April 19, 2011

TO: David Hansell
Acting Assistant Secretary
Administration for Children and Families

FROM: /George M. Reeb/
Acting Deputy Inspector General for Audit Services

SUBJECT: Review of Title IV-E Adoption Assistance Maintenance Payments in Tennessee for the Period October 1, 2005, Through September 30, 2006 (A-07-10-02752)

The attached final report provides the results of our review of the State of Tennessee's compliance with eligibility requirements in claiming adoption assistance maintenance payments. We will issue this report to the Tennessee Department of Children's Services within 5 business days.

If you have any questions or comments about this report, please do not hesitate to contact me at (410) 786-7104 or through email at George.Reeb@oig.hhs.gov or Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591 or through email at Patrick.Cogley@oig.hhs.gov. Please refer to report number A-07-10-02752.

Attachment

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

Region VII
601 East 12th Street
Room 0429
Kansas City, Missouri 64106

April 26, 2011

Report Number: A-07-10-02752

Ms. Kathryn R. O'Day
Commissioner
Tennessee Department of Children's Services
Cordell Hull Building
436 6th Avenue North
Nashville, TN 37243

Dear Ms. O'Day:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Title IV-E Adoption Assistance Maintenance Payments in Tennessee for the Period October 1, 2005, Through September 30, 2006*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

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

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact James Korn, Audit Manager, at (303) 844-7153 or through email at James.Korn@oig.hhs.gov. Please refer to report number A-07-10-02752 in all correspondence.

Sincerely,

/Patrick J. Cogley/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Carlis V. Williams
Regional Administrator
Administration for Children and Families
61 Forsyth Street S.W., Suite 4M60
Atlanta, GA 30303

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

REVIEW OF TITLE IV-E ADOPTION ASSISTANCE MAINTENANCE PAYMENTS IN TENNESSEE FOR THE PERIOD OCTOBER 1, 2005, THROUGH SEPTEMBER 30, 2006

Daniel R. Levinson
Inspector General

April 2011
A-07-10-02752

Office of Inspector General

http://oig.hhs.gov

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

The Department of Health & Human Services, Administration for Children and Families (ACF), is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through internal activities and through grants and contracts with State, county, city, and tribal governments, as well as public and private local agencies. Pursuant to Title IV-E of the Social Security Act (the Act), ACF administers the foster care and adoption assistance programs. The foster care program helps States provide proper care for children who need placement in a foster home or an institution. The adoption assistance program helps States encourage the adoption of children with special needs. As it does in the foster care program, the Federal Government shares in the States' costs of adoption assistance payments for eligible children.

The Federal Government pays its share of a State's adoption assistance payments based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Pursuant to the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, States' FMAPs are temporarily increased for Federal fiscal years (FY) 2009 and 2010 and for the first quarter of FY 2011.

Sections 473(a) and (c) of the Act establish adoption assistance eligibility requirements, and ACF's *Child Welfare Policy Manual* provides guidance on these requirements. In addition, Federal regulations at 45 CFR § 92.42 specify the requirements for documentation to support eligibility assistance determinations.

In Tennessee, the Department of Children's Services (State agency) is responsible for administering the Title IV-E foster care and adoption assistance programs in accordance with ACF-approved State plans. For FYs 2006 through 2008 (October 1, 2005, through September 30, 2008), the State agency claimed $78,871,943 (Federal share) in Title IV-E adoption assistance payments on its Federal quarterly expenditure reports. Of 4,883 children's adoption assistance claims in FY 2006, we reviewed the adoption assistance claims for 1,500 children whose payments had the highest dollar amounts (that is, claims for which payments were over $21,000 for each child) (high-dollar adoption assistance claims) totaling $13,694,656 (Federal share). Because in subsequent FYs the State agency claimed payments on behalf of the beneficiaries associated with these same high-dollar adoption assistance claims, we also reviewed claims for payments made in FYs 2007 and 2008.

OBJECTIVE

Our objective was to determine whether the State agency complied with Federal eligibility requirements in claiming adoption assistance payments for Federal reimbursement for FYs 2006 through 2008.

