IMPLEMENTATION OF THE STATE LEGALIZATION IMPACT ASSISTANCE GRANTS UNDER THE IMMIGRATION REFORM AND CONTROL ACT OF 1986

STATE OF COLORADO

OFFICE OF INSPECTOR GENERAL
OFFICE OF ANALYSIS AND INSPECTIONS

OCTOBER 1989
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This study was conducted to determine the effectiveness of Colorado’s implementation of State Legalization Impact Assistance Grants funds awarded under the Immigration Reform and Control Act of 1986.

The report was prepared under the direction of Don McLaughlin, the Regional Inspector General of Region VII, Office of Analysis and Inspections. Participating in this project were the following people:

**Kansas City**
- Hugh Owens, *Project Leader*
- Raymond Balandron
- James Wolf
- Alicia Smith

**San Francisco**
- Apryl Williams

**Headquarters**
- Albert J. Nace
- Debra Robinson

**New York**
- Lucille M. Cop
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Richard P. Kusserow
INSPECTOR GENERAL

OAI-07-88-00443 OCTOBER 1989
EXECUTIVE SUMMARY

PURPOSE

The purpose of this inspection was to determine how effectively Colorado implemented the State Legalization Impact Assistance Grants (SLIAG) program, to identify potential problems early in the process, and to identify good practices which all States could share.

BACKGROUND

The SLIAG program was established under the Immigration Reform and Control Act (IRCA) of 1986 to reduce the financial burden of providing public assistance, public health assistance, and educational services to eligible legalized aliens. In Fiscal Year (FY) 1988, $928.5 million in program funds were allocated to States, and funds will continue to be allocated through FY 1991. These funds also cover administrative costs for implementing SLIAG at the State and local levels. Payments are made for public assistance activities generally available to all needy individuals and public health assistance services offered under the States’ public health programs. The payments also cover educational services designed to assist eligible legalized aliens to attain a satisfactory level of performance in school and to achieve English language proficiency and citizenship skills necessary to become permanent residents. The Family Support Administration (FSA) is responsible for administering the program.

Because SLIAG was a new program, FSA realized that problems would surface early in its implementation. In addition to the normal difficulties encountered in creating new processes and procedures, FSA recognized that SLIAG would have unique problems. Some of these issues include the diversity of programs which SLIAG encompasses, cultural and language barriers associated with the service population, maintaining confidentiality of information, and the extremely short time frames for the grant award process.

METHODOLOGY

In response to the anticipated difficulties with implementing SLIAG, FSA requested that the Office of Inspector General (OIG) conduct reviews in 10 States to determine the progress of States’ implementing this program. The FSA selected nine States and the District of Columbia because of the variety of programs they offered, the number of eligible legalized aliens in the population, or the amount of the grant. The nine States are Arizona, California, Colorado, Florida, Illinois, Massachusetts, New York, Texas, and Washington.

Interviews based on structured discussion guides for each major program area, as well as documentation furnished by FSA and State and local officials, built the base of information for this report. This report represents the review conducted in the State of Colorado and reports on its implementation of the SLIAG program as of August 1988.
Both FSA and Colorado were committed to identifying problems and developing innovative and effective solutions for them. Immediately following our on-site visits, FSA was given an outline of the State concerns identified in this report.

**FINDING:** Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.

- The FSA held several national conferences beginning in 1987 to share information with States on SLIAG legislation, the implications for States, the application process, and the documentation of costs.

- The FSA also provided States with “Question and Answer” issuances and demographic data from the Immigration and Naturalization Service (INS).

**FINDING:** Colorado established a structure to identify organizational and program needs.

- Through a Medical Case Management Program, the Colorado Department of Health intends to elevate the health status of needy individuals to approximately that of the State’s general population.

- The Colorado Department of Health also intends to recruit, hire, train, and supervise paraprofessional community health workers who are ethnically, linguistically, and culturally sensitive to its service population.

- Agencies seeking to provide SLIAG-related educational services for eligible legalized aliens must develop outreach activities and identify these in their grant proposals to the Colorado Department of Education.

**FINDING:** Colorado also took steps to document expenditures and control disbursements.

- At the time of the inspection, Colorado was adapting existing automated systems to reimburse counties for cash and medical assistance to eligible legalized aliens.

- Since expenditures must occur before reimbursement is made, the system used will show whether any excess cash balances exist at the service provider level.

- Under funding agreements with the Colorado Department of Education, educational providers must separately account for SLIAG expenditures before reimbursement is made. These agencies must collect and report data verifying
enrollment, attendance, progress, certification, and program expenditures to the department.

Nevertheless, there are some funds control vulnerabilities.

**FINDING:** Conflicting interpretations of the term "public charge" has caused uncertainties for the aliens as to what services they are entitled to receive without fear of deportation.

- Some members of the alien population fear that accepting benefits would subject them to possible deportation if they are identified as a "public charge," as defined by the INS. This uncertainty ultimately affects the State's ability to plan for and provide services to eligible legalized aliens.

**FINDING:** The State had not developed a method to determine education program administrative costs.

**FINDING:** The FSA application review process created a number of significant problems for Colorado. Also, the FSA's application review process interfered with the State's ability to plan for services.

- Delay in FSA issuing the implementing regulation resulted in the State's inability to properly plan for SLIAG.

- Numerous policy misinterpretations and disagreements resulted because FSA did not provide definitive written instructions to assist Colorado in understanding SLIAG application requirements.

- The time frames were too short for submitting the initial SLIAG application, FSA review and comment, and revisions of the application.

- No formal appeals process exists if programs or costs are denied in the first level review.

As mentioned earlier, FSA and Colorado have already initiated action on some of the recommendations made in this report. Steps have been taken by FSA to provide States with more specific, formal guidelines for identifying and documenting actual program and administrative costs. However, additional actions are necessary in other areas on the part of FSA and Colorado.
RECOMMENDATION: The FSA and the INS should further clarify what is meant by “public charge” and widely disseminate this information to the aliens who have raised concerns about their resident status.

RECOMMENDATION: The Colorado Department of Education should ensure that providers of educational services are properly calculating education program administrative costs.

RECOMMENDATION: The FSA should make its application and grant process more orderly. Specifically, FSA should

- provide definitive written instructions on the SLIAG application requirements and establish a dialogue with Colorado on SLIAG policy, compliance, and reporting issues to minimize the confusion that occurred in the initial application process;

- ensure that sufficient time is allotted to the application process including Colorado’s initial application, FSA’s review and formal comment, Colorado’s consideration of FSA comments and negotiation of disputes, and its submission of the revised application for FSA approval; and

- develop an appeals process to use if programs or costs associated with providing services are denied in the initial application process.

