



## TITLE IV-E MAXIMIZATION PROGRAM AND STATE FUNDS

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The Auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the Auditor should be prepared to justify departures from the suggested procedures. The Auditor can consider the Supplement a “safe harbor” for identification of compliance requirements to be tested if the Auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

This compliance supplement should be used in conjunction with the OMB 2020 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

### I. PROGRAM OBJECTIVES

**MAXIMIZATION OF STATE FUNDS AND SSBG/CHILD CARING AGENCIES:** The purpose of this program is to supplement the cost of foster care services for eligible children in the custody or placement responsibility of the County Departments of Social Services. Children are placed with Child Placing Agencies and Residential Child-Care Facilities as defined under NCGS 131D-10.2. The purpose of the State Funds program is to also provide the State share of the cost of the proper and efficient administration and operation of such agencies as specified in NCGS 143B-153 (2) d. The supplement is based on the child caring agencies’ State established cost of care (Cost Modeled Rate).

The Cost Modeled Rates of agencies participating in the program are provided annually in a Dear County Director letter that is kept on file at each county DSS. This letter may also be found on the “COUNTY STAFF INFO” page of the Division of Social Services’ website at <https://www2.ncdhhs.gov/dss/county/> under “County Director Letters”.

Information about the rates for reimbursement in State Fiscal Year 2017-2018 is available at:

<https://www2.ncdhhs.gov/dss/dcdl/famsupchildwelfare/CWS-31-2018.pdf> and <https://www2.ncdhhs.gov/dss/dcdl/famsupchildwelfare/CWS-31-2018a.pdf>.

**MAXIMIZATION OF TITLE IV-E FUNDS:** The purpose of the IV-E Maximization program is to supplement the cost of foster care services for eligible children in the custody or placement responsibility of the County Departments of Social Services. Children are placed with Child Placing Agencies and Residential Child-Care Facilities as defined under G. S. 131D-10.2 or Family Foster Homes licensed by the County Departments of Social Services. The supplement is based on the State established cost of care (Cost Modeled Rate). Cost Modeled (facility) Rates are provided annually in a Dear County Director letter that is kept on file at each county DSS, as well as on the Division of Social Services Children’s Services website.

The purpose of the IV-E Maximization program is to also provide the federal share of the cost of the proper and efficient administration and operation of non-DSS child care agencies in accordance with the federal foster care program regulations. The Administration of Children and Families (ACF) source publication outlining allowable

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foster care costs for private child caring agencies is available on the internet at: [http://www.acf.hhs.gov/cwpm/programs/cb/laws\\_policies/laws/cwpm/index.jsp](http://www.acf.hhs.gov/cwpm/programs/cb/laws_policies/laws/cwpm/index.jsp). Specific information on allowable costs and rates can be found under Section 8.3B.

### II. PROGRAM PROCEDURES

The cognizant federal agency is the DHHS-ACF. For maximization of State Funds, the General Assembly appropriates this funding for administration by the NC Department of Health and Human Services for approved, allowable foster care costs to Child Placing Agencies and Residential Child-Care Facilities as defined under G. S. 131D-10.2. For maximization of Title IV-E funds, the federal government, through the State's approved IV-E Plan, reimburses county Departments of Social Services (DSS) for eligible children in either DSS operated family foster homes or in private Child Care Agencies.

Through participation in an annual cost finding and rate setting process, Child Placing Agencies (CPA) and Residential Child-Care Facilities establish a supportable basis for state and federal participation above the standard board rate (SBR). All participating agencies are approved for a standard maximum rate identified as a Cost Modeled Rate for reimbursement to county departments of social services placing children with these agencies. The standardized rates are established based on child's age, using the same break points as the standard board rates. Family foster care has a maintenance portion and an administrative portion, in keeping with federal regulations. Federal Title IV-E reimbursement above the SBR is based on the Federal Financial Participation (FFP) rate and is paid to the county agency that incurs the cost. Data must be entered into the Child Placement and Payment System on the form DSS-5094 form , or via NCFAST for those counties using that system, accurately and timely by the custodial county DSS in order for an agency to receive maximization reimbursement.

