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## CHILD WELFARE

# Federal Oversight of State IV-B Activities Could Inform Action Needed to Improve Services to Families and Statutory Compliance

Statement of Cornelia M. Ashby, Director  
Education, Workforce, and Income Security Issues





Highlights of [GAO-06-787T](#), a testimony to Chairman, Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives

## CHILD WELFARE

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### Why GAO Did This Study

For federal fiscal year 2004, state and local child protective services staff determined that an estimated 872,000 children had been victims of abuse or neglect. Title IV-B subparts 1 and 2 authorize a wide array of child welfare services, with some restrictions on states' use of funds. This testimony discusses: (1) how states used Title IV-B dollars to serve families under subparts 1 and 2; (2) the extent that federal oversight ensured state compliance with spending requirements under subpart 1; and (3) what the research said about the effectiveness of services states have provided to families using Title IV-B funds.

This testimony was primarily based on a 2003 report (GAO-03-956).

### What GAO Recommends

The 2003 report recommended that the Secretary of Health and Human Services (HHS) consider collecting data on states' use of Title IV-B subpart 1 funds, use these data in its design of alternative financing options, and provide the necessary guidance to ensure state compliance with statutory restrictions on the use of subpart 1 funds. HHS's Administration for Children and Families (ACF) agreed with the report's findings and implemented the recommendation to provide guidance to states. ACF disagreed with the recommendation to collect data from states and did not comment on using these data for its financing option.

[www.gao.gov/cgi-bin/getrpt?GAO-06-787T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-787T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cornelia Ashby at (202) 512-8403 or ashbyc@gao.gov.

### What GAO Found

States used Title IV-B funds to provide a broad range of services to prevent the occurrence of abuse, neglect, and foster care placements in addition to other child welfare services. While there was some overlap, states reported using Title IV-B subpart 1 funds primarily to operate child welfare programs and serve families in the foster care system, while states reported using subpart 2 funds primarily for family services targeted to families at risk of child removal due to abuse and neglect. Some costs to operate programs included direct services to children and families. For example, nearly half of subpart 1 staff costs paid salaries for social worker positions in child protective services. Family services under subpart 2 included those to support, preserve, and reunify families by providing mentoring programs, financial assistance to help with rent and utilities, parenting classes, child care, and support groups.

States Reported Use of Federal Funds under Title IV-B, Fiscal Year 2002

Service category	Subpart 1		Subpart 2	
	Amount	Percent	Amount	Percent
Program operation	\$114,108,675	44.4	17,843,725	6.9
Child protective services	40,543,000	15.8	2,248,690	0.9
Family services	36,624,068	14.2	182,720,128	71.3
Foster care and adoption	35,255,267	13.7	36,695,036	14.4
Miscellaneous	30,623,527	11.9	16,299,500	6.4
<b>Total</b>	<b>\$257,154,537</b>	<b>100.0%</b>	<b>\$255,807,079</b>	<b>100.0%</b>

Source: GAO survey.

Note: Percentages do not always total to 100 due to rounding.

HHS provided relatively little oversight specific to state spending under subpart 1. HHS did not collect data on subpart 1 expenditures and regional officials paid little attention to statutory limits in states' planned use of funds. In response to GAO's survey, 10 states reported actual 2002 subpart 1 expenditures that exceeded the spending limits by over \$15 million in total.

Research is limited assessing the effectiveness of services provided under Title IV-B. In GAO's survey, 22 states reported providing services other than foster care and adoption assistance payments, staff salaries, or administration under subpart 1; however, none of these states had sufficiently evaluated the outcomes of these services. Similarly, GAO's literature review showed that few evaluations had been conducted, and evaluations that had been conducted showed mixed results. HHS evaluations of subpart 2 services also have shown no or little effect in reducing out-of-home placement, maltreatment recurrence, or improved family functioning beyond what normal casework services achieved.



United States Government Accountability Office  
Washington, DC 20548

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to present information from our 2003 report on how states used funds authorized under Title IV-B of the Social Security Act to help families address problems that lead to child abuse and neglect and subsequent separation of children from their families.<sup>1</sup> For federal fiscal year 2004, child protective services (CPS) staff in state and local child welfare agencies reported investigating or assessing an estimated 3 million allegations of child maltreatment and determined that approximately 872,000 children had been the victims of child abuse or neglect by their parents or other caregivers. Established in 1935, Title IV-B first authorized funds to states that could be used to provide a wide array of child welfare services including those necessary to investigate reports of child maltreatment, remove children from their home and place them with a temporary foster family, help preserve or reunify families, and place children who cannot be safely reunified with their families in an adoptive home.

The Congress has passed various laws over the years emphasizing the need for states to use Title IV-B funding to provide supportive services to preserve and reunify families. In 1980, for example, the Adoption Assistance and Child Welfare Act established a dollar cap on the amount of child welfare funds that states could use under Title IV-B for foster care and certain other activities to encourage states to use additional funding for services to families. In 1993, the Congress established the family preservation and family support services program under Title IV-B subpart 2, authorizing funding to states for family preservation and community-based family support services. The Adoption and Safe Families Act of 1997 further encouraged spending on family support services by reauthorizing subpart 2, renaming it Promoting Safe and Stable Families, and expanding the types of programs on which states were authorized to spend Title IV-B funds to include adoption promotion and support services and time-limited family reunification services. In fiscal year 2006, the Congress appropriated \$287 million for child welfare services under subpart 1 and \$394 million for family support services under subpart 2.<sup>2</sup> These funds are

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<sup>1</sup>GAO, *Child Welfare: Enhanced Federal Oversight of Title IV-B Could Provide States Additional Information to Improve Services*, [GAO-03-956](#) (Washington, D.C.: Sept. 12, 2003).

