



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

July 17, 2009

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

Report Number: A-07-09-03119

Mr. Ronald J. Levy
Director
Missouri Department of Social Services
Broadway State Office Building
P.O. Box 1527
Jefferson City, Missouri 65102-1527

Dear Mr. Levy:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of the Missouri Department of Social Services Claim for Title IV-E Training Costs for Salaries and Benefits for Initial Inservice Training for July 1, 2002, Through June 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.

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If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact Greg Tambke, Audit Manager, at (573) 893-8338, extension 30, or through email at Greg.Tambke@oig.hhs.gov. Please refer to report number A-07-09-03119 in all correspondence.

Sincerely,

for Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to ACF Action Official:

Ms. Nancy Long
Acting Regional Administrator, Region VII
Administration for Children and Families
601 East 12th Street, Room 276
Kansas City, Missouri 64106-2808

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE MISSOURI
DEPARTMENT OF SOCIAL SERVICES
CLAIM FOR TITLE IV-E TRAINING
COSTS FOR SALARIES AND
BENEFITS FOR INITIAL INSERVICE
TRAINING FOR JULY 1, 2002,
THROUGH JUNE 30, 2006**



Daniel R. Levinson
Inspector General

July 2009
A-07-09-03119

Office of Inspector General

<http://oig.hhs.gov>

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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 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; in Missouri, the Department of Social Services (the State agency) administers the program. Title IV-E provides Federal financial participation (FFP) at a 50-percent rate for administrative expenditures and at an enhanced 75-percent rate for certain training expenditures.

Federal regulations specify that training expenditures must be included in the approved State training plan to be claimed at the enhanced 75-percent FFP rate. Also, pursuant to Federal regulations, States may receive reimbursement at the enhanced 75-percent FFP rate for initial inservice training.

According to the approved State training plan, the initial inservice training for new employees occurs during the first three months of employment, and combines classroom training and on-the-job training (OJT). The classroom training consists of 129 hours of child welfare practice training that provides practice, skills, and systems training to new employees. Reduced caseloads are recommended during this time.

The State agency claimed \$6,383,791 (\$4,787,843 Federal share) in Title IV-E training costs for salaries and benefits for initial inservice training at the enhanced 75-percent FFP rate from July 1, 2002, through June 30, 2006.

OBJECTIVE

Our objective was to determine whether the Title IV-E training costs for salaries and benefits claimed by the State agency for initial inservice training at the enhanced 75-percent FFP rate from July 1, 2002, through June 30, 2006, were allowable pursuant to Federal regulations and the approved State training plan.

SUMMARY OF FINDINGS

Of the \$4,787,843 (Federal share) in Title IV-E training costs that the State agency claimed for salaries and benefits for initial inservice training for the period July 1, 2002, through June 30, 2006, \$741,872 (Federal share) was unallowable. The State agency overstated Title IV-E training costs by the \$741,872 (Federal share) because it did not follow Federal regulations and the approved State training plan. Specifically, the State agency claimed:

- \$495,525 (Federal share) in unallowable salary and benefit costs for initial inservice training whose timeframes exceeded the allowable three-month period for Federal reimbursement pursuant to the State training plan. The \$495,525 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.

- \$141,320 (Federal share) in unallowable costs claimed related to an initial inservice training course that did not meet the definition of an allowable administrative activity pursuant to Federal regulations.
- \$98,677 (Federal share) in unallowable costs claimed for initial inservice training courses that, contrary to Federal regulations, either were not taken or not completed by 365 (out of 575) employees. The \$98,677 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.
- \$6,350 (Federal share) in unallowable indirect costs that did not qualify for Federal reimbursement. The \$6,350 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.

In addition, the State agency claimed \$814,330 (Federal share) in potentially unallowable costs related to OJT that was required for all new employees, but for which the State agency could not provide documentation that the training occurred. Therefore, these costs may not have been allowable for Federal reimbursement at the enhanced 75-percent FFP rate.

We accepted the remaining \$3,231,641 (Federal share) in Title IV-E training costs for salaries and benefits, including associated indirect costs.

A table summarizing these findings is attached as Appendix A.

The State agency claimed these unallowable and potentially unallowable costs because it did not have adequate internal controls to ensure that it claimed only allowable Title IV-E training costs pursuant to Federal regulations and the approved State training plan.

RECOMMENDATIONS

We recommend that the State agency:

- adjust its next “Title IV-E Foster Care and Adoption Assistance Financial Report” to reduce Federal reimbursement claimed for Title IV-E training by \$741,872 (Federal share);
- work with ACF to review the \$814,330 (Federal share) in enhanced payments for OJT costs and assess whether documentation provided by the State agency is sufficient to support the allowability of these claimed costs at the enhanced 75-percent FFP rate; and
- strengthen policies and procedures to ensure that it claims Federal reimbursement for Title IV-E training pursuant to Federal requirements and the approved State training plan.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency disagreed with our findings and with two of our three recommendations. For the costs that we questioned, the State agency said that these costs were allowable because the: (1) \$495,525 (Federal share) in costs for salaries and benefits claimed for initial inservice training were within the State agency's interpretation of the timeframes indicated in the State training plan, (2) \$141,320 (Federal share) in costs for salaries and benefits claimed for an initial inservice training course were part “. . . an overall legitimate training program” whose other training courses were allowable, (3) \$98,677 (Federal share) in salaries and benefits claimed for initial inservice training courses were completed by “virtually all” individuals in question, and (4) \$6,350 (Federal share) in costs claimed for indirect costs were for training.

Regarding the \$814,330 (Federal share) in potentially unallowable costs that we have set aside for ACF adjudication because the State agency could not provide documentation that the training occurred, the State agency agreed with our recommendation that it work with ACF to resolve these costs. However, the State agency disagreed with the associated finding itself. The State agency said that it had made relevant information available to us during our fieldwork, and added that it had appropriately provided OJT “. . . to workers who had been away from the agency for extended periods and therefore needed training. . . .”

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

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's written comments regarding the costs that we questioned, we maintain that our findings and recommendations are valid. For the costs that we questioned, we believe that these costs were unallowable because: (1) the \$495,525 (Federal share) in salaries and benefits claimed for initial inservice training did not conform to the timeframes indicated in the State training plans, (2) the \$141,320 (Federal share) in salaries and benefits claimed for an initial inservice training course contained unallowable administrative activity pursuant to Federal regulations, (3) the \$98,677 (Federal share) in costs claimed for salaries and benefits associated with initial inservice courses were not supported by any documentation bolstering the State agency's statement that “virtually all” individuals had completed the training, and (4) the \$6,350 (Federal share) in indirect costs were not claimed pursuant to Federal regulations.