COMMENTS

The FSA and the State of Colorado both commented on the draft report. They generally agreed with our findings and recommendations. Both reported having taken a number of steps to improve implementing SLIAG. Their comments are included as appendices B and C, respectively.
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INTRODUCTION

PURPOSE

The Family Support Administration (FSA) requested that the Office of Inspector General (OIG) conduct an inspection in nine States and the District of Columbia to determine the effectiveness of the States’ implementation of the State Legalization Impact Assistance Grants (SLIAG) program awarded under the Immigration Reform and Control Act (IRCA) of 1986. The inspection included reviewing mechanisms in place to identify these funds and determining whether present or projected policies and procedures adhere to FSA guidelines. The FSA also was interested in identifying potential problems early in the process and good practices which all States could share. This report presents the results of the inspection pertaining to the State of Colorado.

BACKGROUND

Under IRCA, eligible legalized aliens may apply for permanent residency within a 1-year period after they are first eligible (i.e., by the 31st month after they receive temporary resident status).

This new population will increase the demand for State public assistance and public health assistance services significantly. It will also increase the demand for State educational services as these new residents obtain English language and civic skills needed to become U.S. citizens.

To help States defray many of the costs of providing public assistance, public health assistance and educational services to eligible legalized aliens, IRCA authorized $1 billion each year from Fiscal Years (FY) 1988 through 1991 for SLIAG grants, less an amount identified as the “Federal offset.” With few exceptions, eligible legalized aliens are ineligible for federally funded public assistance programs such as Aid to Families with Dependent Children (AFDC), food stamps, and Medicaid. The “Federal offset” is the estimated cost to the Federal Government of providing these services or benefits to those few legalized aliens who are eligible for them. In FY 1988, the law allocated $928.5 million to States.

To receive SLIAG funds, States must apply to the FSA Division of State Legalization Assistance, which is responsible for approving applications and administering the program. The application must be approved in total for a State to receive any SLIAG funds. The FSA also provides States with technical assistance on policy issues and on the methods used to determine costs and verify actual costs.
The basic requirement for States to claim reimbursement is that costs must be allowable, reasonable, and allocable. State public assistance and public health assistance programs must be the same ones available to the general public. States cannot create new programs in these areas specifically for eligible legalized aliens. However, States may create new or additional education programs for the eligible legalized alien population. States may also claim reimbursement for program administrative and SLIAG administrative costs.

Reimbursement for public assistance and public health assistance is limited only to the amount of State and local funds expended for SLIAG-related costs. The maximum SLIAG reimbursement for educational services is an average of $500 per year per eligible legalized alien. Determining program administrative costs should be made in accordance with the final regulation at 45 CFR 402.22.

The FSA is responsible for administering the program. Because SLIAG was a new program, FSA realized that problems would surface early in its implementation. In addition to the normal difficulties encountered in creating new processes and procedures, FSA recognized that SLIAG would have unique problems. Some of these issues include the diversity of programs which SLIAG encompasses, cultural and language barriers associated with the service population, maintaining confidentiality of information, and the extremely short time frames for the grant award process.

METHODOLOGY

The FSA selected nine States and the District of Columbia for the inspection because of the variety of programs offered, the number of eligible legalized aliens in the population, or the amount of the grant. The nine States are Arizona, California, Colorado, Florida, Illinois, Massachusetts, New York, Texas, and Washington. This report reviews Colorado's implementation of the SLIAG program as of August 1988.

Prior to conducting the inspection, the OIG developed structured discussion guides for each major program activity at the State and local levels. In conducting this review, interviews were held with officials from public assistance, public health, and education.
COLORADO'S ORGANIZATIONAL STRUCTURE

In the State of Colorado, the Governor has designated the Colorado Department of Social Services as the responsible administering agency for the SLIAG program. Under the designation, the executive director of the Colorado Department of Social Services is specifically authorized to apply for and accept SLIAG funding and to provide assurances and certifications, as required by Federal regulations, to the U.S. Department of Health and Human Services. Within the Colorado Department of Social Services, the executive director has designated the State Coordinator of the Colorado Refugee and Immigrant Services Program as the single point of contact.

The Colorado Department of Social Services administers the State's public assistance programs through the county Departments of Social Services. Other programs administered by the Colorado Department of Social Services are the Medically Indigent Program, Medicaid, public assistance programs, and the Systematic Alien Verification for Entitlements system. The Medically Indigent Program is carried out through provider contracts.

The Colorado Department of Health has entered into a cooperative agreement with the Colorado Department of Social Services to provide public health planning, coordination, administration, delivery, Medical Case Management, and Medically Indigent vouchering services, under the SLIAG program. Similarly, the Colorado Department of Education has entered into a cooperative agreement with the Colorado Department of Social Services to provide services under the SLIAG program. Such services include education planning, coordination and administration, and contracts for adult education services and elementary and secondary education services conducted by local education agencies.

Colorado intends to use existing service delivery and funding mechanisms, and to use providers of service to accommodate the needs of the eligible legalized aliens. The availability of those services are limited to those generally available to other Colorado residents.

Participating service providers must be able to identify eligible legalized aliens except where Federal regulations permit establishing costs on the basis of a ratio between the State's total population and the number of aliens in the State. The exception primarily relates to public health services. As far as public assistance and education are concerned, Colorado will require identification of an eligible legalized alien by presenting an I-688, Temporary Resident Card issued by the Immigration and Naturalization Service (INS). The I-688, Temporary Resident Card will identify the eligible legalized alien by an alien registration number.
FINDINGS AND RECOMMENDATIONS

Both FSA and Colorado were committed to identifying problems and developing effective solutions for them. Immediately following our on-site visits, FSA was given an outline of the State concerns identified in this report.

FINDING: Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.

- The FSA held several national conferences beginning in 1987 to share information with States on SLIAG legislation, the implications for States, the application process, and the documentation of costs.

- The FSA also provided States with “Question and Answer” issuances and demographic data from the INS.

FINDING: Colorado established a structure to identify organizational and program needs.

- Through a Medical Case Management Program, the Colorado Department of Health intends to elevate the health status of needy individuals to approximately that of the State’s general population.

