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OPEGA
FOLLOW-UP
REVIEW

FINAL
REPORT



Review of Title IV-E Adoption Assistance Compliance Efforts — Maine DHHS Made Progress, Additional Efforts Warranted

Report No. SF-OIGAA-05

a report to the
Government Oversight Committee
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

November
2005

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Director Beth Ashcroft, CIA

Mailing Address:
82 State House Station
Augusta, ME 04333-0082
Phone: (207) 287-1901
Fax: (207) 287-1906
Web: <http://www.maine.gov/legis/opega/>
Email: beth.ashcroft@legislature.maine.gov

ABOUT OPEGA & THE GOVERNMENT OVERSIGHT COMMITTEE

The Office of Program Evaluation and Government Accountability (OPEGA) was created in 2003 to assist the Legislature in its oversight role by providing independent reviews of the agencies and programs of State Government. Oversight is an essential function because legislators need to know if current laws and appropriations are achieving intended results.

Although the Maine Legislature has always conducted budget reviews and legislative studies, until OPEGA, the Legislature had no independent staff unit with sufficient resources and authority to evaluate the efficiency and effectiveness of Maine government. The joint legislative Government Oversight Committee (GOC) was established as a bipartisan committee to oversee OPEGA's activities.

OPEGA's reviews are performed at the direction of the Government Oversight Committee. Legislators, committees, or members of the public should make their requests for reviews to the Chairpersons or any other member of the Committee.

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EXECUTIVE SUMMARY

Review of Title IV-E Adoption Assistance

Compliance Efforts — Maine DHHS Made Progress, Additional Efforts Warranted

Purpose

The Office of Program Evaluation & Government Accountability (OPEGA) recently completed a follow-up review of DHHS compliance with Federal Title IV-E Adoption Assistance eligibility requirements. The review was conducted at the direction of the joint legislative Government Oversight Committee.

Title IV-E Adoption Assistance is administered by the U.S. Department of Health and Human Services, Administration for Children and Families (ACF), in accordance with Title IV-E of the Social Security Act. The program is intended to help states secure adoptive homes for hard-to-place children by providing federal funds for adoption assistance payments.

OIG audit of Title IV-E Adoption Assistance found noncompliance stemming from computer system and procedural weaknesses.

In 2004, the Federal Office of the Inspector General (OIG) conducted an audit of Maine's compliance with Title IV-E Adoption Assistance eligibility requirements for payments made in fiscal years 2001 through 2003. The OIG released the results of that audit in April 2005. The OIG reported that the Maine Department of Health and Human Services (DHHS) had inappropriately claimed \$4.2 million in federal reimbursement for adoption assistance payments on 403 children who were ineligible for Title IV-E funds.

OPEGA evaluated actions taken by DHHS in response to OIG's April 2005 report.

The purpose of OPEGA's review was to determine whether DHHS had taken corrective actions to address the Title IV-E compliance issues noted in the OIG's April 2005 audit report. The OIG reported that the compliance issues were primarily caused by weaknesses in:

- computer system design; and
- procedures for determining and documenting Title IV-E eligibility.

Conclusions

OPEGA determined that many of the specific computer system weaknesses noted by the OIG were related to a previous version of the MACWIS system that DHHS had used to administer Title IV-E programs in FY2001 and most of FY2002. It appears that the enhanced MACWIS system in use since June 2002 includes specific controls that

would address the types of weaknesses noted by the OIG. OPEGA did not test the effectiveness of these controls as identification and testing of key Title IV-E compliance controls falls under the purview of the Maine State Department of Audit. OPEGA understands that the Department of Audit will consider the MACWIS controls when planning for the 2005 Single Audit and will test them as deemed necessary.

OPEGA also determined that DHHS's Office of Child and Family Services (OCFS) and Division of Regional Operations (DRO) have taken a number of actions to address the procedural issues identified in the April 2005 OIG report. These actions include:

- Initiating a formal quality assurance review of Title IV-E eligibility determinations;
- Implementing a checklist to guide the determination and documentation of Title IV-E eligibility; and
- Increasing training efforts to improve the accuracy and consistency of Title IV-E determinations.

OPEGA concluded DHHS has taken effective corrective actions to improve Title IV-E compliance. Additional actions are warranted.

