Department of Health and Human Services
OFFICE OF INSPECTOR GENERAL

INDIANA DID NOT ALWAYS COMPLY WITH MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM REQUIREMENTS

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Gloria L. Jarmon
Deputy Inspector General
for Audit Services

December 2017
A-05-16-00056
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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.
Indiana Did Not Always Comply With Maternal, Infant, and Early Childhood Home Visiting Program Requirements

What OIG Found

ISDH did not always comply with MIECHV program requirements and the terms and conditions of the program’s grants. Specifically, ISDH did not have appropriate controls to prevent transaction errors, monitor subrecipient services to prevent duplication of services, and verify that subrecipients correctly entered home visit and assessment information in the payment system. In addition, ISDH did not comply with Federal Funding Accountability and Transparency Act of 2006 (FFATA) reporting requirements.

What OIG Recommends and ISDH Comments

We recommend that ISDH develop and implement controls to help ensure that it meets the terms and conditions of the program’s grants. We also recommend that ISDH submit award data to the www.fsrs.gov website for amounts received by subrecipients in compliance with reporting provisions of the FFATA.

In comments on our draft report, ISDH concurred with our recommendations and described corrective actions that it has taken or plans to take. However, regarding submitting award data to the www.fsrs.gov website, ISDH stated that it would begin reporting subawards made to Goodwill Industries of Central Indiana.

After reviewing ISDH’s comments, we maintain that ISDH should report award data for all MIECHV service providers, in addition to Goodwill, in compliance with FFATA reporting provisions.

The full report can be found at https://oig.hhs.gov/oas/reports/region 5/51600056.asp.
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INTRODUCTION

WHY WE DID THIS REVIEW

The Maternal, Infant, and Early Childhood Home Visiting Program (MIECHV program) was established in 2010 (P.L. No. 111-148 § 2951) to be collaboratively implemented by the Health Resources and Services Administration (HRSA) and the Administration for Children and Families (ACF), which are part of the U.S. Department of Health and Human Services (HHS). HRSA’s Maternal and Child Health Bureau oversees State MIECHV programs, which include grants to States, territories, and Tribal entities to develop and implement state-wide home visiting programs.

The MIECHV program is designed to (1) strengthen and improve the programs and activities carried out under Title V of the Social Security Act (the Act) section 511, (2) improve coordination of services for at-risk communities, and (3) identify and provide comprehensive services to improve outcomes for families who reside in at-risk communities.

As part of its oversight activities, the Office of Inspector General (OIG) is conducting a series of reviews of certain grants because adequate controls are necessary to ensure that subrecipients and vendors use award money appropriately.

OBJECTIVE

Our objective was to determine whether the Indiana State Department of Health (ISDH) complied with MIECHV program requirements and the terms and conditions of the program’s grants.

BACKGROUND

Maternal, Infant, and Early Childhood Home Visiting Program

The MIECHV program supports pregnant women and families and helps at-risk parents of children from birth to kindergarten tap the resources and hone the skills they need to raise children who are physically, socially, and emotionally healthy and ready to learn.

HRSA, in close partnership with ACF, provides funds to States, territories, and Tribal entities to develop and implement voluntary, evidence-based home visiting programs using models that have been proven to improve child health and to be cost effective. These programs improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, and promote child development and school readiness.

Indiana’s Home Visiting Program

In Indiana, the MIECHV program is a joint effort between ISDH and the Department of Child
Indiana’s Maternal, Infant, and Early Childhood Home Visiting Program (A-05-16-00056)

Services (DCS). Its aim is to improve outcomes for children born into at-risk communities and reduce instances of child abuse and neglect in Indiana.

Indiana’s MIECHV program consists of two evidence-based home visiting programs that operate in seven counties. ISDH and DCS contract with subrecipient organizations, such as not-for-profits or local health departments, which provide front-line program services to eligible families. Home visiting programs are voluntary and are intended to provide services as early as possible during pregnancy.

Generally, home visitors in Indiana are nurses, trained home visiting professionals, or paraprofessionals, and they regularly meet with program participants in their homes. Visits may include assisting with accessing quality prenatal care; conducting screenings and assessments; providing health education; connecting the family to valuable community resources; and offering strategies for parents to support their child’s development physically, socially, and emotionally. In a collaborative way, home visitors and the families they serve devise a set of goals and activities that they work on together, all with the goal of ensuring the healthy development of the child and the well-being of the family.

