

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**OFFICE OF REFUGEE RESETTLEMENT
UNACCOMPANIED ALIEN CHILDREN
GRANTEE REVIEW—HIS HOUSE**

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Office of Inspector General

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Report in Brief

Date: December 2017

Report No. A-04-16-03566



Why OIG Did This Review

The Unaccompanied Alien Children (UAC) program served between 7,000 and 8,000 children annually from fiscal year (FY) 2005 through FY 2011. In FY 2012, the number of children in the program began to increase. By the end of FY 2012, the UAC program, under the Department of Health and Human Services, Office of Refugee Resettlement (ORR), served approximately 13,625 children. In FY 2014, referred to as the “surge” year, ORR served 57,496 children.

Funding for the program also increased. From FY 2009 through FY 2014, funding for the UAC program totaled more than \$2 billion, an increase of \$707 million during this same period.

We selected for audit His House Children’s Home, Inc. (His House), a UAC grantee responsible for caring for children in ORR custody, because a former employee was convicted of extortion, and we were interested in assessing whether there were other vulnerabilities.

Our objectives were to determine whether His House (1) met applicable safety standards for the care and release of children in its custody and (2) claimed only allowable expenditures in accordance with applicable laws, regulations, and departmental guidance.

How OIG Did This Review

Our review covered October 1, 2013, through September 30, 2014. We reviewed UAC case files, personnel records, financial transactions, and policies and procedures. Also, we inspected shelter care cottages.

Office of Refugee Resettlement Unaccompanied Alien Children Grantee Review—His House

What OIG Found

Generally, His House met safety standards for the care and release of children in its custody. However, some UAC case files were missing evidence of sponsor background checks and other required documentation.

His House claimed only allowable expenditures. However, we identified areas in which His House lacked an efficient and effective system of internal controls when administering UAC program funds.

As a result, His House (1) might not have followed ORR policies for 652 children regarding sponsor background checks, prompt medical care, provision of appropriate clothing, sponsor placement decisions, post-release services, or the notification of the Department of Homeland Security of the child’s release to a sponsor and (2) might have placed Federal funds totaling \$9 million at risk of mismanagement or misappropriation.

What OIG Recommends and His House Comments

We recommend that His House (1) develop a policy for maintaining UAC case file documentation that would ensure ORR policies and procedures were followed when releasing a child to a sponsor, (2) increase oversight of its reviewing process for UAC case files to ensure that all required documentation is maintained in the file, and (3) implement a financial management system that requires adequate identification of the source and application of Federal funds and effective accountability of property and other assets. We also made procedural recommendations aimed at addressing internal control deficiencies we identified.

His House did not agree with the OIG’s findings; however, it concurred with our recommendations and described steps that it had taken or planned to take to address our findings and recommendations.

