TO: Joan Ohl
Commissioner, Children’s Bureau
Administration for Children and Families

FROM: Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Audit of the Missouri Department of Social Services Claim for Title IV-E Training Costs (A-07-02-02002)

Attached is an advance copy of our final report on the Missouri Department of Social Services (the State agency) claim for Title IV-E training costs. We will issue this report to the State agency within 5 business days.

Our objective was to determine the allowability of Title IV-E training costs claimed by the State agency for the period July 1, 1999, through June 30, 2002.

The State agency did not always follow Federal regulations regarding allowability of costs. As a result, the State agency overstated the Federal share of Title IV-E training costs by $15,256,317:

1. $7,561,940 in costs transferred from a cost pool that constituted county overhead and did not directly relate to training activities pursuant to 45 CFR § 1356.60(b) and (c),

2. $540,301 in salaries and benefits for employees participating in one formal Child Welfare Practice Training segment that was not an eligible Title IV-E training topic pursuant to 45 CFR §§ 1356.60(b) and (c),

3. $4,417,460 in salaries and benefits for employees’ normal work duties that were not related to training pursuant to section 474(a)(3) of the Social Security Act and 45 CFR § 1356.60(c)(3),

4. $1,019,419 in long-term educational training costs that were not properly allocated to all benefiting programs pursuant to 45 CFR §§ 95.507(a)(1) and (2) and Office of Management and Budget Circular A-87,

5. $998,714 in residential treatment center costs for activities not included in the State training plan pursuant to 45 CFR § 1356.60(b)(2), and

6. $718,483 in indirect costs that were incorrectly claimed at the 75-percent Federal reimbursement rate pursuant to 45 CFR § 1356.60(c).

The overstatements occurred because the State agency did not have adequate internal controls to ensure that it claimed only allowable training costs as Title IV-E training costs.
The State agency may be able to reclaim some of the costs recommended for disallowance at the 75-percent Federal reimbursement rate as administrative Title IV-E activities at the 50-percent rate.

We recommend that the State agency:

- adjust its next Federal Quarterly Report of Expenditures to reduce Federal reimbursement claimed for Title IV-E training by $15,256,317,

- work with the Administration for Children and Families to determine the amount of unallowable training costs claimed at the 75-percent Federal reimbursement rate that are claimable and allowable as Title IV-E administrative costs at the 50-percent rate,

- develop and implement internal controls to ensure that only allowable training costs are claimed as Title IV-E training costs in the future, and

- review Title IV-E training costs claimed subsequent to our audit period for the issues identified and make the appropriate adjustments.

In comments on the draft report, the State agency disagreed with four of our six findings and all of our recommendations. The State agency said that the draft report contained factual errors and made conclusions based on incorrect interpretations of applicable law.

The State agency agreed that the State training plan did not include residential treatment center training and that certain costs claimed as training costs at the centers did not pertain to training. The State agency requested additional information regarding this finding. The State agency also agreed that indirect costs were not allowable training costs and should not have been claimed at the 75-percent rate.

In response to the State agency’s comments, we reduced our total recommended adjustment from $15,796,619 to $15,256,317. We maintain that the remaining findings and recommendations accurately reflect the State agency’s failure to comply with Federal requirements regarding Title IV-E costs.

If you have any questions or comments about this report, please do not hesitate to contact me, or your staff may contact Donald L. Dille, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1176 or Patrick J. Cogley, Regional Inspector General for Audit Services, Region VII, at (816) 426-3591. Please refer to report number A-07-02-02002.
Report Number: A-07-02-02002

Mr. Gary Sherman
Director, Missouri Department of Social Services
P. O. Box 1527
Jefferson City, Missouri 65102-1527

Dear Mr. Sherman:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Audit of the Missouri Department of Social Services Claim for Title IV-E Training Costs." A copy of this report will be forwarded 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 the HHS action 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.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552), as amended by Public Law 104-231, OIG reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact Jack Morman at (816) 426-3591, extension 231, or through e-mail at Jack.Morman@oig.hhs.gov. Please refer to report number A-07-02-02002 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services
Direct Reply to HHS Action Official:

Linda K. Lewis
Regional Administrator, Region VII
Administration for Children and Families
Kansas City Regional Office
601 East 12th Street, Room 276
Kansas City, Missouri  64106-2808
Audit of the Missouri Department of Social Services Claim for Title IV-E Training Costs
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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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

OAS FINDINGS AND OPINIONS

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

BACKGROUND

Title IV-E of the Social Security Act (the Act), as amended, authorizes Federal funds for States to provide foster care and adoption assistance to children under an approved State plan. In Missouri, the Department of Social Services (the State agency) administers the Title IV-E program. The Federal Government, through the Administration for Children and Families (ACF), provides funding at a 50-percent rate for State administrative expenditures and at an enhanced 75-percent rate for certain State training expenditures.

OBJECTIVE

Our objective was to determine the allowability of Title IV-E training costs claimed by the State agency for the period July 1, 1999, through June 30, 2002.

SUMMARY OF FINDINGS

The State agency did not always follow Federal regulations regarding allowability of costs. As a result, the State agency overstated the Federal share of Title IV-E training costs by $15,256,317:

1. $7,561,940 in costs transferred from a cost pool that constituted county overhead and did not directly relate to training activities pursuant to 45 CFR §§ 1356.60(b) and (c),

2. $540,301 in salaries and benefits for employees participating in one formal Child Welfare Practice Training segment that was not an eligible Title IV-E training topic pursuant to 45 CFR §§ 1356.60(b) and (c),

3. $4,417,460 in salaries and benefits for employees’ normal work duties that were not related to training pursuant to section 474(a)(3) of the Act and 45 CFR § 1356.60(c)(3),

4. $1,019,419 in long-term educational training costs that were not properly allocated to all benefiting programs pursuant to 45 CFR §§ 95.507(a)(1) and (2) and Office of Management and Budget Circular A-87,

5. $998,714 in residential treatment center costs for activities not included in the State training plan pursuant to 45 CFR § 1356.60(b)(2), and

6. $718,483 in indirect costs that were incorrectly claimed at the 75-percent Federal reimbursement rate pursuant to 45 CFR § 1356.60(c).

The overstatements occurred because the State agency did not have adequate internal controls to ensure that it claimed only allowable training costs as Title IV-E training costs.
The State agency may be able to reclaim some of the costs recommended for disallowance at the 75-percent Federal reimbursement rate as administrative Title IV-E activities at the 50-percent rate.