SUMMARY OF FINDINGS

The State agency did not always comply with Federal eligibility requirements when claiming Title IV-E adoption assistance for Federal reimbursement for FYs 2006 through 2008. We identified 84 ineligible beneficiaries for whom the State agency received $2,078,773 (Federal share) in Federal reimbursement for FYs 2006 through 2008. Specifically:

- The State agency claimed $2,054,341 (Federal share) on behalf of 83 children who were ineligible for Federal adoption assistance. The State agency initially concluded that these 83 children were ineligible for Federal adoption assistance. However, due to inadequate internal controls, the State agency erroneously designated Federal funding instead of State funding for the claims associated with these 83 children. This error effectively overrode the previous eligibility determination and permitted adoption assistance payments to be made, incorrectly, on behalf of these 83 children.

- The State agency also claimed $24,432 (Federal share) for one child whom the State agency initially concluded to be eligible for adoption assistance; however, the initial eligibility determination was made in error because the family's income exceeded the limit.

We are setting aside adoption assistance claims for 854 of the 1,500 children in our sample, totaling $7,502,017 (Federal share), for resolution by ACF and the State agency. The State agency did not maintain documentation to support adoption assistance eligibility for these 854 children because the State agency did not maintain eligibility files as required by Federal regulations.

We determined that the State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments totaling $5,463,856 (Federal share) for the remaining 562 of the 1,500 children whose cases we selected for review for FY 2006.

RECOMMENDATIONS

We recommend that the State agency:

- refund $2,078,773 to the Federal Government for the children identified as ineligible for FYs 2006 through 2008;

- identify additional payments received in FYs 2009 and 2010 for the children identified as ineligible and make a financial adjustment for these additional payments on its next Federal quarterly expenditure report;

- work with ACF to resolve $7,502,017 (Federal share) in costs that we set aside because the State agency did not provide documentation to support adoption assistance eligibility for 854 claims;

- continue recovering and restoring missing documentation to the adoption assistance eligibility files;

- review Children's Plan Financial System eligibility for all children receiving adoption assistance who were not included in our review;

- continue to strengthen internal controls to insure that Federal reimbursement for adoption assistance is not claimed on behalf of ineligible children; and

- implement policies and procedures to ensure adoption assistance records are retained in accordance with Federal requirements.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency generally concurred with our recommendations and described corrective actions that it had implemented or planned to implement.

The State agency's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Title IV-E Foster Care and Adoption Assistance Programs

The Department of Health & Human Services (HHS), Administration for Children and Families (ACF), is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through internal activities and through grants and contracts with State, county, city, and tribal governments, as well as public and private local agencies. Pursuant to Title IV-E of the Social Security Act (the Act), ACF administers the foster care and adoption assistance programs. The foster care program helps States provide proper care for children who need placement in a foster home or an institution. The adoption assistance program helps States encourage the adoption of children with special needs. As it does in the foster care program, the Federal Government shares in the States' costs of adoption assistance payments for eligible children.

The Federal Government pays its share of a State's adoption assistance payments based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Pursuant to the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), § 5001, States' FMAPs are temporarily increased for Federal fiscal years (FY) 2009 and 2010 and for the first quarter of FY 2011.[1]

Sections 473(a) and (c) of the Act establish adoption assistance eligibility requirements, and ACF's *Child Welfare Policy Manual* provides guidance on these requirements. In addition, Federal regulations at 45 CFR § 92.42 specify the requirements for documentation to support eligibility assistance determinations.

Title IV-E Federal Reimbursement of Adoption Assistance Programs in Tennessee

In Tennessee, the Department of Children's Services (State agency) is responsible for administering the Title IV-E foster care and adoption assistance programs in accordance with ACF-approved State plans. In FY 2006, the State agency provided subsidy payments (ranging from $502 to $3,952 per month) to families with adopted foster care children that met adoption assistance eligibility requirements.