Regarding the \$814,330 (Federal share) in potentially unallowable costs that we have set aside for ACF adjudication, the shortcomings in documentation that formed the basis for this finding—to include documentation supporting that OJT occurred—were not addressed in the State agency's written comments on our draft report. Therefore, we maintain that the \$814,330 (Federal share) be set aside for ACF adjudication.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Title IV-E Program	1
Federal Reimbursement Requirements	1
Missouri Department of Social Services Costs Claimed for Initial Inservice Training.....	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective.....	2
Scope.....	2
Methodology.....	3
FINDINGS AND RECOMMENDATIONS	3
FEDERAL REQUIREMENTS	4
STATE AGENCY REQUIREMENTS	5
UNALLOWABLE SALARIES AND BENEFITS CLAIMED	5
Initial Inservice Training That Exceeded the Allowable Three Months’ Duration	5
Training Not Permitted for Federal Reimbursement	6
Training Not Taken or Not Completed.....	6
Unallowable Indirect Costs.....	7
POTENTIALLY UNALLOWABLE SALARIES AND BENEFITS CLAIMED	8
RECOMMENDATIONS	9
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	9
Initial Inservice Training That Exceeded the Allowable Three Months’ Duration	9
Training Not Permitted for Federal Reimbursement	10
Training Not Taken or Not Completed.....	10
Unallowable Indirect Costs.....	11
Potentially Unallowable Salaries and Benefits Claimed	12

APPENDIXES

A – SUMMARY OF AUDIT RESULTS

B – SAMPLING DESIGN, METHODOLOGY, AND ESTIMATES

C – STATE AGENCY COMMENTS

INTRODUCTION

BACKGROUND

Title IV-E 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; in Missouri, the Department of Social Services (the State agency) administers the program.

Federal funds are available to States for the following Title IV-E administrative and training costs:

- Administrative costs include staff activities such as case management and supervision of children placed in foster care or considered to be Title IV-E candidates, preparation for and participation in court hearings, placements of children, recruitment of foster parents, and licensing of foster homes and institutions. The Federal funding rate for administrative costs allocable to the Title IV-E program is 50 percent.
- Training costs include the training of personnel employed or preparing for employment by the State or local agency administering the State training plan and the training of 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.

Pursuant to Federal regulations (45 CFR part 95, subpart E), States must allocate costs to the Title IV-E program in accordance with a public assistance cost allocation plan approved by the Department of Health and Human Services, Division of Cost Allocation (DCA), after ACF reviews and comments on the fairness of the cost allocation methodologies. Federal regulations (45 CFR §§ 74.27 and 92.22) also require that costs be allocated according 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 requires at Section C that costs be allocated to programs based on the relative benefits received and be adequately documented. ACF’s “Child Welfare Policy Manual” states that training costs must be allocated to benefiting programs and describes allowable administrative costs.

States submit the “Title IV-E Foster Care and Adoption Assistance Financial Report” (ACF-IV-E-1 report) on a quarterly basis to claim Federal reimbursement for Title IV-E costs.

Federal Reimbursement Requirements

Section 474(a)(3) of the Act authorizes Federal reimbursement to a State at an enhanced 75-percent rate for amounts expended “for the proper and efficient administration of the State plan” if the expenditures are for certain types of training, such as the training of personnel employed or preparing for employment by the State or local agency administering the Title IV-E program.

Federal regulations (45 CFR § 1356.60(b)) restate the training costs for which States receive the enhanced 75-percent rate of Federal financial participation (FFP), and further provide that inservice training and short-term and long-term training at educational institutions be provided pursuant to 45 CFR §§ 235.63–235.66(a). These regulations lists with greater specificity certain activities and costs that are eligible for the enhanced FFP rate. Section 474(a)(3)(E) of the Act and 45 CFR § 1356.60(c) authorize reimbursement to States at a 50-percent FFP rate for all other allowable 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).¹ The State’s training plan must describe the training activities and costs that will be charged to the Title IV-E program at the enhanced 75-percent FFP rate.

Missouri Department of Social Services Costs Claimed for Initial Inservice Training

According to the approved State training plan, the initial inservice training for new employees at the State agency occurs during the first three months of employment, and combines classroom training and on-the-job training (OJT). The classroom training consists of 129 hours of child welfare practice training (CWPT) that provides practice, skills, and systems training to new employees. Reduced caseloads are recommended during this time.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Title IV-E training costs for salaries and benefits claimed by the State agency for initial inservice training at the enhanced 75-percent FFP rate from July 1, 2002, through June 30, 2006, were allowable pursuant to Federal regulations and the approved State training plan.

Scope

From July 1, 2002, through June 30, 2006, the State agency claimed a total of \$30,556,399 (\$22,917,299 Federal share) in Title IV-E training costs. Our audit covered the \$6,383,791 (\$4,787,843 Federal share) that the State agency claimed at the enhanced 75-percent FFP rate for salaries and benefits for initial inservice training. We are separately reviewing the remaining Title IV-E training costs (cost pool, long-term training, and residential treatment centers and foster care parent training) that the State agency claimed for Title IV-E training during the same time period. We are addressing those costs in three separate reports.

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

We performed fieldwork from November 2006 to May 2008 at the State agency in Jefferson City, Missouri.

¹The State agency submitted a training plan to ACF for approval for each Federal fiscal year included in this review (2002 through 2006).

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, policy directives, State training plans, U.S. Department of Health and Human Services Departmental Appeals Board (DAB) decisions, the approved cost allocation plan, and the DCA-negotiated indirect cost rate agreements;
- interviewed officials of ACF and the State agency to gain an understanding of the State agency's Title IV-E training program and its policies and procedures;
- reviewed the State agency's methods for recording and allocating training costs;
- reviewed the ACF-IV-E-1 reports and supporting quarterly cost allocation reports and compared the amounts claimed with the State agency's accounting records; and
- randomly selected 30 State agency personnel (under the sampling methodology described in Appendix B), whose initial inservice training costs were claimed by the State agency for Federal reimbursement at the enhanced 75-percent FFP rate, to obtain and analyze records supporting OJT and caseload information, in order to evaluate the allowability of those claimed costs.

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

Of the \$4,787,843 (Federal share) in Title IV-E training costs that the State agency claimed for salaries and benefits for initial inservice training for the period July 1, 2002, through June 30, 2006, \$741,872 (Federal share) was unallowable. The State agency overstated Title IV-E training costs by \$741,872 (Federal share) because it did not always follow the Federal regulations and the approved State training plan. Specifically, the State agency claimed:

- \$495,525 (Federal share) in unallowable salary and benefit costs for initial inservice training whose timeframes exceeded the allowable three-month period for Federal reimbursement pursuant to the State training plan. The \$495,525 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.
- \$141,320 (Federal share) in unallowable costs claimed related to an initial inservice training course that did not meet the definition of an allowable administrative activity pursuant to Federal regulations.