- The Colorado Department of Health also intends to recruit, hire, train, and supervise paraprofessional community health workers who are ethnically, linguistically, and culturally sensitive to its service population.

- To increase involvement of eligible legalized aliens in educational programs, a local organization choosing to offer services to eligible legalized aliens will be required to develop significant outreach activities. These will be submitted as part of the Plan of Service submitted to the Colorado Department of Education’s SLIAG Adult Education Office in response to a request for proposals.

FINDING: Colorado also took steps to document expenditures and control disbursements.
Because counties administer cash assistance programs in the State, the State had no system to reimburse counties for SLIAG-related expenditures. At the time of the inspection, Colorado was developing such a system. To claim reimbursement, counties will use existing automated systems—the Client Oriented Information Network and the Medicaid Management Information System—to document, accumulate, and report program costs for individuals presenting the I-688, Temporary Resident Card. In the foster care payroll system, provider payments will be identified using two new distinct category codes.

Since expenditures must occur before reimbursement is made, the system used will show whether any excess cash balances exist at the service provider level.

Under funding agreements with the Colorado Department of Education, various agencies that can provide an ongoing adult basic education program must separately account for SLIAG expenditures before reimbursement is made. The agreements stipulate that agencies receiving funds under SLIAG must collect and report data to the Colorado Department of Education. They will then document or verify enrollment, attendance, progress, certification, and program expenditures.

Nevertheless, some funds control vulnerabilities exist. Findings and recommendations concerning these vulnerabilities follow under major topic areas.

PUBLIC ASSISTANCE

Assistance or Service Activities

Colorado offers a number of public assistance programs and services to its residents. The eligibility requirements for these services are that the individual should be born in the United States, be a naturalized refugee, or be an alien legally residing in the United States. No duration of residency requirements exist.

Under public assistance in Colorado, county Departments of Social Services administer all cash assistance programs. Colorado is using the existing service delivery process for SLIAG-related services and will be offsetting 100 percent of State and county costs for providing these cash assistance programs to eligible legalized aliens.

For the time being, the State has chosen to make legalized aliens eligible for State and county public assistance programs. These programs include Old Age Pension-B and Aid to the Needy Disabled, classified as "general assistance" by SLIAG. However, eligible legalized
aliens will possibly be disqualified from eligibility for Old Age Pension-B Program and/or Aid to the Needy Disabled Program benefits if funding to meet the projected number of eligible legalized aliens needing those benefits is not available. Counties may also disqualify eligible legalized aliens from local general assistance benefits.

Colorado believes that because eligible legalized aliens are barred from AFDC, they will use public cash assistance only minimally. In addition, the numbers of disabled or aged individuals seeking assistance are projected to be proportionately small. Also, most eligible legalized aliens are self-sufficient because they have been working and will have to prove this for legalization. However, State officials are concerned that people who are eligible for assistance will hesitate to seek it because of the INS “public charge” policy.

**FINDING:** Conflicting interpretations of the term “public charge” has caused uncertainties for the aliens as to what services they are entitled to receive without fear of deportation.

Some people are afraid to identify themselves as aliens for fear of being considered a “public charge.” As a result, aliens are uncertain about benefits they may be entitled to and whether accepting these benefits would subject them to possible deportation if they are identified as a “public charge.”

**RECOMMENDATION:** The FSA and the INS should further clarify what is meant by “public charge” and widely disseminate this information to the aliens who have raised concerns about their resident status.

For medical assistance benefits under public assistance, the Department of Social Services will use contracts drawn between it and the medical providers. In accordance with the contracts, these providers will be reimbursed for providing health care to the medically indigent. The Medically Indigent Program for eligible legalized aliens will follow the same practices as the State’s current Medically Indigent Program, including the coverage of services and the patient’s ability to pay. Contracts will stipulate that the Medically Indigent Program will reimburse providers at 100 percent of their costs for services to eligible legalized aliens; however, this is only after patient responsibility and any third party responsibility are deducted.

For eligible legalized aliens located in an area not served by a Medically Indigent Program provider, the Department of Social Services has entered into a cooperative agreement with the Department of Health. These providers will contract for services furnished to the general population and must submit to the Department of Social Services a voucher for reimbursement of the services.
Only a limited number of eligible legalized aliens will meet the categorical eligibility requirements for Medicaid in Colorado. They would have to meet the eligibility requirements for the State’s Old Age Pension Program, the Supplemental Security Income Aid to the Disabled Program, pregnant women, emergency medical care services, or children covered under AFDC who are under 18 years of age.

Legalized aliens who are eligible for any of the public assistance programs administered by county Departments of Social Services will be served in a manner identical to the rest of Colorado’s population.

Colorado will be providing foster care maintenance and claiming SLIAG funding for the eligible legalized alien children who meet AFDC eligibility requirements. For them, Colorado will provide food, clothing, and shelter.

**Documentation of Eligible Legalized Alien Status**

In Colorado, the intake process for benefits will include asking the applicant for identification as an eligible legalized alien. It will be necessary for eligible legalized aliens to present to the intake personnel their I-688, Temporary Resident Card. This is the only proof of identification Colorado will accept. When an eligible legalized alien later becomes a permanent resident, the Resident Alien Card (I-551) would be acceptable.

**Program Costs**

In Colorado, the non-Federal share of the cost of cash and other assistance provided to eligible legalized aliens will be fully reimbursed from SLIAG funds. The identification number on each eligible legalized aliens’s I-688 will be used in already-existing automated systems—the Client Oriented Information Network and the Medicaid Management Information System—to document, accumulate, report, and reimburse program costs. For public assistance, the process is covered below:

- The cash assistance payments for the Old Age Pension Program and for the Aid to the Needy Disabled Program will be identified on a report generated by the Client Oriented Information Network and will be the basis for Federal claiming purposes. Since the State was not reimbursing counties for general assistance expenditures, Colorado is developing a unique system which will be agreeable to both the State and county. Under the IV-E Program (foster care maintenance), foster care provider payments made on behalf of eligible legalized aliens will be identified in the foster care payroll system using two new distinct category codes.
To identify eligible legalized alien Medicaid expenditures the State will use a process similar to the one used for refugee Medicaid expenditures. Eligible legalized aliens will be identified as a unique subset within the Medicaid Management Information System.

The program costs identified will be shown on a Federal financial report required annually by SLIAG regulations.

