

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**YOUTH FOR TOMORROW – NEW LIFE
CENTER, INC., AN ADMINISTRATION
FOR CHILDREN AND FAMILIES
GRANTEE, DID NOT COMPLY WITH
ALL APPLICABLE FEDERAL POLICIES
AND REQUIREMENTS**

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Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Report in Brief

Date: September 2020
Report No. A-03-16-00250

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

Within HHS's Administration for Children and Families, the Office of Refugee Resettlement (ORR) manages the Unaccompanied Alien Children (UAC) program. The UAC program served 7,000 to 8,000 children annually from fiscal years (FYs) 2005 through 2011. In FY 2012, the number of children served began to increase. In FY 2015, ORR served 33,726 children.

Youth For Tomorrow – New Life Center, Inc. (YFT), a UAC program grantee responsible for caring for children in ORR custody, received \$9.2 million in Federal funds during FY 2015 for the care and placement of 266 children. We selected YFT for audit because of the high amount of Federal funding it received and because it had State licensing office health and safety violations during FYs 2014 and 2015.

The objectives of this audit were to determine whether YFT: (1) met applicable requirements for the care and release of children in its custody and (2) claimed only allowable expenditures in accordance with applicable laws, regulations, and Departmental guidance.

How OIG Did This Audit

We inspected shelter care residences and reviewed case files for children released to a sponsor during FY 2015. We also reviewed personnel records, financial transactions, and policies and procedures.

Youth For Tomorrow – New Life Center, Inc., an Administration for Children and Families Grantee, Did Not Comply With All Applicable Federal Policies and Requirements

What OIG Found

YFT did not meet some requirements for the care and release of children in its custody. Specifically: (1) 85 of the 100 sampled case files had UAC assessments that may not have been conducted within the required timeframe, (2) 42 of the 100 sampled case files either did not have all evidence of the proper release of children or did not meet requirements for the release of children, and (3) 3 of the 25 sampled employee files did not meet pre-employment requirements. In addition, the data in YFT's annual performance report, including children served and released to sponsors and educational hours, were incorrect.

YFT also claimed unallowable and potentially unallowable expenditures. Specifically, it: (1) allocated \$1.5 million in staff salaries using estimates, (2) did not allocate \$1.35 million in direct expenditures and up to \$235,253 in related indirect expenditures in proportion to benefits received, (3) allocated \$210,037 in unallowable expenditures and \$23,390 in unapproved expenditures using an unreasonable allocation methodology, (4) claimed \$10,336 in unallowable employee appreciation expenditures, (5) claimed \$6,515 in expenditures not related to the UAC program, and (6) did not use its approved indirect cost rate.

What OIG Recommends and Youth For Tomorrow Comments

We recommend that YFT strengthen existing procedures to ensure that it meets all requirements for the care and release of children and refund to the Federal Government \$10,336 in unallowable employee appreciation expenditures and \$6,515 in unallowable expenditures not related to the UAC program. We also made additional recommendations regarding the unallowable and potentially unallowable allocated expenditures and made other procedural recommendations. The detailed recommendations are listed in the body of the report.

In written comments on our draft report, YFT concurred with one recommendation, partially concurred with three recommendations, and did not concur with the rest, but described actions it took or plans to take to address them. After reviewing YFT's comments, we maintain that our findings and recommendations are valid.

TABLE OF CONTENTS

INTRODUCTION 1

 Why We Did This Audit 1

 Objectives..... 2

 Background 2

 The Unaccompanied Alien Children Program..... 2

 Care Process..... 3

 Family Reunification Process 4

 Youth For Tomorrow..... 5

 How We Conducted This Audit 5

FINDINGS..... 6

 Youth For Tomorrow Did Not Meet Some Requirements for the Care and
 Release of Children 7

 Children May Not Have Been Assessed Within the Required Timeframe..... 7

 Some Release Requirements Were Not Properly Documented or Not Met..... 9

 Youth For Tomorrow Did Not Meet Pre-Employment Background
 Investigation Requirements for Some Staff 10

 Youth For Tomorrow Reported Incorrect Demographic and Educational Data
 in Its Annual Performance Report..... 11

 Federal Requirements..... 11

 Data in Youth For Tomorrow’s Annual Performance Report Were Either
 Inconsistent With Data in Supporting Documentation or Were Incorrect..... 11

 Youth For Tomorrow Claimed Unallowable and Potentially Unallowable
 Expenditures..... 12

 Maintenance, Administrative, and Educational Staff Salaries Were
 Allocated Using Estimates 12

 Shared Expenditures Were Not Allocated in Proportion to Benefits Received ... 14

 Unallowable and Unapproved Expenditures Were Allocated Using an
 Unreasonable Allocation Ratio Methodology..... 16

 Employee Appreciation Expenditures Were Unallowable 17

 Expenditures Unrelated to the Unaccompanied Alien Children Program
 Were Unallowable..... 18

 The Approved Indirect Cost Rate Was Not Used for Reimbursement 19

CONCLUSION.....	20
Care and Release of Children.....	20
Annual Performance Report Data.....	21
Unallowable and Potentially Unallowable Expenditures	21
RECOMMENDATIONS	22
YOUTH FOR TOMORROW COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	23
Care and Release of Children.....	24
Youth For Tomorrow Comments	24
Office of Inspector General Response	24
Annual Performance Report Data.....	25
Youth For Tomorrow Comments	25
Office of Inspector General Response	26
Unallowable and Potentially Unallowable Expenditures	26
Youth For Tomorrow Comments	26
Office of Inspector General Response	27
APPENDICES	
A: Audit Scope and Methodology	30
B: Related Office of Inspector General Reports.....	32
C: Federal Requirements	33
D: Selected Requirements for Office of Refugee Resettlement Care Provider Facilities During Our Audit Period	37
E: Statistical Sampling Methodology	38
F: Sample Results and Estimates	39
G: Definitions	40
H: Youth For Tomorrow Comments.....	41

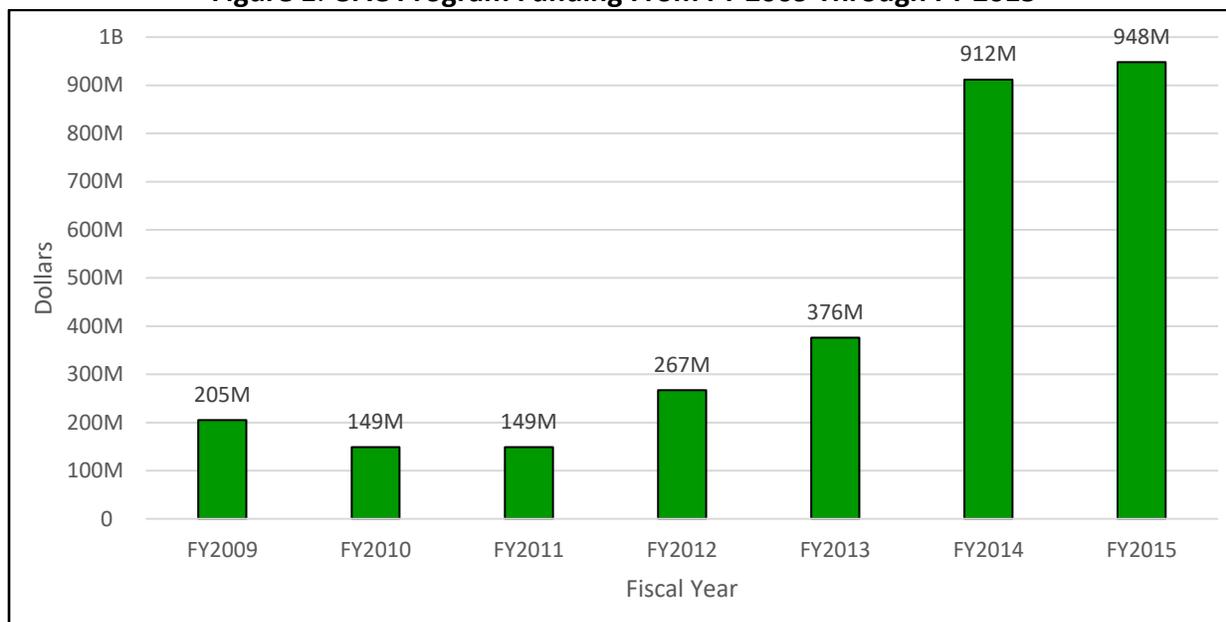
INTRODUCTION

WHY WE DID THIS AUDIT

Within the Department of Health and Human Services' (HHS's) Administration for Children and Families (ACF), the Office of Refugee Resettlement (ORR) manages the Unaccompanied Alien Children (UAC) program. The UAC program served between 7,000 and 8,000 children annually from fiscal year (FY) 2005 through FY 2011. In FY 2012, however, the number of children entering the program began to increase. The UAC program served approximately 13,625 children in FY 2012 and 24,668 children in FY 2013. In FY 2014, referred to as the "surge" year, the UAC program served 57,496 children. In FY 2015, the UAC program served 33,726 children.

Although the number of children that the program served decreased in FY 2015, ORR's funding for the program increased. From FY 2009 through FY 2015, ORR funding for the UAC program totaled more than \$3 billion, of which \$948 million (32 percent) of the funding occurred during FY 2015 alone. (See Figure 1.)

Figure 1: UAC Program Funding From FY 2009 Through FY 2015



Because of the rapid increase of vulnerable children entering ORR care, the significant increases in program funding, and multiple changes to ORR policies during FY 2014, we are conducting a series of audits of ORR care providers across the Nation.¹ We selected Youth For Tomorrow – New Life Center, Inc. (YFT), a UAC program grantee, for audit because it received one of the highest funding amounts in the region and had State licensing office health and safety violations during FYs 2014 and 2015.

¹ Appendix B lists related Office of Inspector General reports on UAC program grantees.

OBJECTIVES

The objectives of this audit were to determine whether YFT: (1) met applicable requirements for the care and release of children in its custody and (2) claimed only allowable expenditures in accordance with applicable laws, regulations, and Departmental guidance.

BACKGROUND

The Unaccompanied Alien Children Program

The UAC program funds temporary shelter care² and other related services for unaccompanied children in ORR custody. For project periods³ with services beginning during FYs 2014 and 2015, ORR awarded grants totaling \$2.1 billion to providers for the care and placement of children. The UAC program is separate from State-run child welfare and traditional foster care systems.

By law, HHS must provide for the custody and care of a UAC, defined as a child who has no lawful immigration status in the United States, who has not attained 18 years of age, and with respect to whom there is no parent or legal guardian in the United States available to provide care and physical custody (6 U.S.C. § 279(g)(2)). The Flores Settlement Agreement established a nationwide policy for the detention, treatment, and release of UAC and recognized the particular vulnerability of UAC while detained without a parent or legal guardian present (*Flores v. Meese—Stipulated Settlement Agreement* (U.S. District Court, Central District of California, 1997)).

Under the Homeland Security Act of 2002, Congress transferred the care and custody of UAC to HHS from the former Immigration and Naturalization Service to move toward a child-welfare-based model of care and away from the adult detention model. In the Trafficking Victims Protection Reauthorization Act of 2008, which expanded and redefined HHS's statutory responsibilities, Congress directed that each child must "be promptly placed in the least restrictive setting that is in the best interest of the child" (8 U.S.C. § 1232(c)(2)).

During our audit period, October 2014 through September 2015 (FY 2015), ORR policies and procedures were found in several different manuals. From October 2014 through January 2015, ORR looked to the *2006 Draft Division of Unaccompanied Children's Services Policies and Procedures Manual* (P&P Manual) for applicable policies and procedures.⁴

Additionally, ORR used the *ORR UAC Program Operations Manual* (Ops Manual), which was originally issued in April 2012 and updated periodically, including in April 2014 (2014 Ops Manual). The Ops Manuals covered only certain areas of program management, and where

² Shelter care is provided in a residential care provider facility where all of the program components are administered onsite in the least restrictive environment.

³ A project period for the UAC program is a 36-month project with three 12-month budget periods.

⁴ Although the P&P Manual was marked "[D]raft," it included policies and procedures that should be followed.

there was no Ops Manual guidance, ORR referred to the P&P Manual. ORR made changes to the P&P Manual and the Ops Manual on an ad hoc basis.

During our audit period, ORR issued the *ORR Guide: Children Entering the United States Unaccompanied* (Policy Guide), effective January 2015, and the *ORR UAC Program Operations Guide* (Operations Guide), effective September 2015, to replace the previous versions. ORR periodically updates the Policy Guide and Operations Guide on an ad hoc basis and records the most current effective date next to each policy provision.

We looked to the P&P Manual, the 2014 Ops Manual, the Policy Guide, and the Operations Guide to determine the policies and procedures in effect during our audit period, depending on the date and the topic. We applied the relevant policy or policies to determine whether YFT was in compliance with ORR requirements. In this report, we include citations to the relevant provisions in effect throughout the entire audit period. See Appendix C for a list of Federal requirements.

Federal regulations establish uniform administrative requirements for awards to nonprofit organizations. For grant awards made before December 26, 2014, 45 CFR part 74 establishes uniform administrative requirements governing HHS grants and agreements awarded to nonprofit entities. The allowability of costs incurred by nonprofit organizations is determined in accordance with the provisions of 2 CFR part 230 (formerly OMB Circular No. A-122) (made applicable by 45 CFR § 74.27(a)). For grant awards made on or after December 26, 2014, 45 CFR part 75 establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities. Our audit period included one award made before December 26, 2014, to which part 74 applied, and two awards made after December 26, 2014, to which part 75 applied. For the purposes of this report, when there were only minor, non-substantive differences between the provisions of the rules that applied to a finding, we cited to the provisions of 45 CFR part 74 in the body of the report and included the relevant citations to 45 CFR part 75 in footnotes. When the differences were major or substantive, we did a separate analysis under each relevant provision. For all findings, we determined errors based on the regulatory provision in effect at the time.

Care Process

ORR funds care providers through cooperative agreements to provide temporary housing and other services to children in ORR custody at State-licensed facilities. These facilities must meet ORR requirements to ensure a high-level quality of care.

Federal Field Specialists (FFSs) are ORR's field staff who monitor a group of care providers within a region to verify that the care providers are following ORR requirements. An FFS's authority includes approving or denying all child transfer and release decisions, overseeing care providers, implementing policies and procedures, and serving as a liaison to local stakeholders. FFSs also provide guidance, direction, and technical assistance to care providers.

Care providers employ case managers, whose responsibilities include:

- coordinating UAC assessments to include completing individual service plans,
- assessing potential sponsors,
- making transfer and release recommendations,
- coordinating the release of a child to a sponsor, and
- ensuring that all services are documented in the children’s case files.

ORR contracts with case coordinators who act as local ORR liaisons with care providers. Case coordinators serve as third-party reviewers of each case manager’s family reunification process. After reviewing the case manager’s decision, case coordinators make transfer and release recommendations to the FFSs.

ORR policy requires that children receive certain care and services while in care provider facilities. See Appendix D for a chart of some of these services.

Family Reunification Process

In addition to caring for children, the care providers facilitate the release of the child to family members or other sponsors according to the following order of preference: (1) a parent, (2) a legal guardian, (3) an adult relative, (4) an adult or entity designated by the child’s parent or legal guardian, (5) a licensed program willing to accept legal custody, or (6) an adult or entity approved by ORR. The process of releasing the child to family members or other sponsors is known as the “family reunification process.” During our audit period, ORR grouped sponsors into three categories:

- Category 1 – Parents and legal guardians;
- Category 2 – Other immediate adult relatives, such as a brother, sister, aunt, uncle, or grandparent; and
- Category 3 – Distant relatives and unrelated adults.

In making placement decisions, case managers facilitate background investigations on the sponsor. During the family reunification process, case managers are responsible for conducting a suitability assessment of the sponsor. This assessment includes investigating the background of the sponsor and confirming the familial relationship of the sponsor to the child. Furthermore, current ORR policy requires the sponsor to complete a sponsor care plan if the sponsor is unlawfully present in the United States. ORR requires a sponsor care plan to ensure that each child has a caregiver, regardless of any complications that could arise from a sponsor’s immigration status.