- \$98,677 (Federal share) in unallowable costs claimed for initial inservice training courses that, contrary to Federal regulations, either were not taken or not completed by 365 (out of 575) employees. The \$98,677 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.
- \$6,350 (Federal share) in unallowable indirect costs that did not qualify for Federal reimbursement. The \$6,350 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.

In addition, the State agency claimed \$814,330 (Federal share) in potentially unallowable costs related to OJT that was required for all new employees, but for which the State agency could not provide documentation that the training occurred. Therefore, these costs may not have been allowable for Federal reimbursement at the enhanced 75-percent FFP rate.

We accepted the remaining \$3,231,641 (Federal share) in Title IV-E training costs for salaries and benefits, including associated indirect costs.

A table summarizing these findings is attached as Appendix A.

The State agency claimed these unallowable and potentially unallowable costs because it did not have adequate internal controls to ensure that it claimed only allowable Title IV-E training costs pursuant to Federal regulations and the approved State training plan.

FEDERAL REQUIREMENTS

Section 474(a)(3)(E) of the Act and 45 CFR § 1356.60(c)(2)(ix) provide for a 50-percent FFP rate for reimbursement for administrative expenditures, which includes “[a] proportionate share of related agency overhead.” Furthermore, 45 CFR § 1356.60(c)(3) states: “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.”

Section 474(a)(3) of the Act and 45 CFR §§ 1356.60(b)(2) and 1356.60(b)(3) specifically provide for an enhanced 75-percent FFP rate for training costs as follows:

- (b) Federal matching funds for State and local training for foster care and adoption assistance under title IV-E
 - (2) All training activities and costs funded under title IV-E shall be included in the State agency’s training plan for title IV-B.
 - (3) Short and long term training at educational institutions and inservice training may be provided in accordance with the provisions of Sec. Sec. 235.63 through 235.66(a) of this title.

Federal regulations (45 CFR § 235.61(a)) clarify that initial inservice training consists of “a period of intensive, task-oriented training to prepare new employees to assume job responsibilities.” In addition, 45 CFR § 235.62 states: “A State plan . . . must provide for a training program for agency personnel. The training program must: (a) Include initial inservice training for newly appointed staff”

OMB Circular A-87, Attachment A, Section C, states: “To be allowable under Federal awards, costs must . . . (j) Be adequately documented.”

STATE AGENCY REQUIREMENTS

The 2006 State training plan² states:

The initial in-service curriculum is titled Child Welfare Practice Training (CWPT). This training is provided to new Children’s Division staff and new contracted agency staff. The initial in-service training process takes place during the first three months of employment and includes 129 hours of classroom training. It combines classroom teaching by Children’s Division staff trainers with suggested on-the-job training that is under the direction of the first level supervisor. Reduced caseloads are recommended during this time.

The State agency has an “On-The-Job (OJT) Training Manual For Staff,” which is to be completed by the new members of the Children’s Division staff during their initial inservice training.

UNALLOWABLE SALARIES AND BENEFITS CLAIMED

Initial Inservice Training That Exceeded the Allowable Three Months’ Duration

The State agency claimed \$495,525 (Federal share) in unallowable salary and benefit costs for initial inservice training whose timeframes exceeded the allowable three-month period for Federal reimbursement pursuant to the State training plan. The \$495,525 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.

The State agency claimed salary and benefits totaling \$1,982,101 (\$1,486,576 Federal share) for initial inservice training whose timeframes exceeded the allowable three-month period for Federal reimbursement pursuant to the State training plan. None of these costs claimed were

²Similar language appears in the other State Title IV-B training plans published during our review period.

allowable for Federal reimbursement at the enhanced 75-percent FFP rate because these costs exceeded the allowable three months of salaries and benefits provided for in the State training plan.

The State agency's procedures for claiming Federal reimbursement at the enhanced 75-percent FFP rate for initial inservice training did not conform to the provisions of the State training plan. Those procedures allowed costs associated with initial inservice training that took place after the first three months of employment to be claimed for Federal reimbursement at the enhanced 75-percent FFP rate, contrary to the provisions of the State training plan. Specifically, the State agency claimed Federal reimbursement at the enhanced 75-percent FFP rate for 463 (out of 789) employees (59 percent) for initial inservice training that extended past the allowed three months.

The State agency claimed \$1,982,101 salaries and fringe benefits associated with the 463 employees whose initial inservice training extended past the three months of initial inservice training provided for in the State training plan. Because the State agency claimed these costs at the enhanced 75-percent FFP rate of \$1,486,576 rather than at the administrative (50-percent) FFP rate of \$991,051, we are questioning the difference between the enhanced rate and the administrative rate, which totaled \$495,525 (Federal share).

Training Not Permitted for Federal Reimbursement

The State agency claimed \$188,426 (\$141,320 Federal share) in unallowable costs for salaries and benefits related to an initial inservice CWPT course. This course, entitled "Child Abuse and Neglect Investigations/Family Assessments and Application of the Family Centered Philosophy and Skills to Working with Intact Families," did not meet the definition of an allowable administrative activity pursuant to 45 CFR § 1356.60(c)(3), because the focus and content of the course involved "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." Therefore, pursuant to Federal regulations, these costs did not qualify for Federal reimbursement.

The State agency's procedures were to claim Federal reimbursement for all salary and fringe benefits for employees undergoing initial inservice training. This training included a CWPT course that did not meet the definition of allowable administrative costs pursuant to 45 CFR § 1356.60(c)(3). We are questioning the salary and benefit costs claimed for Federal reimbursement that were associated with this CWPT course—costs that, pursuant to Federal regulations, were not allowable for Federal reimbursement.

Training Not Taken or Not Completed

The State agency claimed \$98,677 (Federal share) in unallowable costs for initial inservice training course that, contrary to the provisions of the State training plan, either were not taken or not completed by 365 (out of 575) employees. The \$98,677 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations.³

³The 575 employees represent those employed full-time at least three months.

The State agency claimed costs totaling \$394,708 (\$296,031 Federal share) in salaries and fringe benefits related to initial inservice training courses that, contrary to the provisions of the State training plan, either were not taken or not completed by 365 (out of 575) employees. None of these costs claimed were allowable for Federal reimbursement at the enhanced 75-percent FFP rate because the 365 employees did not complete these courses as required by the State training plan.

The State agency claimed costs associated with at least three months of initial inservice training for 575 employees. However, training records for these 575 employees indicated that:

- 219 (38 percent) did not take any CWPT training coursework and
- 146 (25 percent) did not complete the full 129 hours of CWPT training coursework.

In total, 365 of the 575 employees (63 percent) either did not take any CWPT training course or did not complete the 129 hours of CWPT training specified in the State training plan.

The State agency did not ensure that all employees completed the required 129 hours of CWPT training courses as specified in the State training plan.