RECOMMENDATIONS

We recommend that the State agency:

- adjust its next Federal Quarterly Report of Expenditures to reduce Federal reimbursement claimed for Title IV-E training by $15,256,317,
- work with ACF to determine the amount of unallowable training costs claimed at the 75-percent Federal reimbursement rate that are claimable and allowable as Title IV-E administrative costs at the 50-percent rate,
- develop and implement internal controls to ensure that only allowable training costs are claimed as Title IV-E training costs in the future, and
- review Title IV-E training costs claimed subsequent to our audit period for the issues identified and make the appropriate adjustments.

STATE AGENCY’S COMMENTS

In comments on the draft report, the State agency disagreed with four of our six findings and all of our recommendations. The State agency said that the draft report contained factual errors and made conclusions based on incorrect interpretations of applicable law.

The State agency agreed that the State training plan did not include residential treatment center training and that certain costs claimed as training costs at the centers did not pertain to training. The State agency requested additional information regarding this finding. The State agency also agreed that indirect costs were not allowable training costs and should not have been claimed at the 75-percent rate.

The State agency’s comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL’S RESPONSE

In response to the State agency’s comments, we reduced our total recommended adjustment from $15,796,619 to $15,256,317. We maintain that the remaining findings and recommendations accurately reflect the State agency’s failure to comply with Federal requirements regarding Title IV-E costs.
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INTRODUCTION

BACKGROUND

Federal Foster Care and Adoption Assistance Program

Title IV-E of the Social Security Act (the Act), as amended, authorizes Federal funds for States to provide foster care and adoption assistance to children under an approved State plan. At the Federal level, the Administration for Children and Families (ACF) administers the program. The Missouri Department of Social Services (the State agency) is responsible for administering the program at the State level.

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

- **Maintenance costs** include room and board payments to licensed foster parents, group homes, and residential childcare facilities. The Federal share of maintenance costs is based on each State’s Federal rate for Title XIX Medicaid expenditures.

- **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, placements 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.

- **Training costs** are associated with training State or local staff to perform administrative activities and training current or prospective foster care or adoptive parents, as well as personnel of childcare institutions. Certain State training costs qualify for an enhanced 75-percent Federal funding rate.

Administrative costs are to be allocated to the Title IV-E program in accordance with a public assistance cost allocation plan approved by the Department of Health and Human Service’s Division of Cost Allocation (DCA) after ACF reviews and comments on the fairness of the cost allocation methodologies. Federal regulations require that cost allocation plans conform to the accounting principles and standards in Office of Management and Budget (OMB) Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments.” The circular states that costs are allocable to particular cost objectives (programs) only to the extent of the benefits received by such objectives, only allocable costs are allowable, and costs must be reasonable and necessary for proper administration of the program.

Federal Reimbursement Requirements

Title IV-E, section 474(a)(3)(A), of the Act authorizes Federal reimbursement to States at a 75-percent matching rate for training of personnel employed or preparing for employment by the State or local agency administering the Title IV-E program. Title IV-E regulations (45 CFR
§ 1356.60(b)) state that Federal reimbursement is available at 75 percent for the costs of short- and long-term training at educational institutions as well as for inservice training. The regulations require that inservice training or training at educational institutions be provided pursuant to the provisions of 45 CFR §§ 235.63–235.66(a), which specify who may be trained, the types of expenses that are allowable, and the sources of funds for the State’s share of expenditures. Section 474(a)(3)(E) of the Act and 45 CFR § 1356.60(c) provide for a 50-percent Federal reimbursement rate for administrative expenditures.

All training activities and costs charged to the Title IV-E program must be included in the State’s training plan pursuant to 45 CFR § 1356.60(b)(2). The State training plan describes the training activities and costs that the State agency plans to charge to Title IV-E training at the enhanced 75-percent Federal funding rate.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine the allowability of Title IV-E training costs claimed by the State agency for the period July 1, 1999, through June 30, 2002.

Scope

Our audit covered $19,124,786 in Title IV-E training costs claimed for Federal reimbursement by the State agency for the period July 1, 1999, through June 30, 2002. The claimed costs included costs transferred from a cost pool, salaries and benefits, long-term educational training costs, residential treatment center costs, and indirect costs.

The scope of our audit was limited to training costs, which are reimbursable at the 75-percent Federal reimbursement rate. Some of the costs we identified as unallowable for reimbursement as training may have been allowable for reimbursement as administrative costs at the 50-percent Federal reimbursement rate. However, determining the allowability of administrative costs was not within the scope of this audit.

We reviewed internal controls to the extent necessary to accomplish the audit objective.

We performed fieldwork at the State agency’s offices in Jefferson City, Columbia, and Kansas City, MO. We also performed fieldwork at three residential treatment centers in St. Louis and St. James, MO.

Methodology

To accomplish our objective, we:

- reviewed the State training plan;
- interviewed DCA, ACF, and State agency officials;
• evaluated costs claimed pursuant to applicable laws, regulations, the State training plan, and policy directives;
• reviewed the methods by which the State agency recorded and allocated training costs;
• tested the Federal share rates used to determine the Federal dollars claimed;
• reviewed Title IV-E quarterly cost allocation reports and verified the amounts claimed for Federal reimbursement to the State agency’s accounting records;
• reviewed the amounts claimed for employees’ salaries, indirect costs, and travel and training costs for prospective foster or adoptive parents;
• obtained the salary allocation records for employees’ salaries and benefits and identified those salaries and benefits charged to training;
• obtained class rosters to confirm that employees attended formal training classes provided under the State training plan;
• verified job titles and job classes of employees whose salaries and benefits were charged to training;
• reviewed the State agency’s methodology for determining the indirect costs charged; and
• visited three residential treatment centers and reviewed their Title IV-E training costs claimed to the State agency.

We conducted our audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency did not always follow Federal regulations regarding allowability of costs. As a result, the State agency overstated the Federal share of Title IV-E training costs by $15,256,317:

1. $7,561,940 in costs transferred from a cost pool that constituted county overhead and did not directly relate to training activities pursuant to 45 CFR §§ 1356.60(b) and (c),
2. $540,301 in salaries and benefits for employees participating in one formal Child Welfare Practice Training (CWPT) segment that was not an eligible Title IV-E training topic pursuant to 45 CFR §§ 1356.60(b) and (c),
3. $4,417,460 in salaries and benefits for employees’ normal work duties that were not related to training pursuant to section 474(a)(3) of the Act and 45 CFR § 1356.60(c)(3),
4. $1,019,419 in long-term educational training costs that were not properly allocated to all benefiting programs pursuant to 45 CFR §§ 95.507(a)(1) and (2) and OMB Circular A-87,

5. $998,714 in residential treatment center costs for activities not included in the State training plan pursuant to 45 CFR § 1356.60(b)(2), and

6. $718,483 in indirect costs that were incorrectly claimed at the 75-percent Federal reimbursement rate pursuant to 45 CFR § 1356.60(c).