The FFS, case manager, and case coordinator each play a role in the decision to release a child to a sponsor. The case manager makes a recommendation to the case coordinator regarding the release. The case coordinator conducts a third-party review of the proposed release and makes a recommendation to the FFS on the release of the child to a particular sponsor. If the case manager and case coordinator are unable to agree on a particular recommendation, they may refer the case directly to an FFS for guidance. Once the case manager and case coordinator present a recommendation to the FFS, the FFS reviews the recommendation and makes a release decision.

Youth For Tomorrow

YFT, a nonprofit entity, is an ORR-funded, faith-based shelter care provider in Bristow, Virginia. YFT also serves other adolescents in a separate residential program at its main campus and provides behavioral health services to the general public at various locations throughout the region.⁵ Since 2012, YFT has participated in ORR's UAC program and served approximately 1,000 children. During our audit period, YFT's ORR-funded program received \$9.2 million in Federal funds for the care and placement of 266 children.

HOW WE CONDUCTED THIS AUDIT

Our audit covered 164 children released directly to sponsors, 130 staff for whom YFT charged salary expenses to the UAC program, and \$9.2 million in Federal funds received for our audit period.

To determine whether YFT met applicable care and release requirements, we: (1) selected a statistical sample of 100 children who had been released to a sponsor during our audit period and reviewed case file documentation associated with them; (2) conducted a site visit on August 23, 2016, and inspected all 6 residential houses that provided shelter care; (3) reviewed YFT's licensing documents, inspection results, and performance reports; and (4) reviewed a judgmental sample of 25 YFT employee files.

To determine whether YFT claimed only allowable expenditures, we reviewed: (1) financial status reports and related support documentation; (2) \$1.5 million in allocated salary expenditures claimed using estimates; (3) YFT's allocation ratio and \$1.35 million in allocated direct expenditures claimed using this ratio; (4) YFT's indirect-cost-rate agreements, use of indirect cost rates, and \$1.33 million in indirect expenditures; (5) a judgmental sample of 100 financial transactions totaling \$80,229; (6) a judgmental selection of all expenditures in certain cost categories totaling \$29,158; and (7) accounting policies and procedures and overall organizational structure.

We conducted this performance audit 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

⁵ In this report, we refer to YFT's non-UAC programs as the Standard program.

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 A contains the details of our audit scope and methodology, Appendix E contains our statistical sampling methodology, Appendix F contains our sample results and estimates, and Appendix G contains selected definitions.

FINDINGS

YFT did not meet some requirements for the care and release of children in its custody and claimed unallowable and potentially unallowable expenditures. Regarding the requirements for the care and release of the children, we determined that:

- 85 of the 100 sampled UAC case files had UAC assessments that may not have been conducted within the required timeframe,
- 42 of the 100 sampled UAC case files either did not have all evidence of the proper release of children to sponsors or did not meet requirements for the release of children to sponsors,⁶ and
- 3 of the 25 sampled employee files did not meet pre-employment background investigation requirements.

These issues occurred because YFT's policies and procedures were inadequate to ensure staff were aware of and complied with all requirements. Additionally, YFT did not have adequate controls to ensure that it maintained sufficient documentation and that information it reported to ORR was supported and accurate.

On the basis of our UAC case file review,⁷ we estimated that YFT did not meet or did not properly document that it met release requirements for 69 children (42 percent) released to sponsors during our audit period. YFT did not complete certain care and release requirements accurately and within required timeframes and did not provide documentation that it completed some requirements. Therefore, ORR could not be assured that YFT followed ORR policies and procedures regarding UAC assessments, the family reunification packet, the notification to the Department of Homeland Security (DHS) of the child's imminent release to a sponsor, and staff pre-employment requirements.

The data YFT included in its annual performance report, including children served and released to sponsors and educational hours, were incorrect. This occurred because there were no procedures or controls to verify that all data were collected and reconciled. Without accurate

⁶ Case files associated with 5 of the 100 children in the sample contained more than 1 error related to the child's release to a sponsor.

⁷ We did not include the UAC assessment documentation issue in calculating the statistical estimates of the UAC case file errors.

data reported in annual performance reports, ORR cannot be assured that it has accurate information about the number of children cared for and released and the services provided to those children while in care.

Regarding the allowability of expenditures, we determined that YFT:

- allocated \$1.5 million⁸ in potentially unallowable maintenance, administrative, and educational staff salaries using estimates and not actual amounts of time;
- allocated \$1.35 million⁹ in potentially unallowable direct expenditures and up to \$235,253 in related potentially unallowable indirect expenditures that were not in proportion to benefits received;
- allocated \$210,037 in potentially unallowable expenditures and \$23,390 in potentially unallowable unapproved expenditures using an unreasonable allocation ratio;
- claimed \$10,336 in unallowable employee appreciation expenditures;
- claimed \$6,515 in expenditures that were unallowable because they were not related to the UAC program; and
- did not use its approved indirect cost rate for reimbursement.

These issues occurred because YFT's accounting department lacked the necessary internal controls to track and identify UAC program costs, did not provide sufficient oversight of expenditures, and was unfamiliar with the application of certain Federal grant requirements. In addition, YFT's policies and procedures were inadequate to ensure that it identified and claimed only allowable grant expenditures.

As a result, YFT did not meet or was unable to document that it met certain ORR requirements related to the care and release of children, charged a potentially unreasonable amount to the UAC program, and used grant funds for purposes other than those intended.

YOUTH FOR TOMORROW DID NOT MEET SOME REQUIREMENTS FOR THE CARE AND RELEASE OF CHILDREN

Children May Not Have Been Assessed Within the Required Timeframe

Federal Requirements

Care providers must maintain comprehensive, complete, and up-to-date UAC case files and electronic records for all UAC program children in their custody. They are also responsible for

⁸ The total amount is \$1,500,218.

⁹ The total amount is \$1,352,027.

entering all required information into the UAC Portal¹⁰ in a timely manner (P&P Manual §§ 1.02 and 3.10; Policy Guide §§ 5.6.2 and 5.6.3). Within 7 days of a child's admission into the UAC program, a care provider staff member must conduct a UAC assessment that covers the child's biographic, family, legal, migration, medical, substance abuse, and mental health history (Policy Guide § 3.3.1).

Unaccompanied Alien Children Assessments May Not Have Been Completed on the Dates Indicated on the Forms

Of the 100 case files we reviewed, 85 contained UAC assessments that had a certification date that was inconsistent with the length of stay listed on the assessment. The certification date is a field that care providers fill out when they sign the assessment, and the length of stay field is automatically generated based on a child's admission date to the UAC program. A certification date that is inconsistent with a child's length of stay could indicate that the UAC assessment was not completed within the required timeframe. For example, a child was admitted on September 11 and the care provider filled in a certification date of September 18, which would indicate that the assessment was conducted within the required 7-day timeframe. However, the length of stay on the assessment form indicated that the child had been in the UAC program for 19 days, which indicated that the assessment was not conducted within the required 7-day timeframe.

YFT staff consistently wrote in a certification date that was exactly 7 days after a child was admitted, but the length of stay on the form did not indicate that children had been in the UAC program for 7 days. On some UAC assessments, YFT staff members crossed out the length of stay and wrote in a new length of stay that was consistent with the certification date they wrote in.

Without accurate documentation of the date of UAC assessments, YFT could not provide ORR with assurance that it followed ORR policy for the proper care of children. Timely and accurate completion of assessment forms is critical because these forms help identify vital information about family members, immediate medical or mental health concerns, current medications, and any concerns about personal safety that the child may have.

During its monitoring visit in January 2016, after our audit period, ORR also found that certain required documents, specifically the UAC assessment, were back-dated or forward-dated. ORR interviewed YFT staff, who stated that they had been instructed to date all assessments in the UAC Portal to the forms' exact due dates (the seventh day of the 7-day window for completion for UAC assessments) even if the forms were submitted in the UAC Portal before or after that date. This practice is consistent with what we found. In response to our questions about the forms, YFT officials stated that the UAC assessments were completed on time but were printed

¹⁰ The UAC Portal is a secure, web-based system that allows personnel from ACF and programs that house children in the UAC program to enter and retrieve information about those children.

on a later date and that case managers did not print the forms on the day they completed them because of the short timeframe between admitting and discharging children.

ORR issued a Corrective Action Plan on March 31, 2016, that stated that YFT was to ensure that all case file documents would be accurately timestamped to the date they are actually completed, even if the forms are submitted before or after the due date. The Corrective Action Plan also required that all staff be trained on how to properly maintain accurate and up-to-date case files.

Some Release Requirements Were Not Properly Documented or Not Met

Federal Requirements

ORR policy requires all potential sponsors to complete an application for a child to be released to them from ORR custody. Within 24 hours of identifying a potential sponsor, the care provider must send the sponsor the family reunification packet, which contains the application and related documents (2014 Ops Manual §§ 4.101 and 4.201; Policy Guide §§ 2.1 and 2.2.3). The purpose of this process is to ensure that every effort has been made to reunify children with a parent or legal guardian in the United States as expeditiously as possible.

For our audit period, ORR policy in effect through January 2015 required the care provider to email DHS before the child's release to provide DHS with 24 hours to comment on the proposed release (2014 Ops Manual § 4.403). For the remainder of our audit period, ORR policy required the care provider to notify DHS before the child's physical release to allow DHS an opportunity to comment on a child's imminent release and to provide DHS time to prepare paperwork (Policy Guide § 2.8.2).

Family Reunification Packets Were Not Always Sent Within the Required Timeframe

For 26 of the 100 files we reviewed, YFT did not send the family reunification packet to the sponsor within 24 hours of identification. For example, for one file, the sponsor was identified on a Wednesday, but the family reunification packet was not sent to the sponsor until Friday, 2 days later. YFT could not explain the delay and stated that there were no notes from the case manager explaining why the packet was sent late. YFT had procedures for sending the family reunification packet; however, those procedures did not explicitly state that the packets must be sent to a sponsor within 24 hours and that staff should document the reason for any delays in sending the packets. These delays in sending the family reunification packet to a sponsor may have lengthened the time children remained in YFT's custody.

Notifications of the Imminent Release of a Child to a Sponsor Were Missing or Not Sent Within the Required Timeframe

For 21 of the 100 files we reviewed, YFT could not provide documentation that it gave DHS the required amount of notice of the imminent release of a child.

Of those 21 files, 10 were for children released while the 24-hour notice requirement was in effect. For 9 of those 10 files, YFT was unable to provide any documentation of DHS notification of the imminent release of the child. For 1 of the 10 files, YFT sent the notification to DHS 8 hours before the child was released.

For the remaining 11 files, ORR policy required the care provider to notify DHS before the child's physical release to allow DHS an opportunity to comment on the release and prepare paperwork. For 10 of those 11 files, YFT was unable to provide any documentation of DHS notification of the imminent release of the child. For 1 of the 11 files, YFT sent the notification to DHS 4 minutes before the child was released. Although this notification was sent before the child was released, 4 minutes is not a reasonably sufficient amount of time for DHS to comment on the child's release and prepare paperwork.

As a result of these notifications not being sent within the required timeframes, ORR could not be assured that DHS was aware of the imminent release of a child, was afforded the opportunity to comment on the child's release, and was provided with time to prepare paperwork.

YFT stated that ORR did not require it to keep DHS emails and that the UAC file checklist, which ORR reviewed, did not specifically state that these emails must be retained. Also, YFT stated that not all documentation could be located and that it was difficult to notify DHS promptly because 24 hours was not enough time to both notify DHS before the child's release and coordinate a child's departure. We found that YFT's policies and procedures did not direct staff to notify DHS via email as required before the release of a child and therefore were not adequate to ensure staff were aware of and complied with all requirements.

Youth For Tomorrow Did Not Meet Pre-Employment Background Investigation Requirements for Some Staff

Federal Requirements

ORR requirements state that facilities must complete a background investigation of all employees before hire; this background investigation includes a Federal Bureau of Investigation (FBI) fingerprint check of national and State criminal history databases and a State child protective services (CPS) check (P&P Manual § 1.01; Policy Guide § 4.3.2).¹¹

Some Background Investigations Were Not Completed Within the Required Timeframe

Of the 25 employees associated with the employee files that we reviewed, 3 did not have complete FBI background checks, CPS background checks, or both FBI and CPS background checks before the employee was hired or before the employee began working with children. Specifically, one maintenance assistant employee's FBI fingerprint criminal history and CPS checks were completed after the employee's start date, one case manager's CPS check was

¹¹ The Policy Guide requires that a prospective applicant undergo a CPS check in all States where the applicant was a resident during the 5 years before the applicant applied for the position.

completed after the employee's start date and after the employee began working unsupervised with children, and one case aide's CPS check was completed after the employee's start date.

These background checks were not completed within the required timeframe because YFT human resources staff failed to follow YFT's background investigation policy and procedures manual. Because YFT did not ensure that its human resources staff followed its background investigation policy, it may have compromised the care and safety of children.

YOUTH FOR TOMORROW REPORTED INCORRECT DEMOGRAPHIC AND EDUCATIONAL DATA IN ITS ANNUAL PERFORMANCE REPORT

Federal Requirements

Award recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award (45 CFR § 74.51).¹² ORR requires care providers to submit quarterly and annual performance reports and to comply with other measures to ensure program integrity and accountability (P&P Manual § 4.03; Policy Guide § 5.6). These performance reports contain critical information about the children served, including demographics, educational activity, and other accomplishment data that ORR uses in its public reports.

Data in Youth For Tomorrow's Annual Performance Report Were Either Inconsistent With Data in Supporting Documentation or Were Incorrect

Information in YFT's submitted annual performance report was not consistent with the information in its supporting documentation. The UAC demographics data reported in YFT's submitted annual performance report did not match the data in the supporting documentation. For example, the annual performance report showed a total of 262 children served in FY 2015; however, the supporting documentation showed that there were 266 total children served in FY 2015.¹³ The annual performance report also showed a total of 186 children reunited with sponsors for FY 2015, but the databases showed that there were 164 total children reunited with sponsors for FY 2015. YFT stated that when its computer systems failed to provide correct data, staff had to tally this data by hand. This inconsistency occurred because there were no procedures or controls to verify that all data were collected and reconciled.

Additionally, the educational activity that YFT reported on its annual performance report was incorrect. The annual performance report showed 1,430 total academic hours, but there was no support for that number. YFT stated that that number was incorrect and that the

¹² 45 CFR § 75.342(a).

¹³ This supporting documentation included information from two databases and staff's handwritten and electronic summaries and notes. The databases, Education Edge and FAMCare, are YFT's internal databases for tracking information used in its performance reports.

information was not reviewed before it was submitted to ORR. The data were incorrect because YFT did not have procedures to collect and verify educational activity data.

Without accurate data reported in annual performance reports, ORR cannot be assured that it has accurate information about numbers of children cared for and released and the services provided to those children while in care.

YOUTH FOR TOMORROW CLAIMED UNALLOWABLE AND POTENTIALLY UNALLOWABLE EXPENDITURES

Maintenance, Administrative, and Educational Staff Salaries Were Allocated Using Estimates

YFT charged a total of \$1.5 million in salary expenditures to UAC grant awards based on budget estimates and not the actual amount of time employees spent on the UAC program. These salary expenditures were charged to grant funds awarded both before and after December 26, 2014, and different Federal regulations apply to grant funds awarded before and after that date. However, under the provisions of both regulations, these expenditures were potentially unallowable as explained below. YFT did not maintain records demonstrating the actual amount of time that each employee spent on the UAC program, and, because it used budget estimates, YFT charged potentially higher salary expenditures to the grant awards than it should have.

Salary Expenditures Charged to Grant Funds Awarded Before December 26, 2014, Included Potentially Unallowable Expenditures

For grant funds awarded before December 26, 2014, 45 CFR part 74 applies and incorporates the cost principles in 2 CFR part 230. A cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to that Federal award in accordance with the relative benefits received (2 CFR part 230, App. A, A.4.a.). Charges to awards for salaries and wages must be based on documented payrolls approved by a responsible official of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports (2 CFR part 230, App. B, 8.m.(1)). Reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards. Budget estimates do not qualify as support for charges to awards (2 CFR part 230, App. B, 8.m.(2)(a)).

