



October 2021

# CHILD WELFARE

## Better Data and Guidance Could Help States Reinvest Adoption Savings and Improve Federal Oversight

Accessible Version



A Century of Non-Partisan Fact-Based Work

# GAO Highlights

Highlights of [GAO-22-6](#), a report to congressional committees

## Why GAO Did This Study

The Fostering Connections to Success and Increasing Adoptions Act of 2008 expanded eligibility for federal adoption assistance and required states to reinvest any resulting adoption savings in their child welfare systems. The Preventing Sex Trafficking and Strengthening Families Act required states to spend a minimum percentage of these savings on specific types of services starting in fiscal year 2015. The Bipartisan Budget Act of 2018 included a provision for GAO to study states' adoption savings reinvestment.

This report examines (1) the extent to which states are reinvesting their adoption savings, (2) how the Children's Bureau monitors these reinvestments, and (3) any challenges states face in reinvesting savings and what guidance the Children's Bureau provides. GAO analyzed state adoption savings and spending data for fiscal years 2015 through 2019, all available years of data at the time of this review. GAO surveyed 53 state child welfare agencies and 52 completed the survey. GAO also interviewed child welfare officials in eight states selected to provide variation in several areas, including the percent of adoption savings they had reinvested.

## What GAO Recommends

GAO recommends ACF 1) collect additional state data to improve its oversight, and 2) provide guidance or technical assistance to states on services that count toward the 20 and 30 percent requirements and on timely reinvestment of their adoption savings. HHS disagreed with the first recommendation and agreed with the second. GAO maintains that additional data would improve ACF oversight.

View [GAO-22-6](#). For more information, contact Kathryn Larin at (202) 512-7215 or [larink@gao.gov](mailto:larink@gao.gov).

October 2021

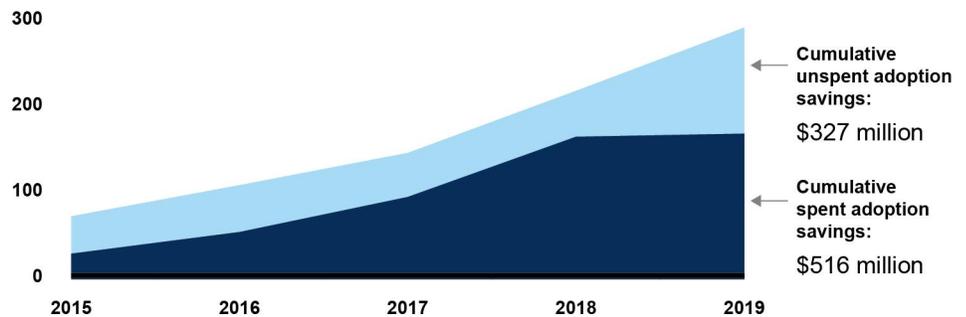
## CHILD WELFARE

### Better Data and Guidance Could Help States Reinvest Adoption Savings and Improve Federal Oversight

## What GAO Found

From fiscal years 2015 through 2019, states collectively reinvested \$516 million of the \$843 million they accrued in "adoption savings" (see figure). Adoption savings are state funds saved due to the increasing number of children eligible for federal adoption assistance payments. States spent \$224 million of these savings on post-adoption or post-guardianship ("post-permanency") services, \$67 million on services for youth at risk of entering foster care ("preventative services"), and \$225 million on other child welfare services. States' individual spending varied widely. For example, 10 states spent all of their adoption savings, but 23 spent less than half, and nine of those spent none.

**Spent and Unspent State Adoption Savings, Fiscal Years 2015 through 2019**  
Dollars (in millions)



Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

**Data table for Spent and Unspent State Adoption Savings, Fiscal Years 2015 through 2019**

Dollars (in millions)

Year	Unspent adoption savings	Spent adoption savings
2015	29.79	43.6
2016	55.01	54.66
2017	95.86	51.38
2018	166.05	53.51
2019	169.66	123.67

- Cumulative unspent adoption savings: \$327 million
- Cumulative spent adoption savings: \$516 million

Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

The Children's Bureau—part of the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF)—monitors states' adoption savings reinvestment, but its oversight is hindered by a lack of detailed data. Further, there is no statutory deadline for states to spend their savings, and

Children's Bureau officials said states can delay their spending indefinitely. Also, the state data the Children's Bureau collects annually does not always allow it to definitively determine states' compliance with the requirement to spend at least 30 percent of their annual adoption savings on post-permanency and preventative services, including at least 20 percent on post-permanency services (the 20 and 30 percent requirements). If states do not reinvest their adoption savings or meet the 20 and 30 percent requirements, children will not benefit from the additional spending as intended by the law.

Nearly half (23 of 52) of the states reported in GAO's survey at least one significant challenge to reinvesting their adoption savings, most often citing early spending difficulties such as needing time to understand the new requirements and competing state budget priorities. Most of the 28 states that received technical assistance from the Children's Bureau in fiscal year 2019 reported it was helpful, but 22 states wanted more assistance. Of those, 13 wanted more guidance on allowable adoption savings expenditures and/or other states' best practices and strategies for spending their savings. Further, 10 of these states had not yet spent 30 percent of their cumulative savings on required services. Without additional guidance or technical assistance, states may have difficulty meeting the 20 and 30 percent requirements or reinvesting their savings overall.

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**Abbreviations**

ACF	Administration for Children and Families
AFDC	Aid to Families with Dependent Children
CFSP	Child and Family Services Plan

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Fostering Connections Act

HHS  
SSI

Fostering Connections to Success and  
Increasing Adoptions Act of 2008  
Department of Health and Human Services  
Supplemental Security Income

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October 4, 2021

The Honorable Ron Wyden  
Chairman  
The Honorable Mike Crapo  
Ranking Member  
Committee on Finance  
United States Senate  
The Honorable Richard Neal  
Chairman  
The Honorable Kevin Brady  
Republican Leader  
Committee on Ways and Means  
House of Representatives

More than 120,000 children in foster care were waiting to be adopted in fiscal year 2019, according to federal data.<sup>1</sup> The Adoption Assistance Program, authorized under title IV-E of the Social Security Act, provides federal funds to states to facilitate the adoption of children from foster care whose special needs or circumstances would otherwise make them difficult to place with adoptive families.<sup>2</sup> The Children's Bureau, within the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF), administers the program, which reimburses states for a portion of their costs of providing adoption assistance to adoptive families of eligible children. States are responsible for funding the remaining portion. The costs of adoption assistance provided on behalf of children who do not meet federal eligibility criteria must be funded from state, local, or other non-title IV-E sources. ACF was appropriated \$3.8 billion in fiscal year 2021 for the Adoption Assistance Program.

To promote the adoption of children with special needs, the Fostering Connections to Success and Increasing Adoptions Act of 2008 (Fostering Connections Act) amended title IV-E to expand the population of children

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<sup>1</sup>*Adoption and Foster Care Analysis and Reporting System (AFCARS): Preliminary FY 2019 estimates as of June 23, 2020 (27)*. U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children's Bureau.

<sup>2</sup>See 42 U.S.C. §§ 673, 674(a)(2). Eligibility for title IV-E adoption assistance can, in some circumstances, be met without a child having been in foster care.

who qualify for federal adoption assistance.<sup>3</sup> Under the amendments made by this act, states are potentially able to claim federal reimbursement for adoption assistance payments they make to more families, resulting in savings for the states. The act also added a requirement for states to reinvest any such savings (referred to in this report as adoption savings) in their child welfare programs by spending an equivalent amount on any child welfare services that may be provided under title IV-B and title IV-E of the Social Security Act.<sup>4</sup> In fiscal year 2019, more than 56,000 children per month, on average, were eligible for federal adoption assistance who would not have been eligible before the implementation of the Fostering Connections Act, according to data states provided to ACF's Children's Bureau.<sup>5</sup>

The Preventing Sex Trafficking and Strengthening Families Act, enacted in 2014, further amended title IV-E to require states to report the amount of any adoption savings, and how those savings are spent, to HHS annually, beginning in fiscal year 2015.<sup>6</sup> The act also added a requirement for states to spend at least 30 percent of their adoption savings accrued during each fiscal year on post-adoption services, post-guardianship services, and services to support and sustain positive permanent outcomes for children who otherwise might enter into foster care. Additionally, at least two-thirds of the spending on those services, or 20 percent of total savings, must be spent on post-adoption and/or post-guardianship services.<sup>7</sup>

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<sup>3</sup>Pub. L. No. 110-351, § 402, 122 Stat. 3949, 3975-3979.

<sup>4</sup>Services allowable under titles IV-B and IV-E may include, among other things: services to promote and support adoption; family preservation services; child protective services; family reunification services; services to prevent abuse, neglect, or exploitation of children; training, professional development, and support to ensure a well-qualified child welfare workforce; and certain services associated with providing foster care, adoption assistance, and kinship guardianship assistance.

<sup>5</sup>*National Reporting Summary – Total Annual Adoption Savings Calculation and Accounting Report (Form CB-496 Part 4). August 2020.* U.S. Department of Health and Human Services, Administration for Children and Families, Children's Bureau.

<sup>6</sup>Pub. L. No. 113-183, § 206, 128 Stat. 1919, 1939-1940 (2014).

<sup>7</sup>In this report, we refer to these requirements as the "20 and 30 percent requirements;" we refer to "post-adoption" and "post-guardianship" services collectively as "post-permanency" services; and we refer to "services to support and sustain positive, permanent outcomes for children who might otherwise enter into foster care" as "preventative services."

The Bipartisan Budget Act of 2018 included a provision for GAO to examine the extent to which states are complying with these requirements, including the requirement to reinvest any adoption savings in child welfare services allowable under titles IV-B and IV-E of the Social Security Act and the 20 and 30 percent spending requirements.<sup>8</sup> This report examines (1) the extent to which states are reinvesting their adoption savings, (2) the Children’s Bureau’s monitoring of states’ reinvestment of their adoption savings, and (3) any challenges states face in fulfilling adoption savings reinvestment requirements and the guidance provided to states by the Children’s Bureau.

We used several methodologies to address our objectives. To address our first two objectives, we analyzed publicly available adoption savings and expenditure data that states submitted to the Children’s Bureau for fiscal years 2015 through 2019. These data represent all available years of data at the time of our review. We assessed the reliability of these data through interviews and written correspondence with the Children’s Bureau and a review of relevant documents about the Children’s Bureau’s data system and training materials the Bureau provides to the states about calculating and reporting states’ adoption savings and expenditure data. We determined that the data were sufficiently reliable to address our objectives. We also reviewed relevant Children’s Bureau monitoring documents.

To address our third objective, we conducted a survey of 53 state title IV-E agencies (the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands).<sup>9</sup> The survey focused on, among other issues, challenges states may be facing in reinvesting their adoption savings, specific services on which states are spending their savings, and states’ opinions about the Children’s Bureau’s formal guidance and technical assistance.<sup>10</sup> This survey was conducted in conjunction with three other GAO teams working on child welfare-related reports and was fielded from

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<sup>8</sup>Pub. L. No. 115-123, div. E, tit. VII, § 50782, 132 Stat. 64, 268-269.

<sup>9</sup>We refer to all surveyed title IV-E agencies as “states” in this report. Because American Samoa and Guam do not participate in the title IV-E program, we did not include them in our survey.

<sup>10</sup>For the purposes of this report, we use the term “formal guidance” to refer to Program Instructions and the Child Welfare Policy Manual. The Children’s Bureau reported that it provides most of its formal guidance on adoption savings through Program Instructions. The Children’s Bureau also considers its Child Welfare Policy Manual to be formal guidance.

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December 2020 to February 2021. Fifty-two of the 53 state title IV-E agencies completed the survey.<sup>11</sup>

To address all of our objectives, we conducted interviews with officials in eight state title IV-E agencies.<sup>12</sup> We selected these states to provide variation in the percent of total adoption savings reinvested and the percent specifically reinvested toward the 20 and 30 percent requirements, the adoption savings calculation method they used, state- and county-administered child welfare systems, and the ACF regional office by which they are served. We also interviewed officials at ACF and the Children's Bureau and representatives from five child welfare organizations to gain their perspectives.<sup>13</sup> We also reviewed relevant federal laws, regulations, and program guidance documents. Appendix I provides additional details about the scope and methodology of this engagement.