<sup>2</sup>States are required to provide matching funds in order to receive federal Title IV-B funding.

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administered to states by the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF).

My testimony today is primarily based on information included in our 2003 report. Specifically, I will be discussing: (1) how states used Title IV-B dollars to serve families under subparts 1 and 2; (2) the extent that federal oversight ensured state compliance with spending requirements under subpart 1; and (3) what the research said about the effectiveness of services states have provided to families using Title IV-B funds.

In summary, while overlap exists, states reported using Title IV-B subpart 1 funds primarily to staff and administer child welfare programs and serve families in the foster care system, while states reported using subpart 2 funds primarily for prevention and support services for families at risk of child abuse and neglect. It is difficult, however, to clearly differentiate among the various service categories and populations served. HHS provided relatively little oversight in how states spent federal funds under subpart 1, and at least 10 states spent a total of over \$15 million over the legislated cap for foster care and adoption assistance payments. Although the predominance of federal funding spent for foster care and adoption assistance has long been cited as providing a disincentive to preserve and reunify families, little research is available on the effectiveness of the services subpart 1 funds provide and HHS evaluations of services funded under subpart 2 have generally shown no or little effect. Similarly, the extent that differences in how states spent funds to support children and families resulted in better or worse outcomes for children is unknown.

To help address this information gap, our 2003 report recommended that the Secretary of HHS consider the feasibility of collecting and using data on states' use of Title IV-B subpart 1 funds. We made this recommendation not only to facilitate federal oversight and analysis of how states' spending patterns correlate to child outcomes, but also so that HHS could use this data to inform the design of alternative funding proposals that would give states more flexibility in spending federal child welfare funds. We also recommended that the Secretary provide the necessary guidance to ensure compliance with statutory restrictions on the use of Title IV-B subpart 1 funds. ACF agreed with our findings and implemented guidance to states reminding them of the statutory requirements for subpart 1 spending. However, ACF disagreed with our recommendation to consider collecting data on subpart 1 expenditures. ACF believed that its level of oversight was commensurate with the scope and intent of subpart 1, noting that its oversight efforts were more appropriately focused on reviews of the states' overall child welfare systems. ACF did not comment on our

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recommendation to use such data to inform the design of an alternative financing option.

Our review was based on two surveys to child welfare directors to obtain information on how they use Title IV-B funds. We also visited four states—California, New Jersey, Ohio, and Washington—where we interviewed state and local officials and service providers. We also held discussions with HHS headquarters and regional office officials and child welfare experts. We reviewed results from HHS's assessments of state child welfare agencies as well as the literature assessing the effectiveness of various child welfare services.

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## Background

Title IV-B of the Social Security Act authorizes funds to states to provide an array of child welfare services to prevent the occurrence of abuse, neglect, and need to place children in foster care. The Administration for Children and Families within HHS is responsible for the administration and oversight of federal funding to states for child welfare services under Title IV-B. HHS headquarters staff are responsible for developing appropriate policies and procedures for states to follow in obtaining and using federal child welfare funds, while staff in HHS's 10 regional offices are responsible for providing direct oversight of state child welfare systems. No federal eligibility criteria apply to the children and families receiving services funded under Title IV-B. The amount of subpart 1 funds a state receives is based on its population under the age of 21 and the state per capita income, while subpart 2 funding is determined by the percentage of children in a state whose families receive food stamps.

Subpart 1 provides grants to states for child welfare services, that are broadly defined. Subpart 1 funds are intended for services that are directed toward the accomplishment of the following purposes:

- protect and promote the welfare of all children;
- prevent or remedy problems that may result in the abuse or neglect of children;
- prevent the unnecessary separation of children from their families by helping families address problems that can lead to out-of-home placements;
- reunite children with their families;
- place children in appropriate adoptive homes when reunification is not possible; and

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- ensure adequate care to children away from their homes in cases in which the child cannot be returned home or cannot be placed for adoption.

Subpart 2 services are similar to those allowed under subpart 1, although the range of services allowed under subpart 2 is more limited in some cases. For example, time-limited family reunification services can only be provided during a child's first 15 months in foster care, while no such restriction is placed on the use of subpart 1 funds. In addition, states must spend a "significant portion" of their subpart 2 funds on each of four service categories:<sup>3</sup>

- *Family preservation service.* Services designed to help families at risk or in crisis, including services to (1) help reunify children with their families when safe and appropriate; (2) place children in permanent homes through adoption, guardianship, or some other permanent living arrangement; (3) help children at risk of foster care placement remain safely with their families; (4) provide follow-up assistance to families when a child has been returned after a foster care placement; (5) provide temporary respite care; and (6) improve parenting skills.
- *Family support services.* Community-based services to promote the safety and well-being of children and families designed to increase the strength and stability of families, to increase parental competence, to provide children a safe and supportive family environment, to strengthen parental relationships, and to enhance child development. Examples of such services include parenting skills training and home visiting programs for first time parents of newborns.
- *Time-limited family reunification services.* Services provided to a child placed in foster care and to the parents of the child in order to facilitate the safe reunification of the child within 15 months of placement. These services include counseling, substance abuse treatment services, mental health services, and assistance to address domestic violence.

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<sup>3</sup>HHS program instructions require states to spend at least 20 percent of their subpart 2 funds on each of the four service categories, unless a state has a strong rationale for some other spending patterns. By statute, states can spend no more than 10 percent of subpart 2 funds on administrative costs.

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- *Adoption promotion and support services:* Services designed to encourage more adoptions of children in foster care when adoption is in the best interest of the child, including services to expedite the adoption process and support adoptive families.