A chart summarizing these findings is attached as Appendix A.

The overstatements occurred because the State agency did not have adequate internal controls to ensure that it claimed only allowable training costs as Title IV-E training costs.

The State agency may be able to reclaim some of the costs recommended for disallowance at the 75-percent Federal reimbursement rate as administrative Title IV-E activities at the 50-percent rate.

1. COUNTY OVERHEAD COSTS TRANSFERRED FROM A COST POOL

Federal Requirements

Section 474(a)(3)(E) of the Act and 45 CFR § 1356.60(c) provide for a 50-percent Federal reimbursement rate for nontraining, administrative expenditures, including “a proportionate share of related agency overhead.” Section 474(a)(3) of the Act provides for a 75-percent Federal reimbursement rate for the cost of training employees and potential employees and for the short-term training of foster parents, adoptive parents, and other potential caregivers. For the purpose of applying the enhanced rate, 45 CFR § 1356.60(b) incorporates the list of allowable training costs found in 45 CFR § 235.64.

Unallowable Costs Claimed

The State agency claimed costs transferred from a cost pool that contained only county overhead and did not directly relate to training activities. These overhead or indirect costs were not costs related to the allowable training activities listed in 45 CFR § 235.64 and were therefore not eligible for the 75-percent matching rate. As a result, the State agency overstated the Federal share of Title IV-E training costs by $7,561,940.

The State training plan describes the State agency’s indirect cost pool as “that agency’s proportionate share of county overhead and indirect expense.” The State training plan further states that the cost pool is compiled “at the State level from the total of all county social service expenditure reports received quarterly.” The plan does not specifically address the allowability of these costs as training costs.
2. SALARIES AND BENEFITS FOR CHILD WELFARE PRACTICE TRAINING

Federal Requirements

Allowable administrative activities are described in 45 CFR § 1356.60(c)(1): “The determination and redetermination of eligibility, fair hearings and appeals, rate setting and other costs directly related only to the administration of the foster care program under this part are deemed allowable administrative costs under this paragraph.”

Within that context, 45 CFR § 1356.60(c)(2) lists examples of allowable administrative activities, including:

- referral to services,
- preparation for and participation in judicial determinations,
- placement of the child,
- development of the case plan,
- case reviews,
- case management and supervision,
- recruitment and licensing of foster homes and institutions,
- rate setting,
- costs related to data collection and reporting, and
- agency overhead (a proportionate share).

Federal regulations (45 CFR § 1356.60(c)(3)) state that allowable Title IV-E activities do not include the costs of social services provided to the child or the child’s family or foster family, such as counseling or treatment to remedy personal problem behaviors or home conditions.

Unallowable Costs Claimed

The State agency claimed salaries and benefits of employees who participated in one CWPT segment whose subject was unrelated, and thus unallocable, to Title IV-E. The segment related only to the actual provision of social services instead of Title IV-E and therefore did not meet the definition of allowable administrative costs found in 45 CFR § 1356.60(c)(2).

The CWPT segment was “Child Abuse and Neglect Investigations/Family Assessments and Application of the Family Centered Philosophy and Skills to Working with Intact Families,” which focused on the identification of child abuse and neglect, the various types of referrals and
reports that could be made, and the screening process. The segment comprised 32 hours of the 129 total hours for the five segments in the CWPT curriculum. The allowable segments were:

- “Family Centered Philosophy and Skills Training” (32 hours),
- “Expedited Permanency and Out of Home Care and Application of the Family Centered Philosophy and Skills to Out of Home Care” (32 hours),
- “Children’s Services Systems Training” (17 hours), and
- “Reinforcement and Evaluation” (16 hours).

By claiming unallowable CWPT salaries and benefits, the State agency overstated the Federal share of Title IV-E training costs by $540,301.

3. SALARIES AND BENEFITS FOR NORMAL WORK DUTIES

Federal Requirements

To be considered training costs, costs must first be legitimate administrative costs. Section 474(a)(3) of the Act defines administrative costs as including training costs. Regulations (45 CFR § 1356.60(c)) provide for a 50-percent Federal reimbursement rate for administrative costs and state that “Allowable administrative costs do not include the costs of social services provided to the child, the child’s family or foster family which provide counseling or treatment to ameliorate or remedy personal problems, behaviors or home conditions.” Pursuant to these regulations, costs incurred in providing social services are unallowable as administrative costs and are therefore unallowable as training costs.

Section 474(a)(3) of the Act and 45 CFR § 1356.60(b) specifically provide for the 75-percent enhanced rate for training costs, and 45 CFR § 235.64 defines what types of training costs are allowable. Section 235.64(b)(1) allows the costs of “in-service training,” and 45 CFR § 235.61(a) defines such training: “Initial in-service training means a period of intensive, task-oriented training to prepare new employees to assume job responsibilities.” Thus, the cost of in-service training is allowable if the trainees have yet to assume job responsibilities and therefore have not yet engaged in normal work duties.

In addition, only the portion of costs attributable to Title IV-E training may be claimed as Title IV-E training expenditures. Section C.3.a. of OMB Circular A-87 states that “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.” Consistent with OMB Circular A-87, Information Memorandum ACF-IM-91-15 states that “Training costs for all training, including long-term educational training (degree programs), must be allocated among

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1We initially reported that this segment was not an allowable Title IV-E training topic. However, after further review and consultation with ACF, we determined that the segment was allowable as a Title IV-E training topic. As a result, we modified our finding to account for the salaries and benefits in the amount of $540,301.
all benefiting programs and may not be direct-charged to Title IV-E, unless Title IV-E is the only benefitting program.”

All training activities and costs charged to the Title IV-E program must be included in the State’s training plan pursuant to 45 CFR § 1356.60(b)(2).

**State Plan Requirements**

According to the State training plan: “The initial in-service training process takes place during the first three months of employment and combines classroom teaching by DFS [the State agency] staff trainers with general on-the-job training that is under the direction of the first level supervisor. Reduced caseloads are recommended during this time.”