YFT charged \$364,502 in salaries to the UAC grant award based on budget estimates¹⁴ and did not maintain personnel activity reports demonstrating the actual amounts of time or effort that employees devoted to the UAC program. This amount includes salaries for 12 maintenance personnel as well as 7 administrative staff, including the Directors of Program Services and Clinical Services (whose duties and responsibilities covered multiple programs), and 15

¹⁴ Depending on the employee's position, YFT used budget estimates of 50, 60, or 86 percent. These estimates were intended to represent the percentage of work hours a full-time employee would devote to the UAC program.

educational employees, including 1 teacher who only provided services to the Standard program.

By using budget estimates, YFT charged potentially higher salary expenditures to the grant award than it should have because the budget estimates did not reflect the actual time spent on the UAC program. Therefore, these salary expenditures are potentially unallowable. However, since we do not know what the appropriate time or effort should have been, we cannot calculate the actual amount that YFT should have claimed.

YFT charged salary expenditures using budgeted estimates because it did not have a procedure or system to capture what programs each employee actually worked on and how much time each employee actually devoted to the UAC program. Without such a procedure or system, YFT could not provide reasonable assurance that salaries were accurate, allowable, and properly allocated to the UAC program.

Salary Expenditures Charged to Grant Funds Awarded After December 26, 2014, Included Potentially Unallowable Expenditures

For grant funds awarded after December 26, 2014, 45 CFR part 75 applies. A cost is allocable to a particular Federal award based on the relative benefits received (45 CFR § 75.405). Charges to Federal awards must be supported by records that support the distribution of the employee's salary or wages among specific activities and cost objectives if the employee works on more than one program or activity (45 CFR § 75.430(i)(1)(vii)). The grantee must maintain a system of internal controls that provides reasonable assurance that the charges are accurate, allowable, and properly allocated (45 CFR § 75.430(i)(1)(i)). Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed and the system of internal controls includes processes to review after-the-fact interim charges made to Federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated (45 CFR §§ 75.430(i)(1)(viii)(A) and (C)).

YFT charged \$1.1 million¹⁵ in salaries to the awards based on budget estimates, did not maintain records that supported the distribution of employees' salaries or wages, and did not have a system to allocate actual expenditures based on actual amounts of time or effort that employees devoted to the UAC program. This amount includes salaries for 12 maintenance personnel as well as 8 administrative staff, including the directors of program services and clinical services (whose duties and responsibilities covered multiple programs), and 14 educational employees, including 1 teacher who only provided services to the Standard program.

¹⁵ The full amount was \$1,135,716.

By using budget estimates, YFT charged potentially higher salary expenditures to the grant awards than it should have because the budget estimates did not reflect the actual time spent on the UAC program. Therefore, these salary expenditures are potentially unallowable. However, since we do not know what the appropriate allocations should have been, we cannot calculate the actual amount that YFT should have claimed.

YFT charged salary expenditures using budgeted estimates because it did not have a procedure or system to capture what programs each employee actually worked on and how much time each employee actually devoted to the UAC program. Without such a procedure or system, YFT could not provide reasonable assurance that salaries were accurate, allowable, and properly allocated to the UAC program.

Shared Expenditures Were Not Allocated in Proportion to Benefits Received

Federal Requirements and Guidance

A cost is allocable to a particular cost objective, such as a grant, in accordance with the relative benefits received (2 CFR part 230, App. A, § A.4.a).¹⁶ The *HHS Grants Policy Statement*, part II-44, states that if a cost benefits two or more projects or activities (in proportions that can be determined without undue cost or effort), that cost should be allocated to the projects on the basis of the proportional benefit.

Direct costs are those costs that can be identified specifically with a particular final cost objective (2 CFR part 230, App. A, § B).¹⁷ Indirect costs are those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Since nonprofit organizations have diverse characteristics and accounting practices, it is not always possible to specify the types of cost that may be classified as indirect costs. However, typical examples of indirect costs include depreciation or use allowances on buildings and equipment; the costs of operating and maintaining facilities; and general administration and expenses such as the salaries and expenses of executive officers, personnel administration, and accounting (2 CFR part 230, App. A, § C).¹⁸

The Allocation Ratio Was Not Based on Licensed Capacity

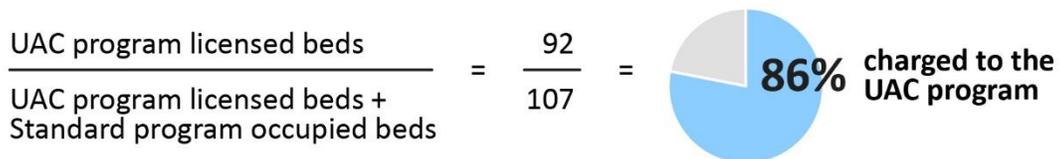
YFT allocated shared expenditures to the UAC program using a ratio of all licensed UAC beds (both occupied and unoccupied) to all licensed UAC beds (both occupied and unoccupied) plus occupied Standard beds. By using only Standard program occupied beds in the ratio instead of all Standard program licensed beds, YFT disproportionately allocated a larger amount of

¹⁶ 45 CFR § 75.405(a).

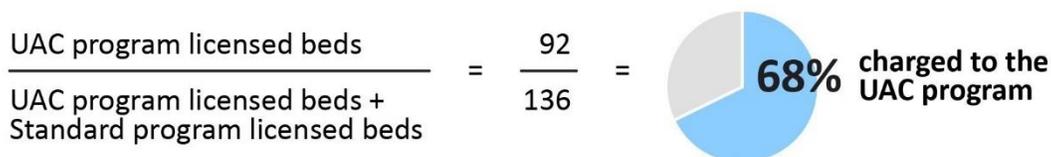
¹⁷ 45 CFR § 75.413(a).

¹⁸ 45 CFR § 75.414(b).

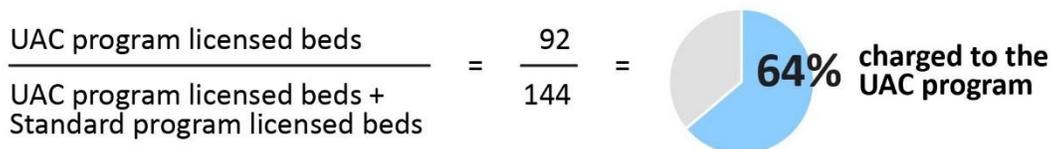
expenditures to the UAC program. This allocation resulted in 86 percent of shared expenditures being charged to the UAC program:



This was not a reasonable allocation because it did not treat UAC program beds and Standard program beds in the same way. Had YFT treated the Standard program in the same way that it treated the UAC program, the percentage allocated to the UAC program would have been smaller. During the audit period, the number of Standard program licensed beds increased. Therefore, using licensed beds as the basis for allocation would have resulted in the following allocation for October 1, 2014, through April 16, 2015:



For April 17, 2015, through September 30, 2015, the allocation would have been:



Using this unreasonable allocation ratio methodology, YFT allocated approximately \$1.35 million in potentially unallowable expenditures to the UAC program as direct expenditures. This issue occurred because YFT did not have policies in place to apply an appropriate allocation methodology to claim actual grant expenditures. Since we do not know what the appropriate allocation methodology should have been, we cannot calculate the actual amount that should have been claimed.¹⁹ YFT also claimed up to \$235,253²⁰ in indirect expenditures related to these direct expenditures.

¹⁹ YFT applied its unreasonable allocation ratio methodology to multiple expenditures for which we found other errors. For these expenditures, we were unable to calculate the actual amounts that should have been claimed.

²⁰ We calculated this amount by multiplying the \$1,352,027 in expenditures claimed using this ratio by YFT's approved indirect cost rate of 17.4 percent.

Unallowable and Unapproved Expenditures Were Allocated Using an Unreasonable Allocation Ratio Methodology

Federal Requirements

Capital expenditures, including construction, renovation, and other improvement costs to land, buildings, and equipment, are unallowable as direct charges unless the awarding agency approves them in advance (2 CFR part 230, App. B, §§ 15.b(1) and (3)).²¹ According to the Funding Opportunity Announcement for this award, construction was not an allowable activity or expenditure. Additionally, if a grantee purchased personal property of any kind, it would have to submit a Tangible Personal Property Standard Form (SF-428) to ACF.²²

In determining reasonableness of a given cost, consideration must be given to: (1) whether the cost is of a type generally recognized as ordinary and necessary for operation of the grantee or performance of the award; (2) the restraints and requirements of sound business practices, applicable laws, and the terms and conditions of the award; (3) whether the grantee acted with prudence considering its responsibility to the Government; and (4) whether the grantee has deviated from its established practices or policies (2 CFR part 230, App. A.3).²³

Potentially Unallowable Expenditures Were Included in the Allocated Expenditures

YFT used its unreasonable allocation ratio methodology to claim \$210,037 in potentially unallowable expenditures. This amount consisted of:

- \$136,992 in construction expenditures related to a major renovation to convert an activities center into a residence and new projects at the main campus;
- \$31,718 in equipment expenditures related to two campus trailers that housed YFT's human resources and accounting staff offices;
- \$31,139 in vehicle expenditures related to a main campus vehicle and gasoline, repairs, and fees for campus vehicles; and
- \$10,188 in employee appreciation expenditures consisting of gifts, celebratory meals, and flowers.

ORR stated that it would not have approved the vehicle expenditures because only those vehicles assigned to UAC residences to transport children in the UAC program would be allowable according to the budget.

²¹ 45 CFR §§ 75.439(a)(1) and (3).

²² Tangible personal property consists of items such as equipment and supplies.

²³ 45 CFR § 75.404.

These errors occurred because YFT did not have policies and procedures in place to identify unallowable grant expenditures. Since we do not know what the appropriate allocation methodology should have been, we cannot calculate the actual amount that should have been claimed.

Unapproved Expenditures Were Included in the Allocated Expenditures

YFT used its unreasonable allocation ratio methodology to claim \$23,390 in potentially unallowable unapproved expenditures. This amount consisted of:

- \$15,581 for a dishwasher at the main campus cafeteria and
- \$7,809 for a lawn-mowing tractor at the main campus.

YFT did not submit an SF-428 for either the dishwasher or the tractor. These items were not included in the budget but could have been approved had YFT submitted a revised budget with cost justifications or submitted an SF-428 form for approval.

These errors occurred because YFT did not have policies and procedures in place to identify items that need advance approval to be allowable grant expenditures. Since we do not know what the appropriate allocation methodology should have been, we cannot calculate the actual amount that should have been claimed.

Employee Appreciation Expenditures Were Unallowable

Federal Requirements

Costs related to employee well-being are allowable if reasonable and incurred in accordance with the nonprofit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance (2 CFR part 230, App. B.13).²⁴

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration must be given to: (1) whether the cost is of a type generally recognized as ordinary and necessary for operation of the grantee or performance of the award; (2) the restraints and requirements of sound business practices, applicable laws, and the terms and conditions of the award; (3) whether the grantee acted with prudence considering its responsibility to the Government; and (4) whether the grantee has deviated from its established practices or policies (2 CFR part 230, App. A.3).²⁵

²⁴ Under 45 CFR § 75.437(a), a cost incurred for employee health and welfare must be in accordance with documented policies.

²⁵ 45 CFR § 75.404.

Unallowable Employee Appreciation Expenditures Were Charged to the Unaccompanied Alien Children Program

We found that 12 transactions charged to the UAC program totaling \$10,336 for “Employee Appreciation” were unallowable.²⁶ These expenditures included gift cards totaling \$10,030 given to employees and flowers totaling \$306. These expenditures were not in accordance with YFT’s established practice or custom or written policies.²⁷ In addition, these expenditures were not necessary for the performance of the award and represent funds that should have been used for program purposes.

These errors occurred because YFT did not have a policy or procedure for identifying expenditures that were not in compliance with Federal requirements. YFT stated that these expenditures were for employees who worked extra hours and that these expenditures were included in the employees’ taxable wages. However, we confirmed that these expenditures were not included in the employees’ taxable wages.

Expenditures Unrelated to the Unaccompanied Alien Children Program Were Unallowable

Federal Requirements

To be allowable under an award, costs must be reasonable, allocable, and adequately documented (2 CFR part 230, App. A, § A.2).²⁸ Among other factors, a cost is allocable if it is incurred specifically for the grant awards and it is necessary for the operation of the organization (2 CFR part 230, App. A, § A.4.a).²⁹

Unrelated Expenditures Were Charged to the Unaccompanied Alien Children Program

Of the 100 transactions in our judgmental sample, 4 transactions totaling \$6,515 were unallowable because they were not incurred for the benefit of the UAC program. Specifically:

- one transaction totaling \$5,285 was for real estate taxes related to a construction note for YFT to build a new Standard residence for girls on its main campus;
- one transaction totaling \$609 was for various information technology items, including a desktop computer, extra computer memory, and a desktop monitor for the Standard program;

²⁶ 100 percent of these expenditures were charged to the awards.

²⁷ YFT did not have specific policies for defining and quantifying its employee recognition program, and it did not provide support for these expenditures.

²⁸ 45 CFR § 75.403.

²⁹ 45 CFR § 75.405(a)(1).

- one transaction totaling \$510 was for consulting services for the facility to learn how to become a Medicaid C provider; and
- one transaction totaling \$111 was for lunch provided to construction workers building a new worship center on YFT's main campus.

These errors occurred because YFT did not have a policy or procedure for identifying expenditures that were not in compliance with Federal requirements, and YFT stated that it was unfamiliar with Federal requirements that do not allow grantees to claim certain expenditures.

The Approved Indirect Cost Rate Was Not Used for Reimbursement

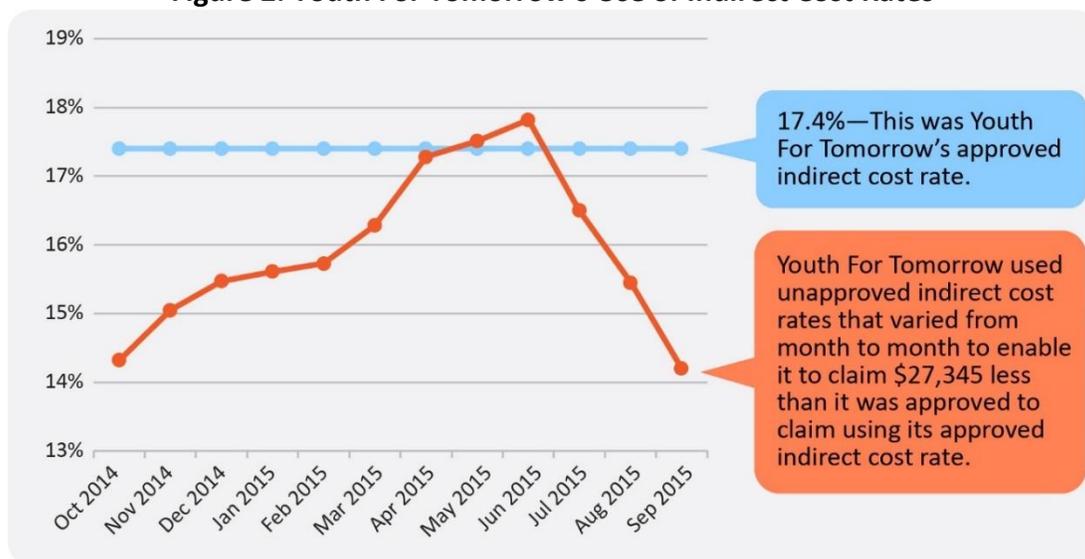
Federal Requirements

HHS's *Grants Policy Statement*, part II-26, states that if reimbursement of indirect costs is allowable under an award, HHS will not reimburse those costs unless the grantee has established an indirect cost rate covering the applicable activities. In addition, part II-54-55 states that if a grantee has unforeseen increased costs for a current budget period within the scope of the approved award, the grantee must submit a written request for additional funding. According to the Funding Opportunity Announcement for this award, a grantee should claim indirect costs only when it has an indirect cost rate approved by HHS, and the grantee must use the approved indirect cost rate when requesting reimbursement.