Federal child welfare funding has long been criticized for entitling states to reimbursement for foster care placements, while providing little funding for services to prevent such placements. When the Congress enacted the Adoption Assistance and Child Welfare Act of 1980, it created a new funding source for foster care and adoption assistance under Title IV-E of the Social Security Act. Title IV-E provides an open-ended entitlement for foster care maintenance payments to cover a portion of the food, housing, and incidental expenses for all foster children whose parents meet certain federal eligibility criteria.<sup>4</sup> Title IV-E also provides payments to adoptive parents of eligible foster children with special needs.<sup>5</sup> While states could still use Title IV-B funding for foster care and adoption assistance for children ineligible under Title IV-E, the law established a dollar cap on the amount of Title IV-B funds that states could use for three categories of service: foster care maintenance payments, adoption assistance payments, and child care related to a parent's employment or training. The law requires that the total of subpart 1 funds used for these categories cannot exceed a state's total 1979 subpart 1 expenditures for all types of services. The intent of this restriction, according to a congressional document, was to encourage states to devote increases in subpart 1 funding as much as possible to supportive services that could prevent the need for out-of-

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<sup>4</sup>States are entitled to Title IV-E reimbursement on behalf of children who would have been eligible for Aid to Families with Dependent Children (AFDC) (as AFDC existed on July 16, 1996), but for the fact that they were removed from the home of certain specified relatives. While the AFDC program was replaced by the Temporary Assistance for Needy Families program in 1996, eligibility for Title IV-E payments remains tied to the income eligibility requirements of the now defunct AFDC program. In addition, certain judicial findings must be present for the child, and all other requirements included in section 472 (a) and (b) of the Social Security Act must be met, in order for the child to be eligible for Title IV-E foster care maintenance payments.

<sup>5</sup>Special needs are characteristics that can make it difficult for a child to be adopted and may include emotional, physical, or mental disabilities, emotional disturbance, age, or being a member of a minority race. To qualify for an adoption subsidy under Title IV-E, a state must determine that the child cannot or should not return home; a state must make a reasonable, but unsuccessful effort to place the child without the subsidy; and a specific factor or condition must exist that makes it difficult to place the child without a subsidy.

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home placements.<sup>6</sup> However, this restriction applies only to the federal portion of subpart 1 expenditures, as the law provides that states may use any or all of their state matching funds for foster care maintenance payments.

For the fourth consecutive year, the President's budget proposes a Child Welfare Program Option. HHS developed the proposal to give states more flexibility in using Title IV-E foster care funds for preventive services such as those under Title IV-B. Under this proposal, states could voluntarily choose to receive a fixed IV-E foster care allocation (based on historic expenditure rates) over a 5-year period, rather than receiving a per child allocation. States could use this allocation for any services provided under Titles IV-B and IV-E, but would also have to fund any foster care maintenance payments and associated administrative costs from this fixed grant or use state funds. No legislation to enact this option has been introduced.

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## States Used Subparts 1 and 2 to Support Similar Services and Populations, but Funding Emphasis Differed

While overlap exists, states reported using subpart 1 funding primarily for costs to staff and administer child welfare programs and serve families in the foster care system, while states reported using subpart 2 funding for family support services and to serve families at risk for child abuse and neglect. Officials in almost all of HHS's regional offices supported retaining the current balance between allowing states some flexibility in use of funds and targeting some resources toward prevention. States reported in our survey that flexibility was important to meet the needs of their child welfare systems, and thus generally preferred the financing structure of subpart 1 over subpart 2

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## States Emphasized Different Services under Subparts 1 and 2

While states funded similar services under subparts 1 and 2, most states reported using subpart 1 funds primarily to pay for costs associated with operating child welfare programs, while most states reported using subpart 2 funds for family services as shown in table 1. For example, states used over 44 percent of subpart 1 funds to pay for staff salaries and costs to administer and manage programs. In contrast, states spent over

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<sup>6</sup>Staff of the House Committee on Ways and Means, 106th Congress, Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means (Comm. Print 2000).

71 percent of subpart 2 funds for services to support, preserve, and reunify families.

**Table 1: States' Reported Use of Federal Funds Under Title IV-B, fiscal year 2002**

Service Category	Subpart 1			Subpart 2		
	Number of states	Amount	Percent	Number of states	Amount <sup>a</sup>	Percent <sup>b</sup>
Child Protective Services	17	\$40,543,000	15.8	5	\$2,248,690	0.9
<b>Program Operation</b>						
Staff positions	25	\$70,965,578	27.6	17	\$6,229,058	2.4
Administration and management	16	43,143,097	16.8	18	11,614,667	4.5
<b>Subtotal</b>	<b>n/a</b>	<b>\$114,108,675</b>	<b>44.4</b>	<b>n/a</b>	<b>\$17,843,725</b>	<b>6.9</b>
<b>Family Services</b>						
Family support/prevention	17	19,840,891	7.7	28	127,430,496	49.8
Counseling and mental health services	2	8,350,562	3.2	5	1,354,763	0.5
Family preservation	7	5,986,045	2.3	23	30,308,896	11.8
Family reunification	4	2,446,570	1.0	26	23,625,973	9.2
<b>Subtotal</b>	<b>n/a</b>	<b>\$36,624,068</b>	<b>14.2</b>	<b>n/a</b>	<b>182,720,128</b>	<b>71.3</b>
<b>Foster care and adoption</b>						
Foster care maintenance payments	17	27,890,783	10.8	2	647,154	0.3
Adoption subsidy payments	7	4,657,546	1.8	2	737,412	0.3
Recruitment and training for foster/adoptive parents	9	2,260,061	0.9	16	6,828,885	2.7
Adoption support and preservation services	2	446,877	0.2	27	28,481,585	11.1
<b>Subtotal</b>	<b>n/a</b>	<b>\$35,255,267</b>	<b>13.7</b>	<b>n/a</b>	<b>\$36,695,036</b>	<b>14.4</b>
<b>Miscellaneous</b>						
Multiple responses <sup>c</sup>	8	25,806,347	10.0	4	3,503,585	1.4
Other	11	4,817,180	1.9	15	12,795,915	5.0
<b>Subtotal</b>	<b>n/a</b>	<b>\$30,623,527</b>	<b>11.9</b>	<b>n/a</b>	<b>\$16,299,500</b>	<b>6.4</b>
<b>Total<sup>d</sup></b>	<b>n/a</b>	<b>\$257,154,537</b>	<b>100.0</b>		<b>\$255,807,079</b>	<b>100.0</b>

Source: GAO survey.

