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INTRODUCTION

The Adoption Subsidy Program administered by the Office of Adoption Services, within the Bureau of Child and Family Services grants assistance to adoptive parents to help them meet the financial needs of special needs children. Assistance is provided as a support and/or medical subsidy. Support subsidies are issued to adoptive parents monthly on the Adoption Subsidy Payroll. The Adoption Subsidy Program also pays for certain nonrecurring expenses such as adoption fees and court costs. Support subsidies are funded by Title IVE, TANF, or 100% State funds. Medical subsidies are TANF or 100% State funded. For the Fiscal Year ending September 30, 2002, 21,984 adoption subsidy cases received subsidies totaling $177.77 million dollars.

SCOPE

We reviewed 74 adoption support subsidy and 6 medical subsidy payments for the period October 1, 2002 through August 31, 2003. We also reviewed the 138 case records associated with the payments. We reviewed the payments and case records for accuracy, appropriateness, and documentation to determine if the Adoption Subsidy Program complied with Michigan Compiled Laws, Public Act 280 of 1939, Section 400.115f-400.115m as Amended, and Family Independence Agency policy.

The Adoption Subsidy Office was unable to locate the adoption certification documents for one medical subsidy case.

Our audit was performed in accordance with the standards prescribed by The Professional Practices Framework issued by the Institute of Internal Auditors.

EXECUTIVE SUMMARY

Based on the results of our audit, we conclude that there are several areas within the processes used by the Adoption Subsidy Program that need improvement. As discussed

in the findings below, many of these improvements will be made with implementation of a new support subsidy database, scheduled to be operational by May 2004, and the integration of the Adoption Subsidy Payroll with the Model Payments system.

ADOPTION SUBSIDY PROGRAM OFFICE RESPONSE

The Adoption Subsidy Program Office (ASPO) has informed the Office of Internal Audit that they agree with recommendations 1, 4, 7, 8, 9, 13 and are in partial agreement with recommendations 10, 11, and 12. They disagree with recommendations 2, 3, 5, and 6.

FINDINGS AND RECOMMENDATIONS

Failure to File Annual Reports

1. The Adoption Subsidy Office had not mailed the Annual Report/Status Change (FIA1347 and FIA3045) to the adoptive parents in 2003 at the start of our audit. The Annual Reports were mailed in November 2003. Annual Reports were last mailed to the Adoptive parents in approximately November 2002. We subsequently reviewed the case records to determine if the adoptive parents had filed an Annual Report subsequent to November 2002.

   Annual Reports signed and dated subsequent to November 2002 by the adoptive parents were not located for eight support subsidy and five medical subsidy case records.

   PA 280, 400.115i (6) states, "The adoptive parent or parents shall file a verified report with the department at least once each year as to the location of the adoptee and other matters relating to the continuing eligibility of the adoptee for adoption assistance or a medical subsidy, or both.

Failure to obtain an Annual Report from the adoptive parent(s) increases the risk of inappropriate payments.

WE RECOMMEND the Adoption Subsidy Office obtain Annual Reports from the adoptive parents annually as required by PA 280.

The ASPO agrees with this recommendation.

Use of Signature Stamp by Adoption Subsidy Staff

2. The Adoption Subsidy Office is using a signature stamp to sign the Adoption Support and Medical Subsidy Agreements. Current procedures have support staff review and stamp the agreements. The Program Manager will then review and initial the agreement next to the signature stamp. The signature stamp is controlled by the support staff.

Twenty-five (19%) of the support subsidy cases and four (67%) of the medical subsidy cases examined had the Adoption Support Subsidy/Nonrecurring Adoption Expenses Agreement (FIA4113) or the Adoption Medical Subsidy Agreement (FIA3013) signed with a signature stamp of the Program Manager's signature.

Adoption Subsidy policy CFA 748 page 2, #6 states, "Obtains the Agency director/designee signature on the agreement(s)".

WE RECOMMEND the Adoption Subsidy Office discontinue use of the signature stamp and have all Adoption Support Subsidy/Nonrecurring and Medical Subsidy Agreements signed by the designee with an original signature.

ASPO disagrees with this recommendation. The use of a signature stamp with the program manager reviewing the contract and signing initials is an effective method to promptly process the contracts. The ASPO has developed a procedure with input from Legal Affairs and Office of Contracts and Rate Setting.

Adoptive Parent Name Change

3. The Adoption Subsidy Office is not preparing new Adoption Support Subsidy/Nonrecurring Adoption Expense Agreements when an adoptive parent has a name change.

   The adoptive parents for two of the cases examined had name changes that were reported to the Adoption Subsidy Office. Notification of the name change was located in the case record and the database was changed.

