



**STATE OF ARIZONA**  
**OFFICE OF THE**  
**AUDITOR GENERAL**

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April 26, 2007

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Ms. Tracy Wareing, Director  
Arizona Department of Economic Security

Transmitted herewith is a report of the Auditor General, an Information Brief on the Department of Economic Security, Division of Children, Youth and Families—Federal Grant Monies. This information brief was prepared pursuant to and under the authority vested in the Auditor General by Arizona Revised Statutes §41-1966.

Our information briefs focus on various topics relating to the Division and Child Protective Services. They were created at the request of key stakeholders who indicated a need for information on specific issues, but did not want a full audit. We hope that these information briefs will fill a need and provide you with timely and useful information on topics of particular interest.

My staff and I will be pleased to discuss or clarify items in the information brief.

This information brief will be released to the public on April 27, 2007.

Sincerely,

Debbie Davenport  
Auditor General

Attachment

## INFORMATION BRIEF

### Summary

The Division expended more than \$265 million in federal grants during fiscal year 2006. The Division attempts to maximize the federal grant dollars it receives by monitoring and adjusting expenditures and eligibility. In addition, the Division submits general grant revenue and expenditure information to the Legislature.



# 2007

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## Federal Grant Monies

The Division expended more than \$265 million in federal grants during fiscal year 2006. These monies were used to help support the costs of providing services to children and families including child protective, foster care, and adoption services. More than \$261 million, or 98 percent, of the federal grant expenditures came from five major grant programs (see Table 1, pages 2 through 3). In addition, during fiscal year 2006, the Division had four other federal grants, which had expenditures of approximately \$4 million.

The Division's five major federal grant programs are ongoing grants, meaning that the services the Division provides with these monies continue each year and monies are made available, up to the grant's funding limit, as long as requirements are met. However, the Division also applies for new federal grants that are consistent with its programs and policies. According to division management, it applies for about two or three grants of this type each year. Before submitting the application, the Division ensures that all grant requirements, such as matching requirements, maintenance of effort requirements, staffing requirements, and reporting requirements, can be met.

**Division works to maximize federal dollars**—The Division attempts to maximize the federal dollars it receives from federal grants by employing the following strategies:

- **Monitoring and adjusting expenditures**—The Division examines requirements such as matching requirements, subsequent grant expenditures, and grant award remaining balances for 12 months beyond the end of the grant period to ensure all grant requirements are met and all eligible costs are submitted for reimbursement. Adjustments may include moving expenditures to the oldest grant if the same grant has multiple periods available, and moving state expenditures to grant programs if the costs meet the grant's purpose and funding is available. In addition, contractors who provide services to families and children are allowed up to 12 months to submit claims for payments, and the Division uses the administrative adjustment period to process, record, and report such claims.
- **Monitoring eligibility**—The Division has two eligibility units, which determine the Title IV-E (Foster Care and Adoption Assistance) and/or Title XIX (Medical Assistance) eligibility for each child in an out-of-home placement, and monitor eligibility throughout the year. The Division determines which federal grant is most appropriate to cover each child's costs after considering the child's eligibility. The units monitor information related to children, such as their type of placement (i.e., with licensed or nonlicensed caregiver) and reassesses eligibility when new information is received. For example, if a child is determined initially to not be eligible for Title IV-E, and later determined to be eligible, expenditures previously paid from other sources, such as Title IV-A (Temporary Assistance for Needy Families) or state monies, would be shift-

Table 1: Description of the Five Major Federal Grants Administered by the Division for State Fiscal Year 2006 (Including the 13<sup>th</sup> month)<sup>1</sup>

Federal Grant Program	Division Use of Federal Grant Monies	Funding Method	Funding Period	State Matching/ Maintenance of Effort Requirements	Federal Grant Funding Limits	Expenditures of Total Federal, State, and Other Monies <sup>2</sup>
<b>Title IV-E Federal Payments for Foster Care and Adoption Assistance</b>	Foster care and adoption assistance costs including foster children's room and board, clothing, and school supplies; and adoption assistance costs for special-needs children.	Amount is based on type of expenditure and child eligibility factors, such as U.S. citizenship and placement with a licensed caregiver.	Funding is for each federal fiscal year; may retroactively submit eligible expenditures for up to 8 quarters.	State matching requirements may range between 25 and 50 percent depending on the type of expenditure.	The Division receives federal grant reimbursement for all eligible expenditures.	\$169,293,002
<b>Title IV-A Block Grants to States for Temporary Assistance for Needy Families</b>	Services to families and children including counseling, case management, assistance to parents, and transportation.	Amount is based on historic Aid to Families with Dependent Children spending. The Division expended about 30 percent of the Department of Economic Security's (Department) total grant expenditures. <sup>3</sup>	Funding is for each federal fiscal year, but the Department's and the Division's expenditures are appropriated by the Legislature.	This grant has a "maintenance of effort" requirement, meaning the Department as a whole must annually spend about \$92 million in state funds for this program.	The State must cover all expenditures in excess of the award amount.	\$69,965,454
<b>Title XX Block Grants to States for Social Services</b>	Services to families and children not eligible for Title IV-E or Title XIX.	Amount is based on a ratio of state population to U.S. population. The Division expended 72 percent of the Department's total grant expenditures.	The Department receives funding for 2 federal fiscal years, and all claims must be made and paid during this period.	None	The State must cover all expenditures in excess of the award amount.	\$52,466,955 <sup>4</sup>
<b>Title IV-B Child and Family Services Subpart 1 (Child Welfare Services) and Subpart 2 (Promoting Safe and Stable Families)</b>	Subpart 1 provides services such as the state-wide, toll-free, 24-hour child abuse hotline; Subpart 2 provides services such as parenting classes and counseling, in four areas: Family Support; Family Preservation; Adoption Promotion; and Time-Limited Family Reunification.	Funding for Subpart 1 is based on state population ratios of persons under 21 years; Subpart 2 is based on the average number of children in the State receiving food stamps.	Funding is for 2 federal fiscal years, and all claims must be made and paid during this period.	State match is 25 percent.	The State must cover all expenditures in excess of the award amount.	\$42,562,710
<b>Title XIX Grants to States for Medical Assistance Programs</b>	Medical and dental care costs of eligible foster care children.	The Arizona Health Care Cost Containment System (AHCCCS) provides the Division a monthly capitated amount for each eligible child.	The Division receives funding from AHCCCS for each federal fiscal year, and may retroactively submit eligible expenditures for up to 12 months.	AHCCCS provides the state match of 33.5 percent, which varies according to Arizona's Federal Medical Assistance Percentage. In federal fiscal year 2006, the state match was about 33 percent.	The Division receives a capitated rate for all eligible children. If expenditures exceed the capitated amount, the Division may qualify for reinsurance.	\$31,947,552