OPEGA concluded that actions taken by DHHS have been effective in reducing the risk of noncompliance in Title IV-E eligibility determinations and should be continued. However, OPEGA also concluded that additional actions are warranted to better address Title IV-E audit findings and improve overall compliance with Title IV-E regulations.

Management Actions ---

OPEGA discussed these improvement opportunities with DHHS managers and the Department agreed to take actions to address OPEGA's findings. These actions include:

- Formalizing training procedures and materials for the staff who determine Title IV-E eligibility;
- Strengthening the independent quality assurance review process for Title IV-E eligibility determinations;
- Increasing the retention period for documentation supporting Title IV-E eligibility determinations; and
- Assigning the role of Title IV-E compliance officer to a specific individual within the Office of Child and Family Services.

Additionally, DHHS was already taking action to design and implement a new procedure to improve responses to audit findings.

More details are presented in the full report.

FULL REPORT

Review of Title IV-E Adoption Assistance

Compliance Efforts — Maine DHHS Made Progress, Additional Efforts Warranted

Purpose

OPEGA recently completed a follow-up review of DHHS compliance with Title IV-E Adoption Assistance eligibility requirements at the direction of the joint legislative Government Oversight Committee. OPEGA conducted the review in accordance with M.R.S.A. Title 3, Chapter 37, §991-997 and the Government Auditing Standards set forth by the Federal Government Accountability Office. This review was limited in scope in order to avoid duplicating the efforts of the State Department of Audit and to ensure a current and timely report.

The review's purpose was to determine whether DHHS had taken corrective actions to address internal control weaknesses noted in the Federal Office of the Inspector General's (OIG) April 2005 report entitled "*Review of Title IV-E Adoption Assistance Maintenance Payments in Maine for the Period July 2000 through June 2003.*" The control weaknesses identified in the OIG report, and subsequently re-assessed by OPEGA, fell into two general categories:

OPEGA evaluated actions taken by DHHS in response to the April 2005 OIG report.

- computer system design; and
- procedures for determining and documenting Title IV-E eligibility.

In conducting this review, OPEGA:

- interviewed key individuals within the DHHS Office of Child and Family Services and Division of Regional Operations;
- reviewed Title IV-E regulations and relevant State statutes;
- reviewed applicable policies and procedures established to ensure compliance;
- researched prior audits of Maine's Title IV-E Foster Care and Adoption Assistance programs and sought clarification from the State auditors and OIG auditors involved; and
- tested documentation of eligibility determinations for 26 children taken into State custody after January 1, 2003 and adopted during 2005.

Background

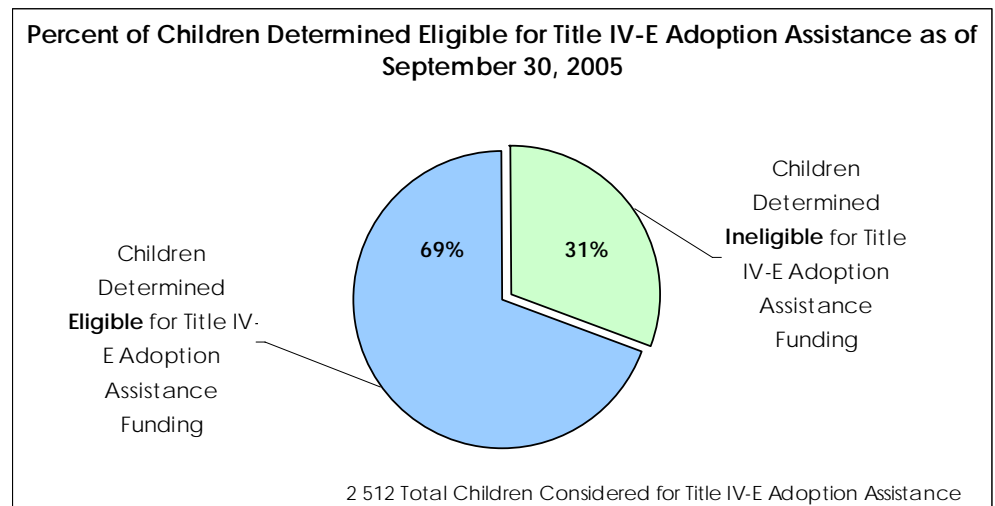
Title IV-E Adoption Assistance funds help states secure adoptive homes for hard-to-place children.