We conducted this performance audit from September 2020 to October 2021 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.

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<sup>11</sup>Oklahoma did not complete the survey.

<sup>12</sup>State title IV-E agencies are those agencies that receive federal title IV-E funds and administer the state's title IV-E programs. These agencies can be, for example, a state Department of Social Services, Office of Children and Family Services, or a similar state agency. In this report, we refer to state title IV-E agencies as "state child welfare agencies."

<sup>13</sup>Together, these organizations provide a combination of advocacy, education, training, research, consulting, and direct services to children, families, and child welfare systems. We spoke to representatives from four separate organizations and an independent consultant who provides services to various organizations and states. For the purposes of our report, we are also referring to this independent consultant as a representative of a child welfare organization.

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## Background

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### Federal Child Welfare Funding and the Adoption Assistance Program

State and local child welfare agencies are the primary providers of child welfare services, and federal funding is available to support states through multiple programs administered by ACF. The largest source of this federal funding is provided to states under title IV-E of the Social Security Act to support children in foster care and assist children who leave foster care through adoption or legal guardianship with relatives or, in some jurisdictions, close family friends (kin).<sup>14</sup> In addition, title IV-B of the Social Security Act is the primary source of federal child welfare funding available for child welfare services.<sup>15</sup>

The Adoption Assistance Program provides federal reimbursement to states for a portion of their costs—ranging from 50 to 83 percent—of providing adoption assistance on behalf of eligible children. This assistance is available as a monthly subsidy payment to families who adopt eligible children from foster care.<sup>16</sup> States are responsible for

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<sup>14</sup>See 42 U.S.C. §§ 670-679c. In addition, title IV-E provides funding to states for kinship navigator programs, the title IV-E Prevention Program, and the John H. Chafee Foster Care Independence Program.

<sup>15</sup>See 42 U.S.C. §§ 621-629m. For purposes of title IV-B, HHS regulations define child welfare services as public social services directed to accomplish the following purposes: protecting and promoting the welfare and safety of all children; preventing or remedying child neglect, abuse, exploitation, or delinquency; preventing the unnecessary separation of children from their families; restoring children safely to their families; assuring that children are adequately cared for while away from their homes; and placing children in suitable adoptive homes when returning them to their families is not possible. 45 C.F.R. § 1357.10(c).

<sup>16</sup>In addition, eligible families receive a one-time payment to help cover nonrecurring costs related to the adoption process 42 U.S.C. § 673. The federal reimbursement rates for recurring adoption assistance payments are based on the state's Federal Medical Assistance Percentage. In addition, the federal government will reimburse states 50 percent of their eligible administrative costs to manage the program and for payments of nonrecurring adoption expenses, and 75 percent of their costs for training staff and adoptive parents. Similarly, states may also receive federal reimbursement under title IV-E for a portion of the costs of their foster care and guardianship assistance programs. 42 U.S.C. § 674.

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funding adoption assistance provided to adoptive families of children who do not meet the title IV-E eligibility criteria.

For a child to be eligible for adoption assistance under this program, the state's title IV-E agency must determine that the child has "special needs." To make this determination, the state generally must find that the child cannot or should not be returned to their parents and that there is a factor or condition specific to the child that makes it reasonable to conclude that the child cannot be adopted without providing adoption assistance or medical assistance. For example, states may consider factors such as the child's age, physical or mental health conditions, ethnic background, and whether the child is a member of a minority or sibling group. The state must also determine that reasonable, but unsuccessful, efforts have been made to place the child for adoption without providing such assistance, except where it would be against the best interests of the child.<sup>17</sup>

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### Changes to Eligibility Criteria and New Reinvestment Requirements Under the Fostering Connections Act

Prior to fiscal year 2010, to be eligible for recurring adoption assistance payments, the child must have met one of four criteria (creating four different "pathways" to eligibility), in addition to being a child with special needs. One pathway to eligibility was if the state determined that the child would have been eligible for Aid to Families with Dependent Children (AFDC) (in accordance with the program rules in effect on July 16, 1996) in the home from which the child was removed.<sup>18</sup> AFDC eligibility criteria included having low family income and resources and a parent who was

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<sup>17</sup>42 U.S.C. § 673(c).

<sup>18</sup>If the child was removed from the home pursuant to a judicial determination, such determination must indicate that it was contrary to the child's welfare to remain in the home; if the child was removed from the home pursuant to a voluntary placement agreement, the child must receive title IV-E foster care maintenance payments to be eligible. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced the Aid to Families with Dependent Children program with the Temporary Assistance for Needy Families program, but retained the link to AFDC for purposes of this income eligibility criterion for adoption assistance, and for foster care maintenance payments.

unable to support the child.<sup>19</sup> A second pathway was if the state determined that the child was eligible for title XVI Supplemental Security Income (SSI) benefits, which requires a child to have a disability and limited family income and resources.<sup>20</sup>

The Fostering Connections Act began phasing out some of the previous eligibility criteria for title IV-E adoption assistance and replacing them with criteria that did not include an income eligibility requirement for the family from which the child was removed.<sup>21</sup> Under the new eligibility criteria, the child still must have special needs in order to be eligible for adoption assistance but does not need to be eligible for AFDC, receive foster care maintenance payments, or meet SSI income eligibility criteria.<sup>22</sup>

The new criteria were effective beginning in fiscal year 2010 for the following categories of children, referred to as “applicable children;” (1) children who were age 16 and older by the end of the fiscal year and for whom an adoption assistance agreement was entered into during that fiscal year; (2) children who had been in foster care for 60 consecutive months prior to the finalization of the adoption; and (3) sibling groups placed in the same adoptive placement, as long as one sibling was an applicable child. Each year after that, the minimum age for the first category of applicable children decreased by two years. Under the Fostering Connections Act, the old eligibility criteria would have been

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<sup>19</sup>Specifically, at the time the child is removed from the home, the family must meet an income test based on the state’s standard of need as of July 16, 1996, and the family’s available resources may not exceed \$10,000. Additionally, the principal wage-earning parent must be unemployed or a parent must be deceased, absent, or mentally or physically incapacitated to the extent that the parent cannot support the child. See the Children’s Bureau’s Child Welfare Policy Manual, section 8.4A.

<sup>20</sup>The third and fourth pathways to eligibility were as follows: (1) prior to the finalization of the adoption, the child’s minor parent was in foster care and received a foster care maintenance payment that covered both the minor parent and the child; and (2) the child was eligible for adoption assistance with respect to a prior adoption that dissolved or whose adoptive parents died.

<sup>21</sup>Pub. L. No. 110-351, § 402, 122 Stat. 3949, 3975-3979. The Fostering Connections Act also made other changes to the eligibility criteria. For example, a voluntary relinquishment is acceptable for eligibility purposes under the new criteria.

<sup>22</sup>See 42 U.S.C. § 673(a)(2)(A)(ii). However, under the amendments made by the Fostering Connections Act, if a state determines that a child meets all the medical or disability eligibility requirements for SSI benefits, the state does not need to identify a specific factor or condition making it reasonable to conclude that the child cannot be placed for adoption without adoption assistance or medical assistance.

phased out completely by fiscal year 2018; however, the Bipartisan Budget Act of 2018 extended the phase-out through fiscal year 2024 for children age 2 and younger.<sup>23</sup> Currently, all children age 2 and over (by the end of the fiscal year that a new adoption agreement is entered into) are subject to the new criteria, which means they no longer must meet an income eligibility requirement to be eligible for federal adoption assistance.

The phase-out of the AFDC income eligibility requirement resulted in additional children being eligible for title IV-E adoption assistance, and therefore allowed states to claim federal reimbursement for more adoption assistance payments. The Fostering Connections Act required states to spend an amount equal to any adoption savings resulting from the new eligibility criteria in a fiscal year to provide to children and families any services allowable under title IV-B or title IV-E of the Social Security Act (referred to in this report as the reinvestment requirement).<sup>24</sup> However, the legislation did not establish a deadline by which states must reinvest their adoption savings.<sup>25</sup>

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### Changes to the Reinvestment Requirements and New Reporting Requirements Under the Preventing Sex Trafficking and Strengthening Families Act

The Preventing Sex Trafficking and Strengthening Families Act added new requirements related to adoption assistance.<sup>26</sup> In addition to establishing the 20 and 30 percent requirements, the legislation requires each state to calculate its savings using a methodology specified by HHS (or an alternate approved methodology) and annually report to HHS the methodology used, the amount of adoption savings, and how any such savings are spent. It also requires HHS to make these data publicly

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<sup>23</sup>Pub. L. No. 115-123, div. E, tit. VII, § 50781, 132 Stat. 64, 268. Children for whom an adoption assistance agreement was entered into after January 1, 2018, and who will not turn 2 by the end of the fiscal year of their agreement, are subject to the old eligibility criteria until July 1, 2024.

<sup>24</sup>In this report, we use the terms “reinvest” and “spend” interchangeably when we are referring to state’s use of their adoption savings.

<sup>25</sup>For more information about the Fostering Connections Act, see GAO, *Foster Care: HHS Needs to Improve Oversight of Fostering Connections Act Implementation*, [GAO-14-347](#) (Washington, D.C.: May 29, 2014).

<sup>26</sup>Pub. L. No. 113-183, § 206, 128 Stat. 1919, 1939-1940 (2014).

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available on its website.<sup>27</sup> Finally, the legislation requires state spending of adoption savings to supplement, not supplant, any federal or non-federal funds the state was using for title IV-B or title IV-E services.<sup>28</sup>

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## State Adoption Savings and Expenditure Data Reporting

Since fiscal year 2015, states have been required to report their adoption savings and expenditures to the Children's Bureau annually. States use Form CB-496 Part 4 to submit these annual data reports, which include their total adoption savings and savings spent, as well as their unexpended savings for the most recent fiscal year.<sup>29</sup> Additionally, states report their total adoption savings accrued, total expenditures of these savings, and total cumulative unexpended savings, for all previous fiscal years since fiscal year 2015. The Children's Bureau also requires states to report their expenditures in specific categories, including expenditures on post-permanency services, preventative services, and other allowable title IV-B and IV-E services.

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## Twenty-three States Have Reinvested Less than One-Half of their Cumulative Adoption Savings

According to data states reported to the Children's Bureau, states accrued about \$843 million in cumulative adoption savings over the five-year period from fiscal years 2015 through 2019 and spent approximately 61 percent of these adoption savings, or about \$516 million. The amount of accrued adoption savings increased each year as the phase-out of

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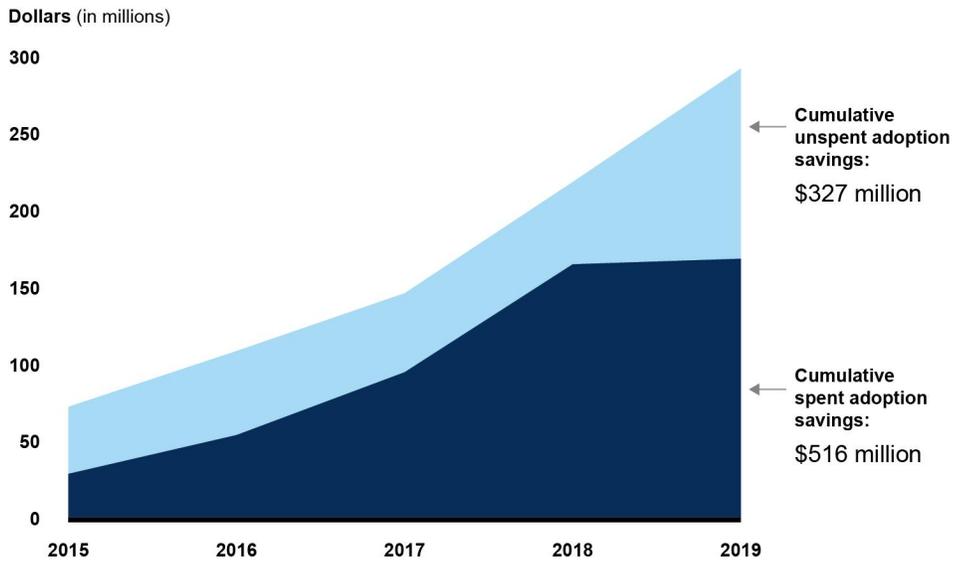
<sup>27</sup>Although these statutory provisions refer to the Secretary of HHS, we use the term Children's Bureau throughout this report because the Children's Bureau administers the title IV-E program. A previous amendment made in 2011 by the Child and Family Services Improvement and Innovation Act required states to document how such amounts are spent, but did not require any reporting. See Pub. L. No. 112-34, § 106(c), 125 Stat. 369, 377 (2011).

