



STATE OF NORTH CAROLINA

PERFORMANCE AUDIT

DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

CLAIMING FEDERAL TITLE IV-E FUNDS FOR ADMINISTRATIVE COSTS

SEPTEMBER 2011

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

PERFORMANCE AUDIT

**DEPARTMENT OF JUVENILE JUSTICE AND
DELINQUENCY PREVENTION**

**CLAIMING FEDERAL TITLE IV-E FUNDS FOR
ADMINISTRATIVE COSTS**

SEPTEMBER 2011

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

September 27, 2011

The Honorable Beverly E. Perdue, Governor
Members of the North Carolina General Assembly
Linda Hayes, Secretary, Department of Juvenile Justice and Delinquency Prevention

Ladies and Gentlemen:

We are pleased to submit this performance audit titled *Department of Juvenile Justice and Delinquency Prevention - Claiming Federal Title IV-E Funds for Administrative Costs*. The audit objective was to determine if the Department of Juvenile Justice and Delinquency Prevention could save state dollars spent on administrative costs by claiming Title IV-E foster care program payments for eligible children. Secretary Hayes reviewed a draft copy of this report. Her written comments are included in the appendix.

The Office of the State Auditor initiated this audit to identify opportunities for cost-savings.

We wish to express our appreciation to the staff of the Department of Juvenile Justice and Delinquency Prevention for the courtesy, cooperation, and assistance provided us during the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
SUMMARY	2
INTRODUCTION	
BACKGROUND.....	5
OBJECTIVES, SCOPE, AND METHODOLOGY	5
FINDINGS AND RECOMMENDATIONS.....	6
APPENDIX	
DEPARTMENT RESPONSE	12
ORDERING INFORMATION	15

SUMMARY

PURPOSE

This audit report evaluates whether the Department of Juvenile Justice and Delinquency Prevention (Department) could save state dollars spent on administrative costs¹ by claiming federal payments for Title IV-E foster care program eligible children and makes recommendations so Department management can take appropriate action.

RESULTS

The Department could potentially save state dollars by claiming Title IV-E foster care program administrative costs associated with eligible children. The federal government reimburses states 50% of the administrative costs associated with the Title IV-E eligible children in the legal custody of the State². Billing the U.S. Department of Health and Human Services (U.S. DHHS) - Administration for Children and Families (ACF) for eligible administrative costs would reduce the Department's requirements for appropriations by transferring those costs to the federal government.

We were unable to determine a specific amount that North Carolina may be able to claim. The information needed to determine the number of children potentially eligible in North Carolina is not collected because the Department does not claim Title IV-E. In addition, the amounts reimbursed to other states claiming Title IV-E funds varied significantly based on their approach to identifying allowable activities and associated costs rather than the amount they spent per child or the number of children they served. States we interviewed claim federal reimbursements in amounts that range between \$570,000 and \$4.2 million dollars annually.

Georgia is one of the states we interviewed. In fiscal year 2010 the State of Georgia - Juvenile Justice Department claimed \$1.5 million in administrative reimbursements for the Title IV-E qualifying portion of the 47,780 youth served. The Department served 19,019 youth in fiscal year 2010. Although the amount reimbursed per child can be determined it is not calculated because there is no assurance that North Carolina will receive this amount in reimbursements, as noted in the preceding paragraph. The total administrative reimbursement claimed by Georgia is provided to understand the possibility of reimbursement. Changes in some processes will be necessary to capitalize on this funding source.

To realize these savings, the Department will need to work with the North Carolina Department of Health and Human Services - Division of Social Services (DSS) to obtain the authority to claim reimbursements, develop a cost allocation plan for eligible activities, and

¹ Administrative activities include referral to services, preparation for and participation in judicial determinations, placement of the child, development of the case plan, case reviews, case management and supervision, and a proportionate share of related agency overhead.

² Federal reimbursement for administrative cost is limited to 50% of the federal population (the percentage of IV-E eligible children in the legal custody of the State also known as the penetration ratio).

PERFORMANCE AUDIT

develop a method to track costs. The Department will also need to work with DSS and the Judicial Department Juvenile Court System to establish procedures to determine Title IV-E eligibility for each child that may qualify. Federal reimbursement is available to offset some of the training costs that the Department may incur.

