

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ILLINOIS 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](mailto:Public.Affairs@oig.hhs.gov).*



Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services

July 2018  
A-05-16-00066

# *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: July 2018

Report No. A-05-16-00066

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



### Why OIG Did This Review

The Maternal, Infant, and Early Childhood Home Visiting Program (MIECHV program) was established in 2010 to be collaboratively implemented by HHS's Health Resources and Services Administration (HRSA) and the Administration for Children and Families.

As part of its oversight activities, OIG is conducting a series of reviews of certain grants because adequate controls are necessary to ensure that recipients use award money appropriately.

Our objective was to determine whether Illinois complied with MIECHV program requirements and the terms and conditions of the program's grants.

### How OIG Did This Review

We obtained a list of Federal fiscal year 2015 expenditures for each of the five grants in our review. We then selected a judgmental sample of 45 expenditures from Illinois' general ledger totaling approximately \$3.4 million.

We judgmentally selected 10 unique payments made to 5 different subrecipients and requested that each one provide us with documentation covering the costs incurred in those payments.

## Illinois Did Not Always Comply With Maternal, Infant, and Early Childhood Home Visiting Program Requirements

### What OIG Found

Illinois did not always comply with MIECHV program requirements and the terms and conditions of the program's grants, resulting in unallowable expenditures totaling \$405,770. Specifically, for the five subrecipients we reviewed, Illinois did not ensure that one subrecipient used grant funding for allowable purposes. We did not identify any unallowable expenditures at the State level.

### What OIG Recommends and Illinois Comments

We recommend that Illinois refund to the Federal Government \$405,770 in unallowable expenditures, ensure that subrecipients appropriately claim indirect costs in accordance with Federal requirements, and provide enhanced oversight of subrecipients to ensure that they claim costs in accordance with Federal requirements.

In written comments on our draft report, Illinois accepted our recommendation to refund the Federal Government for unallowable expenditures and to work on a correction plan to return the unallowable expenditures. Although Illinois agreed with the issue of the unallowable expenditures, it said that some of the costs were accounted for in documentation it submitted to OIG after the issuance of our draft report; however, Illinois acknowledged that none of that documentation consisted of a consulting agreement between the Ounce of Prevention Fund and its consultant. Illinois described actions it has taken and plans to take related to our other recommendations.

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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 that reside in at-risk communities.

As part of its oversight activities, the Office of Inspector General 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 Illinois Department of Human Services (DHS) 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 through 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.

#### **Illinois' Home Visiting Program**

In Illinois, the MIECHV program is administered by DHS and the Governor's Office of Early

Childhood Development (OECD). The MIECHV program provides intensive home visitation services to new and expectant families to strengthen the parent child relationship, encourage healthy child growth and development, nurture parents in their role as the child's first teacher, and prevent child abuse and neglect.

In 2015, Illinois' MIECHV program consisted of 25 home visiting programs serving eight communities in Illinois. The MIECHV program served 975 families and provided 13,195 home visits. DHS contracts 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.

Home visitors in Illinois are trained professionals who generally have a bachelor's or master's degree. The home visitors regularly meet with program participants in their homes. The Illinois MIECHV program consists of three home visiting models: Healthy Families Illinois, Parents as Teachers, and Early Head Start – Home Based.<sup>1</sup>

### **The Ounce of Prevention Fund**

The Ounce of Prevention Fund (OPF), a DHS subrecipient in Chicago, Illinois, aims to give children in poverty the best chance for success in school and in life by advocating for and providing the highest quality care and education from birth through age 5. Among the programs OPF operates directly or through partner agencies are Early Head Start and Head Start, the Illinois Birth to Three Institute, and the MIECHV program.

### **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 program grants for which DHS claimed \$9.6 million in costs during the audit period.

To determine whether DHS 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 45 expenditures from DHS's general ledger totaling approximately \$3.4 million. Three of the forty-five sample items were expenditures at the State level, such as payroll and State procurement; the other 42 sample items were payments to various subrecipients that administered the program.

Subrecipients typically submit monthly invoices to DHS requesting reimbursement for costs incurred each month. To gain an understanding about the type of costs subrecipients incurred,

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<sup>1</sup> HHS launched the Home Visiting Evidence of Effectiveness (HomVEE) review to conduct a thorough and transparent review of the home visiting research literature. HomVEE provides an assessment of the evidence of effectiveness of home visiting program models that target families with pregnant women and children from birth to age 5.

we judgmentally selected 10 unique payments made to 5 different subrecipients and requested that each one 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.