County departments of Social Services receive monthly preliminary and final payment reports for Title IV-E funds (PQA-022, Sections 1, 5, 6, and 7) indicating the amount of Federal reimbursement to be received above the SBR. The PQA-022 report lists the child's Services Information System client identification number, the foster care claim amount and the federal reimbursement amount. Program policies, eligibility, reporting and reimbursement requirements can be found in either: the Child Welfare Funding Manual at

(<http://info.dhhs.state.nc.us/olm/manuals/dss/csm-78/man/Section%201500.pdf>)

and/or the Child Placement and Payment System Manual at

([http://info.dhhs.state.nc.us/olm/manuals/dss/csm-80/man/CPPS\\_Manual.pdf](http://info.dhhs.state.nc.us/olm/manuals/dss/csm-80/man/CPPS_Manual.pdf)).

Monitoring is performed according to the DSS Monitoring Plan located at [NC Local Social Service Agencies Monitoring Plan](#).

**III. COMPLIANCE REQUIREMENTS**

The Type of Compliance Requirements can be found in Section B in the link: [2020 Agency Matrix for Federal Programs](#). This matrix incorporates the OMB Compliance Supplement “Part 2 - Matrix of Compliance Requirement.” A State Agency may have added a compliance requirement that the OMB matrix in Part 2 has a “N” (Not Applicable).

**Crosscutting Requirements**

**The compliance requirements in the NC Division of Social Services “Crosscutting Requirements” in Section D (Supplement #DSS-0) are applicable to this grant.**

**A. ACTIVITIES ALLOWED OR UNALLOWED**

Program funds can be used to pay for foster care maintenance, daily care and supervision, some social services and some administrative costs for private agencies. Refer to the [Family Support and Child Welfare Manual: Chapter XIII, Child Welfare Funding Manual, Part V](#) for allowable foster care maintenance costs. Non-allowable costs include costs associated with providing counseling and treatment, fund-raising expenses and bad debts. The ACF source publication outlining allowable foster care costs for private child caring agencies is available at [http://www.acf.hhs.gov/cwpm/programs/cb/laws\\_policies/laws/cwpm/index.jsp](http://www.acf.hhs.gov/cwpm/programs/cb/laws_policies/laws/cwpm/index.jsp). Specific information on allowable costs and rates can be found under Section 8.3B.

**B. ALLOWABLE COSTS/COST PRINCIPLES**

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201

**C. ELIGIBILITY**

Individual eligibility to receive financial assistance for foster care is determined by the county department of social services, based on Federal and State laws. Refer to the Family Support and Child Welfare, Child Placement and Payment System Manual. Only children in the custody or placement responsibility of a county department of social services are eligible to receive foster care assistance. The manual section can be viewed at: <https://www2.ncdhs.gov/info/olm/manuals/dss/csm-15/man/>

**F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

This requirement has not been passed down to the local level; therefore, no testing is required by the local auditor.

**G. MATCHING, LEVEL OF EFFORT, EARMARKING**

The Federal Medicaid Assistance Percentage (FMAP) for the year being audited determines the amount of reimbursement and match required. The FMAP changes each October 1<sup>st</sup>. The FMAP can be from the following website: <http://aspe.hhs.gov/health/fmap.htm>.

**H. PERIOD OF AVAILABILITY OF FEDERAL FUNDS**

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This requirement has not been passed to the subrecipients; therefore, additional testing is not required.

### **I. PROCUREMENT AND SUSPENSION AND DEBARMENT**

All grantees that expend federal funds (received either directly from a federal agency or passed through the N. C. Department of Health and Human Services) are required to conform with federal agency codifications of the grants management common rule accessible on the Internet at <http://www.whitehouse.gov/omb/>

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the procurement standards described in the North Carolina General Statutes and the North Carolina Administrative Code, which are identified in the State of North Carolina

Agency Purchasing Manual accessible on the Internet at [http://www.pandc.nc.gov/documents/Procurement Manual 5 8 2013 interactive.pdf](http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf).

