



CDSS

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DEPARTMENT OF SOCIAL SERVICES

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ARNOLD SCHWARZENEGGER
GOVERNOR

December 19, 2008

ALL COUNTY LETTER NO. 08-40

TO: ALL PUBLIC AND PRIVATE ADOPTION AGENCIES
ALL LICENSED CALIFORNIA DEPARTMENT OF SOCIAL SERVICES
ALL ADOPTIONS DISTRICT OFFICES
ALL COUNTY WELFARE DIRECTORS

SUBJECT: PRIVATE ADOPTION AGENCY REIMBURSEMENT PROGRAM
(PAARP) FUNDING INCREASE CLAIMING GUIDELINES

REFERENCE: ADOPTIONS RELEASE NO. 01
ALL COUNTY LETTER NO. 03-23

This All County Letter (ACL) is to provide licensed public and private adoption agencies with policies and procedures for the Private Adoption Agency Reimbursement Program (PAARP) pursuant to increases in the reimbursement rate enacted by Senate Bill (SB) 84, Chapter 177, Statutes of 2007. For the purpose of this letter, "Public Adoption Agencies" means licensed County Adoption Agencies and the California Department of Social Services (CDSS) Adoptions District Offices.

BACKGROUND

The PAARP was enacted in 1974 as an incentive for private adoption agencies to recruit adoptive families for children who would otherwise remain in foster care. The PAARP is governed by Welfare and Institutions Code (W&I) Section 16122, which requires the Department to reimburse private adoption agencies for otherwise unreimbursed costs incurred, in completing the adoptions of children who are eligible for Adoption Assistance Program (AAP) benefits because of age, membership in a sibling group, medical or psychological problems, adverse parental background or other circumstances that will make placement of the children especially difficult.

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by One or More Counties
- Initiated by CDSS

The rate increase only applies to those cases in which an adoptive home study approval occurred on or after July 1, 2007, and subsequent submission of claims per Title 22 California Code of Regulations (CCR) Section 35077(c) (1), based on adoption services performed and not otherwise reimbursed. Half of the compensation must be paid at the time the adoptive placement agreement is signed. The remainder must be paid at the time the adoption petition is granted by the court.

If an agency's home study was approved on or after July 1, 2007, and a PAARP partial claim for \$2,500 or full claim of \$5,000 was submitted after that time, another claim may be submitted depending on each agency's provisional costs for up to the maximum amount of \$10,000 on or after February 1, 2008, as provided by W&IC Section 16122(d) and Title 22 CCR Section 35077(c) (1).

To be eligible for reimbursement, the agency must be a licensed private adoption agency and the child must meet the criteria defined in the W&IC Section 16120.

CLAIMING PROCESS PROCEDURES

A provisional rate will be established by every adoption agency requesting reimbursement and is subject to the CDSS approval. This provisional rate represents each adoption agency's best estimate of what the agency's projected average unreimbursed costs will be for adoption activities eligible for reimbursement provided by the agency during the next fiscal year, up to a maximum of \$10,000 per child. To arrive at the projected average unreimbursed costs per adoption, the agency shall estimate the total unreimbursed costs it will incur for eligible activities in its adoption program during the next fiscal year and divide that total by the number of completed adoptions eligible for PAARP reimbursement. Agency costs for this provisional rate include direct and indirect cost for activities associated with adoption of eligible children only. Costs associated with other programs or activities provided by the agency (e.g., foster care, inter-country adoption, activities funded by grants or contracts etc.) are not allowable. This provisional PAARP rate will be used by the CDSS to make payments to the adoption agency during the course of that particular fiscal year.

The first provisional rate set by the agency's estimated costs for its next fiscal year will be the rate used for the time period February 1, 2008 – June 30, 2008.

If an adoption agency's fiscal year is July 1, 2007 – June 30, 2008, the agency will submit to the CDSS its proposed provisional rate for its next fiscal year July 1, 2008 – June 30, 2009. The initial approved provisional rate will apply for the months of February 2008 – June 2008. The agency's actual report (forms AD 4349C and AD 4349D) will be for its fiscal year July 1, 2008 – June 30, 2009 and will be used for the fiscal period of February 2008 – June 2008.