<sup>28</sup>These amendments are codified at 42 U.S.C. § 673(a)(8).

<sup>29</sup>As part of calculating their adoption savings, states also report the average monthly number of children receiving adoption assistance who would not have been eligible under the old criteria (on whose behalf the state accrues adoption savings), the amount of adoption assistance paid to those children, the administrative costs of providing their adoption assistance, and the method used to calculate savings. Form CB-496 is used for reporting financial data on multiple title IV-E programs.

AFDC income eligibility requirements made more children eligible for federal adoption assistance. States' collective spending of adoption savings also grew each year, but in no year did states spend more than they accrued. As a result, the amount of cumulative unspent adoption savings has increased over time, totaling almost \$327 million at the end of fiscal year 2019 (see fig. 1).<sup>30</sup>

**Figure 1: Spent and Unspent State Adoption Savings, Fiscal Years 2015 through 2019**



Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

<sup>30</sup>Although Children's Bureau officials cited the 61 percent figure in discussions with us, they also said that because some states do not spend adoption savings in the same year they accrue them, they believe it is fairer to exclude unspent savings accrued in the most recent fiscal year when calculating the percent of savings reinvested. We excluded unspent fiscal year 2019 savings from states' adoption savings accumulated from fiscal years 2015 through 2019 and found that it increased the percent reinvested from 61 to 72 percent. However, even using this method, 20 states had spent less than half of their accrued adoption savings by the end of fiscal year 2019.

**Data table for Figure 1: Spent and Unspent State Adoption Savings, Fiscal Years 2015 through 2019**

Dollars (in millions)

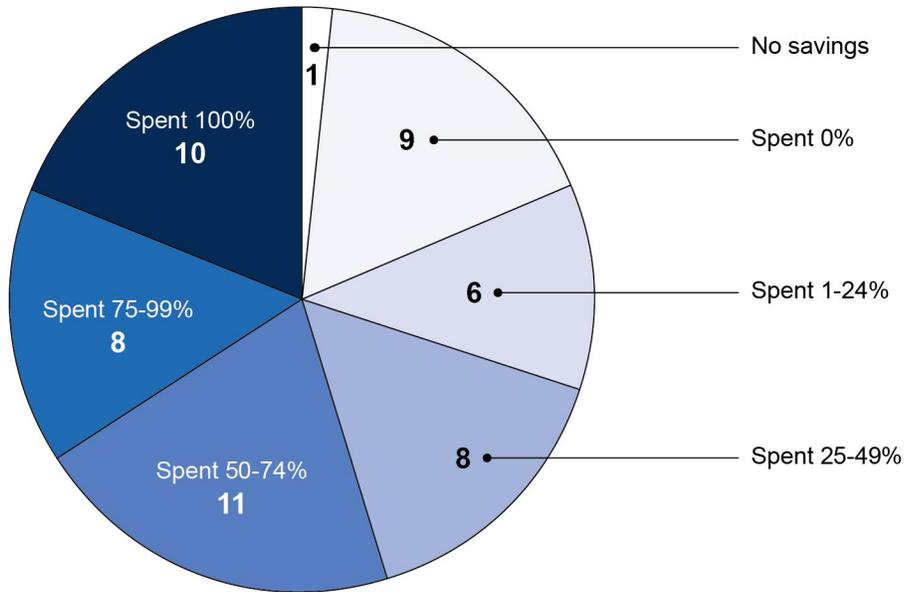
<b>Year</b>	<b>Unspent adoption savings</b>	<b>Spent adoption savings</b>
2015	29.79	43.6
2016	55.01	54.66
2017	95.86	51.38
2018	166.05	53.51
2019	169.66	123.67

- Cumulative unspent adoption savings: \$327 million
- Cumulative spent adoption savings: \$516 million

Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

While states collectively spent 61 percent of their cumulative adoption savings accrued from fiscal years 2015 through 2019, individual states' spending rates varied widely. For example, 10 states spent all of their adoption savings accrued during those five years, while 23 states spent less than one-half of their savings, including nine states that spent none (see fig. 2). By 2019, over one-half of all states (32) had each accrued more than \$1 million in unspent adoption savings, and 11 states each had over \$10 million in unspent savings.

**Figure 2: Number of States by Percent of Cumulative Adoption Savings Spent, Fiscal Years 2015 through 2019**



Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

**Data table for Figure 2: Number of States by Percent of Cumulative Adoption Savings Spent, Fiscal Years 2015 through 2019**

Percent of Cumulative Adoption Savings Spent,	Number of States
No Savings	1
Spent 0%	9
Spent 1-24%	6
Spent 25-49%	8
Spent 50-74%	11
Spent 75-99%	8
Spent 100%	10

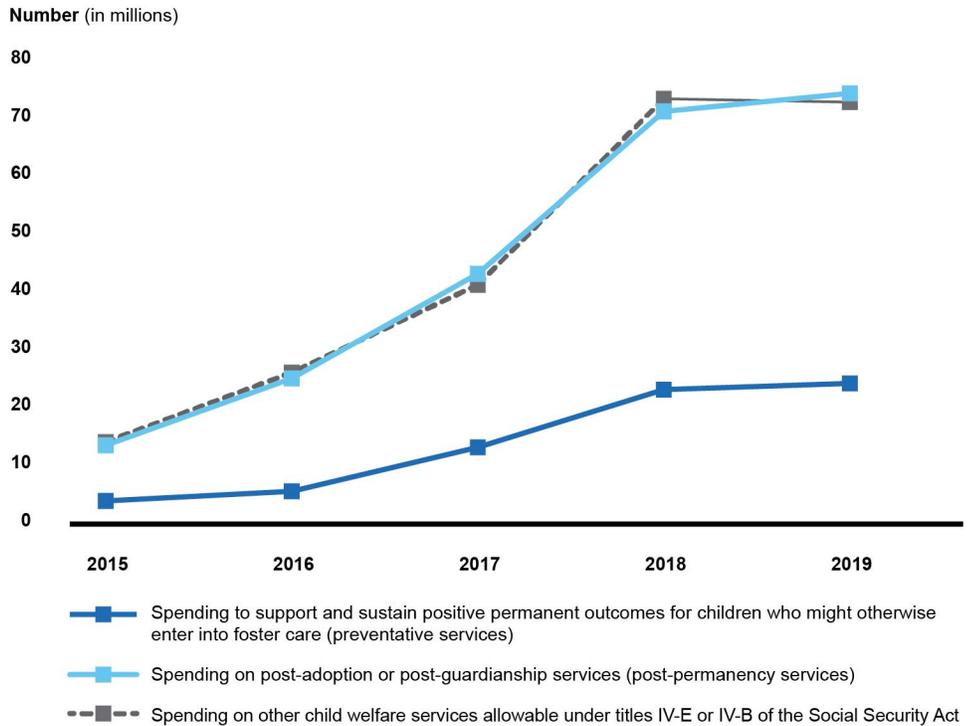
Note: This figure includes data from 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, the latter of which reported no adoption savings from fiscal years 2015 through 2019.

Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

From fiscal years 2015 through 2019, states reported that they collectively spent \$291 million, or 35 percent, of their cumulative adoption savings on services that count toward the 30 percent requirement (i.e., post-permanency and preventative services). This included \$224 million (27 percent of cumulative savings) spent on post-permanency services,

which would also count toward the 20 percent requirement, and \$67 million (8 percent) spent on preventative services. States also spent \$225 million (27 percent of cumulative savings) on other allowable child welfare services. The amount spent on each of these categories of services has increased each year since 2015 (see fig. 3).

**Figure 3: Annual State Spending of Adoption Savings by Service Category, Fiscal Years 2015 through 2019**



Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

**Data table for Figure 3: Annual State Spending of Adoption Savings by Service Category, Fiscal Years 2015 through 2019 (Number in millions)**

Year	Spending on post-adoption or post-guardianship services (post-permanency services)	Spending to support and sustain positive permanent outcomes for children who might otherwise enter into foster care (preventative services)	Spending on other child welfare services allowable under titles IV-E or IV-B of the Social Security Act
2015	12.94	3.33	13.5
2016	24.5	4.99	25.51
2017	42.58	12.59	40.68
2018	70.64	22.57	72.83
2019	73.77	23.64	72.25

Source: GAO analysis of state data submitted to the Department of Health and Human Services' Children's Bureau. | GAO-22-6

According to Children's Bureau officials, states have flexibility in the types of services they may count toward the 20 and 30 percent requirements. In our survey, states reported spending their adoption savings in fiscal year 2019 on similar services under each of these categories (see table 1). Representatives from four child welfare organizations told us that post-permanency and preventative services may overlap because children who have been adopted or placed with guardians may be at risk of re-entering foster care. Depending on the needs of the family, similar services may fall under different categories.

**Table 1: Services States Reported Funding With Adoption Savings toward the 20 and 30 Percent Requirements in Fiscal Year 2019**

Service	Number of states reporting service as		
	Post-adoption	Post-guardianship	Preventative
Support groups for adoptive families	17	15	8
Information and referrals	17	12	9
Other family preservation or stabilization services	14	12	17
Family-centered or enhanced case management services	14	10	11
Mental health services	12	5	9
In-home parent skill-based programs or training <sup>a</sup>	11	6	14
Respite care <sup>b</sup>	7	4	5
Concrete supports, such as rent, utility, child care, or transportation payments	5	4	7
Other child welfare services	4	3	2
Clinical/functional assessments	4	2	3
Kinship navigator services <sup>c</sup>	2	0	1
Substance abuse prevention and treatment services	0	0	1

Source: GAO survey of state child welfare agencies. | GAO-22-6

Note: The 20 and 30 percent requirements refer to the requirements under title IV-E of the Social Security Act to spend at least 30 percent of annual adoption savings on post-adoption, post-guardianship, and preventative services (i.e., services to support and sustain positive permanent outcomes for children who might otherwise enter into foster care), with at least 20 percent of total savings to be spent on post-adoption and post-guardianship services. 42 U.S.C. § 673(a)(8)(D)(i). We asked states for the three services in each category on which they spent the most adoption savings in fiscal year 2019. States may have spent adoption savings on more than three services.

<sup>a</sup>In-home refers to families with a child still in their home who are at risk of having their child removed.

<sup>b</sup>Respite care provides short-term child care services to offer temporary relief, improve family stability, and reduce the risk of abuse or neglect.

<sup>c</sup>Kinship navigator services help kinship caregivers—relatives or close friends caring for a child whose parents are unable to provide care—identify and access programs and resources to meet the needs

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of the children they are raising, provide help for the family as a whole to safeguard stability, and promote partnerships among public and private agencies.

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## Some States Have Been Slow to Reinvest Savings, and a Lack of Detailed Data Hinders the Children’s Bureau’s Ability to Oversee State Reinvestment Requirements

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### Some States Have Been Slow to Reinvest Their Adoption Savings

According to Children’s Bureau and state officials and representatives from child welfare organizations, some states have not spent all of their adoption savings in a timely manner, in part because the Adoption Assistance Program statute does not include a deadline by which states must spend their savings. Children’s Bureau officials told us that their ability to compel states to reinvest their adoption savings in a timely fashion is limited without a deadline and said states could postpone spending their savings indefinitely without violating program requirements. The officials also said adoption savings are considered state funds, and before a state can spend its calculated adoption savings, its state legislature generally must appropriate sufficient funds for this purpose. Child welfare officials from one state told us the state had spent little of its adoption savings by the end of fiscal year 2019 because its state legislature had little incentive to appropriate adoption savings to the child welfare agency rather than use the funds for other state priorities.<sup>31</sup> Additionally, representatives we interviewed from all five of the child welfare organizations told us that the lack of a deadline has contributed to slow spending rates in some states.