Overview of Title IV-E

Title IV-E Foster Care and Adoption Assistance programs are administered by the U.S. Department of Health and Human Services, Administration for Children and Families (ACF), in accordance with Title IV-E of the Social Security Act. The Title IV-E Foster Care program helps states fund appropriate care for children who need placement outside their homes. The Title IV-E Adoption Assistance program helps states secure adoptive homes for hard-to-place children by providing federal funds for adoption assistance payments.

The State of Maine makes adoption assistance payments to families who have signed adoption agreements for children meeting certain criteria (i.e. special needs) as a subsidy to help the families keep those children. If the children meet specific federal Title IV-E eligibility requirements, then the State can claim reimbursement for approximately two-thirds of these payments. For SFY 2005 the State paid a total of \$14,094,503 in adoption assistance payments and was reimbursed for \$9,180,849 under Federal Title IV-E. As of September 30, 2005, the State was making adoption assistance payments for 2,512 children, 1,737 of whom the State determined eligible for Title IV-E.

Percent of Children Determined Eligible for Title IV-E Adoption Assistance as of September 30, 2005

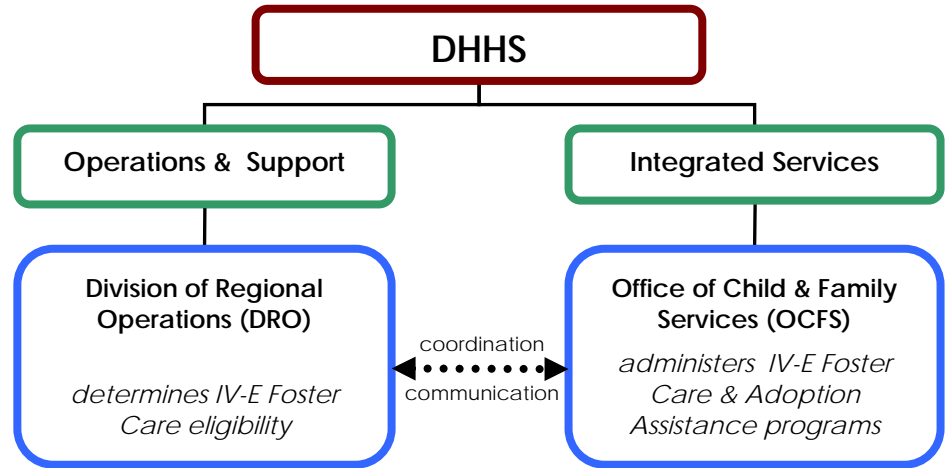


DHHS Administration of Title IV-E

Responsibility for administering Title IV-E programs in Maine lies with the Office of Child & Family Services (OCFS) within the Department of Health and Human Services (DHHS, or “the Department”). Eligibility for Title IV-E, however, is determined in large part by DHHS’s Division of Regional Operations (DRO). DRO’s Financial Resource Specialists

DHHS is responsible for administration of federal Title IV-E Foster Care and Adoption Assistance programs in Maine.

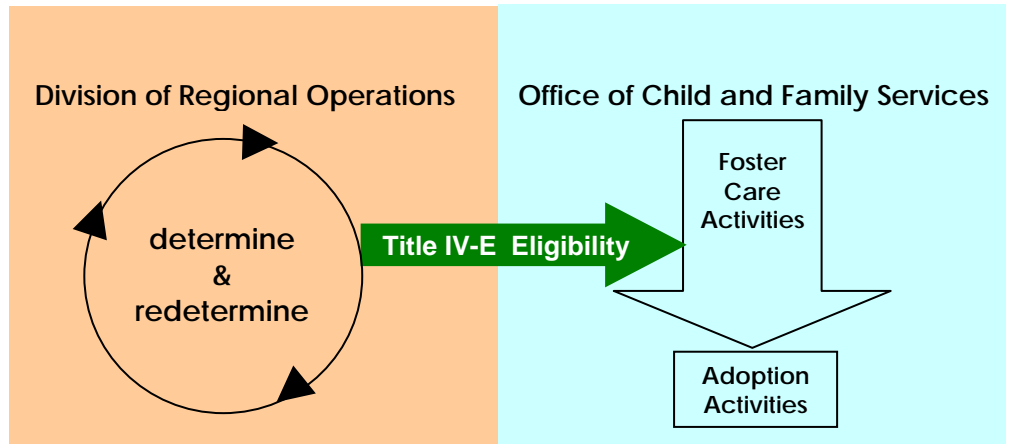
(FRS), located at district offices throughout the state, determine Title IV-E eligibility largely through the MACWIS computer system.