In order for a licensed private adoption agency to participate in PAARP, specific forms are required to be submitted to the CDSS prior to the beginning of each fiscal year and at the end of the adoption agency's fiscal year. During this transitional period, an agency may commence to bill at its estimated provisional rate and at the point when it has its first approved provisional rate, the approved rate will be retroactive to February 2008. The provisional rate will only apply to adoptions in which the home study was approved on or after July 1, 2007. Adoptions in which the home study was completed prior to July 1, 2007, will be reimbursed up to \$5,000.

Each adoption agency is required to submit the following complete documentation for their provisional rate methods:

The following forms are due **90 days prior** to a provisional rate being established:

Form AD 4349A - Provisional Direct Salaries (Attachment 1): Captures agencies projected direct salaries for social workers' activities with the PAARP

Form AD 4349B – Provisional Costs (Attachment 2): Captures the projected costs (both direct and indirect) associated with the PAARP per child

The following forms are due **within 60 days of the end of the adoption agency's fiscal year**:

Form AD 4349C – Actual Direct Salaries (Attachment 3): Captures the annual actual direct salaries for the agency

Form AD 4349D – Actual Costs (Attachment 4): Captures the actual indirect costs for the agency.

Form AD 4349E – Cost Settlement Form (Attachment 5): Used at year end to establish a cost settlement process between the agencies and the State of California

An explanation of the method for PAARP provisional costs guidelines and required forms for all participating private adoption agencies may be obtained at

<http://www.childsworld.ca.gov/PG1335.html> or
<http://www.childsworld.ca.gov/PG1303.html>

AUDIT

During the Circular A-133 audit or the Generally Accepted Government Auditing Standards (GAGAS) annual audit, the auditor must review the Actual Costs and Cost Settlement Form reports (Forms AD 4349C, AD 4349D and AD 4349E).

The following audits are to be given to the CDSS within nine months of the agency's fiscal year end:

The adoption agency's most recently completed Circular A-133 audit report, if required by existing state and federal statute.

If the adoption agency does not meet the state and federal threshold required for a Circular A-133 audit, the agency shall submit the most recently completed annual financial audit performed in accordance with GAGAS.

PAARP YEAR-END RECONCILIATION

Given that the rate methodology is based on an adoption agency's best estimates for projected unreimbursed costs and projected adoptive placements and adoptive finalizations, there is the likelihood that the actual rates and actual numbers of adoptive placements and finalizations will vary from the agency's provisional projected rate and estimated number of placements and finalizations.

This will result in either an overpayment or underpayment from CDSS to that agency. The accounting method to be used to process an overpayment or an underpayment, from CDSS to that agency under the PAARP is as follows:

Provisional Rates: An adoption agency applies for a provisional rate.

Report Deadlines: An adoption agency submits a report (forms AD 4349C, AD 4349D and AD 4349E) to CDSS within 60 days of the end of the adoption agency's fiscal year. This report must include the adoption agency's actual costs, expenditures, revenues and the number of adoptive placements and adoptive finalizations incurred for the time period of the fiscal year in which the agency used the provisional rate. The report will show any overpayment or underpayment from CDSS to the adoption agency.

Underpayment of Rate: If there is an underpayment from CDSS to the adoption agency, due to the provisional rate being lower than the actual average rate, CDSS will reimburse the adoption agency within 60 days of receiving the adoption agency's actual average costs and revenues and the "Cost Settlement Form." Upon completing the cost reconciliation, the agency may submit new provisional rate forms and request a new

provisional rate based upon their projected costs for the new fiscal year divided by their projected number of completed adoptions. The CDSS will establish a new provisional rate within 30 days of the adoption agency providing the CDSS with new provisional rate forms (Form AD 4349A and AD 4349B). The new provisional rate will be retroactive to the beginning of the agency's new fiscal year.

