July 20, 2009

Report Number:  A-01-08-02502

Mr. Angelo McClain
Commissioner
Massachusetts Department of Children and Families
24 Farnsworth Street
Boston, Massachusetts  02210

Dear Mr. McClain:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of Massachusetts’ Title IV-E Foster Care Payments for Children 19 Years or Older for the Period October 1, 2005, Through September 30, 2008.” We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

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

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through e-mail at George.Nedder@oig.hhs.gov. Please refer to report number A-01-08-02502 in all correspondence.

Sincerely,

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosure
Direct Reply to HHS Action Official:

Ms. Mary Ann Higgins  
Regional Administrator  
Administration for Children and Families  
U.S. Department of Health and Human Services, Region I  
JFK Building – 20th Floor  
Boston, Massachusetts 02203
REVIEW OF MASSACHUSETTS’ TITLE IV-E FOSTER CARE PAYMENTS FOR CHILDREN 19 YEARS OR OLDER FOR THE PERIOD OCTOBER 1, 2005, THROUGH SEPTEMBER 30, 2008
The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

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

Title IV-E of the Social Security Act, as amended, authorizes Federal funds for State foster care programs. For children who meet Title IV-E requirements, the Administration for Children and Families (ACF) provides the Federal share of States’ costs, including maintenance (room and board) costs and administrative and training costs.

In Massachusetts, the Department of Children and Families (the State agency) is solely responsible for the Title IV-E program. The State agency determines Title IV-E eligibility and contracts with institutional care facilities to provide foster care services and with firms to place children in foster family and group homes. Contractors submit invoices to the State agency based on negotiated per diem rates. The State agency consolidates the invoices and submits Quarterly Reports of Expenditures and Estimates (Forms ACF-IV-E-1) to ACF to claim Federal funding.

Our review covered 33 children who reached age 19 before or during the period October 2005 through September 2008 and whose foster care costs were claimed for Federal reimbursement under Title IV-E during the same period.

OBJECTIVE

Our objective was to determine whether the State agency claimed Title IV-E maintenance and associated administrative costs only for children under age 19.

SUMMARY OF FINDING

For the period October 2005 through September 2008, the State agency did not always claim Title IV-E maintenance and associated administrative costs only for children under age 19. The State agency filed and correctly adjusted Title IV-E claims for services provided to 6 of the 33 children after they reached age 19. However, the State agency filed unallowable Title IV-E claims on behalf of the remaining 27 children for services provided after they reached age 19. As a result, the State agency’s Federal claim was overstated by $238,030 (Federal share) for maintenance costs and by $34,780 for related administrative costs. The State agency claimed costs for children age 19 or older because it did not have adequate controls to promptly identify children who did not meet Title IV-E age requirements.

RECOMMENDATION

We recommend that the State agency refund to the Federal Government $272,810 (Federal share), including $238,030 in unallowable maintenance costs and $34,780 in unallowable administrative costs, for the period October 2005 through September 2008.
STATE AGENCY COMMENTS

In comments on our draft report, the State agency stated that it had continued to review Title IV-E claims and eligibility records for the children in our review after we issued the draft report. As a result of the additional review, the State agency concluded that it had received overpayments for only 27 children, rather than for 28 as we had originally determined. The State agency noted that, as a result, the correct amount of overpayments was $272,810, which was $4,237 less than we had reported. In addition, the State agency said that it had already adjusted its Title IV-E claims to refund the Federal Government $272,522 of the corrected amount and that it would refund the remaining $288 in the June 30, 2009, submission of Form ACF-IV-E-1. The State agency’s comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

We reviewed and concurred with the additional claim and eligibility information that the State agency provided to support the revised amount. We have modified our finding and recommendation accordingly.
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INTRODUCTION

BACKGROUND

Title IV-E Foster Care Program

Title IV-E of the Social Security Act (the Act), as amended, authorizes Federal funds for States to provide foster care for children under an approved State plan. At the Federal level, the Administration for Children and Families (ACF) administers the program.

For children who meet Title IV-E foster care requirements, including age requirements, Federal funds are available to States for maintenance, administrative, and training costs:

- Maintenance costs cover room and board payments to licensed foster parents, group homes, and institutional care facilities. The Federal share of maintenance costs is based on each State’s Federal rate for Title XIX (Medicaid) expenditures. The Federal share of Massachusetts’ maintenance costs is 50 percent.

- Administrative costs cover staff activities such as case management and supervision of children placed in foster care and children considered to be Title IV-E candidates, preparation for and participation in court hearings, placement of children, recruitment and licensing for foster homes and institutions, and rate setting. Also reimbursable under this category is a proportionate share of overhead costs. The Federal share of administrative costs allocable to the Title IV-E program is 50 percent.