To help it administer these programs and make payments to foster parents, the State agency uses a mainframe application called the Children's Plan Financial System (CHIPFINS). Child-specific information is stored in CHIPFINS for all foster children and adopted children in Tennessee, regardless of whether or not a payment is issued on their behalf. CHIPFINS reports convey initial adoption assistance eligibility determinations. To claim costs for Title IV-E

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[1] The temporary FMAP rates provided for Tennessee based on the Recovery Act requirements were 70.48 percent for FY 2009 and 71.77 percent for FY 2010. The increased FMAP for the first quarter of FY 2011 had not been determined as of the time of our fieldwork.

reimbursement, the State agency submits a quarterly claim to the Federal Government. For FY 2006, the State agency submitted claims for Federal reimbursement for 4,883 children.

For FYs 2006 through 2008 (October 1, 2005, through September 30, 2008), the State agency claimed $78,871,943 (Federal share) in Title IV-E adoption assistance payments on its Federal quarterly expenditure reports. Specifically, the State agency claimed $24,327,245 (Federal share) in Title IV-E adoption assistance payments for FY 2006. It also claimed $27,322,843 (Federal share) and $27,221,855 (Federal share) for FYs 2007 and 2008, respectively.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency complied with Federal eligibility requirements in claiming adoption assistance payments for Federal reimbursement for FYs 2006 through 2008.

Scope

We limited the scope of our review to the high-dollar adoption assistance claims for 1,500 children (claims for which payments were over $21,000 for each child), which totaled $13,694,656 (Federal share) for FY 2006.

We expanded our scope to include subsequent payments according to the following process. For all of the beneficiaries that we identified as ineligible when we reviewed the high-dollar claims paid in FY 2006 for 1,500 children, we identified additional payments for the same ineligible beneficiaries that the State agency received in FYs 2007 and 2008.

We were unable to obtain sufficient hardcopy documentation for 854 of the 1,500 files we requested in a reasonable amount of time for our review.

We limited our consideration of the State agency's internal controls to obtaining an understanding of the processes for determining a child's eligibility and claiming Title IV-E adoption assistance payments for FY 2006.

We performed our fieldwork at the State agency in Nashville, Tennessee, from February through July 2009.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and ACF program and policy announcements;

- reconciled total adoption assistance payments that the State agency claimed in FY 2006 to individual supporting claims;

- reviewed eligibility case files for payments associated with 605 of the 1,500 high-dollar adoption assistance claims that the State agency submitted for Federal reimbursement in FY 2006;

- reviewed CHIPFINS reports for payments associated with the remaining 895 of the 1,500 high-dollar adoption assistance claims whose adoption assistance eligibility case files were not available for our review;

- determined whether the State agency continued to claim Title IV-E adoption assistance for FYs 2007 and 2008 for children identified as ineligible for FY 2006 by reviewing the amounts that the State agency claimed for Federal reimbursement and reconciling those amounts to individual supporting claims; and

- discussed the results of our review with State agency officials on July 17, 2009.

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

FINDINGS AND RECOMMENDATIONS

The State agency did not always comply with Federal eligibility requirements when claiming Title IV-E adoption assistance for Federal reimbursement for FYs 2006 through 2008. We identified 84 ineligible beneficiaries for whom the State agency received $2,078,773 (Federal share) in Federal reimbursement for FYs 2006 through 2008. Specifically:

- The State agency claimed $2,054,341 (Federal share) on behalf of 83 children who were ineligible for Federal adoption assistance. The State agency initially concluded that these 83 children were ineligible for Federal adoption assistance. However, due to inadequate internal controls, the State agency erroneously designated Federal funding instead of State funding for the claims associated with these 83 children. This error effectively overrode the previous eligibility determination and permitted adoption assistance payments to be made, incorrectly, on behalf of these 83 children.

- The State agency also claimed $24,432 (Federal share) for one child whom the State agency initially concluded to be eligible for adoption assistance; however, the initial eligibility determination was made in error because the family’s income exceeded the limit.