The State agency claimed \$394,708 in salaries and fringe benefits related to CWPT training courses that were either not taken or not completed. Because the State agency claimed these costs at the enhanced 75-percent FFP rate of \$296,031 rather than at the non-enhanced, administrative (50-percent) FFP rate of \$197,354, we are questioning the difference between the enhanced rate and the administrative rate, which totaled \$98,677 (Federal share).

Unallowable Indirect Costs

The State agency claimed \$6,350 (Federal share) in unallowable agency overhead (indirect costs) that did not qualify for Federal reimbursement. The \$6,350 (Federal share) represents the difference between the enhanced 75-percent FFP rate that the State agency claimed and the administrative (50-percent) FFP rate permitted by Federal regulations at 45 CFR § 1356.60(c)(2)(ix).

The State agency incorrectly claimed indirect costs totaling \$25,400 (\$19,050 Federal share) at the enhanced 75-percent FFP rate for the period July 1, 2002, through March 31, 2003. None of these costs claimed were allowable for Federal reimbursement at the enhanced 75-percent FFP rate because the State agency claimed these costs at the enhanced 75-percent FFP rate rather than at the administrative (50-percent) FFP rate permitted by Federal regulations.

The State agency's procedures did not follow Federal regulations regarding the allowability of claiming indirect costs associated with Title IV-E training at the enhanced 75-percent FFP rate.

Specifically, the State agency included indirect costs as a percentage of direct salaries from the Children's Services Division foster care program based on an indirect cost rate agreement with DCA. Because the State agency claimed these indirect costs at the enhanced 75-percent FFP rate of \$19,050 (Federal share) rather than at the non-enhanced, administrative (50-percent) FFP rate

of \$12,700 (Federal share), we are questioning the difference between the enhanced rate and the administrative rate, which totaled \$6,350 (Federal share).

POTENTIALLY UNALLOWABLE SALARIES AND BENEFITS CLAIMED

The State agency claimed \$5,239,418 (\$3,929,564 Federal share) in salaries and benefits for OJT costs that may not have been allowable at the enhanced 75-percent FFP rate because the State agency could not provide supporting documentation that the OJT occurred.

Our review of the 30 randomly selected personnel aimed to determine whether they had undergone OJT as mandated by Federal regulations (45 CFR § 235.61(a)) and as claimed for Federal reimbursement by the State agency.⁴ However, the State agency could not provide any documentation supporting that the OJT had taken place as required by OMB Circular A-87, Attachment A, Section C. Specifically, with respect to the 30 randomly sampled employees, the State agency did not provide evidence that these personnel underwent OJT that involved a period of intensive, task-oriented training, or that these personnel received reduced caseloads as “recommended” in the State training plan. The State agency stated that this information is available; however, as of the end of our fieldwork, we had not received it.

In addition, the State agency provided to us personnel records indicating that nearly half of the 30 randomly sampled employees may not have needed the OJT for which the State agency claimed Federal reimbursement. Specifically, 12 of the 30 (40 percent) had been rehired after having previously served as State agency employees, and 2 of the 30 (7 percent) were current State agency employees who had not had a break in service.

The State training plan indicated that these new employees were required to take CWPT training; however, we noted that 16 of the 30 (53 percent) did not take any CWPT training. The primary reason why so many personnel did not take CWPT training was that these personnel were not new employees—that is, they either had been rehired or were current employees.

The State agency did not follow Federal guidelines as well as its State training plan when claiming OJT for Federal reimbursement.

The State agency claimed OJT totaling \$5,239,418 (\$3,929,564 Federal share). The Federal share at the non-enhanced, administrative (50-percent) FFP rate totaled \$2,619,709. The difference between the enhanced rate and the administrative rate totaled \$1,309,855 (Federal share). Of the \$1,309,855, we have already questioned \$495,525 in enhanced payments because the inservice training was claimed beyond the three months indicated in the State training plan. Thus, we are setting aside, for adjudication by ACF, the difference of \$814,330 (Federal share).

⁴The sampling design, methodology, and estimates appear in Appendix B.

RECOMMENDATIONS

We recommend that the State agency:

- adjust its next ACF-IV-E-1 report to reduce Federal reimbursement claimed for Title IV-E training by \$741,872 (Federal share);
- work with ACF to review the \$814,330 (Federal share) in enhanced payments for OJT costs and assess whether documentation provided by the State agency is sufficient to support the allowability of these claimed costs at the enhanced 75-percent FFP rate; and
- strengthen policies and procedures to ensure that it claims Federal reimbursement for Title IV-E training pursuant to Federal requirements and the approved State training plan.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency disagreed with our findings and with two of our three recommendations. A summary of the State agency's comments and our response follows. The State agency's comments are included in their entirety as Appendix C.

Initial Inservice Training That Exceeded the Allowable Three Months' Duration

State Agency Comments

The State agency said that we misread the State training plan in developing our finding that the State agency claimed \$495,525 (Federal share) in unallowable salary and benefit costs for initial inservice training whose timeframes exceeded the allowable three-month period. After quoting the State training plan that “[t]he initial in-service training process takes place during the first three months of employment,” the State agency added that this guidance referred to “the beginning of initial in-service training—the three to four months when new employees were attending CWPT during some weeks, alternating with OJT at their home offices during other weeks.”

Office of Inspector General Response

Federal regulations (45 CFR § 1356.60(b)(2)) specify that “All training activities and costs funded under title IV-E shall be included in the State agency’s training plan for title IV-B.” In turn, the State training plan mandates that “[t]he initial in-service training process takes place during the first three months of employment . . .” (Emphasis added.) There is no language in the State training plans that identifies any additional training activities, costs, or timeframes beyond the specified three months’ duration for which the State agency could allowably claim costs for initial inservice training at the enhanced 75-percent FFP rate pursuant to Federal regulations.

Training Not Permitted for Federal Reimbursement

State Agency Comments

The State agency did not agree with our finding regarding the \$141,320 (Federal share) in unallowable costs related to an initial inservice training course that did not meet the definition of an allowable administrative activity pursuant to Federal regulations. The CWPT course was entitled “Child Abuse and Neglect Investigations/Family Assessments and Application of Family Centered Philosophy and Skills to Working with Intact Families.” The State agency believed that “[t]here is no basis for criticizing a single course in isolation, since the entire initial inservice training program is directed toward and directly relevant to Title IV-E.” Further, the State agency indicated that the “. . . the State’s training program takes an integrated approach to training the ‘whole worker’ in how to deal with the entire array” of situations employees could encounter. In addition, the State agency cited ACF’s “Child Welfare Policy Manual, § 8.1H, Q&A #8” as evidence that this course was allowable.