The State training plan’s curriculum summary states that:

> **On-the-Job Training [OJT]** is also an important component within the curriculum. OJT is structured to occur before, during, and after the classroom weeks. Prior to the first class, supervisors and the new social service worker receive OJT handbooks that suggest a variety of activities. These activities and others may be formalized in some counties and more loosely configured in others counties. Counties can tailor their OJT to meet their specific needs. On-the-job training assists in the development of the employee and is a shared task between the supervisor and employee. The front line supervisor also has a major impact in helping the new worker take what has been learned in the classroom and apply it to the work in the field.

As we explain below, our reading of this material indicates that time spent by new employees on normal work activities does not qualify as training.

**Unallowable Costs Claimed**

The State agency claimed as Title IV-E training costs the salaries and benefits of new and recently promoted employees who performed normal work duties instead of engaging in task-oriented training to prepare to assume job responsibilities. Regulations require that to be eligible for the enhanced 75-percent Federal reimbursement rate, salary costs must be for training. Conversely, the enhanced rate may not be claimed for performing normal work duties.

The State agency claimed as Title IV-E training costs the entire salaries of new employees for up to 6 months. The State agency identified the time spent in specific CWPT classes. However, the available documentation for salary costs for the time spent outside the CWPT classes showed that none of the duties performed represented training. Instead, new employees were engaged in normal work duties and had already assumed job responsibilities under no greater supervision than veteran employees. Our conclusions were based on the following observations:
• New employees had a regular caseload.

• Supervisors of new employees had the same supervisory caseload as supervisors who did not have a staff of new employees (contrary to the State training plan, which recommended reduced caseloads during the training period).

• New employees’ timesheets showed that they performed normal work duties.

• New employees’ performance evaluations were based on performing normal work duties.

• New employees’ personnel records showed no marked changes in the employees’ status, such as progression from trainee to staff.

The State agency also charged the salaries and benefits of employees promoted to Social Worker II as Title IV-E training costs, usually for up to 6 months following their promotions. The State agency did not provide classroom training during this period. These costs were unallowable because the State training plan did not include a provision for training promoted employees. In addition, the costs were unallowable for the same reasons specified above for new employees; the actual assumption of new job responsibilities does not meet the definition of inservice training.

By charging the salaries and benefits of new and recently promoted employees who performed normal work duties, the State agency overstated the Federal share of Title IV-E training costs by $4,417,460.

4. LONG-TERM EDUCATIONAL TRAINING COSTS

The State agency’s long-term educational training contracts were designed to train personnel in performing a broad range of child welfare service activities, including activities outside the scope of the foster care and adoption assistance programs. These activities included providing social services (such as counseling and teaching parenting skills), performing and documenting the child abuse and neglect investigation process, and designing activities to preserve and strengthen the family.

Personnel who graduate from long-term educational training programs spend a portion of their staff time performing activities in State agency programs other than those that provide foster care and adoption assistance services.

Federal Requirements

Regulations (45 CFR §§ 95.507(a)(1) and (2)) require the State agency to describe the procedures used to identify, measure, and allocate all costs to each program it operates. The regulations also require the State agency to conform to the accounting principles and standards prescribed in OMB Circular A-87 and other pertinent regulations and instructions.
Section C.3.a. of OMB Circular A-87 states that “A cost is allocable to a particular objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.” Consistent with OMB Circular A-87, Information Memorandum ACF-IM-91-15 states that “Training costs for all training, including long-term educational training (degree programs), must be allocated among all benefiting programs and may not be direct-charged to Title IV-E, unless Title IV-E is the only benefiting program.”

Costs are not eligible as Title IV-E expenditures unless the portion of costs attributable to other programs has been equitably allocated to those programs.

**Unallowable Costs Claimed**

The State agency did not properly allocate direct costs for long-term educational training to all benefiting programs. As a result, the State agency overstated the Federal share of Title IV-E training costs by $1,019,419.

To determine long-term educational costs charged to Title IV-E training, the State agency identified all long-term training costs and removed the portion attributable to State-only programs. The State agency then allocated the remaining long-term training costs to the foster care and adoption assistance programs. That methodology did not attribute costs to all benefiting programs and activities.

To allocate long-term training costs to all benefiting programs, we added an allocation step using the State agency’s timestudy. The additional step was necessary to allocate long-term training costs to benefiting programs other than Title IV-E.

5. **RESIDENTIAL TREATMENT CENTER COSTS**

**Federal Requirements**

Regulations (45 CFR § 1356.60(b)(2)) state: “All training activities and costs funded under Title IV-E shall be included in the State agency’s training plan.” The regulations require that such training be provided pursuant to 45 CFR §§ 235.63–235.66(a), which specify who may be trained, the types of expenses that are allowable, and the sources of funds for the State’s share of expenditures.

**Unallowable Costs Claimed**

The State agency claimed costs for activities at residential treatment centers that were not included in the State training plan. Further, a detailed review of the costs at three of the treatment centers showed that the activities did not pertain to training.

For example, the centers charged for grant-seeking and tax guide books, certified public accountant dues for an employee, a training seminar on how to design newsletters, and a school retreat. In addition, the centers charged all training costs to the State agency even though not all of the children at the facilities were under the care and custody of the State.
As a result, the State agency overstated the Federal share of Title IV-E training costs by $998,714.

6. STATE AGENCY INDIRECT COSTS

Federal Requirements

Section 474(a)(3)(E) of the Act and 45 CFR § 1356.60(c) provide for a 50-percent Federal reimbursement rate for administrative expenditures, including “a proportionate share of related agency overhead.” However, section 474(a)(3) of the Act provides for a 75-percent Federal reimbursement rate for the cost of training employees and potential employees and for the short-term training of foster parents, adoptive parents, and other potential caregivers. For the purpose of applying the enhanced rate, 45 CFR § 1356.60(b) incorporates the list of allowable training costs found in 45 CFR § 235.64. The Departmental Appeals Board (DAB) has ruled that indirect training costs may be claimed at the enhanced rate, rather than the standard 50-percent rate for administrative costs, but only if the State can “show that its indirect costs consisted entirely of allowable costs” found in 45 CFR § 235.64. Further, “indirect costs associated with allowable direct costs of IV-E training may not be charged at the 75 % rate if the indirect costs are based on rates developed using cost pools containing unallowable training costs” (Illinois Dept. of Children and Family Services, DAB No. 1530 (1995)).

Unallowable Costs Claimed

The State agency incorrectly claimed indirect costs at the 75-percent Federal reimbursement rate for training instead of the 50-percent rate for administration. The State agency calculated indirect costs by multiplying an indirect cost rate by State agency direct salaries charged to Title IV-E training. However, contrary to the DAB decision, the State developed its indirect cost rate using a cost pool that included costs that are unallowable because they are not listed in 45 CFR § 235.64.