HOW WE CONDUCTED THIS REVIEW

We reviewed funding and program activity during Federal fiscal year (FFY) 2015 (October 1, 2014, through September 30, 2015). Our review covered five MIECHV grants, totaling $10,984,402, for which ISDH claimed costs during FFY 2015.

To determine whether ISDH and DCS used funding in accordance with Federal requirements, we obtained a list of FFY 2015 expenditures for each of the five grants in our review. We then selected a judgmental sample of 245 expenditures from ISDH’s and DCS’s general ledgers, covering approximately $7,775,984. Sixty of the sample items were expenditures at the State level, such as salaries, fringe benefits, and indirect costs; the other 185 sample items were payments to subrecipients and vendors that administered the program.

Subrecipients and vendors typically submit monthly invoices to ISDH or DCS requesting reimbursement for costs incurred (ISDH subrecipients and vendors) or payment for services rendered each month (DCS subrecipients and vendors). Thus, of our 245 expenditures to subrecipients and vendors, each could be a single payment to a subrecipient or vendor or multiple payments to a single subrecipient or vendor. To gain an understanding about the types of costs subrecipients incurred, we judgmentally selected 32 unique payments made to 10 different subrecipients and requested that each subrecipient provide us with documentation covering the costs incurred in those payments.

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.

The Appendix contains the details of our audit scope and methodology.

**FINDINGS**

ISDH did not always comply with MIECHV program requirements and the terms and conditions of the program's grants. Specifically, ISDH did not have appropriate controls to prevent transaction errors, prevent subrecipients from duplicating services, and verify that subrecipients correctly entered home visit and assessment information in the payment system. In addition, ISDH did not comply with Federal Funding Accountability and Transparency Act of 2006 (FFATA) reporting requirements.

These deficiencies occurred because ISDH did not always follow Federal grant requirements. ISDH did not have appropriate controls in place to (1) prevent transaction errors from occurring, (2) monitor subrecipients to prevent duplication of services, (3) verify that the home visit and assessment information was maintained accurately, and (4) report the subrecipient award data to the general public in accordance with FFATA reporting requirements.

**THE INDIANA STATE DEPARTMENT OF HEALTH DID NOT HAVE APPROPRIATE CONTROLS TO ENSURE THE EFFECTIVENESS AND EFFICIENCY OF THE MIECHV PROGRAM**

The Indiana State Department of Health Did Not Have Appropriate Controls To Prevent Transaction Errors

Standards for financial management systems state: “A State must [expend] and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. (45 CFR § 92.20(a)).\(^1\) Indiana accounting procedures bar ISDH and DCS from using grant funds to pay duplicate payments.\(^2\)

We found transaction errors in the expenses entered into ISDH’s accounting system, which ISDH used to report program expenditures to HRSA. Specifically, we found two duplicate invoices that had been paid totaling $17,342.

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\(^1\) HHS promulgated new grant regulations at 45 CFR part 75. Part 75 supersedes the regulations at 45 CFR part 92, and they govern awards on or after December 26, 2014. During our audit period, ISDH charged $166 to grants awarded on or after December 26, 2014. While part 75 governed these charges, we did not use part 75 as criteria in this finding or the next two because the funds involved in those findings came from grants awarded before part 75 took effect.

These costs were inappropriately paid with MIECHV program funds because the processes and systems at ISDH and DCS lacked controls to prevent transaction errors.

The Indiana State Department of Health Did Not Have Appropriate Controls To Ensure That Subrecipients Did Not Duplicate Services

Grantees are responsible for managing the day-to-day operations of grant- and subgrant-supported activities (45 CFR § 92.40). Grantees are required to monitor each grant- and subgrant-supported program, function, or activity to ensure that they comply with applicable Federal requirements and that they achieve performance goals (45 CFR § 92.40). Grant funds may be used only for a grantee’s or subgrantee’s allowable costs (45 CFR § 92.22).

The HHS Grants Policy Statement requires that grant recipients follow certain procedures when providing funding to subrecipients, including setting a dollar ceiling and determining the method and schedule of payment, the type of supporting documentation required, and the procedures used for review and approval of grant funds (page II-78). In addition, recipients must have policies for directing and monitoring their programmatic efforts.

ISDH lacked policies and procedures to prevent beneficiaries from receiving MIECHV program services under multiple family identification numbers or from multiple providers. During a site visit, a subrecipient employee stated that the subrecipient relied on beneficiaries to notify the subrecipient if they were already enrolled in the same program rather than having the program’s systems verify whether they were already enrolled.