Office of Inspector General Response

The CWPT course did not meet the definition of an allowable administrative activity pursuant to Federal regulations (45 CFR § 1356.60(c)(3)) and thus, did not qualify for Federal reimbursement. With respect to the State agency’s assertion that we should have taken an integrated approach, the State training plans listed each individual CWPT course including a description of that course, thereby allowing us to separate the courses that contained allowable training topics from those that contained unallowable training topics. As stated earlier, we questioned only the salary and benefit costs claimed for Federal reimbursement that were associated with this particular CWPT course.

Regarding the State agency’s citation of the “Child Welfare Policy Manual, § 8.1H, Q&A #8,” this policy manual contained interpretations of relevant Federal requirements, not of State training plans. Second, these interpretations were issued on April 10, 2007—after the end of our audit period. Further, even if this section of the Child Welfare Policy Manual were in effect during our audit period, it states that training “related to how to conduct an investigation of child abuse and neglect” (a subject that, according to our review of the State training plans, was a component of the CWPT course in question) is not an allowable administrative cost and is thus not eligible for Federal reimbursement.

Training Not Taken or Not Completed

State Agency Comments

The State agency disagreed with our finding regarding the \$98,677 (Federal share) in unallowable costs for initial inservice training courses that either were not taken or not completed by 365 (out of 575) employees. The State agency noted that it “. . . has reviewed its records and believes that they clearly show that virtually all of the individuals identified in the audit did, in fact, complete the entire CWPT training course.” However, the State agency later said that “more experienced workers, such as those

returning to the agency after an extended period away, or those changing positions . . . received only the portions of CWPT (if any) or OJT that were appropriate to their needs and circumstances.” The State agency added that the costs associated with employees who had not completed CWPT sessions should not have been disallowed, because these workers were still performing OJT, a permissible form of Title IV-E training. The State agency cited ACF’s “Child Welfare Policy Manual, Q&A ## 14–15,” to support this latter statement.

Office of Inspector General Response

Although the State agency indicated that it “. . . has reviewed its records and believes that they clearly show that virtually all of the individuals identified in the audit did, in fact, complete the entire CWPT training course,” it did not provide these records to us, either during our fieldwork or thereafter. Moreover, the State agency’s written comments appear self-contradictory by indicating that some of the more experienced workers may have either received only a portion of the CWPT or none at all.

The State agency also disagreed with this finding because, it said, those workers who did not complete any or all of the CWPT sessions would be completing OJT instead. The State agency cited the “Child Welfare Policy Manual, Q&A ##14-15” as support for the permissibility of OJT in lieu of CWPT training. We disagree with this line of reasoning on several levels. First, this policy manual contained interpretations of relevant Federal requirements, not of State training plans. Second, these interpretations were issued on April 10, 2007—after the end of our audit period. Further, even if this section of the Child Welfare Policy Manual were in effect during our audit period, it states that “[t]he training activities and costs must be included in the State agency’s training plan.” The State training plan, in turn, specifies that CWPT “. . . includes 129 hours of classroom training.” The State training plan does not make provisions for employees to complete OJT in lieu of the 129 hours of classroom training.

Unallowable Indirect Costs

State Agency Comments

The State agency did not agree with our finding that the \$6,350 (Federal share) in indirect costs that the State agency claimed did not qualify for reimbursement at the enhanced 75-percent FFP rate. Specifically, the State agency said these indirect costs were costs of training as they were computed by applying an indirect cost rate to salaries directly allocated to training. Because the costs were related to training, they were, according to the State agency, eligible for reimbursement at the enhanced 75-percent FFP rate. The State agency also stated that the Federal regulation we cited in connection with this finding (45 CFR § 1356.60(c)(2)(ix)) does not pertain to overhead associated with training costs; according to the State agency, “. . . overhead associated with training costs . . . are covered in subsection (b)” (that is, 45 CFR § 1356.60(b)).

Office of Inspector General Response

Federal regulation (45 CFR § 1356.60(c)(2)) states that “allowable administrative costs necessary for the administration of the foster care program [include] . . . a proportionate share of related agency overhead.” The State agency’s indirect costs were specifically a proportionate share of related agency overhead as negotiated with DCA and were thus eligible for reimbursement at the administrative 50-percent FFP rate rather than at the enhanced 75-percent FFP rate. Moreover, the regulation cited as applicable by the State agency (45 CFR § 1356.60(b)) itemizes, in its subparagraphs as well as its reference to § § 235.63—235.66(a), the types of training costs that qualify for reimbursement at the enhanced 75-percent rate. Agency overhead (indirect costs) are not one of the costs itemized in the regulation that the State agency cites; in fact, 45 CFR § 1356.60(c)(2) is the applicable regulation as stated in our finding.

Potentially Unallowable Salaries and Benefits Claimed

State Agency Comments

The State agency did not agree with our finding that it claimed \$814,330 (Federal share) in potentially unallowable costs related to salaries and benefits for OJT that was required for all new employees, but for which the State agency could not provide documentation that the training occurred. Although the State agency disagreed with the finding, it agreed with the associated recommendation. The State agency said that such a review in conjunction with ACF would show “. . . that its OJT was entirely proper.” Further, the State indicated that it provided the OJT Manual for Staff to the auditors.

Alluding to those randomly selected employees who had been rehired after having previously served as State agency employees, the State agency stated that it “. . . appropriately provided OJT to workers who had been away from the agency for extended periods and therefore needed training. . . .” To support this assertion, the State agency cited “ACF, Child Welfare Policy Manual, Q&A #15” as evidence that ACF recognized that initial inservice training was appropriate for workers who, though they may have had some experience in the State agency, were starting to work in positions that were effectively new to them. The State agency also indicated that it had provided evidence to the DAB that its OJT program involved activities such as shadowing veteran workers and observing court activities, as well as formal classroom program in many counties.

Office of Inspector General Response

The State agency disagreed with our finding regarding these potentially unallowable costs but agreed with our associated recommendation that it work with ACF to adjudicate this issue. Despite the State training plan statement that the social workers have a reduced caseload during the initial inservice training, the State agency provided us no evidence of reduced caseloads for any of our randomly selected State employees. Furthermore, the only evidence that the State agency provided that OJT occurred was, as the State agency noted in its written comments, an “OJT Manual for Staff” which, as we noted, had not been completed by any of the randomly

selected State employees. We do not believe that an OJT manual that had not been completed by any of the selected employees constituted sufficient evidence to demonstrate that any OJT had occurred.

The State agency cited the “Child Welfare Policy Manual, Q&A #15” as evidence of ACF’s guidance supporting the State agency’s decision to provide OJT to rehired workers “who had been away from the agency for extended periods and therefore needed training.” However, as stated earlier, the interpretation in this policy manual was of relevant Federal requirements, not of State training plans. Second, these interpretations were issued on April 10, 2007—after the end of our audit period. Further, even if this section of the Child Welfare Policy Manual were in effect during our audit period, it states that “[t]he training activities and costs must be included in the State agency’s training plan.” The State training plan, in turn, specifies that staff members must have 129 hours of CWPT and have reduced caseloads.