Unapproved Indirect Cost Rates Were Used

During our audit period, YFT had an approved indirect cost rate of 17.4 percent but did not use it to claim reimbursement for its indirect expenditures. Instead, it claimed indirect expenditures based on internally determined, unapproved indirect cost rates that varied from month to month and ranged from 14.20 percent to 17.82 percent. (See Figure 2 on the next page for the indirect cost rates that YFT used and how those rates compared with YFT's approved indirect cost rate.)

Figure 2: Youth For Tomorrow's Use of Indirect Cost Rates



YFT stated that it used these unapproved indirect rates to enable it to stay within its overall approved costs. However, YFT was required to use its approved indirect cost rate to claim indirect expenditures. According to HHS’s Cost Allocation Services, YFT cannot unilaterally stop using an indirect cost rate agreement.

YFT stated that it was unaware that its actions were not in compliance with Federal requirements and that indirect expenditures for this grant would only be reimbursed if YFT used its approved indirect cost rate. In addition, YFT did not have policies and procedures in place to claim indirect expenditures based on its approved indirect cost rate.

CONCLUSION

CARE AND RELEASE OF CHILDREN

Dates on UAC assessments did not correspond to children’s lengths of stay, and YFT had deficiencies related to family reunification packets, DHS pre-release notifications, and background checks. These deficiencies resulted from YFT lacking adequate procedures and not following established policies and procedures related to the care and release of children in the UAC program.

Delayed employee background checks may have put the care and safety of children at risk. In addition, delays in sending the family reunification packet to a sponsor may have impacted the length of time children remained in YFT’s custody. Late UAC assessments also may have compromised children’s care and safety because these assessments help identify vital information about children’s family members, immediate medical or mental health concerns, current medications, and any concerns about personal safety that the child may have.

In addition, YFT could not provide ORR with assurance that children in its custody were properly assessed, that it informed DHS of children’s imminent release, and that it provided DHS with the opportunity to comment on children’s imminent release and prepare paperwork.

ANNUAL PERFORMANCE REPORT DATA

The data in YFT’s annual performance report were incorrect because there were no procedures or controls to verify that all data were collected and reconciled. Therefore, ORR cannot be assured that it has accurate information about numbers of children cared for and released and the services provided to those children while in care.

UNALLOWABLE AND POTENTIALLY UNALLOWABLE EXPENDITURES

YFT claimed unallowable and potentially unallowable expenditures because it lacked policies, procedures, or controls to: (1) apply an appropriate allocation methodology, (2) claim expenditures appropriately, (3) identify unallowable expenditures, and (4) identify expenditures that would have required advance approval to be allowable. YFT also used unapproved indirect cost rates.

YFT charged potentially overstated salary expenditures to the grant awards because the budget estimates did not reflect the actual time employees spent on the UAC program. However, since we do not know what the appropriate allocations should have been, we cannot calculate the actual salary amount that YFT should have claimed. Similarly, for those expenditures claimed using an unreasonable allocation ratio methodology, we cannot calculate the actual amounts that should have been claimed. Table 1 summarizes the amounts associated with these issues.

Table 1: Potentially Unallowable Expenditures

Issue	Associated Amount
Maintenance, administrative, and educational staff salaries were allocated using estimates, not actual amounts	\$1,500,218
Shared direct expenditures were not allocated in proportion to the benefits received by each program	1,352,027
Indirect expenditures were not allocated in proportion to the benefits received by each program	Up to 235,253
Unallowable expenditures were allocated using an unreasonable allocation ratio	210,037
Unapproved expenditures were allocated using an unreasonable allocation ratio	23,390

The remaining unallowable expenditures were not allocated using an unreasonable allocation methodology and were not based on estimates; instead, they were unallowable because they were not in accordance with Federal requirements. The funds should have been used for appropriate UAC program purposes such as caring for the children in YFT’s custody. Table 2 on the following page summarizes these issues and their associated amounts.

Table 2: Unallowed Expenditures

Issue	Associated Amount
Employee appreciation expenditures were unallowable	\$10,336
Expenditures were not related to the UAC program	6,515

Finally, YFT claimed indirect expenditures based on internally determined, unapproved indirect cost rates instead of using its approved indirect cost rate to claim reimbursement for its indirect expenditures. The result was that YFT was within its overall approved budget amount but not within its approved direct cost amount.

RECOMMENDATIONS

To address our findings regarding the care and release of children in its custody, we recommend that Youth For Tomorrow – New Life Center, Inc.:

- ensure that all case file documents are accurately timestamped to the date they are actually completed and that all staff are trained on how to properly maintain accurate and up-to-date case files;
- strengthen existing procedures to ensure that family reunification packets are sent within required timeframes;
- develop policies and procedures for promptly notifying DHS of the imminent release of a child to a sponsor and document and maintain all correspondence; and
- ensure that all employees follow policies and procedures requiring Federal and State background investigations to be completed before staff begin working with children, provide relevant training to appropriate staff, and document and maintain documentation of all results.

To address our finding regarding annual performance report data, we recommend that Youth For Tomorrow – New Life Center, Inc., implement procedures and controls for collecting and reconciling information contained in its performance reports by developing protocols for collecting required data, handling system failures, and resolving discrepancies to ensure that all performance reports are accurate, verifiable, and reviewed before release to ORR.

To address our findings regarding unallowable and potentially unallowable expenditures, we recommend that Youth For Tomorrow – New Life Center, Inc.:

- work with ORR to develop allowable methodologies to allocate salaries, develop a procedure or system to capture what programs each employee actually worked on, and determine what portion of the \$1,500,218 in salaries charged based on budget estimates was accurately charged to the UAC program and refund to the Federal Government any unallowable portion;

- work with ORR to determine an allocation methodology or plan to claim shared direct expenditures in proportion to benefits received, develop a policy to reflect this methodology or plan, determine whether any of the \$1,352,027 in direct expenditures and up to \$235,253 in related indirect expenditures allocated using the unreasonable allocation ratio was allowable, and refund to the Federal Government any unallowable portion;
- develop policies and procedures for identifying allowable shared UAC program costs, including items that need advance approval, determine whether any of the \$210,037 in potentially unallowable and \$23,390 in potentially unallowable unapproved expenditures would be allowable under the newly approved allocation methodology or plan, and refund to the Federal Government any unallowable or unapproved portion;
- develop policies and procedures for identifying shared UAC program costs not in compliance with Federal requirements and refund \$10,336 in unallowable employee appreciation expenditures;
- develop policies and procedures for identifying direct UAC program costs not in compliance with Federal requirements and refund \$6,515 in unallowable expenditures not related to the UAC program; and
- develop policies and procedures for claiming indirect expenditures based on the approved indirect cost rate.

YOUTH FOR TOMORROW COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, YFT concurred with one of our recommendations, partially concurred with three, and did not concur with the rest but described actions it took or plans to take to address them. YFT stated that due to our lack of communication with senior officials, the fieldwork conclusions resulted in an incomplete understanding of the methodologies utilized and accepted by ORR officials.

After reviewing YFT's comments, we maintain that our findings and recommendations are valid. Throughout the audit process, we maintained communication with YFT senior officials and support staff. For each of the findings in our report, we identified Federal policies and requirements applicable during our audit period. We also reviewed YFT's Accounting Policies and Procedures Manual, including those sections related to the UAC program, internal controls, cost-sharing allocation ratio, and the Cost Policy Statement.

YFT's comments are included as Appendix H. We excluded 46 pages of attachments because they contained: (1) personally identifiable information, (2) information that was not relevant to our findings, conclusions, and recommendations because it did not apply to our audit period, and (3) information previously collected during our fieldwork.

CARE AND RELEASE OF CHILDREN

Youth For Tomorrow Comments

YFT concurred that 2 UAC assessments may not have been conducted within the required timeframe and that 18 family reunification packets were not sent within 24 hours. However, it did not concur with our remaining findings and all of our recommendations related to the care and release of children. Specifically:

- UAC assessments: YFT stated that 87 UAC assessments³⁰ were not printed by the seventh day but that the printed date does not negate the completion dates of other documents in the file.
- Family Reunification Packets: For the remaining family reunification packet errors, YFT stated that the case files contained documentation showing why the family reunification packets were not sent within 24 hours.
- DHS notifications: YFT stated that it agreed that all but six case files did not have Discharge Notification Form emails retained in the files. YFT stated that the emails were not retained because ORR's Master File Checklist did not specify that they had to be retained. YFT also stated that it asked us to communicate with DHS regarding YFT's correspondence with DHS.
- Background checks: YFT stated that one employee was not required to have a background check and did not have direct access to children, one employee was a contractor who was supervised when working with children until background checks cleared, and one employee was a temporary employee from a temporary agency that conducted its own background checks.

YFT stated that it has taken corrective actions to address some of our findings and recommendations. These actions include saving UAC assessment documents on the day they are completed, training case managers to thoroughly indicate the timeline of events and work relating to the family reunification process, and retaining all DHS emails. YFT also updated its background investigation policy.

Office of Inspector General Response

We maintain that our findings and recommendations related to the care and release of children are valid and accurate based on the documentation YFT provided. YFT did not provide any additional information or documentation in response to our draft report that would change our findings and recommendations. Regarding the actions YFT officials stated have been instituted

³⁰ In its comments, YFT referred to numbers from an earlier version of our findings and not those in the draft report. YFT's response to the draft report did not provide additional documentation that would change the number of errors.

to address these findings, we defer to ORR to review these actions and determine whether they are consistent with current program policies and procedures.

- UAC assessments: We reviewed the other documents in the case files provided during the fieldwork. Regardless of when the UAC assessment form was printed, the date the case manager certified on the UAC assessment should be the date the assessment was performed and not the print date or a date that is exactly 7 days after the child was admitted to the facility.
- Family reunification packets: We reviewed all corroborating documentation YFT provided during the fieldwork. These documents did not support the completion dates on the family reunification packets and did not sufficiently explain delays in sending family reunification packets to sponsors.
- DHS notifications: Our finding was about missing or late DHS notifications of the imminent release of a child and not Discharge Notification Form emails. Discharge Notification Form emails were sent after the child was released to a sponsor and do not provide support for notification to DHS of the imminent release of a child. In addition, YFT, not DHS, is responsible for retaining support documentation showing that it met ORR requirements.
- Background checks: ORR's policies do not have different background check requirements for contractors, temporary employees, and full-time employees. ORR's policy requires employees and contractors with direct access to children to undergo background checks regardless of whether they are supervised when working with children. YFT is responsible for ensuring that all employees and volunteers, regardless of whether they were hired through a temporary agency, complete the required background checks. Although the maintenance assistant's regular duties did not include supervising children, maintenance assistants' presence at a facility gives them the opportunity for direct access to children.

ANNUAL PERFORMANCE REPORT DATA

Youth For Tomorrow Comments

YFT did not concur that the data in its annual performance report was incorrect and maintained that the academic hours and the number of UAC program children it reported were correct.³¹ YFT maintained that it served 262 children and reunited 186 and provided 220 days of school and each school day is 6.5 hours. YFT used three electronic record systems, which YFT officials described as having technical issues that resulted in the systems counting some children twice. Because of this, YFT keeps concurrent "hand-tallied" spreadsheets. These separate systems are YFT's controls to verify that the data is collected and reconciled accurately.

³¹ In its response, YFT addressed this recommendation with the care and release recommendations.

Office of Inspector General Response

We maintain that YFT reported incorrect demographic and educational data. In YFT's UAC census, YFT stated that it served 266 children and reunited 164, and we verified that no child was counted twice. These numbers should have been reported on YFT's annual performance report. Although in its comments YFT provided a new calculation for educational data, that calculation did not match the supporting documentation that YFT provided during the audit. During our fieldwork, YFT officials stated that the computer and manual systems it used did not always yield consistent data and that the educational data it reported was incorrect and was not reviewed before it was submitted to ORR.

UNALLOWABLE AND POTENTIALLY UNALLOWABLE EXPENDITURES

Youth For Tomorrow Comments

YFT concurred that \$6,515 in unallowable direct expenditures were inadvertently applied to the incorrect cost center and asserted that it applied the correct indirect cost rate on the final financial report and used internal invoices for internal tracking purposes only but did not concur with the remainder of our findings and recommendations related to unallowable expenditures. Specifically:

- Salaries: YFT stated that: (1) its Accounting Policies and Procedures Manual and Cost Policy Statement documented its policies and methodologies; (2) ORR agreed that YFT's methodologies for allocating shared residential salaries were fair; and (3) ORR did not require YFT to obtain an indirect rate for shared residential costs. YFT detailed its rationale for allocating shared personnel salaries and teachers' salaries and stated that these were the best methods of proportional benefit and that the allocation for shared personnel salaries did not change during the grant period because the bed count did not change. Although the Standard program³² added eight beds during the grant period, YFT stated that these beds were for its mother/baby program; however, due to unique situations such as quarantine or law enforcement requirements that limit available beds, the added beds did not increase the total paying beds. YFT stated that employees and supervisors affirmed their timecards on a biweekly basis and thereby affirmed that the payroll allocations were valid.
- Allocation methodology for direct expenditures: YFT stated that it discussed the allocation methodology with ORR officials and that ORR did not require it to obtain an indirect rate allocation for the shared expenditures.
- Potentially unallowable and unapproved expenditures: YFT stated that it allocated allowable expenditures using a reasonable methodology for shared facility and common expenses and stated that replacement costs for two pieces of equipment were examples of judicious spending that best served UAC program children. YFT officials divided the

³² YFT referred to the Standard program as the "Domestic" program in its comments.

expenditures into eight categories and provided detailed explanations for why each category was allowable.

- Unallowable employee appreciation expenditures: YFT stated that it had a policy that addresses the intent of the Federal requirements.
- Indirect cost rate: YFT stated that it applied its approved indirect cost rate of 17.4 percent as evidenced by its Federal financial report and pointed out that its actual indirect costs were \$27,345 less than its approved budget for indirect costs. YFT also stated that it has policies and procedures in place because it has a Cost Policy Statement and an Accounting Policies and Procedures Manual that specify that its indirect rate must be applied to all programs based on the costs of the specific program.

Although YFT did not concur with most of our findings and recommendations, its officials stated that they would be willing to work with ORR to develop a fair and reasonable alternative allocation method for capturing employees' time that appropriately reflects the proportion of benefits received by the UAC program. They also stated that they would be willing to work with ORR to develop a fair and reasonable allocation method for commonly shared expenditures that appropriately reflects the proportion of benefits received by the UAC program.

Office of Inspector General Response

We maintain that our findings and recommendations related to unallowable and potentially unallowable expenditures are valid and accurate. YFT did not provide any additional information or documentation in response to our draft report that would change our findings and recommendations. We appreciate YFT's willingness to work with ORR in the future to develop fair and reasonable methodologies to claim certain salaried personnel and shared direct expenditures and that YFT recognizes the \$6,515 in unallowable expenditures.

We continue to recommend that YFT refund the \$10,336 in unallowable employee appreciation expenditures and \$6,515 in unallowable expenditures not related to the UAC program. We also continue to recommend that YFT develop policies and procedures to claim only allowable grant expenditures, refund to the Federal government any amount that ORR deems unallowable, and develop policies and procedures to claim indirect expenditures based on its approved indirect cost rate.

- Salaries: YFT's correspondence with ORR officials showed ORR's approval for the budget, not approval to claim actual salary costs based on allocations or estimates. In addition, YFT's statement that the shared allocation on staff timecards did not change because the bed count remained consistent due to unique situations during the grant period is inconsistent with the occupancy documentation YFT provided.³³ The Standard program increased its bed count during the grant period, and this increase was for eight

³³ According to YFT, this allocation represents the percentage of the shared campus operation costs that benefited each residential program.

additional male beds. These beds were re-licensed as female beds only after the grant period. Finally, the sampled timecards had payroll allocations that were pre-set to match the budget estimates, and they were not adjusted to reflect the time employees actually worked on each project. If budget estimates are used during an interim period, the grantee must review and adjust these estimates as necessary to reflect the time employees actually worked on each project.