We are setting aside adoption assistance claims for 854 of the 1,500 children in our sample, totaling $7,502,017 (Federal share), for resolution by ACF and the State agency. The State agency did not maintain documentation to support adoption assistance eligibility for these 854 children because the State agency did not maintain eligibility files as required by Federal regulations.

We determined that the State agency complied with Federal eligibility requirements in claiming high-dollar adoption assistance payments totaling $5,463,856 (Federal share) for the remaining 562 of the 1,500 children whose cases we selected for review for FY 2006.

FUND SELECTION ERRORS

The State agency did not always comply with Federal eligibility requirements when claiming Title IV-E adoption assistance for Federal reimbursement for FYs 2006 through 2008. The State agency claimed $2,054,341 (Federal share) for FYs 2006 through 2008 on behalf of 83 children who were ineligible for Title IV-E adoption assistance.

Federal Requirements

Sections 473(a) and (c) of the Act establish adoption assistance eligibility requirements, and ACF's *Child Welfare Policy Manual* provides guidance on these requirements.

Incorrect Funding Source Selected

The State agency initially determined that 83 children met State but not Federal adoption assistance eligibility requirements. The Title IV-E eligibility determination documentation, available in the case files or maintained in CHIPFINS, showed that the State agency concluded that these 83 children were ineligible for Title IV-E adoption assistance. However, the State agency then incorrectly selected Title IV-E as the funding source, and in so doing erroneously designated Federal funding instead of State funding for the claims associated with these 83 children. This error overrode the previous eligibility determination and permitted incorrect adoption assistance payments to be made on behalf of these 83 children.

These errors occurred because there were inadequate internal controls in place to insure that once an eligibility determination was made, the correct funding source would be designated. Specifically, miscommunications between the various staff involved in the eligibility verification process resulted in the inaccurate selection of the funding source.

The State agency was aware of this problem before our review. A State agency official stated that in July 2008 the State agency began to use a certification-of-eligibility form to document and summarize a child's funding source for adoption assistance. In this way, the State agency had already begun to address the internal control weakness that caused errors in the selection of the correct adoption assistance funding source.

ELIGIBILITY DETERMINATION ERROR

The State agency also claimed $24,432 (Federal share) for one child whom the State agency initially concluded to be eligible for adoption assistance; however, the initial eligibility determination was made in error.

Federal and State Plan Requirements

Section 3(A)(3)(a)(1) of the State's Title IV-A plan states that, in accordance with Section 473(a)(2)(A)(i)(I) of the Act, a special-needs child may be ruled eligible for Title IV-E adoption assistance if that child would have been eligible for assistance under the Aid to Families with Dependent Children (AFDC) program in the home of removal.[2]

In accordance with the Federal AFDC regulations at 45 CFR § 233.20, ACF's *Child Welfare Manual*, § 8.4A, Question 18, states that "[f]or initial eligibility determinations, the State must apply the former AFDC program's two-step income test to establish whether a child would have been considered a 'needy child' under the State's Title IV-A plan in effect on July 16, 1996."

Incorrect Eligibility Determination

The State agency's records showed that one special-needs child, adopted in August 2000, was approved for adoption assistance. However, we found that the child was ineligible for assistance because the family's income exceeded the State's AFDC need standard.[3] State agency employees recognized the error during a case review in August 2005. A case worker submitted an inquiry asking why the child had been ruled eligible for adoption assistance when the child's siblings were ineligible. The case was reviewed by a technical supervisor who concluded that the child was ineligible for adoption assistance due to the income level of the responsible relative.

Although the State agency recognized that the child was ineligible for adoption assistance, it did not take appropriate steps to discontinue Federal adoption assistance payments or refund overpayments already received on behalf of the child. As a result, adoption assistance payments continued to be made—payments for which the State agency claimed $24,432 in Federal reimbursement—on behalf of a child not eligible for Federal assistance.

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[2] The AFDC program was succeeded by the Temporary Assistance for Needy Families (TANF) program. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. No. 104-193) established the TANF program to help families progress from welfare to self-sufficiency. The Federal and State Governments jointly fund and administer the program. At the Federal level, the ACF Office of Family Assistance administers the TANF program.

