39 children. Therefore, it would appear that the Department has currently in place controls that would allow the proper documentation to be obtained in a timely manner which would allow the proper eligibility determinations to be performed.

Our test of the 39 payments also disclosed adopted children having some type of medical condition. However, the Department did not apply for Supplemental Security Income (SSI) for these children (see Item 2).

The Department should review adoption subsidy payments that are not being claimed for

Federal reimbursement to determine whether adequate documentation can be obtained that would allow for a correction, if appropriate, to the eligibility determinations to ensure that the maximum Federal reimbursement can be claimed. (See Recommendation 1.)

Agency Response:

“The Department intends to engage a contractor to select a representative sample of non IV-E adoption subsidy cases for review, in order to determine if a comprehensive review of all 1,000 non IV-E adoptions is cost effective. Anticipated corrective action date is December 2002.”

Item 2: Adopted Children With Medical Conditions

The Department did not apply for Supplemental Security Income (SSI) for children that had been diagnosed with a medical condition. This could potentially result in a loss of Federal financial assistance.

The Child Welfare Policy Manual, which became effective September 24, 2001, developed by the Federal Children’s Bureau, provides guidance on administering the Adoption Assistance program. Based on this Manual, a child can be eligible for Title IV-E Adoption Assistance if the child is eligible for Supplemental Security Income (SSI) benefits and meets the definition of a child with special needs. A child is eligible for adoption assistance if, at the time the adoption petition is filed, the child meets the requirements for Title XVI SSI benefits, and prior to the finalization of the adoption, is determined by the State to be a child with special needs. There are no additional criteria that a child must meet to be eligible for Title IV-E Adoption Assistance when eligibility is based on a special needs child meeting SSI requirements. Specifically, how a child is removed from his or her home or whether the State has responsibility for the child's placement and care is irrelevant in this situation.

Unlike AFDC eligibility that is determined by the State child welfare agency, only a designated Social Security Administration claims representative can determine SSI eligibility and provide the appropriate eligibility documentation to the State. The child's eligibility for SSI benefits must be established no later than at the time the adoption petition is filed.

The Department Policy Manual provides that certification of special needs should take place as soon as written documentation can be obtained that defines the child as "special needs." The certification of the child as special needs and as eligible for subsidy will be recommended by the program supervisor based on the criteria for "special needs" submitted by the social worker and social work supervisor or the private Connecticut adoption agency staff on the Certification of Special Needs Status (DCF-416).

The Department Policy Manual also provides that documentation of "special needs" includes

- for a physical disability (or high risk of such disability)
 - a physical handicap (or risk of a handicap) so special, unusual or significant as to

be an obstacle to adoption, has been evaluated by a licensed physician and the written medical report provides: (1) a diagnosis to include the degree of severity of the handicap; (2) recommendations for treatment; and (3) prognosis

- for a mental disability (or high risk of such disability)
 - a mental handicap (or risk of a handicap) so special, unusual or significant as to be an obstacle to adoption, has been evaluated by a psychiatrist or psychologist and the written report provides: (1) a diagnosis of the emotional disturbance according to the American Psychiatric Standards of Diagnosis; (2) recommendations for treatment; and (3) prognosis
- serious emotional maladjustment as indicated by a written diagnosis made by a licensed psychiatrist or psychologist and recommendations for treatment and prognosis
- an explanation of how age, racial or ethnic factors, when considered with other factors in the child's functioning and circumstances, present a barrier to adoption
- for high risk of physical or mental disability or serious emotional maladjustment as indicated by a physician, psychiatrist or psychologist who determines the child's past experience and present condition of functioning indicate a probability for developing such disability in the future
- such factors as the number of placements since birth and the length of time in foster care.

Our test of adoption subsidy payments included in Item 1 disclosed 11 payments totaling \$6,672 out of a sample of 39 payments totaling \$26,698 were made on behalf of children who were identified by the Department as having medical conditions, which can be an indicator that such children might be eligible for SSI. However, these payments were not claimed for Federal reimbursement under the Adoption Assistance program because the Department's records indicated that the children did not meet the program's requirement that a child must be either eligible for Foster Care-Title IV-E, AFDC or SSI. Further, the Department did not file applications for SSI for these 11 children even though the Department indicated on the DCF 416 form that these children had medical conditions.