As a result, the State agency overstated the Federal share of Title IV-E training costs by $718,483.

SUMMARY

The State agency overstated the Federal share of Title IV-E training costs by $15,256,317 because it did not always follow Federal regulations regarding allowability of costs and because it claimed costs that were not included in the State training plan.

The State agency did not have adequate internal controls to ensure that it claimed only allowable training costs as Title IV-E training costs.

The State agency may be able to reclaim some of the costs recommended for disallowance as administrative Title IV-E activities at the 50-percent Federal reimbursement rate.
RECOMMENDATIONS

We recommend that the State agency:

- adjust its next Federal Quarterly Report of Expenditures to reduce Federal reimbursement claimed for Title IV-E training by $15,256,317,

- work with ACF to determine the amount of unallowable training costs claimed at the 75-percent Federal reimbursement rate that are claimable and allowable as Title IV-E administrative costs at the 50-percent rate,

- develop and implement internal controls to ensure that only allowable training costs are claimed as Title IV-E training costs in the future, and

- review Title IV-E training costs claimed subsequent to our audit period for the issues identified and make the appropriate adjustments.

STATE AGENCY’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE

In its December 20, 2005, comments on the draft report, the State agency disagreed with four of our six findings and all of our recommendations. The State agency asserted that:

The current draft . . . contains factual errors that make OIG’s [the Office of Inspector General’s] findings inaccurate. In addition, several of the report’s conclusions are based on incorrect interpretations of the applicable law. Other aspects of the report have since been addressed through amendment of the State’s Title IV-B [State training plan] and Cost Allocation Plan (CAP). For all of these reasons, we believe that the conclusions of the audit are in error . . . . the $15.8 million figure grossly overstates the amount at issue.

The State agency agreed that the State training plan did not include residential treatment center training and that certain costs claimed as training costs at the centers did not pertain to training. The State agency requested additional information regarding this finding. The State agency also agreed that indirect costs were not allowable training costs and should not have been claimed at the 75-percent rate.

In response to the State agency’s comments, we reduced our total recommended adjustment from $15,796,619 to $15,256,317. We maintain that the remaining findings and recommendations accurately reflect the State agency’s failure to comply with Federal regulations regarding Title IV-E costs.

The State agency’s comments are summarized below and included in their entirety as Appendix B.
County Overhead Costs Transferred From a Cost Pool

State Agency’s Comments

The State agency disagreed that costs transferred from the social services cost pool did not directly relate to training activities. The State agency asserted that “The costs from county social services claimed at the 75% training rate were charged to Title IV-E in accordance with Missouri’s approved Cost Allocation Plan (‘CAP’).”

Office of Inspector General’s Response

Although the State agency’s approved cost allocation plan included these costs, the plan did not specify the rate at which the costs could be claimed. These costs did not qualify as Title IV-E training at the 75-percent rate because they did not directly relate to the allowable training activities listed in 45 CFR § 235.64.

In addition, the State agency’s training plan described the cost pool as “that agency’s proportionate share of county overhead and indirect expense,” which is consistent with the definition at 45 CFR § 1356.60(c)(2)(ix). That Federal regulation provides for a 50-percent Federal reimbursement rate for administrative expenditures unrelated to training, including “a proportionate share of related agency overhead.”

Therefore, we maintain that the State agency’s claims for these costs at the 75-percent matching rate were unallowable. We acknowledge that these costs may be eligible for reimbursement as administrative costs at the 50-percent matching rate.

Salaries and Benefits for Child Welfare Practice Training

State Agency’s Comments

The State agency disagreed that two CWPT segments were not eligible Title IV-E training topics. The State agency argued that the two training segments were consistent with the Act and regulations: “Both of these training segments were included in Missouri’s approved [training] plan.” The State agency said that “It is important to note that the classroom segments in question are all for new Children’s Services workers who are just being introduced to the child welfare system.” The State agency also noted that DAB No. 1882 (2003) ruled that another State could claim costs for similar training segments under Title IV-E.

Office of Inspector General’s Response

After further review and consultation with ACF, we determined that the segment entitled “Family Centered Philosophy and Skills Training” was allowable as a Title IV-E training topic. As a result, we reduced our recommended adjustment by $540,301 to account for the associated salaries and benefits.
However, the remaining CWPT segment, “Child Abuse and Neglect Investigations/Family Assessments and Application of the Family Centered Philosophy and Skills to Working with Intact Families,” was not allowable as a Title IV-E training topic. Regulations (45 CFR § 1356.60(c)(3)) clearly state that allowable Title IV-E activities do not include the costs of social services, such as counseling or treatment to remedy personal problem behaviors or home conditions, provided to a child, the child’s family, or the foster family. Consistent with DAB’s decision in Nebraska Health and Human Services, DAB No. 1882 (2003), we examined the content of this segment and determined that, despite the course description and the State’s comment, the subject matter did not relate to any of the allowable Title IV-E costs found in 45 CFR § 1356.60(c). Therefore, we maintain that the CWPT salaries and benefits claimed for the second segment were unallowable for reimbursement at the 75-percent rate.

Salaries and Benefits for Normal Work Duties

State Agency’s Comments

The State agency disagreed that it claimed salaries and benefits for new employees and newly promoted employees who performed normal work duties instead of on-the-job training. The State agency asserted that the State training plan included on-the-job training for newly promoted employees and that the plan “specifies that training includes on-the-job training as well as the three-month period of classroom training.” In addition, the State agency said that:

... a new Social Service worker, including one promoted to the position from elsewhere in the agency, is in probationary status during the first year of employment. During the probationary period, the new worker receives classroom training during the first three months of the job and in-service on-the-job training throughout the first year.

According to the State agency, these probationary workers carry a reduced caseload and work closely with a supervisor in all aspects of the job. The State agency noted that it claimed only the first 6 months of the probationary period for new employees as training costs and that an employee’s change in status did not occur until the conclusion of the 1-year probationary period.

The State agency argued that newly promoted employees “may be promoted from another division within the Department, and thereby become new employees” who are covered in the State training plan.