**Administrative Costs**

Colorado’s identification of public assistance program administrative costs for SLIAG will be accomplished by applying caseload percentages to the total costs. For example, the unduplicated caseload percentage for SLIAG would be applied to all Medicaid administrative costs, resulting in the SLIAG Medicaid-related administrative costs.

For reporting purposes, 50 percent will be claimed under the SLIAG grant and 50 percent will be claimed under the regular title XIX Medicaid program. The caseload statistics for both SLIAG and the entire population will be used to identify the population for whom reimbursement is being claimed.

State reimbursement to the counties for administrative costs for those programs with a 20 percent county share (Aid to the Needy Disabled, AFDC-Foster Care, and food stamps) will occur quarterly through use of a unique program code. A unique object code will identify each program shown separately on the reports to the county.

The counties will claim salaries and fringe benefits from the State by prorating portions of the staff salaries. A specific Time Distribution Sheet is to be used by staff for any time spent on SLIAG. A percentage would be derived by dividing the time spent on SLIAG by the total time in the month. This percentage is applied to the salary and fringe benefits paid that month and the amount that is reported to the State Accounting and Purchasing Division using the unique program code. Operating costs that can be directly identified to the program would also be reported by use of the unique program code.

**Drawdown of Funds and Cash Balances**

The Department of Social Services is the grantee agency and is responsible for drawdown of Federal funds, disbursing funds to the State agencies providing SLIAG-related services, and reporting these expenditures to FSA.

A Federal letter of credit will be prepared based on actual expenditures when possible. The agency will draw down funds to cover expenditures once a week or as often as warranted.
The Federal funds will be used to reimburse services on a monthly basis, using one-twelfth of the projected costs submitted in the SLIAG application. At the end of the first quarter, an adjustment will be made of actual costs to estimated costs. The adjustment will then be applied in the succeeding quarters’ drawdowns. A pattern of expenditures based on actual costs will then be established as a basis for the Federal drawdown. Cash balances are monitored and a schedule of Federal drawdowns is prepared and recorded as often as the draws occur.

No cash balances exist at the service provider level since the expenditure must have occurred before request for reimbursement can be made.

PUBLIC HEALTH ASSISTANCE

Assistance or Service Activities

The Department of Health has entered into a cooperative agreement with the Department of Social Services to provide public health assistance to eligible legalized aliens when such assistance is otherwise generally available to all citizens residing in Colorado and for the general public’s health protection. The Department of Health’s public health treatment program either provides the necessary services or reimburses county or local health agencies for the services. Although these public health services are funded by State and local monies, when these services are provided to eligible legalized aliens, the costs are 100 percent federally reimbursable under SLIAG.

The Department of Health and/or public health facilities will provide the following services to eligible legalized aliens:

- tuberculosis screening, treatment, and any necessary public health follow-ups;
- treatment and case management of sexually transmitted disease such as gonorrhea and syphilis; and
- case reporting and management of Acquired Immune Deficiency Syndrome.

It will also be the responsibility of the Department of Health to

- coordinate a Medical Case Management Program to elevate the health status of needy individuals to a level approximating that of the general population of the State;
• recruit, hire, train, and supervise paraprofessional community health workers who are ethnically, linguistically, and culturally sensitive to its service population;

• negotiate and subcontract the services of community health workers with local health departments, community clinics, hospitals, and other appropriate local health entities where they exist;

• coordinate a medical authorization system for its service population in cities, towns, or counties of the State where a Medically Indigent Program provider is not reasonably accessible; and

• operate a medical authorization system for payments to local health care providers, community clinics, and hospitals that agree to provide medical services to needy individuals. Cost of reimbursement cannot exceed the Department of Social Services’ Medically Indigent Program rates for similar services.

**Documentation of Eligible Legalized Alien Status**

The public health agencies providing services have amended the existing intake process to identify eligible legalized aliens. When potential eligible legalized aliens go in for services, they are asked if they have recently adjusted their residency status. The information is taken in confidence. If the individual is an eligible legalized alien, he or she must present the I-688, Temporary Resident Card, and the health agency will record the alien registration number. To claim SLIAG money, the agency must see this card with the identification number.

**Program Costs**

Individual eligible legalized aliens are being identified and the individual cases followed to document health services and keep track of costs. Costs of preventative or educational health services are determined using a population ratio method.

Colorado’s system provides for a full audit trail. Stringent controls are set up to support it. In monitoring program costs, the Department of Health is required to report to the Department of Social Services. The Department of Social Services monitors all public health expenditures for compliance with SLIAG requirements. In carrying out this responsibility, the Department of Health has designated an eligible legalized alien public health coordinator to be responsible for all reports and to present and explain them at monthly Refugee and Immigrant Services Program contractor meetings.
To aid in gathering some data on eligible legalized aliens, the Department of Health has developed a system to maintain a registry of eligible legalized aliens who are tested and treated for tuberculosis. On a quarterly basis, the Department of Health submits to the Department of Social Services a billing for tuberculosis testing and treatment, medical case management, and authorization. Also on a quarterly basis, the Department of Health has to submit a narrative report including at least (1) the total number of eligible legalized aliens who were tested and treated for tuberculosis, (2) the progress and activities of the medical case managers, and (3) any actions the Department of Social Services required them to perform.

The Department of Health must also submit two reports at the end of the fiscal year. These reports cover two separate periods in the fiscal year and include at least the following information: (1) the actual SLIAG-related costs incurred during the fiscal year for each public health program identified in Colorado's application, (2) the Department of Health's SLIAG administrative costs, and (3) the amount of SLIAG funds obligated to each public health program and the time period for which the funds were obligated.

Administrative Costs

The Department of Health has developed tight budget regulations covering SLIAG and has the necessary accounting system in place to document administrative costs. To keep track of all expenditures, the Department of Health has established separate agency budget ledgers for each cost item. Costs are allocated by time sheets, and expenditures will be claimed based upon prorated salaries and fringe benefits. Travel costs encompass in-State costs for disease control staff, in-State costs for public health staff, and out-of-State costs for public health staff. Also included in administrative costs are operating and equipment costs. The Department of Health will use an indirect cost rate approved by the U.S. Department of Health and Human Services, the cognizant Federal agency. These costs are included in the two fiscal year reports submitted to the Department of Social Services.