Ten of the above 11 exceptions noted during our audit were identified by DCF as having medical conditions prior to the 2000 calendar year. Therefore, we selected a separate sample of nine children that were adopted after January 1, 2000, to determine whether the Department's current controls include procedures for filing SSI applications for children with medical conditions. We found that the Department determined four of these nine children had medical conditions; however, the Department did not apply for SSI for these four children.

Further review of adoption subsidy payments made during the fiscal year ended June 30, 2001, disclosed medically fragile or special rate payments totaling \$612,906 not claimed for Federal reimbursement made on behalf of 52 adopted children. These rates are higher than the normal adoption subsidy payment and are paid on behalf of children who are approved for the higher rate. Our review of five of these 52 children disclosed four children had medical conditions, as documented on the DCF 416 form, prior to adoption. For the other child, an adjustment was made to the adoption subsidy payment to reflect a medical condition that occurred subsequent to

the adoption. This information suggests that a significant number of the children on behalf of whom the \$612,906 was paid might be eligible for SSI and thus eligible for Federal reimbursement for some part of the \$612,906 in adoption subsidy payments.

We were informed that there are systemic gaps in applying for SSI and the Department seems reliant upon the Revenue Enhancement Unit's processing technicians happening to notice from a review of the record that the child may have a qualifying condition or of the social worker making similar notice. The Department further indicated that it would probably make sense for the Department to disseminate policy stipulating that, upon receipt of a medical certificate documenting specialized needs, the social worker is to apply for SSI.

Extrapolating our audit exceptions to determine the potential loss of State revenue is not appropriate because we cannot conclusively determine whether the children would have been determined to be eligible for SSI.

The Department should establish procedures to apply for Supplemental Security Income (SSI) benefits for children prior to adoption, as applicable, to ensure that adoption subsidy payments made on behalf of children that are eligible for SSI are claimed for Federal reimbursement under the Adoption Assistance program. (See Recommendation 2.)

Agency Response:

“The Department plans to implement a policy change to require that social workers complete SSI applications concurrent with medically complex certificates. Anticipated corrective action date is December 2002.”

Item 3: Child Not Deprived Of Parental Support

The Department did not properly document whether children were deprived of parental support. This resulted in the loss of Federal financial assistance.

Title 42 Section 672 Paragraph (a) of the United States Code provides that foster care benefits are allowable for Federal reimbursement under the Foster Care-Title IV-E program for any foster child who would have met the requirements of Section 606(a) of this Title or of Section 607 of this Title (as such sections were in effect on July 16, 1996). These sections, which were in effect on July 16, 1996, referred to the former Aid to Families with Dependent Children (AFDC) program. The child has to meet this requirement at the time of initial placement into care and throughout the placement in the Department's care.

The child meets the former AFDC criteria test if the child would have received AFDC (according to the AFDC eligibility criteria effective on July 16, 1996) in the home from which he or she was removed during the eligibility month, which is the month of the filing of the petition or motion that led to the court-ordered removal, or signing of the voluntary placement agreement (VPA). As part of meeting the AFDC program criteria, the child must be deprived of the support of one or both parents as a result of death, disability, continued absence from the parental home, or unemployment of the principal wage earner.

We sampled 25 foster care maintenance payments totaling \$47,556 (\$23,778 at the 50 percent Federal reimbursement rate) that were paid to providers on behalf of DCF placed children that were coded as not being Federally reimbursable because they were not deprived of parental support in accordance with the former AFDC program. Our test disclosed a potential loss of Federal reimbursement because the Revenue Enhancement Unit incorrectly determined that some children were not deprived of parental support. Further review of our results disclosed the following:

- Two foster care maintenance payments totaling \$2,478 were not claimed for Federal reimbursement because of the failure to identify the children as being deprived of parental support. The two children met all the other eligibility requirements. Extrapolating these two audit exceptions totaling \$2,478 (\$1,239 at the 50 percent Federal reimbursement rate) to the entire population would indicate a loss by the State of \$436,463 in Federal reimbursement for foster care maintenance payments that were made during the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$1,239] Divided By *sample size* [\$23,778] Multiplied By *population amount* [\$8,376,300].)
- One foster care maintenance payment for \$4,126 was also not claimed for Federal reimbursement because of the failure to identify the children as being deprived of parental support. However, we could not determine whether the child met the financial requirements of the old AFDC program because this information was not completed on the Eligibility Worksheet. We did note that, for the quarter ended June 30, 2001 (and each of the three preceding quarters), 64 percent of the DCF placed children met the requirements of the old AFDC program. Extrapolating this audit exception of \$4,126 (\$2,063 at the 50 percent Federal reimbursement rate) to the entire population would indicate a loss by the State of \$465,110 in Federal reimbursement for foster care maintenance payments that were made during the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$2,063] Divided By *sample size* [\$23,778] Multiplied By *population amount* [\$8,376,300] Multiplied By *percent of children meeting AFDC* [64 percent].)
- The Department's database had an improper eligibility code for one child for the service period tested. The child went home and came back into DCF's care; however, a new eligibility determination was not performed when the child came back into care. The code that was in the database was based on the previous placement for which the child was not deprived of parental support. However, based on the new placement, the child was deprived of parental support, but the child was not placed in a licensed foster home (see Item 7).

Our review disclosed that the Revenue Enhancement Unit has to review a number of different sources of information to determine whether the children were deprived of parental support. This review process appears to be very time consuming and does not provide reasonable assurance that a proper determination concerning deprivation will be made. Our review did disclose four coding errors as noted above that could have occurred because the necessary

documentation was not available to the Revenue Enhancement Unit at the time the eligibility determinations were completed.

The Department's case workers should document effectively in a child's case record whether the child was deprived of parental support so that a complete eligibility determination could be made. Consideration should be given to documenting this information, as well as any other necessary information, in a specific location to allow the Revenue Enhancement Unit to perform more effective and efficient eligibility determinations. (See Recommendation 3.)

Agency Response:

“The Agency recently appointed IV-E liaison coordinators in the regional offices to facilitate data gathering for IV-E determinations and obtain missing information from social workers and the Courts. The liaisons will work with the Revenue Enhancement staff to implement an overall Revenue Enhancement Plan to standardize social worker documentation procedures and follow-up on social worker and Court compliance. The corrective action plan will be phased in over the next year and will include a process to effectively obtain deprivation, specified relative and employment information on parents. The corrective action plan is to be completed by December 2003.”

Item 4: Child Not Living With A Specified Relative

The Department did not properly document whether children were living with specified relatives within six months of the children's removals from the homes. This resulted in the potential loss of Federal financial assistance.

Title 42 Section 672 Paragraph (a) of the United States Code provides that foster care benefits are allowable for Federal reimbursement under the Foster Care-Title IV-E program for any foster child who

- would have received aid under the State plan approved under the former Aid to Families with Dependent Children (AFDC) program (as in effect on July 16, 1996), in or for the month in which such agreement was entered into or court proceedings leading to the removal of such child from the home were initiated, or
- would have received such aid in or for such month if application had been made therefore, or had been living with a relative as specified under the former Aid to Families with Dependent Children (AFDC) program (as in effect on July 16, 1996) within six months prior to the month in which such agreement was entered into or such proceedings were initiated, and would have received such aid in or for such month if in such month he had been living with such a relative and application therefore had been made.

The child has to meet this requirement at the time of initial placement into care and throughout the placement in the Department's care.

The child meets the former AFDC criteria test if the child would have received AFDC (according to AFDC eligibility criteria effective on July 16, 1996) in the home from which he or she was removed during the eligibility month, which is the month of the filing of the petition or motion that led to the court-ordered removal, or signing of the voluntary placement agreement (VPA). As part of meeting the former AFDC program, the child must be living with a specified relative; i.e. parent (natural, adoptive, or step parent), sibling, aunt, uncle, first cousin, or any relative who is in the fifth degree of kinship during the eligibility month or at least six (6) months prior to the eligibility month.