Notes: Percentages do not always total to 100 due to rounding.

Data on subpart 1 expenditures are based on survey responses from 46 states and data on subpart 2 expenditures are based on survey responses from 44 states. While Pennsylvania responded to our survey, it did not provide expenditure data for subparts 1 or 2.

<sup>a</sup>When providing data for our survey, states were asked to indicate the single service category that best described the type of program funded by subparts 1 and 2. States may not have been consistent in categorizing services. For example, several HHS officials told us that the delineation between family support and family preservation services is not clear, thus two states providing the same services to the same types of families may report them in different categories. Inconsistencies such as these could have an effect on any measured differences among service categories.

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<sup>b</sup>States may spend less than 20 percent of their subpart 2 funds on any of the required service categories if they have a strong rationale. Some HHS regional officials said that they approve exceptions to the 20 percent requirement if a state is spending a significant amount of nonfederal funds on a subpart 2 service category.

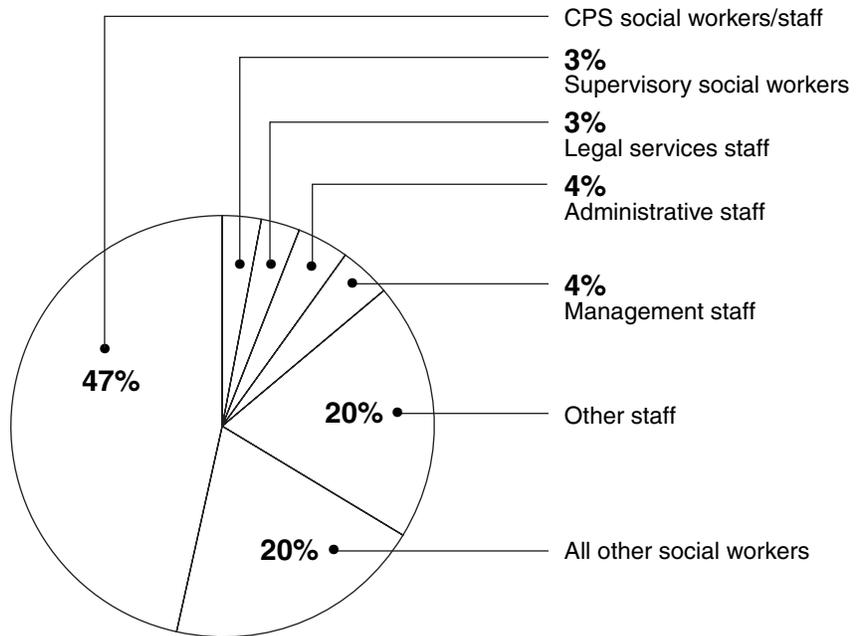
<sup>c</sup>Although states were asked to indicate the single service category that best described the type of program funded by subparts 1 and 2, several states selected multiple program categories when responding to our survey. For example, Rhode Island reported that it funded a home visitation program and indicated that this program includes family support, health, and family reunification services. Thus, the responses from states that reported multiple categories for a program are represented by this category.

<sup>d</sup>The aggregate dollars reported in the service categories do not match the total allocations for subparts 1 and 2 in fiscal year 2002. States have 2 years to spend their Title IV-B allocations. As a result, expenditures in fiscal year 2002 may include dollars from a state's fiscal year 2001 Title IV-B allocation, as well as its fiscal year 2002 Title IV-B allocation. Similarly, some fiscal year 2002 allocations may not have been spent until fiscal year 2003.

## Subpart 1 Services

The majority of subpart 1 funds were spent on staff salaries, and Washington officials said that in their state, over half of these costs paid for staff providing direct services to children and families. Overall, states reported that nearly half of Title IV-B funds used for staff salaries supported social worker positions in child protective services. Another 20 percent of funds supported positions for other social workers. The remaining costs supported other staff including those providing supervision of caseworkers and legal services. (See fig. 1.)

**Figure 1: Proportion of Title IV-B Funds States Reported Using to Support Staff Salaries under Subpart 1 by Position, Fiscal Year 2002**



Source: GAO survey data.

Notes: Some states spent subpart 1 funds on salaries, but could not provide information on the types of staff positions included.

Percentages do not total to 100 due to rounding.

The remaining subpart 1 funds were split fairly evenly among administration and management, child protective services, and foster care maintenance payments:

- Administration and management comprised the second largest category of subpart 1 expenditures, accounting for almost 17 percent of subpart 1 dollars. These services included rent and utilities for office space, travel expenses for agency staff, and staff training.<sup>7</sup>

<sup>7</sup>This amount may be understated since some states may not have separately reported administrative expenses associated with a specific program. For example, officials in one state reported that the total spending for a family support program included salaries for agency staff, overhead expenses, and related staff travel.

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- Child protective services represent the third largest category of subpart 1 expenditures. States reported using about 16 percent of their subpart 1 funds to provide a variety of CPS services, such as telephone hotlines for the public to report instances of child abuse and neglect, emergency shelters for children who needed to be removed from their homes, and investigative services.
  - States reported using nearly 11 percent of their subpart 1 funds to make recurring payments for the room and board of foster children who were not otherwise eligible for federal reimbursement. For example, New Jersey officials reported spending over half of the state's subpart 1 funds on foster care maintenance payments.