[3] ACF's *Child Welfare Manual*, § 8.4A, Question 18, states: "Prior to the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, each State set its own AFDC need standard to use in determining eligibility for the program. The term 'AFDC need standard' refers to the amount of money a State determined that a particular size family needed to subsist. For Title IV-E purposes, the State's need standard as of July 16, 1996 … is the amount that provides the basis for both steps in the initial income test portion of the AFDC eligibility determination process."

DOCUMENTATION NOT PROVIDED IN A TIMELY MANNER

We are setting aside adoption assistance claims for 854 of the 1,500 children in our sample, totaling $7,502,017 (Federal share), for resolution by ACF and the State agency. The State agency did not provide adequate documentation to support adoption assistance eligibility for these 854 children, because the State agency misinterpreted Federal regulations for document retention.

Federal Requirements

Federal regulations at 45 CFR § 92.42(e) state:

> HHS awarding agencies, the HHS Inspector General, the U.S. Comptroller General, or any of their duly authorized representatives, shall have the right of access to any books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

Federal regulations at 45 CFR § 92.42(b)(2) state:

> If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

Federal regulations at 45 CFR § 92.42(c) state: "When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or sub-grantee submits to the awarding agency its single or last expenditure report for that period."

Adoption Assistance Files Purged

In 2002 the State agency implemented a policy of purging adoption assistance eligibility files after 3 years or on the completion of a Federal audit. However, pursuant to 45 CFR § 92.42(c), grant support for these cases is continued or renewed annually; therefore, adoption assistance eligibility files should be retained up to 3 years after adoption assistance has ceased and the case has been closed. Thus the State agency's policy of purging adoption assistance eligibility files did not conform to the provisions of these Federal regulations. As a result of its implementation of this policy, the State agency was unable to provide sufficient hard copy documentation to support adoption assistance eligibility for 854 of the 1,500 files we requested. Therefore we are setting aside, for ACF adjudication, the $7,502,017 (Federal share) associated with these claims for which the State agency did not maintain supporting eligibility files as required by Federal regulations.

In 2007 the State agency adopted a new record retention policy and now retains all case files indefinitely.

RECOMMENDATIONS

We recommend that the State agency:

- refund $2,078,773 to the Federal Government for the children identified as ineligible for FYs 2006 through 2008;
- identify additional payments received in FYs 2009 and 2010 for the children identified as ineligible and make a financial adjustment for these additional payments on its next Federal quarterly expenditure report;
- work with ACF to resolve $7,502,017 (Federal share) in costs that we set aside because the State agency did not provide documentation to support adoption assistance eligibility for 854 claims;
- continue recovering and restoring missing documentation to the adoption assistance eligibility files;
- review CHIPFINS eligibility for all children receiving adoption assistance who were not included in our review;
- continue to strengthen internal controls to insure that Federal reimbursement for adoption assistance is not claimed on behalf of ineligible children; and
- implement policies and procedures to ensure adoption assistance records are retained in accordance with Federal requirements.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency generally concurred with our recommendations and described corrective actions that it had implemented or planned to implement. The State agency clarified that CHIPFINS has been replaced by a new adoption assistance eligibility system within the State agency's Statewide Automated Child Welfare Information System.

The State agency's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS

STATE OF TENNESSEE
DEPARTMENT OF CHILDREN'S SERVICES
Cordell Hull Building
436 6th Avenue North, Nashville, TN. 37243

January 24, 2011

Re: Report Number A-07-10-02752

Mr. Patrick J. Cogley
Regional Inspector General
For Audit Services
Dept. of Health and Human Services
Region VII
601 East 12th Street
Room 0429
Kansas City, Missouri 64106

Dear Mr. Cogley:

As you are aware, in April of 2010, representatives of the Office of Inspector Generals (OIG) from the Federal Department of Health and Human Services (DHHS) completed their audit of our agency's administering of Title IV-E adoption assistance maintenance payments to families. The audit period under review was the period of October 1, 2005, through September 30, 2008 and included the request to review 1500 records for eligibility of funding source. During the actual review, only 648 of the files requested were completely audited, due to the fact that eligibility documentation had been purged according to agency guidelines.