We sampled 25 foster care maintenance payments totaling \$69,600 (\$34,800 at the 50 percent Federal reimbursement rate) that were paid to providers on behalf of DCF placed children that were coded as not being Federally reimbursable because the children were not removed from specified relatives. Our test disclosed apparent exceptions concerning whether children were removed from the homes of specified relatives in three out of the 25 payments tested. Further review of these transactions disclosed the following:

- One payment for \$734 (\$367 at the 50 percent Federal reimbursement rate) was made on behalf of a child who was not considered to be living with a specified relative at the time of removal because the court used an existing court petition from a previous DCF placement to initiate the current removal of the child who was at that time actually living with the specified relative. Further, this petition was prepared while the child was in DCF's care. Hence, based on the date of the petition, the child was not living with a specified relative because the child was living with a foster care provider. We could not determine whether this child met the financial need and deprivation requirements of the former AFDC program. This information was not completed on the Eligibility Worksheets. We did note that, for the quarter ended June 30, 2001 (and each of the three preceding quarters), 64 percent of the DCF placed children met the requirements of the old AFDC program. Extrapolating this audit exception of \$734 (\$367 at the Federal reimbursement rate), there was a loss of State revenue totaling \$6,799 for the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$367] Divided By *sample size* [\$34,800] Multiplied By *population amount* [\$1,007,352] Multiplied By *percent of children meeting AFDC* [64 percent].)
- For one payment for \$5,372, there was conflicting information in the case records concerning the living arrangements of the child prior to the child's removal from the home. There were indications that the child did not live with a specified relative at the time of removal. However, this wasn't definitive because we noted information that indicated that the child did live with a specified relative within six months of the removal. Extrapolating this audit exception to the entire population to determine the potential loss of Federal dollars would not be appropriate because of the uncertainty of the child's living arrangement prior to placement.
- One payment for \$8,680 was improperly coded by the Department because the child was removed from a specified relative as required by Federal regulations. However, the

initial court order removing the child from the home did not have the proper court language required by Federal regulations (see Item 7).

Our review also disclosed that the Revenue Enhancement Unit has to review a number of different sources of information to determine whether the children were living with specified relatives within six months of their removals from the homes. This review process appears to be very time consuming and does not provide reasonable assurance that a proper determination concerning deprivation will be made. Our review did disclose one coding error as noted above that could have occurred because the necessary documentation was not available to the Revenue Enhancement Unit at the time the eligibility determinations were completed. We also noted conflicting information in the case record concerning whether a child was removed from a specified relative.

The Department's case workers should document effectively in a child's case record whether the child was living with a specified relative within six months of the child's removal from the home so that a complete eligibility determination could be made. Consideration should be given to documenting this information, as well as any other necessary information, in a specific location to allow the Revenue Enhancement Unit to perform more effective and efficient eligibility determinations. (See Recommendation 4.)

Agency Response:

See Item 3.

Item 5: Child Did Not Meet The AFDC Financial Need Requirement

The Department did not properly document the employment information for the parents of DCF placed children. This could result in a potential loss of Federal financial assistance.

Title 42 Section 672 Paragraph (a) of the United States Code provides that foster care benefits are allowable for Federal reimbursement under the Foster Care-Title IV-E program for any foster child who would have met the requirements of Section 606(a) of this Title or of Section 607 of this Title (as such Sections were in effect on July 16, 1996). These Sections that were in effect on July 16, 1996, referred to the former Aid to Families with Dependent Children (AFDC) program. The child has to meet this requirement at the time of initial placement into care and throughout the placement in the Department's care.

The child meets the former AFDC criteria test if the child would have received AFDC (according to AFDC eligibility criteria effective on July 16, 1996) in the home from which he or she was removed during the eligibility month, which is the month of the filing of the petition or motion that led to the court-ordered removal, or signing of the voluntary placement agreement (VPA). As part of meeting the former AFDC program, an asset and income test must be made. If the child was removed from a parent, step parent, or adoptive parent, then the monthly gross income of the household must be considered. If the child was removed from the home of a non-

parent, specified relative, then only the income of the child and sibling(s) in the same household is considered.

We sampled 25 foster care maintenance payments totaling \$54,084 (\$27,042 at the 50 percent Federal reimbursement rate) that were paid to providers on behalf of DCF placed children that were coded as not being Federally reimbursable because the children did not meet the financial need test of the former AFDC program. Our test disclosed that the Department did not properly document in its case records in four instances the employment for those parents in which children were placed in the Department's care. The case workers indicated in the case records that the parents were working. However, there was no indication of the amount of wages earned. As a result, four payments totaling \$3,054 were not claimed for Federal reimbursement because the Revenue Enhancement Unit had to code the four children as if the children did not meet the financial need requirement of the former AFDC program.