## Subpart 2 Services

States reported using over 70 percent of their subpart 2 dollars on serving families, with nearly half of these funds used to fund family support and prevention services. These services included mentoring programs to help pregnant adolescents learn to be self-sufficient, financial assistance to low-income families to help with rent and utilities, parenting classes, child care, and support groups provided by community-based resource centers.

The remaining subpart 2 funds were split fairly evenly among family preservation, family reunification, and services to support and preserve adoptive families.

- Family preservation services accounted for nearly 12 percent of subpart 2 dollars. Services provided by Washington state in this category included counseling and parent training services for up to 6 months for families with children who were at risk of being placed in foster care.
- Adoption support and preservation services accounted for over 11 percent of subpart 2 dollars. With these funds, states provided services such as counseling for children who were going to be adopted, family preservation services to adoptive families, and respite care for adoptive families. Officials in Ohio reported using almost half of its subpart 2 dollars for adoption services, including post adoption services and services to recruit families for children in need of homes.
- Family reunification services accounted for over 9 percent of subpart 2 funds. These services included supervised visitation centers for parents to visit with their children who were in foster care and coordinators for alcohol and drug treatment services for families whose primary barrier to reunification was substance abuse. New Jersey funded a supervised visitation program that offered parenting education, counseling, transportation, and

support groups and was located in a private home, allowing families to visit together in a homelike setting and engage in more natural interactions.

**States Emphasized Different Populations Served Under Subparts 1 and 2**

States served similar populations under subparts 1 and 2; however, states reported using most subpart 1 funds primarily to serve families whose children had been removed from the home, while most subpart 2 funds were reported to serve families with children at risk of removal due to child abuse or neglect, as shown in table 2. For example, states used 42 percent of subpart 1 funds to serve children in foster care and/or their parents. In contrast, states used 44 percent of subpart 2 funds for children at risk of child abuse and neglect and/or their parents.

**Table 2: Populations Served under Subparts 1 and 2 of Title IV-B as Reported by States, Fiscal Year 2002**

Population served	Subpart 1			Subpart 2		
	Number of services	Amount of funding	Percent of funding	Number of services	Amount of funding	Percent of funding
Children in foster care and/or their parents	33	\$34,732,673	42	46	\$15,218,065	9
Children at risk of child abuse and neglect and/or their parents	28	13,751,328	17	133	73,996,404	44
Multiple populations	21	11,949,444	14	43	18,119,756	11
Children at risk of child abuse or neglect and/or their parents and children living in foster care and/or their parents	12	7,077,448	9	39	17,606,172	11
All populations	5	7,513,368	9	7	11,028,464	7
Children waiting for adoption, adopted children, and adoptive parents	9	4,153,271	5	54	27,340,372	16
Other populations, such as delinquent teens and foster parents	10	3,492,142	4	16	3,336,070	2
<b>Total<sup>a</sup></b>	<b>118</b>	<b>\$82,669,674</b>	<b>100</b>	<b>338</b>	<b>\$166,645,301</b>	<b>100</b>

Source: GAO survey.

Note: This analysis is based on survey responses from 35 states with state-administered child welfare systems that provided population data for their subpart 1 services and 39 states with state-administered child welfare systems that provided population data for their subpart 2 services. Therefore, these data can only be generalized to states with state-administered child welfare systems.

<sup>a</sup>The dollar totals in this table do not match those in table 1 because we do not have population data from states that completed the county-administered survey. Due to the differences in information available from states with county-administered child welfare systems, we did not request data from these states on the types of children and families who received services funded by Title IV-B. In addition, we did not collect data on the populations served for the category of staff salaries, and we excluded population data for the category of administration and management expenses since these expenses are not targeted to a particular population of children and families.

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In our survey, we asked states for more detailed information about the populations served by programs under subparts 1 and 2, such as demographic and socioeconomic characteristics. However, few states were able to provide this data. For selected subpart 1 services, 10 states were able to estimate the extent to which the same children and families also received services under subpart 2:

- four states reported that generally none or almost none of the recipients also received a service funded by subpart 2,
- three states reported that generally less than half of the recipients received subpart 2 services,
- one state reported that all or almost all recipients received subpart 2 services, and
- two states provided varying estimates for different subpart 1 services.

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## HHS Officials and States Supported Flexibility of Title IV-B Funding

Officials in almost all of HHS's regional offices supported retaining the current balance between allowing states some flexibility in use of funds and targeting some resources toward prevention, regardless of whether federal funding sources are combined under alternative financing options. One regional official noted that the current financing structure of subpart 1 gives states the flexibility to address unexpected circumstances affecting the child welfare system—for example, the need to develop substance abuse treatment programs for parents affected by the cocaine epidemic of the 1980s.<sup>8</sup> Other regional officials noted that the spending requirements under subpart 2 helped ensure that states used some funds on family support services and prevention activities to help preserve families and keep children from entering foster care.

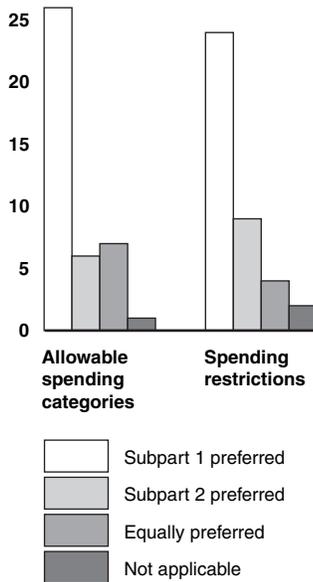
States reported in our survey that flexibility was important to meet the needs of their child welfare systems, and thus generally preferred the financing structure of subpart 1 over subpart 2, as shown in figure 2.