Accordingly, the concerns about inadequate documentation, as articulated in our draft report, remain valid. In recognition of this continuing lack of adequate documentation, we maintain that the \$814,330 (Federal share) be set aside for ACF adjudication.

APPENDIXES

SUMMARY OF AUDIT RESULTS

**Title IV-E Training Costs Claimed for
Salaries and Benefits for Initial Inservice Training
During July 1, 2002, through June 30, 2006**

Federal Share

	TOTAL CLAIMED	AMOUNT QUESTIONED	AMOUNT SET ASIDE	AMOUNT ALLOWABLE
Salaries and Benefits	\$5,542,786			
Less Long-Term Training	<u>773,993</u>			
Initial Inservice	4,768,793	\$735,522	\$814,330	\$3,218,941
Indirect Costs	19,050	6,350		12,700
TOTALS	\$4,787,843	\$741,872	\$814,330	\$3,231,641

SAMPLING DESIGN, METHODOLOGY, AND ESTIMATES

OBJECTIVE

Our objective was to determine whether the Title IV-E training costs for salaries and benefits claimed by the Missouri Department of Social Services (State agency) for initial inservice training at the enhanced 75-percent Federal financial participation rate from July 1, 2002, through June 30, 2006, were allowable pursuant to Federal regulations and the approved State training plan.

POPULATION

Our population consisted of 776 employees for whom the State agency claimed reimbursement during our review period for at least one month of salary and benefits for the initial inservice training from July 1, 2002, through June 30, 2006.¹

SAMPLE DESIGN

The audit used a simple random sample. We used the Office of Inspector General, Office of Audit Services (OAS), statistical software RAT-STATS to generate the random numbers used to select the sample. The audit period covers the State agency's fiscal years 2003 through 2006 (July 1, 2002, through June 30, 2006).

SAMPLE SIZE

The random sample consisted of 30 employees.

STATISTICAL ESTIMATES

Because the State agency has not provided evidence of either on-the-job training (OJT) or reduced caseloads for any of the sampled employees, we considered the entire sample to be in error. As a result, we are setting aside the entire amount (\$814,330 (Federal share)) of costs related to OJT for which the State agency received reimbursement for the initial inservice training charged to Title IV-E, excluding the 129 hours of actual classroom training performed during the first three months.

¹In total, we had 788 employees whose initial inservice training costs were charged to Title IV-E training. However, we excluded 12 employees considered duplicates from the population, and separately reviewed these employees.



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May 21, 2009

VIA UPS OVERNIGHT

Patrick J. Cogley
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General, Offices of Audit Services, Region VII
601 East 12th Street
Room 429
Kansas City, MO 64106

Re: *Review of the Missouri Department of Social Services Claim for Title IV-E Training Costs for Salaries and Benefits for Initial Inservice Training for July 1, 2002 Through June 30, 2006, Report No. A-07-09-03119*

Dear Mr. Cogley:

The Missouri Department of Social Services ("Missouri" or "the State") hereby responds to the draft report of the above-referenced audit ("Draft Report"), which you forwarded to the State on March 26, 2009. The time for reply was extended to May 25, 2009.

The Draft Report evaluates Missouri's claim for federal financial participation ("FFP") in initial in-service training costs reimbursable under Title IV-E of the Social Security Act ("Act"). The audit covered the period July 1, 2002 through June 30, 2006. For the reasons explained below, we believe that the determinations set forth in the Draft Report are erroneous.

I. Background

A. Initial In-Service Training Costs Under the Title IV-E Statute and Regulations

By statute, States are entitled to 75% FFP for expenditures they incur in training employees of the agency administering the State's Title IV-E plan. Act § 474(a)(3)(A). The regulations that implement Title IV-E confirm that "[FFP] is available at the rate of seventy-five percent (75%) in the costs of . . . [t]raining personnel employed . . . by the State or local agency administering the plan." 45 C.F.R. § 1356.60(b)(1)(i). The regulations also state that "[a]ll training activities and costs funded under title IV-E shall be included in the State agency's training plan for title IV-B," *id.* § 1356.60(b)(2), and that "in-service training may be provided in accordance with the provisions of §§ 235.63 through 235.66(a) of this title," *id.* § 1356.60(b)(3). The cited regulations state that under Titles I, IV-A, X, XIV, and XVI of the Act, "[f]or agency

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Patrick J. Cogley
Regional Inspector General for Audit Services
May 21, 2009
Page 2

training sessions, FFP is available for . . . [s]alaries, fringe benefits, travel and per diem for employees in initial in-service training of at least one week.” 45 C.F.R. § 235.64(b)(1).

After setting forth provisions relating to training costs, the Title IV-E regulations provide for “[f]ederal matching funds for *other* State and local administrative expenditures for foster care and adoption assistance under title IV-E.” 45 C.F.R. § 1356.60(c) (emphasis added). “[FFP] is available at the rate of fifty percent (50%) for administrative expenditures necessary for the proper and efficient administration of the title IV-E State plan.” *Id.* The regulations state that “allowable administrative costs” include, for example, “[a] proportionate share of related agency overhead,” *id.* § 1356.60(c)(2)(ix), and 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,” *id.* § 1356.60(c)(3).

B. Missouri’s Claims for Initial In-Service Training Costs Under Title IV-E

The Children’s Division of the Missouri Department of Social Services is the State agency that administers the foster care and adoption assistance program in Missouri.¹ During the audit period, the Division provided initial in-service training, including Child Welfare Practice Training (CWPT) and on-the-job training (OJT).

CWPT was a centralized program consisting of five classroom segments, each addressing basic aspects of work in the Children’s Division. Each CWPT segment lasted approximately one week. In between each CWPT segment, new workers spent about one to two weeks at their home offices, participating in OJT. Because of this spacing, a new worker generally finished CWPT three to four months after starting at the Children’s Division. After the final CWPT course concluded, new workers continued to participate in OJT at their home offices for at least their first full year on the job – their probationary year.

In many offices, the first three to four months of the OJT program, that is, the weeks in between CWPT sessions, consisted primarily of classroom courses taught at the county level. These local OJT courses supplemented and reinforced CWPT. Moreover, all county offices (whether or not they had formal OJT classes) also provided OJT that involved intensive training and supervision under the first-level supervisor’s direction. This OJT involved activities such as shadowing more experienced workers and observing court hearings. OJT also involved gradually assuming job responsibilities, in the context of heightened supervision and a reduced caseload – new workers generally had caseloads that were smaller and simpler than those of experienced workers.

¹ At the beginning of the audit period, the agency was known as the Children’s Services component of the Division of Family Services.