Our review of the wage information maintained by the Department of Labor disclosed no wages earned during the AFDC eligibility month for the parents of two of the children tested. The wage records maintained at the Department of Labor can be used as a source to determine the amount of wages. However, a review limited to the Department of Labor's wage records is not sufficient to document that the child met the requirements of the former AFDC program if there is conflicting information obtained from the case workers. The Department would need to verify further the appropriate wage information. For the parents of the other two children, we could not verify the wage information maintained at DOL because DCF did not obtain social security numbers.

Extrapolating the four audit exceptions to determine the potential loss of State revenue is not appropriate because we cannot determine with certainty whether the parents did meet the financial need requirement of the old AFDC program.

Our review disclosed that the Revenue Enhancement Unit has to review a number of different sources of information to determine whether the children's parents earned wages as part of determining whether the child met the financial need requirements of the former AFDC. This review process appears to be very time consuming and does not provide reasonable assurance that a proper determination concerning deprivation will be made. Our review did disclose four instances where the wage information was not documented in the case records by the case workers.

The Department's case workers should document effectively in a child's case record the wages of the child's parents so that a complete eligibility determination could be made. Consideration should be given to documenting this information, as well as any other necessary information, in a specific location to allow the Revenue Enhancement Unit to perform more effective and efficient eligibility determination. (See Recommendation 5.)

Agency Response:

See Item 3.

Item 6: Computer Generated Code Or No IV-E Code

The Department did not perform eligibility determinations in a timely manner. This resulted in the loss of Federal financial assistance.

The Foster Care and Adoption Assistance programs are authorized by Title IV-E of the Social Security Act. These programs are considered open-ended entitlement programs and allow the State to be funded at a specified percentage (Federal reimbursement) for program costs for eligible children. The funding percentage for foster care maintenance and adoption subsidy payments is 50 percent. Children are eligible if they meet the eligibility requirements of the programs. To be eligible for Federal funding, claims must be submitted to the Federal government within 2 years after the calendar quarter in which the State made the expenditure. (45 CFR sections 95.7, 95.13, and 95.19).

The Department's Policy Manual provides that the purpose of the Revenue Enhancement Unit is to maximize the recoupment of expenditures via various Federal resources for services to children and families served by the Department. Further, the Manual provides that the Unit shall then ensure that a Title IV-E eligibility determination is conducted in every case, and redeterminations are completed annually on all Title IV-E eligible children.

We sampled 25 foster care maintenance payments totaling \$46,342 (\$23,171 at the 50 percent Federal reimbursement rate) that were paid to providers during the fiscal year ended June 30, 2001, on behalf of DCF placed children, in which a IV-E Code was not assigned to the payment. Normally a payment (check) is generated on a monthly basis for the number of days in the previous month in which the child was placed in the Department's care. Our test disclosed that the payment did not have an assigned IV-E Code because eligibility determinations were not completed for these children.

We expanded our review to include the period April 1, 1999, to June 30, 2001, to determine the number of quarters in which the above payments did not have an assigned IV-E Code. This review disclosed payments were not assigned IV-E Codes for more than eight quarters for two children, for five or six quarters for three children, and for three or four quarters for nine children. Not performing eligibility determinations in a timely manner could result in the loss of Federal reimbursement if the payments are reimbursable and not claimed within the two-year limitation allowed by the Federal regulations. We did note that a loss of Federal reimbursement occurred for one of these children because payments were made on behalf of an eligible child but were not claimed within the two years allowed by the Federal regulations.

Subsequent to our request for the case records for the 25 children sampled, the Department performed the eligibility determinations for these 25 children. Nine of these 25 children were determined by the Department to be eligible for Federal reimbursement. It is uncertain if the Department would have performed these determinations within the required two years allowed by the Federal regulations if we had not requested the case records. Also, based on the Department's eligibility determinations, six children were not eligible for Federal reimbursement

because proper court orders were not obtained in a timely manner or the children were placed with unlicensed providers (see Item 7).