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<sup>8</sup>States face similar challenges addressing the service needs of families caused by the current epidemic of methamphetamine use.

**Figure 2: State Reported Preferences for Financing Structure of Subparts 1 and 2 of Title IV-B**

Number of states expressing a preference  
30



Source: GAO survey data.

Note: Data on state preferences are based on responses from 46 states, although they did not all respond to each item.

**Federal Oversight  
Insufficient to Ensure  
State Compliance  
with Title IV-B  
Spending  
Requirements under  
Subpart 1**

HHS provided relatively little oversight specific to state spending under subpart 1. HHS does not collect data on subpart 1 expenditures, relying instead on cursory reviews of plans submitted by states that discuss how they intend to use their subpart 1 funds in the coming year. HHS regional officials reported that they review these plans for relatively limited purposes because there are few restrictions on how states can spend subpart 1 dollars. We also found that HHS regional offices had paid little attention to statutory limits in states' planned use of subpart 1 funds. In response to our survey, 10 states reported actual 2002 subpart 1 expenditures that exceeded the spending limits by over \$15 million in total.

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## HHS Had Little Information about States' Use of Subpart 1 Funds

HHS received forms from states each year that showed how they planned to spend subpart 1 funds, but had little information on how states actually spent these funds. Officials from four HHS regional offices said that they generally reviewed the forms to ensure that states were requesting the total amount of subpart 1 funds to which they were entitled, and that they complied with the requirement to match 25 percent of subpart 1 funds with state funds. Most regional offices indicated that their review of the state submitted forms focused more on subpart 2 than subpart 1. For example, they reported reviewing planned subpart 2 spending to ensure that states complied with the requirement to spend at least 20 percent of funds on each of the service categories and spend no more than 10 percent of funds for administrative purposes. Several HHS officials said that they did not monitor subpart 1 funds as closely as other federal child welfare funds due to the relatively small funding amount and the lack of detailed requirements about how these funds could be spent.

Oversight of subpart 1 was further limited because spending plans states provided on the annual forms may not reliably show how states actually spent Title IV-B funds. HHS officials explained that states' actual expenditures may vary from planned expenditures as states address unforeseen circumstances. The timing for submitting the annual forms also affected how well states could plan Title IV-B spending. HHS required states to submit their initial spending plans for the upcoming year by June 30, prior to states receiving information on program appropriations for the upcoming year. While we did not conduct a review comparing state submitted planned expenditures to actual expenditures for previous years, we did identify instances that suggested differences in planned and actual expenditures as well as data on actual expenditures that were not always accurate. For example, two states with county-administered child welfare systems said they could not reliably estimate planned spending by service category because the states did not collect expenditure data from county child welfare agencies that administer Title IV-B funds.<sup>9</sup>

One regional official explained that the only way to determine how a state actually used its Title IV-B funds was to review its financial accounts. At the time of our review, three regional offices had indicated that they had begun asking states to provide Title IV-B expenditure data.

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<sup>9</sup>Most states administer their child welfare systems at the state level; however a few states delegate administrative responsibility and control to counties or other local entities. Several large states, such as California, New York, Ohio, and Pennsylvania, are county-administered.

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**HHS Regional Offices Were Unaware of Spending Limits or Did Not Enforce Them**

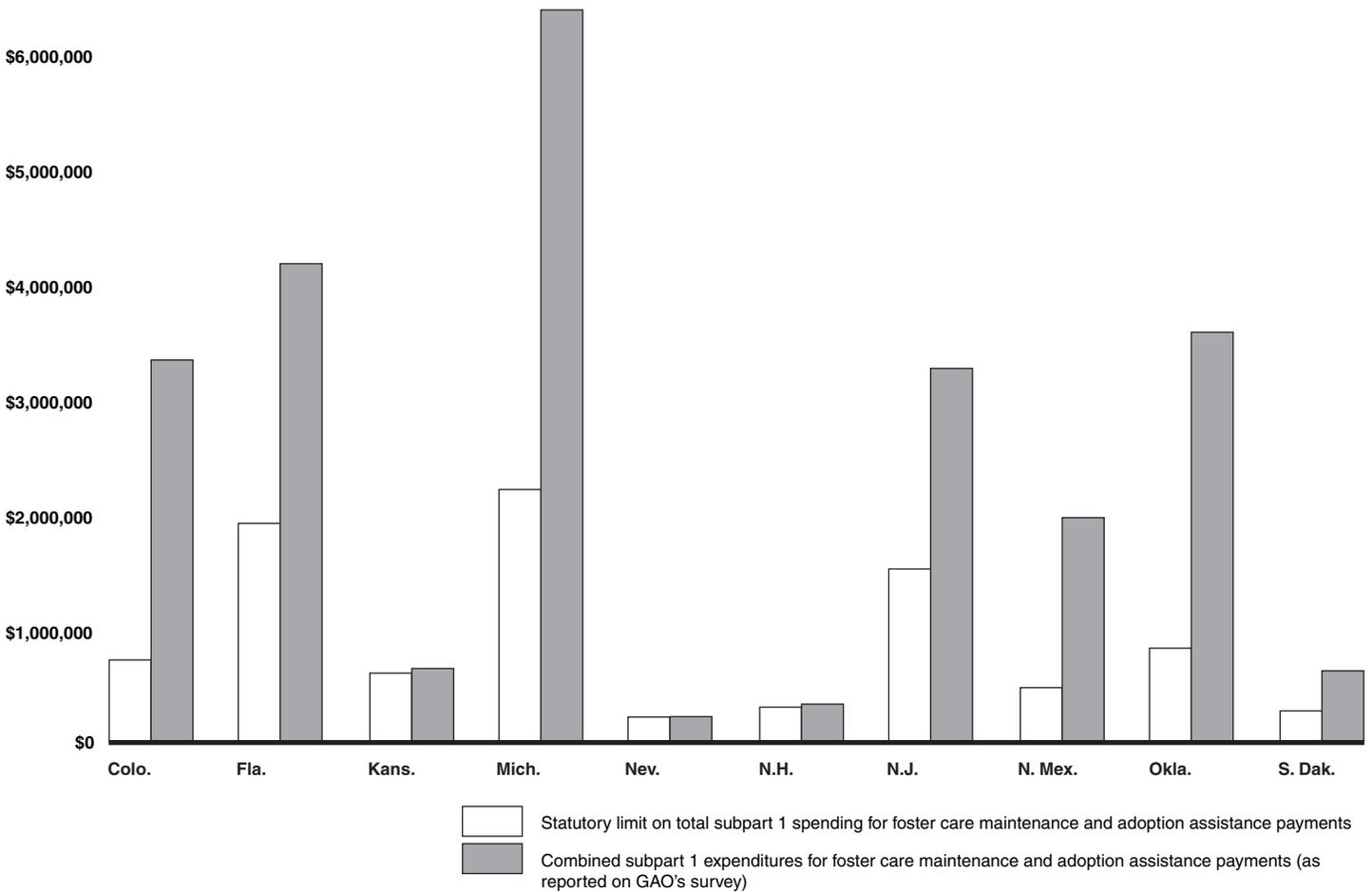
HHS regional offices paid little attention to the statutory limits on the use of subpart 1 funds for foster care maintenance and adoption assistance. Officials in only 1 of HHS's 10 regional offices said that they ensured state plans complied with statutory spending limits for subpart 1. In contrast, 5 regional offices were unaware that any limits on the use of subpart 1 funds existed. Four other regional offices were aware that some limitations existed, but did not ensure state compliance with them.