Massachusetts’ Title IV-E Program

In Massachusetts, the Department of Children and Families (the State agency) is solely responsible for the Title IV-E program. The State agency determines Title IV-E eligibility and contracts with institutional care facilities to provide foster care services and with firms that place children in foster family and group homes. Contractors submit invoices to the State agency based on negotiated per diem rates. The State agency pays the invoices and submits Quarterly Reports of Expenditures and Estimates (Forms ACF-IV-E-1) to ACF to claim Federal funding.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed Title IV-E maintenance and associated administrative costs only for children under age 19.

Scope

Our review covered 33 children who reached age 19 before or during the period October 2005 through September 2008 and whose foster care costs were claimed for Federal reimbursement under Title IV-E during the same period.
Some of the services that we identified as unallowable for reimbursement under Title IV-E may have been allowable for reimbursement through other Federal programs. However, determining the allowability of costs for other Federal programs was not within the scope of this audit.

We reviewed only those internal controls considered necessary to achieve our objective.

We performed our fieldwork at the State agency, the Bureau of Vital Statistics, and the ACF Regional Office in Boston, Massachusetts, from October 2008 through March 2009.

**Methodology**

To accomplish our objective, we:

- reviewed Federal criteria related to Title IV-E foster care claims;
- interviewed State agency personnel regarding the State agency’s Title IV-E foster care claims;
- reviewed data from the Massachusetts Department of Public Health, Registry of Vital Records and Statistics, and billing invoices provided by the State agency documenting the age and the Title IV-E maintenance costs claimed for each of the 33 children;
- reviewed the State agency’s 12 quarterly ACF-IV-E-1 submissions to determine the amounts that the State agency claimed for Federal reimbursement and reconciled those amounts to payments that the State agency made to foster care contractors;
- determined the total dollar value of all Title IV-E maintenance claims for services provided to children age 19 or older (Appendix A) and the associated administrative costs; and
- discussed our results with State and Regional ACF officials.

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 finding and conclusion based on our audit objective.

**FINDING AND RECOMMENDATION**

For the period October 2005 through September 2008, the State agency did not always claim Title IV-E maintenance and associated administrative costs only for children under age 19. The State agency filed and correctly adjusted Title IV-E claims for services provided to 6 of the 33 children after they reached age 19. However, the State agency filed unallowable Title IV-E
claims on behalf of the remaining 27 children for services provided after they reached age 19. As a result, the State agency’s Federal claim was overstated by $238,030 (Federal share) for maintenance costs and by $34,780 for related administrative costs. The State agency claimed costs for children age 19 or older because it did not have adequate controls to promptly identify children who did not meet Title IV-E age requirements.

AGE REQUIREMENTS

Section 472(a) of the Act states that children for whom States claim Title IV-E funding must meet the eligibility requirements for Aid to Families with Dependent Children (AFDC) as established in section 406(a) or section 407 (as in effect on July 16, 1996).1 Section 406(a)(2), as in effect on July 16, 1996, states that the children must be “(A) under the age of eighteen, or (B) at the option of the State, under the age of nineteen and a full-time student in a secondary school (or in the equivalent level of vocational or technical training), if, before he attains age nineteen, he may reasonably be expected to complete the program of such secondary school (or such training).”2

UNALLOWABLE COSTS FOR CHILDREN WHO EXCEEDED THE MAXIMUM AGE

The documentation that we reviewed showed that the State agency claimed Title IV-E maintenance costs totaling $272,810 (Federal share), including $238,030 in unallowable maintenance costs and $34,780 in unallowable administrative costs, for 27 children who were at least 19 years of age when the services were provided. (See Appendix A for details on the 27 children.) These claims did not comply with Federal age requirements. For example, one child reached age 19 on April 25, 2005. The State agency improperly claimed Title IV-E costs until February 28, 2006, for a total Federal share of $3,434 in unallowable costs.

The State agency claimed costs for children age 19 or older because it did not have adequate controls to promptly identify children who did not meet Title IV-E age requirements.

RECOMMENDATION

We recommend that the State agency refund to the Federal Government $272,810 (Federal share), including $238,030 in unallowable maintenance costs and $34,780 in unallowable administrative costs, for the period October 2005 through September 2008.

---

1The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 repealed AFDC and established in its place the Temporary Assistance for Needy Families block grant. However, Title IV-E foster care requirements look back to the 1996 AFDC criteria for eligibility.