   WE RECOMMEND the Adoption Subsidy Office have new Adoption Support and/or Medical Subsidy Agreements signed by the adoptive parents whenever the adoptive parent has a name change.

   The ASPO disagrees with this recommendation and will contact Legal Affairs to determine if a new contract is required for a name change.

Incorrect Database Information

4. The Adoption Subsidy database did not always have the correct information entered for the adoptive parent or child.

Verification of the support subsidy case record information with the database disclosed forty-three cases (33%) that did not have a funding source effective date or subsidy effective date that agreed with the case record documentation.

Since the Database is an automated system to enable staff easy access to case information, it is important that data entered on the Database is correct so that staff will not have to pull the hard copy case.

WE RECOMMEND the Adoption Subsidy Office review the Database to ensure that it contains correct funding source and subsidy effective dates.

The ASPO has indicated that the effective date reflects the date on which the change in funding source was inputted into the database and prior to 1999 the ASPO did not enter effective dates for funding source. The new subsidy automation database will allow more thorough and accurate changes to funding source reporting

Warrants Mailed to Post Office Boxes

5. Seven of the adoption support subsidy cases examined had the adoption subsidy payroll warrant delivered to a Post Office Box. Delivery to a Post Office Box was being made due to unreliable home delivery.

A more secure option to either home delivery or a Post Office Box is use of Electronic Funds Transfers. This would provide security and reduce mailing costs. In addition, the use of a Post Office Box does not identify the address where the adoptive child is residing.

WE RECOMMEND the Adoption Subsidy Program utilize Electronic Funds Transfer for the adoptive parents that request delivery of the warrant to a Post Office Box.

The ASPO disagrees with this recommendation. The ASPO does not have the legal right to limit mailing destination provided an adoptive parent and the current system does not have the ability to input more than one address. The new system will have EFT ability and the ability to input more than one address. Also the Annual Report will be modified in the new payment system to request the physical address of the adopted child.

Lack of Case Record Documentation

6. The Adoption Subsidy Office did not always have documents in the case record to support changes to an adoption subsidy case. Three TANF funded cases did not have documents in the case record to support eligibility for TANF funding. One other TANF funded case did not have documentation to support an address change for mailing the adoption subsidy payroll warrant. One Title IVE funded case did not have any documents to support a deduction from the adoption support subsidy for a foster care recoupment.

Failure to document changes to a case increases the risk of incorrect funding and inappropriate changes to a case.

WE RECOMMEND the Adoption Subsidy Program ensure that all documents to support funding eligibility and changes are placed in the case record.

The ASPO stated that the documentation for recoupment of overpayments is maintained by the Reconciliation and Recoupment Section and their address procedure does require written notice of an address change. The new Database and payment processing system will provide more complete case record documentation.

Duplicate Social Security Numbers on the Adoption Subsidy Payroll (AG790)

7. The Adoption Subsidy Office has not established adequate control over the input of adoptive parent's social security numbers on the Adoption Subsidy payroll (AG790).

The adoptive parent's social security number is used as the vendor number on the payroll. Three adoptive parents that were receiving subsidies were entered on the Adoption Subsidy payroll with a different social security number for another child that was adopted and eligible to receive a support subsidy. The local adoption worker had entered the social security numbers on the Adoption Subsidy Payment Request (FIA1344) incorrectly and adoption subsidy staff entered the number on the payroll as written on the FIA1344. As a result, two warrants were issued to the adoptive parents for subsidies from the same funding source, but for different children.

Mailing costs for the Adoption Subsidy payroll are increased and will make it difficult to identify costs with a specific parent when an adoptive parent is entered on the payroll with two different vendor numbers.

WE RECOMMEND the Adoption Subsidy Office review the Adoption Subsidy Payroll for adoptive parents that are on the payroll with different social security numbers, and make the appropriate corrections.

The ASPO agrees with this recommendation.

WE ALSO RECOMMEND the Adoption Subsidy Office establish procedures to prevent the entering of different social security numbers for adoptive parents that are on the payroll when they adopt other children.

The ASPO stated that the new payment system for adoption subsidy will not allow entry of different social security numbers for adoptive parents.

Separate Warrant for Each Funding Source

8. The Adoption Subsidy Payroll (AG790) issues a warrant to the adoptive parent for each funding source when the adoptive parent is receiving a support subsidy for more than one child from different funding sources. Our payment sample disclosed seven adoptive parents that were receiving a separate warrant for each funding source. As a result the adoptive parent receives more than one warrant when they have adopted children that are eligible for a subsidy from separate funding sources.

One warrant is issued to the adoptive parent when more than one eligible child is receiving a subsidy from the same funding source. One warrant should be issued to an adoptive parent for all children receiving a subsidy regardless of funding source. This will decrease mailing costs and be more efficient in preparing the payroll.