ISDH and DCS contracted program monitoring responsibilities to multiple vendors but did not require them to implement controls to prevent subrecipients from duplicating services. ISDH and DCS did not consider service providers to be subrecipients and therefore did not consider the requirements set forth in the CFR and the HHS Grants Policy Statement to be applicable to the MIECHV administrative and service providers.

The Indiana State Department of Health Did Not Have Appropriate Controls To Verify That Home Visit and Assessment Information Was Correctly Reported

Standards for financial management systems state: “A State must [expend] and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to ... (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes” (45 CFR § 92.20(a)).

The HHS Grants Policy Statement requires that grant recipients follow certain procedures when providing funding to subrecipients, including setting a dollar ceiling and determining the method and schedule of payment, type of supporting documentation required, and procedures
for review and approval of grant funds (page II-78). In addition, recipients must have policies for directing and monitoring the subrecipients’ programmatic efforts.

Section 511(d)(3)(B)(vi) of the Act requires that a State program “monitor the fidelity of program implementation to ensure that services are delivered pursuant to the specified model.”

We were unable to reconcile 8 of the 18 invoices we chose for review during site visits with home visit and assessment information entered into the data management system of its vendor, Datatude. Datatude created the invoices using home visit and assessment information entered into its data management system by subrecipients, and ISDH relied on Datatude’s invoices to support the grant drawdowns. However, the invoices could have been inaccurate because Datatude allowed service providers to edit the home visit and assessment information in its system after invoices had been created, and Datatude did not monitor the subrecipients’ changes.

In addition, three of the subrecipients could not tell us why their invoices did not reconcile with the home visit and assessment information in Datatude’s system. In those 3 cases, the subrecipients did not retain information regarding the number of home visits and assessments that could have reconciled with the invoices. Subrecipients were responsible for maintaining the home visit and assessment information and for notifying Datatude when they made edits in the system after payment had been received.

**THE INDIANA STATE DEPARTMENT OF HEALTH DID NOT REPORT SUBRECIPIENT AWARD DATA**

The FFATA requires prime recipients of Federal grant funding to report each action that obligates $25,000 or more in Federal funds, excluding Recovery Act funds, for a subaward provided to a subrecipient. Prime recipients input subaward information at www.fsrs.gov, and that information is used to populate a public website at www.USASpending.gov. The FFATA also directs awarding agencies to issue guidance that complies with OMB regulations specifying recipients’ reporting obligations.

HRSA’s FFATA guidance states that “prime recipients/awardees of new non-Recovery Act funded grants and cooperative agreements awarded on or after October 1, 2010, must report on sub-awards of $25,000 or more.” Vendor payments, however, do not need to be reported. To distinguish between a subaward and a vendor payment, HRSA’s guidance uses the example of a prime recipient that receives a capital-improvement grant to build a health center. In this

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3 OMB codified its FFATA regulations at 2 CFR part 170.

example, even though the prime recipient considers the agreement with the architect a contract, the disbursement to the architect must still be reported because it carries out “the substantive project for which the organization received the award.”

We accessed the www.USASpending.gov website on March 15th, 2017, and did not see any subaward information reported by ISDH for its MIECHV program grants. When we asked about the lack of reported subaward information, ISDH officials stated that disbursements to the subrecipients were not subawards because they were obtained by procurement methods and contracted through the Indiana professional services agreement.

ISDH used the “Subrecipient and Contractor Determination Form” in an Indiana State manual, the Professional Services Contract Manual, to determine that its contractors were not subrecipients or grantees but rather vendors for this grant. ISDH ignored the OMB regulations and HRSA guidance. Both make clear that a disbursement’s purpose, not its form, determines whether it is a vendor payment or a subaward, which must be reported. Without populating subaward information in this system, the general public is not able to easily identify the subawards made using Federal funding, limiting the level of transparency the website is designed to achieve.

RECOMMENDATIONS

We recommend that ISDH:

- develop appropriate controls to provide monitoring and oversight of subrecipient financial management and administrative responsibilities to eliminate transaction errors;
- develop appropriate controls, such as audits and allowing the sharing of information among contractors, to ensure that services are not duplicated;
- develop appropriate controls to ensure that subrecipients retain information needed to reconcile invoices and to monitor edits made in the data management system after an invoice is created; and
- submit award data to the www.fsrs.gov website on amounts received by subrecipients in compliance with reporting provisions of the FFATA.