Drawdown of Funds and Cash Balances

To obtain reimbursement for services rendered, the Department of Health has to submit the appropriate report to the Department of Social Services. This report is the supporting documentation used to reimburse the Department of Health by transferring the funds through an interagency voucher or by a direct vouchering process. The Department of Social Services does not advance any funds for program costs.
EDUCATION

Assistance or Service Activities

The Department of Education has entered into a cooperative agreement with the Department of Social Services to provide educational services to eligible legalized aliens. Even before the implementation of SLIAG regulations, the Department of Education has had a good reputation and has been a long-term consultant to agencies providing quality educational services to individuals with limited English-speaking skills. The Department of Education is staffed with well-qualified individuals and an extensive service network which can rapidly implement additional services.

In Colorado, the educational services to be provided under SLIAG will be those allowed under the Adult Education Act, Emergency Immigrant Education Act, and other programs designed to enable eligible legalized aliens to attain citizenship skills required by INS to adjust to permanent resident alien status.

The following adult education services will be available for adult eligible legalized aliens and providers of services to them through

- instruction in basic skills to enable adults to function effectively in society (including the ability to speak, read, and write the English language);
- instruction leading to the equivalent of a certificate of graduation from a school providing secondary education;
- instruction for adults with limited English proficiency;
- instruction in citizenship skills; and
- ancillary services to local providers including curriculum development, teacher training, and evaluation.

If the local elementary and secondary educational agency meets the enrollment threshold required by SLIAG, it can use SLIAG funds to provide these services for children:

- supplemental educational services necessary to enable children to achieve a satisfactory level of performance, including English language instruction, other bilingual services, and special materials and supplies;
additional basic instructional services that are directly attributable to the presence in the school district of immigrant children, including the costs of providing additional classroom supplies; overhead costs; costs of construction, acquisition, or rental of space; costs of transportation; or such costs directly attributable to such additional basic instructional services; and

essential in-service training for personnel who provide instruction to immigrant children.

The SLIAG Adult Education Office will issue a request for proposals to local Adult Basic Education Program sites and interested public or private nonprofit agencies statewide. Proposals will be reviewed by the SLIAG adult education program manager in the Department of Education with assistance from a committee. Review criteria will be published in the request for proposal. The Department of Education will evaluate all programs to determine if they meet SLIAG criteria for educational delivery systems and will recognize those that are awarded funding as approved programs. It is anticipated that approximately 30 programs will be selected for funding. The request for proposal process was selected to ensure that all interested community-based organizations would be fairly considered.

A local organization choosing to offer educational services to eligible legalized aliens will be required to develop significant outreach activities as part of its Plan of Service. The Plan of Service will be submitted to the State Adult Education Office for approval in response to the request for proposal. To assure success, outreach efforts will have to include requests for referrals from various community programs that come in contact with eligible legalized aliens.

A funding floor will be established for those programs where small numbers would result in a reimbursement too small to cover the cost of instruction. SLIAG funding to a service provider is to be the lesser of actual costs or $500 multiplied by the number of eligible legalized aliens served.

The SLIAG funds will be allocated to local educational agencies using the Emergency Immigrant Education Act guidelines and mechanisms. Because of the enrollment threshold required for SLIAG, very few school districts, if any, will be eligible for reimbursement. Furthermore, many eligible legalized alien children will be eliminated from the eligible pool because of the attendance requirement of fewer than 3 full academic years in U.S. schools. Therefore, budget projections for the elementary and secondary schools are minimal.

The Department of Education will request applications from local education agencies for funding. Until this process is completed it will be difficult to assess actual eligible programs.
**Documentation of Eligible Legalized Alien Status**

The Department of Education will modify its basic enrollment form to identify eligible legalized alien students for SLIAG purposes. The modified form will ask for information related strictly to eligible legalized aliens. As part of the enrollment intake process, the eligible legalized alien must show the I-688, Temporary Resident Card, or SLIAG money cannot be claimed. Although a computer system was not set up to record this information for documenting costs, it was to be in the future.

**Program Costs**

The Department of Education enters into funding agreements with various agencies that are able to provide an ongoing adult basic education program. The funding agreements stipulate that agencies receiving funds under SLIAG must collect and report data to the Department of Education documenting or verifying enrollment, attendance, progress, certification, and program expenditures. In addition, the funding agreement also stipulates that the provider will maintain a separate accounting for SLIAG funds obtained through the agreement. It will contain a record of all reimbursable program expenditures requested from the Department of Education. This includes a complete record of how funds were spent and a listing of the recipients of such funds. Service providers may request reimbursement from the Department of Education on a monthly, quarterly, semi-annual, or annual basis.

**Administrative Costs**

The Department of Education, in accordance with the SLIAG regulation, has a 1.5 percent limit on administrative costs. These costs are made up of management and supervisory activities necessary for the State educational agency to direct and control developing and overseeing the program. These costs do not include ancillary services such as evaluation, teacher training, dissemination, and curriculum development. The Department of Education believes the limit on SLIAG administrative costs is too stringent and would not allow the programs to be implemented on a full-time basis.

**FINDING:** The State had not developed a method to determine education program administrative costs.

Program administrative costs are captured on two documents, which the adult basic education agency submits to the Department of Education. One is a Summary of Costs document itemizing all personnel and program costs. The second is a Reimbursement Request form categorizing expenditures by code number. Both documents relate to reimbursement for actual expenditures. This is not consistent with the SLIAG regulation, which provides that these costs must be allocated to SLIAG in either the same proportion that eligible legalized aliens are representative of the total number of individuals served, or the total cost of the program.
RECOMMENDATION: The Colorado Department of Education should ensure that providers of educational services are properly calculating education program administrative costs.

Drawdown of Funds and Cash Balances

This process is identical to the system the Department of Education uses. The Department of Education submits the appropriate report to the Department of Social Services. This report will be the supporting documentation used to reimburse the Department of Education. The transfer of funds will be through an interagency voucher or a direct vouchering process. The Department of Social Services does not advance funds for program costs.

CROSSCUTTING ISSUES

Colorado officials were concerned with FSA's untimely processing of its State application. They believed the following:

- that this delay created a slowdown in providing the services needed by eligible legalized aliens;
- that a “lack of trust” exists in FSA;
- that FSA believes the primary intention of SLIAG is to provide services and assistance to eligible legalized aliens without any major effect on the existing system for programs;
- that FSA is more concerned with budget cutting and has made implementing the program more difficult, thus impeding the State’s ability to provide services to eligible legalized aliens; and
- that too much Federal involvement affects getting the services to the eligible legalized aliens.