- Allocation methodology for direct expenditures: YFT's Accounting Policies and Procedures Manual contained an allocation methodology for shared personnel and expenses, but it was not an appropriate methodology because the manual did not: (1) define the term 'Paying Beds' for each residential program, (2) identify the source of these bed counts, (3) identify the cost centers to which the allocation ratio would be applied, and (4) identify the Federal requirements applicable during the grant period.
- Potentially unallowable and unapproved expenditures: Of the eight categories of expenditures YFT referred to in its response, one was for renovation costs for a non-UAC building during our audit period, two were for construction costs not approved in the budget, one was for ground repair costs that exceeded the budget, one was for campus vehicle expenses not approved in the budget, and one was for employee appreciation expenditures that were not monthly recognition costs in accordance with YFT's recognition program described in its employee handbook. Although leasing trailers was included in YFT's budget for use as case manager and clinician offices, YFT did not provide any documentation to support that the trailers were used for that purpose. Finally, for the two pieces of equipment that YFT replaced, YFT did not submit equipment costs for ORR's approval before purchasing the equipment as required.
- Unallowable employee appreciation expenditures: YFT's recognition program policy states that it is intended to recognize and reward the contributions of personnel at the beginning of each month. These expenditures were gift cards purchased in bulk around the winter holidays for staff and flowers given to employees for special occasions. These were unallowable as they were not a monthly recognition cost in accordance with YFT's policy.
- Indirect cost rate: The Federal financial report should reflect the actual monetary amount disbursed to the grantee and the actual Federal expenditures the grantee incurred for the grant period. Since the indirect costs submitted on the Federal financial report were the budgeted indirect costs and not actual indirect costs as required, this report was inaccurate and does not support that YFT applied its approved indirect cost rate. In addition, YFT's statement that it claimed \$27,345 less than its approved budget for indirect costs supports our finding that using unapproved indirect cost rates resulted in it claiming \$27,345 less than its approved budget for indirect costs and more than its approved budget for direct costs. Although YFT has an Accounting Policies and Procedures Manual and a Cost Policy Statement, these documents did not contain

procedural steps or details regarding how YFT should claim indirect expenditures for grant purposes based on its approved indirect rate.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 164 children released directly to sponsors, 130 staff for whom YFT charged salary expenses to the UAC program, and \$9.2 million in Federal funds received for our audit period (October 1, 2014, through September 20, 2015).

Our objective did not require an understanding of all of YFT's internal controls. We limited our assessment to YFT's controls pertaining to the selected health and safety factors we reviewed. We also reviewed YFT's internal controls related to its financial management system.

We performed our fieldwork from August 2016 through March 2019. In addition, we conducted a site visit to YFT's main campus in Bristow, Virginia, on August 23, 2016.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- reviewed YFT's grant documents and related policies and procedures;
- reviewed YFT's licensing documents, inspection results, and safety, risk, and management reports;
- interviewed YFT officials and ORR's FFS and project officers assigned to YFT;
- toured YFT's main campus and conducted a review of selected health and safety factors at the 6 residential houses that provided shelter care to UACs and noted any deficiencies;
- selected a statistical sample of 100 UAC case files for children released to sponsors during our audit period (Appendix E);
- reviewed and documented any deficiencies in the sampled UAC case files;
- estimated the number and percentage of children YFT released to sponsors without following ORR policies and procedures during our audit period (Appendix F);
- selected a judgmental sample of 25 employee files for review and documented any deficiencies;³⁴

³⁴ We sorted the list of employees alphabetically and selected every fifth full-time employee.

- reviewed estimates used to claim \$1,500,218 in salaries and documented any potential estimates and expenditures;
- reviewed the allocation ratio and \$1,352,027 representing allocated expenditures claimed using this ratio and documented any potential methodology and expenditures;
- reviewed indirect-cost-rate agreements, other alternative indirect rates, and all indirect expenditures totaling \$1,329,715 and documented any deficiencies;
- selected a judgmental sample of 100 financial transactions for review totaling \$80,229 and documented any questionable expenditures;³⁵
- selected a judgmental sample of certain direct cost categories for review totaling \$29,158 and documented any questionable expenditures;³⁶
- reviewed YFT’s Federal grant reports, both financial and programmatic, and related support documentation; and
- discussed our findings with YFT officials.

We conducted this performance audit 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.

³⁵ We sorted the expenditures in YFT’s 2 databases by cost category and selected every 35th transaction from the first database and every 33rd transaction from the second database for a total of 75 non-personnel transactions. We also selected 1 payroll period for each of the 25 employees previously sampled.

³⁶ We selected these categories based on descriptions of the accounts and whether the costs were approved in YFT’s budget.

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Southwest Key Programs Failed to Protect Federal Funds Intended for the Care and Placement of Unaccompanied Alien Children</i>	<u>A-06-17-07004</u>	9/16/2020
<i>Southwest Key Did Not Have Adequate Controls in Place To Secure Personally Identifiable Information Under the Unaccompanied Alien Children Program</i>	<u>A-18-18-06001</u>	8/15/2019
<i>Southwest Key Programs Did Not Always Comply With Health and Safety Requirements for the Unaccompanied Alien Children Program</i>	<u>A-06-17-07005</u>	8/15/2019
<i>The Children’s Village, Inc., an Administration for Children and Families Grantee, Did Not Always Comply With Applicable Federal and State Policies and Requirements</i>	<u>A-02-16-02013</u>	4/26/2019
<i>Lincoln Hall Boys’ Haven, an Administration For Children and Families Grantee, Did Not Always Comply With Applicable Federal and State Policies and Requirements</i>	<u>A-02-16-02007</u>	2/11/2019
<i>BCFS Health and Human Services Did Not Always Comply With Federal and State Requirements Related to the Health and Safety of Unaccompanied Alien Children</i>	<u>A-06-17-07007</u>	12/6/2018
<i>Florence Crittenton Services of Orange County, Inc., Did Not Always Claim Expenditures in Accordance With Federal Requirements</i>	<u>A-09-17-01002</u>	10/15/2018
<i>Heartland Human Care Services, Inc., Generally Met Safety Standards, but Claimed Unallowable Rental Costs</i>	<u>A-05-16-00038</u>	9/24/2018
<i>Florence Crittenton Services of Orange County, Inc., Did Not Always Meet Applicable Safety Standards Related to Unaccompanied Alien Children</i>	<u>A-09-16-01005</u>	6/18/2018
<i>BCFS Health and Human Services Did Not Always Comply With Federal Requirements Related to Less-Than-Arm’s-Length Leases</i>	<u>A-06-16-07007</u>	2/20/2018
<i>Office of Refugee Resettlement Unaccompanied Alien Children Grantee Review—His House</i>	<u>A-04-16-03566</u>	12/4/2017

APPENDIX C: FEDERAL REQUIREMENTS

FEDERAL REQUIREMENTS

45 CFR § 74.51, Monitoring and Reporting Program Performance

(a) Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award

(d) Performance reports shall generally contain, for each award, brief information on each of the following: (1) A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.

45 CFR § 75.342, Monitoring and Reporting Program Performance

(a) *Monitoring by the non-Federal entity.* The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity.

OFFICE OF REFUGEE RESETTLEMENT REQUIREMENTS

Reporting Program Performance

P&P Manual § 4.03 (8/21/2006)	Policy Guide § 5.6 (1/28/2015)
ORR's policy is that care providers shall report the status of Federal funds and shall adhere to reporting requirements as stated in the Cooperative Agreement. Care providers shall submit a Quarterly Program Progress Report due 30 days after the end of each budget year quarter and submit an Annual Program Report due 90 days after the end of each budget year. The report shall, at a minimum, provide information regarding adjustments and progress made toward meeting the specific goals and objectives of the Cooperative Agreement, comparison of actual accomplishments with the goals established for the program performance period, and reasons why established goals were not met, if applicable.	ORR-funded care providers submit quarterly and annual performance and financial status reports and comply with other measures to ensure program integrity and accountability.

Records Management

<p>P&P Manual §§ 1.02; 3.10 (8/21/2006)</p>	<p>Policy Guide §§ 3.3.1; 5.6.2; 5.6.3 (1/28/2015; 7/27/2015; 7/27/2015)</p>
<p>ORR’s policy is to ensure that UAC case files are comprehensive, complete, accurate, and up-to-date, and that confidentiality and security is maintained.</p> <p>Care providers shall develop, maintain, and safeguard individual UAC case files and develop an internal policy on staff access and use. This policy shall include a system of accountability that ensures completeness and accuracy of files, preserves the confidentiality of client information, and protects the records from unauthorized use or disclosure.</p> <p>Care providers shall establish an internal file review system to periodically review individual case files for completeness and accuracy. An internal case file review shall occur at a minimum of once per quarter.</p> <p><u>Documentation:</u> Case Managers shall maintain complete and updated case files for the UAC assigned to them. The case files should include detailed case notes regarding the child’s stay in care.</p> <p>Case Managers should also verify that other essential documentation is included in the child’s file including intake, assessment, legal, education, medical and mental health information.</p> <p><u>Monitoring Performance:</u> Case Managers are also responsible for the timely entry into the Tracking and Management System (TMS) database of accurate placement and reunification information for all UAC in their caseload. The Care Provider and the ORR track the placement-to-release ratio of the Care Provider with this information.</p>	<p>Within 7 days of an unaccompanied child’s admission, a trained staff member conducts an assessment that covers biographic, family, legal/migration, medical, substance abuse, and mental health history (the UC Assessment).</p> <p>Care providers must maintain comprehensive, accurate, and up-to-date case files as well as electronic records on unaccompanied children that are kept confidential and secure at all times and must be accessible to ORR upon request.</p> <p>Care providers must maintain comprehensive, accurate, and up-to-date case files as well as electronic records on unaccompanied children that are kept confidential and secure at all times and must be accessible to ORR upon request. (Electronic records include those on the care provider’s network drive as well as those on the ORR UAC Portal.)</p> <p>Care providers must ensure that all records are maintained and protected so that confidential information and data are secure and not accessed, used, or disclosed to unauthorized parties or improperly altered.</p> <p>Care Providers are also responsible for the timely entry of all required information into the ORR database.</p> <p>Care providers must establish an internal file review system to periodically (once per quarter, at the minimum) review individual case files for completeness and accuracy.</p>

Family Reunification Packet

<p>2014 Ops Manual §§ 4.101; 4.201 (11/25/2013; 4/4/2014)</p>	<p>Policy Guide §§ 2.1; 2.2.3 (1/27/2015)</p>
<p>ORR’s policy states that its primary objective of the family reunification and release process is to determine that a proposed custodian is capable of providing for a UAC’s physical and mental well-being.</p> <p>Each reunification application is handled expeditiously to ensure the timely release of a UAC to a sponsor who can provide for a UAC’s physical and mental well-being.</p> <p>ORR’s procedures for the care providers for initiating the family reunification is as follows:</p> <p>1) Within 24 hours of placement of the UAC in ORR custody:</p> <p style="padding-left: 40px;">a) The care provider staff speaks to the UAC and/or the UAC’s family (following safety protocols) to identify potential sponsors and identifies which category of sponsor the UAC has, following the criteria in the above instructions.</p> <p>2) Within 24 hours of identification of the sponsor, the care provider sends the sponsor the family reunification packet (FRP).</p>	<p>ORR has policies and procedures in place to ensure the care and safety of children who are apprehended in the United States without a parent or legal guardian available to provide care and custody and without immigration status. These policies require the timely release of children and youth to qualified parents, guardians, relatives or other adults, referred to as “sponsors.” Safe and timely release must occur within a setting that promotes public safety and ensures that sponsors are able to provide for the physical and mental well-being of children.</p> <p>All potential sponsors must complete an application in order for a child to be released to them from ORR custody (the “Family Reunification Application”).</p> <p>Within 24 hours of identification of a potential sponsor for a child or youth, the care provider sends the sponsor a package with the application and related documents (called the Family Reunification Packet or FRP).</p>

DHS Pre-Release Notification

2014 Ops Manual § 4.403 (4/4/2014)	Policy Guide § 2.8.2 (1/27/2015)
<p>Upon completion of the family reunification assessment process, Case Managers shall make a timely recommendation to the Case Coordinator for release.</p> <p>DHS must be provided with 24 hours to comment on the proposed release from the time the Case Manager sends the notice, by email, of the pending release request.</p>	<p><u>Transfer of Physical Custody</u></p> <p>Once ORR approves an unaccompanied child for release, the care provider collaborates with the sponsor to ensure physical discharge happens as quickly as possible (within 3 calendar days after ORR approves the release). The care provider notifies DHS prior to the physical release to allow DHS an opportunity to comment on the imminent release as well as time to prepare any DHS paperwork for the ICE Chief Counsel’s office.</p>

Employee Records

P&P Manual § 1.01 (8/21/2006)	Policy Guide § 4.3.2 (2/22/2015)
<p>ORR’s policy for general staffing is that care providers shall ensure that the following conditions are met:</p> <ul style="list-style-type: none"> • All staff and volunteers shall provide the following documentation, which is maintained in their personnel file (updates as required): <ul style="list-style-type: none"> a) Child Protective Services (CPS) background investigations, . . . c) Criminal and other background checks: local police, State, and FBI 	<p>Care provider facilities must complete background investigations on all staff, contractors, and volunteers prior to hire to ensure the candidate is suitable for employment to work with minors in a residential setting.</p> <p>The scope of background investigations must comply with State licensing requirements and ORR minimum standards, which include:</p> <ul style="list-style-type: none"> • An FBI fingerprint check of national and state criminal history repositories; and • A child protective services check with the staff’s State(s) of U.S. residence for the last five (5) years.

**APPENDIX D: SELECTED REQUIREMENTS FOR OFFICE OF REFUGEE RESETTLEMENT
CARE PROVIDER FACILITIES DURING OUR AUDIT PERIOD³⁷**

Care/Service	Requirement
Initial Intakes Assessment	Within 24 hours of receiving a child, facility staff conduct an assessment to gather information on family members, medical and mental health concerns, medications taken, and personal safety concerns.
Orientation	Within 48 hours of admission, facility staff provide an orientation to the child, including providing information on the care provider's rules, regulations, and procedures; the child's rights and responsibilities; and grievance policies and procedures.
Medical Services	Within 48 hours of arrival, children receive an initial medical examination, unless the child has been transferred from another ORR care provider and has documentation showing that the initial examination has already occurred.
Academic Educational Services	Within 72 hours of admission, the provider must conduct an educational assessment. Facilities must provide 6 hours of education per day, Monday through Friday, throughout the calendar year in basic educational areas (including English as a second language, if applicable).
Proper Physical Care	Children are provided suitable living accommodations, food, appropriate clothing, and personal grooming items.
Individual Child Assessment	Care providers must conduct intake/admission assessments and develop individual service plans (ISP) for UAC to ensure that their needs are accurately assessed and addressed.
Recreational and Leisure Services	Children are to engage in at least 1 hour of large muscle activity each day and 1 hour of structured leisure activity each day, per a recreational and leisure services plan.
Individual and Group Counseling Services	Children are provided at least one individual counseling session with a trained social worker and two group counseling sessions per week.
Legal Services Information	Children are provided information on legal rights and the availability of free legal services.
Reunification Services	Staff are required to identify sponsors and evaluate the suitability of the sponsor.

³⁷ P&P Manual §§ 2 and 3; Policy Guide §§ 2 and 3.

APPENDIX E: STATISTICAL SAMPLING METHODOLOGY

TARGET POPULATION

The population consisted of all children whom YFT released to sponsors during our audit period.

SAMPLING FRAME

We received an Excel file from YFT that listed 266 children whom it had served during our audit period. From this list, we removed those children who had been transferred. We also removed children who were 18 years of age or older at the time of their admission to YFT. The remaining 164 children, whom YFT directly released to a sponsor, constituted our sampling frame.