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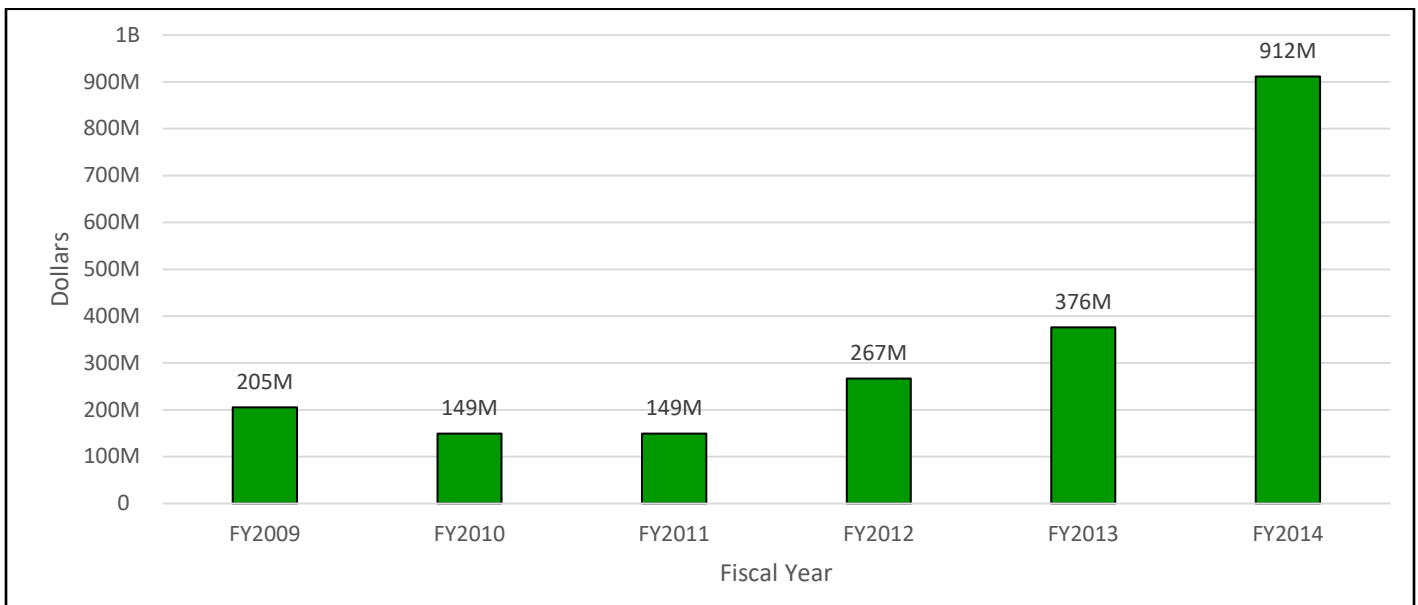
INTRODUCTION

WHY WE DID THIS REVIEW

The Office of Refugee Resettlement (ORR) within the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF) 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 by the end of FY 2012, the UAC program served approximately 13,625 children. In FY 2013, the program served 24,668 children, and in FY 2014, referred to as the “surge” year, ORR served 57,496 children.

As the number of children increased, so did the funding for the program. From FY 2009 through FY 2014, ORR’s funding for its UAC program totaled more than \$2 billion, with about \$912 million (44 percent) of the funding occurring during FY 2014 alone (Figure 1).

Figure 1: UAC Program Funding FY2009–FY2014



Because of the rapid increase of vulnerable children entering ORR care, the significant increases in program funding, and the multiple changes to ORR policies during FY 2014, we are conducting a series of reviews of ORR care providers across the Nation. We selected His House Children’s Home, Inc. (His House), as the first ORR care provider for review because a former employee was convicted of extortion, and this led us to believe that vulnerabilities may exist.

OBJECTIVES

The objectives of this review were to determine whether His House (1) met applicable safety standards for the care and release of children in its custody and (2) claimed only allowable expenditures in accordance with applicable laws, regulations, and departmental guidance.

BACKGROUND

Within HHS, ORR manages the UAC program. The UAC program funds temporary shelter care¹ and other related services for unaccompanied children in ORR custody. In FY 2014, ORR awarded grants totaling \$1.1 billion to providers for the care and placement of children. The UAC program is separate from State-run child welfare and traditional foster care systems.

By law, HHS must provide for the custody and care of a UAC, defined as a child who has no lawful immigration status in the United States; has not attained 18 years of age; and, with respect to whom there is no parent or legal guardian in the United States, or no parent or legal guardian in the United States available to provide care and physical custody (6 U.S.C. § 279(g)(2)). The Flores Settlement Agreement established a nationwide policy for the detention, treatment, and release of UAC and recognized the particular vulnerability of UAC while detained without a parent or legal guardian present (*Flores v. Meese—Stipulated Settlement Agreement* (U.S. District Court, Central District of California, 1997) (Flores Settlement Agreement)).

Under the Homeland Security Act of 2002, Congress transferred the care and custody of UACs to HHS from the former Immigration and Naturalization Service to move toward a child-welfare-based model of care and away from the adult detention model. In the Trafficking Victims Protection Reauthorization Act of 2008, which expanded and redefined HHS's statutory responsibilities, Congress directed that each child must "be promptly placed in the least restrictive setting that is in the best interest of the child" (8 U.S.C. § 1232(b)(2)).