Overpayment of Rate: If there is an overpayment from CDSS to the adoption agency, due to the provisional rate being higher than the actual average rate, the balance owed to the state will be repaid in one of the following two ways:

1. The adoption agency may submit a payment to reimburse the state for any overpayment as determined by Form AD 4349E within 60 days of the end of the adoption agency's fiscal year. Upon completing the cost reconciliation and reimbursing the state as determined by Form AD 4349E, the agency may submit new provisional rate forms and request a new provisional rate retroactive to the beginning of the agency's new fiscal year. The CDSS will establish a new provisional rate within 30 days of the adoption agency reimbursing the state and providing CDSS with new provisional rate forms (Form AD 4349A and AD 4349B).
2. If the agency fails to fully reimburse the state within 60 days of the end of the agency's fiscal year, CDSS will adjust the next year rate accordingly as follows:

The total overpayment will be divided by the number of actual completed adoptions during the prior fiscal year. The average overpayment per adoption will be subtracted from their actual average cost per adoption during the prior fiscal year (plus a Cost of Living Allowance, if applicable) to arrive at the new provisional rate for the following year.

It should be noted that for providers who choose this overpayment option, their provisional rate will be based on their actual costs for the previous fiscal year, not their projected costs for the next fiscal year.

Please note that the adoption agency may not submit new provisional rate forms until the overpayment has been reimbursed to the state.

Renegotiate: An agency may contact CDSS in writing to request a readjustment of their provisional rate on a quarterly basis.

CLAIMING INFORMATION

Agencies may claim the PAARP for an AAP-eligible child in three ways:

1. Half of the maximum allowable reimbursement after the adoptive placement agreement is signed.
2. The remainder of the maximum allowable reimbursement after finalization when half has been reimbursed after the adoptive placement of a child.
3. A single claim up to the maximum allowable reimbursement upon finalization (completion) of the adoption.

As established in SB 84, the maximum allowable reimbursement that may be claimed for an adoption of an AAP-eligible child is dependent on the date the home study of the prospective adoptive parents was approved. The table below reflects the maximum allowable reimbursement.

	Maximum Allowable Reimbursement		
	After Adoptive Placement	Remainder After Finalization	Only After Finalization
Home Studies Approved <u>Before</u> July 1, 2007	\$2,500 or half the provisional rate, whichever is less.	\$2,500 or half the provisional rate, whichever is less	\$5,000 or the provisional rate, whichever is less
Home Studies Approved <u>On or After</u> July 1, 2007	\$5,000 or half the provisional rate, whichever is less	\$5,000 or half the provisional rate, whichever is less	\$10,000 or the provisional rate, whichever is less

The following documents must be submitted to claim a reimbursement:

- AD830 – Summary of Claim for Reimbursement PAARP
- AD558 – Notice of Placement
- AAP4 – Federal Eligibility Certification Adoption Assistance Program
- ADOPT 215 – Order/Decree of Adoption (filed copy)
- AD4348 – Private Adoption Agency Reimbursement Program

Please refer to Attachments 6a, 6b, and 6c for the specific form numbers and number of copies required for the type of claim (completed or prior PAARP adoption) being submitted.

Adoption agencies claiming PAARP will need to provide the following information on the AD 4348 claiming form:

Adoption Case Number (ADA)

Child Welfare Services/Case Management System (CMS/CWS) Case Identification Number

Federally eligible and non-federally eligible children eligibility is determined by referencing the AAP 4 which is part of the documentation package.

Date Case Home Study was approved.

Date Adoption Placement Agreement is signed.

Date of Finalization of Adoption.

To insure the confidential nature of this data, please remove the last names of the children or families on any form or documentation submitted with reimbursement claims.

An explanation of the PAARP claiming reimbursement guidelines for all participating private adoption agencies may be obtained at:

<http://www.childsworld.ca.gov/PG1335.htm>.