FINDING: The FSA application review process created a number of significant problems for Colorado. Also, the FSA's application review process interfered with the State's ability to plan for services.

- Delay in FSA issuing the implementing regulation resulted in the State’s inability to properly plan for SLIAG.
Numerous policy misinterpretations and disagreements resulted because FSA did not provide definitive written instructions to assist Colorado in understanding SLIAG application requirements.

The time frames were too short for submitting the initial SLIAG application, FSA review and comment, and revisions of the application.

No formal appeals process exists if programs or costs are denied in the first-level review.

According to final regulations published March 10, 1988, States had to submit the FY 1988 application no later than May 16, 1988. Revisions to the application had to be submitted by July 1, 1988, and the FY 1989 application had to be submitted no later than July 15, 1988. Applications were to contain brief descriptions of the State's programs or services, estimates of the State's SLIAG-related costs for each program or activity for that particular fiscal year (including information on the number of eligible legalized aliens residing in the State), and a brief explanation of the methodology used to estimate these costs.

Due to these short time frames, FSA was not able to provide feedback on revisions necessary in the State's FY 1988 application. The information was transmitted by telephone or in meetings. The time frames to make necessary revisions did not accommodate the organizational structure or the need to communicate with or seek approval from the program components affected by revisions requested by FSA. Although some changes had a major effect on programs and grant amounts, the single point of contact received no official rationale from FSA for requesting the changes. This could place the single point of contact or the staff person who assumed responsibility for revisions in an awkward position should the changes or the amount of the grant be questioned.

The FSA did not provide for partial funding nor conditional approval of applications, nor did the FSA provide for an appeals process when programs, costs, or methodologies were not approved.

**RECOMMENDATION:** The FSA should make its application and grant process more orderly. Specifically, FSA should

- provide definitive written instructions on the SLIAG application requirements and establish a dialogue with Colorado on SLIAG policy, compliance, and reporting issues to minimize the confusion that occurred in the initial application process;
• ensure that sufficient time is allotted to the application process including Colorado’s initial application, FSA’s review and formal comment, Colorado’s consideration of FSA comments and negotiation of disputes, and its submission of the revised application for FSA approval; and

• develop an appeals process to use if program or costs associated with providing services are denied in the initial application process.
The FSA and the State of Colorado both commented on the draft report.

THE FSA

The FSA has generally agreed with the OIG report findings and recommendations. The FSA has taken a number of steps to improve implementing the SLIAG program including clarifying program policies and procedures. In the report the State had several concerns about the FSA administration of the program. We have modified certain aspects of the report based on the comments received from FSA.

The FSA questioned the statement that the new population would significantly increase public assistance and public health assistance services. Early estimates indicated that large numbers of aliens would qualify to access the SLIAG program. The report recognized that information obtained during the review determined that substantial increases in workloads and expenditures could occur in these program areas as well as in education. However, we understand from recent discussions with State officials that demand for services is falling behind earlier projections. We reported that there is no formal appeals process if program costs are denied in the first level review. We agree with FSA's statement that the Grant Appeals Board does have jurisdiction over matters for withholding and repayment of SLIAG funds. However, it was the State's concern that an effective appeals mechanism be in place for issues involving programs or costs at the final level of FSA's review in the application process.

The FSA made numerous comments to clarify certain matters of fact, policy, or procedure. We have included these comments verbatim in appendix B.

The State of Colorado

The State has generally agreed with our findings and recommendations. Their comments are included verbatim in appendix C.
A number of practices have been identified that other States could share.

1. Because counties administer cash assistance programs in the State, the State had no system to reimburse counties for SLIAG-related expenditures. At the time of the inspection, Colorado was developing such a system. To claim reimbursement, counties will use existing automated systems—the Client Oriented Information Network and the Medicaid Management Information System—to document, accumulate, and report program costs for individuals presenting the I-688, Temporary Resident Card. In foster care, provider payments will be identified in the foster care payroll system using two new distinct category codes. Since expenditures must occur before reimbursement is made, the system used will show that excess cash balances do not exist at the service provider level.

2. Under funding agreements with the Colorado Department of Education, various agencies that can provide an ongoing adult basic education program must separately account for SLIAG expenditures before reimbursement is made. The agreements stipulate that agencies receiving funds under SLIAG must collect and report data to the Colorado Department of Education. They will then document or verify enrollment, attendance, progress, certification, and program expenditures.

3. Through a Medical Case Management Program, the Colorado Department of Health intends to elevate the health status of needy individuals to approximately that of the general population of the State.

4. The Colorado Department of Health also intends to recruit, hire, train, and supervise paraprofessional community health workers who are ethnically, linguistically, and culturally sensitive to its service population.

5. To increase involvement of eligible legalized aliens in educational programs, a local organization choosing to offer services to eligible legalized aliens will be required to develop significant outreach activities. These will be submitted as part of the Plan of Service submitted to the Colorado Department of Education's SLIAG Adult Education Office in response to a request for proposals.
APPENDIX B

FSA'S COMMENTS
Refer to:

Date: July 11, 1989

From: Acting Assistant Secretary for Family Support


To: Richard P. Kusserow
Inspector General

Attached are the Family Support Administration comments on the above report. Many of our comments are technical in nature due to the complexity of the legislation and the fact that the SLIAG program was very new at the time of the review.

We appreciate the assistance and cooperation we have received from you in response to our request to conduct this round of reviews of the SLIAG program. The reports we received are very useful to us in understanding how States are implementing the program.

Catherine Bertini

Attachment
OIG DRAFT REPORT:
Implementation of the State Legalization Impact Assistance Grants
Under the Immigration Reform and Control Act of 1986:
COLORADO

The Family Support Administration's comments are divided into
three sections: Comments on background information and other
narrative material that does not relate directly to the draft
report's findings, comments on the findings, and responses to the
draft report's recommendations.

Narrative:

Page 1 (Background) -- The draft report says, "This new
population will increase the demand for State public assistance
and public health assistance services significantly." The draft
report isn't clear whose conclusion this is or upon what data and
analysis the conclusion is based. The final report should
clarify these points.