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

## FINDINGS

DHS did not always comply with MIECHV program requirements and the terms and conditions of the program's grants, resulting in unallowable expenditures totaling \$405,770. Specifically, for the five subrecipients reviewed, DHS did not ensure that one subrecipient (OPF) used grant funding for allowable purposes. We did not identify any unallowable expenditures at the State level.

These deficiencies occurred because DHS did not always adequately train its subrecipients in Federal grant requirements. As a result, DHS used funding for unallowable purposes.

### **THE DEPARTMENT OF HUMAN SERVICES DID NOT ENSURE THAT A SUBRECIPIENT CLAIMED ALLOWABLE COSTS**

#### **Unallowable Costs for Consultant Services and Associated Indirect Costs at the Ounce of Prevention Fund**

By accepting MIECHV program grant funds, DHS agreed to comply with regulations governing Federal grants and to ensure that the funds are used in accordance with the purpose and the terms and conditions of the grant. DHS also agreed to ensure that costs charged to its award are allowable. Federal regulations (45 CFR parts 92 and 75)<sup>2</sup> established uniform administrative requirements governing HHS grants and agreements awarded to State Governments. As a not-for-profit organization in receipt of Federal funds, OPF must comply with Federal cost principles in 2 CFR part 230, *Cost Principles for Non-Profit Organizations* for awards made before December 26, 2014, and it must comply with the cost principles in 45 CFR part 75 subpart E for awards made on or after that date.<sup>3</sup> These cost principles require that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and otherwise allowable.

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<sup>2</sup> Because our review covers awards governed by the cost principles in 2 CFR part 230 and 45 CFR part 75, we cite to both.

<sup>3</sup> The Office of Management and Budget Circular No. A-122, *Cost Principles for Non-Profit Organizations*, was relocated to 2 CFR part 230 and made applicable by 45 CFR § 74.27.



Federal regulations require that to be allowable under an award, costs must be adequately documented (2 CFR part 230, App. A, § A.2.g; 45 CFR § 75.403(g)). The allowability of professional services costs is affected by relevant factors that include the adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions) (2 CFR part 230, App. B, § 37.b(8); 45 CFR § 75.459(b)(8)).

The HHS *Grants Policy Statement* allows grant funding to be used for consultant services (page II-32). However, the organization incurring the costs must maintain documentation about the consultant, such as the nature of services rendered, relevance of the services to grant-supported activities, the period of service, the basis for calculating the fee paid, and the amount paid.

During our review of May 2015 costs claimed by OPF, we found that OPF had made a \$270,000 payment for consulting services but did not have any formal agreement in place describing the services to be performed or their relevance to the program. Upon further request, we found that OPF had made an additional payment to the consultant in June 2015 for \$30,000, for a total of \$300,000. According to the limited documentation OPF provided to us, the consultants were to provide services from July 1, 2014, through June 30, 2015. OPF provided us with a purchase order dated April 1, 2015, authorizing the purchase of \$300,000 in consulting services; a brief description of the services to be rendered; an invoice dated April 17, 2015, from the consultant billing for services from July 1, 2014, through March 31, 2015, in the amount of \$270,000 (and noting that the total amount due for FY 2015 will be \$301,000); and a check stub in the amount of \$270,000. OPF did not provide us with a detailed description of the services to be rendered or a description of how the fee paid to the consultant was calculated.<sup>4</sup> OPF's accounting records recorded the two payments totaling \$300,000.

In addition, OPF also claimed \$30,000 in indirect costs associated with this unallowable contractual payment, which we also determined to be unallowable.

When we requested the contract between OPF and the consultant, OPF replied that there was no contract. OPF indicated that the consultant was a vendor that negotiated with DHS on the specifics of the work the vendor would perform. DHS said that it did not negotiate an agreement with the consultant, nor did it instruct OPF to pay the consultant.

Without a written agreement between OPF and its consultant, we were unable to identify the type of work performed by the consultant or how OPF computed the consultant's rate of pay.

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<sup>4</sup> After issuing our draft report, we received additional documentation from DHS regarding OPF's consulting arrangement; specifically, agreements between the organization OPF paid to provide consulting services and that organization's own individual consultants and itemized cost documentation from the individual consultants. However, none of the documentation consisted of a consulting agreement between OPF and its consultant.