Further, we summarized the total foster care maintenance payments made during the quarter ended September 30, 1999, that did not have assigned IV-E Codes. The source of this data was the quarterly report produced by a consultant for the quarter ended June 30, 2001, that was used by the Department to prepare its claim for Federal reimbursement. The payments made during the quarter ended September 30, 1999, were used because, per Federal regulations, it was the last opportunity the Department had to claim the payments for Federal reimbursement. The foster care maintenance payments made during this quarter that did not have an eligibility determination completed totaled \$186,055. Our review of the quarterly report ended June 30, 2001, also disclosed adoption subsidy payments totaling \$145,198 made during the quarter ended September 30, 1999, that did not have assigned IV-E Codes. Because these payments did not have assigned IV-E Codes, there could be a loss of Federal reimbursement if any of these payments were made on behalf of children that met the eligibility requirements of the Foster Care-Title IV-E and Adoption Assistance programs, as applicable. However, we did not determine whether these children would have been eligible if processed timely, so we do not know what actual losses were incurred.

The Department should perform eligibility determinations in a timely manner so that those children eligible for Federal reimbursement are properly identified to ensure the maximum allowed Federal reimbursement can be claimed. (See Recommendation 6.)

Agency Response:

“The computer generated report that identifies new placements was modified in June 2002 to also include children re-entering care. This modification enhances the agency’s ability to perform an eligibility determination in a timely manner and ensure maximum federal reimbursement. Corrective action completed June 2002”

Item 7: Administrative Deficiencies Reported In A Prior Performance Audit Report

The Department could not claim Federal reimbursement for foster care maintenance payments because court orders were not on file and children were not placed in licensed foster homes. This resulted in a loss of Federal financial assistance.

Foster Care maintenance payments are allowable only if the foster child was removed from his or her home by means of a judicial determination or pursuant to a voluntary placement agreement, as defined in 42 USC 672(f) (42 USC 672(a)).

- If the removal was by judicial determination, the court action must have been initiated within six months of the child’s removal from the home of a specified relative (42 USC 672(a)) and must contain language to the effect that: (i) the child’s remaining at home would be contrary to his or her welfare, and (ii) reasonable efforts have been made to

prevent the removal and to make it possible for the child to safely return home (42 USC 672(a)).

- If the removal was by a voluntary placement agreement, it must be followed within 180 days by a judicial determination to the effect that such placement is in the best interests of the child (42 USC 672(e)).

A child must meet the eligibility requirements of the former Aid to Families with Dependent Children (AFDC) program (i.e., meet the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act). Unless the child is expected to graduate from a secondary educational institution before his or her 19th birthday, eligibility ceases at the child's 18th birthday (42 USC 672(a)).

The provider, whether a foster family home or a child-care institution, must be licensed by the proper State Foster Care licensing authority (42 USC 672(b) and (c)).

Our test of foster care maintenance payments included in Item 3, Item 4 and Item 6 disclosed administrative deficiencies related to not obtaining court orders in a timely manner and placing children with unlicensed providers. The types of administrative deficiencies noted during this audit were similar to a previous performance audit conducted on DCF by us. The objective of our previous performance audit was the same as this performance audit. However, different IV-E Codes were selected for each audit review. For the previous performance audit, we reviewed foster care maintenance payments made during the quarter ended March 31, 1999, on behalf of those children that were not placed in licensed foster homes and those children that did not have adequate court documentation in their case records. The report for the previous performance audit was issued by us on October 30, 2002. Further review of these similar exceptions noted during this current audit are discussed below:

Item 3:

Our test disclosed that one payment for \$690 was improperly coded by the Department because the child was deprived of parental support; however, the child met all the other requirements except the child was placed in an unlicensed foster home. Extrapolating this audit exception of \$690 (\$345 at the 50 percent Federal reimbursement rate) to the entire population would indicate a loss by the State of \$121,533 in Federal reimbursement for foster care maintenance payments that were made during the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$345] Divided By *sample size* [\$23,778] Multiplied By *population amount* [\$8,376,300].)

