

## Report in Brief

Date: February 2018

Report No. A-06-16-07007

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



### Why OIG Did This Review

The Department of Health and Human Services (HHS), Office of Refugee Resettlement (ORR), manages the Unaccompanied Alien Children (UAC) program. The UAC program served between 7,000 and 8,000 children annually from fiscal year (FY) 2005 through FY 2011. In FY 2012, however, the number of children entering the program began to increase, and in FY 2015, ORR served more than 33,000 children. As the number of children increased, so did the funding for the program. Because of the rapid increase of vulnerable children entering ORR care, and the significant increases in program funding, we are conducting a series of reviews of ORR care providers across the Nation.

The objective of this review was to determine whether BCFS Health and Human Services (BCFS HHS) claimed only allowable expenditures in accordance with applicable laws, regulations, and departmental guidance.

### How OIG Did This Review

To verify that BCFS HHS claimed only allowable expenditures, we (1) reviewed a statistical sample of financial transactions and (2) reviewed BCFS HHS accounting policies, procedures, and organizational structure for the period October 1, 2014, through September 30, 2015.

## BCFS Health and Human Services Did Not Always Comply With Federal Requirements Related to Less-Than-Arm's-Length Leases

### What OIG Found

While BCFS HHS generally claimed only allowable expenditures, it did not comply with Federal regulations related to less-than-arm's-length leases. Of the 140 randomly selected transactions we reviewed, we determined that 138 were allowable, but 2 rental cost transactions for 1 less-than-arm's-length lease were unallowable. We also identified additional rental costs on two less-than-arm's-length leases that exceeded the amount allowable for such leases. These unallowable rental costs on three less-than-arm's-length leases totaled \$658,248. According to BCFS HHS officials, they were unaware of the limitations on rental costs related to less-than-arm's-length lease agreements.

### What OIG Recommends

We recommend that BCFS HHS refund \$658,248 to ORR for unallowable rental costs incurred under the less-than-arm's-length lease agreements and limit future rental costs to the amount that would be allowed under 45 CFR part 75.465(c).

In written comments on our draft report, BCFS HHS did not concur with our recommendation. BCFS HHS stated that it did not concur because (1) we failed to apply the correct Federal regulations, (2) we did not understand the intent of the cooperative agreement's purpose, (3) we based our analysis on a narrow reading of Federal regulations, (4) we did not consider prior agreements and approvals of rental costs, (5) we incorrectly calculated depreciation, and (6) our finding threatens the purpose of the UAC program as it relates to the cooperative agreement.

After reviewing BCFS HHS's comments, we maintain that our recommendation is valid. We applied the correct Federal regulation regarding less-than-arm's-length leases. We did not take issue with the need for facilities or the allowability of the rental costs per se. We took issue with how the rental costs were calculated, and we calculated the allowable rental costs to comply with Federal regulations, which the cooperative agreement clearly states are to be followed. From the documentation submitted by BCFS HHS, we cannot determine which, if any, of the costs on the asset listing should be factored into the computation of depreciation for the relevant building costs. We thus decline to make any changes to our calculation and defer to ACF to determine any necessary adjustments.