As a result, we determined that the entire \$330,000 in claimed costs charged against the MIECHV program represented unallowable contractual services.

**Additional Unallowable Indirect Costs at the Ounce of Prevention Fund**

The indirect cost agreement between HHS and OPF indicates that the direct cost base excludes “capital expenditures (buildings, individual items of equipment; alterations and renovations), that portion of each subaward in excess of \$25,000 and flow-through funds.”

OPF made payments to five subrecipients totaling \$882,697. The HHS Division of Cost Allocation Services allowed OPF to claim a 10-percent indirect cost rate on selected direct costs, specifically excluding the portion of each subaward in excess of \$25,000. OPF claimed indirect costs on the total amount of each of the five subawards at the full 10-percent indirect cost rate. See Table 1 below for a detailed computation of unallowable indirect costs.

**Table 1: Unallowable Indirect Costs Claimed During Fiscal Year 2015**

	<b>Total Amount OPF Paid Subrecipient</b>	<b>Total Amount OPF Claimed in Indirect Costs</b>	<b>Allowable Indirect Costs Per Rate Agreement</b>	<b>Unallowable Indirect Costs Claimed in Excess of Rate Agreement</b>
<b>Subrecipient A</b>	\$130,000	\$13,000	\$2,500	\$10,500
<b>Subrecipient B</b>	266,697	26,670	2,500	24,170
<b>Subrecipient C</b>	150,000	15,000	2,500	12,500
<b>Subrecipient D</b>	216,000	21,600	2,500	19,100
<b>Subrecipient E</b>	120,000	12,000	2,500	9,500
<b>Total</b>	<b>\$882,697</b>	<b>\$88,270</b>	<b>\$12,500</b>	<b>\$75,770</b>

OPF did not ensure that indirect costs for subawards were claimed in accordance with the terms of its indirect cost agreement. As a result, OPF claimed \$75,770 in unallowable indirect costs.

**Summary of Unallowable Costs**

Based on our review of costs claimed by DHS, we determined that \$405,770 was not allowable for Federal reimbursement because the costs were not appropriately documented or not otherwise made in accordance with Federal requirements.

## RECOMMENDATIONS

We recommend that DHS:

- refund to the Federal Government \$405,770 in unallowable expenditures,
- ensure that OPF and other subrecipients appropriately claim indirect costs in accordance with Federal requirements, and
- provide enhanced oversight of subrecipients to ensure that costs are claimed in accordance with Federal requirements.

### DEPARTMENT OF HUMAN SERVICES COMMENTS

In written comments on our draft report, DHS accepted our recommendation to refund the Federal Government for unallowable expenditures and to work on a correction plan to return the unallowable expenditures. Although DHS agreed with the issue of the unallowable expenditures, it said that some of the costs were accounted for in documentation it submitted to OIG after the issuance of our draft report; however, DHS acknowledged that none of that documentation consisted of a consulting agreement between the Ounce of Prevention Fund and its consultant. DHS described actions it has taken and plans to take related to our other recommendations.

DHS's comments are included in their entirety as Appendix B.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the MIECHV program to determine whether Illinois (1) used funding in accordance with Federal requirements, (2) adequately monitored the activities of subrecipients that provided program services, and (3) reported to HRSA on the activities in accordance with Federal laws and regulations. We reviewed funding and program activity during FFY 2015.

Our review covered five MIECHV program grants for which DHS claimed \$9.6 million in costs during FFY 2015. Table 2 below provides amounts awarded and claimed by grant.

**Table 2: MIECHV Program Grant Award Details**

Grant Number	Grant Title	Project Period	Funds Awarded (Project Period)	Costs Claimed (FFY 2015)
D89MC23146	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Competitive Grant)	09/30/2011 through 09/30/2016	\$8,975,795	\$3,540,973
X02MC26317	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)	09/01/2013 through 09/30/2015	3,865,221	1,669,644
X02MC27448	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)	08/01/2014 through 09/30/2016	3,652,101	3,527,360
D89MC28285	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Competitive Grant)	03/01/2015 through 09/30/2017	9,399,351	67,316
X02MC28218	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)	03/01/2015 through 09/30/2017	4,016,157	801,464
<b>Total Funds Awarded and Claimed</b>			<b>\$29,908,625</b>	<b>\$9,606,757</b>

To determine whether DHS 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 45 expenditures from DHS's general ledger totaling approximately \$3.4 million. Three of the forty-five sample items were expenditures at the State level, such as payroll and State procurement; the other 42 sample items were payments to various subrecipients that administered the program.