During our audit period (FY 2014), ORR looked to the *2006 Draft Division of Unaccompanied Children's Services Policies and Procedures Manual* (P&P Manual) for applicable policies and procedures.² Additionally, ORR used the *ORR UAC Program Operations Manual*, which was originally issued in April 2012 and updated in December 2012 (Ops Manual 2012), November 2013 (Ops Manual 2013), and April 2014 (Ops Manual 2014). The Ops Manuals covered only certain areas of program management; where there was no Ops Manual guidance, ORR referred to the P&P Manual. ORR made changes to both the P&P Manual and the Ops Manual on an ad hoc basis. The P&P Manual and the Ops Manuals together constitute the policies and procedures in effect during our audit period (October 2013 through September 2014). In this report, we cite the provisions in effect during the audit period. The content of the provisions and applicable dates are included in Appendix B.

Subsequent to our audit period, ORR issued the *ORR Guide: Children Entering the United States Unaccompanied* (Policy Guide), effective January 2015, and the *ORR UAC Program Operations Manual* (Operations Manual), effective September 2015, to replace the previous draft versions. ORR updates these documents on an ad hoc basis and records the most recent effective date next to each policy provision.

¹ Shelter Care is a residential care provider facility in which all of the programmatic components are administered onsite in the least restrictive environment. The goal of shelter care is to provide the least restrictive setting that is in the best interests of the child, taking into consideration potential flight risk and danger to the child and others.

² Although the P&P Manual was marked "[D]raft," it included policies and procedures that should be followed.

45 CFR part 74 establishes uniform administrative requirements for awards to nonprofit organizations.³

Care Process

ORR funds care providers through cooperative agreements to provide temporary housing and other services to children in ORR custody at State-licensed facilities. These facilities must meet ORR requirements to ensure a high-level quality of care.

Federal Field Specialists (FFSs) are Federal employees who oversee the care providers and ensure that they are following ORR requirements. FFSs are ORR's field staff who are assigned to a group of care providers within a region. An FFS's authority includes approving or denying all child transfer and release decisions, overseeing care providers, implementing policies and procedures, and serving as a liaison to local stakeholders. FFSs also provide guidance, direction, and technical assistance to care providers.

Case Managers are employees of the care provider whose responsibilities include:

- coordinating child assessments to include completing individual service plans,
- assessing potential child sponsors,
- making transfer and release recommendations, and
- coordinating the release of a child to a sponsor.

ORR contracts with Case Coordinators who act as local ORR liaisons with care providers. Case Coordinators serve as third-party reviewers of each Case Manager's family reunification process. After reviewing the Case Managers' decisions, Case Coordinators make transfer and release recommendations to the FFSs.

ORR policy requires that children receive certain care and services while in care provider facilities. See Appendix C for a chart of some of these services.

Family Reunification Process

In addition to caring for children, the care providers facilitate the release of the child to family members or other sponsors, known as the "family reunification process," according to the following preferences: (1) a parent, (2) a legal guardian, (3) an adult relative, (4) an adult individual or entity designated by the child's parent or legal guardian, (5) a licensed program willing to accept legal custody, or (6) an adult or entity approved by ORR. ORR has grouped these sponsors into three categories:

- Category 1 – Parents and legal guardians;

³ 45 CFR part 74 was superseded by 45 CFR part 75 for awards made on or after December 26, 2014.

- Category 2 – Other immediate adult relatives, such as a brother, sister, aunt, uncle, or grandparent; and
- Category 3 – Distant relatives and unrelated adults.

In making placement decisions, Case Managers facilitate background investigations on the sponsor. As detailed in Appendix F, the level of the background check depends on the relationship between the sponsor and the child.

During the family reunification process, Case Managers are responsible for conducting a suitability assessment of the sponsor. This assessment includes investigating the background of the sponsor, but Case Managers must also confirm the familial relationship of the sponsor to the child. Furthermore, current ORR policy requires the sponsor to complete a sponsor care plan if the sponsor is unlawfully present in the United States. ORR requires a sponsor care plan to ensure that each child has a caregiver, regardless of any complications that could arise from a sponsor's immigration status.