Two regional offices said they did not monitor planned expenditures for subpart 1 because they had no data to calculate the spending limit for each state, and HHS had not provided guidance on how to enforce the limits. Officials in another region said that their office discontinued subpart 1 compliance reviews because they considered the limits to be meaningless because state and federal funds are fungible and state funds spent on child welfare services greatly exceeded subpart 1 federal funds. In other words, any attempt to enforce the limits, according to these officials, would only lead to changes in how states accounted for state and federal funds.

Some states reported in our survey that they spent 2002 subpart 1 funds in excess of the statutory authority for foster care maintenance and adoption assistance payments. (See fig. 4.) While spending excesses were small in some states, they were large in others, ranging from a low of \$27,000 in New Hampshire to nearly \$4 million in Michigan. In total, reported actual spending by the 10 states exceeded the statutory limit by over \$15 million.

**Figure 4: States Reporting Actual Expenditures in Excess of Statutory Authority for Foster Care Maintenance and Adoption Assistance Payments under Title IV-B, Subpart 1, Fiscal Year 2002**

Dollars in millions  
\$7,000,000



Source: Analysis of GAO survey and HHS data.

Subsequent to our review, ACF issued guidance to states reminding them of the statutory spending limits for Title IV-B subpart 1 funds in November 2003. This guidance included information needed by each state to calculate its spending limit for foster care and adoption assistance payments, and day care related to employment or training.

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## Little Research Existed on the Effectiveness of Title IV-B Services

Research on the effectiveness of services provided under subpart 1 of Title IV-B was limited, and HHS evaluations of subpart 2 services showed no or little effect on children's outcomes. In our survey, 22 states reported providing services other than maintenance payments, staff salaries, or administration under subpart 1; however, none of these states had evaluated the outcomes of these services. One state official said that few states could afford to divert resources away from direct services to families in order to conduct formal program evaluations, given the tremendous service needs of families involved in the child welfare system.

Similarly, our literature review showed that few evaluations had been conducted, and evaluations that had been conducted produced mixed results. For example, one study evaluating a program<sup>10</sup> in Texas to increase family literacy and prevent child abuse by enhancing parent-child interactions cited results showing positive effects on children's measured competence and classroom behavior. However, evaluation of the same program in New York did not consistently show differences in outcomes for children and parents in the program compared to those in a control group.

HHS evaluations of subpart 2 services also have shown no or little effect, as reported by the Congressional Research Service.<sup>11</sup> The Congress required HHS to evaluate the effectiveness of programs funded under subpart 2 as part of its initial approval of funding for family preservation and family support services. HHS focused on the use of subpart 2 funds in three large-scale evaluations. One looked at overall implementation issues for the program, the second looked at the effectiveness of two models of family preservation services (both providing relatively intensive casework), and the third looked at the effectiveness of a wide range of family support services. Overall, the findings were similar across all evaluation sites showing subpart 2 services provided no or little effect in reducing out-of-home placement, maltreatment recurrence, or improved

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<sup>10</sup>The Home Instruction for Parents of Preschool Youngsters (HIPPY) program has a goal to prevent academic underachievement of children when they enter school. HIPPY works with parents in their homes or in parent groups to increase the degree of literacy in the home. The program also seeks to prevent child abuse by enhancing child-parent interactions and focuses on economically disadvantaged parents who may not be involved in parenting programs.

<sup>11</sup>Congressional Research Service, *The Promoting Safe and Stable Families Program: Reauthorization in the 109th Congress*, April 7, 2006., pp. 10-18.

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family functioning beyond what normal casework services achieved.<sup>12</sup> No similar large scale evaluations of time-limited reunification services or of adoption promotion and support services have been made.