Subrecipients typically submit monthly invoices to DHS requesting reimbursement for costs incurred each month. To gain an understanding about the type of costs subrecipients incurred, we judgmentally selected 10 unique payments made to 5 different subrecipients and requested that each one provide us with documentation covering the costs incurred in those payments.

We did not review the overall internal control structure of DHS or its MIECHV program. Rather, we limited our review to determining whether DHS complied with MIECHV program requirements and the terms and conditions of the program's grants.

We performed fieldwork from October 2016 to August 2017 at the DHS office in Springfield, Illinois, and at the Governor's Office of Early Childhood Development in Chicago, Illinois. In addition, we conducted site visits at five subrecipients in Chicago and Rockford in April and May 2017.

## **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance pertaining to MIECHV program monitoring and reporting and Funding Opportunity Announcements;
- met with HRSA officials to gain an understanding of the MIECHV program;
- met with DHS officials to determine the policies, procedures, and controls related to monitoring and reporting of MIECHV program grant funds;
- obtained and reviewed Illinois' MIECHV program grant application packages and Notice of Award documents;
- reviewed applicable guidance pertaining to the MIECHV program and monitoring of subrecipients;
- performed limited testing of key controls;
- determined whether the reporting to HRSA complied with the Federal MIECHV program reporting requirements;
- selected a judgmental sample of 45 line items from DHS's general ledger for review;
- performed site visits at 5 subrecipients and reviewed their detailed expenditure data covering 2 sampled months of their invoices to DHS;

- determined, based on the results of our review of the judgmental sample and our site visits, whether DHS used funding in accordance with Federal requirements;
- determined whether DHS complied with Federal monitoring requirements; and
- discussed the results of our review with DHS 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.



Bruce Rauner, Governor • James T. Dîmas, Secretary

June 7, 2018

Ms. Sheri Fulcher  
Regional Inspector for Audit Services  
Office of Audit Services, Region V  
233 N. Michigan Ave., Suite 1360  
Chicago, IL 60601

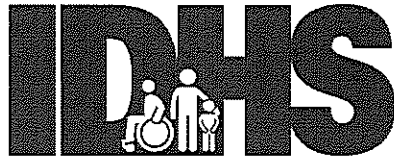
Dear Ms. Fulcher,

Attached, please find the Department's official responses to the finding identified during the HHS-OIG review of Illinois' Maternal, Infant, and Early Childhood home Visiting Program at the Department of Human Services.

If you have any questions or concerns, you may reach me at  
Amy.DeWeese@Illinois.gov, (217) 558-6931 or (217) 720-9370.

Sincerely,

Amy De Weese, CPA  
Chief Internal Auditor



Bruce Rauner, Governor • James T. Dimas, Secretary

**Finding Name:**

Illinois did not always comply with Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program Requirements.

**Finding Synopsis:**

The Department of Human Services (DHS) did not always comply with MIECHV program requirements and the terms and conditions of the program's grants, resulting in unallowable expenditures totaling \$405,770. Specifically, for the five subrecipients reviewed, DHS did not ensure that one subrecipient (Ounce of Prevention Fund) used grant funding for allowable purposes.

**Cause:**

DHS did not ensure that one subrecipient (Ounce of Prevention Fund) used grant funding for allowable purposes.

**Recommendation:**

We recommend that DHS:

- Refund to the Federal Government \$405,770 in unallowable expenditures;
- Ensure that Ounce of Prevention Fund (OPF) and other subrecipients appropriately claim indirect costs in accordance with Federal requirements; and
- Provide enhanced oversight of subrecipients to ensure that costs are claimed in accordance with Federal requirements.

**DHS Response:**

The Department accepts the recommendation. DHS will work with the federal programmatic office on a correction plan to return the unallowable expenditure funds. In addition, DHS has reiterated the procedures to staff to ensure that providers are made aware of federal requirements. The Department will review and revise the Inter-Governmental Agreement (IGA) to ensure that proper oversight is given to all subrecipients and that all costs are claimed in accordance with federal requirements.

While DHS agrees on the issue of the unallowable expenditures, DHS contends that some of the unallowable expenditures were accounted for in documentation submitted by DHS which included various consulting agreements and consultant costs and services between individual consultants and Illinois Children's Mental Health Partnership (ICMHP). However, DHS concurs that the main contractual agreement between OPF and its subrecipient ICMHP was not provided.