SAMPLE UNIT

The sample unit was a child YFT released to a sponsor during FY 2015.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected 100 children.

SOURCE OF RANDOM NUMBERS

We used the Office of Inspector General, Office of Audit Services (OIG, OAS), statistical software to generate the random numbers.

METHOD OF SELECTING SAMPLE ITEMS

We consecutively numbered the lines in the sampling frame from 1 to 164. After generating 100 random numbers, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

Using the OIG/OAS statistical software, we estimated the number and percentage of children YFT released to sponsors without following ORR policies and procedures during our audit period at the point estimate. We also used the software to calculate the corresponding lower and upper limits of the two-sided 90-percent confidence interval.

APPENDIX F: SAMPLE RESULTS AND ESTIMATES

Sample Details and Results

No. of Children in Sampling Frame	Sample Size	Timing Issues	Missing Documentation
164	100	28	19

Statistical Estimates

(Limits Calculated at the 90-Percent Confidence Level)

Estimate Description	Number			Percent		
	Lower Limit	Point Estimate	Upper Limit	Lower Limit	Point Estimate	Upper Limit
Child case files with at least one deficiency	60	69	78	37	42	48

APPENDIX G: DEFINITIONS³⁸

Care Provider—A care provider is any ORR-funded program that is licensed, certified, or accredited by an appropriate State agency to provide residential care for children, including shelter, group, foster care, staff-secure, secure, therapeutic, or residential treatment care.

Case Coordinators—Case coordinators are ORR nongovernmental contractor field staff who act as a local ORR liaison with care providers and stakeholders and who are responsible for making transfer and release recommendations.

Case Manager—The case manager is the care provider staff member who coordinates assessments of unaccompanied children, individual service plans, and efforts to release unaccompanied children from ORR custody, which includes conducting sponsor background investigations. Case managers also maintain case files for unaccompanied children and ensure that all services for children are documented.

Family Reunification Packet—The family reunification packet is an application and supporting documentation completed by potential sponsors who wish to have an unaccompanied child released from ORR into their care. ORR uses the application and supporting documentation, as well as other procedures, to determine the sponsor's ability to provide for the unaccompanied child's physical and mental well-being.

Federal Field Specialist (FFS)—Field staff who act as the local ORR liaison with care providers and stakeholders. An FFS is assigned to multiple care providers within a specific region and serves as the regional approval authority for unaccompanied children transfer and release decisions.

Legal Guardian—A legal guardian is a person who was appointed to charge or custody of a child in a court order recognized by U.S. courts.

Placements—The term placements includes initial placement of an unaccompanied child into an ORR care provider facility, as well as the transfer of an unaccompanied child within the ORR network of care.

Release—A release is the ORR-approved release of an unaccompanied child from the care and custody of ORR to the care of a sponsor.

Sponsor—A sponsor is an individual (in the majority of cases a parent or other relative) or entity to which ORR releases an unaccompanied child out of Federal custody.

³⁸ Definitions compiled from various ORR sources.

APPENDIX H: YOUTH FOR TOMORROW COMMENTS



Joe Gibbs
Founder and Chairman

Taylor O. Chess, President
Board Of Trustees

Dr. Gary L. Jones
Chief Executive Officer

May 29, 2020

Report Number A-03-16-00250

Ms. Nicole Freda
Regional Inspector General for Audit Services
Office of Audit Services, Region III
The Strawbridge Building, Suite 8500
801 Market Street
Philadelphia, PA 19107-3134

Dear Ms. Freda:

The following pages represent Youth For Tomorrow – New Life Center, Inc.'s response to the audit letter written April 30, 2020 by the Office of the Inspector General.

The audit of Youth For Tomorrow (YFT), an Administration for Children and Families Grantee, for the grant year beginning in October 2014 and ending in September 2015, began on August 22, 2016 and concluded with the audit letter issued on April 30, 2020.

As a former federal official, US Under Secretary of Education, the YFT CEO inherently understands and respects the role and responsibilities of the Office of the Inspector General (OIG) -- to ensure public funds entrusted to YFT for specific purposes were only utilized for those purposes. We believe we have proven such trust was warranted and honored.

Actually, we are so intent on providing appropriate services to children and allocating all ORR funding for the purposes tendered in our budget proposals, that we assiduously communicate with ORR officials on practically every allocation and voluntarily seek and receive an audit by an independent auditor and CPA with over 30 years of experience in auditing government contracts/grants (A-133/Single Audit). Upon completing his audit of these same data audited by ORR auditors, he clearly stated, *"During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses."* Furthermore, our CFO is a former auditor, and he as well as our Controller are both licensed CPA's. Their application of the Code of Federal Regulations (CFR's) was both judicious and applied in good faith in concert with approvals and acknowledgments received from ORR Officials.

We believe there are issues raised by the OIG's staff during the four years of audit since 2016 that require further explanation and understanding. In particular, the lack of communication with the relevant senior officials of YFT that were in a position to provide immediate feedback on some extremely important and fundamental conclusions that were reached during the field work part of the audit process. As a result, this failure to talk with our officials resulted in an incomplete understanding of the methodologies utilized by YFT, and acceptance of these methodologies by ORR officials. This is unfortunate as it resulted in the OIG Audit team's incorrect and pejorative

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1 | Page

judgments about what was done that now need to be corrected if YFT is to be evaluated impartially and factually.

On matters of equal importance in the utilization of these funds which were the subject of the audit, we iterate these facts from our eight (8) years serving the UAC children:

- Our corporation's financial and management records are audited annually by an independent auditor who is a credentialed CPA;
- Our personnel and children's records are impeccable and have been acknowledged as such by ORR and Virginia Department of Social Services officials and national accreditation organizations such as Council on Accreditation (NY, NY) and Joint Commission (Oakbrook Terrace, IL);
- During this pandemic health crisis, NOT A SINGLE CHILD has been infected with the COVID – 19 virus! This is due to steps taken as early as mid-February by YFT leadership to protect both children and staff.
- YFT has served 3,410 children since 2012, safely releasing all but the current 34 children to a sponsor in the United States or to family in their home country. No child has ever been harmed in our care.
- 100% of 206 UAC surveyed during the audit period reported they were highly satisfied with YFT's serves.
- Out of 1,379 UAC survey during this tri-annual reporting, 100% were satisfied or highly satisfied (85% highly satisfied) with their stay at YFT; and 99% reported they were treated well at YFT.
- Most of the UAC come to YFT have only the clothing YFT provides them through ORR funding. Through community donations such as Women Giving Back and others organizations YFT is able to provide additional clothing.
- The Hazel family funds Hispanic Heritage Celebrations and provides each children with suitcases upon release.
- YFT raises, through private philanthropy, approximately \$5 million annually to underwrite the cost of the YFT programs and facilities, many costs not reimbursed by ORR but clearly beneficial to the UAC children.
- Our highly trained professional staff, in the words of medical first responders, saved the lives of two HHS/ORR immigrant children who experienced heart seizures during a physical education class by applying emergency CPR to two teenage children;
- Our school records illustrate remarkable learning is achieved by these children who arrive on our "doorsteps" traumatized by the abuses they have endured in their home countries and those on their trips across Mexico to arrive in America – literally with the clothes on their backs, homeless, hungry and usually illiterate in the English language;
- Pregnant girls have become so grateful to our staff who become "parents" to these girls in our homes that girls have occasionally named their child after a YFT staff member in appreciation of the love and care the girl received while living at YFT;
- We have accomplished a stellar record of providing healthy and nurturing home environments for girls impregnated on their journeys to America – same for those girls who were victims of sex-trafficking;
- During this grant year YFT was awarded \$9,204,256 to take care of the children, which YFT did with great care through its nationally recognized programs, as attested to by numerous state agencies and ORR.

- The audit report issued by OIG states that \$16,851 of expenditures are deemed to be unallowable by OIG, out of the \$9.2 million grant.

Accordingly, we are responding to OIG's disappointing comments against YFT – an organization that is properly managed and overseen by an ethical Board of Trustees. We will address our concurrence or non-concurrence with each of the recommendations in detail, citing the reasoning for all actions taken by YFT during this grant year.

Sincerely,

Dr. Gary L. Jones, PhD
Chief Executive Officer

Mr. Richard T. von Gersdorff, CPA
Vice President of Operations and
Chief Financial Officer

Dr. Courtney D. Gaskins, PhD
Vice President of Programs

Ms. Lori Perez, CPA
Controller

Ms. Debra Williams, PHR, SHRM-CP
Director of Human Resources & Payroll

ATTACHMENTS:

Appendix A – Family Reunifications

Appendix B – ORR ACF – 4.3.2 Employee Background Investigations and Hiring Decisions

Appendix C – CODE OF VIRGINIA – EFFECTIVE July 1, 2018 § 63.2-1726.

Appendix D – Work For Hire Agreement

Appendix E – DSS Inspection Summaries

Appendix F – YFT Background Investigation Policy

Appendix G – Financial Footnotes

OIG Care and Release of Children Recommendations

1. *Ensure that all case file documents are accurately timestamped to the date they are actually completed and that all staff are trained on how to properly maintain accurate and up-to-date case files.*

Care and Release of Children Recommendation #1 Concurrence and Non-Concurrence: YFT concurs that 2 of the 100 sampled UAC case files had UAC assessments that may not have been conducted within the required timeframe. YFT determined through UAC Orientation Checklists, Case Management running logs, weekly staffing notes and the ICA (Initial Clinical Assessment), 85 of the original flagged 87 files who may not have had a UAC assessment printed by the 7th day indeed were interviewed on time. For 2 of the 87 files, this concern could not be mitigated by documentation and their assessment may have been done outside of the required time frame. The printed date of the UAC Assessment does not negate completion dates of the other documents and those are also in the files. YFT concurs that 87 UAC assessments were not printed by the 7th day. This requirement was not brought up to YFT until 2016. Since 2016, all documents are saved on the day they are completed and this is no longer an issue; however, in the audited period, communication between case managers and ORR relied on items as they were complete in the portal. Additional documentation found for each file flagged illustrates that 85 of the original 87 files flagged, the child was interviewed by both the clinician and case manager, as well as nursing, before or by the 7th day. In only 2 files, this was not clear enough to mitigate.

YFT does NOT concur with the following:

- Reporting data in our annual report was incorrect. The Reporting Data in our annual report was correct for the number of total academic hours; the number of children served; and the number of children released. First, the total academic hours are based on the total number of days a child was in school, which is based on the school's calendar. The annual number of days is multiplied by the number of hours a child is in school; therefore, there were 220 days of school during the 2014-2015 academic school year, which included summer school-each school day is 6.5 hours. Second, YFT has used three electronic records systems, all of which were highly rated. Similar to federal systems, they are notorious for having technical/system issues when it involves filtering through thousands of data points to provide accurate totals on specific information about clients in the aggregate report. Thus, YFT keeps concurrent "hand-tallied" spreadsheets on the clients.

As stated to the auditors during their visit, sometimes the system counts children twice, thus we stand by the total number of clients served as 262 and the total number of children reunited as 186. The separate systems for collecting data are the procedures and/or controls to verify that data is collected and reconciled accurately. In addition, ORR reviews these reports and would have provided feedback if there had been any inaccuracies, which they did not. ORR also has its' own data base system to obtain information where YFT staff not only have to enter data into its' own electronic records systems, but also into ORR's UAC Portal.

- Ninety-eight (98) of the 100 sampled UAC case files had UAC assessments that had been conducted within the required timeframe. YFT staff worked between ORR electronic systems and YFT's paper files during this time period. The auditors reviewed YFT's paper records where YFT Case Managers completed the UAC Assessments in the ORR UAC Portal, then screen printed the file and put a copy into YFT's paper records system in each minor's file. The ORR UAC Portal would denote the number of days in care or LOS (Length of Stay) so

that when the UAC Assessment was printed outside of the seventh-day, it looked as though it was completed outside of the seven-day timeframe. In addition, the UAC Portal was a newly built system, which would “shut down” regularly for technical and/or system maintenance. YFT has numerous (at least 100) emails to ORR or from ORR with notification of the system going down during this reporting period. YFT also has documentation, in emails, from an abundant number of YFT staff that work in the UIM program (i.e. Case Managers, Nurses, Clinicians, Residential employees, etc.) who have sent in a “Helpdesk Ticket” whenever there has been an issue with the UAC Portal’s function. Please note that this policy is a directive from ORR. OIG interviewed staff, but did not ask supervisory or management staff about the issues related to the ORR UAC Portal.

2. *Strengthen existing procedures to ensure that family reunification packets are sent within required timeframes.*

Care and Release of Children Recommendation #2 Concurrence and Non-Concurrence: YFT concurs that from the original 36 files flagged, 18 of the Family Reunification Packets were not sent within 24 hours and this could not be mitigated through documentation, although, most were sent an average of 4 days after the sponsor was identified. The remaining 18 files flagged showed through documentation in the case manager log why an FRP was not sent within 24 hours of the child's arrival. An interesting finding was that for most of these cases, the documentation was clear that the FRP was sent within the first 24 hours of the case manager contacting both the UAC and the sponsor. Documentation is included in the CM Running Logs, the S-4 checklist, can and also the dated stamp on fax forms. Furthermore, some of the FRPs were sent by BCFS as in this auditing period, there were sponsors who received the FRPs directly from BCFS facility who contracted with ORR to send FRPs in order to expedite the reunification process. Other explanations include that a sponsor was unresponsive when the case manager attempted to make contact to obtain an email address, address, or fax number. Documentation in the Running Logs show that the FRP was sent within 24 hours of obtaining this information. Without it, an FRP package would not have been able to be sent. In the years after the auditing period, case managers have been trained to more thoroughly depict a timeline of events and work done in their running logs. See Appendix A.

YFT does NOT concur with the following:

YFT sent 82 family reunification packets on time to sponsors in accordance with sponsor availability and a functioning address for the packet to be sent to. At no time did OIG ask for documentation that could be used to corroborate this information. See Appendix A.

3. *Develop policies and procedures for promptly notifying DHS of the imminent release of a child to a sponsor and document and maintain all correspondence.*

Care and Release of Children Recommendation #3 Non-Concurrence: During the visit, the auditors alluded to the issues related to the UAC Assessments, Family Reunification Packets (FRPs) and the notifications to DHS as possibly delaying a release; however, none of these issues would have delayed the release of a UAC. Additionally, YFT “staffs” each UAC case with a Third Party Reviewer (Case Coordinator/CC) and the Federal Field Specialist (FFS) on a weekly basis (Thursdays); the discussion is centered on the length of stay (LOS) and the pertinent information needed for a timely release. Both the FFS and the case coordinator review each case in the UAC Portal and had there been any issues and/or discrepancies, it would have been presented during the weekly staffing meeting. In support of YFT’s belief that electronic records and required tasks were completed on time and in no way affected the release of a minor, YFT’s staff lack of performance would have been brought up during staffing and YFT would have been issued a corrective action.

Through a thorough analysis of when children and sponsors were interviewed and completion dates of the summative required documents within each file that accompany the UAC assessment, it was found that children and sponsors were in fact interviewed in a timely manner as required by the federal government. The diligence taken in completing these tasks allowed for these cases to be processed, staffed, and ultimately discharged as soon as possible under case by case circumstances. The auditors did not take into account that several sponsors did not have access to an email address, fax machine, or in some cases, their own home address. Case manager running logs detail each case’s obstacles and how the case manager worked with the sponsor to work around them in order to complete the full FRP. Because these obstacles were outside of YFT’s control, the YFT Case Managers took time to ensure proper reception and completion of documents to facilitate a safe reunification. Any delay in the process of obtaining a communication pathway to receive the FRP documents did not delay the case. It was merely a part of the process.

YFT found that out of the original 25 files flagged by OIG to not contain the DNF emails, only 6 files did not have it. DNF emails were found for all other cases. Completion of the DNF emails and retention of these in the case files in no way delayed the case, as this is completed post release decision by FFS. YFT Case Managers completed discharges within the required time frame and communicated with DHS officials to make them aware of discharges. This is not a part of the reunification process that would in any way hinder release.