If Title IV-E claims are not properly documented, the State may have to repay the federal government for amounts received. Other states have been required to repay the federal government. However, the Department can learn from the experiences of other states and identify the risks and reasons for repayments by reviewing U.S. DHHS administrative rulings, eligibility rules, and federal audits of the Title IV-E program.

Issue for Further Consideration: Although not within the scope of this audit, the Department and partnering local governments could also realize savings by claiming foster care maintenance costs³ for Title IV-E eligible juveniles. The Department and local government programs provide residential⁴ services that are consistent with Title IV-E foster care maintenance costs. However, the Department and local government do not bill ACF for any foster care maintenance costs.

RECOMMENDATIONS

The Department should conduct a cost-benefit analysis to determine if pursuing federal Title IV-E funding would reduce state funds spent on administrative costs.

If the cost-benefit analysis supports implementation of a process to claim Title IV-E funding, the following recommendations should also be considered:

- The Department should work with DSS to develop a cooperative agreement that establishes monitoring procedures to ensure compliance with Title IV-E standards and the ability to continue claiming funds.
- The Department should also consult with DSS and juvenile justice agencies in other states who claim Title IV-E reimbursement to develop a cost allocation plan and methodology for tracking costs.
- The Department should consult ACF and DSS to obtain guidance and confirm the allowable activities identified.
- The General Assembly should consider the results of the cost-benefit analysis and ensure that funding for the Department is sufficient for proper implementation of a process to claim Title IV-E if determined to be cost effective.

³ Foster care maintenance payments include the cost of food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, insurance, and some travel expenses.

⁴ Residential services include any food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, insurance, and possibly some travel expenses while in a facility such as a group home, foster care facility, shelter, or other qualifying residence.

PERFORMANCE AUDIT

- The Department should implement processes that reduce the risk of re-payment of federal dollars experienced by other states. The Department should use the U.S. DHHS administrative rulings and the results of federal audits of the Title IV-E program to identify these risks.
- The Department should work with DSS and the Judicial Department to ensure that procedures are established to determine Title IV-E eligibility.

The Department should conduct a cost-benefit analysis to determine if pursuing federal Title IV-E funding for eligible maintenance costs associated with eligible children would reduce State funds. If the program's implementation is found to be beneficial to the State, the Department should then work with DSS to establish the necessary policies and procedures.

AGENCY'S RESPONSE

The Agency's response is included in the appendix.

INTRODUCTION

BACKGROUND

Title IV-E of the Social Security Act made federal funds available to states that provide qualifying foster care programs to eligible children. The goal of the funding is to support states in their endeavor to prevent children from being removed from their homes and to place children in other homes only when necessary.

The primary mission of the Department of Juvenile Justice and Delinquency Prevention (Department) is to ensure and enhance safe communities for North Carolina's citizens by preventing and reducing juvenile crime. The types of services provided by the Department in achieving this goal inherently require the Department to help prevent children from being removed from their homes or to place children outside of their homes when necessary. These types of services align with the goals of Title IV-E of the Social Security Act.

During fiscal year 2010, the Department spent about \$155 million dollars in state funds to support all services they provide.

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit objectives were to determine whether the Department of Juvenile Justice and Delinquency Prevention could reduce administrative costs to the State by claiming Title IV-E foster care program payments for eligible children.

The Office of the State Auditor initiated this audit to identify opportunities for cost-savings.

The audit scope included a review of the services provided by the Department. We conducted the fieldwork from March 2011 to May 2011.

To determine if the Department could reduce administrative costs by claiming Title IV-E foster care program payments for eligible children, we interviewed the Department staff. We interviewed management of other state Juvenile Justice programs that claim Title IV-E foster care program payments for eligible children. We also reviewed relevant federal laws, regulations, administrative rulings, and policy manuals.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

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 objectives.

We conducted this audit under the authority vested in the State Auditor of North Carolina by *North Carolina General Statute 147.64*.

FINDINGS AND RECOMMENDATIONS

POTENTIAL SAVINGS THROUGH TITLE IV-E REIMBURSEMENTS ARE AVAILABLE

The Department of Juvenile Justice and Delinquency Prevention (Department) could save state dollars by claiming Title IV-E foster care program payments for eligible children. Other state juvenile justice departments claim between \$570,000 and \$4.2 million dollars a year in reimbursements from the Title IV-E program. To realize these savings, the Department will need to work with the North Carolina Division of Health and Human Services - Division of Social Services (DSS) and the Judicial Department to establish the ability and structure to claim Title IV-E funds and to establish eligibility determinations.