Nongovernmental subrecipients shall maintain written procurement policies that are followed in procuring the goods and services required to administer the program.

The list of debarred parties may be viewed at the following Internet web site: [System For Award Management \(SAM\)](#). The procurement requirement has not been passed to the local level; therefore, no testing is required by the local auditor.

### **L. REPORTING**

In order for a Cost Modeled (Facility) Rate to be established, a Child Placing Agency, a residential child-care facility or unit of county government must annually submit audited financial statements, documentable child care days and completed cost reports to the DHHS Controller's Office. System changes in January 2009 established payment rates based on the agency status in the FCFL License System. When a child in DSS custody, placed in a qualified, licensed family foster home with a qualified agency providing foster care services, the county department of social services receives reimbursement from the DHHS Controller's Office electronically. Effective January 2009, the PQA 020 and PQA022 reports support reimbursement amounts to county agencies. Data on these reports is derived from data keyed into the Child Placement and Payment System (CPPS) by the county DSS. Local auditors should perform testing on the accuracy of information reported in CPPS that appears on the payment reports. If applicable, PQA025 and PQA225 reports will be processed to indicate any manual adjustments for the period. A summary of all recorded and allowed foster care cost can be found on the PQA026 monthly report. For counties transitioning to the NCFAST system reimbursements are included on the PQA020-2 and PQA020-4 reports, along with the PQA022, PQA025 and PQA225 reports. Summary reports are the PQA026. All reports are on the same system, just kept in separate folders (CPPS Reports verses NCFAST Reports).

### **M. SUBRECIPIENT MONITORING**

This requirement has not been passed to the subrecipients; therefore, additional testing is not required.

### **N. SPECIAL TESTS AND PROVISIONS**

**Compliance Requirement** – Child care agencies with Cost Modeled (Facility) Rates are required to accept applicants based on their need for services, not on the child's

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eligibility category. Therefore, child care agencies are prohibited from obtaining eligibility information on the child's application for services. Following the child's acceptance, however, the child care agencies should document, through a financial agreement, with the legal custodian:

- 1) Types of services to be provided,
- 2) Sources of funding for foster care services or blended funding for treatment services,
- 3) Amount of funds from each source, and
- 4) Identify any amount exceeding the State established Facility (cost of care) Rate as other than foster care services.

When the child care agency also provides behavioral mental health residential treatment services, the child care agency must segregate these costs from foster care costs. Child care agencies should maintain a list of residents indicating the child's funding category, the child's legal custodian, and the amount billed / paid each month, and the number of days in care. This list should be compared to ongoing DSS direct payments.

### **Audit Objectives**

- 1.) For County DSS: Not applicable. Covered in Foster Care and Adoption Assistance Cluster.
- 2.) For Private Child-Care Agencies and non-DSS units of county government: Children are accepted based on need, not on funding category.

### **Suggested Audit Procedures**

#### For County DSS:

- 1.) Obtain and review placement reimbursement reports and verify eligible children placed in licensed residential childcare facilities and with private, child-placing agencies.
- 2.) Verify expenditures processed by the county agency are for children eligible for foster care funding and amounts are accurately reported to the state via the Child Placement and Payment System or within the NCFast System for those counties using that system.
- 3.) Verify the number of childcare days and that the amount of reimbursement does not exceed the State established Cost Modeled Rate for that number of days.
- 4.) Verify that the total amount of Federal funds reimbursed does not exceed the FMAP for the amount paid or the Cost Modeled Rate.
- 5.) Verify accuracy of information on Payment Reports as it concerns payment amount and child's resources.
- 6.) Verify accuracy in payment and placement data as compared to facility billing documentation and contracts.