<sup>1</sup> The 13<sup>th</sup> month represents fiscal year 2006 transactions recorded between July 1, 2006 and August 4, 2006.

<sup>2</sup> The total expenditure amounts listed represent only expenditures that occurred through June 30, 2006, including the 13<sup>th</sup> month, and therefore do not include any administrative adjustments that may occur subsequent to that time period.

<sup>3</sup> This grant allows states the option of transferring up to 10 percent of the Department's award to the Title XX Block Grants to States for Social Services.

<sup>4</sup> This amount includes a transfer of \$23,660,260 from the Title IV-A grant.

Source: Auditor General staff analysis of information from the Department's Financial Management Computerized System (FMCS) for fiscal year 2006; National Archives and Records Administration, Office of the Federal Register, *Code of Federal Regulations*: 2006 Washington D.C.: Printing Office, Jan. 2006; and interviews with division management.

ed to the Title IV-E program. Therefore, participant eligibility changes may cause expenditures to be shifted regularly from one grant to another in order to make additional grant or state dollars available to other children.

Table 2 (see page 4) presents the Division's fiscal year 2006 federal expenditures for the five major federal grants and combined total of the four other grants used to help fund division pro-

grams. The table also presents the required division matching expenditures and the additional state and other expenditures that are used to cover either costs that did not meet federal funding requirements or program costs that exceeded the maximum federal award. All expenditures are as of the period ending June 30, 2006, prior to administrative adjustments that may occur up to a 12-month period afterward.

**Reports received by Legislature contain general federal grant information**—The Division submits general grant revenue and expenditure information to the Legislature in the following reports:

- **Budget Request Federal Funds Report**—The Division assists in preparing and the Department submits this report to the Legislature by September 1 each year. Its primary purpose is to request legislative appropriations for future period budgets. The report includes a grants section that

presents by grant the most recent state fiscal year's actual revenues and expenditures prior to administrative adjustments. It also presents the following 2 years of estimated revenues and expenditures for each grant.

- **Financial and Program Accountability Report for CPS**—The Division refers to this report as the 2024 report. This report is prepared in August and in February. The report's primary purpose is to provide the Legislature with information related to the administration and operation of division pro-

grams, including staff workloads. The report includes a financial section, which presents the Division's estimated expenditures by program, including the estimated federal expenditures. According to division management, the estimates are based on information contained in the Budget Request report, actual recorded program expenditures, and anticipated administrative adjustments.

- **Monthly Financial Status Report**—Referred to as the 30th of the month report, this report is submitted monthly to the Arizona State Senate, the House Appropriations Committee, the Joint Legislative Budget Committee, and the Office of Strategic

Planning and Budgeting. The report's primary purpose is to project program funding surpluses and shortfalls. The report presents actual program expenditures as of the report date for all programs that are appropriated by the Legislature. The report contains a narrative section, which may include information related to federal grants such as new grants awarded, law changes affecting federal programs, or program changes to federal grants. However, since this report focuses on appropriated programs, it contains financial information only for the federal Title IV-A grant as the Division's other federal grants are not appropriated.

Table 2: Fiscal Year 2006 Expenditures of Federal, Division Matching, and Additional State and Other Monies

Program	Expenditures of Federal Awards	Expenditures of Division-Required Matching Monies	Expenditures of Additional State and Other Monies	Total Expenditures
Title IV-E	\$108,275,042	\$61,017,960	\$ 0	\$169,293,002
Title IV-A	66,357,847	0	3,607,607	69,965,454
Title XX	42,032,711 <sup>2</sup>	0	10,434,244	52,466,955
Title IV-B	14,070,862	4,690,287	23,801,561	42,562,710
Title XIX	30,569,383	0	1,378,169	31,947,552
Other grants <sup>1</sup>	<u>3,954,160</u>	<u>850,593</u>	<u>33,132,674</u>	<u>37,937,427</u>
Total	<u>\$265,260,005</u>	<u>\$66,558,840</u>	<u>\$72,354,255</u>	<u>\$404,173,100</u>

<sup>1</sup> Other grants include the Chafee Education and Training Vouchers Program, the Community-Based Child Abuse Prevention Grants, the Child Abuse and Neglect State Grants, and the Chafee Foster Care Independence Program. These federal grants provide monies for costs such as postsecondary training and education, prevention of child abuse and neglect, improvement of child protective systems, and programs designed for youth who will likely remain in foster care until they are 18.

<sup>2</sup> Amount includes the allowable transfer of \$23,660,260 from the Title IV-A grant to the Title XX grant.

Source: Auditor General staff analysis of information from the Department's Financial Management Computerized System (FMCS) for fiscal year 2006, including the 13<sup>th</sup> month.