Compliance with Title IV-E Foster Care eligibility requirements is critical to Title IV-E Adoption Assistance compliance.

Title IV-E Adoption Assistance and Foster Care are distinctly different programs; however, eligibility for Title IV-E Foster Care is one of the specific criteria for Title IV-E Adoption Assistance eligibility. Consequently, noncompliant Title IV-E Foster Care eligibility determinations can, and in the past often did, lead to noncompliant Title IV-E Adoption Assistance eligibility determinations.

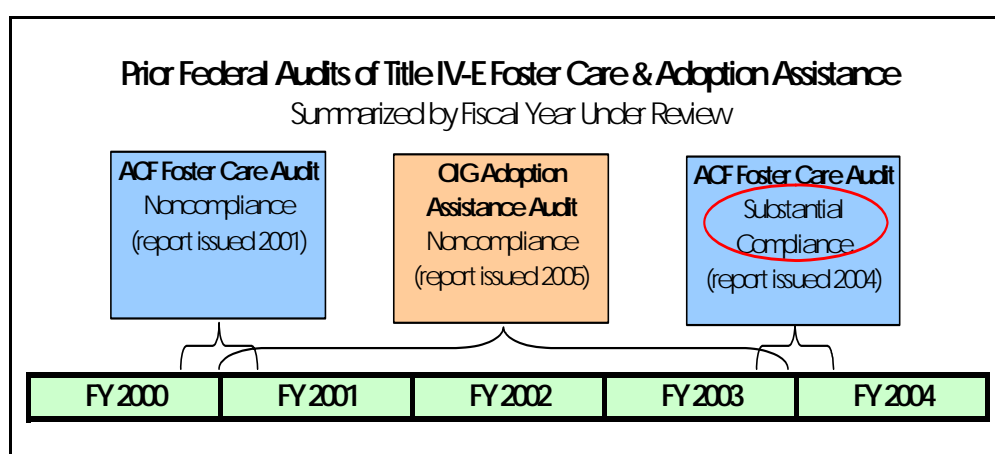
Title IV-E Foster Care eligibility for each child is redetermined annually by the responsible FRS. The eligibility status in effect at the time of a child’s adoption is then used to determine a child’s eligibility for Title IV-E Adoption Assistance. Once a child’s eligibility for Title IV-E Adoption Assistance is established, neither the accuracy of the underlying foster care eligibility determination nor the adequacy of supporting documentation will be reviewed again. As a result, the accuracy and proper documentation of Title IV-E Foster Care eligibility determinations is of paramount importance to compliance for both Title IV-E programs.



Results of Prior Title IV-E Audits

Prior Title IV-E audits by ACF and Maine's Department of Audit identified compliance issues.

In 2004, the Federal Office of the Inspector General (OIG) conducted an audit of Maine's compliance with Title IV-E Adoption Assistance eligibility requirements for payments made in fiscal years 2001 through 2003. Maine was a "state of interest" for the OIG because of results in past audits conducted by the federal ACF and Maine's Department of Audit. The ACF found that Maine was not in compliance with Title IV-E foster care requirements in 2001, and the State Department of Audit's Single Audit reports included Title IV-E Adoption Assistance findings in 2001, 2002, 2003, and 2004.



OIG audit of Title IV-E Adoption Assistance for FY2001 to FY2003 found noncompliance stemming from computer system and procedural weaknesses.