State officials we interviewed identified potential benefits of implementing a deadline for spending adoption savings. Officials from seven of eight state child welfare agencies told us that a deadline could help ensure that states reinvest their adoption savings more quickly. For example, in two states, officials said a deadline could increase the likelihood that state legislatures would prioritize adoption savings over other state spending

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<sup>31</sup>State budget priorities may vary. For example, officials from one state told us justice system spending was a competing budget priority.

priorities when appropriating funds. Further, officials from five of the eight states told us that a deadline would not be burdensome, as long as the timeframe for spending their savings was reasonable.<sup>32</sup> Officials from six states pointed out that states are accustomed to managing deadlines for spending federal child welfare grants.

Some state officials identified factors that could make it challenging to meet a deadline for spending adoption savings. Officials in three states opposed the implementation of a deadline because they said it could limit states' flexibility to spend adoption savings according to their own needs. For example, in two of these states, officials told us they did not initially spend their adoption savings because they wanted to take time to research the needs in their states, determine how to best use the funds, and accumulate enough savings to ensure the financial stability of the programs funded with these savings. As of the end of fiscal year 2019, five years after state adoption savings reporting began, one of these two states had not spent any adoption savings yet, and the other had not yet spent any savings on post-permanency or preventative services. Officials in one of these states acknowledged that a deadline would be less challenging now that states have had several years to study their options.

Children's Bureau officials acknowledged that a deadline could help increase states' rates of spending, but they told us they do not think a deadline is necessary. They pointed out that as of the end of fiscal year 2019, states had collectively reinvested 61 percent of their adoption savings and funded essential child welfare services even though there is no deadline. Officials told us they reach out to each state that reports little or no adoption savings expenditures in a given fiscal year to determine the reason and offer to help state officials develop a plan for spending the savings. However, the Children's Bureau's internal guidance only requires officials to contact states that spent none of their savings during the fiscal year, and officials told us that this was primarily to ensure that the state had not made a reporting error. Officials also told us there was no specific spending threshold that would trigger contact with states that spent little of their savings. In 2019, the Bureau began requiring states to include

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<sup>32</sup>We asked officials from all eight states what length of deadline would be reasonable, even if they opposed its implementation. Officials from five states told us a deadline of 2 or 3 years would be reasonable, while two said that 3 years would be a challenge and suggested a longer timeframe of 5 years. The remaining state has a county-administered child welfare system, and state officials said they would need to ask county officials what deadline would be reasonable.

timelines for using unspent adoption savings in their Child and Family Services Plans (CFSP).<sup>33</sup> However, our review of states' 2020-2024 CFSPs showed that 33 states did not include these timelines, and Children's Bureau officials told us they do not take action against states that exclude this information.<sup>34</sup>

Despite the Children's Bureau's efforts to encourage states to spend their adoption savings, there remained many states with large unspent balances at the end of fiscal year 2019. As discussed previously, 23 states have spent less than one-half of their adoption savings, including nine that have not spent any, and 11 have more than \$10 million each in unspent savings.<sup>35</sup> While Children's Bureau officials recognized that a deadline could increase the rate at which states spend adoption savings, they told us they do not have the legislative authority to impose one. However, the Children's Bureau could provide additional guidance or technical assistance to states on how to spend their savings in a more timely manner. Federal standards for internal control specify that agencies should communicate to external entities the necessary quality information to allow them to achieve their objectives.<sup>36</sup> Such assistance could help ensure that children benefit from the additional state spending on child welfare services intended by the statute.

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### Lack of Specific Data from States May Limit the Children's Bureau's Oversight of States' Reinvestment of Adoption Savings

The Children's Bureau does not require states to report the year in which adoption savings were accrued when they report their adoption savings

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<sup>33</sup>ACYF-CB-PI-19-02. February 26, 2019. States receiving title IV-B funds are required to submit a 5-year CFSP to the Children's Bureau. Beginning with the 2020-2024 CFSP states submitted in 2019, states are required to describe the services they plan to fund with their adoption savings, a timeline for using their unspent adoption savings, and any challenges in accessing and spending the funds. Children's Bureau officials said they instituted this requirement primarily to gather information and prompt state officials to think about these issues. We reviewed 2020-2024 CFSPs from 51 of 53 states. The other two states had not addressed adoption savings in their CFSP, including one that had not yet accrued any adoption savings.

<sup>34</sup>Of these 33 states, nine had little or no unspent adoption savings.

<sup>35</sup>These unspent savings include those savings accrued in fiscal year 2019.

<sup>36</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#). (Washington, D.C.: September 2014).

spending. As a result, the Children's Bureau does not have the information it needs to calculate whether states are meeting the requirements to spend at least 20 percent of their annual adoption savings on post-permanency services and at least 30 percent on post-permanency and preventative services. According to the Children's Bureau's interpretation of the Adoption Assistance Program statute, the 20 and 30 percent requirements apply to the year in which a state accrues the adoption savings, not the year it spends them. For example, a state that accrued \$1 million in adoption savings in fiscal year 2015 would be required to spend at least 20 percent of those 2015 savings on post-permanency services, regardless of the year in which it spends them. As previously discussed, there is no deadline for states to spend their adoption savings; however, once a state has spent the savings accrued in a given year, those expenditures are subject to the 20 and 30 percent requirements. The Children's Bureau monitors these requirements and can find states out of compliance if they do not meet them.

The Children's Bureau also does not require states to spend adoption savings in the order they originally accrue them so a state could, for instance, spend more recent years' savings before it spends savings from earlier years. This limits the Children's Bureau's ability to use its data to determine the year that expended savings were accrued, because officials cannot assume that a state has spent its adoption savings in sequential order.<sup>37</sup> Children's Bureau officials said this gives states an appropriate amount of flexibility, as demonstrated by one of the states whose officials we interviewed. The state reserved 30 percent of its adoption savings from 2015 until it developed new services that could count toward the 30 percent requirement.

To accurately determine states' compliance with the spending requirements, the Children's Bureau would have to collect data on the year that spent adoption savings were accrued. However, the annual data report it requires states to submit—Form CB-496 Part 4—does not include this information. States report the amount of adoption savings they accrued and spent in the past fiscal year, but they do not break out

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<sup>37</sup>For example, if a state accrued \$1 million in adoption savings each year from fiscal years 2015 through 2019 before it started to spend them, the Children's Bureau could not assume that the first \$1 million the state spent was all accrued in 2015. Therefore, it would not know how much of the adoption savings accrued in 2015 the state had spent and could not determine whether the state had complied with the spending requirements that year.

their spending by the year they accrued the expended funds (see fig. 4). The Children’s Bureau does not require states to report this information on Form CB-496 because, according to officials, breaking out spending by year of accrual would require adding rows of data to the form each year and would be burdensome to states.

**Figure 4: Portion of the Children’s Bureau’s Form for Collecting Annual Adoption Savings and Expenditure Data from States (Form CB-496 Part 4)**

SECTION B: ADOPTION SAVINGS EXPENDITURES			
9	Prior Reported FFYs - Total Cumulative Expenditures of Calculated Adoption Savings (line 1 amount)		-
10	Reporting Period - Expenditures of Adoption Savings On: Post-Adoption or Post-Guardianship Services (from line 8 amount)		-
11	Reporting Period - Expenditures of Adoption Savings On: Services For Children At Risk of Foster Care (from line 8 amount)		-
12	Reporting Period - Expenditures of Adoption Savings On: Other Title IV-B or Title IV-E Allowable Services (from line 8 amount)		-
13	Reporting Period - Total Expenditures of Calculated Adoption Savings (lines 10 + 11 + 12)	\$	-
14	Cumulative Total Expenditures of Calculated Adoption Savings (lines 9 + 13)	\$	-

Source: GAO adaptation of Children’s Bureau Form CB-496. | GAO-22-6

**Text of Figure 4: Portion of the Children’s Bureau’s Form for Collecting Annual Adoption Savings and Expenditure Data from States (Form CB-496 Part 4)**

**Section B: Adoption Saving Expenditures**

- Line 10
  - Reporting Period - Expenditures of Adoption Savings On: Post-Adoption or Post-Guardianship Services (from line 8 amount)
  - Note: Spending that counts toward both the 20 and 30 percent requirements
- Line 11
  - Reporting Period - Expenditures of Adoption Savings On: Services For Children At Risk of Foster Care (from line 8 amount)
  - Note: Spending that counts toward the 30 percent requirement
- Line 12
  - Reporting Period - Expenditures of Adoption Savings On: Other Title IV-B or Title IV-E Allowable Services (from line 8 amount)

- Note: Spending that counts toward the overall reinvestment requirement but not the 20 or 30 percent requirements
- Line 14
  - Cumulative Total Expenditures of Calculated Adoption Savings (lines 9 + 13)
  - Note: Reported spending not broken out by the year in which savings were accrued

Source: GAO adaptation of Children’s Bureau Form CB-496. | GAO-22-6

However, the Children’s Bureau does require states to maintain internal documentation breaking out each year’s adoption savings expenditures by the year of accrual. The Bureau added this requirement to its Form CB-496 instructions in 2018, but it does not require states to submit these data unless it has identified a specific concern.<sup>38</sup> Officials we interviewed in three of eight states said they were not aware of the requirement to maintain documentation of their expenditures by the year of accrual and did not understand that the spending requirements are based on the year savings are accrued rather than spent. In 2020, the Children’s Bureau developed a spreadsheet to help states fulfill this internal documentation requirement. Officials in five of the eight states said they were not aware of this tool. Officials in one state said they had used it and did not find it burdensome. Officials in three states said they used their own methods to track their expenditures. (See figure 5 for an example of documentation that identifies the percent of each year’s accrued adoption savings spent on services that count toward the 20 and 30 percent requirements.)

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<sup>38</sup>Department of Health and Human Services, Administration for Children and Families, *Approval of a Revised Form for Reporting Financial Data on the Title IV-E Foster Care, Adoption Assistance, Guardianship Assistance, Kinship Navigator and Prevention Services Programs*, ACYF-CB-PI-18-12 (Nov. 30, 2018). Children’s Bureau officials said federal regulations on financial management standards already required states to maintain documentation supporting federal financial reports, but the specific requirement to maintain documentation of the years expended adoption savings were accrued was not explicitly included in the Children’s Bureau’s instructions for Form CB-496 until 2018.

**Figure 5: Example of a Spreadsheet Tracking Adoption Savings Expenditures by the Year Accrued and Type of Service Funded**

**Adoption Savings Spent by Federal Fiscal Year (FFY) Accrued and Service Type**

Year Spent and Services Funded	FFY 2020 Accrued Adoption Savings	FFY 2019 Accrued Adoption Savings	FFY 2018 Accrued Adoption Savings	FFY 2017 Accrued Adoption Savings	FFY 2016 Accrued Adoption Savings	FFY 2015 Accrued Adoption Savings	FFYs 2015-2020 Cumulative Adoption Savings
FFY 2015 - Post-Adoption or Post-Guardianship Services	\$ 10,000,000	\$ 8,000,000	\$ 6,000,000	\$ 5,000,000	\$ 4,000,000	\$ 3,000,000	\$ 36,000,000
FFY 2015 - Services for Children At Risk of Foster Care						\$ -	\$ -
FFY 2015 - Other Services Allowed by Titles IV-B or IV-E						\$ -	\$ -
FFY 2016 - Post-Adoption or Post-Guardianship Services					\$ -	\$ -	\$ -
FFY 2016 - Services for Children At Risk of Foster Care.					\$ -	\$ -	\$ -
FFY 2016 - Other Services Allowed by Titles IV-B or IV-E					\$ 500,000	\$ 2,000,000	\$ 2,500,000
FFY 2017 - Post-Adoption or Post-Guardianship Services				\$ -	\$ 100,000	\$ 300,000	\$ 400,000
FFY 2017 - Services for Children At Risk of Foster Care				\$ -	\$ -	\$ 100,000	\$ 100,000
FFY 2017 - Other Services Allowed by Titles IV-B or IV-E				\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
FFY 2018 - Post-Adoption or Post-Guardianship Services			\$ -	\$ 1,200,000	\$ 700,000	\$ 400,000	\$ 2,300,000
FFY 2018 - Services for Children At Risk of Foster Care			\$ 900,000	\$ 500,000	\$ 400,000	\$ 200,000	\$ 2,000,000
FFY 2018 - Other Services Allowed by Titles IV-B or IV-E			\$ 3,100,000	\$ 2,600,000	\$ 1,300,000	\$ -	\$ 7,000,000
FFY 2019 - Post-Adoption or Post-Guardianship Services		\$ 500,000	\$ 2,000,000	\$ 700,000	\$ -	\$ -	\$ 3,200,000
FFY 2019 - Services for Children At Risk of Foster Care		\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000
FFY 2019 - Other Services Allowed by Titles IV-B or IV-E		\$ 950,000	\$ -	\$ -	\$ -	\$ -	\$ 950,000
FFY 2020 - Post-Adoption or Post-Guardianship Services	\$ -	\$ 850,000	\$ -	\$ -	\$ -	\$ -	\$ 850,000
FFY 2020 - Services for Children At Risk of Foster Care	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000
FFY 2020 - Other Services Allowed by Titles IV-B or IV-E	\$ 5,000,000	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	\$ 6,500,000
<b>Total Adoption Savings Spent</b>	<b>\$ 7,000,000</b>	<b>\$ 5,300,000</b>	<b>\$ 6,000,000</b>	<b>\$ 5,000,000</b>	<b>\$ 4,000,000</b>	<b>\$ 3,000,000</b>	<b>\$ 30,300,000</b>
<b>Unspent Balance</b>	<b>\$ 3,000,000</b>	<b>\$ 2,700,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,700,000</b>
<b>Percent Spent on Post-Adoption or Post-Guardianship Services</b>	<b>0%</b>	<b>17%</b>	<b>33%</b>	<b>38%</b>	<b>20%</b>	<b>23%</b>	<b>19%</b>
<b>Percent Spent on Post-Adoption, Post-Guardianship, and Services for Children at Risk of Foster Care</b>	<b>20%</b>	<b>36%</b>	<b>48%</b>	<b>48%</b>	<b>30%</b>	<b>33%</b>	<b>34%</b>
<b>Percent Unspent</b>	<b>30%</b>	<b>34%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>16%</b>

Percent of each year's accrued adoption savings spent on required services.