WE RECOMMEND the Adoption Subsidy Office request system changes to the Adoption Subsidy payroll so that an adoptive parent will receive one warrant for all of the eligible children they have adopted no matter what the funding source is.

The ASPO agrees with this recommendation.

Guardian Charged to the Incorrect Funding Source

9. The Adoption Subsidy Office did not follow FIA policy for an adoption subsidy case that had a guardian appointed. Our review disclosed one Title IVE case that had a guardian appointed effective October 18, 1999. Adoption subsidy payments of $4,882.13 were disbursed and charged to Title IVE during our audit period of October1, 2002-August 31, 2003. This case was closed in October 2003.

The Adoption Services Manual CFA 792 page 3 & 4, states "if the adoptive parent (s) of a child with an Adoption Support Subsidy…. dies, a guardian appointed by the court….may request continuation of the Adoption Support Subsidy….Guardianship agreements are not eligible for Title IVE funding."

Failure to follow Adoption Support Services policy has resulted in an incorrect charge to Title IVE of $4,882.13.

WE RECOMMEND the Adoption Subsidy Office comply with Adoption Services policy for funding support subsidy cases that have guardians appointed.

The ASPO agrees with this recommendation.

WE ALSO RECOMMEND the Adoption Subsidy Office determine the correct funding source and make the appropriate corrections.

The ASPO agrees with this recommendation.

No Review to Determine Continuing Eligibility for Title IVE Support Subsidy

10. The Adoption Subsidy Office did not perform a follow up review for one case to determine continuing eligibility for the adoption support subsidy. The adoptive parent reported on an Annual Report signed on 12/03/02 that the adopted child was no longer living with the adoptive parents and was in a juvenile home. This Annual Report was located in the case record.

The Adoption Services Manual, CFA 792, page 1 states "the Adoption Subsidy shall exist until one of the following conditions occurs: The child is placed outside the family home and the absence has lasted, or is expected to last, 30 days or more and financial responsibility for the child is transferred from the family to another funding source". This statement also appears on the Adoption Support Subsidy/Nonrecurring Adoption Expense Agreement (FIA4113). Section 400.115j (4) of the Social welfare Act states "An adoption subsidy shall continue during a period in which the adoptee is removed from his or her home as a temporary court ward based on proceedings under section 2(a) of chapter X11A of the probate code of 1939, 1939 PA 288, MCL 712A.2.

There was no documentation in the case record to show that a case manager had reviewed the circumstances of the juvenile home placement to determine the adoptive parents' financial responsibility and eligibility to continue receiving the Adoption Support Subsidy.

WE RECOMMEND the Adoption Support Subsidy Office review this case to determine financial responsibility and continued eligibility for the Adoption Support Subsidy.

The ASPO agrees with this recommendation.

WE ALSO RECOMMEND the adoption Support Subsidy Office initiate recoupment action if the adoptive family is no longer financially responsible for the child and is determined ineligible to receive an Adoption Support Subsidy

The ASPO disagrees with this recommendation because taking such action may be in conflict with the Social Welfare Act.

Failure to Review Annual Reports and to Recoup Overpayments for Cases Receiving Other Benefits

11. The Adoption Subsidy Office does not review the Annual Reports for cases that are receiving other benefits on a timely basis nor are they making any adjustments to the support subsidy received if there are increases in these benefits

One Title IVE case had other benefits of $109.00 deducted from the Adoption Support Subsidy effective October 1998. The 2002 Annual Report reported other benefits of $122.00 per month starting in January 2003. There has been no review of this Annual Report by a case manager. From January 2003 to August 2003 overpayments on this case totaled $104.00. A TANF support subsidy case reported other benefits of $34.00, an increase of $4.00 per month over the amount being deducted. The adoptive parent signed the Annual Report on 12/2/02. A case Manager increased the deduction to $34.00 per month effective June 2003. However there was no adjustment for the prior months resulting in an over payment of $20.00 from January 2003 to May 2003.

The Adoption Services Manual CFA 796, page 1 states " The parent(s) must notify the Adoption Subsidy Program Office, in writing, within two weeks after any changes occur which might effect subsidy eligibility (i.e., changes in address, death of the child, adoption disruption, marriage of the child, the child's receipt of other benefits.)"

The Adoption Subsidy Agreement (FIA4113) states: "Report in writing the following changes to the Agency Adoption Subsidy Program Office within two weeks after they occur for as long as adoption subsidy is continued: When the child becomes the recipient or beneficiary of benefits such as Social Security (RSDI), Veteran Administration Benefits, Supplemental Security Income (SSI)), or other budgetable benefits, or when the amount of such benefits change."