Office of Inspector General’s Response

We agree that the State training plan included on-the-job training for new employees. However, the employees’ timesheets, performance evaluations, and personnel records indicated that they performed normal work duties, not on-the-job training. The new employees had regular, rather than reduced, caseloads. In addition, supervisors of new employees had the same supervisory caseload as supervisors who did not have a staff of new employees. Federal regulations (45 CFR § 235.61(a)) define on-the-job training as “intensive, task-oriented training to prepare new employees to assume job responsibilities.” However, the employees’ documentation did not show that the employees participated in specific, task-oriented training activities.
Because the employees’ documentation showed that they performed normal work activities, we maintain that the new employees, as well as the newly promoted employees, were engaged in normal work duties and had already assumed job responsibilities under no greater supervision than veteran employees. Further, the State training plan did not include a provision for training promoted employees or define employees promoted from another division as new employees. Therefore, the State agency’s claims for on-the-job training of new and newly promoted employees were unallowable.

**Long-Term Educational Training Costs**

**State Agency’s Comments**

The State agency disagreed that it improperly allocated long-term educational training costs to all benefiting programs. The State agency argued that because it “used an approved methodology to allocate the costs of its long-term educational program,” these costs should be allowable. The State agency also said: “Under the State’s approved CAP, the long-term educational training costs are not part of the costs assigned to the Social Services pool to be allocated among different programs. The CAP specifies that ‘all other costs are direct costs.’”

**Office of Inspector General’s Response**

Although the State agency’s approved cost allocation plan included the State agency’s allocation methodology and treatment of long-term educational training costs, the State agency did not allocate costs to all benefiting programs as required by OMB Circular A-87.

Consistent with OMB Circular A-87, Information Memorandum ACF-IM-91-15 states: “Training costs for all training, including long-term educational training (degree programs), must be allocated among all benefiting programs and may not be direct-charged to Title IV-E, unless Title IV-E is the only benefiting program.” The State agency did not disagree that the long-term educational program trains personnel to perform a broad range of activities, including activities outside the scope of the Title IV-E foster care and adoption assistance programs.

During our audit period, the State agency was subject to a plan that DCA approved on July 15, 1992. DCA stated in the approval letter that:

> Approval of the plan/amendment . . . is predicated upon conditions that . . . (4) the approval is based on information provided by the State and is void if the information is later found to be materially incomplete or inaccurate . . . and (6) the costs claimed for the appropriate rate of Federal . . . [reimbursement] must be allowable under the law, the cost principles contained in OMB Circular A-87, and program regulations.

The approval letter also instructed the State agency that (1) Federal auditors may review the cost allocation plan/amendment and (2) if auditors find any errors during such reviews, changes to the plan may be required.
The cost allocation plan had errors because it allocated long-term training costs only to the foster care and adoption assistance programs. The State agency’s methodology (penetration rate) did not attribute costs to other benefiting programs and activities, such as Child Welfare Treatment and Counseling; therefore, a portion of the costs claimed was unallowable.

**Residential Treatment Center Costs**

**State Agency’s Comments**

The State agency agreed that the State training plan did not include residential treatment center training and that certain costs claimed as training costs at the centers did not pertain to training. The State agency requested additional information regarding this finding to make a proper adjustment of these claims.

**Office of Inspector General’s Response**

We will provide the additional information after the State agency specifies the information that it needs.

**Recommendations**

**State Agency’s Comments**

The State agency did not concur with any of our recommendations.

**Office of Inspector General’s Response**

We reduced our recommended adjustment from $15,796,619 to $15,256,317 to account for the salaries and benefits of employees who participated in one of the two formal training segments that we disallowed in our draft report. However, we maintain that our remaining findings accurately reflect the State agency’s failure to comply with Federal requirements regarding Title IV-E training costs. All of the findings and recommendations are based on the applicable Title IV-E requirements of Federal laws, regulations, and guidelines; DAB decisions; and the State training plan.
APPENDIXES
## SUMMARY OF AUDIT RESULTS

**Title IV-E Training Costs Claimed for July 1, 1999, Through June 30, 2002**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Claimed</th>
<th>Federal Share Claimed</th>
<th>Total Allowed</th>
<th>Federal Share Allowed</th>
<th>Total Questioned</th>
<th>Federal Share Questioned</th>
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<td>Transfer from a cost pool</td>
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<td>Long-term training</td>
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<td>Residential treatment centers</td>
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<td>0</td>
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<tr>
<td>Indirect costs</td>
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<td>Total</td>
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<td>$5,157,958</td>
<td>$3,868,469</td>
<td>$20,341,756</td>
<td>$15,256,317</td>
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</tbody>
</table>
December 20, 2005

Patrick J. Cogley  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of Inspector General, Office of Audit Services  
601 East 12th Street, Room 284A  
Kansas City, MO 64106

RE: Audit of the Missouri Department of Social Service’s Claim for Title IV-E Training Costs, Report No. A-07-02-02002

Dear Mr. Cogley:

The Missouri Department of Social Services hereby responds to the draft report of the above-referenced audit, which you forwarded to the Department on October 20, 2005. The time for reply was extended to December 20, 2005.

The draft report relates to an audit conducted more than two and a half years ago, covering claims going back six years. The last correspondence between OIG and the Department relating to this audit was exchanged in May of 2003, at which time the Department alerted OIG to various factual errors contained in its findings and requested further information on certain statements contained in OIG’s fact sheets. Your office did not respond to the Department’s requests for further information.

The current draft, like the fact sheets exchanged in May of 2003, contains factual errors that make OIG’s findings inaccurate. In addition, several of the report’s conclusions are based on incorrect interpretations of the applicable law. Other aspects of the report have since been addressed through amendment of the State’s Title IV-B and Cost Allocation Plan (CAP). For all of these reasons, we believe that the conclusions of the audit are in error.

FINDINGS

The draft report includes six findings regarding Missouri’s Title IV-E training claims. Based on these findings, the report concludes that the Department “overstated the Federal share...
Patrick J. Cogley  
December 20, 2005  
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of Title IV-E training costs by $15,796,619." Draft Report at 3. As an initial matter, this statement incorrectly implies that $15.8 million represents the amount in dispute. However, the report recognizes that some of the amounts it asserts cannot be claimed at the 75% rate may properly be claimed at the 50% rate. See Draft Report at 2. Therefore, even to the extent that the report identifies claims that may have been improper, the $15.8 million figure grossly overstates the amount at issue.

In any case, with one exception, we disagree with the conclusions set forth in the draft audit. The amount claimed were in accordance with the State’s approved CAP and Title IV-B plan, the training portions of which are applicable to IV-E. Below, we address each of the draft audit’s findings in turn:

1. $7,561,940 in county “overhead” costs.

The costs from county social services claimed at the 75% training rate were charged to Title IV-E in accordance with Missouri’s approved Cost Allocation Plan (“CAP”).