INDIANA STATE DEPARTMENT OF HEALTH COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In comments on our draft report, ISDH concurred with our recommendations and described

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5 Id.
corrective actions that it has taken or plans to take. However, regarding submitting award data to the www.fsrs.gov website, ISDH stated that it would begin reporting subawards made to Goodwill Industries of Central Indiana. ISDH’s comments are included in their entirety as Appendix B.

After reviewing ISDH’s comments, we maintain that ISDH should report award data for all MIECHV service providers, in addition to Goodwill, in compliance with FFATA reporting provisions.
APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed funding and program activity during FFY 2015 (October 1, 2014, through September 30, 2015). Our review covered five MIECHV grants, totaling $10,984,402, for which ISDH claimed costs during FFY 2015. The table below provides amounts awarded and claimed by grant.

Table: MIECHV Grant Award Details

<table>
<thead>
<tr>
<th>Grant Number</th>
<th>Grant Title</th>
<th>Budget Period</th>
<th>Funds Awarded (Budget Period)</th>
<th>Costs Claimed (FFY 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D89MC23147</td>
<td>ACA Maternal, Infant, and Early Childhood Home Visiting Program (Competitive Grant)</td>
<td>9/30/2011 through 9/29/2016</td>
<td>$35,456,475</td>
<td>$8,534,648</td>
</tr>
<tr>
<td>X02MC23103</td>
<td>ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)</td>
<td>9/30/2011 through 9/29/2014</td>
<td>4,436,760</td>
<td>460,120</td>
</tr>
<tr>
<td>X02MC26318</td>
<td>ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)</td>
<td>9/1/2013 through 9/30/2015</td>
<td>2,294,718</td>
<td>1,325,673</td>
</tr>
<tr>
<td>X02MC27449</td>
<td>ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)</td>
<td>8/1/2014 through 9/30/2016</td>
<td>2,221,339</td>
<td>663,795</td>
</tr>
<tr>
<td>X02MC28219</td>
<td>ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)</td>
<td>3/1/2015 through 9/30/2017</td>
<td>2,427,180</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td><strong>Total Funds Awarded and Claimed</strong></td>
<td></td>
<td><strong>$46,836,472</strong></td>
<td><strong>$10,984,402</strong></td>
</tr>
</tbody>
</table>

To determine whether ISDH and DCS used funding in accordance with Federal requirements, we obtained a list of FFY 2015 expenditures for each of the five grants in our review. We then selected a judgmental sample of 245 expenditures from ISDH’s and DCS’s general ledgers, covering approximately $7,775,984. Sixty of the sample items were expenditures at the State level, such as salaries, fringe benefits, and travel; the other 185 sample items were payments to service providers and vendors that administered the program.
Subrecipients and vendors typically submit monthly invoices to ISDH or DCS requesting reimbursement for costs incurred (ISDH subrecipients and vendors) or payment for services rendered each month (DCS subrecipients and vendors). Thus, of our 245 expenditures for subrecipients and vendors, each could be a single payment to one subrecipient or vendor or multiple payments to a single subrecipient or vendor. To gain an understanding about the type of costs subrecipients incurred, we judgmentally selected 32 unique payments made to 10 different subrecipients and requested that each subrecipient provide us with documentation covering the costs incurred in those payments.

We performed fieldwork from July 2016 to May 2017 at the ISDH and DCS offices in Indianapolis, Indiana. In addition, we conducted site visits at 11 subrecipients and vendors from November 2016 through February 2017.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance pertaining to MIECHV monitoring and reporting;

- met with HRSA officials to gain an understanding of the MIECHV program;

- met with ISDH and DCS officials to determine the policies, procedures, and controls related to monitoring and reporting of MIECHV grant funds;

- obtained and reviewed Indiana’s MIECHV grant application packages and Notice Of Award documents;

- identified the five grants for which Indiana claimed MIECHV program costs during FFY 2015;

- reviewed applicable guidance pertaining to the MIECHV program and monitoring of subrecipients;

- reviewed Indiana’s A-133 audit reports for 2011 through 2015;

- reviewed the State plan pertaining to the MIECHV program;

- determined whether ISDH’s reporting to HRSA complied with the Federal MIECHV program reporting requirements;
- selected a judgmental sample of 245 expenditures from ISDH’s and DCS’s general ledgers for review;

- performed site visits at 11 subrecipients and vendors and reviewed their detailed expenditure data covering 7 months of various expenses charged to ISDH and 2 months of invoices for expenses charged to DCS;

- on the basis of the results of the review of the judgmental sample and the site visits, determined whether ISDH used funding in accordance with Federal requirements;

