

Report in Brief

Date: September 2019

Report No. A-05-18-00008

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



Why OIG Did This Review

HHS provides funding through numerous programs that support the health and education of children. A prior review of Wisconsin's Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program found that, among other things, the Next Door Foundation, Inc. (NDF), claimed unallowable costs associated with its MIECHV program. From Federal fiscal year (FFY) 2011 through 2017, NDF's HHS grant funding grew from approximately \$1.7 million to \$16.5 million, and NDF receives grants from multiple HHS funding sources.

Our objective was to determine whether NDF claimed and accounted for HHS grant funds in accordance with Federal requirements.

How OIG Did This Review

We reviewed HHS grant funding and expenditures for FFYs 2016 and 2017 (October 1, 2015, through September 30, 2017). Our review covered HHS program grants for which NDF claimed \$33.2 million in costs during the audit period.

To determine whether NDF used HHS grant funds in accordance with Federal requirements, we obtained a list of expenditures for the selected grants in our review from NDF's general ledger. We conducted a detailed review of 100 judgmentally selected transactions from this list, totaling approximately \$1.7 million.

The Next Door Foundation Claimed Unallowable Indirect Costs and Did Not Document the Funding Source of Program Expenditures in Accordance With Federal Requirements

What OIG Found

NDF did not always claim and account for HHS grant funds in accordance with Federal requirements. We identified unallowable claims for indirect costs totaling \$142,104. We also identified other costs totaling \$15,618 that did not fully meet Federal requirements but were related to the purpose of the grant. These costs included \$9,968 for contractual services and \$5,650 for cost transfers. In addition, NDF's financial management system was not in compliance with Federal regulations. NDF claimed unallowable costs because it did not always follow its policies and procedures for claiming and accounting for HHS grant funds.

What OIG Recommends and Next Door Foundation's Comments

We recommend that NDF refund \$142,104 in unallowable indirect costs and work with its HHS funding agencies to ensure proper claiming of indirect costs, ensure that contractual agreements are signed and in place before services are provided, ensure that cost transfers meet applicable criteria and are fully documented, and ensure that the financial management system accurately matches expenditures with the source of funds.

In written comments on our draft report, NDF did not concur with our first finding that the 10 EHS-CCP partners should be considered subrecipients and that the indirect costs claimed totaling \$142,104 should be disallowed. NDF concurred with our findings regarding contractual agreements, cost transfers, and accounting for HHS grant expenditures and described steps it has taken or plans to take to implement new processes or systems.

We maintain that the 10 EHS-CCP partners were subrecipients and that the indirect costs claimed totaling \$142,104 should be disallowed. We acknowledge that NDF may not have intended to make a subaward; however, its intent (or decision not to seek prior approval) does not support the classification of partners as contractors. As stated in 45 CFR § 75.2, subawards may be provided by a non-Federal entity to a subrecipient through any form of legal agreement, even an agreement considered to be a contract.