Claim Title IV-E Administrative Cost Reimbursements

Currently, the Department does not bill the U.S. Department of Health and Human Services - Administration for Children and Families (ACF) for any administrative foster care activities. A survey of Department divisions confirmed that activities performed by the Court Services Divisions are likely to be eligible for reimbursement. The allowable administrative activities identified in the survey include those related to preparation for and participation in judicial determinations, case reviews, and case management.

The Department can claim reimbursement from the federal government (called federal financial participation or FFP) for administrative costs by claiming Title IV-E foster care program payments for eligible children. Title IV-E funds are available to public agencies who provide foster care or services to prevent children from entering foster care. A portion of the population that the Department assists are children who are at risk of removal or must be removed from their home. When a child must be removed from the home, the Department places children in various types of facilities including detention centers and foster care homes.

Certain services provided by the Department to the children at risk of removal and to the children placed in qualifying facilities, such as foster care homes, qualify as allowable activities and can be claimed under Title IV-E. Federal regulations⁵ state that agencies may make claims of FFP for the following administrative activities: referral to services, preparation for and participation in judicial determinations, placement of the child, development of the case plan, case reviews, case management and supervision, and a proportionate share of related agency overhead.

Billing ACF for Title IV-E administrative claims would reduce the Department's cost by transferring those costs to the federal government. The federal government reimburses states 50% of the administrative costs associated with the Title IV-E eligible children in the legal custody of the State.⁶

⁵ Title 45 Code of Federal Regulation section 1356.60(c)

⁶ Federal reimbursement for administrative cost is limited to 50% of the federal population (the percentage of IV-E eligible children in the legal custody of the State also known as the penetration ratio).

FINDINGS AND RECOMMENDATIONS

The amount of savings that the State will realize will depend on the State's approach to identifying allowable activities and associated costs. A 2005 study of Title IV-E funds published by the U.S. Department of Health and Human Services (U.S. DHHS)⁷ notes that there is significant variation in FFP amounts claimed across states. U.S. DHHS concluded that the significant variation in the amount of claims is likely related to the various approaches used to claim these funds not the cost of the activities for each child. Two approaches were mentioned in the report: conservative and more extensive. Conservative states only counted children who were clearly eligible or had a narrow definition of administrative costs. Other states with more extensive approaches had more complex administrative processes to support more widespread activities. Another likely reason for the variation noted in the report was the amount of financial investment of the states in the foster care services offered.

States we interviewed claimed a wide variation in Title IV-E federal reimbursements in 2010, which is in line with the U.S. DHHS findings. We interviewed eight states. The amount claimed in 2010 by four states interviewed ranged from \$570,000 to \$4.2 million. Two of the four states, included in this range, changed their approach to become more conservative in their claims which significantly impacted their reimbursement amounts (the more conservative reimbursement amounts were used to determine the range). We also spoke to California, a notable outlier which claims \$179 million annually. Three other states we interviewed stopped claiming funds all together.

The various approaches that the states chose seem to be influenced by administrative rulings and eligibility reviews that clarify who is eligible and the costs that are eligible. The rulings resulted in the return of some federal reimbursements of Title IV-E funding. U.S. DHHS recognized in its 2006 study that Title IV-E administrative costs are difficult to document and that administrative costs may be ambiguous. Despite changes in claim reimbursements by these states, Title IV-E claims for administrative reimbursement are still being claimed and are still available to public agencies able to meet the requirements of the program.

Establish Ability for Juvenile Justice to Claim Title IV-E Funds

The Department does not currently have the administrative ability to claim federal reimbursement of Title IV-E funds. Only one agency in each state is authorized by the federal government to administer the Title IV-E program. In North Carolina, the DSS is the state agency that is authorized to administer the Title IV-E plan. However, DSS can use an agreement to arrange for another public agency to also administer the Title IV-E State Plan. Such an agreement should grant other public agencies the authority to claim

⁷ASPE Issue Brief on "How and Why the Current Funding Structure Fails to Meet the Needs of the Child Welfare Field" was written by Laura Radel with assistance from staff in the Administration for Children and Families. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation

FINDINGS AND RECOMMENDATIONS

federal reimbursement for qualifying costs and should identify the methods that will be used by the Department and DSS to monitor the program. A cost allocation plan is also needed to claim this type of grant. Currently, the Department does not have a cooperative agreement set up with DSS, a method to monitor the program and reimbursable costs, or a cost allocation plan addressing the Title IV-E program.