Item 4:

Our test disclosed one payment for \$8,680 was improperly coded by the Department because the child was removed from a specified relative as required by Federal regulations; however, the initial court order removing the child from the home did not have the proper court language required by Federal regulations. In addition, we could not determine whether the child met the requirements of the old AFDC program because the AFDC information was not completed on the Eligibility Worksheet. We did note that, for the quarter ended June 30, 2001 (and each of the three preceding quarters), 64 percent of the DCF placed children met the requirements of the old

AFDC program. Extrapolating this audit exception totaling \$8,680 (\$4,340 at the 50 percent Federal reimbursement rate) to the entire population would indicate a loss by the State of \$80,403 in Federal reimbursement for foster care maintenance payments that were made during the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$4,340] Divided By *sample size* [\$34,800] Multiplied By *population amount* [\$1,007,352] Multiplied by *percent of children meeting AFDC* [64 percent].)

Item 6:

Subsequent to our sample selection, the Department performed the eligibility determinations for the 25 children. Our review of the 25 foster care maintenance payments that had eligibility determinations completed subsequent to our audit disclosed five children were not eligible for Federal reimbursement because court orders with the proper language were not on file and one child was not eligible for Federal reimbursement because the child was placed with a relative who wasn't licensed. Extrapolating these six audit exceptions totaling \$14,318 (\$7,159 the 50 percent Federal reimbursement rate) to the entire population would indicate a loss by the State of \$1,019,694 in Federal reimbursement for foster care maintenance payments that were made during the fiscal year ended June 30, 2001. The extrapolated amount was calculated based on the Federal reimbursement rate as follows: (*sample error* [\$7,159] Divided By *sample size* [\$23,171] Multiplied By *population amount* [\$3,300,368].)

No recommendation is needed because recommendations concerning the loss in Federal reimbursement for administrative deficiencies related to not having adequate court documentation on file and not placing children in licensed foster homes were reported in a previous performance audit report dated October 30, 2002, of the Department's administration of the Foster Care-Title IV-E program.

Item 8: Federal Reimbursement For Administration Costs Was Not Claimed

The Department did not claim Federal reimbursement for administration costs associated with those children who did not meet the reimbursability requirements of the Foster Care-Title IV-E and Adoption Assistance programs.

The Department's approved Cost Allocation Plan allows the Department to claim Federal reimbursement for administrative costs associated with children who meet the eligibility requirements of the Foster Care-Title IV-E and Adoption Assistance programs. The number of children used in the CAP formulas is based on a three month average of children that were in placement or adoption on the first of each month in a quarter. The CAP formulas are based on, among other calculations, a proportion of children who meet the eligibility requirements of the Foster Care-Title IV-E and Adoption Assistance programs.

Our review of the foster care maintenance payments and adoption subsidy payments disclosed a number of children who would have met the eligibility requirements of the Foster Care-Title IV-E and Adoption Assistance programs if the Department had obtained and filed the necessary

documentation in the children's case records in a timely manner. As a result the Department would have been able to claim for Federal reimbursement a greater share of the administrative costs incurred on behalf of administering the Foster Care-Title IV-E and Adoption Assistance programs. Therefore, if the Department obtained necessary documentation and filed the documentation in the case records in a timely manner, the number of children not eligible for Federal reimbursement would have been reduced. Conversely this would have increased the number of children that would have been eligible for Federal reimbursement, which would have produced a larger allocation statistic. The larger allocation statistic would have allowed the Department to claim additional administration costs for Federal reimbursement.

Based on adjusting the DCF Cost Allocation Plan formulas with the extrapolated error totals from Items 1 through 7, the Department could have claimed for Federal reimbursement additional administrative costs incurred on behalf of administering the Foster Care-Title IV-E and Adoption Assistance programs totaling \$793,175 and \$56,127, respectively, for the quarter ended June 30, 2001. Assuming that the expenditure amount and the exception rate were the same, the annual loss of State revenue would total approximately \$3,172,700 and \$224,508, respectively.

No recommendation is needed because adopting the previous recommendations included in Item 1 to Item 7 in this report would rectify this situation.