Children's Bureau data would only show the total amount spent on each service type each year.

Source: GAO adaptation of spreadsheet provided by state officials. | GAO-22-6

**Text of Figure 5: Example of a Spreadsheet Tracking Adoption Savings Expenditures by the Year Accrued and Type of Service Funded**

Picture of spreadsheet: Adoption Savings Spent by Federal Fiscal Year (FFY) Accrued and Service Type, 2015 to 2020

- Cumulative Adoption Savings column highlighted
  - Note: Children's Bureau data would only show the total amount spent on each service type each year.
- Two rows highlighted: Percent Spent on Post-Adoption or Post-Guardianship Services and Percent Spent on Post-Adoption or Post-Guardianship, and Services for Children at Risk of Foster Care

- Note: Percent of each year's accrued adoption savings spent on required services.

Source: GAO adaptation of spreadsheet provided by state officials. | GAO-22-6

Without data on the year that spent adoption savings were accrued, states' annual data reports do not allow the Children's Bureau to make conclusive determinations of compliance with the 20 and 30 percent requirements. Rather, the Bureau uses these data reports to identify potential compliance concerns.<sup>39</sup> The Bureau's data system issues warnings when a state's spending patterns are outside specific parameters, and officials use a standardized checklist and spreadsheet to look for indications of potential noncompliance. These analyses, however, must rely on estimates or assumptions. For instance, one analysis assumes that states spend their savings in the order they accrue them, which may not be accurate.<sup>40</sup> Additionally, if a state has spent more than 70 percent of its cumulative adoption savings on services that would not count toward the 30 percent requirement, the Children's Bureau may be able to determine that the state could not possibly be in compliance with

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<sup>39</sup>The Children's Bureau also relies on states' annual single audits to test compliance with the adoption savings reinvestment requirements. Under the Single Audit Act of 1984, as amended, nonfederal entities that expend \$750,000 or more in federal awards in a fiscal year are required to undergo a single audit, or a program-specific audit, for the fiscal year. Single audits include a review of the award recipients' expenditures and financial statements and a determination of compliance with applicable requirements of laws, regulations, contracts, or grants that have a direct and material effect on each major program. See generally 31 U.S.C. §§ 7501-7506, 2 C.F.R. §§ 200.500-200.521. However, the Children's Bureau has issued guidance instructing state auditors not to review the 20 and 30 percent requirements until the state reports that it has met these requirements on its Form CB-496. As discussed above, this information is not on the Form CB-496 because the form does not ask the year that expended adoption savings were accrued. State auditors would have to gather this information separately before they could determine whether to evaluate compliance with the 20 and 30 percent requirements. Officials we interviewed from two of the eight states said their adoption savings had been reviewed as part of their single audit, but in both states the single audits focused on their calculation of adoption savings rather than their expenditures. Children's Bureau officials told us they have received single audit findings from several states about adoption savings, most often related to the state's calculations of savings.

<sup>40</sup>For example, officials we interviewed in two of eight states told us they do not always spend their adoption savings in the order of accrual.

the 30 percent requirement for every year.<sup>41</sup> Most states, however, have not spent more than 70 percent of their accumulated savings, and so the Children's Bureau cannot estimate their compliance using this method.

In fiscal year 2019, the Children's Bureau's data system issued warnings for nine states that used less than 30 percent of their spending that year on services that would count toward the 30 percent requirement.<sup>42</sup> However, without knowing when the savings spent in 2019 were accrued, the Children's Bureau could not use this estimate to determine compliance. To determine whether the requirement was met, Bureau officials must contact the state to gather documentation on the year the state's expended savings were accrued. Children's Bureau officials told us they request this information when their data system issues a warning. However, among the eight states whose officials we interviewed, four submitted data that should have generated the 30 percent warning at least once since 2015, but state officials told us the Children's Bureau had contacted only one to request additional documentation.

Since fiscal year 2015, the Children's Bureau has found two states to be out of compliance with the 20 percent requirement. In one case, the state had not spent any adoption savings on post-permanency services by the end of fiscal year 2018. The Children's Bureau determined that the state could not meet the 20 percent requirement for fiscal years 2015 through 2017 using an estimate based on the state's cumulative spending and savings. However, the estimate did not accurately account for savings the state had held in reserve. Children's Bureau officials now acknowledge that the state had enough unexpended adoption savings to potentially meet the 20 percent requirement for each of the three fiscal years, but said the state repeatedly failed to provide requested documentation breaking out its spending by year of accrual. If the Children's Bureau required states to submit such data each year, officials would not have had to rely on estimates using cumulative data and may have made a different determination.

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<sup>41</sup>However, if the state has accrued adoption savings for several years, the Children's Bureau would not know how much of each year's accrued savings were spent on services that count toward the requirement. This could prevent the Children's Bureau from determining the specific year or years of noncompliance. The same would apply to states that had spent over 80 percent of their cumulative adoption savings on services that would not count toward the 20 percent requirement.

<sup>42</sup>Eight of these states also received a similar warning for the 20 percent requirement.

Additionally, our analysis of state annual reports found a state that reported spending less than 20 percent of the adoption savings it accrued in fiscal years 2016 and 2017 on post-permanency services, but the Children's Bureau did not identify this state as potentially out of compliance. The state's original Form CB-496 data showed it to be in compliance with the 20 and 30 percent requirements for these two years, but in 2018 the state revised its data and moved a significant amount of its 2016 and 2017 post-permanency spending to a different category. According to the revised data, the state spent almost all its adoption savings accrued in these years and did not have enough unspent savings to be able to meet the 20 percent requirement for either year. After we asked the Children's Bureau about this issue, officials told us they reviewed the state's revised data and found serious concerns about the state's compliance in these two years. Officials said they plan to ask the state if it will revise its data to show that it met the requirement and will consider additional actions against the state if it is unable to do so.<sup>43</sup>

Children's Bureau officials stated that states' annual data reports provide sufficient information to identify potential instances of noncompliance, but our analysis found data limitations. As described above, we found one instance where the Children's Bureau acknowledged incorrectly determining a state as noncompliant and another where the Bureau was unaware that a state was potentially noncompliant.<sup>44</sup> Internal control standards state that management should identify and obtain relevant data to achieve the agency's objectives.<sup>45</sup> Without collecting relevant data, the Children's Bureau's oversight of the adoption savings reinvestment requirements is limited because it cannot definitively determine whether states are in compliance. As a result, the Children's Bureau may not know the extent to which states are reinvesting their adoption savings on the

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<sup>43</sup>When the Children's Bureau determines that a state is out of compliance and the state is unable to revise its data to correct the problem, the Bureau may issue a formal determination of noncompliance and require the state to develop a program improvement plan describing how it plans to meet the requirement in the future, according to officials.

<sup>44</sup>We also identified a state that reported spending less than 30 percent of its 2019 adoption savings on services that would count toward the 30 percent requirement. The state reported spending all its adoption savings in the year it was accrued and had no unspent savings that could count toward the requirement in the future. The Children's Bureau accepted the state's data submission, against its own internal guidance, and did not make a determination of noncompliance. Officials told us this was because they expected the state to submit corrections with its next CB-496 report and that the state eventually did so, although these revisions were not yet reflected in the public data available at the time of this report.

<sup>45</sup>[GAO-14-704G](#).

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post-permanency and preventative services for children and families intended under the statute.

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## States Reported Challenges to Reinvesting Adoption Savings and Uncertainty About Services on Which Savings Could Be Spent

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### Almost One-Half of States Reported One or More Significant Challenges to Reinvesting Adoption Savings

Almost one-half of the states (23 of 52) reported at least one significant challenge to reinvesting their adoption savings in our survey.<sup>46</sup> These 23 states most frequently cited early spending difficulties, competing state budget priorities, and staffing issues as significant challenges to reinvesting their adoption savings.<sup>47</sup> Almost one-third of states reported that difficulties accessing these savings and/or ramping up their spending soon after the adoption savings reporting requirements were instituted were significant challenges (16 and 15 states, respectively). For example, states cited early spending challenges including not having post-permanency services available, needing time to establish contracts with service providers, and needing time to understand the adoption savings

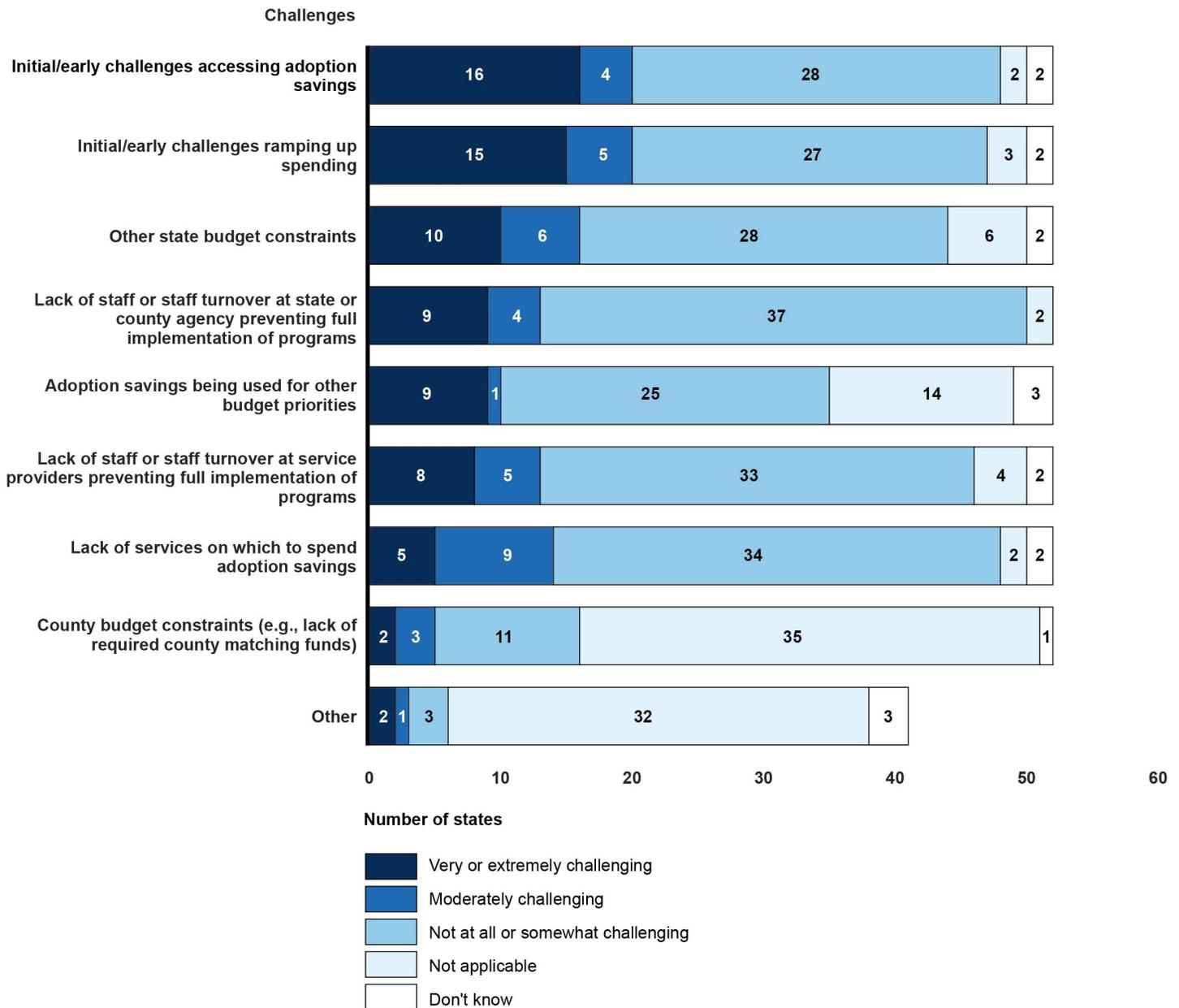
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<sup>46</sup>When we refer to a challenge as “significant,” we mean that the state reported it as extremely or very challenging. Our survey asked how challenging nine factors were to reinvesting state savings, meeting the 20 percent requirement, and meeting the 30 percent requirement. A smaller number of states reported struggling with several factors. For example, 10 states reported that four or more of the nine factors we asked about were significant challenges to reinvesting their adoption savings. One state, Oklahoma, did not respond to our survey.