DSS can delegate Title IV-E administration, and therefore the ability to claim federal reimbursement of funds, to another public agency. The delegation must be documented in an agreement which requires the public agency, responsible for caring for the eligible children, to administer the program in accordance with the Title IV-E State plan.⁸

The Child Welfare Policy Manual on ACF website states that the agreement is more than just an authorization for the Department to claim Title IV-E. The agreement requires both agencies signing the agreement to “*assure that all the Title IV-E State plan requirements are met for these children.*”

The agreement and federal requirements to claim reimbursement of Title IV-E funds also include requirements to gain federal approval for a cost allocation plan and a method of monitoring and recording the costs incurred for each activity. The Department can not claim federal reimbursement for qualifying services until they meet these requirements.

Determine Title IV-E Eligibility

The Department does not currently have procedures in place to determine if a juvenile is eligible for Title IV-E services.

To realize savings, the Department will need to work with DSS and the courts in the Judicial Department to determine Title IV-E eligibility.

In order to determine eligibility, the Department must apply a series of regulations regarding eligibility. The steps to determine eligibility of the child must be initiated during the initial visit to court. Several factors are considered including financial need and deprivation (condition of the parents employment or presence in the child’s life).

In addition, a juvenile must be in an approved facility if a juvenile is in the custody of the Department. Generally, the federal government will not reimburse states for otherwise eligible children who are in detention facilities or wilderness camps. However, the federal government will reimburse for an eligible juvenile once they move to an eligible facility.

Further, eligibility applies to more than those children in the care of the agency. Eligibility and therefore federal reimbursement or FFP applies to reasonable candidates.⁹

⁸ Section 472 of the Social Security Act

⁹ The U.S. DHHS Decisions Appeals Board Decision 844 permits States to claim administrative costs for preventative services of eligible candidates who may never receive foster care. U.S. DHHS policy announcement ACYF-PA-87-05 clarifies who is eligible for preventive services by providing examples of acceptable documentation that shows a child is a reasonable candidate for Title IV-E.

FINDINGS AND RECOMMENDATIONS

Reasonable candidates are children who are seriously at risk of being removed from their homes and *absent effective preventive services, foster care is the planned arrangement for the child.*

Additionally, the Department can claim 50% of the administrative costs and 75% of the training costs associated with Title IV-E. Federal regulations state that FFP is available for the preparation of judicial determinations related to determining eligibility and Title IV-E training that is necessary to properly administer the program.

The failure to follow the required procedures for determining eligibility and maintain proper documentation of all of these activities can prevent an agency from being able to claim FFP. If the process is not started at the initial court hearing, as required in the policies for determining eligibility, the Department cannot determine the child's eligibility at a later time and no claims for reimbursement can be made even if the child is otherwise eligible.

Recommendation: The Department should conduct a cost-benefit analysis to determine if pursuing federal Title IV-E funding would reduce state funds spent on administrative costs.

If the cost-benefit analysis supports implementation of a process to claim Title IV-E funding, the following recommendations should also be considered:

- The Department should work with DSS to develop a cooperative agreement that establishes monitoring procedures to ensure compliance with Title IV-E standards and the ability to continue claiming funds.
- The Department should also consider consulting with DSS and juvenile justice agencies in other states who claim Title IV-E reimbursement to develop a cost allocation plan and methodology for tracking costs.
- The Department should consult ACF and DSS to obtain guidance and confirm the allowable activities identified.
- The General Assembly should consider the results of the cost-benefit analysis and if applicable based on the report, they should ensure that funding for the Department is sufficient for proper implementation of a process to claim Title IV-E.
- The Department should implement processes that reduce the risk of re-payment of federal dollars experienced by other states. The Department should use the U.S. DHHS administrative rulings and the results of federal audits of the Title IV-E program to identify these risks.
- The Department should work with DSS and the Judicial Department to ensure that procedures are established to determine Title IV-E eligibility.