On December 3, 2010, a copy of the completed report from DHHS was provided to our agency that shared the results of the audit and provided a set of recommendations for follow-up. The set of recommendations included:

- Refund $2,078,773 to the federal government for the children identified as ineligible for FY's 2006-2008:

- Identify additional payments received in FY 2009 and 2010 for the children identified as ineligible and make a financial adjustment for these additional payments on its next Federal quarterly expenditure report;

- Work with ACF to resolve $7,502,017 (Federal share) in costs that we set aside because the State agency did not provide documentation to support adoption assistance eligibility for 854 claims in a reasonable amount of time for our review;

- Continue recovering and restoring missing documentation to the adoption assistance eligibility files;

- Review Children's Plan Financial System eligibility for all children receiving adoption assistance who were not included in our review;

- Continue to strengthen internal controls to insure that Federal reimbursement for adoption assistance is not claimed on behalf of ineligible children; and

- Implement policies and procedures to ensure adoption assistance records are retained in accordance with Federal requirements.

Management's Comments

At this time we feel that we have either complied or have strategies for compliance with all of the recommendations that were made to us on behalf of DHHS and the audit report.

Recommendation: Refund $2,078,773 to the federal government for the children identified as ineligible for FY's 2006-2008:

- **We concur.** In June of 2010, the Tennessee Dept. of Children's Services refunded $2,991,241.89 to the Federal government for those children identified in this audit as ineligible for Title IV-E funding in the Federal Quarterly Expenditure Report. This amount includes $2,139,078.49 for FYs 2006 through 2008, as well as an additional $852,163.40 for FYs 2009 and 2010 to account for moneys claimed on incorrect child eligibility records that needed to be corrected. Currently, we are confident that all ineligible records identified have been corrected for funding source.

Recommendation: Identify additional payments received in FY 2009 and 2010 for the children identified as ineligible and make a financial adjustment for these additional payments on its next Federal quarterly expenditure report

- **We concur.** In June of 2010, the Tennessee Dept. of Children's Services refunded $2,991,241.89 to the Federal government for those children identified in this audit as ineligible for Title IV-E funding in the Federal Quarterly Expenditure Report. This amount includes $2,139,078.49 for FYs 2006 through 2008, as well as an additional $852,163.40 for FYs 2009 and 2010 to account for moneys claimed on incorrect child eligibility records that needed to be corrected.

Currently, we are confident that all ineligible records identified have been corrected for funding source.

Recommendation: Work with ACF to resolve $7,502,017 (Federal share) in costs that we set aside because the State agency did not provide documentation to support adoption assistance eligibility for 854 claims in a reasonable amount of time for our review

- **We concur in part.** On December 20, 2010, initial contact was made with Ruth Walker of the Administration of Children and Families (ACF) to discuss a plan for resolution of the $7,502,017. We have scheduled another follow up meeting with ACF for February 10 to further our discussion about efforts related to recovery and restoring missing documentation to the adoption assistance eligibility and resolution.

  While the auditors were on site, we did provide eligibility documentation from the state's Children's Plan Financial System (CHIPFINS) on all the cases. It was explained to the audit staff that the agency's previous policy for purge/destruction of records was the direct cause of lack of eligibility documentation for these cases. In some instances, the agency was able to mobilize enough resources to recreate the destroyed files; but the time involved and use of time involved presented a barrier to all involved. Since the time of the audit, the agency has changed its policy on the destruction of records to eliminate any further problems regarding record retention.

  The agency also felt the audit of Title IV-E Adoption Assistance maintenance payments lacked the structure that is provided in the process of audit of Foster Care payments. An ample size of files was provided in the 654 files that were produced to give more than enough understanding of our compliance. There was also no established error threshold comparable to the one provided by the foster care IV-E audit process. In many respects, states have not had clear, written guidelines or expectations related to adoption subsidies.