The results of the OIG's audit were reported in April 2005. The OIG found that DHHS "did not consistently comply with Federal eligibility requirements in claiming adoption assistance maintenance payments." DHHS had claimed \$4.2 million in Title IV-E Adoption Assistance reimbursements for 403 children the OIG considered to be ineligible under Title IV-E regulations. As a result, the OIG reported that the State of Maine needed to return \$2.5 million to the federal government and needed to negotiate with ACF concerning an additional \$1.7 million. These negotiations were still ongoing as of the release of this report.

ACF follow-up review of Title IV-E Foster Care found Maine had achieved substantial compliance.

The OIG report noted internal control weaknesses related to procedures and computer system design as root causes of Maine's noncompliance. Some of these weaknesses were also contributing factors in the results of the ACF's 2001 audit of Title IV-E Foster Care compliance. The ACF has since performed a 2004 follow-up review of Maine's Title IV-E Foster Care administration and reported that Maine had achieved substantial compliance with Title IV-E Foster Care eligibility requirements.

Conclusions

OPEGA determined that many of the specific computer system weaknesses noted by the OIG were related to a previous version of the MACWIS system used by DHHS in fiscal years 2001 and 2002. In June 2002, a MACWIS system enhancement was implemented that automated Title IV-E determinations.

Computer system weaknesses identified by the OIG related mainly to an old system design. New system controls are now in place.

Based on interviewees' descriptions of the enhanced MACWIS functionality, it appears the system now includes specific controls that would address the types of weaknesses noted by the OIG. Specifically, OPEGA noted the following controls as important to accurate determination of Title IV-E eligibility:

- MACWIS treats a child as ineligible until all the data required to determine eligibility has been entered;
- MACWIS verifies acceptable judicial determination dates when determining Title IV-E eligibility;
- MACWIS verifies the eligibility of the child's placement when determining Title IV-E eligibility and again whenever there is a change in placement;
- MACWIS automatically makes a child Title IV-E ineligible if an annual redetermination is past due; and
- MACWIS takes each child's age into consideration when determining Title IV-E eligibility.

The identification and testing of key controls related to Title IV-E compliance falls under the purview of the State Department of Audit. Consequently, OPEGA did not specifically test the adequacy and effectiveness of these computer controls. OPEGA understands that the State Department of Audit will consider the MACWIS controls during their planning for the 2005 Single Audit and test them as deemed necessary.

OPEGA also determined that DHHS's Office of Child and Family Services (OCFS) and Division of Regional Operations (DRO) have taken a number of actions to address the procedural issues identified in the April 2005 OIG report. These actions include:

- initiating a formal quality assurance review of Title IV-E eligibility determinations—an independent FRS performs quality reviews of 25 randomly selected foster care eligibility cases each month;
- implementing a checklist to guide the Financial Resource Specialists in determining and documenting Title IV-E eligibility—checklist was developed based on the Title IV-E Foster Care audit guidelines used by the ACF; and

DHHS has implemented new processes to address weaknesses identified by the OIG.

OPEGA concluded DHHS has taken effective actions to improve Title IV-E compliance. Additional actions are warranted.

- increasing training efforts for Financial Resource Specialists to improve the accuracy and consistency of Title IV-E determinations—four day-long Title IV-E trainings have been conducted since January 2003.

OPEGA concluded that actions taken by DHHS have been effective in reducing the risk of noncompliance in Title IV-E eligibility determinations and should be continued. However, OPEGA also concluded that additional actions are warranted to better address Title IV-E audit findings and improve overall compliance with Title IV-E regulations. These improvement opportunities were discussed with DHHS managers, and the Department agreed to take the specific actions described in this report to address OPEGA's findings.

Findings

Finding 1

Training procedures and materials for FRSs are not formalized.

Management Action

Written training procedure and guide to be developed.

While Financial Resource Specialists (FRSs) have received more training, the DHHS Division of Regional Operations has no documented procedure for training new FRSs and no formal FRS training manual. These training enhancements are particularly important because Financial Resource Specialists operate in a very autonomous environment without regular review of the eligibility determinations they make.

The Director of Regional Operations for DHHS is adding a training procedure and a training guide with a sample case to the Financial Resource Specialist policy manual. The revised policy manual will be completed and implemented by February 28, 2006.

Finding 2

Independent review of Title IV-E eligibility determinations is not sufficient.

Management Action

Quality Assurance review will be strengthened with improved sampling methodology.