Ultimately, although ORR policy is specific and detailed, each case must be taken individually. Through documentation and completion of the reunification process, it can be seen that steps were taken to release these children to their sponsors in a timely and safe manner.

YFT did send emails to DHS for each release, 24 hours prior to release, and did send the DNFs (Discharge Notification Forms) to DHS post discharge. YFT has only one email, which was received during the first year of the funding in 2013, in which DHS wrote to YFT stating that they had not received the DNF. First, YFT asked the auditors to speak with DHS about our record in correspondence and communication with our local DHS Juvenile Coordinator. Second, YFT’s Quality Assurance Manager, who audited YFT’s files, tracked the client records on an excel spreadsheet, which would be audited daily. Additionally, the Quality Assurance Manager and the ORR Contract Field Specialists (CFS) would address any non-compliant documents and issues with YFT staff. Furthermore, the ORR CFS or Quality Assurance Spreadsheet never noted

YFT staff failing to provide this information to DHS.

YFT agrees that correspondence emails *were not* in the UAC electronic files because email correspondence were not specified in the ORR Master File Checklist. YFT's Quality Assurance Manager based her documented audits on what was noted as "required" by both the state of Virginia (DSS) and ORR. Since the auditor's visit, YFT now retains these correspondence emails and ORR has since updated the Master File Checklist to include correspondence with DHS. Each record now has a specific tab/section in the file solely for these emails to ensure proper documentation. Lastly, since initial funding in 2012, DHS has never weighed in on the discharge of a UAC.

COV/COA forms are required to be filed under the section "discharge" of the ORR Master File Checklist. When reviewing the checklist, it acknowledges "N/A" for the cases in which a UAC has been in care for less than 60 days. Please note that in the electronic record, the COV/COA forms are still included and stamped with a note to file documenting the "less than 60 days" policy. Every flagged case was able to be mitigated due to the LOC of the minor being less than 60 days.

4. *Ensure that all employees follow policies and procedures requiring Federal and State background investigations to be completed before staff begin working with children, provide relevant training to appropriate staff, and document and maintain documentation of all results.*

Care and Release of Children Recommendation #4 Non-Concurrence:

Youth For Tomorrow (YFT) does not concur with the following HR violation noted in the OIG letter of April 30, 2020. OIG stated that 3 of 25 sampled employee files did not meet pre-employment background investigation requirements. YFT believes all employees met the pre-employment background check as evidenced below. The *italics* reference the OIG Draft April 2020 Inspection Report Page 11 Full Paragraph 1,

- a. *'... Specifically, one maintenance assistant employee's FBI and CPS checks were completed after the employee's start date...'*
 - i. A Maintenance Technician is not required by the state of Virginia or by ORR regulations to have a background check run at all. Maintenance Technicians do not have 'direct contact' with children. YFT however, does perform all background checks to include FBI, State Police, and CPS on all employees every two (2) years. See Appendix B-4.3.2 Employee Background Investigations and Hiring Decisions from www.acf.hhs.gov/orr/resource/children ... And Appendix C-Code of Virginia §63.2-1726. This employee did not have direct access to children.
- b. *'... one case manager's CPS check was completed after the employee's start date and after the employee began working unsupervised with children, ...'*
 - i. The Case Manager was brought into YFT as a contractor for training and supervision purposes. Contracted UIM Case Managers were not permitted to work alone with children. They were supervised during a training until backgrounds cleared to include FBI and CPS. Further, any employee who 'supervised' a contract worker had already been cleared through all backgrounds prior to supervising the contractor. YFT now however, does perform all background checks to include FBI, State Police, and CPS on all contract workers and applicants every two (2) years prior to working on campus. See Appendix D-Work for Hire Agreement & Appendix C-Code of Virginia §63.2-1726.
- c. *'... one case aide's CPS check was completed after the employee's start date.'*
 - i. The Case Aid in question was a temporary employee from a temporary agency who conducted their own background checks. YFT did not run background checks for temporary employees. Once the temporary employee became an actual employee of YFT, YFT did indeed run an appropriate background check. In addition, Case Aids provide support to the case manager and are not considered direct care staff.

Finally, the Code of Virginia §63.2-1726 states *The results of the **criminal history background check** must be received prior to permitting an applicant to work with children.* At the time of the

audit, YFT was governed by the State of Virginia, Department of Social Services for background check regulations for Children’s Residential Facilities. *See Appendix C-Code of Virginia §63.2-1726*

Please note in Appendix E, YFT had two (2) DSS Inspection Audits dated 12/2-12/3/2014 and 5/20-5/27/2015. Both audit summaries do not include any mention of background check violations.

Youth For Tomorrow has an updated Background Policy as of April 2020 which now includes the need for all Human Resources Staff to abide by the policy that a candidate, contractor, intern, or volunteer may not be brought onboard for the Children’s Residential Facility prior to all backgrounds clearing.

See Appendix F – YFT Background Investigation Policy

OIG’s Financial Recommendations

1. *Work with ORR to develop methodologies to allocate salaries, develop a procedure or system to capture what programs each employee actually worked on, and determine what portion of the \$1,500,218 in salaries charged based on budget estimates was accurately charged to the UAC program and refund to the Federal Government any unallowable portion;*

Before December 26, 2014 ^{1,2,3,4,5,6}	\$ 364,502
After December 26, 2014 ^{7,8,9,10,11}	<u>\$1,135,716</u>
	\$1,500,218

YFT’s CFO and Controller faithfully included ORR Officials during the grant negotiation process including continuous discussions on the methodologies to allocate shared residential program salaries. It was agreed that this methodology is fair, consistently applied and was well-known to ORR Officials¹. The methodology is only utilized and allocated for those necessary expenses to the organization that cannot be directly attributable to a specific beneficiary for the residential programs, but does provide a proportional benefit based on the committed paying beds of each residential program. ORR Officials did not require YFT to obtain an Indirect Rate for the Shared Residential costs. YFT contends that the paying bed allocation was agreed upon on numerous occasions with ORR Officials as a reasonable methodology³.

In addition to the numerous telephone conferences, it is further documented in the written email exchanges during the negotiation of the final budget with ORR Officials:

- **Email on 8/25/2014** – ORR Official states, “The 2015 continuation budget will need to be negotiated¹. I will be contacting you at later date to negotiate the budget.”
- **Email on 10/20/2014** – Email from YFT Official in recognition of the meeting with the ORR team to discuss any budget concerns.
- **Email on 10/23/2014** – Email from ORR Official – referring to the discussion with YFT Officials, and ORR Official stated, “Per our discussion, please see my comments in green.”
During the review of the FY15 Continuation Budget the ORR Official also states, “I have one more request per Management.” *This is yet another example of the multiple reviews performed by ORR Officials and Management.*
- **Email on 10/16/2014** – Email from ORR Official – containing multiple examples of allocation methodology (personnel and non-personnel) proportionate to UAC’s served. The 86% rationale is discussed based on paying beds allocated on campus for the two residential programs – Domestic and UAC – 92/107 = 86%. Some examples in this email include:
 - ORR Official states, “Please provide justification for the Overall increase in FTE percentage. For example, Director of Program Services in FY14 .50 and has increased .86 (how was this percentage determined?)”
 - YFT Official Response – YFT Official states, “The factor 86% represents our allocated 92 UAC beds to our total paying beds on campus of 107.”
 - ORR Official asks, “Chaplain - .86 FTE – How was this % determined?”
 - YFT Official Response – YFT Official states, “Bed Ratio of 92 to 107.”
 - ORR Official states “\$77,400 Ground Maintenance; please reduce, in FY14 \$31,600 was approved. \$45,800 is a significant increase.”
 - YFT Official Response – “Between the original budget and deviations I show a total of \$80,098. We are slightly less this year. Given the size of our campus, the grounds maintenance (grass mowing/trimming, trees, mulch, snow removal, etc.) is intense. We have allocated costs according to the ratio of UAC residents served.”
- **Email 11/12/2014** – Email from ORR Official – ORR Official questions the .60 FTE for teachers and educational supplies and the inquiries are addressed by two YFT Officials.
 - ORR Official states, “YFT budget has been further reviewed and there are additional questions regarding the education supply line item. The educational supply line item includes music supplies... what exactly is being purchased? In addition, is the .60 FTE Music Teacher and .60 Art Teacher part of the required curriculum per DOE? Has YFT received approval for the Vocational Curriculum being implemented for the UAC program by the previously assigned Project Officer?” If approval was not granted please provide a copy of the curriculum to obtain approval.” *It should be noted that during this grant period 32 of the 54 educational classes were for UAC’s – 60%.*

- Response from YFT Official – “The vocational component is a new mandate by the Virginia Department of Education, and instead of hiring a new teacher specifically to teach this class, our Spanish Teacher from the domestic program has been providing this service. The mandate also included a virtual class, which we were able to exempt ourselves from within the UIM program, but not for the class we have to offer within the school day. The curriculum has to be an approved curriculum by the Virginia Department of Education. I am attaching the regulations which outlined the qualification of staff and educational requirements, our classification as a “residential school” and our license. From this link you will find that YFT is a state recognized accredited school. I hope this explains the issue better.”
- Email 11/18/2014 – Budget approved for submission to Grant Solutions (GS), as Management is approving Decision Memo. Per ORR Official, “You can upload the budgets in GS. The decision memo for 1st quarter funds is currently being drafted to begin the award process.”

Each employee affirmed their timecard on a bi-weekly basis and signed their timecard, with the signed supervisor approval affirming that the timecard and payroll allocations were still valid². YFT has allocated costs to the grant in proportion with the relative benefit the grant has received^{3,7} – the paying bed ratio – a basis for allocation that is both fair and reasonable⁸.

During this grant period (both before December 26, 2014 and after December 26, 2014) the paying bed count remained consistent for both UAC beds and Domestic beds, and the allocation of activity did not change. Since the UAC paying beds remained fixed during the entire grant period YFT’s shared staff allocation (and associated responsibilities) did not change and remained the same, as evidenced by the approval and affirmation of their timecard by the Supervisors². Reports are maintained by YFT on a bi-weekly basis reflecting the payroll distribution⁹/allocation of all YFT employees for all programs, directly charged or allocated. This is affirmed as correct based on the Manager of Compensation’s allocation calculations, and the Controller, Vice President of Programs, and CFO’s review and approval of the distribution at the end of the bi-weekly pay period, in collaboration with Residential Leadership¹¹.

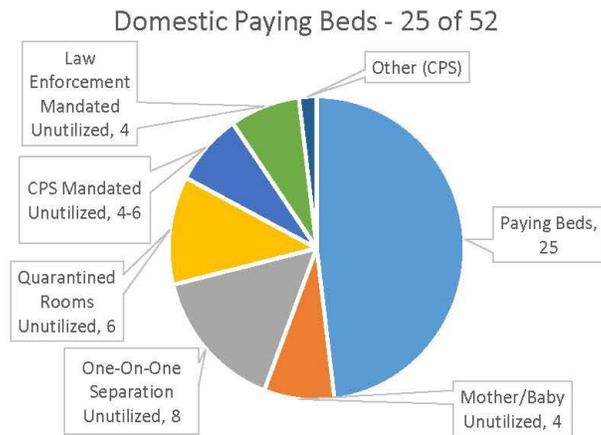
YFT maintained a system of internal controls without any material weaknesses^{11,12}.

Rationale for Paying Beds⁸

The Domestic licensed beds varied during this grant period from 44 to 52, the increase of eight attributed to our mother/baby program.

A typical bedroom can accommodate three residents. However, the licensed Domestic beds do not represent the effective utilization of those beds due to several factors unique to the Domestic Program:

- Four of the beds are lost and not fully utilized under the mother/baby home as only four beds in the four bedrooms can be funded per licensing. A mother and child cannot share a room with another mother and child.
- The multiple behaviors associated with our Domestic population require many one-on-one placements requiring residents (up to four at a time) to have a bedroom to themselves, that could otherwise accommodate two other residents per bedroom – utilization typically four (three resident rooms) bedrooms or eight beds lost.
- Quarantines for varicella, influenza, scabies, bed bugs, TB and viruses restrict the use of Domestic paying beds per licensing and placing agency regulations. There are typically three (three resident rooms) bedrooms at a time are used in such a manner and effectively six beds are lost.
- Child Protective Services will require the resident to have a separate bedroom for separation from the general population due to a variety of issues. Typically, two to three bedrooms (three resident rooms) or four to six beds are lost in this type of situation.
- After an altercation, Law Enforcement will require separation of the residents into separate bedrooms. Typically, two bedrooms (three resident rooms) or four beds lost.



The utilization contracts and expands. However, the chart above is representative of a typical Domestic Paying Resident cycle, resulting in a Domestic paying bed census of 25 versus the 92 paying bed census for the UAC's. The total paying beds on campus were 107. YFT utilizes the budget estimates for interim accounting purposes¹⁰. However, YFT tracks the actual paying bed relationship month to month, throughout the year to determine if any adjustment to the estimate is necessary, focusing on the reasonableness over the long term¹⁰.

The actual paying Domestic beds during this grant year per the Domestic Paying Beds Utilization Chart – October 1, 2014 through September 30, 2015¹³ was 25.9. Due to the paying Domestic beds resulting in 25.9 and accurately reflecting YFT's original budget estimate for this grant period, it was determined that no adjustment to the allocations for shared costs were necessary or warranted^{2,4,10}.

	Domestic Paying Beds October 1, 2014 through September 30, 2015											
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	July	Aug	Sept
Resident Days to Date	450	969	1714	2534	3294	4187	5013	5,998	6933	8044	9087	9462
Revenue To Date	99,293	220,831	390,351	569,030	738,865	933,857	1,119,795	1,337,860	1,543,132	1,779,664	2,008,993	2,217,918
Mo Res Per Day	14.5	16.7	24.0	26.5	24.5	28.8	26.6	31.8	31.2	31.6	28.5	24.2
YTD Res Per Day	14.5	15.9	18.6	20.6	21.8	23.0	23.6	24.7	25.4	26.5	27.2	25.9
Mo Revenue /Res	220.65	234.18	227.54	217.90	223.47	218.36	225.11	221.39	219.54	249.51	267.91	288.17
YTD Revenue/Res	220.65	227.90	227.74	224.56	224.31	223.04	223.38	223.05	222.58	221.24	220.84	234.40

The Paying Bed Allocation for Shared Personnel (86% in this grant year), and Teaching Personnel Class Time Allocation (60% in this grant year)⁶ is based on the policy as documented in YFT's Cost Policy Statement – Attachment 3¹⁴ and as further documented in YFT's Accounting Policies & Procedures Manual – Attachment 2¹⁵.

Youth For Tomorrow Accounting Policies & Procedures Manual – ATTACHMENT 3: Youth For Tomorrow – New Life Center, Inc. Cost Policy Statement¹⁴

II. Description of Cost Allocation Methodology

B. Salaries and Wages

1. **Direct Costs** – Personnel assigned to each residential home charges time to specific programs of the residents assigned to each residence. Each residence is normally staffed 24/7 by house parents, coordinators, counselors and therapists. In the school, teachers' time is charged directly based on class time assigned to a specific program. The Program Administration staff salary costs are allocated directly to the program that is benefiting that function. If that function is benefiting all programs, their time is allocated based on the UIM to standard bed ratio. Auditable time records which reflect these charges are maintained and support the charged time. The time records are approved by supervisory personnel.

Youth For Tomorrow Accounting Policies & Procedures Manual – ATTACHMENT 2: Allocation of Shared Personnel and Expenses¹⁵

All personnel costs and other program expenses that are not 100% direct costs to any program shall be allocated according to the cost sharing allocation ratio:

Residential Programs:

- Standard Residential Paying Beds (A)
- UC Residential Paying Beds (B)
- $A + B = C$
 - $A/C = \text{Standard Residential \% Allocation}$
 - $B/C = \text{UC Residential \% Allocation}$

The allocation represents the shared cost percentage benefiting both of the residential programs that are necessary to the overall operation of the campus³. Time spent by personnel shared to oversee both programs involve daily inspection of facilities – homes/beds, school/classrooms, clinic, and intake center; monitoring of personnel assigned to each residential program; maintaining the campus and food services; oversight of residential campus staff and other necessary job description components. YFT has allocated costs to the grant in proportion with the relative benefit the grant has received³ – paying bed ratio.