2ACF’s “Child Welfare Policy Manual,” § 8.3A.2 Q/A No. 1, also addresses the issue of foster care eligibility for children over the age of 18. In addition, P. L. 110-351, Title II, § 201(a)(B)(iii), approved October 7, 2008, gives States the option of extending eligibility for foster care support to individuals up to age 21 so long as they meet specific educational and work requirements.
STATE AGENCY COMMENTS

In comments on our draft report, the State agency stated that it had continued to review Title IV-E claims and eligibility records for the children in our review after we issued the draft report. As a result of the additional review, the State agency concluded that it had received overpayments for only 27 children, rather than for 28 as we had originally determined. The State agency noted that, as a result, the correct amount of overpayments was $272,810, which was $4,237 less than we had reported. In addition, the State agency said that it had already adjusted its Title IV-E claims to refund the Federal Government $272,522 of the corrected amount and that it would refund the remaining $288 in the June 30, 2009, submission of Form ACF-IV-E-1. The State agency’s comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

We reviewed and concurred with the additional claim and eligibility information that the State agency provided to support the revised amount. We have modified our finding and recommendation accordingly.
APPENDIXES
## APPENDIX A

### TITLE IV-E COSTS CLAIMED FOR 27 CHILDREN AGE 19 OR OLDER

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<th>Error Number</th>
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<td>8/14/2004</td>
<td>9/30/2005</td>
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<td>7</td>
<td>2/16/1986</td>
<td>2/16/2005</td>
<td>10/31/2005</td>
<td>381</td>
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<td>11</td>
<td>8/7/1986</td>
<td>8/7/2005</td>
<td>12/25/2005</td>
<td>1,004</td>
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<td>27</td>
<td>7/19/1988</td>
<td>7/19/2007</td>
<td>12/31/2007</td>
<td>4,783</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$238,030</strong></td>
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</tbody>
</table>
The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Children and Families
24 Farnsworth Street, Boston Massachusetts 02210
Tel (617) 748-2000 • Fax (617) 261-7435

DEVAL L. PATRICK
Governor

TIMOTHY P. MURRAY
Lieutenant Governor

JUDY ANN BIGBY, M.D.
Secretary

ANGELO MCCLAIN
Commissioner

June 26, 2009

Mr. Michael J. Armstrong
Regional Inspector General for
Audit Services
Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

Report Number: A-01-08-02502
Review of MA Title IV-E Foster Care Payments for Children 19 Years or Older for the
Period October 1, 2005 through September 30, 2008

Dear Mr. Armstrong:

MA Department of Children & Families (MA DCF) is in receipt of the draft report on the
audit referenced above. Departmental staff have reviewed the report and submit the
following as our comments to the recommendations included in this report.

MA DCF acknowledges that incorrect claims were submitted on behalf of 27 children, all
over the age of 19 during the audit period of October 2005 – September 2009. DCF has
continued to review IV-E claims and eligibility records for the 28 children included in the
review and believe the correct amount of overpayment relates to only 27 children for a
revised amount of $272,810, $4,237 less than the reported amount. MA DCF will share the
claim and eligibility information recently documented to support the revised amount.

We do not agree that the result of the audit represents a lack of internal controls; rather it
represents some gaps in existing internal controls and a need for continued improvements
and refinements to our procedures. DCF has controls in place to identify and terminate
claims for children over the age of 19, which worked in nearly all cases. During the period
under review, DCF submitted Title IV-E foster care claims of $209M on behalf of 9,715
children. The $272,810 of federal reimbursement submitted on behalf of the 27 children age

~ Formerly the Department of Social Services ~
19 or older represents only one-tenth of a percent of the total dollars claimed during the period under review.

This review did identify some areas where existing processes and procedures – both manual and automated – need improvements. DCF has implemented many of these improvements already and has also implemented a new quality assurance review to check all claims specifically for children age 19 or older.

In addition, DCF has already adjusted Title IV-E claims to refund the Federal Government $272,522 of the restated amount of $272,810. The remaining $288 will be refunded in the 6/30/2009 submission of Form ACF-IV-E-1. Any remaining adjustments related to the reconciliation of the restated overpayment will be refunded to the Federal Government in the next available submission.

Please refer any questions to Ellen Finnegan, MA DCF at 617-748-2069.

Sincerely,

Angelo McClain
Commissioner, MA DCF

cc: Mary Gambon, Asst Commissioner MA DCF
    Virginia Peel, General Counsel MA DCF
    Jennifer MacBlane, Revenue Operations Manager PCG
    Francis Kelley, Audit Liaison MA DCF
    Ellen Finnegan, MA CFO