<sup>47</sup>As previously noted, the Children’s Bureau began requiring states to include information on any challenges in accessing or spending their adoption savings in their 2020-2024 CFSPs. Our analysis of states’ 2020-2024 CFSPs found that 28 states did not discuss challenges at all in their plan, providing the Children’s Bureau no insight into difficulties they may have faced or anticipated facing (of these states, eight had little or no unspent adoption savings). Of the 25 states that did discuss challenges in their CFSP, 15 reported that they have not experienced challenges and/or do not anticipate challenges accessing or spending their adoption savings. Among these 15, four had spent all their adoption savings. However, seven others had more than 25 percent of their savings remaining (and four of these had more than 70 percent of their savings remaining).

requirements. Figure 6 shows how states categorized each of the factors asked about in our survey.

**Figure 6: State-Reported Challenges to Meeting the Requirement to Reinvest Adoption Savings on Child Welfare Services**



Source: GAO survey of state child welfare agencies. | GAO-22-6

**Data table for Figure 6: State-Reported Challenges to Meeting the Requirement to Reinvest Adoption Savings on Child Welfare Services**

Challenges	Very or extremely challenging	Moderately challenging	Not at all or somewhat challenging	Not applicable	Don't know
Initial/early challenges accessing adoption savings	16	4	28	2	2
Initial/early challenges ramping up spending	15	5	27	3	2
Other state budget constraints	10	6	28	6	2
Lack of staff or staff turnover at state or county agency preventing full implementation of programs	9	4	37	2	0
Adoption savings being used for other budget priorities	9	1	25	14	3
Lack of staff or staff turnover at service providers preventing full implementation of programs	8	5	33	4	2
Lack of services on which to spend adoption savings	5	9	34	2	2
County budget constraints (e.g., lack of required county matching funds)	2	3	11	35	1
Other	2	1	3	32	3

Note: GAO surveyed child welfare agencies in 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Fifty-two of the 53 state agencies responded to the survey.

Source: GAO survey of state child welfare agencies. | GAO-22-6

Officials we interviewed from three of eight states said that state budget constraints and other spending priorities created challenges to meeting the requirements to spend adoption savings.<sup>48</sup> In two states, officials told us their legislatures did not appropriate sufficient funds to their child welfare agency to cover their calculated adoption savings. In one state, officials said a state law prevents their agency from reinvesting adoption savings.<sup>49</sup> In another state, officials said they were only able to prevent

<sup>48</sup>Officials from a fourth state said that county budget constraints were a challenge.

<sup>49</sup>Officials in this state told us they had spoken to Children’s Bureau officials in their regional office about this issue, but those officials were unable to help the state overcome this obstacle. Children’s Bureau officials in the agency’s headquarters were unaware of the issue, but said their general approach is to work with states to help them navigate these types of challenges. They said that when challenges cannot be resolved, the Children’s Bureau can find a state to be noncompliant, which puts additional pressure on the state to solve the issue. Officials also said the state should have reported this as a challenge in their CFSP. We found that this state had, in fact, described this issue in its 2020-2024 CFSP.

their state from using adoption savings for other priorities by requesting new language be added to their appropriations bills. Child welfare agency officials in four states also told us that if they did not spend the funds in the year they were appropriated, they reverted to the states' general fund and were lost to the child welfare agency. Representatives at all five child welfare organizations interviewed were concerned that competing state budget priorities could result in states using adoption savings for purposes other than child welfare services. Children's Bureau officials also said that state budget constraints might prevent some states from reinvesting their adoption savings as required. However, they noted that this did not constitute adoption savings being used for non-child welfare purposes, because these savings are state general funds until they are appropriated to the state's child welfare agency.

Some states also reported that lack of staffing or staff turnover at the state, county, or provider level were significant challenges to reinvesting adoption savings. Officials we interviewed in one state noted that institutional knowledge is lost when there is staff turnover in a department, leading to potential delays in reinvesting savings. An official in another state told us their agency has had four different directors and all the deputy directors have changed since 2015. This official noted that many of the decisions about the use of adoption savings are made at the director level, and this turnover created challenges to reinvestment. Officials in a third state said that staff turnover at the county level is high, which can cause delays in spending adoption savings because new staff often find the reinvestment requirements confusing and need time to learn the reporting requirements.

In total, 22 and 21 states reported significant challenges in meeting the 20 and 30 percent requirements, respectively.<sup>50</sup> The factors these states most frequently reported as significant challenges were similar to those that states reported as most challenging in meeting the overall spending requirements, including early spending difficulties and competing state budget priorities. However, when compared with challenges states reported experiencing in reinvesting adoption savings overall, more states reported that a lack of services on which to spend adoption savings was a significant challenge in meeting the 20 and 30 percent requirements than

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<sup>50</sup>Another seven and 12 states reported moderate challenges meeting the 20 and 30 percent requirements, respectively.

staffing challenges.<sup>51</sup> For some states, this challenge may have been the result of a limited number of service providers available to provide services that counted toward these requirements. For example, officials we interviewed from one state said they were not sure there were enough service providers and services available in the state to meet the 20 and 30 percent requirements. However, officials we interviewed from five other states told us that they already had a robust post-adoption and/or post-guardianship program in place prior to the implementation of the 20 and 30 percent requirements. According to these officials, the challenge in meeting these requirements was due to the supplement not supplant requirement, which prevents them from counting expenditures on services they were already providing toward the 20 and 30 percent requirements.<sup>52</sup>

In general, the amount of adoption savings that states had reinvested was not strongly linked to whether they reported at least one significant challenge. About the same number of states reported at least one factor was a significant challenge to reinvesting their adoption savings, regardless of whether they had spent more than 50 percent of their total adoption savings accrued during fiscal years 2015-2019, or 50 percent or less of these savings (12 and 10 states, respectively).<sup>53</sup> Similarly, among states that had spent 20 percent or more of their accrued adoption savings during this period on post-permanency services, nine states reported at least one factor was a significant challenge to meeting the 20 percent requirement, compared to 12 states that had spent less than 20 percent on these services. On the other hand, more states that had not spent 30 percent of their cumulative adoption savings on post-permanency and preventative services reported at least one significant challenge to meeting the 30 percent requirement than did states that had

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<sup>51</sup>Ten states reported that a lack of services was a significant challenge to meeting the 20 percent requirement (with seven more reporting it was moderately challenging), and nine states reported that a lack of services was a significant challenge to meeting the 30 percent requirement (with 10 more reporting it was moderately challenging).

<sup>52</sup>Two additional states reported similar challenges in response to our survey.

<sup>53</sup>The number of states represent those that reported at least one factor was extremely or very challenging, which was the highest level of challenge they reported. Oklahoma, which did not respond to our survey, also spent less than 50 percent of its cumulative adoption savings. The U.S. Virgin Islands reported no adoption savings from fiscal years 2015 through 2019, and we therefore excluded it from this analysis.

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spent 30 percent or more of their savings on these services (13 and seven, respectively).<sup>54</sup>

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### Most States Reported that the Children’s Bureau’s Formal Guidance and Technical Assistance Were Helpful, but Some States Would Like Additional Guidance

The Children’s Bureau provides formal guidance related to adoption savings primarily through its Program Instructions, according to officials. The Bureau has issued several Program Instructions containing information on various adoption savings-related topics, such as changes to the definition of an “applicable child” made by the Fostering Connections Act and how states should determine whether a child is eligible for federal adoption assistance. In addition, ACF’s Child Welfare Policy Manual contains information on the Adoption Assistance Program generally, and to a lesser extent, on adoption savings specifically. The Children’s Bureau also provides technical assistance to states on calculating and reporting adoption savings, such as answering questions from child welfare agency officials, developing a tool to help states calculate their savings, and assisting states in revising their data submissions as necessary. The Bureau has also conducted presentations for states on these topics. In addition, the Children’s Bureau provides technical assistance to states that are not reinvesting adoption savings, or may not be meeting the 20 and/or 30 percent requirements.<sup>55</sup>

States reported in our survey that the Children’s Bureau’s formal guidance and technical assistance was generally helpful. For example, officials from one state noted: “The state appreciates the thoroughness DHHS [Department of Health and Human Services] and CB [Children’s Bureau] has provided in the PI’s [Program Instructions].” Officials from another state reported that “...the state especially appreciates the Central Office[’s] technical assistance.” Thirty-six states reported that the Children’s Bureau’s formal guidance was at least moderately helpful. About one-half of the states (28) reported that they had received technical

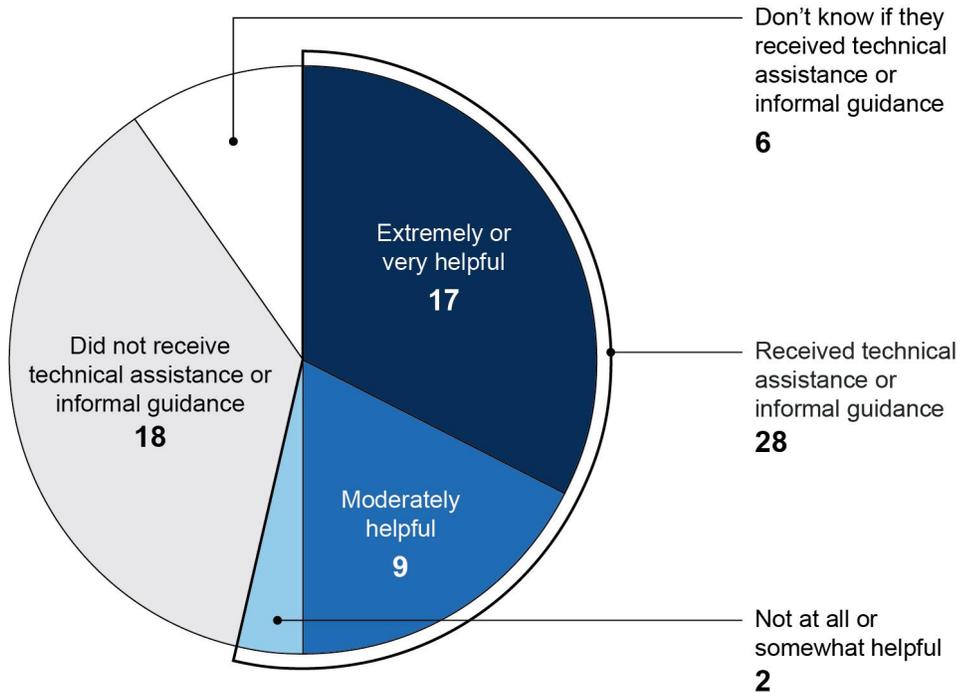
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<sup>54</sup>These analyses are not intended to demonstrate states’ compliance with the adoption savings reinvestment requirements, in part because the reinvestment requirements apply to savings accrued each fiscal year, while our analyses are based on states’ cumulative adoption savings accrued during fiscal years 2015-2019.