Patrick J. Cogley
Regional Inspector General for Audit Services
May 21, 2009
Page 3

Although initial in-service training (including both CWPT and OJT) lasted for the full initial (probationary) year, Missouri claimed only a portion of the first six months of salary and benefit costs under Title IV-E. The portion claimed was determined by application of the penetration rate (the percentage of children in foster care or adoption assistance who were eligible under Title IV-E). In accordance with the statute and regulations cited above, and in accordance with its training plan, Missouri claimed these costs at 75% FFP.

II. The Costs of Initial In-Service Training Were Properly Claimed.

A. Initial In-Service Training for Periods Longer than Three Months

The Draft Report asserts that Missouri claimed \$495,525 in FFP for “unallowable salary and benefit costs for initial inservice training whose timeframes exceeded the allowable three-month period for Federal reimbursement pursuant to the State training plan.” Draft Report at 5.

This draft finding rests on a misreading of the State training plan. Each year of the audit period, the training plan included essentially the same passage:

The initial in-service curriculum is titled [CWPT]. This training is provided to new Children’s Division staff and new contracted agency staff. The initial in-service training process takes place during the first three months of employment and includes 129 hours of classroom training. It combines classroom teaching by Children’s Division staff trainers with suggested on-the-job training that is under the direction of the first level supervisor. Reduced caseloads are recommended during this time. The emphasis of the supervisors is on reinforcement of competencies [in] skills taught in CWPT.²

The “first three months” language referred to the beginning of initial in-service training – the three to four months when new employees were attending CWPT during some weeks, alternating with OJT at their home offices during other weeks. This language does not describe or limit the training period as a whole. Missouri has submitted to the Departmental Appeals Board (DAB) undisputed evidence that the Children’s Division has always interpreted this language as referring simply to the period during which CWPT and OJT alternated. The State has always provided OJT for additional months after the classroom sessions ended; new employees continued with OJT in their home offices throughout the first year of employment. Missouri has

² Missouri Department of Social Services, FFY 2006 Title IV-B Child and Family Services Plan, § 7B (June 2005).

Patrick J. Cogley
Regional Inspector General for Audit Services
May 21, 2009
Page 4

sought Title IV-E reimbursement for several of these additional months. It has reasonably interpreted its training plan as being consistent with this process.³

B. CWPT Course Titled “Child Abuse and Neglect Investigations/Family Assessments and Application of Family Centered Philosophy and Skills to Working with Intact Families”

According to the Draft Report, Missouri claimed \$141,320 in FFP for “unallowable costs for salaries and benefits related to” the CWPT course titled “Child Abuse and Neglect Investigations/Family Assessments and Application of Family Centered Philosophy and Skills to Working with Intact Families.” Draft Report at 6. The Draft Report states that this course “did not meet the definition of an allowable administrative activity pursuant to 45 CFR § 1356.60(c)(3), because the focus and content of the course involved ‘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.’” *Id.*

We believe it is improper to declare unallowable a single class within an overall, legitimate training program.⁴ Even if it were proper, the Draft Report’s approach is incorrect. First, the cited course did not “focus” on impermissible social services. And neither the Act nor its implementing regulations provide that training topics, to be claimable under Title IV-E, must relate to “an allowable administrative activity,” as suggested by the Draft Report (at 6). The DAB caselaw purporting to impose such a requirement is inconsistent with the Title IV-E statute and regulations, including, for example, the provision for the “reasonable efforts” that agency workers must engage in – and be trained in.

The reality is that, in order for the Children’s Division to comply with the “reasonable efforts” requirement and many other aspects of the Title IV-E program, the entire course of training provided in CWPT – including the training provided in the questioned segment – is

³ Appeal File of Missouri Department of Social Services, Ex. 37, Declaration of Jeffrey L. Adams, ¶ 13, *Missouri Department of Social Services*, Board Docket No. A-07-7.

⁴ There is no basis for criticizing a single course in isolation, since the entire initial in-service training program is directed toward and directly relevant to Title IV-E; most children served by the workers who receive the training are eligible for Title IV-E; and the State applied the penetration rate, thus allocating costs of the training to programs other than Title IV-E. Moreover, a hairsplitting approach that singles out individual CWPT courses disregards the fact that the State’s training program takes an integrated approach to training the “whole worker” in how to deal with the entire array of situations arising in Children’s Division work. CWPT sessions are fluid and dynamic, building upon one another. Hour-by-hour analyses of allowability under Title IV-E are inconsistent with this holistic approach.

Patrick J. Cogley
Regional Inspector General for Audit Services
May 21, 2009
Page 5

essential. Congress intended such essential training to be reimbursed at 75% FFP, not parsed against an unduly narrow list of topics.

Moreover, even assuming each CWPT class must address “allowable administrative activities,” the course questioned by the Draft Report did so. Much of the CWPT segment in question related to activities – such as referral to services, development of a case plan, case management and supervision, and preparing for and participating in judicial determinations – that the Administration for Children and Families (ACF) regards as appropriately claimed at the 75% rate under Title IV-E. *See* ACF, Child Welfare Policy Manual, § 8.1H, Q&A #8. ACF also recognizes that training topics that may be claimed at the 75% rate include – to name only a few – “[s]ocial work practice, such as family centered practice and social work methods including interviewing and assessment,” “[c]hild abuse and neglect issues, such as the impact of child abuse and neglect on a child, and general overviews of the issues involved in child abuse and neglect investigations, if the training is not related to how to conduct an investigation of child abuse and neglect,” “[a]ctivities designed to preserve, strengthen, and reunify the family, if the training is not related to providing treatment or services,” and “[a]ssessments to determine whether a situation requires a child’s removal from the home, if the training is not related directly to conducting a child abuse and neglect investigation.” *Id.* All of these topics are covered in the CWPT segment at issue.

Thus, the CWPT segment fit well within the broad scope of training that may be claimed at 75% FFP. (ACF’s Child Welfare Policy Manual also recognizes numerous topics that may be claimed at the 50% FFP rate, which the Draft Report apparently did not consider.)

C. Completion of Initial In-Service Training Courses

The Draft Report alleges that the State claimed \$98,677 in FFP for “unallowable costs for initial inservice training courses that, contrary to the provisions of the State training plan, either were not taken or not completed by 365 (out of 575) employees.” Draft Report at 6. According to the Draft Report, the State “claimed costs associated with at least three months of initial inservice training for 575 employees,” but records indicated that “219 (38 percent) did not take any CWPT training coursework,” and “146 (25 percent) did not complete the full 129 hours of CWPT training coursework.” *Id.* at 7.

First, Missouri has reviewed its records and believes that they clearly show that virtually all of the individuals identified in the audit did, in fact, complete the entire CWPT training course. We do not understand why the auditors concluded otherwise. We are happy to work further with the auditors on this issue.