FINDINGS AND RECOMMENDATIONS

ISSUE FOR FURTHER CONSIDERATION

Though outside the scope of our audit, the Department of Juvenile Justice and Delinquency Prevention (Department) funds residential services¹⁰ that may meet the criteria necessary to qualify for the reimbursement of foster care maintenance expenditures¹¹ under Title IV-E. Further investigation into the applicability of these programs should be performed.

Currently, the Department and local governments do not claim federal reimbursement or federal financial participation for qualifying foster care maintenance costs through Title IV-E for eligible children in the care of the Department and placed in qualifying residential facilities. The Department provides funds to local government operated Juvenile Crime Prevention Councils (JCPC) that use the funds to provide services through various types of residential facilities including group homes, foster care facilities, and shelters. The Department also contracts with a provider to operate Multipurpose Juvenile Homes. These programs appear to offer residential services that are consistent with Title IV-E maintenance costs. In fact, the Department's management confirmed that some JCPC funded residential programs claim to already receive Title IV-E funding on behalf of children qualified through DSS.

The Department and local governments may be able to claim reimbursement of foster care maintenance expenditures under Title IV-E. Federal matching funds for foster care maintenance costs are available at a rate of the federal medical assistance percentage, which averages about 65% in North Carolina.¹²

Foster family homes and child care institutions which are not detention facilities or intended to be for the detention of children are eligible for foster care maintenance payments under Title IV-E.¹³

The amount of savings that the Department and local governments could save in state and local appropriations by requesting Title IV-E funding for foster care maintenance costs will depend on the eligibility of the facilities and the number of children who are Title IV-E eligible in those facilities.

Recommendation: The Department should conduct a cost-benefit analysis to determine if pursuing federal Title IV-E funding for eligible foster care maintenance costs associated with eligible children would reduce state funds. If the program's implementation is found to be beneficial to the State, the Department should then work with the Division of Social Services to establish the necessary policies and procedures.

¹⁰ Residential services include any food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, insurance, and possibly some travel expenses while in a facility such as a group home, foster care facility, shelter, or other qualifying residence.

¹¹ Foster care maintenance expenditures include payments for the cost of food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, insurance, and some travel expenses. Section 475(4)(A) of the Social Security Act

¹² Title 45 Code of Federal Regulations section 1356.60(a)(i)

¹³ Section 472(b) and (c) of the Social Security Act

[This Page Left Blank Intentionally]



**STATE OF NORTH CAROLINA
DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
1801 MAIL SERVICE CENTER
RALEIGH, NORTH CAROLINA 27699-1801
TELEPHONE: (919) 733-3388**

**Beverly Eaves Perdue
Governor**

**Linda Wheeler Hayes
Secretary**

August 29, 2011

To: Honorable Beth A. Wood, CPA
State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0601

Re: Performance Audit Report 7277 – ~~Claiming~~ Federal Title IV-E funds for Administrative Costs”

On behalf of the NC Department of Juvenile Justice and Delinquency Prevention, thank you for the work that your team provided regarding Title IV-E funding. We are always interested in working with others to maximize resources and to improve our efficiencies. We appreciate the approach that your team has taken in this matter. In reference to the report itself, we submit the following responses to the recommendations:

- I. Item: Your initial statement under “**RESULTS**” and stated later in the report: ~~“The Department could potentially save state dollars by claiming Title IV-E foster care program administrative costs associated with eligible children.”~~ ---
 - a. **Agency Response:** Without baseline data in the audit report referencing how many juveniles may be potentially eligible for IV-E administrative or maintenance cost recovery, it is unclear to the Department how this conclusion was reached. The Auditor’s research materials shared with us indicated that other states that had implemented Title IV-E recovery programs in their juvenile justice systems but there is no accompanying information or data on the projected costs involved to the agency (DJJDP) to perform the cost-benefit study, or to implement the infrastructure needed to recover IV-E funding as contrasted with other states’ experiences in this matter.
- II. Item: The summary recommendation statement ~~“The Department should conduct a cost-benefit analysis to determine if pursuing federal Title IV-E funding would reduce state funds spent on administrative costs”~~—
 - a. **Agency Response:** The Department has, in the past, considered the feasibility of pursuing Title IV-E funding and it was determined that to do a responsible, thorough cost-benefit study and subsequent analysis would require personnel and budget beyond the Department’s current capability. With the loss of administrative staff including research and budget/fiscal analysts in the Central Office as a function of agency budget reductions, the Department lacks the capacity to perform this study.