In the course of implementing SLIAG, we have discovered that
neither State and local public health programs nor, with few
exceptions, public assistance programs, inquire about legal
status. This suggests that at least some aliens were using these
services before legalization and that newly legalized aliens do
not represent a "new population" for public assistance and public
health assistance services. Preliminary cost data from States
suggests that newly legalized aliens are accessing public
assistance services at rates far lower than the general
population. There are indications that a backlog of public
health needs existed and was identified during the medical
examinations required of all applicants for legalization.
However, there is no data to suggest that, other than this
temporary bulge in demand for public health services, newly
legalized aliens will generate a significant increase in demand
for public health assistance or public assistance services.

Page 2 (Background) -- The draft report says, "States must
develop a method acceptable to FSA for determining
administrative costs." The final report should note that several
methods for determining the share of administrative costs in
ongoing programs that are allocable to SLIAG and which are
acceptable a priori are specified in the regulation at 45 CFR
402.22(b). The process of determining SLIAG administrative costs
(those costs incurred in administering the SLIAG grant itself),
like all costs associated with administering HHS grants, is
governed by 45 CFR Parts 74 and 92 and relevant OMB circulars.

Page 7 (Public Assistance Documentation of Eligible Legalized
Alien Status) -- The draft report states that the only proof of
identification Colorado will accept for eligible legalized alien
status is an I-688 temporary resident card. The final report
should note that eligible legalized aliens have that status for
five years from the effective date of lawful temporary resident
status. However, during that time period, they will move from temporary resident to permanent resident status. When they do so, they will be issued permanent resident cards (I-551), which will include documentation of eligible legalized alien status.

Page 8 (Public Assistance Program Costs) -- The draft report states that, "program costs identified will be shown on a quarterly Federal financial report required by SLIAG regulations." The final report should note that the regulation at 45 CFR 402.51 requires annual reporting, not quarterly reporting.

Page 13 (Education) -- The draft report says, "A local organization choosing to offer educational services to eligible legalized aliens will be required to develop significant outreach and public relations activities as part of its Plan of Service." Outreach to let potential students know about availability of educational services is an allowable administrative cost (within statutory and regulatory funding ceilings for educational services). It is not clear, however, what "public relations activities" are in the context of this description. The final report should make clear how "public relations activities" relate to providing educational services as defined in Federal regulation at 45 CFR 402.2.

Additionally, page 13 of the draft report says, "A funding floor will be established for those programs where small numbers would result in a reimbursement too small to cover the cost of instruction." Because IRCA applies the definitions and provisions of the Emergency Immigrant Education Act (EIEA) to use of SLIAG funds for educational services, the regulation at 45 CFR 402.11(e) limits the amount the State education agency may pay to a service provider to the lesser of actual costs or $500 multiplied by the number of eligible legalized aliens served. The regulation at 45 CFR 402.2 defines educational services for adults as those activities that are authorized by the Adult Education Act as in effect November 6, 1986. As the draft report notes, these activities include certain ancillary services. FSA has not specified methods States must use to calculate costs. However, the final report should note that the funding limitations described above do apply to all educational services provided with SLIAG funds.

Page 15 (Crosscutting Issues) -- The draft report quotes Colorado officials as saying that a "lack of trust" exists in FSA. We are perplexed as to the meaning of this statement. The final report should clarify the point. FSA does not distrust Colorado officials. However, we believe it is our responsibility to administer SLIAG in a business-like fashion. In some cases, this has meant asking for more detail than the State submitted in its original applications or asking for the basis on which the State
has made statements or assertions. We do not believe that any such inquiry demonstrates a "lack of trust."

The draft report also quotes Colorado officials as saying, "FSA believes the primary intention of SLIAG is to provide services and assistance to eligible legalized aliens without any major effect on the existing system for other programs." The meaning of this statement is unclear, and the final report should provide clarification. The final report also should note the "intention of SLIAG," which is laid out in IRCA. In brief, it is (1) to reimburse state and local government costs associated with providing public assistance and public health assistance services (as those terms are defined in IRCA and in Federal regulation) to eligible legalized aliens within ongoing programs, and (2) to provide certain educational services to eligible legalized aliens.

Colorado officials further are quoted as saying that "FSA is more concerned with budget cutting and has made implementing the program more difficult, thus impeding the State's ability to provide services to eligible legalized aliens." It is not clear to what the reference to providing services to eligible legalized aliens refers because, as noted above, under IRCA, SLIAG funds may not be used to provide public assistance or public health assistance designed specifically for eligible legalized aliens. FSA is committed to ensuring that States may claim all legitimate SLIAG-related costs. The reference to "budget cutting" appears to refer to FSA's response to cost estimates in the State's application that were not based on any empirical data. Because half of SLIAG funds are allocated based on each State's share of the cost of all States, if one State overestimates its costs, that State would receive more than its share of funds and other States would receive less than their share. Thus, in order to assure fairness, FSA reviewed State cost estimates in accordance with criteria specified in the preamble to the regulation and applied consistent standards among States. The final report should note these points.

In the draft report, Colorado officials are said to believe "that too much Federal involvement affects getting the services to the eligible legalized aliens." The meaning of these statements is unclear, and the final report should provide clarification, especially in light of the fact that IRCA allows only educational services funded with SLIAG to be directed specifically to eligible legalized aliens.

**Findings:**

**Finding:** Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.
Comment: Since the OIG's onsite visits in August 1988, we have continued to provide assistance to States. We have conducted several more workshops and meetings to assist states in implementation. In October 1988, we issued a compendium incorporating the extensive formal guidance previously provided to States on methods of cost documentation. We also have provided assistance to individual States in the form of correspondence, telephone consultation, and onsite technical assistance. We are in the process of conducting initial program reviews of the major States, and intend to visit selected other States as well. We request that the final report reflect this continuing dialogue with States.

Finding: Colorado established a structure to identify organizational and program needs.

Comment: The draft report on page 4 lists a number of steps Colorado took to identify "organizational and program needs." (Some of these steps also are featured in the Appendix, "Good Practices," which the draft report suggests could be emulated by other States.) It is not clear from the description of these steps that the statute and regulation limit use of SLIAG funds for public assistance and public health assistance to activities that are "generally available." This means that States may not use SLIAG funds to set up public assistance or public health assistance programs specifically for "eligible legalized aliens." The final report should make clear how this requirement relates to the State actions featured in the draft report.

In making this clarification, the draft report also should address the statement on page 6 that, "The Medically Indigent Program for eligible legalized aliens will follow the same practices as the State's current Medically Indigent Program, including the coverage of services and the patient's ability to pay." The next paragraph states that the Department of Social Services has entered into an agreement with the Department of Health to provide services "for eligible legalized aliens located in an area not served by a Medically Indigent Program provider." This description suggests a program set up specifically for eligible legalized aliens and fails to make clear how the program complies with the "generally available" requirement.