Moreover, to the extent that Missouri claimed personnel costs for workers who did not complete any or all of the CWPT sessions, there is no basis for disallowing the claim for Title IV-E training costs. Those workers were still participating in Title IV-E training – in particular,

Patrick J. Cogley
Regional Inspector General for Audit Services
May 21, 2009
Page 6

OJT in their home offices. OJT is a permissible form of training under Title IV-E, as ACF recognizes. *See* ACF, Child Welfare Policy Manual, Q&A ##14-15.

A claim for initial in-service training is not deficient simply because it does not include 129 hours of CWPT. There is no requirement that all trainees, regardless of their circumstances, receive the exact same course of initial in-service training. Missouri properly provided workers new to the agency with one course of training, and workers in other situations with different courses of training. Thus, entirely new workers received the full course of CWPT, with the weeks in between each session and after the conclusion of the sessions spent on OJT. But more experienced workers, such as those returning to the agency after an extended period away, or those changing positions (*e.g.*, acquiring new job duties or moving to a new area of the State), received only the portions of CWPT (if any) or OJT that were appropriate to their needs and circumstances.⁵ For some experienced workers, only some – or none – of the CWPT sessions may have been necessary; OJT was necessary, however, making the initial in-service training claim proper.⁶

D. Indirect Costs

The Draft Report states that Missouri claimed \$6,350 in FFP for “unallowable agency overhead (indirect costs) that did not qualify for Federal reimbursement at the enhanced 75-percent FFP rate because the State agency should have claimed these costs at the administrative (50-percent) rate permitted by Federal regulations at 45 CFR § 1356.60(c)(2)(ix).” Draft Report at 7.

There is no question that the indirect costs mentioned in the Draft Report were costs of training (they were calculated on the basis of salaries directly allocated to training, *see id.*). As such, these costs were properly claimed at the 75% rate of FFP, pursuant to the broad statutory and regulatory directive that expenditures for training personnel employed by the State agency are reimbursable at 75%. Act § 474(a)(3)(A); 45 C.F.R. § 1356.60(b)(1)(i).

The regulation cited by the Draft Report, 45 C.F.R. § 1356.60(c)(2)(ix), identifies “[a] proportionate share of related agency overhead” as one example of allowable administrative

⁵ Initial in-service training is appropriately provided to experienced workers who are effectively new to their positions. *See* ACF, Child Welfare Policy Manual, Q&A #15.

⁶ The Draft Report seems to assume that “all employees” were required to complete “129 hours of CWPT training courses as specified in the State training plan.” Draft Report at 7. But nothing in the training plan required all experienced workers to repeat all of the CWPT sessions that they had already taken (perhaps years earlier); such a requirement would have been wasteful.

Patrick J. Cogley
Regional Inspector General for Audit Services
May 21, 2009
Page 7

costs. This refers to agency overhead related to the administrative costs listed in subsection (c) of the regulation, not to overhead associated with training costs, which are covered in subsection (b).

E. Documentation of OJT

Finally, the Draft Report “set[s] aside, for adjudication by ACF,” \$814,330 in “potentially unallowable” FFP. Draft Report at 4, 8. This sum, the Draft Report states, relates to salary and benefit costs claimed for OJT “that may not have been allowable at the enhanced 75-percent rate because the State agency could not provide supporting documentation that the OJT occurred.” *Id.* at 8.

The Draft Report asserts that “with respect to . . . 30 randomly sampled employees, the State agency did not provide evidence that these personnel underwent OJT that involved a period of intensive, task-oriented training, or that these personnel received reduced caseloads as ‘recommended’ in the State training plan.” *Id.* In fact, OJT was provided to workers. As Missouri has explained to the DAB,⁷ OJT involved activities such as shadowing veteran workers and observing court activities, as well as a formal classroom program in many counties. OJT also involved gradually building up a caseload, starting with relatively few and simple cases compared to veteran workers, with more intense supervision. The State made relevant information available to the auditors (for example, the OJT Manual for Staff) and is happy to discuss this issue further with the auditors and/or ACF.

The Draft Report also states that “nearly half of the 30 randomly sampled employees may not have needed” OJT, in that 12 “had been rehired after having previously served as State agency employees,” and two “were current State agency employees who had not had a break in service.” *Id.* In fact, ACF itself recognizes that initial in-service training is appropriate for workers who, though they may have some experience in the agency, are starting work in positions that are effectively new to them. *See* ACF, Child Welfare Policy Manual, Q&A #15. Under this principle, the State appropriately provided OJT to workers who had been away from the agency for extended periods and therefore needed training in areas where their original knowledge and skills may have been lost or become outdated, and to workers who were changing positions.⁸

⁷ Appeal File of Missouri Department of Social Services, Declarations of Denise Eichler (Ex. 33), Viki Fagyal (Ex. 34), Elaine Smith (Ex. 35), Stacie Frueh (Ex. 36), and Jeffrey L. Adams (Ex. 37), *Missouri Department of Social Services*, Board Docket No. A-07-7.

⁸ The Draft Report states that 16 of the sampled employees “did not take any CWPT.” Draft Report at 8. It is unclear what this observation has to do with whether these employees were (continued...)

Patrick J. Cogley
Regional Inspector General for Audit Services
May 21, 2009
Page 8

III. Responses to the Report's Recommendations

The Draft Report recommends that Missouri "adjust its next ACF-IV-E-1 report to reduce Federal reimbursement claimed for Title IV-E training by \$741,872 (Federal share)." Draft Report at 8. The State disagrees with this recommendation. For the reasons explained above, the costs claimed for initial in-service training were allowable in their entirety at the 75% rate of FFP. Therefore, any reduction of federal reimbursement would be unwarranted.

The Draft Report also recommends that Missouri "work with ACF to review the \$814,330 (Federal share) in enhanced payments for OJT costs and assess whether documentation provided by the State agency is sufficient to support the allowability of these claimed costs at the enhanced 75-percent FFP rate." *Id.* at 9. The State agrees with this recommendation. Missouri believes that this review will show that its OJT claim was entirely proper.

Finally, the Draft Report recommends that Missouri "strengthen policies and procedures to ensure that it claims Federal reimbursement for Title IV-E training pursuant to Federal requirements and the approved State training plan." *Id.* Missouri disagrees with any suggestion that its policies and procedures are inconsistent with federal requirements and its training plan, but is always willing to work with ACF to ensure compliance.

We look forward to working with your office to correct the errors reflected in the Draft Report. Please do not hesitate to contact Jennifer R. Tidball, (573) 751-7533, if you have any questions about the foregoing responses.

Sincerely,



Ronald J. Levy
Director

receiving OJT – a separate component of initial in-service training. To the extent that these employees "either had been rehired or were current employees," *id.*, they may have needed only OJT, not CWPT. (In any event, many individuals identified in the audit as not having participated in CWPT did in fact participate. *See* page 5, above.)