Regardless of whether the adoption is eligible for the new rate, the adoption agency must submit the new form, AD 4348, for documentation of the individual case. The CDSS will no longer accept form AD 42R for purposes of PAARP claims. With the implementation of AD 4348, AD 42R is no longer needed for the PAARP reimbursement. However, for adoption of children not in the custody of a public adoption agency, adoption agencies are still required to submit the AD 42R for statistical reporting.

All PAARP claims should be signed by the authorized agency representative and submitted with copies to:

California Department of Social Services
Recruitment Network Development Unit
Attn: Brian Okamoto
744 P Street, MS 8-13-78
Sacramento, CA 95814
Brian.Okamoto@dss.ca.gov

The CDSS will verify that the claim(s) is from an agency with a submitted CDSS approved PAARP provisional payment rate for the fiscal year for which the PAARP placement reimbursement is claimed and processed for payment.

Claiming agencies must be careful to ensure, that for purposes of an audit, each claim continues to have an identifying and corresponding Adoption Agency State Case Number per child. Claiming agencies are required to retain hardcopies of all PAARP claims for five years. Claiming agencies are also responsible to ensure that all corrections of their claims and their mathematical computations strictly adhere to the regulations governing eligibility for the PAARP.

TIME LIMITATIONS

Accounting records of private agency costs and hours shall be maintained pursuant to the requirements of the CDSS Manual of Policies and Procedures (MPP) Section 11-402.312, which states: "Accounting records shall be maintained in accordance with generally accepted accounting principles." All accounting records of private agency costs and hours must be retained pursuant to the requirements of the CDSS MPP Section 11-402.313, which states "All accounting records shall be retained for a minimum period of four years from the date of the final claim for that annual period or until audit issues have been resolved." Materials to be retained include invoices, supporting documentation, receipts, checks, etc.

All claims must be submitted pursuant to the requirements of Government Code Section 16304.1 and 45 Code of Federal Regulations Part 95, Subpart A, which states that claims must be made within two years of the last day of the period for which the funding was authorized for state funding and within 18 months of the end of the calendar quarter in which the placement costs were incurred for federal funding.

PUBLIC ADOPTION AGENCY

Public adoption agency cooperation is necessary for private adoption agency reimbursement of eligible adoption activities on behalf of a public agency child in two areas:

1. Public adoption agencies must provide copies of the following documents to the licensed private adoption agency at the time the adoption placement agreement is signed:

AAP4 "Federal Eligibility Certification Adoption Assistance Program"
AD 558 "Notice of Placement"

CWS/CMS Case Identification Number

2. To allow CDSS to verify adoption activities for reimbursement to private adoption agencies and to report information to the Legislature, the public adoption agency and County Welfare Departments must ensure that all data entry into the CWS/CMS be complete, timely and accurate.

If you have any questions regarding this letter, please contact the Recruitment Network Development Unit at (916) 651-7465 or me at (916) 657-2614.

Sincerely,

Original Document Signed By:

GREGORY E. ROSE
Deputy Director
Children and Family Services Division

Enclosures

- c: County Welfare Directors Association
California Alliance for Children and Family Services
California Association of Adoption Agencies



PRIVATE ADOPTION AGENCY REIMBURSEMENT PROGRAM (PAARP)

1st Claim (*Placement*) 2nd Claim (*Final*) Claiming both (*Placement & Final*)

SECTION I

ADOPTION AGENCY		ADOPTION AGENCY NUMBER
ADDRESS	CITY	ZIP
CONTACT PERSON	E-MAIL ADDRESS	
TELEPHONE	NEW PAARP ADOPTION AGENCY? <input type="checkbox"/> YES <input type="checkbox"/> NO	

SECTION II

CHILD'S NAME (<i>USE FIRST NAME ONLY</i>)	ADOPTION CASE NUMBER (<i>ADA</i>)	CMS/CWS CHILD IDENTIFIER NUMBER
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SECTION III

DATE HOME STUDY APPROVED	DATE ADOPTION PLACEMENT AGREEMENT SIGNED	DATE ADOPTION FINALIZED
PLACING COUNTY AGENCY		COUNTY ADOPTION WAS FINALIZED IN

SECTION IV

Three signed AAP 4 forms required when an agency is claiming for 1st claim (placement) or when claiming both placement and final.