  Additionally, more internal control of the documentation of initial eligibility and the eligibility renewal process have been put in place. As of February 2011, an additional 12 resources have been added to the Central Office Division of Foster Care and Adoption Services Division creating a set of staff that will provide direct oversight to subsidy work that will encompass the entire state. There have also been updates to the file preservation policy and to the practice and policy of Title IV-E Adoption Assistance and Subsidized Permanent Guardianship eligibility/payment process.

Recommendation: Continue recovering and restoring missing documentation to the adoption assistance eligibility files.

- **We concur in part.** On December 20, 2010, initial contact was made with Ruth Walker of the Administration of Children and Families (ACF) to discuss a plan for resolution of the $7,502,017. We have scheduled another follow up meeting with ACF for February 10 to further our discussion about efforts related to recovery and restoring missing documentation to the adoption assistance eligibility and resolution.

Recommendation: Review Children's Plan Financial System eligibility for all children receiving adoption assistance who were not included in our review

- **We concur with a clarification.** The Tennessee Department of Children's Services has now converted to using SACWIS (Statewide Automated Child Welfare Information System) and is no longer utilizing the ChipFins eligibility system (Children's Plan Financial System) to document eligibility for Adoption Assistance subsidies. Please see a more detailed explanation below in the next audit response.

Recommendation: Continue to strengthen internal controls to insure that Federal reimbursement for adoption assistance is not claimed on behalf of ineligible children.

- **We concur.** More internal controls of the documentation of eligibility process have been put in place. As of February 2011, an additional 12 resources have been added to the Central Office Division of Foster Care and Adoption Services Division creating a set of staff that will provide direct oversight to subsidy work that will encompass the entire state. There have also been updates to the file preservation policy and to the practice and policy of Title IV-E Adoption Assistance and Subsidized Permanent Guardianship eligibility/payment process. If helpful, copy of the related policies and the Adoption Assistance Subsidy Best Practice Guide can be provided.

  To support compliance with federal Title IV-E Adoption Assistance eligibility requirements, the state of Tennessee has also developed and deployed a new SACWIS (Statewide Automated Child Welfare Information System). Built within Tennessee's SACWIS (TFACTS – Tennessee Family And Child Tracking System) is functionality to support the automated determination of Title IV-E and State Funded Adoption Assistance eligibility. The majority of the information to determine eligibility for Adoption Assistance will be derived from TFACTS. This information is entered throughout the system through the natural progression of the family's case from the initial contact the family has with Tennessee's Department of Children's Services, through adoption finalization and thereafter. UUpon the verification that all Adoption Assistance eligibility criteria has been collected and documented within TFACTS, Tennessee's Permanency Specialist staff , merely click a button. TFACTS then instantaneously returns an automated determination of eligibility. Within these screens the Permanency Specialist enters both the requested and negotiated amounts of assistance and submits the completed determination to Tennessee's Central Office Adoption staff for review and approval. Upon approval, DCS Central Office Adoption staff confirms the existence of the eligibility factors the child met, the approved per diem amount and the date of approval. In addition to the eligibility information captured within TFACTS, the system also provides the capability to upload and link verifications and documentation that supports the automated determination of Adoption Assistance eligibility. It is this internal control that will ensure that Tennessee consistently complies with both state and federal Adoption Assistance eligibility requirements. This added feature will also support future audit activity as all information related to the determination of Adoption Assistance eligibility and continued eligibility will be stored within the child's automated eligibility record. This process in addition to our quarterly Case Process Review that audits 40% of the entire case load annually, the findings identified should continue to be mitigated.

We hope this correspondence has addressed the issues you have identified. Please let us know if you have any other questions. If so, please direct them to Mason Ball at (615) 253-0063, or at Mason.Ball@tn.gov.

We do appreciate the feedback provided from the audit staff and feel certain that it has strengthened our process and will continue to do so as our practice evolves.

Sincerely,

Kathryn R. O'Day
Commissioner
State of Tennessee
Dept. of Children's Services