Financial Recommendation #1 – Non-Concurrence: For Financial Recommendation #1 YFT does have documented policies and methodologies contained in both the *YFT Cost Policy Statement¹⁴* and the *YFT Accounting Policies & Procedures Manual¹⁵*. The bed allocation methodology is based upon the allocated, reserved, and restricted paying beds dedicated to the UAC program (and utilized in the manner ORR directs YFT) as compared to the utilized and paying beds for the Domestic program. The shared methodology utilized provided the best method of proportional benefit³. In the future, YFT would be willing to work with ORR Officials on any alternative allocation method for capturing time that ORR and YFT can agree is reasonable. After numerous conversations and documented emails on the use/acceptance of this methodology with ORR Officials, and YFT's final substantiation of the actual Domestic paying beds during this grant year, YFT feels it has complied with all applicable Federal Policies and Requirements⁵, and does not feel that any refund is due for these agreed upon costs and methodologies, proven to be accurate at the end of the grant year¹³.

2. Work with ORR to determine an allocation methodology or plan to claim shared direct expenditures in proportion to benefits received, develop a policy to reflect this methodology or plan, determine whether any of the \$1,352,027 in direct expenditures and up to \$235,253 in related indirect expenditures allocated using the unreasonable allocation ratio was allowable, and refund to the Federal Government any unallowable portion.

Non-Personnel Expenses ^{16,17}	\$1,352,027
IDR @ 17.4% ²⁹ on \$1,352,027	<u>\$ 235,253</u>
	\$1,587,280

YFT discussed the reasonable allocation methodology with ORR Officials (see email excerpt from 10/16/2014) and demonstrated how the direct cost allocation received by the two residential programs on the YFT campus was proportional to the benefit to be received by each program^{16,17}. Direct home expenditures were charged directly to the home receiving the benefit²⁰. Some of the common area expenditures include, but not limited to, undividable activities that are best allocated in proportion to the benefits received^{18,19}:

- Utilities –
 - Water
 - Sewer
 - Gas
 - Electric
 - Internet
 - Telephone
- Repairs and maintenance
- Food services and supplies
- Grounds vehicles and maintenance
- Janitorial
- Security

The expenditures of \$1,352,027 were allocated properly and according to the ORR accepted paying bed ratio. See emails under Financial Recommendation #1. ORR Officials did not require an Indirect Rate allocation for these commonly shared expenditures after YFT explained the basis for allocation^{17,18,19}.

YFT states that the General & Administrative Indirect Rate (IDR) of 17.4% (\$235,253) was applied properly to these proportionately allocated expenditures²⁹.

Financial Recommendation #2 – Non-Concurrence: For Financial Recommendation #2 YFT does have documented policies and methodologies contained in both the *YFT Cost Policy Statement*¹⁴ and the *YFT Accounting Policies & Procedures Manual*¹⁵. The bed allocation methodology is based upon the allocated, reserved and restricted paying beds dedicated to the UAC program (and utilized in the manner ORR directs YFT) as compared to the utilized and paying beds for the Domestic program. The shared expenditures were not able to be separated by program due to the direct, unquantifiable nature of certain expenditures such as utilities – in common areas. The shared methodology utilized provided the best method of proportional benefit as recognized by ORR Officials. In the future YFT would be willing to work with ORR on any fair allocation method that is reasonable and proportionate to the benefit received. After numerous conversations, documented emails on the use of the current methodology, with ORR, and paying bed ratio substantiation based on the final paying beds for both residential programs, YFT does not feel that any refund is due for these expenditures or the Indirect Rate application on these costs.

3. *Develop policies and procedures for identifying allowable shared UAC program costs, including items that need advance approval, determine whether any of the \$210,037 in potentially unallowable and \$23,390 in potentially unallowable unapproved expenditures would be allowable under the newly approved allocation methodology or plan, and refund to the Federal Government any unallowable or unapproved portion.*

KELLAR & OTHER PROJECTS

\$ 136,992

- Kellar Center - \$64,188

YFT believes the expenses (not capitalized expenditures) incurred on this recreational activity facility were not capital expenditures that extended the useful life of the facility or increased the value^{21,22,24}. YFT further states that these expenses were fairly allocated based on the ratio utilized for all campus expenditures, and were included in the Building Repairs and Maintenance budget submitted and approved by ORR Officials. Painting was required for all of the walls and baseboards for the health of the children. Plumbing repairs were required due to leaks that were creating hazardous conditions in all the bathrooms and the kitchen. Electrical non-compliance issues for code officials had to be rectified immediately. The HVAC unit was failing and needed several repairs to address leaks and maintain air conditioning. Two computer expenditures totaling \$1,770.75 (\$885.38 each) were below the \$1,000²³ capitalization threshold of YFT and were appropriately expensed.

- Hazel Ground Repairs - \$43,000

The common area fields utilized for soccer and other sports by all residents were dangerously uneven and created potential hazards for children. In addition, the low spots were attractive to mosquitos after heavy rainfalls. This allocated amount was representative of numerous locations requiring remediation that did not extend the useful life or value of the property^{21,22,24} and each hazard was below the YFT capitalization threshold²³, and properly included and approved by ORR Officials in the Grounds Maintenance and Repairs budget, and budget narrative.

- Outdoor Worship Center - \$25,432

With the exception of three expenditures in excess of YFT’s capitalization threshold of \$1,000, all of these costs were expensed due to their relative low value. The outdoor center requires annual repair and replacement and accordingly was expensed instead of being capitalized since the useful life could arguably be less than one year due to exposure to the outside elements due to the untreated, natural condition of the benches and podium.

- Project 1409 - \$ 4,372

Prince William County required ADA access for disabled visitors. The useful life of the facility was not extended^{21,22,24} and without the access the value of the facility was already impaired by potentially not being usable.

TRAILERS FOR HR & ACCOUNTING

\$ 31,718

- This represents expenditures for UAC Case Managers prior to September 30, 2015 (end of grant period). HR and Accounting did not move their offices into these trailers until after the grant period ended – October 29, 2015²⁵.

CAMPUS VEHICLE EXPENSES

\$ 31,139

- These expenses are for Residential Campus vehicles for fuel, oil, repairs and maintenance, and are part of Grounds Maintenance. They are charged according to the proportional benefit received by each of the two residential programs for common area facilities.

APPRECIATION/MEALS/FLOWERS

\$ 10,188^{26,27,28}

- YFT does have a policy and addresses the intent of part 2 and part 45 of the CFR.

TOTAL

\$ 210,037

OTHER EXPENDITURES

- Dishwasher (in lieu of repairs) **\$ 15,581**
- Lawn Mower (in lieu of repairs) **\$ 7,809**

TOTAL

\$ 23,390

- YFT did not submit an SF-428 for the dishwasher or lawn mower, that could have been approved, but felt that the repairs associated with the existing pieces of equipment would exceed the cost of a replacement²⁴.

Financial Recommendation #3 – Non-Concurrence:

For Financial Recommendation #3 YFT did allocate allowable expenditures (\$210,037) utilizing reasonable methodology for shared facilities and common expenses to the Residential Program, and should not be refunded. YFT felt that the repairs (\$23,390) associated with the two pieces of equipment would exceed the cost of a replacement and that the grant funds were judiciously spent to serve the UAC children.

4. *Develop policies and procedures for identifying shared UAC program costs not in compliance with Federal requirements and refund \$10,336 in unallowable employee appreciation expenditures.*

Appreciation	\$ 10,030
Flowers	<u>\$ 306</u>
	\$ 10,336 ^{26,27,28}

Financial Recommendation #4 – Non-Concurrence:

For Financial Recommendation #4 YFT contends that it has a policy and addresses the intent of part 2 and part 45 of the CFR, and such expenses of \$10,336 should not be refunded.

5. *Develop policies and procedures for identifying direct UAC program costs not in compliance with Federal requirements and refund \$6,515 in unallowable expenditures not related to the UAC program.*

Unrelated Expenditures Were Charged to the Unaccompanied Alien Children Program

R/E Tax	\$ 5,285
Level C Training	\$ 609
I.T.	\$ 510
Lunch	<u>\$ 111</u>
	\$ 6,515

Financial Recommendation #5 – Concurrence:

For Financial Recommendation #5 YFT recognizes that these expenses (\$6,515) should not be allowed and were inadvertently applied to the incorrect cost center.

6. *Develop policies and procedures for claiming indirect expenditures based on the approved indirect cost rate.*

YFT does have policies and procedures in place, and solid internal controls¹². YFT has a Cost Policy Statement¹⁴ and Accounting Policies & Procedures¹⁵. YFT submitted and reported the Final Federal Financial Report (FFR) at the provisional rate of 17.4% at the full final Notice of Grant Award Indirect Cost Budget of \$1,357,060.

The internal invoices were for YFT internal tracking purposes only – to track the amount that could possibly be under-utilized if the actual, final Indirect Rate (IDR) costs resulted in less costs than that provided by the provisional IDR Budget.

Financial Recommendation #6 – Non-concurrence and Concurrence:

For Financial Recommendation #6, YFT asserts that the internal tracking memo invoices that YFT used were recognized by OIG during its visit – used for YFT’s internal use only. YFT did apply the correct rate (17.4%) as approved by HHS’s Cost Allocation Services²⁹, and as evidenced by the submission of the Final FFR.

The provisional IDR budget per the Notice of Grant Award (NGA) was \$1,357,060. YFT did not state that it used unapproved indirect rates to enable it to stay within its overall approved costs. In fact, YFT’s actual costs for the grant period was \$1,329,715, resulting in \$27,345 less costs than the approved NGA budget. As a result, YFT did not need to apply for any additional funds for Indirect Costs³⁰. YFT is tracking both the applied provisional rate and the actual incurred rate, on YFT’s internal invoices. YFT continues to reflect the provisional rate on all FFR submissions.

FOOTNOTES

¹2 CFR part 230, App. B, 8.m.(1) – Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph 8.m.(2) of this appendix, except when a substitute system has been approved in writing by the cognizant agency.

²2 CFR part 230, App. B, 8.m.(2) – Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards: (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. (c) The reports must be signed by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports. (d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

³2 CFR part 230, App. A, A.4.a – A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it: 1) Is incurred specifically for the award, 2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or 3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

⁴2 CFR part 230, App. B, 8.m.(2)(a) – The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

⁵YFT asserts all costs allocated to the grant are allowable under Title 45 of the Code of Federal Regulations part 74 and Title 2 of the Code of Federal Regulations part 230.

⁶YFT had three allocation ratios as noted – 50% for one position, 60% for teaching positions, and 86% for Administrative positions. ORR Official stated to reduce the Athletic Director position to 50%. The allocation of 60% represents the ratio of UAC classes (32) to the overall classes taught in the school (54) during the grant year. This was discussed with the ORR Official in the 11/12/2014 email. The 86% ratio was derived from the paying UAC beds to the paying Domestic beds – the only two residential programs receiving proportional benefit. YFT charged staff (86%) taking care of the residential common areas (according to the paying bed ratio) – the maintenance of the homes was charged directly to the homes, whereas administrative staff (86%) overseeing the residential programs was charged according to the paying bed ratio. YFT believes that the 86% allocation for campus personnel is the only realistic way of allocating time for such nebulous activities including lawn care, tree care, food service and other common area needs.

⁷45 CFR § 75 (a) – Allocable Costs – A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

⁸45 CFR § 75.405 Allocable costs – *d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.*

⁹45 CFR § 74.430 (i)(1)(vii) – *Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

¹⁰45 CFR §§ 74.430 (i)(1)(viii)(A) and (C) – *Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: A) The system for establishing the estimates produces reasonable approximations of the activity actually performed; C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.*

¹¹45 CFR § 74.430 (i)(1)(i) – *Standards for documentation of personnel expenses. (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must (i) Be supported by a system of internal control¹² which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.*

¹²Excerpt from Fitzgerald & Co., CPA's, P.C. – *YFT's Government Auditor for fiscal years covering this grant period. "During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses."*

¹³Excerpt from YFT's October 2014 to September 2015 Actual Domestic Bed Utilization.

¹⁴Excerpt from YFT's Cost Policy Statement submitted to HHS and part of the YFT Accounting Policies & Procedures Manual – page 85 of 93.

¹⁵Excerpt from YFT's Accounting Policies & Procedures Manual – page 82 of 93.

¹⁶2 CFR part 230, Appendix A §§ B & C and 45 CFR § 75.414 (b) – *Direct Costs and Indirect Costs – YFT believes that the cost allocation principles of 2 CFR part 230 Appendix A, Sections A and B, and 45 CFR § 75.414 (b), regarding identifying a particular cost objective have been met through the paying bed allocation, providing a proportional benefit to each of the two residential programs. ORR Officials did not require an indirect rate for maintaining/operating the facility and were satisfied that all costs for items such as utilities and common area repairs were allocated in a proportionately beneficial manner to the grant based on the ratios presented by YFT and approved by ORR Officials.*

¹⁷HHS Grants Policy Statement Part II-44 – *A cost that benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved may be allocated or transferred to the benefiting projects on any reasonable basis as long as the costs charged are allowable, allocable, and reasonable under the applicable cost principles and the recipient's financial management system includes adequate internal controls¹².*

¹⁸2 CFR part 230, App. A, A.4.a – *A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it: 1) Is incurred specifically for the award, 2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or 3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.*

¹⁹45 CFR § 75.405 Allocable costs – a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or other cost objective in accordance with relative benefits received. This standard is met if the cost 1) Is incurred specifically for the Federal award; 2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and 3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart;

²⁰45 CFR § 75.413 Direct costs – (a) General – Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

²¹2 CFR part 230, App. B, 15.b(1) and (3) AND 45 CFR §§ 75.439 (b)(1) and (3) – Equipment and Other Capital Expenditures – (b) The following rules of allowability shall apply to equipment and other capital expenditures: (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. (3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

²²2 CFR part 230, App. A, A.3 AND CFR § 75.404 – Reasonable costs – A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award; (b) The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award; (c) Market prices for comparable goods or services for the geographic area; (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government; (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

²³YFT did have policies in place – pages 40 of 93 – Accounting Policies & Procedures Manual.

²⁴45 CFR § 75.404 – A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

²⁵Per HR Director, Debra Williams' email on October 29, 2015, "We moved!"

²⁶Section D-6, page 22 of the 2014-2015 Employee Policy Handbook, D6. Employee Referral and Recognition Program – YFT is always looking for qualified employees and appreciates recommendations made by existing employees. If you recommend someone who is hired on a full-time, permanent basis and who is still employed by YFT after 180 days, you may be eligible to be paid a recruiting bonus. This may be changed from time to time depending on existing market conditions. The current referral fee for a full-time employee is \$500. YFT may from time to time pay a higher recruiting bonus for particular positions. YFT encourages initiative, creativity and innovation. At the beginning of each month YFT recognizes and rewards the contributions of personnel.

²⁷2 CFR part 230, Appendix B.13 – Employee morale, health, and welfare costs; a) The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the non-profit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable; b) Such costs will be equitably apportioned to

all activities of the non-profit organization. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably set over to employee welfare organizations.

²⁸*45 CFR § 75.437(a) Employee health and welfare costs – Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.*

²⁹*HHS Grants Policy Statement Part II-44 – If reimbursement of indirect costs is allowable under an award, HHS will not reimburse those costs unless the recipient has established an indirect cost rate. YFT utilized the rate established by HHS – Division of Cost Allocation – 17.4%.*

³⁰*HHS Grants Policy Statement Part II-54-55 – A request for additional funding for a current budget period to meet increased costs that are within the scope of the approved application, but that were unforeseen when the new or competing continuation application (or progress report for non-competing continuation support) was submitted, is a non-competing supplemental application.*