IS CHILD ELIGIBLE FOR FEDERAL AAP?

YES NO Attach 3 copies of form AAP 4

I certify that the above information requested is accurate to the best of my knowledge.

SIGNATURE OF AUTHORIZED OFFICIAL OF PRIVATE ADOPTION AGENCY	DATE
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**THE PRIVATE ADOPTION AGENCY REIMBURSEMENT PROGRAM (PAARP)
FULL TIME EQUIVALENT**

1. PROVIDER NAME	2. PROGRAM NAME	3. FISCAL PERIOD
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SCHEDULE 1 DIRECT SALARIES

POSITION	ANNUAL SALARY	PAARP FTE	ANNUAL PAARP SALARY
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
Total Payroll	\$		\$
Fringe Benefit % <i>(each agency will use its own individual fringe benefit percentage)</i>			\$
Total Projected Direct Salaries			\$



THE PRIVATE ADOPTION AGENCY REIMBURSEMENT PROGRAM (PAARP) FULL TIME EQUIVALENT

1. PROVIDER NAME	2. PROGRAM NAME	3. FISCAL PERIOD
		Column 1
		Column 2
		Lines 5 - 7, 10, 15, 16
		Lines 4, 8, - 14, 17
4. Projected Direct Salaries Schedule 1 <i>(from Form A)</i>		\$
Projected Direct and Jointly Shared Program Expense: <i>(listed on lines 5 - 7)</i>		
5. Supervision and Support Salaries		
6. Services and Supplies		
7. Occupancy		
8. Subtotal Lines 5 - 7		\$
9. Total Direct Expenses (add Line 4 and Line 8)		\$
10. Projected Indirect Expenses at ____% <i>(each agency will use its own individual percentage)</i>		\$
11. Projected Annual PAARP Program Expenditures		\$
12. Less any offset income - restricted revenue received for your PAARP Program		
13. Projected total Annual PAARP Program Expenditures		\$
14. Number of Projected Completed Adoptions <i>(projected number of placements and finalizations x .5)</i>		
15. Projected Number of adoptive placements		
16. Projected Number of finalizations		
17. Projected Average Cost Per Adoption <i>(projected Total Annual Expenditures divided by the number of completed adoptions)</i>		



THE PRIVATE ADOPTION AGENCY REIMBURSEMENT PROGRAM (PAARP) FULL TIME EQUIVALENT

1. PROVIDER NAME	2. PROGRAM NAME	3. FISCAL PERIOD
4. Average Actual cost per Adoption <i>(Based on the Annual Expenditures per Child Rate for Actual period, Form D, Line 17.)</i>		
5. Final PAARP Reimbursement Rate <i>(Enter the amount from Line 4 above. If that amount is greater than \$10,000, enter the maximum reimbursement rate of \$10,000.)</i>		
6. Provisional Rate Per Adoption <i>(Based on the Annual Expenditures per Child Rate for Provisional Period, Form B, Line 17.)</i>		
7. Excess of PAARP Rate per Average Adoption <i>(If Line 5 is less than Line 6, subtract Line 5 from Line 6. This is the amount owed to the State per adoption.)</i>		
8. Deficit of PAARP Rate per Average Adoption <i>(If Line 5 is more than Line 6, subtract Line 6 from Line 5. This is the amount owed to the provider per average adoption rate.)</i>		
9. Actual Number of Completed Adoptions <i>(Based on the Number of Completed Adoptions on Annual Expenditures per Child Rate for Actual Period, Form D, Line 14.)</i>		
10. Total Owed to State <i>(Multiply Line 7 by Line 9.)</i>		
11. Total Owed to Provider <i>(Multiply Line 8 by Line 9.)</i>		