The same issue arises on pages 9-10. The draft report lists a number of Department of Health
responsibilities. These include: "negotiate and subcontract the services of community health workers for eligible legalized aliens...," "coordinate a medical authorization system for eligible legalized aliens in cities, towns, or counties...where a Medically Indigent Program provider is not reasonably accessible," and "operate a medical authorization system" to make payments to providers with the proviso that "cost of reimbursement cannot exceed the Department of Social Services' Medically Indigent Program rates for similar services." The Department of Health also is charged with coordinating the Medical Case Management program for eligible legalized aliens, as described above, and with recruiting, hiring, training, and supervising paraprofessional community health workers "who are ethnically, linguistically, and culturally sensitive to eligible legalized aliens." It is not clear from the description that any of these responsibilities are part of a program or activity that is generally available to the population, as IRCA and the regulation at 45 CFR 402.2 require. The final report should clarify whether these are, in fact, part of generally available programs or services.

Finding: The FSA application process created a number of significant problems for Colorado. Also, the FSA's application review process interfered with the State's ability to plan for services.

Comments: The draft report says that the time period for submission, review, revision and approval of the initial application was too short. We agree that it would have been preferable to have had a longer period of time between the publication of the final regulation and the deadline for submission and approval of FY 1988 and FY 1989 applications. However, the final report should note that, because of the way IRCA set up the allocation formula, one major reason for the compressed timeframe was that we could not award funds to any State until all States' applications had been approved. In order for us to run the allocation formula, which IRCA requires to include estimates of costs, we must have approved estimates for all States before we can calculate States' allocations.

Page 15 of the draft report says that "numerous policy misinterpretations and disagreements resulted because FSA did not provide definitive written instructions to assist Colorado in understanding SLIAG application requirements." Had there been more time, we would have communicated more extensively in writing. Our current practice is to communicate in writing on all
substantive issues regarding State applications, amendments, and end-of-year reports.

The report says that no formal appeals process exists if programs or costs are denied. The Grant Appeals Board has jurisdiction over issues related to the withholding and repayment of funds. For other matters, the State may follow normal procedures for disagreeing with an agency finding.

On Page 16, the draft report states that, "the single point of contact received no official rationale from FSA for requesting the changes" to the cost estimates in the initial application. In cases in which we did not accept initial State cost estimates, we communicated to the State that it had not provided data to back up its estimates.

Recommendations:

Recommendation:

The FSA and the Immigration and Naturalization Service (INS) should further clarify what is meant by "public charge" and widely disseminate this information to the alien population who have raised concerns about its resident status.

Response:

Under IRCA and the Immigration and Nationality Act, the INS alone is responsible for determining whether individuals are likely to become public charges. FSA cannot establish policy on this issue. Nor can FSA disseminate information directly to the alien population. INS is precluded by IRCA from providing names and addresses of eligible legalized aliens to outside agencies.

However, we agree that it is important that all concerned know INS policy on the public charge issue. INS representatives have made presentations at virtually all of our workshops and conferences. At these meetings, States have been able to ask questions and receive direct information from the INS. We have communicated to States all information provided to us by INS on this and other pertinent issues, and will continue our policy of disseminating any relevant information that we receive.
The Department also has indicated its support for a legislative change to allow States to use a small portion of their SLIAG grants to inform temporary residents of the requirements for adjustment to lawful permanent resident status and of the rights and responsibilities of lawful temporary residents. Such use is not permitted under current law.

Recommendation:

The FSA grant process should be made more orderly.

Response:

The draft report's recommendation refers to the FSA grant process, but the specifics indicate that it is referring to the SLIAG application and grant award process. The language of the recommendation should be more specific.

We agree that the application process should be conducted in a more orderly fashion than was the case for the initial submissions. As the draft report indicates, the timeframes for the FY 1988 and FY 1989 application processes were necessarily short. In effect, the States and we had to complete two application processes in less than a year. We do not expect similar problems for the FY 1990 and FY 1991 application processes.

To ensure that States have adequate time to prepare their FY 1990 applications based on empirical data, we have extended the deadline from July 15 to October 1. Additionally, we have encouraged States to submit as early as possible any questions, issues, or descriptions of new programs, and have advised them that they may submit all or portions of their applications at any time.

In order to reduce the possibility of misunderstanding, we have advised States that we will communicate all substantive questions and concerns on their FY 1990 applications in writing, as was done for States' end-of-year reports. We issued extensive written guidance on the FY 1990 application process and the standards we will apply.

The draft report also recommends that we develop an appeals process to use if programs or costs associated with providing services are denied in the initial applications process. We do not believe such a process
is necessary. The Department's Grant Appeals Board has jurisdiction over cases involving the repayment or withholding of funds. Normal channels within the Department are open to States that disagree with decisions made during the course of application review.
July 10, 1989

Richard P. Kusserow
Inspector General
Department of Health and Human Services
Office of Inspector General
Washington, DC 20201

Dear Mr. Kusserow:

Thank you for the draft copy of your staff's analysis of the implementation of the State Legalization Impact Assistance Grant in Colorado. The Department of Social Services appreciates the opportunity to comment because we believe that one finding of the report attributes a greater fund vulnerability than actually exists.

The finding, reported on page 14 of the draft copy of the implementation analysis, states "The state has not developed a method to determine education program administrative costs." This finding is characterized on page iii as representing "funds control vulnerabilities." While the finding itself is correct, it is likely that the state failed to communicate to the reviewer that an early administrative decision of Colorado's SLIAG implementation was to allow education providers to bill instruction costs as actual costs including technical assistance, but program administrative costs were not included. Thus the reporting structure for billing has no place for pro-rated program administrative costs. This decision was taken partially due to uncertainties around the numbers of persons who would seek educational services and because of uncertainties of allowability of program administrative costs by HHS. Colorado is now, however, examining a method of allowing program administrative costs and the recommendation of the analysis will most certainly be incorporated.
Colorado believes that both the finding and recommendation have merit, but to characterize that finding as a fund vulnerability may overstate the actual circumstance.

Once again, we appreciate the opportunity to comment on the draft analysis.

Sincerely,

Laurie Bagan
State Coordinator
Colorado Refugee and Immigrant Services Program

LB/wg