<sup>55</sup>For additional information on technical assistance provided by the Children’s Bureau related to the Fostering Connections Act, see [GAO-14-347](#).

assistance or informal guidance from the Children’s Bureau in fiscal year 2019. Of those states, 17 reported that this assistance was extremely or very helpful, and an additional nine reported that it was moderately helpful (see fig. 7). Officials in five of the eight states we interviewed said the technical assistance they had received from the Children’s Bureau has been very helpful.<sup>56</sup>

**Figure 7: Number of States that Received Technical Assistance or Informal Guidance from the Children’s Bureau in Fiscal Year 2019 and Extent They Found It Helpful**



Source: GAO survey of state child welfare agencies. | GAO-22-6

**Data table for Figure 7: Number of States that Received Technical Assistance or Informal Guidance from the Children’s Bureau in Fiscal Year 2019 and Extent They Found It Helpful**

Category	Number of States
Extremely or very helpful	17
Moderately helpful	9

<sup>56</sup>Officials in a sixth state told us that some of the technical assistance had been helpful, but some had been less so. Most of the officials said that they receive technical assistance primarily from ACF’s regional offices.

Category	Number of States
Not at all or somewhat helpful	2
Did not receive technical assistance or informal guidance	18
Don't know if they received technical assistance or informal guidance	6
Received technical assistance or informal guidance	28

Note: GAO surveyed child welfare agencies in 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Fifty-two of the 53 state agencies responded to the survey.

Source: GAO survey of state child welfare agencies. | GAO-22-6

However, 22 states reported they would like additional assistance from the Children’s Bureau. In particular, on our survey, 13 states reported that they would appreciate more or clearer guidance or technical assistance on what services are allowable expenditures using adoption savings and/or strategies or best practices used by other states for spending adoption savings and meeting reinvestment requirements (see text box). Of these 13 states, 10 had spent less than 30 percent of their accumulated savings toward post-permanency and preventative services and eight of these had spent less than 10 percent of their savings in these areas from fiscal years 2015 through 2019.

**Survey Comments from Selected States on Receiving Additional Children’s Bureau Guidance and Technical Assistance on Reinvesting Adoption Savings**

- “More [direction] on what’s allowable to invest in through these programs. Please empower the people we’re in contact with to be able to make timely and decisive decisions.... Please be very directive so that states can make better choices when receiving additional funds.”
- “Guidance that specifically provides examples of services or programs that can or should be funded with adoption savings.”
- “Very specific guidance on what the savings can be used for.”
- “How do other states expend funds? Ideas?”

Source: GAO survey of state child welfare agencies. | GAO-22-6

Further, officials we interviewed from six of eight states also said they would like more or clearer technical assistance or guidance from the Children’s Bureau on what expenditures count toward the reinvestment requirements and/or on best practices or strategies used in other states to reinvest adoption savings. Four of these states had not commented on this in their survey responses. Therefore, there were a total of 17 states seeking additional assistance in these areas. Officials in one state said that while they have received some helpful technical assistance from officials in one of the Children’s Bureau’s regional offices, they did not receive clear answers to some of their questions on whether they could count certain expenditures toward the 20 and 30 percent requirements.

These state officials said that when they asked about these specific types of expenditures, the Children’s Bureau official told them they should refer to the program regulations and try to interpret if these expenditures were allowable. State officials said they did not find this response to be helpful and would have preferred clearer guidance. Officials we interviewed from three of eight states said their lack of understanding about the new requirements and what they were allowed to spend adoption savings on was at least partially the cause of challenges related to accessing or ramping up spending early on. The Director of Child Welfare Policy at one of the organizations we interviewed also said the Children’s Bureau could strengthen its guidance by highlighting examples of states that have had success in reinvesting their adoption savings (i.e., distributing best practices) and providing additional guidance on what works and what has not worked in this area.

Children’s Bureau officials told us they have not compiled a list of possible services that states can spend their adoption savings on to meet the reinvestment requirements and they have not compiled nor distributed “best practices” to states on meeting these requirements. They explained they have not compiled such a list because the Children’s Bureau wants to provide states the maximum flexibility in using these services. Further, Children’s Bureau officials told us that because, as of fiscal year 2019, states overall had spent 61 percent of their cumulative adoption savings, they did not see a reluctance by child welfare agencies to expend the funds or a lack of ideas on how to spend them.

Federal standards for internal control specify that agencies should communicate to external entities the necessary quality information to allow them to achieve their objectives.<sup>57</sup> Further, the mission statement for ACF’s Children’s Bureau is to partner with federal, state, tribal, and local agencies to improve the overall health and well-being of the nation’s children and families. To achieve this goal, the Children’s Bureau provides guidance on federal law, policy, and program regulations and offers training and technical assistance to improve child welfare service delivery, according to its website. As noted previously, 13 states we surveyed—at least 10 of which had spent less than 30 percent of their cumulative adoption savings—reported they would like the Children’s Bureau to provide more or clearer guidance on what services are allowable expenditures. Without providing information to states—such as a list of services they can spend their adoption savings on to meet the

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<sup>57</sup>[GAO-14-704G](#).

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reinvestment requirements and/or best practices for doing so—states may have difficulty spending all of their adoption savings.

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## Conclusions

Totaling almost \$850 million at the end of fiscal year 2019, adoption savings represent a significant opportunity for states to invest in their child welfare systems or fill gaps in programs or services. Some states have taken advantage of this opportunity by developing new programs and increasing services for children and families. While some states have spent the required 20 and 30 percent of their annual savings on post-permanency and preventative services, others have spent little or none of their adoption savings so far. The Children's Bureau monitors states' compliance with the adoption savings reinvestment requirements, but its efforts are hindered by a lack of data, specifically on the year that states initially accrued the savings they reinvested. Since 2018, the Children's Bureau has required states to maintain these data, but there is no requirement for them to submit them to the Bureau. The Children's Bureau could require states to submit these data along with, or separately from, their Form CB-496 annual reports. Collecting these data would improve the Children's Bureau's ability to definitively determine whether states are complying with the adoption savings reinvestment requirements.

The requirement for states to reinvest their adoption savings and to spend a certain portion of these savings on post-permanency and preventative services has the potential to bring about new child welfare services that would benefit a broader range of populations. However, state officials need more help navigating these requirements to ensure success and overcome challenges to reinvesting their savings in a timely manner. While state officials were generally satisfied with the Children's Bureau's formal guidance and technical assistance, some expressed a desire for more specific guidance on the services they are allowed to spend their adoption savings on and/or on spending strategies or best practices that have worked for other states. By providing more guidance and ideas for states to consider when reinvesting their adoption savings, including on services that count toward the 20 and 30 percent requirements, the Children's Bureau could help states more quickly reinvest their savings and increase the amount and kinds of services provided to children and families.

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## Recommendations for Executive Action

We are making the following two recommendations to ACF:

The Assistant Secretary for ACF should develop a method to collect information from states on the year that reinvested state adoption savings were accrued to improve its oversight of states' compliance with the reinvestment requirements. For example, ACF could require states to submit this information along with their annual data reports. (Recommendation 1)

The Assistant Secretary for ACF should provide additional guidance or systematic technical assistance to states on examples of services that would count toward the 20 and 30 percent requirements and on how to overcome challenges to spending adoption savings in a timely manner. These examples could take the form of a list of specific services that states could provide that would count toward these requirements or a compilation of best practices or strategies that some states have used to meet the 20 and 30 percent requirements and reinvest their adoption savings overall. (Recommendation 2)

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## Agency Comments and Our Evaluation

We provided a draft of this report to HHS for comment. We received written comments from HHS, which are reproduced in appendix II and summarized below. HHS also provided technical comments on the draft report, which we incorporated as appropriate. HHS concurred with one of our two recommendations.

Specifically, HHS concurred with our recommendation that ACF's Children's Bureau provide information to states on examples of services that would count toward the 20 and 30 percent requirements and on ways to overcome any challenges to spending adoption savings in a timely manner. HHS noted that the Children's Bureau provides training and technical assistance to facilitate states' sharing of experiences and best practices and will develop opportunities for states to share information on best practices and strategies for meeting the reinvestment requirements.

HHS did not concur with our recommendation that ACF collect information from states on the year that reinvested adoption savings were accrued. In its comments, HHS said that its processes for reviewing state

compliance with the 20 and 30 percent requirements provide sufficient information to identify circumstances where further documentation is needed from a particular state. HHS also said that collecting these data would impose a significant burden on states and that this burden is not warranted since states have, in the aggregate, exceeded the 20 and 30 percent requirements. However, HHS stated that it plans to enhance its training of Children's Bureau staff to prevent any further occurrences where potential non-compliance is not properly identified.

We continue to believe that collecting additional information from states would improve the Children's Bureau's oversight. As we note in our report, the Children's Bureau already requires states to maintain data on the year that reinvested adoption savings were accrued, so any additional burden on states would be limited to reporting the data. Further, we found a case in which Children's Bureau did not identify a state that was potentially out of compliance with the 20 percent requirement and misidentified a second state as being out of compliance when it was not. We believe that annually collecting additional data on the year in which reinvested adoption savings were accrued, as we recommended, could help prevent similar errors in the future. Finally, although it may be true that most states are either meeting, or potentially able to meet, the 20 and 30 percent requirements, the requirements apply to each state individually, not states in the aggregate. While we encourage the Children's Bureau to provide additional training to its staff, the Children's Bureau will continue to have to rely on estimates and assumptions if it does not gather more specific data.

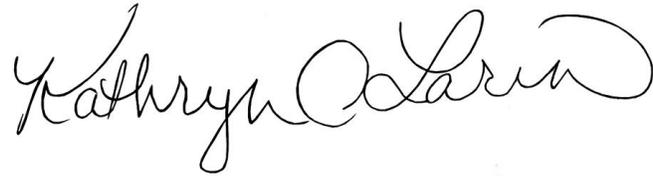
We are sending copies of this report to the appropriate congressional committees, the Secretary of HHS, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or [larink@gao.gov](mailto:larink@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

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Letter

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A handwritten signature in black ink, reading "Kathryn A. Larin". The signature is written in a cursive style with a large, prominent initial 'K' and 'L'.

Kathryn A. Larin  
Director, Education, Workforce, and Income Security Issues

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## Appendix I: Objectives, Scope, and Methodology

This report addresses (1) the extent to which states are reinvesting their adoption savings; (2) how the Children’s Bureau monitors states’ reinvestment of their adoption savings; and (3) the challenges, if any, states are facing in fulfilling adoption savings reinvestment requirements and the guidance the Children’s Bureau provides to states.

To address our first two objectives, we analyzed publicly available adoption savings and expenditures data that states submitted to the Children’s Bureau for fiscal years 2015 through 2019, all available years of data at the time of our review. We analyzed these data to determine how much adoption savings states had accrued and spent each year, including how much they spent toward the 20 and 30 percent requirements. We conducted these analyses of adoption savings and spending for each year and cumulatively across all five years for each individual state as well as for all states combined.

We used two different calculation methods to determine the overall percentage of adoption savings that states had spent. The first compared cumulative adoption savings and spending for fiscal years 2015 through 2019. Because some states do not spend their adoption savings in the same year in which they accrue them, we also re-calculated the percentage after excluding unspent 2019 adoption savings from the states’ 2015-2019 cumulative adoption savings. We assessed the reliability of these data through interviews and written correspondence with Children’s Bureau officials. We also reviewed relevant documents about the Children’s Bureau’s data system and training materials the Children’s Bureau provides to states about calculating and reporting their adoption savings and expenditure data. We tested the Children’s Bureau’s calculations and identified two instances in which the Children’s Bureau had updated a state’s summary data but not its year-by-year data. After working with the Children’s Bureau to update these two states’ annual data, we determined that these data were sufficiently reliable for the purposes of this report.

During our interviews with states, we learned that some plan to submit updates to their 2015-2019 data, and the Children’s Bureau confirmed that some states have submitted or plan to submit revised data. Revisions

to prior years' data made as part of states' fiscal year 2020 data submissions are not reflected in the data used in this report. The Children's Bureau said that these updates will be reflected when it publishes fiscal year 2020 data in late summer 2021.<sup>1</sup> For the second objective, we also reviewed relevant Children's Bureau monitoring documents.