Section VII-A of the approved CAP enumerates certain costs that are aggregated at the State level and allocated to three cost pools (the Income Maintenance Pool, the JOBS/Welfare Reform (FUTURES) Pool, and the Social Services Pool) depending upon the relative numbers of staff in each of three agency divisions. The Social Services pool includes expenses such as salaries and benefits, travel costs, building rents and operating expenses incurred by the Department in each county.

The conclusion in the draft audit that these costs do not “directly relate to training activities” is incorrect. The amount attributed to training is calculated through the RMTS. Code 10 of the RMTS, entitled Child Welfare Training, applies:

when the worker is engaged in or preparing for training, either as a trainer of other divisional staff or as a trainee, and the subject of the training falls within the CHILD WELFARE General Definition. Also included would be preparing for training and training of alternative care providers and adoptive parents.

CAP at IV-B-8 (8/91). Because the Child Welfare General Definition covers both IV-E and non-IV-E activities, Child Welfare Training (code 10) expenditures are charged to Title IV-E only after application of the penetration rate:
Child Welfare Training will be charged to the Title IV-E training grant based on the percentage of all children receiving foster care or adoption assistance payments who are Title IV-E eligible. The IV-E portion that results will then be allocated between the foster care training and adoption assistance training grants based on the relative percentage of IV-E eligible children in the two programs.

CAP at IV-B-21 (8/91).

In other words, under the approved CAP in effect in 1999-2002, the State first created a cost pool containing certain costs of county offices, then used RMTS to determine how much time was spent on various activities, one of which was Child Welfare Training. Finally, the State applied the penetration rate to the Child Welfare Training costs so that only the portion directly attributable to Title IV-E was claimed under that program.

On October 28, 2003, DCA approved an amended version of Missouri’s CAP. In the current CAP, RMTS Code 10 states that “training for therapeutic treatment activities, training for the direct provision of social services (counseling, teaching parenting skills, etc.) and training for performing and documenting child abuse/neglect investigations are not included in this activity.” Therefore, training costs relating to those activities are now charged to Code 11.

The draft audit appears to conclude that only the salaries and no other costs attributable to “training” using the RMTS allocation method may be claimed at the 75% match rate. In light of the State’s approved CAP permitting such allocation, we believe this conclusion is in error and should be removed from the audit.

2. $1,080,603 in salaries and benefits for employees participating in two classroom training sessions.

The draft audit next asserts that Missouri was not entitled to Federal reimbursement for two training segments that accounted for 64 of the total 129 hours of training in the Child Welfare Practice Training curriculum. The training segments at issue are: (1) Family Centered Philosophy and Skills Training; and (2) Child Abuse and Neglect Investigations Family Assessments and Application of the Family Centered Philosophy and Skills to Working with Intact Families. Both of these training segments were included in Missouri’s approved Title IV-B plan. The draft report determined that these segments relate only to “the actual provision of social services” and that those costs therefore could not be allocated to Title IV-E. Draft Report at 6.

The two training segments challenged by OIG are consistent with the Act and regulations. It is important to note that the classroom segments in question are all for new Children’s Services workers who are just being introduced to the child welfare system. The first segment, Family Centered Philosophy and Skills Training, introduces agency employees to:
the agency role in responding to child abuse and neglect, the laws that govern our practice, the principles of family-centered, strengths based philosophy, and the basics of assessing a family through the use of assessment tools.

Instruction on the agency's role in responding to child abuse and neglect and the agency's "family-centered, strengths based philosophy" are essential topics that inform all aspects of a Child Services worker's employment. This type of training provides a necessary foundation without which such employees could not be effective at their jobs; for this reason, this training segment is the first in the Child Welfare Practice Training curriculum. On a more task-specific level, a Child Services worker could not possibly perform his or her job in administering the Title IV-E plan without understanding the applicable laws governing the Department's practice. Training on these laws therefore relates to each of the activities specified in the regulations for Title IV-E. See 45 CFR § 1356.60(c)(2)(i)-(x). See also Illinois Dep't of Public Aid, DAB 1530 at 20-21 (finding that Illinois properly provided training on "Federal and state substantive and/or procedural law relating to termination of parental rights and adoption and other foster care/ adoption-related subjects."). Nor could a worker effectively determine whether a child was at risk of placement in foster care (and therefore a candidate for IV-E) without understanding "the basics of assessing a family through the use of assessment tools." This segment clearly provides proper and necessary training that is closely related to several activities covered in the regulations.

The second training, Child Abuse and Neglect Investigations/ Family Assessments and Application of the Family Centered Philosophy and Skills for Intact Families, similarly provides skills that are essential to an employee administering the Title IV-E plan. In that training,

participants focus upon the identification of child abuse and neglect, the types of reports and referrals and screening process; the process of initiating and conducting investigations and family assessments; safety and risk assessments; conducting assessments of families; treatment planning, as well as the process for providing ongoing services for intact families.

Training on the types of reports and referrals and screening process is required in order to carry out the "[referal to services" activity listed in the regulation. 45 CFR § 1356.60(c)(2)(i). Training on initiating and conducting assessments of families, as well as training on treatment planning, directly relate to the development of a case plan, an activity listed under § 1356.60(c)(2)(iv). Training on how to plan for a child's treatment also relates to "[class management and supervision," another listed activity. 45 CFR § 1356.60(c)(2)(vi). Thus, this second training segment is also closely related to activities listed under the regulations, and is therefore permissible Title IV-E training.

We note that in Nebraska Health and Human Services, DAB No. 1882 (2003), the Departmental Appeals Board considered a similar Nebraska classroom training program that included similar segments entitled, among other things, "Philosophy and Overview,"
“Assessment,” “Placement/Permanency Planning,” “Interviewing,” and “Legal.” In that case, ACF acknowledged, and the DAB agreed, that both the classroom and field training provided skills and knowledge that were “directly relevant” to the IV-E program. DAB No. 1882, at 4. Accordingly, the DAB held in that case that there was “no question” that the State could claim these training costs under IV-E. Id.

ACF took the position in the Nebraska case and in other cases that as long as the State allocates the cost to all benefiting programs, the State may claim “the cost of training which benefits children in addition to IV-E eligibles and candidates for IV-E.” Illinois Department of Public Aid, DAB 1530 at 23; Nebraska Health and Human Services, DAB 1882, at 4. In this case, the Department properly allocated the costs of these trainings by applying the IV-E penetration rate to its claim, so that only IV-E’s proportionate share was charged to the program.

