

Why GAO Did This Study

Each year, hundreds of thousands of the nation's most vulnerable children are removed from their homes and placed in foster care. While states are primarily responsible for providing safe and stable out-of-home care for these children, Title IV-E of the Social Security Act provides federal financial support. The Administration for Children and Families (ACF) in the Department of Health and Human Services (HHS) is responsible for administering and overseeing federal funding for Foster Care. Past work by the HHS Office of Inspector General (OIG), GAO, and others have identified numerous financial deficiencies associated with the Title IV-E Foster Care program. GAO was asked to determine the extent to which (1) ACF's estimation methodology generated a reasonably accurate and complete estimate of improper payments across the Foster Care program and (2) ACF's corrective actions reduced Foster Care program improper payments. To complete this work, GAO reviewed HHS's fiscal year 2010 improper payments estimation procedures, conducted site visits, and met with cognizant ACF officials.

What GAO Recommends

GAO is making seven recommendations to help improve ACF's methodology for estimating improper payments for the Foster Care program and its corrective action process. HHS agreed that its improper payment estimation efforts can and should be improved, and generally concurred with four of the recommendations and agreed to continue to study the remaining three recommendations. GAO reaffirms the need for all seven recommendations.

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FOSTER CARE PROGRAM

Improved Processes Needed to Estimate Improper Payments and Evaluate Related Corrective Actions

What GAO Found

Although ACF has established a process to calculate a national improper payment estimate for the Foster Care program, the estimate is not based on a statistically valid methodology and consequently does not reflect a reasonably accurate estimate of the extent of Foster Care improper payments. In addition, the estimate deals with only about one-third of the federal expenditures for Foster Care, and is therefore incomplete. ACF's methodology for estimating Foster Care improper payments was approved by the Office of Management and Budget (OMB) in 2004 with the understanding that continuing efforts would be taken to improve the accuracy of ACF's estimates of improper payments in the ensuing years. ACF, however, continued to generally follow its initial methodology which, when compared to federal statistical guidance and internal control standards, GAO found to be deficient in all three phases of ACF's estimation methodology—planning, selection, and evaluation. These deficiencies impaired the accuracy and completeness of the Foster Care program improper payments estimate of \$73 million reported for fiscal year 2010.

Deficiencies in ACF's Methodology to Estimate Foster Care Improper Payments

Estimation methodology phase	Deficiencies by phase
Planning	<ul style="list-style-type: none"> Methodology is limited to identifying improper payments for only one-third of the total federal share of foster care expenditures—maintenance payments. The case-level population data ACF used to derive its foster care improper payment estimate does not contain the associated payment data needed for a direct estimate of the payment error rate and the total amount of dollars that were improperly paid.
Selection	<ul style="list-style-type: none"> ACF has not established up-front data quality procedures over the case-level population data that states report and that ACF uses for improper payments estimation. Sample selection process includes a high percentage of replacement cases due to inaccurate information contained in the case-level population data.
Evaluation	<ul style="list-style-type: none"> Methodology does not include procedures on how to identify payment errors related to underpayments and duplicate payments during the review of sampled cases across states. Methodology used to aggregate state-level improper payment data does not take into account each state's margin of error, which is needed to calculate an overall program improper payment estimate with a 90 percent confidence level generally required by OMB guidance.

Source: GAO analysis of ACF's methodology to estimate Foster Care improper payments.

ACF has reported significantly reduced estimated improper payments for its Foster Care maintenance payments, from a baseline of 10.33 percent for fiscal year 2004 to a 4.9 percent error rate for fiscal year 2010. However, the validity of ACF's reporting of reduced error rates is questionable. GAO found that ACF's ability to reliably assess the extent to which its corrective actions reduced improper payments was impaired by weaknesses in its requirements for state-level corrective actions. For example, ACF used the number of cases found in error rather than the dollar amount of improper payments identified to determine whether or not a state was required to implement corrective actions. As such, some states with higher improper payment dollar error rates were not required to implement actions to reduce these rates. GAO also found deficiencies in ACF's Audit Resolution Tracking and Monitoring System that limited its ability to efficiently track and compare trends across states' Single Audit findings.