- determined whether ISDH complied with Federal monitoring requirements; and

- discussed the results of our review with ISDH and DCS 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.
APPENDIX B: INDIANA STATE DEPARTMENT OF HEALTH COMMENTS

MEMORANDUM

Date: November 28, 2017


From: Samantha Lo, MPH, JD
    Director of Maternal & Child Health Programs

Rebecca Chauhan
    Director of Grants & Contracts

To: Sheri L. Fulcher
    Regional Inspector General for Audit Services

Thank you for the opportunity to respond to the findings and recommendations in the subject audit report. Addition to these issues should further strengthen the Indiana State Department of Health (ISDH) programmatic and fiscal integrity. The ISDH concurs with the findings and recommendations in the audit report. Attached is our Corrective Action Plan in response to the specific report recommendations.

If you have questions concerning the audit response, please contact Samantha Lo, Director of Maternal & Child Health Programs at (317) 234-7731 or Rebecca Chauhan, Director of Grants & Contracts at (317) 233-7087.

Attachment (1)

Cc: Arthur L. Logsdon, Assistant Commissioner
    Martha Allen, Director of Maternal & Child Health
    Shirley Payne, Director of Children Special Health Care Services
    Aaron Atwell, Chief Financial Officer
    Trent Fox, Chief of Staff

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To promote and provide essential public health services.
ISDH Response to OIG Audit
“Indiana Did Not Always Comply with Maternal, Infant, and Early Childhood Home Visiting Program Requirements”
Report No. A-05-16-00056, dated 10/31/2017

FINDING: The Indiana State Department of Health Did Not Have Appropriate Controls To Ensure The Effectiveness and Efficiency of the MIECHV Program

Specifically: The ISDH did not have appropriate controls to prevent transaction errors.

Specifically: The ISDH did not have appropriate controls to ensure that subrecipients did not duplicate services.

Specifically: The ISDH did not have appropriate controls to verify that home visit and assessment information was correctly reported.

<table>
<thead>
<tr>
<th>OIG Recommendation</th>
<th>ISDH Proposed Corrective Action</th>
<th>Proposed Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop appropriate controls to provide monitoring and oversight of subrecipient financial management and administrative responsibilities to eliminate transaction errors.</td>
<td>ISDH Finance concurs that two duplicate invoices were paid in the amount of $17,342. The Indiana book of record, PeopleSoft Financials, utilizes an accounts payable module wherein a unique invoice number is required for every receiver and payment. This duplicate entry was a result of staff incorrectly keying the invoice number, thereby negating the system’s internal control. Finance accounts payable staff have been required to undergo a refresher course in use of the accounts payable module, and the accounts payable manager spot-checks entries to ensure accuracy in keying invoice numbers. ISDH believes this staff training opportunuty will prevent future errors of this type.</td>
<td>01/01/2018</td>
</tr>
</tbody>
</table>
Develop appropriate controls, such as audits and allowing the sharing of information among contractors, to ensure that services are not duplicated.

ISDH concurs that service provider entities under the MIECHV program are subject to subrecipient requirements set forth in the CFR, including the program monitoring requirements to prevent clients receiving duplicate services. In the subgrant agreement with providers beginning 01/01/2018, these beneficiary monitoring requirements are specifically described, and regular reporting of de-identified client data is required of service providers. 01/01/2018

FINDING: The Indiana State Department of Health Did Not Report Subrecipient Award Data

<table>
<thead>
<tr>
<th>OIG Recommendation</th>
<th>ISDH Proposed Action</th>
<th>Proposed Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submit award data to the <a href="http://www.fss.gov">www.fss.gov</a> website on amounts received by subrecipients in compliance with reporting provisions of the FFATA.</td>
<td>ISDH Finance has a monthly standard process for reporting all FFATA-eligible subawards to <a href="http://www.fss.gov">www.fss.gov</a>. The business relationship with Goodwill Industries of Central Indiana, initiated 09/30/2013 and running through 12/31/2017, was classified as a Professional Services Contract and therefore was not considered by ISDH Finance to be eligible for FFATA reporting. ISDH Finance concurs with OIG that the entity Goodwill Industries carries out “the substantive project for which the organization received the award.” In the new agreement made with Goodwill Industries for MIECHV services, beginning 01/01/2018, the classification of Grant Agreement will be used and the subaward will be reported to <a href="http://www.fss.gov">www.fss.gov</a> with all other subgrant awards executed that month.</td>
<td>01/01/2018</td>
</tr>
</tbody>
</table>