There is insufficient independent review of FRS determinations to assure that Title IV-E eligibility is accurately determined and properly documented before a child moves from foster care to adoption status. FRS's eligibility determinations are not routinely reviewed by supervisors, and final eligibility determinations are not required for all children before they transfer from foster care to adoption. The Quality Assurance (QA) review function established in 2003 provides some independent review, but needs to be strengthened to function effectively.

The DHHS Deputy Commissioner of Integrated Services will arrange for the DHHS Office of Quality Improvement to assist the Office of Child and Family Services in developing an enhanced quality assurance review process for Title IV-E eligibility. OCFS will coordinate the implementation of the new QA plan with the Director of Regional Operations. The new process will include a sampling methodology that provides an acceptable level of independent review for the entire population of foster care children as well as the subpopulation of children moving to adoption. The new QA process will be implemented by February 28, 2006.

Finding 3

The document retention period for Title IV-E eligibility case files has not been increased despite past audit findings.

Management Action

Revised policy with increased retention period will be adopted.

The DHHS Division of Regional Operations has not taken action to address document retention findings from both the 2005 OIG report and the State Department of Audit's 2003 Single Audit report. OCFS's response to the 2003 Single Audit stated that Title IV-E documentation would be kept for 5 years beyond each child's 18th birthday (until the 23rd birthday), but OPEGA found that the Division of Regional Operations was not aware of this response. Current DRO policy still only requires Title IV-E case files be retained for 3 years beyond each child's 18th birthday (until the 21st birthday).

The Director of Regional Operations will revise the document retention policy to require retention of Title IV-E case files until each child's 24th birthday. The revised policy will go into effect by November 30, 2005 and will be included in the updated policy manual which will be completed by February 28, 2006.

Finding 4

DHHS has not always addressed past audit findings in a timely and effective manner.

Management Action

DHHS was already aware of this issue and is preparing new procedures to improve responses to audit findings.

The Office of Child and Family Services and the Division of Regional Operations have not always taken effective and timely corrective actions in response to Title IV-E Adoption Assistance audit findings. The ability to address audit findings in an effective and timely manner has been affected by:

- incomplete understanding of audit findings;
- inadequate discussion among responsible individuals within DHHS of findings, root causes, associated risks, and appropriate corrective actions;
- low priority historically assigned to addressing audit findings;
- lack of communication between OCFS and DRO; and
- insufficient monitoring of corrective action implementation.

The Commissioner of DHHS was aware of this issue prior to discussions with OPEGA. DHHS has recently hired its first Director of Internal Audit and the Director was already designing procedures to improve DHHS's response to audit findings. The new procedures will ensure that all individuals in the appropriate chain of command understand each audit finding and agree to the necessary corrective action. Corrective action plans will be developed in detail to include implementation dates and assignment of responsibilities. The Director of Internal Audit will monitor the timeliness and effectiveness of corrective actions. These new procedures will be implemented by December 1, 2005.

Finding 5

Responsibility for understanding Title IV-E regulations and monitoring the Department's compliance has not been clearly assigned.

Some responsibilities related to ensuring Title IV-E compliance have not been clearly defined or specifically assigned within OCFS. Several individuals currently perform compliance-related tasks in addition to their regular assigned duties and the agency's understanding of Title IV-E regulations is fragmented and incomplete. As a result, OCFS is unable to efficiently address Title IV-E compliance questions as they arise and is continually reacting to the most recent audit findings, rather than working proactively toward overall compliance.

Management Action

Role of Title IV-E compliance officer will be assigned within OCFS.

The DHHS Deputy Commissioner of Integrated Services will assign the role of Title IV-E compliance officer to an individual within the Office of Child and Family Services no later than January 31, 2006. This compliance officer will be responsible for:

- *developing a comprehensive understanding of the complex requirements of Title IV-E;*
- *monitoring changes in Title IV-E regulations;*
- *communicating compliance-related information to appropriate staff within OCFS and DRO; and*
- *monitoring compliance with Title IV-E regulations.*

Acknowledgements

OPEGA would like to thank the numerous managers and staff at the Maine Department of Health and Human Services who shared their time and expertise during this review. Their cooperation and willingness to work toward acceptable solutions to OPEGA's findings was appreciated.