Failure to review the Annual Reports for the support subsidy cases that are receiving other benefits has resulted in overpayments to the adoptive parents and increased the cost of the Adoption Subsidy Program.

WE RECOMMEND the Adoption Subsidy Office establish procedures to identify support subsidy cases that are receiving other benefits, and to promptly review the Annual Reports for any changes in other benefits when they are returned by the adoptive parents.

The ASPO stated that they do have a process for reviewing the annual reports, however, the process of reviewing the reports is very time consuming and requires intense staff work. The current system does not permit prompt review of information provided by an adoptive parent. The subsidy specialists have caseloads

exceeding 4,000 cases per specialist. The new automation system will provide for more effective and timely review of cases.

WE ALSO RECOMMEND the Support Subsidy Office recoup the over payments for the cases examined, and for all cases where there is an increase in other benefits, back to the effective date of the increase.

The ASPO disagrees with this recommendation. If the delay in processing subsidy benefit changes is caused by administrative difficulties in the ASPO, the adopted child and the family should not bear the negative financial impact.

Timely Review of TANF Annual Reports

12. The Adoption Subsidy Office did not review the Annual Report/Status Change (Eligibility for Services Funded by the Federal TANF Block Grant) (FIA3045) on a timely basis to determine continuing eligibility or new eligibility, if currently funded by State funds, for TANF funding.

    Five (50%) of the TANF and State subsidy cases examined did not have the most current Annual Report (mailed in 2002) in the case record. These were subsequently located but none of the Annual Reports had been reviewed by a Case Manager to determine TANF eligibility for funding. Two State funded support subsidy cases had Annual Reports in the case record that were signed by the adoptive parents in November 2002. A Case Manager had reviewed one case in August 2003, and changed the funding source to TANF effective September 2003. The delay in changing the funding source resulted in $5,984.24 being incorrectly charged to the State funded subsidy. A Case Manager had not reviewed the other case. Based on the income level checked on the Annual Report, the case was

eligible for TANF funding. At the time we reviewed the case, $4,919.85 had been incorrectly charged to the State funded subsidy.

The Adoption Services Manual, CFA 754, page 2, states that TANF will be used to cover the Adoption Support Subsidy if the adoptive family is not receiving court ordered child support, or that taxable income did not exceed 500% of poverty level, and will be reviewed annually by the Adoption Subsidy Program Office.

Since TANF is based on income levels, a prompt review is necessary to determine income eligibility for TANF or State funded support subsidy. Failure to perform a prompt review results in the support subsidy being charged to the incorrect funding source

WE RECOMMEND the Adoption Subsidy Office promptly review the TANF Annual reports when received in order to determine continued eligibility for either the TANF or State funded support subsidy.

The ASPO stated that the current process of reviewing annual reports does not permit a prompt review of the information provided by the adoptive parent. Due to the volume of annual reports received, which are processed by hand, there are delays. The new subsidy automation process will allow for more prompt review of TANF annual reports.

WE ALSO RECOMMEND the Adoption Subsidy Office make retroactive adjustments to properly allocate the adoption support subsidy to the correct funding source based on the review of the Annual Report.

The ASPO disagrees with this recommendation. The current staff in the subsidy unit does not support efficient recoupment of fund source adjustments.

Medical Subsidy Payments

Processing Medical Subsidy Payments

13. The Adoption Subsidy Office did not follow established policy when processing vendor invoices for medical services submitted to the Adoption Subsidy Office for payment.

    Invoices for three payments for outpatient therapy services were not signed with original signatures. The invoices had a photocopy or signature stamp of the vendor or parent's signature. Two invoices for outpatient therapy services were submitted on preprinted insurance forms. The vendor used a signature stamp and the adoptive parent(s) did not sign the forms. Instead there was the notation in the patient's or authorized person's signature block "signature on file". Two payments for therapy services did not have the parent's certification that the service was provided.

    The Adoption Services Manual, CFA794, page 15, requires the following statement from the parent(s) for outpatient therapy: "I have reviewed this bill for accuracy and by my signature I am verifying that therapy was provided and that the times and dates of service(s) billed are accurate." CFA794, page 15, also requires a parent's signature verifying receipt of services and the therapist's signature verifying services were rendered.

    The lack of original signatures on the vendor invoices and adoptive parents' verification of services increases the risk of inappropriate billings being submitted for payment.

WE RECOMMEND the Adoption Subsidy Office require all medical subsidy payments to be signed by the adoptive parent with original signatures as required by the Adoption Services Manual, CFA794.

The ASPO agrees with this recommendation.

WE ALSO RECOMMEND the Adoption Subsidy Office comply with the Adoption Services Manual, CFA 794 and require all adoptive parents to verify the receipt of services for outpatient services.

The ASPO agrees with this recommendation.