3. $4,417,460 in salaries and benefits for on-the-job training

The draft audit also takes issue with the on-the-job training ("OJT") aspect of Missouri’s training program. However, the IV-E regulations do not limit allowable training costs to classroom training; to the contrary, they expressly contemplate reimbursement for an in-service training component. 45 CFR § 235.61. Missouri’s IV-B plan (incorporated into Title IV-E) specifies that training includes on-the-job training as well as the three-month period of classroom training. As the draft audit notes, the State’s training plan’s curriculum provides that OJT is “an important component within the curriculum” that is “structured to occur before, during, and after the classroom weeks.” Draft Report at 7. OJT “assists in the development of the employee and is a shared task between the supervisor and employee.” Id.

In Missouri, a new Social Service worker, including one promoted to the position from elsewhere in the agency, is in probationary status during the first year of employment. During the probationary period, the new worker receives classroom training during the first three months of the job and in-service on-the-job training throughout the first year. A probationary worker carries a reduced caseload and works closely with a supervisor in all aspects of the job to ensure that he or she is acquiring the skills necessary to adequately perform the job duties. Accordingly, the probationary period is one “of intensive, task-oriented training to prepare new employees to assume job responsibilities.” 45 CFR § 235.61(a) (defining in-service training); 45 CFR § 235.61(b)(1) (permitting reimbursement for in-service training).

Although the training during the probationary period lasts for one year, only the first six months of the probationary period are claimed as training costs. (Note that the salary costs of probationary social service workers in their first six months of employment are not included in the Social Services cost pool and therefore are not included in the training costs allocated through the RMTS). The draft audit concludes that employees’ status does not change upon the completion of OJT, but this is because the probationary period continues for an additional six months. There is a change in status at the conclusion of the 12-month probationary period.

The draft audit also contends that only the portion of training attributable to Title IV-E may be claimed as IV-E training expenditures. In fact, Missouri did allocate these costs to Title
IV-E by applying the penetration rate before charging the program. Use of a penetration rate is a proper allocation method approved by both ACF and the Departmental Appeals Board. See, e.g., *Illinois Department of Children and Family Services*, DAB No. 1530 at 12-13 (August 3, 1995) (application of "eligibility ratios" to allocate training costs between benefiting programs was equitable basis and could be required by DCA); *Nebraska Health and Human Services System*, DAB No. 1882 at 12 (May 14, 2003) (recognizing the use of "caseload statistics" as an equitable basis for allocating training costs); ACYF-PA-87-05 ("allocations may be determined by case count of title IV-E eligible children in relation to all children in foster care under the responsibility of the State title IV-E /IV-B agency."); ACYF-PA-90-01 (same).

Finally, the draft audit argues that the costs of training promoted employees were not included in Missouri’s training plan, and therefore no portion of those costs were allowable. This argument misunderstands the terminology used for various Department employees. Employees may be promoted from another division within the Department, and thereby become new employees of the Children’s Division. Such employees attend the initial classroom training, receive on-the-job training and are just as much new employees as are new hires. Therefore, when the Plan states that the Children’s Division provides training to “all new Children’s Services workers,” this term necessarily includes employees promoted to that position. Accordingly, training for promoted employees is covered in the IV-B training plan.

4. $1,019,419 in long-term educational training costs.

This factual finding is incorrect. The draft audit argues that the costs associated with a long-term educational program must be allocated among all benefiting programs. The draft asserts that because the long-term educational program trains personnel to perform a broad range of activities and because such personnel in fact spend part of their staff time performing activities for other programs, the training costs may not be directly charged to Title IV-E.

Under the State’s approved CAP, the long-term educational training costs are not part of the costs assigned to the Social Services pool to be allocated among different programs. The CAP specifies that “all other costs are direct costs.” In any case, Missouri applied a penetration rate to these costs before charging them to Title IV-E. Both the Departmental Appeals Board and ACF have long recognized the use of a penetration rate as a proper allocation method. See, e.g., DAB No. 1530, supra, at 12-13; DAB No. 1882, supra, at 12; ACYF-PA-87-05; ACYF-PA-90-01. Accordingly, Missouri used an approved methodology to allocate the costs of its long-term educational program.

5. $998,714 in residential treatment center costs.

Missouri agrees that Residential Treatment Center Training was not included in the State’s Title IV-B training plan. Missouri also agrees that certain costs claimed as training costs for residential treatment centers were actually administrative costs that should have been claimed at the 50% rate.
In May of 2003, Missouri requested the details underlying this audit finding so that Missouri could make a proper adjustment of these claims. That information has never been provided. Accordingly, Missouri renews its request for the information underlying this finding; once the Department has had an opportunity to review its claim, it will make the appropriate adjustments.

6. $718,483 in indirect costs claimed at the 75-percent Federal reimbursement rate.

Certain indirect costs were claimed at the 75% training rate because the State understood the approved cost allocation plan then in effect to permit such a claim. The State subsequently modified its approach so that these costs are now claimed at the 50% administrative rate.

RECOMMENDATIONS

The draft audit concludes with four recommendations and instructs the Department to provide a statement of concurrence or nonconcurrence. The audit recommended that the State:

- Adjust its next Federal Quarterly Report of Expenditures to reduce Federal reimbursement claimed for Title IV-E training by $15,796,619.

  The Department does not concur with this recommendation. As demonstrated above, the factual findings and legal arguments upon which this recommendation was based are incorrect.

- Work with ACF to determine the amount of unallowable training costs claimed at the 75-percent Federal reimbursement rate that are claimable and allowable as Title IV-E administrative costs at the 50-percent rate.

  The Department does not concur with this recommendation. Missouri claimed these costs in accordance with its approved State Plan and CAP.

- Develop and implement internal controls to ensure that only allowable training costs are claimed as Title IV-E training costs in the future.

  The Department does not concur that a lack of internal controls caused any improper claiming of Title IV-E training costs. Missouri claimed these costs in accordance with its approved State Plan and CAP.

- Review Title IV-E training costs claimed subsequent to the audit period for the issues identified and make the appropriate adjustments.

  The Department does not concur that any adjustments are appropriate. Costs have been claimed and will continue to be claimed in accordance with the State’s approved State Plan and CAP.
We look forward to working with your office to correct the inaccuracies reflected in the draft report. Please do not hesitate to contact Brian Kinkade, Director, Division of Budget and Finance at (573)751-7533 if you have any questions.

Sincerely,

[Signature]

K. Gary Shenzhan
Director

KGS:RJB:hsb