

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

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

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September 2017  
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# *Office of Inspector General*

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

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

## Report in Brief

Date: September 2017

Report No. A-05-15-00049

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 the U.S. Department of Health and Human Services' Health Resources and Services Administration (HRSA) and the Administration for Children and Families.

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 award money is used appropriately.

Our objective was to determine whether the Wisconsin Department of Children and Families (DCF) complied with MIECHV program requirements and the terms and conditions of the program's grants.

### How OIG Did This Review

We reviewed Wisconsin's MIECHV program for Federal fiscal year 2014 to determine whether DCF (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.

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

### What OIG Found

DCF did not always comply with MIECHV program requirements and the terms and conditions of the program's grants, resulting in unallowable expenditures totaling \$275,175. Specifically, for the five subrecipients reviewed, DCF did not ensure that one subrecipient used grant funding for allowable purposes. We also found that for three of the five subrecipients, DCF did not ensure that subrecipients' time-and-effort reporting systems complied with Federal requirements. In addition, DCF did not have adequate procedures to monitor subrecipients, could not provide an approved budget for one of its subrecipient agreements, and did not comply with Federal Funding Accountability and Transparency Act of 2006 (FFATA) reporting requirements. We did not identify any unallowable expenditures at the State level.

### What OIG Recommends and DCF Comments

We recommend that DCF refund to the Federal Government \$275,175 in unallowable expenditures, ensure that its subrecipients spend MIECHV grant funds in accordance with Federal requirements, ensure that subrecipients comply with time-and-effort reporting requirements, develop written procedures related to subrecipient financial management areas to improve its monitoring of subrecipients' fiscal activities, follow its existing records retention policy, and continue to work with HRSA to ensure compliance with the reporting provisions of the FFATA.

In comments on our draft report, DCF concurred with our nonmonetary recommendations and described corrective actions that it has taken or plans to take. DCF did not concur with the entire amount of our monetary recommendation and provided additional documentation to support some of the questioned costs in our draft report.

After reviewing DCF's comments and additional documentation, we revised our findings and monetary recommendation by \$17,705 for a total of \$275,175 related to costs one subrecipient claimed for payments made to a consultant and to cost transfers previously classified as unallowable in our draft report.

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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) to be collaboratively implemented by the U.S. Department of Health and Human Services' (HHS) Health Resources and Services Administration (HRSA) and the Administration for Children and Families (ACF). HRSA's Maternal and Child Health Bureau oversees State MIECHV programs, which include grants to States, territories, and tribal entities.

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

As part of its oversight activities, the Office of Inspector General is conducting a series of reviews of certain grants because adequate controls are necessary to ensure that award money is used appropriately.

### **OBJECTIVE**

Our objective was to determine whether the Wisconsin Department of Children and Families (DCF) complied with MIECHV program requirements and the terms and conditions of the program's grants.

### **BACKGROUND**

#### **Maternal, Infant, and Early Childhood Home Visiting Program**

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

HRSA, in close partnership with ACF, provides funds to States, territories, and tribal entities to develop and implement voluntary, evidence-based home visiting programs using models that are 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.

ACF administers the Tribal Home Visiting program, which funds 25 American Indian and Alaska Native organizations, to develop, implement, and evaluate home visiting programs that serve Native children and their families. Our review does not cover ACF's Tribal Home Visiting program.

#### **Wisconsin's Home Visiting Program**

In Wisconsin, the MIECHV program is a joint effort between DCF and the Wisconsin Department of Health Services. Its aim is to improve outcomes for children born into at-risk communities and reduce instances of child abuse and neglect in Wisconsin.

Wisconsin's MIECHV program consists of 13 evidence-based home visiting programs that operate in 13 counties and 4 tribal communities. DCF 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.

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

### **The Next Door Foundation**

The Next Door Foundation (NDF), a DCF subrecipient, is a not-for-profit organization in Milwaukee, Wisconsin, and has served children and families since 1969. Its mission is to support the intellectual, physical, spiritual, and emotional development of children so that they become self-sufficient, contributing members of the community. NDF provides traditional Head Start and Early Head Start (home-based and center-based). NDF uses an Early Head Start-Home Visiting (EHS-HV) program model to provide MIECHV program services to eligible families.<sup>1</sup>

### **HOW WE CONDUCTED THIS REVIEW**

We reviewed Wisconsin's MIECHV program to determine whether DCF (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 Federal fiscal year (FFY) 2014 (October 1, 2013, through September 30, 2014). Our review covered four MIECHV grants totaling \$6.2 million for which DCF claimed costs during FFY 2014.

To determine whether DCF used funding in accordance with Federal requirements, we obtained a list of FFY 2014 expenditures for each of the four grants in our review. We then selected a judgmental sample of 45 expenditures from DCF's general ledger totaling \$6.0 million. Sixteen of the forty-five sample items were expenditures at the State level, such as salaries, fringe benefits, and travel; the other 29 sample items were payments to various subrecipients that administered the program.

Subrecipients typically submit monthly invoices to DCF requesting reimbursement for costs incurred each month. Thus, of our 29 line items for payments to subrecipients, each could be a single payment to one subrecipient, multiple payments to a single subrecipient, or payments to multiple subrecipients, depending on when DCF paid each invoice. 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.

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<sup>1</sup> EHS-HV is a home-based, comprehensive Federal initiative aimed at enhancing the development of infants and toddlers while strengthening families.

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

DCF did not always comply with MIECHV program requirements and the terms and conditions of the program's grants, resulting in unallowable expenditures totaling \$275,175. Specifically, for the five subrecipients reviewed, DCF did not ensure that one subrecipient (NDF) used grant funding for allowable purposes. Also, for three of the five subrecipients, DCF did not ensure that subrecipients' time-and-effort reporting systems complied with Federal requirements. In addition, DCF did not have adequate procedures to monitor subrecipients, could not provide an approved budget for one of its subrecipient agreements, and did not comply with Federal Funding Accountability and Transparency Act of 2006 (FFATA) reporting requirements. We did not identify any unallowable expenditures at the State level.

These deficiencies occurred because DCF did not always follow Federal grant requirements, did not have adequate written procedures, did not follow existing procedures, and had defects in the system used to comply with the FFATA. As a result, DCF used funding for unallowable purposes, and the general public was not made aware of subrecipient award data.

### **THE DEPARTMENT OF CHILDREN AND FAMILIES DID NOT ENSURE A SUBRECIPIENT CLAIMED ALLOWABLE COSTS**

By accepting MIECHV grant funds, DCF agreed to comply with regulations governing Federal grants and to ensure that the funds are used in accordance with the purpose and terms and conditions of the grant. DCF also agreed to ensure that costs charged to its award are allowable. Federal regulations (45 CFR part 92) established uniform administrative requirements governing HHS grants and agreements awarded to State Governments. As a not-for-profit organization in receipt of Federal funds, NDF must comply with Federal cost principles in 2 CFR part 230, *Cost Principles for Non-Profit Organizations*.<sup>2</sup> These cost principles require that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and otherwise allowable.

#### **Costs Not Supported by Required Approval at the Next Door Foundation**

Section 511 of the Act established grant funding for MIECHV programs that, among other things, promote improvements in school readiness. To conduct an early childhood home visitation program

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<sup>2</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. Although not applicable to this audit, HHS promulgated new grant regulations at 45 CFR part 75. The new regulation applies only to awards made on or after December 26, 2014.

with this funding, the service delivery model must “conform to a clear consistent home visitation model ....”

In its June 1, 2011, Funding Opportunity Announcement (FOA), HRSA stated that the EHS-HV model would meet the criteria for evidence of effectiveness for the MIECHV program (FOA HRSA-11-179, p. 57). Generally, an EHS-HV program includes weekly home visits and two group socialization activities per month for parents and their children. The FOA also stated that an applicant’s budget narrative should include equipment costs and a justification for how the equipment would help meet the program’s goals, as well as extensive justification when requesting funds to purchase computers and furniture costing more than \$5,000 or having a useful life of more than a year. In its application, DCF did not indicate that any of the proposed local service delivery sites, including NDF, to be funded by the application would use MIECHV funds to purchase equipment or furniture costing more than \$5,000.

The Notice of Award (NOA) (D89MC23158-02) for the grant, which DCF used to provide funding to its subrecipient, required DCF to get prior approval from HRSA if rebudgeting reflected either a change in scope or a proposal to purchase equipment that costs more than \$25,000 and that was not included in the approved application.

Federal regulations generally allow a State grantee to review and approve a subgrantee’s request for prior approval (45 CFR § 92.30(f)(3)). However, a grantee may not approve a subgrantee’s request that is inconsistent with the purpose or terms and conditions of the grant (45 CFR § 92.30(f)(3)). Further, unless waived by the awarding agency, the awarding agency must approve a subgrantee’s request that would result in a change to the grantee’s approved project (45 CFR §§ 92.30(d) and (f)(3)), which would include a programmatic change to the scope or objective of the project.

A change in scope occurs when a “recipient changes the objectives, aims, or purposes identified in the approved application ...” (HHS Grants Policy Statement, page II-53). Examples of a change in scope include budget changes that cause a project to change substantially from that which was approved, significant rebudgeting, or the purchase of a unit of equipment exceeding \$25,000.

DCF could not provide documentation of required approval by HRSA for certain costs charged against the MIECHV program for one of its subrecipients (NDF) we reviewed. Specifically, during our review of September 2013<sup>3</sup> and February 2014 costs claimed by NDF and paid by DCF, we identified \$268,289 in expenditures that were incurred as NDF prepared to open a new facility but that were not approved in accordance with Federal requirements. NDF used the funds to purchase the following items:

- office space furnishings (\$97,543);
- classroom space furnishings, toys, and supplies (\$64,109);
- playground equipment (\$51,472);
- buildingwide Wi-Fi and server equipment (\$36,944); and
- convection steamers and related kitchen equipment (\$18,221).

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<sup>3</sup> Although the month of NDF’s invoice falls outside our audit period of FFY 2014, we included it in our review because DCF paid the invoice and claimed the costs in FFY 2014.

During our review, we saw that some of these items were initially coded in NDF's accounting records as expenditures related to its Early Head Start (EHS) program but were later changed to be funded by the MIECHV program. We also noted that NDF's accounting records indicated that its EHS program had a shortfall of funding.

NDF requested DCF's permission to use \$250,143 in funding for costs associated with NDF's new facility, which housed its Head Start program. NDF stated that it was moving both its EHS-HV staff and EHS-HV socialization activities to the new facility. The specific items requested included a playroom, a parent room, playground equipment, a shed with riding toys, a commercial washer and dryer, and a blender. DCF approved NDF's request to use funding for these items without obtaining prior approval from HRSA to use MIECHV program funds for these purposes.

Both NDF and DCF said that the EHS-HV-enrolled families used the playground, classroom, and kitchen for twice monthly socialization sessions with all enrolled families. Although EHS-HV-enrolled families used the space twice monthly, the use of MIECHV funds for this purpose was a significant, inconsistent deviation from the home visitation service delivery model announced and approved by HRSA. The objective of NDF's program shifted from using MIECHV program funds to serve enrolled families in the home-based setting to purchasing equipment and items for its center-based programs, which largely benefitted the Head Start and EHS programs. If asked, HRSA might have concluded that NDF could not use such a large portion of its MIECHV funds to purchase equipment and infrequently used items. Absent HRSA's approval, DCF should not have allocated these costs to the MIECHV program.

These costs were inappropriately paid with MIECHV program funds because DCF officials did not follow Federal grant requirements covering prior approval, changes in scope, and rebudgeting. As a result, \$268,289 in MIECHV program grant funding was used for unallowable purchases.

### **Undocumented Cost Transfers Between Programs at the Next Door Foundation**

According to the HHS Grants Policy Statement, cost transfers by recipients between grants, whether as a means to compensate for cost overruns or for other reasons, are generally unallowable (page II-43). Cost transfers may be necessary to correct bookkeeping or clerical errors; however, they must fully explain how the error occurred and certify the correctness of the new charge. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient.

During our review of September 2013 and February 2014 costs claimed by NDF, we found three undocumented cost transfers totaling \$6,886. NDF had labeled the cost transfers "Reclass to PNCC from EHS" in NDF's accounting records; however, no further documentation was available to substantiate the cost transfers. We requested that NDF provide additional detail describing these undocumented cost transfers, but NDF did not provide it.

Without adequate documentation, we were unable to determine what NDF used the grant funding to purchase. As such, the grant funding may not have been used for an allowable purpose, and the cost transfer was not documented in accordance with the Grants Policy Statement.

### **Summary of Unallowable Costs**

On the basis of our review of September 2013 and February 2014 costs claimed by NDF, we determined

that \$275,175 was not allowable for Federal reimbursement because the costs were either outside the scope of NDF's project or not otherwise made in accordance with Federal requirements.

### **THE DEPARTMENT OF CHILDREN AND FAMILIES DID NOT ENSURE SUBRECIPIENTS' TIME-AND-EFFORT REPORTING SYSTEMS COMPLIED WITH FEDERAL REQUIREMENTS**

Not-for-profit organizations must maintain monthly after-the-fact reports for grant-funded employees, including a certification signed by the employee or by a responsible supervisory official having first-hand knowledge of the work performed, stating that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the period covered by the report (2 CFR part 230, App. B, § 8.m and HHS Grants Policy Statement, page II-39). Each report must account for the total activity required to fulfill the employee's obligations to the organization, as well as the total activity for which he or she is compensated. State, local, and Indian tribal governments must keep time and attendance records for all employees and time distribution records for employees whose compensation is chargeable to more than one grant or other cost objective.<sup>4</sup>

The payroll records at three of the five subrecipients we reviewed did not maintain after-the-fact reporting of actual work performed. Specifically, the three subrecipients allocated employee staff time based on budget estimates rather than actual work performed. These deficiencies occurred because DCF did not have written procedures to ensure that subrecipients were in compliance with these requirements. Without a proper accounting for actual work effort, we could not determine whether MIECHV program grant funds covered only salary and fringe benefit costs related to the MIECHV program.

### **THE DEPARTMENT OF CHILDREN AND FAMILIES DID NOT HAVE ADEQUATE PROCEDURES TO MONITOR SUBRECIPIENT FISCAL ACTIVITIES**

Grantees are responsible for managing the day-to-day operations of grant and subgrant-supported activities (45 CFR § 92.40). Grantees are required to monitor each grant and subgrant-supported program, function, or activity to ensure that they comply with applicable Federal requirements and that they achieve performance goals.

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

DCF did not keep written records documenting its monitoring (e.g., site visits) of subrecipients. Additionally, based on our discussions with staff at each of the subrecipients we visited, DCF's site visits did not generally cover financially oriented topics, such as allowable expenditures. Further, DCF pays its subrecipients based solely on a one-page invoice that contains only a single dollar amount claimed for the program rather than itemized detail.

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<sup>4</sup> After our audit period, the requirements for time-and-effort reporting changed for Federal grants awarded after December 26, 2014.

These deficiencies occurred because DCF did not have written procedures in place to describe documenting site visits. Without written records to substantiate DCF's monitoring process, we could not determine what was discussed at the site visits. Further, without expenditure detail from its subrecipients, DCF cannot ensure that its subrecipients are spending grant funding on allowable costs.

### **THE DEPARTMENT OF CHILDREN AND FAMILIES KEPT INCOMPLETE RECORDS**

A grantee's financial management system must adequately identify the source and application of funds provided for financially assisted activities. Its records must contain information pertaining to grants or subawards (45 CFR § 92.20(b)(2)). In addition, a grantee's accounting records must be supported by source documentation, such as subgrant award documents (45 CFR § 92.20(b)(6)). DCF policy requires it to maintain contract-related records between DCF and its subrecipients for a period of 6 years after the contract ends.

As part of our review, we requested that DCF provide each of the subrecipient agreements and their associated approved budgets. DCF could not provide NDF's approved budget for the period we reviewed. DCF officials explained to us that the employee with responsibility for managing the subrecipient agreements failed to maintain the attachments to NDF's agreement in DCF's files and that the employee no longer worked for DCF. Without having the approved budget, we were not able to compare budgeted costs with actual costs.

### **THE DEPARTMENT OF CHILDREN AND FAMILIES DID NOT REPORT SUBRECIPIENT AWARD DATA**

The FFATA, Appendix, requires prime recipients of Federal grant funding to report each action that obligates \$25,000 or more in Federal funds, excluding Recovery Act funds, for a subaward provided to a subrecipient. Prime recipients input subaward information at [www.fsrs.gov](http://www.fsrs.gov), and that information is used to populate a public website at [www.USASpending.gov](http://www.USASpending.gov).

We searched the [www.USASpending.gov](http://www.USASpending.gov) website on November 24, 2015, and did not see any subaward information reported by DCF for its MIECHV program grants.<sup>5</sup> When we asked about the lack of reported subaward information, DCF officials explained that they were unable to input subaward information in the [www.fsrs.gov](http://www.fsrs.gov) website because the grant award numbers were not properly prepopulated. Without populating subaward information in this system, the general public is not able to easily identify the subawards made using Federal funding, limiting the level of transparency the website is designed to achieve.

## **RECOMMENDATIONS**

We recommend that DCF:

- refund to the Federal Government \$275,175 in unallowable expenditures,
- ensure that NDF and other subrecipients spend MIECHV grant funds in accordance with Federal requirements,

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<sup>5</sup> We searched the website on February 2, 2017, and noted that there is now subaward information populated for MIECHV program grants; however, we did not confirm the figures listed.

- ensure that subrecipients are in compliance with applicable time-and-effort requirements,
- develop written procedures related to subrecipient financial management areas to improve its monitoring of subrecipients' fiscal activities,
- follow its existing records retention policy, and
- continue to work with HRSA to ensure compliance with reporting provisions of the FFATA.

**DEPARTMENT OF CHILDREN AND FAMILIES COMMENTS AND  
OFFICE OF INSPECTOR GENERAL RESPONSE**

In comments on our draft report, DCF concurred with our nonmonetary recommendations and described corrective actions that it has taken or plans to take. DCF did not concur with the entire amount of our monetary recommendation and provided additional documentation to support some of the questioned costs in our draft report. DCF's comments are included in their entirety as Appendix B. DCF also provided technical comments on our draft report, which we addressed as appropriate.

After reviewing DCF's comments and additional documentation, we revised our findings and monetary recommendation by \$17,705 for a total of \$275,175 related to costs claimed by NDF for payments made to a consultant and cost transfers previously classified as unallowable in our draft report.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the MIECHV program to determine whether Wisconsin (1) used funding in accordance with Federal requirements, (2) adequately monitored the activities of subrecipients who 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 2014.

Our review covered four MIECHV grants totaling \$6.2 million for which DCF claimed amounts during FFY 2014. The table below provides amounts awarded and claimed by grant.

**Table: MIECHV Grant Award Details**

Grant Number	Grant Title	Budget Period	Funds Awarded (Budget Period)	Costs Claimed (FFY 2014)
X02MC23130	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)	09/30/2011 through 09/29/2014	\$1,600,310	\$1,600,310
X02MC26353	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)	09/01/2013 through 09/30/2015	1,628,586	121,777
D89MC23158	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Competitive Grant)	09/30/2012 through 09/30/2014	3,124,700	943,180
D89MC26367	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Competitive Grant)	09/30/2013 through 09/30/2015	6,727,566	3,578,687
	<b>Total Funds Awarded and Claimed</b>		<b>\$13,081,162</b>	<b>\$6,243,954</b>

To determine whether DCF used funding in accordance with Federal requirements, we obtained a list of FFY 2014 expenditures for each of the four grants in our review. We then selected a judgmental sample of 45 expenditures from DCF's general ledger totaling \$6.0 million. Sixteen of the forty-five sample items were expenditures at the State level, such as salaries, fringe benefits, and travel; the other 29 sample items were payments to various subrecipients that administered the program.

Subrecipients typically submit monthly invoices to DCF requesting reimbursement for costs incurred each month. Thus, of our 29 line items for payments to subrecipients, each could be a single payment to one subrecipient, multiple payments to a single subrecipient, or payments to multiple subrecipients, depending on when DCF paid each invoice. 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 performed fieldwork from August 2015 to May 2016 at the DCF office in Madison, Wisconsin. In addition, we conducted site visits at five subrecipients in Janesville, Madison, and Milwaukee, Wisconsin, in April and May 2016.

## **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance pertaining to MIECHV monitoring and reporting and FOAs;
- met with HRSA officials to gain an understanding of the MIECHV program;
- met with DCF officials to determine the policies, procedures, and controls related to monitoring and reporting of MIECHV grant funds;
- obtained and reviewed Wisconsin's MIECHV grant application packages and NOA documents;
- reviewed applicable guidance pertaining to the MIECHV program and monitoring of subrecipients;
- reviewed Wisconsin's A-133 audit report for the most recent year;
- reviewed the State plan pertaining to the MIECHV program;
- 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 DCF's general ledger for review;
- performed site visits at 5 subrecipients and reviewed their detailed expenditure data covering 2 months of their invoices to DCF;
- on the basis of the results of the review of the judgmental sample and the site visits, determined whether DCF used funding in accordance with Federal requirements;
- determined whether DCF complied with Federal monitoring requirements; and
- discussed the results of our review with DCF officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**APPENDIX B: DEPARTMENT OF CHILDREN AND FAMILIES COMMENTS**



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 P.O. Box 8916  
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 Telephone: 608-266-8684  
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Governor Scott Walker  
 Secretary Eloise Anderson  
 Secretary's Office

May 2, 2017

Report Number: A-05-15-00049

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

Dear Ms. Fulcher:

Please accept this letter as the Wisconsin Department of Children and Families' response to the Office of Inspector General (OIG) draft report entitled *Wisconsin Did Not Always Comply with Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program Requirements* issued April 4, 2017. DCF appreciates the professionalism of the HHS OIG team that carried out the program and fiscal audit of DCF's operations regarding the federal grants supporting the MIECHV Program.

The Federal Health and Human Services (HHS) OIG conducted its audit of the Wisconsin MIECHV Program from May 2015 – May 2016, and reviewed DCF expenditures for FFY 2014 for four MIECHV grants totaling \$6.2 million for which DCF claimed costs during FFY2014. The OIG team also selected 10 unique payments made to five different subrecipients and reviewed the documentation covering the costs incurred in those payments.

DCF's Fiscal Integrity and Audit Section in its Division of Management Services Bureau of Finance reviewed the preliminary OIG finding of \$292,880.85 in unallowable expenditures from the OIG in the following three categories: Change of Scope (\$268,288.59), Undocumented Cost Transfers (\$7,490.60), and Payments without in Effect Contract (\$17,101.66). DCF is disputing \$17,705.71 of these findings.

	HHS Audit Amount	DCF Disputing
Change of Scope*	\$268,288.59	N/A
Undocumented Cost Transfers*	7,490.60	\$604.05
Payments without in effect contract *	17,101.66	17,101.66
<b>Total</b>	<b>\$292,880.85</b>	<b>\$17,705.71</b>

Please see the enclosed chart with specific information about each of the findings and recommendations with statements of concurrence or nonconcurrence, corrective action taken or planned, as well as attachments with information pertinent to the findings.

May 2, 2017  
Sheri L. Fulcher  
Page 2

I look forward to resolution of the area in dispute. Should you have any questions regarding this letter, please contact Judith Hermann, DCF Prevention and Child Welfare Service Integration Manager at [judith.hermann@wisconsin.gov](mailto:judith.hermann@wisconsin.gov) or (608) 442-6962.

Sincerely,

Eloise Anderson  
Secretary

Attachments:

Chart with Comments on Findings and Recommendations

Attachment A Exceptions with Notes

Attachment B Next Door Home Visit Item #17

Attachment C Next Door Home Visit Item #18

Attachment D Next Door Home Visit Item #19

Attachment E Independent Contractor Agreement Children's Service Society- [REDACTED] 2011

Attachment F [REDACTED] Contract Amended 2013

**Wisconsin Department of Children and Families**  
**Chart with Comments on Findings and Recommendations**  
**OIG Report #: A-05-15-00049**

OIG Finding/Recommendation	Concurrence/Nonconcurrence	DCF Response/Corrective Action Taken or Alternative Corrective Action Taken or Planned
<p><b>Finding 1: DCF did not ensure a subrecipient claimed allowable costs.</b></p> <p><b>OIG Recommendation:</b> Refund the federal government \$292,880.05 in unallowable expenditures.</p>	<p>DCF does not concur with the amount of the recommendation. DCF disputes \$17,705.71 of the preliminary findings (\$292,880.85) that cover expenses in each of the two categories identified:</p> <ul style="list-style-type: none"> <li>• <b>Payments without in Effect Contract</b> (\$17,102) and</li> <li>• <b>Undocumented Cost Transfers</b> (\$604.50).</li> </ul>	<p><b>Payments without in Effect Contract:</b> DCF was able to obtain the contract amendment/extension, from Next Door Foundation, covering July 21, 2013 - August 31, 2014. As such, DCF is disputing \$17,101.66 of the finding. <i>See Attachments A, E &amp; F.</i></p> <p><b>Undocumented Cost Transfers:</b> Of the \$7,490.60, finding DCF is disputing \$604.05. Per review of the documentation provided by Next Door Foundation, there is documentation showing \$604.05 of the expenses related to the MIECHV Home Visiting Program. The documentation includes adjustments in salary expenses and professional development costs for staff. <i>See Attachments A, B, C, &amp; D.</i></p>
<p><b>Finding 1: DCF did not ensure a subrecipient claimed allowable costs.</b></p> <p><b>OIG Recommendation:</b> Ensure that Next Door Foundation, and other subrecipients spend MIECHV grant funds in accordance with federal requirements</p>	<p>DCF concurs</p>	<ol style="list-style-type: none"> <li>(1) Prior to approving a request for a change in scope of the subrecipient budget and/or the purchase of equipment greater than \$5,000, DCF will follow federal Uniform Guidance and request HHS permission.</li> <li>(2) Starting in 2015, DCF home visiting program staff have used a formal process for programmatic monitoring of subrecipients, including an annual site visit and use of an accompanying site visit report form that serves to document performance, strengths, concerns, and goals for the next year that are developed jointly by the subrecipient and the State team.</li> <li>(3) Starting in 2016, DCF expanded the information in the subrecipient Scope of Work, added a requirement for expense reports to include the federal reporting categories, and included a contractual requirement for subrecipients to get DCF approval to modify their budgets by 20% in any of the required federal reporting categories.</li> </ol>

		<p>(4) The home visiting state coordinator will also monitor subrecipient expenditures quarterly, obtain supervisory approval for all carryover requests, and provide supervisory notification when subrecipient charges exceed 20% or more in any budgeted category.</p>
<p><b>Finding 2: DCF did not ensure subrecipients time-and-effort reporting systems complied with federal requirements.</b></p> <p><b>OIG Recommendation:</b> Ensure that subrecipients are in compliance with applicable time-and-effort requirements.</p>	<p>DCF concurs</p>	<p>(1) DCF includes language in subrecipient contracts about the expectation that they will follow Federal Uniform Guidance and includes a link to those guidance for reference. Starting in 2016, during contract negotiations with the MIECHV funded home visiting programs, staff specifically addressed the requirement to provide documentation regarding time-and-effort reporting. DCF Finance staff are also developing a department-wide process for monitoring of time-and-effort reporting of subrecipients, and it is among the training topics for DCF contract managers and fiscal staff scheduled for fall 2017.</p>
<p><b>Finding 3: DCF did not have adequate procedures to monitor subrecipient fiscal activities.</b></p> <p><b>OIG Recommendation:</b> Develop written procedures related to subrecipient financial management areas to improve its monitoring of subrecipients' fiscal activities</p>	<p>DCF concurs</p>	<p>(1) Starting in 2014, DCF performs a risk assessment of each subrecipient 's risk of noncompliance with federal statutes, regulations and the terms and conditions of the subaward for the purpose of determining the appropriate subrecipient monitoring based on the agency annual audit reports, management letter, financial ratio, etc. This information is shared with the administering Division and used to consider imposing specific subaward conditions, if appropriate.</p> <p>(2) DCF also developed an internal webpage with information for employees responsible for the program and fiscal management of subrecipients grants/contracts. This internal website contains general information about and links to the Uniform Guidance, outlines specific work responsibilities for program-level contract managers and fiscal staff, and provides helpful work tools to support more effective and thorough fiscal monitoring.</p>

		<p>(3) Starting in 2015, DCF home visiting program staff have used a formal process for programmatic monitoring of subrecipients, including an annual site visit and use of an accompanying site visit report form to document performance, strengths, concerns, and goals for the next year, developed jointly by the subrecipient and the State team.</p> <p>(4) Starting in 2016, DCF expanded the information in the subrecipient Scope of Work, added a requirement for expense reports to include the federal reporting categories, and included a contractual requirement for subrecipients to get DCF approval to modify their budgets by 20% in any of the required federal reporting categories.</p> <p>(5) The home visiting state coordinator will also monitor subrecipient expenditures quarterly, obtain supervisory approval for all carryover requests, and provide supervisory notification when subrecipient charges exceed 20% or more in any budgeted category.</p>
<p><b>Finding 4: DCF kept incomplete records.</b></p> <p><b>OIG Recommendation:</b> Follow DCF existing records retention policy</p>	<p>DCF concurs</p>	<p>DCF finance staff will follow appropriate records retention policies and maintain the official copy of signed contracts with all attached exhibits (e.g. budgets, scopes of services).</p>
<p><b>Finding 5: DCF did not report subrecipient award data.</b></p> <p><b>OIG Recommendation:</b> Continue to work with HRSA to ensure compliance with reporting provisions of the FFATA</p>	<p>DCF concurs</p>	<p>DCF finance staff resolved the challenges they initially had accessing the HRSA FFATA reporting system during the OIG period of investigation. DCF is current on FFATA reporting for MIECHV.</p>