We concur that a feasibility study as to costs and benefits would be the prudent thing to do prior to making a decision relative to the pursuit of IV-E funding for juvenile justice youth. To do such a study would require additional resources beyond our current budget.

- III. The subsequent 6 bullets in the report's summary recommendations are all contingent upon the cost-benefit study being done by the Department. Given what has been stated in sections I and II relative to our current fiscal challenges, we would pursue collaboration and further exploration of this topic if additional capacity and resources were provided to do so.
- a. Several significant issues noted in the body of the report will require some clarification: For example, a statement on page 8 captures the complexity of working with Title IV-E funding in collaboration with DSS, the Courts, and others (without justifying the full benefits). The statement, ~~USDHHS~~ recognized in its 2006 study that Title IV-E administrative costs are difficult to document and that administrative costs may be ambiguous." Given that no preliminary cost-benefit information or analysis concerning NC's juvenile justice population has been provided, this acknowledgement along with other results included in the report that some states opted out of Title IV-E claims after pursuing them for a period of time suggests an important concern as the possible administrative complications, risks and costs involved in this endeavor. Furthermore, on page 9, the statements, ~~In~~ addition, a juvenile must be in an approved facility if a juvenile is in the custody of the Department. Generally, the federal government will not reimburse states for otherwise eligible children who are in detention or wilderness camps. However, the federal government will reimburse for an eligible juvenile once they move to an eligible facility." In our state, the Department does not take legal custody of children. They are always in the custody of their parents, legal guardians, or the Department of Social Services. DJJDP serves *in loco parentis* when they are committed to a youth development center but the parents and/or guardians always maintain legal custody. When under court supervision, detention centers and youth development centers are the primary residential tools available if community-based placements are not appropriate. These placements have been ruled ineligible by the federal government according as noted your report. True, when court-supervised youths in the community are placed in local residential facilities, there are administrative and program costs that may be recovered. Many times those placements may be JCPC-funded alternatives where those programs may be competing for Title IV-E dollars at the local level; or, those placements are privately managed and draw down other federal, state and local funds via their own reimbursement infrastructures.
 - b. The report discusses, in its ~~ISSUES FOR FURTHER CONSIDERATION~~" section, the possibility of JCPC-funded programs recovering foster care maintenance costs. Further, it is suggested that the Department, via its contracts with Methodist Homes for Children (the Multipurpose Group Homes) seek to recover maintenance costs in these facilities as well. These recommendations will require much more thought if implementation were to occur. First-- JCPC-funded programs are not Department programs per se -- they are provided through local agencies, counties, nonprofits, etc. If costs were to be recovered, they may likely be recovered by those programs at the local level through collaborations with county DSS's or other means. Presently, some of these providers may have the means to recover costs through their own DSS entities (indeed, some do) --- for the Department to claim such costs could cause an erosion in local provider budgets, place the Department in competition for

Title IV-E dollars with those local programs, and possibly jeopardize the leveraged funding that already exists between state, local, and cash or in-kind match dollars. Regarding the Multipurpose Group Homes, the Department contracts for 5 homes (up to 40 total beds) – this component of the Community Programs Division may serve approximately 125 youths annually). Without the cost-benefit study and a clearer estimation of the risks and rewards for recovering IV-E in this subgroup, it may need to be determined that IV-E dollar recovery would be cost-beneficial to the State's General Fund.

In summary, the plausibility of participating in Title IV-E cost recovery opportunities may seem reasonable from an initial review of the rules and extant literature from other states. Yet, there are some important cautions in making the decision to do so. Other states have pursued Title IV-E dollars only to terminate their activities due to the administrative burdens on their systems; several states have had substantial paybacks because of eligibility problems and documentation weaknesses some of which may have resulted from the complexity of the process involving multiple agencies at the federal and state levels; and, we currently lack the administrative infrastructure to effectively study and/or implement Title IV-E recovery.

Once again, thank you for your work on this topic. We look forward to future conversations as to how we can benefit the citizens of our State in cost-beneficial ways.



Linda W. Hayes
Secretary

LWH/RJ/rj

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647