RECOMMENDATIONS

- 1. The Department should review adoption subsidy payments that are not being claimed for Federal reimbursement to determine whether adequate documentation can be obtained that would allow for a correction, if appropriate, to the eligibility determinations to ensure that the maximum Federal reimbursement can be claimed.**

Comment:

The Department did not always obtain the documentation necessary to perform a complete eligibility determination for children who were adopted. We also noted clerical errors. As a result, the Department could not claim Federal reimbursement for the adoption subsidy payments made to the providers on behalf of the placed children and the related administration costs. The estimated loss in State revenue for the fiscal year ended June 30, 2001, was \$1,196,870 in adoption subsidy payments and \$224,508 in administration costs.

- 2. The Department should establish procedures to apply for Supplemental Security Income (SSI) benefits prior to adoption, as applicable, to ensure that adoption subsidy payments made on behalf of children that are eligible for SSI are claimed for Federal reimbursement under the Adoption Assistance program.**

Comment:

Our test disclosed 11 payments made on behalf of children who were identified by the Department as having medical conditions. However, the Department did not file applications for SSI for these 11 children even though the Department documented that these children had medical conditions. As a result, a loss of Federal reimbursement could have occurred if these children were in fact eligible for SSI.

- 3. The Department's case workers should document effectively in a child's case record whether the child was deprived of parental support so that a complete eligibility determination could be made. Consideration should be given to documenting this information, as well as any other necessary information, in a specific location to allow the Revenue Enhancement Unit to perform more effective and efficient eligibility determinations.**

Comment:

Our audit disclosed children were improperly determined as not being deprived of parental support. This resulted in an estimated loss in State revenue for the fiscal year ended June 30, 2001, totaling \$901,573 in foster care maintenance payments and \$1,889,750 in administration costs. Our audit also disclosed a number of different sources of information had to be reviewed to determine whether a child was deprived of parental support. Further, our audit disclosed administrative deficiencies similar to those that were reported in a prior performance audit report. These deficiencies resulted in an estimated loss of State revenue for the fiscal year ended June 30, 2001, totaling \$121,533 in foster care maintenance payments and \$710,824 in administration costs.

- 4. The Department's case workers should document effectively in a child's case record whether the child was living with a specified relative within six months of the child's removal from the home so that a complete eligibility determination could be made. Consideration should be given to documenting this information, as well as any other necessary information, in a specific location to allow the Revenue Enhancement Unit to perform more effective and efficient eligibility determinations.**

Comment:

The Department did not always adequately document whether children were living with specified relatives at the time of their removals. This resulted in an estimated loss in State revenue for the fiscal year ended June 30, 2001, totaling \$6,799 in foster care maintenance payments and \$34,674 in administration costs. Our audit also disclosed that a number of different sources of information had to be reviewed to determine whether a child was living with a specified relative. Further, our audit disclosed administrative deficiencies that were reported in a prior performance audit report which resulted in an estimated loss of State revenue for the fiscal year ended June 30, 2001, totaling \$80,403 in foster care maintenance payments and \$34,674 in administration costs.

- 5. The Department's case workers should document effectively in a child's case record the wages of the child's parents so that a complete eligibility determination could be made. Consideration should be given to documenting this information, as well as any other necessary information, in a specific location to allow the Revenue Enhancement Unit to perform more effective and efficient eligibility determinations.**

Comment:

The Department did not always document in its case records the amount of wages earned by the children's parents. As a result, the children were determined as not meeting the financial need requirement of the former AFDC program. Our review also disclosed a number of different sources of information had to be reviewed to determine whether a child met the financial need requirement of the former AFDC program. We could not determine whether there was a loss of Federal reimbursement for the exceptions noted.

- 6. The Department should perform eligibility determinations in a timely manner so that those children eligible for Federal reimbursement are properly identified to ensure the maximum allowed Federal reimbursement can be claimed.**

Comment:

The Department did not always perform eligibility determinations in a timely manner, which resulted in a loss of Federal reimbursement. Further, we noted administrative deficiencies related to not having children placed in licensed foster homes and not having proper court orders on file that were reported in a prior performance audit report. As a result of these previous reported deficiencies, the Department could not claim Federal reimbursement for maintenance costs paid on behalf of DCF placed children and related administration costs. This resulted in an estimated loss in State revenue for the fiscal year ended June 30, 2001, of \$1,019,694 in foster care maintenance payments and \$502,778 in administration costs.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Children and Families during the course of our examination.

Frank LaRosa
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts