

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**PENNSYLVANIA GENERALLY  
COMPLIED WITH MATERNAL,  
INFANT, AND EARLY CHILDHOOD  
HOME VISITING PROGRAM  
REQUIREMENTS**

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Deputy Inspector General  
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October 2018  
A-03-15-03300

# *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: October 2018

Report No. A-03-15-03300

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 under the Patient Protection and Affordable Care Act of 2010 to be collaboratively implemented by HHS's Health Resources and Services Administration (HRSA) and the Administration for Children and Families. As part of its oversight activities, OIG is conducting a series of reviews of certain grants because adequate controls are necessary to ensure that award money is used appropriately.

Our objective was to determine whether the Pennsylvania Office of Child Development and Early Learning complied with MIECHV program requirements and the terms and conditions of the program's grants.

### How OIG Did This Review

We reviewed Pennsylvania's MIECHV program for Federal fiscal year (FY) 2014 (October 1, 2013, through September 30, 2014) to determine whether Pennsylvania used funding in accordance with Federal requirements, adequately monitored the activities of subrecipients that provided program services, and reported to HRSA on the activities in accordance with Federal laws and regulations. Our review covered three MIECHV grants totaling \$10.8 million for which Pennsylvania claimed costs during FY 2014.

## Pennsylvania Generally Complied With Maternal, Infant, and Early Childhood Home Visiting Program Requirements

### What OIG Found

Pennsylvania generally complied with MIECHV program requirements and terms and conditions of the MIECHV program's grants. However, we found that 2 of Pennsylvania's 10 grant subrecipients did not properly account for MIECHV program funds. One subrecipient incorrectly claimed and received \$131,591 in unallowable MIECHV program funds because it based its claim on a budgeted employee fringe benefit rate and not the actual rate. Pennsylvania repaid to the Federal Government \$34,786 of that amount for FYs 2012 and 2013, and HRSA determined that the remaining \$96,805 should be made available for use for Pennsylvania's MIECHV program provided that the funds were obligated by September 30, 2016, and liquidated by December 30, 2016. The second subrecipient claimed at least \$252,399 of MIECHV program funds for expenditures that may not have been related to the program because it did not properly record MIECHV program expenditures in its general ledger.

### What OIG Recommends and Pennsylvania's Comments

We recommend that Pennsylvania (1) determine whether the Erie County School District expended the \$252,399 according to program requirements and refund to the Federal Government any amount not expended according to program requirements and (2) develop additional written procedures to provide monitoring and oversight of subrecipient financial management to ensure that subrecipients' general ledgers accurately reflect the costs claimed on their expenditure reports.

In written comments on our draft report, Pennsylvania concurred with our recommendations and provided information on actions that it had taken to address them. Pennsylvania commented that it resolved both subrecipient issues. Furthermore, Pennsylvania had updated its procedures to require subrecipients to submit general ledgers to support amounts claimed in their quarterly and final expenditure reports.

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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 under the Patient Protection and Affordable Care Act of 2010 (ACA) to be collaboratively implemented by the U.S. Department of Health and Human Services' (HHS's) Health Resources and Services Administration (HRSA) and 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 to develop and implement State-wide home visiting programs.

The MIECHV program is designed to (1) strengthen and improve the programs and activities carried out under Title V of the Social Security Act 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<sup>1</sup> of certain grants because adequate controls are necessary to ensure that subrecipients use award money appropriately.

### OBJECTIVE

Our objective was to determine whether the Pennsylvania Office of Child Development and Early Learning (OCDEL) 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 have been proven to improve child health and to be cost effective. These programs improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, and promote child development and school readiness.

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<sup>1</sup> *Wisconsin Did Not Always Comply With Maternal, Infant, and Early Childhood Home Visiting Program Requirements* (A-05-15-00049), issued Sept. 11, 2017, and *Indiana Did Not Always Comply With Maternal, Infant, and Early Childhood Home Visiting Program Requirements* (A-05-16-00056), issued Dec. 22, 2017.

## **Pennsylvania's Home Visiting Program**

In Pennsylvania, the Department of Human Services (DHS) and the Department of Education jointly oversee the MIECHV program. Within DHS, OCDEL runs the MIECHV program. Its aim is to improve the health and developmental outcomes for Pennsylvania's at-risk families through implementation of evidence-based home visitation programs.

Pennsylvania's MIECHV program consists of 4 evidence-based home visiting programs that provide services in 43 counties across the State. OCDEL contracts with subrecipient organizations, such as not-for-profits and 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 Pennsylvania 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.

## **Allegheny County Health Department**

The Allegheny County Health Department (ACHD), an OCDEL subrecipient, is a county agency formed in 1957 in Pittsburgh, Pennsylvania. Its mission is to protect, promote, and preserve the health and well-being of all Allegheny County residents, particularly the most vulnerable. Through its Community Health Promotion & Disease Prevention Bureau's Family and Child Health, ACHD uses the Nurse Family Partnership (NFP) program model to provide MIECHV program services to eligible families.<sup>2</sup>

## **Erie City School District**

The Erie City School District (ECSD), an OCDEL subrecipient, is a public school district organized in 1870 in the City of Erie, Pennsylvania. Its primary purpose is to prepare its students to establish and achieve their higher education and career goals. Through its Erie Family

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<sup>2</sup> NFP pairs first-time, low-income mothers with nurses to improve maternal and child health, school readiness, and other life outcomes.

Center (EFC),<sup>3</sup> ECSD uses the Healthy Families America (HFA) program model to provide MIECHV program services to eligible families.<sup>4</sup>

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed Pennsylvania's MIECHV program to determine whether OCDEL (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 (FY) 2014 (October 1, 2013, through September 30, 2014). Our review covered three MIECHV grants totaling \$10.8 million for which OCDEL claimed costs during FY 2014.

To determine whether OCDEL used funding in accordance with Federal requirements, we obtained a list of FY 2014 expenditures for each of the three grants in our review. This list showed that OCDEL distributed the majority of the funds to its 29 subrecipients, each of which received MIECHV subgrant awards. We then selected a judgmental sample of 10 subrecipients that had the highest award amounts for FY 2014. In FY 2014, these 10 subrecipients had award amounts totaling \$6,435,400, which represents approximately 62 percent of the total awarded during that period. We visited two subrecipients that represented 38 percent of the sample subrecipient funds. OCDEL's administrative grant expenditures included salaries and travel and were less than one percent of the total grant expenditures. We did not review supporting documentation for either OCDEL's administrative grant expenditures or a technical support contract.

Subrecipients typically submit quarterly Approved Budget and Quarterly Expenditure Reports to OCDEL for costs incurred. Subrecipients use these reports to record their budgeted and expended grant funds and other program operation funds and to project grant funds necessary for the remainder of the grant year. For each line-item entry, subrecipients record the item and the amount expended for that item. Additional fields record the current expenditures for the quarter and the cumulative year-to-date expenditures. These additional fields allow the subrecipients to track their expenditures both for the quarter and for the year to ensure that they have the necessary funds to sustain program operations throughout the year. We compared the expenditures that subrecipients reported in their Approved Budget and Quarterly Expenditure Reports against the amounts that they reported in their general ledgers to verify that the subrecipients reported all program expenditures. We then followed up with those subrecipients whose general ledgers did not match their Approved Budget and Quarterly Expenditure Reports.

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

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<sup>3</sup> During our audit period, EFC was part of ECSD. However, after our audit period, EFC became an independent entity.

<sup>4</sup> HFA is designed to strengthen families with children at risk of child abuse due to family histories of trauma, violence, mental health issues, and substance abuse.



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.

## FINDING

OCDEL generally complied with MIECHV program requirements and the terms and conditions of the MIECHV program's grants. However, we found that 2 of OCDEL's 10 grant subrecipients did not properly account for MIECHV program funds. One subrecipient incorrectly claimed and received \$131,591 in unallowable MIECHV program funds because it based its claim on a budgeted employee fringe benefit rate and not the actual rate. The second subrecipient claimed at least \$252,399 in MIECHV program funds for expenditures that may not have been related to the program because it did not properly record MIECHV program expenditures in its general ledger.

These deficiencies occurred because OCDEL's monitoring program did not include procedures to compare subrecipients' MIECHV expenditures recorded in their general ledgers to the expenditures claimed on the final year-end expenditure reports. As a result, OCDEL did not identify accounting problems at the two subrecipients.

### **THE PENNSYLVANIA OFFICE OF CHILD DEVELOPMENT AND EARLY LEARNING GENERALLY COMPLIED WITH MIECHV PROGRAM REQUIREMENTS, BUT TWO SUBRECIPIENTS DID NOT PROPERLY ACCOUNT FOR MIECHV PROGRAM FUNDS**

#### **Federal Regulations**

By accepting MIECHV grant funds, OCDEL agreed to comply with regulations governing Federal grants and to ensure the funds are used in accordance with the purpose, terms, and conditions of the grant. OCDEL 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 local government entities in receipt of Federal funds, ACHD and ECSD must also comply with Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR part 225, App. A, § C.1).<sup>5</sup> These cost principles state that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and allocable to Federal awards under the provisions of 2 CFR part 225 (2 CFR part 225, App. A, § C.1). Only costs allocated to a particular program are allowable for that program (2 CFR part 225 App. A, § C.3.a).

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<sup>5</sup> This circular was made applicable by 45 CFR section 92.22(b). Although not applicable to this audit, HHS promulgated new grant regulations and cost principles at 45 CFR part 75. The new regulation applies only to awards made on or after December 26, 2014.

Additionally, standards for financial management systems require that subrecipients' financial management systems must provide accurate, current, and complete disclosure of the financial results of financially-assisted activities in accordance with the financial reporting requirements of the grant or subgrant. These standards also require that subrecipients maintain records that adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income (45 CFR § 92.20(b)).

### **Allegheny County Health Department Incorrectly Claimed and Received Unallowable MIECHV Program Funds**

ACHD incorrectly claimed and received \$131,591 in unallowable MIECHV program funds based on a budgeted employee fringe benefit rate. Specifically, ACHD reported fringe benefit expenditures to OCDEL at its budgeted amount and not based on the actual costs incurred, which were lower. As a result, the amount that ACHD claimed and received exceeded the amount recorded in its general ledger for employee fringe benefit expenditures.

As a result of our audit, ACHD identified that it had received \$131,591 in unallowable MIECHV program funds. In response to our request for information for our review, ACHD gathered and reviewed information about its MIECHV program expenditures. During that review, ACHD determined that it had received overpayments of its employee fringe benefits for the entire period of its subgrant from OCDEL. In July 2016, ACHD informed OCDEL of the overpayment, and OCDEL informed HRSA. Based on an ACHD-proposed solution for the overpayment, HRSA determined that OCDEL should divide and allocate the overpayments among the grant years. Because FYs 2012 and 2013 were already closed, HRSA required that OCDEL repay to the Federal Government \$34,786 for those years. OCDEL agreed with HRSA's determination and repaid the overpayment amount. HRSA also determined that the other \$96,805 should be made available for use for the State's MIECHV program provided that the funds were obligated by September 30, 2016, and liquidated by December 30, 2016.

As part of its fiscal monitoring program, OCDEL reviews Quarterly and Final Year Expenditure Reports, focusing on subrecipients' spending rates compared to their budgets. In addition, OCDEL performs on-site fiscal monitoring visits during which it determines whether subrecipients have program policies in place including policies for procurement, internal controls, cost allocation plans, and insurance policies. OCDEL also reviews selected expenditures.

This error continued undetected because OCDEL's fiscal monitoring program does not include written procedures to reconcile subrecipients' claims to their general ledgers. According to OCDEL officials, OCDEL does not compare all general ledgers to all expenditure reports submitted to OCDEL. Typically, OCDEL examines only one quarter of a general ledger during a fiscal monitoring visit. OCDEL has stated that, in future, it will require subrecipients to submit general ledgers for the previous year either at the same time they submit their Final Year Expenditure Report or by August 31, whichever is later. OCDEL will also require subrecipients

to submit additional documentation if their general ledger is inconsistent with their submitted Final Year Expenditure Report.

### **Erie City School District Did Not Always Properly Record MIECHV Program Expenses in Its Accounting Records**

ECSD did not always properly record MIECHV program expenses in its accounting records. Specifically, we found that the expenditure reports ECSD submitted to OCDEL did not agree with the expenditures recorded in ECSD's general ledger. This led ECSD to claim and receive at least \$252,399 in MIECHV funds that its general ledger did not support.

ECSD's Approved Budget and Quarterly Expenditure Reports for its MIECHV program grants exceeded the expenditures in its general ledger by \$252,399. ECSD claimed costs of \$582,509 while its general ledger only reflected costs of \$330,110. Because the correct amount for ECSD MIECHV program costs could not be determined, we concluded that ECSD may have improperly used at least \$252,399 of MIECHV program funds for purposes unrelated to the MIECHV program.

ECSD stated that its general ledger might have been incorrect because EFC might not have always entered information correctly. Although ECSD was the subrecipient, EFC provided the MIECHV services and entered the MIECHV expenditures into ECSD's accounting system. ECSD stated that EFC's general ledger entries might be incorrect. We found that EFC's payroll entries in the general ledger were inconsistent over time despite EFC receiving payroll funds for a set number of employees. The payroll should have been consistent throughout the State FY (July 1, 2013, through June 30, 2014), but instead some payroll entries began in October 2013 and others did not begin until February 2014. These inconsistencies made it appear as if 90 percent of EFC's staff had a gap in employment during that State FY. ECSD also stated that EFC personnel might not have always selected the proper account and FY for expenses they entered into the accounting system.

These discrepancies occurred because OCDEL did not include in its fiscal monitoring written procedures requiring personnel who review subrecipient claims to compare claimed costs with subrecipient general ledgers.<sup>6</sup>

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<sup>6</sup> ECSD's 2014 single audit noted that the grant program coordinators for two other programs unrelated to the MIECHV subgrant were not reconciling the expenditures in the general ledger to the program grant reports. The single audit recommended that ECSD develop a policy requiring monthly reconciliation of all grant expenditures in the general ledger to the grant reports in order to ensure accuracy of the financial statements. A single audit is an audit which includes both the entity's financial statements and Federal awards. The audit is performed by independent auditors in accordance with generally accepted government auditing standards for financial audits.

## RECOMMENDATIONS

We recommend that OCDEL:

- determine whether ECSD expended the \$252,399 according to program requirements and refund to the Federal Government any amount not expended according to program requirements and
- develop additional written procedures to provide monitoring and oversight of subrecipient financial management to ensure that subrecipients' general ledgers accurately reflect the costs claimed on their expenditure reports.

### **PENNSYLVANIA OFFICE OF CHILD DEVELOPMENT AND EARLY LEARNING COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, DHS, responding on behalf of OCDEL, concurred with all of our recommendations and provided information on actions that it had taken to address our recommendations. DHS commented that OCDEL had addressed and fully resolved the issue of ACHD charging to its sub-award fringe benefit budgeted amounts rather than actual incurred costs. ACHD returned the misallocated MIECHV funds via check. This issue was identified and fully resolved during our fieldwork.

OCDEL also addressed the issues with ECSD's program expenses and determined that the program expenses were reasonable, allowable, and allocable to the MIECHV sub-award. In addition, OCDEL developed procedures requiring all MIECHV subrecipients to submit general ledgers to support amounts claimed in their quarterly and final expenditure reports.

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

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the MIECHV program to determine whether OCDEL (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 FY 2014.

Our review covered three MIECHV grants totaling \$10.8 million for which OCDEL claimed amounts during FY 2014. The table below provides amounts awarded and claimed by grant.

**Table: MIECHV Grant Award Details**

Grant Number	Grant Title	Budget Period	Funds Awarded for the Budget Period	Costs Claimed (FY 2014)
X02MC23093	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)	09/30/2011 through 09/29/2014	\$3,010,846	\$2,100,790
X02MC26340	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Formula Grant)	09/01/2013 through 09/30/2015	3,201,338	352,193
D89MC23535	ACA Maternal, Infant, and Early Childhood Home Visiting Program (Competitive Grant)	03/31/2012 through 09/30/2014	9,027,587	8,386,142
	<b>Total Funds Awarded and Claimed</b>		<b>\$15,239,771</b>	<b>\$10,839,125</b>

To determine whether OCDEL used funding in accordance with Federal requirements, we obtained a list of FY 2014 expenditures for each of the three grants in our review. This list showed that OCDEL distributed the majority of the funds to its 29 subrecipients, each of which received MIECHV subgrant awards. We then selected a judgmental sample of 10 subrecipients that had the highest award amounts for FY 2014. In FY 2014, these 10 subrecipients had award amounts totaling \$6,435,400, which represents approximately 62 percent of the total awarded during that period. We visited two subrecipients that represented 38 percent of the sample subrecipient funds. OCDEL's administrative grant expenditures included salaries and travel and were less than one percent of the total grant expenditures. We did not review supporting documentation for the OCDEL's grant expenditures or a technical support contract.

Subrecipients typically submit quarterly Approved Budget and Quarterly Expenditure Reports to OCDEL for costs incurred. Subrecipients use these reports to record their budgeted and

expended grant funds and other program operation funds and to project grant funds necessary for the remainder of the grant year. For each line-item entry, subrecipients record the item and the amount expended for that item. Additional fields record the current expenditures for the quarter and the cumulative year-to-date expenditures. These additional fields allow the subrecipients to track their expenditures both for the quarter and for the year to ensure that they have necessary funds to sustain program operations throughout the year. We compared the expenditures that subrecipients reported in their Approved Budget and Quarterly Expenditure Reports against the amounts that they reported in their general ledgers to verify that the subrecipients reported all program expenditures. We then followed up with those subrecipients whose general ledgers did not match their Approved Budget and Quarterly Expenditure Reports.

We performed fieldwork from October 2015 to October 2016 at the OCDEL office in Harrisburg, Pennsylvania. In addition, we conducted site visits at two subrecipients in Philadelphia and Reading, Pennsylvania, in May and July 2016.

## **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance pertaining to MIECHV monitoring, reporting, and Funding Opportunity Announcements;
- met with HRSA officials to gain an understanding of the MIECHV program;
- met with OCDEL officials to determine which policies, procedures, and controls related to monitoring and reporting of MIECHV grant funds;
- obtained and reviewed Pennsylvania's MIECHV grant application packages and Notice of Award documents;
- reviewed applicable guidance pertaining to the MIECHV program and monitoring of subrecipients;
- reviewed Pennsylvania's single audit report for the most recent year;
- reviewed the State plan pertaining to the MIECHV program;
- performed limited testing of key controls;
- determined whether OCDEL's reporting to HRSA complied with the Federal MIECHV program reporting requirements;
- selected a judgmental sample of 10 subrecipients for review;

- performed site visits at 2 subrecipients and selected judgmental samples of 12 expenditures from their general ledgers to review in detail covering FY 2014;
- on the basis of the results of the review of the judgmental samples and the site visits, determined whether OCDEL used funding in accordance with Federal requirements;
- determined whether OCDEL complied with Federal monitoring requirements; and
- discussed the results of our review with OCDEL 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: PENNSYLVANIA OFFICE OF CHILD DEVELOPMENT AND  
EARLY LEARNING COMMENTS**



**COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF HUMAN SERVICES**

SEP 10 2018

Ms. Nicole Freda  
Regional Inspector General for Audit Services  
Office of Audit Services, Region III  
Department of Health and Human Services  
Office of Inspector General  
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Philadelphia, Pennsylvania 19107

Dear Ms. Freda:

Thank you for providing the draft report number A-03-15-03300 titled, "Pennsylvania Generally Complied with Maternal, Infant, and Early Childhood Home Visiting Program Requirements". Below are our specific comments to the finding and recommendations. We agree with the recommendations included in the draft report. We request that you consider our comments and incorporate those points into the final report on the Maternal, Infant, and Early Childhood Home Visiting Program (MIECHV).

Finding:

**PENNSYLVANIA GENERALLY COMPLIED WITH MIECHV PROGRAM  
REQUIREMENTS, BUT TWO SUBRECIPIENTS DID NOT PROPERLY ACCOUNT  
FOR MIECHV PROGRAM FUNDS**

**Allegheny County Health Department Incorrectly Claimed and Received  
Unallowable MIECHV Program Funds**

When the Department of Human Services (DHS), Office of Child Development and Early Learning (OCDEL) requested general ledgers from the Allegheny County Health Department (ACHD) as part of the Office of Inspector General (OIG) review, the ACHD discovered that for a period of time they were charging budgeted amounts for fringe benefits to their sub-award, rather than the actual costs incurred. ACHD quickly identified the problem and returned the entire portion of misallocated funding, part of



which was from a federal Maternal and Child Health grant (funding the MIECHV program) which had been closed. This portion of funding was returned via check to the federal government and the remaining amount was retained and re-obligated, per authorization from the Health Resources and Services Administration (HRSA), as the remaining funds were from still-open grants. This issue was identified and fully resolved during the OIG's fieldwork.

### **Erie City School District Did Not Always Properly Record MIECHV Program Expenses in Its Accounting Records**

#### OIG Recommendations:

- determine whether Erie City School District (ECSD) expended the \$252,399 according to program requirements and refund to the Federal Government any amount not expended according to program requirements, and
- develop additional written procedures to provide monitoring and oversight of subrecipient financial management to ensure that subrecipients' general ledgers accurately reflect the costs claimed on their expenditure reports.

DHS Response: The DHS agrees with the OIG's finding and recommendations included in the draft report, as listed above.

The OCDEL worked with ECSD during and after the OIG's review to determine the extent to which expenses from their subrecipient award during the review period were reasonable, allowable and allocable. Based upon the information provided while complying with OIG's requests, and discussions with ECSD during and after the OIG review, OCDEL concluded that the FFY 2014 MIECHV funds were spent appropriately. ECSD indicated during the review that changes in staffing and revamping of their accounting systems would positively affect fund accounting in the future.

Incidentally, ECSD is no longer a subrecipient. ECSD served as a pass-through entity, sending MIECHV dollars to Erie Family Center (EFC). EFC is now a direct subrecipient of MIECHV funds, and ECSD is no longer involved with EFC as it relates to MIECHV activities.

Per OCDEL Announcement: ELS/MIECHV – 16 #02; ELS/NFP – 16 #02, copy enclosed; effective with the state fiscal year July 1, 2016 through June 30, 2017, all MIECHV subrecipients are now required to submit general ledgers to support amounts claimed in their quarterly and final expenditure reports. Subrecipients must submit their general ledgers by August 31 for the previous state fiscal year. If their general ledgers do not support amounts claimed in those reports, revised reports are requested, along with the return of any misallocated funds. June 30, 2018 marks the close of the second full fiscal year in which this policy has been implemented. All FY 2016-2017 subrecipient general ledgers have been reviewed. State FY 2017-2018 general ledgers are due by August 31, 2018. This requirement is expected to prevent similar occurrences by all subrecipients in the future.

Thank you for the opportunity to respond to these draft recommendations. Please contact Mr. David R. Bryan, Manager, Audit Resolution Section, Bureau of Financial Operations, at 717-783-7217, or via email at [davbryan@pa.gov](mailto:davbryan@pa.gov), if you have any questions regarding this matter.

Sincerely,

Carolyn K. Ellison

Carolyn K. Ellison  
Deputy Secretary for Administration

Enclosure

c: Mr. William Grayson  
Mr. David Bryan, Manager, Audit Resolution Section