To address our third objective, we conducted a web-based survey of 53 state title IV-E agencies (referred to in this report as child welfare agencies). We sent the survey to child welfare agencies in the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands (we refer to all of these entities as "states" in our report).<sup>2</sup> Our survey, which we conducted in conjunction with three other GAO teams working on child welfare reports, had a 98 percent response rate, with only one state, Oklahoma, failing to respond. Our survey included questions about challenges state child welfare agencies face in reinvesting adoption savings and meeting the requirements to spend 30 percent of their savings on post-adoption services, post-guardianship services, and services to support and sustain positive permanent outcomes for children who otherwise might enter into foster care (with two-thirds of that being spent on the first two categories). It also included questions on state agencies' opinions about the Children's Bureau's formal guidance and technical assistance, agencies' plans for spending adoption savings, and the services on which agencies had spent these savings, among other topics. We administered the survey from December 11, 2020 to February 8, 2021.

Because we surveyed all relevant states, our survey had no sampling error. We took several steps to minimize nonsampling error, including using methods to ensure we sent the survey to the appropriate agencies and officials. We obtained a list of state child welfare agency directors and their contact information from the Child Welfare Information Gateway, a website maintained by the Children's Bureau. We then contacted each

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<sup>1</sup>As of September 20, 2021, the Children's Bureau had not published fiscal year 2020 data.

<sup>2</sup>We excluded Guam and American Samoa from our survey because they do not have title IV-E programs. As of federal fiscal year 2019, 11 American Indian Nations or Tribes also submitted adoption savings and expenditure data to the Children's Bureau. We excluded these entities from our survey and analysis for several reasons, including that the number of Nations/Tribes reporting data increased each fiscal year from 2015 to 2019 and that none of these Nations/Tribes reported any adoption savings or expenditures in any of those fiscal years.

agency director to confirm that they were the appropriate contact person to receive the survey, and if not, to obtain the appropriate contact. We also conducted pretests with child welfare agencies in four states, chosen to reflect a mix of states that had expended a large amount of their accrued adoption savings and states that had spent a small amount of their savings and a mix of both state- and county-administered child welfare systems. These pretests were designed to check for the clarity of questions and flow of the survey. We made revisions to the survey based on feedback from the pretests.

We emailed a link to the web survey to respondents and they completed the survey online. In cases in which states submitted surveys with missing responses to questions, internally inconsistent responses, or responses that were inconsistent with data they had submitted to the Children's Bureau, we followed up with the state via email and/or phone to obtain clarification and updated the survey data as needed.

To address all of our objectives, we conducted interviews with officials from eight state child welfare agencies – California, Iowa, Kentucky, Massachusetts, Michigan, Nevada, North Carolina, and Ohio. We selected these states to provide variation in the percent of adoption savings they had expended and the percent they had expended toward the 20 and 30 percent requirements, the adoption savings calculation method they used, state- and county-administered child welfare systems, and the Administration for Children and Families (ACF) region in which they were located. We used these interviews to gather more in-depth information than could be captured in our survey. We also interviewed officials at ACF and the Children's Bureau, obtained written answers to questions we provided, and interviewed representatives from five child welfare organizations.<sup>3</sup> Additionally, we reviewed relevant federal laws, regulations, and program guidance documents, as well as all available states' 2020-2024 Child and Family Services Plans.

We conducted this performance audit from September 2020 to October 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

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<sup>3</sup>Together, these organizations provide a combination of advocacy, education, training, research, consulting, and direct services to children, families, and child welfare systems. We spoke to representatives from four separate organizations and an independent consultant who provides services to various organizations and states. For the purposes of our report, we are also referring to this independent consultant as a representative of a child welfare organization.

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**Appendix I: Objectives, Scope, and  
Methodology**

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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.

# Appendix II: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation  
Washington, DC 20201

September 9, 2021

Kathryn A. Larin  
Director  
Education, Workforce, and Income Security Issues  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Ms. Larin:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "*Child Welfare: Better Data and Guidance Could Help States Reinvest Adoption Savings and Improve Federal Oversight*" (Job code 104514/GAO-22-6).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

Rose M.  
Sullivan -S

Digitally signed by  
Rose M. Sullivan -S  
Date: 2021.09.10  
14:53:35 -04'00'

Rose Sullivan  
Acting, Assistant Secretary for Legislation  
Principal Deputy Assistant Secretary for Legislation

Attachment

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**Appendix II: Comments from the Department  
of Health and Human Services**

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**GENERAL COMMENTS FROM THE DEPARTMENT OF HEALTH & HUMAN SERVICES ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED – CHILD WELFARE: BETTER DATA AND GUIDANCE COULD HELP STATES REINVEST ADOPTION SAVINGS AND IMPROVE FEDERAL OVERSIGHT (GAO-22-6)**

The U.S. Department of Health & Human Services (HHS) appreciates the opportunity from the Government Accountability Office (GAO) to review and comment on this draft report.

**Recommendation 1**

The *Assistant Secretary for ACF* should develop a method to collect information from states on the year that reinvested state adoption savings were accrued to improve its oversight of states' compliance with the reinvestment requirements. For example, ACF could do this by requiring states to submit this information along with their annual data reports. **(Recommendation 1)**

**HHS Response**

HHS non-concurs with GAO's recommendation.

The ACF does not agree that a further data collection effort is needed to assure that states are in compliance with the statutory requirements at section 473 (a)(8)(D)(I) of the Social Security Act to spend identified minimum percentages of their calculated Adoption Savings for specified purposes. These requirements are currently tracked through ACF automated reporting system edits, as well as the existing Children's Bureau review procedures. These processes provide sufficient information to identify circumstances where further documentation is needed from a particular state. Since the law does not specify a timeframe during which calculated Adoption Savings must be spent, the proposed data collection enhancement would place a significant additional burden on all states to continuously report the source and disposition of expenditures going back to FFY 2015. ACF believes that such ongoing reporting is not warranted given data cited by GAO in its report that shows that, in the aggregate, cumulative expenditures of calculated Adoption Savings through FFY 2019 demonstrate that the minimum percentage use of funds requirements have been significantly exceeded. However, ACF will enhance its training of Children's Bureau staff to prevent the recurrence of any identified instances (such as those referenced in the GAO report) where a potential non-compliance situation was not initially properly identified.

**Recommendation 2**

The *Assistant Secretary for ACF* should provide additional guidance or systematic technical assistance to states on examples of services that would count toward the 20 and 30 percent requirements and how they can overcome challenges to spending adoption savings in a timely manner. These examples could take the form of a list of specific services that states could provide that would count toward these requirements or a compilation of best practices or strategies that some states have used to meet the 20 and 30 percent requirements and reinvest their adoption savings overall. **(Recommendation 2)**

Page 1 of 2

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**Appendix II: Comments from the Department  
of Health and Human Services**

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**GENERAL COMMENTS FROM THE DEPARTMENT OF HEALTH & HUMAN  
SERVICES ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT  
REPORT ENTITLED – CHILD WELFARE: BETTER DATA AND GUIDANCE COULD  
HELP STATES REINVEST ADOPTION SAVINGS AND IMPROVE FEDERAL  
OVERSIGHT (GAO-22-6)**

**HHS Response**

HHS concurs with GAO's recommendation.

HHS agrees that additional technical assistance could be useful in helping states overcome challenges that may exist to their spending of calculated Adoption Savings. The Children's Bureau (CB) provides training and technical assistance to States designed to facilitate the sharing of experiences and best practices. We will work with our technical assistance providers to develop opportunities for states to share information on best practices and strategies for assuring the expenditure of Adoption Savings and meeting the requirements for spending specified percentages for certain categories of service. In addition, while the statute does not specify a deadline by which calculated Adoption Savings must be spent, the Children's Bureau will, as part of ongoing oversight activities, continue to make clear to states that they must take steps to expend the funds and meet the requirements related to spending certain percentages of funds on specific types of services.

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## Text of Appendix II: Comments from the Department of Health and Human Services

September 9, 2021

Kathryn A. Larin Director

Education, Workforce, and Income Security Issues

U.S. Government Accountability Office 441 G Street NW

Washington, DC 20548

Dear Ms. Larin:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "Child Welfare: Better Data and Guidance Could Help States Reinvest Adoption Savings and Improve Federal Oversight" (Job code 104514/GAO-22-6).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

Rose M. Sullivan

Acting, Assistant Secretary for Legislation Principal Deputy Assistant Secretary for  
Legislation

Attachment

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**GENERAL COMMENTS FROM THE DEPARTMENT OF HEALTH  
& HUMAN SERVICES ON THE GOVERNMENT  
ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED –  
CHILD WELFARE: BETTER DATA AND GUIDANCE COULD  
HELP STATES REINVEST ADOPTION SAVINGS AND IMPROVE  
FEDERAL OVERSIGHT (GAO-22-6)**

The U.S. Department of Health & Human Services (HHS) appreciates the opportunity from the Government Accountability Office (GAO) to review and comment on this draft report.

### Recommendation 1

The Assistant Secretary for ACF should develop a method to collect information from states on the year that reinvested state adoption savings were accrued to improve its oversight of states' compliance with the reinvestment requirements. For example, ACF could do this by requiring states to submit this information along with their annual data reports. (Recommendation 1)

### HHS Response

HHS non-concurs with GAO's recommendation.

The ACF does not agree that a further data collection effort is needed to assure that states are in compliance with the statutory requirements at section 473 (a)(8)(D)(I) of the Social Security Act to spend identified minimum percentages of their calculated Adoption Savings for specified purposes. These requirements are currently tracked through ACF automated reporting system edits, as well as the existing Children's Bureau review procedures. These processes provide sufficient information to identify circumstances where further documentation is needed from a particular state. Since the law does not specify a timeframe during which calculated Adoption Savings must be spent, the proposed data collection enhancement would place a significant additional burden on all states to continuously report the source and disposition of expenditures going back to FFY 2015. ACF believes that such ongoing reporting is not warranted given data cited by GAO in its report that shows that, in the aggregate, cumulative expenditures of calculated Adoption Savings thorough FFY 2019 demonstrate that the minimum percentage use of funds requirements have been significantly exceeded. However, ACF will enhance its training of Children's Bureau staff to prevent the recurrence of any identified instances (such as those referenced in the GAO report) where a potential non-compliance situation was not initially properly identified.

### Recommendation 2

The Assistant Secretary for ACF should provide additional guidance or systematic technical assistance to states on examples of services that would count toward the 20 and 30 percent requirements and how they can overcome challenges to spending adoption savings in a timely manner. These examples could take the form of a list of specific services that states could provide that would count toward these requirements or a compilation of best practices or strategies that some states have used to meet the 20 and 30 percent requirements and reinvest their adoption savings overall. (Recommendation 2)

HHS Response

HHS concurs with GAO's recommendation.

HHS agrees that additional technical assistance could be useful in helping states overcome challenges that may exist to their spending of calculated Adoption Savings. The Children's Bureau (CB) provides training and technical assistance to States designed to facilitate the sharing of experiences and best practices. We will work with our technical assistance providers to develop opportunities for states to share information on best practices and strategies for assuring the expenditure of Adoption Savings and meeting the requirements for spending specified percentages for certain categories of service. In addition, while the statute does not specify a deadline by which calculated Adoption Savings must be spent, the Children's Bureau will, as part of ongoing oversight activities, continue to make clear to states that they must take steps to expend the funds and meet the requirements related to spending certain percentages of funds on specific types of services.

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## Appendix III: GAO Contact and Staff Acknowledgments

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### GAO Contact

Kathryn A. Larin, Director, (202) 512-7215 or [larink@gao.gov](mailto:larink@gao.gov)

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### Staff Acknowledgments

In addition to the contact named above, Beth Sirois (Assistant Director), David Barish (Analyst-in-Charge), and Brittni Milam made key contributions to this report. In addition, key support was provided by Sarah Cornetto, Bruce David, Joyce Harvey, Tom James, Phillip McIntyre, Jean McSween, Daniel Silva, Joy Solmonson, Almeta Spencer, Curtia Taylor, David Watsula, and Adam Wendel.

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