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## Prior Recommendations

Our 2003 report recommended that the Secretary of HHS provide the necessary guidance to ensure that HHS regional offices are providing appropriate oversight of subpart 1, consider the feasibility of collecting data on states' use of these funds to facilitate program oversight and guidance to states, and use the information gained through enhanced oversight of subpart 1 to inform its design of alternative child welfare financing options. ACF agreed with our findings and implemented guidance to states reminding them of the statutory requirements for subpart 1 spending. ACF disagreed with our recommendation to consider collecting data on subpart 1 expenditures. ACF believed that its level of oversight was commensurate with the scope and intent of subpart 1, noting that its oversight efforts are more appropriately focused on reviews of the states' overall child welfare systems. ACF did not comment on our recommendation to use such data to inform the design of an alternative financing option.

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other Members of the Subcommittee may have.

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<sup>12</sup>U.S. Department of Health and Human Services, *Evaluation of Family Preservation and Reunification Programs, Final Report (Volumes 1 and 2)*, Dec. 2002.

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# Appendix I: GAO Contact and Acknowledgments

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For further information regarding this testimony, please contact me at (202) 512-8403. Individuals making key contributions to this testimony include Lacinda Ayers, Diana Pietrowiak, and Michelle St. Pierre.

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# Appendix II: Related GAO Products

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*Lessons Learned for Protecting and Educating Children after the Gulf Coast Hurricanes.* [GAO-06-680R](#). Washington, D.C.: May 11, 2006.

*District of Columbia: Federal Funds for Foster Care Improvements Used to Implement New Programs, but Challenges Remain.* [GAO-05-787](#). Washington, D.C.: July 22, 2005.

*Child Welfare: Better Data and Evaluations Could Improve Processes and Programs for Adopting Children with Special Needs.* [GAO-05-292](#). Washington, D.C.: June 13, 2005.

*Indian Child Welfare Act: Existing Information on Implementation Issues Could Be Used to Target Guidance and Assistance to States.* [GAO-05-290](#). Washington, D.C.: April 4, 2005.

*Foster Youth: HHS Actions Could Improve Coordination of Services and Monitoring of States' Independent Living Programs.* [GAO-05-25](#). Washington, D.C.: November 18, 2004.

*D.C. Child And Family Services Agency: More Focus Needed on Human Capital Management Issues for Caseworkers and Foster Parent Recruitment and Retention.* [GAO-04-1017](#). Washington, D.C.: September 24, 2004.

*Child And Family Services Reviews: States and HHS Face Challenges in Assessing and Improving State Performance.* [GAO-04-781T](#). Washington, D.C.: May 13, 2004.

*D.C. Family Court: Operations and Case Management Have Improved, but Critical Issues Remain.* [GAO-04-685T](#). Washington, D.C.: April 23, 2004.

*Child and Family Services Reviews: Better Use of Data and Improved Guidance Could Enhance HHS's Oversight of State Performance.* [GAO-04-333](#). Washington, D.C.: April 20, 2004.

*Child Welfare: Improved Federal Oversight Could Assist States in Overcoming Key Challenges.* [GAO-04-418T](#). Washington, D.C.: January 28, 2004.

*D.C. Family Court: Progress Has Been Made in Implementing Its Transition.* [GAO-04-234](#). Washington, D.C.: January 6, 2004.

*Child Welfare: States Face Challenges in Developing Information Systems and Reporting Reliable Child Welfare Data.* [GAO-04-267T](#). Washington, D.C.: November 19, 2003.

*Child Welfare: Enhanced Federal Oversight of Title IV-B Could Provide States Additional Information to Improve Services.* [GAO-03-956](#). Washington, D.C.: September 12, 2003.

*Child Welfare: Most States Are Developing Statewide Information Systems, but the Reliability of Child Welfare Data Could be Improved.* [GAO-03-809](#). Washington, D.C.: July 31, 2003.

*D.C. Child and Family Services: Key Issues Affecting the Management of Its Foster Care Cases.* [GAO-03-758T](#). Washington, D.C.: May 16, 2003.

*Child Welfare and Juvenile Justice: Federal Agencies Could Play a Stronger Role in Helping States Reduce the Number of Children Placed Solely to Obtain Mental Health Services.* [GAO-03-397](#). Washington, D.C.: April 21, 2003.

*Foster Care: States Focusing on Finding Permanent Homes for Children, but Long-Standing Barriers Remain.* [GAO-03-626T](#). Washington, D.C.: April 8, 2003.

*Child Welfare: HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff.* [GAO-03-357](#). Washington, D.C.: March 31, 2003.

*Foster Care: Recent Legislation Helps States Focus on Finding Permanent Homes for Children, but Long-Standing Barriers Remain.* [GAO-02-585](#). Washington, D.C.: June 28, 2002.

*District of Columbia Child Welfare: Long-Term Challenges to Ensuring Children's Well-Being.* [GAO-01-191](#). Washington, D.C.: December 29, 2000.

*Foster Care: HHS Should Ensure That Juvenile Justice Placements Are Reviewed.* [GAO/HEHS-00-42](#). Washington, D.C.: June 9, 2000.

*Juvenile Courts: Reforms Aim to Better Serve Maltreated Children.* [GAO/HEHS-99-13](#). Washington, D.C.: January 11, 2000.

*Foster Care: States' Early Experiences Implementing the Adoption and Safe Families Act.* [GAO/HEHS-00-1](#). Washington, D.C.: December 22, 1999.

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*Foster Care: HHS Could Better Facilitate the Interjurisdictional Adoption Process.* [GAO/HEHS-00-12](#). Washington, D.C.: November 19, 1999.

*Foster Care: Effectiveness of Independent Living Services Unknown.* [GAO/HEHS-00-13](#). Washington, D.C.: November 5, 1999.

*Child Welfare: States' Progress in Implementing Family Preservation and Support Services.* [GAO/HEHS-97-34](#). Washington, D.C.: February 18, 1997.

*Child Welfare: Opportunities to Further Enhance Family Preservation and Support Activities.* [GAO/HEHS-95-112](#). Washington, D.C.: June 15, 1995.

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