The FFS, Case Manager, and Case Coordinator each play a role in the decision to release a UAC to a sponsor. The Case Manager makes a recommendation to the Case Coordinator regarding the release. The Case Coordinator conducts a third-party review of the proposed release and makes a recommendation to the FFS on the release of the UAC to a particular sponsor. If the Case Manager and Case Coordinator are unable to agree on a particular recommendation, they may refer the case directly to an FFS for guidance. Once the Case Manager and Case Coordinator present a recommendation to the FFS, the FFS reviews the recommendation and makes a release decision in consideration of these recommendations.

His House

His House is an ORR-funded, faith-based, shelter care provider in Miami, Florida. Since 2008, His House has participated in the UAC program and served more than 5,000 children. In FY 2014, His House spent approximately \$9 million in Federal funds for the care and placement of approximately 1,900 children.

Of the approximately 1,900 children at His House during 2014:

- 81 percent were males and 19 percent were females,
- 48 percent were between the ages of 13 and 16, and
- 65 percent were released to category 1 sponsors.

HOW WE CONDUCTED THIS REVIEW

To ensure that His House met applicable safety standards, we (1) inspected 3 of 10 cottages that provided shelter care, (2) reviewed His House licensing documents and inspection results, (3) reviewed a judgmental sample of His House personnel records, and (4) reviewed a statistical sample of case files for those children who had been released to a sponsor during FY 2014.

To ensure that His House claimed only allowable expenditures, we (1) reviewed a stratified statistical sample of financial transactions and (2) reviewed His House accounting policies, procedures, and organizational structure.

Our review covered October 1, 2013, through September 30, 2014 (audit period).

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, Appendices D and E contain the details of our sampling methodology and estimates, and Appendix F contains selected definitions.

FINDINGS

His House generally met applicable safety standards for the care and release of children in its custody and claimed only allowable expenditures. However, His House did not have some documentation required to verify that it had met certain safety standards, and it had some deficiencies within its financial management system.

Although His House generally met safety standards for the care and release of children in its custody, some UAC case files were missing evidence of sponsor background checks and other required documentation.

These documentation deficiencies occurred because His House lacked oversight by its own staff to ensure that all ORR-required documentation was maintained in the UAC case files.

On the basis of our UAC case file sample results, we estimated that His House did not properly document the care and release of approximately 36 percent of all children released to sponsors in FY 2014. Without adequate documentation in the case files, ORR could not be assured that, for 652 children, His House had followed ORR policies regarding sponsor background checks, prompt medical care, provision of appropriate clothing, sponsor placement decisions, post-release services, or the notification of the Department of Homeland Security (DHS) of the child's release to a sponsor.

Although His House claimed only allowable expenditures, it had some deficiencies within its financial management system, such as a lack of documentation and segregation of duties. The deficiencies within the financial management system occurred because His House lacked an efficient and effective system of internal controls when administering UAC program funds.

Without an efficient and effective internal control system, Federal funds totaling \$8,994,814 were at risk of mismanagement or misappropriation.

SOME DOCUMENTS WERE MISSING FROM HIS HOUSE CASE FILES

Of the 1,810 children⁴ that His House released to sponsors during our audit period, we estimated that 36 percent of the associated case files contained errors (3 percent sponsor-background-check-related and 35 percent “other” documentation errors).⁵

Some Case Files Lacked Evidence of Background Investigations on Sponsors

All potential sponsors must undergo background checks (Ops Manual 2012 § 4.401; Ops Manuals 2013 and 2014, § 4.402). However, His House could not provide evidence that it conducted all required background checks when vetting sponsors. From our statistical sample of 75 UAC case files, 2 did not contain documentation to indicate that His House had conducted background checks on the sponsors. Specifically, one case file for a child His House released to a category 1 sponsor contained no evidence that a public records check was conducted on the sponsor. The second case file was missing documentation to indicate that His House conducted a criminal history fingerprint check on a category 2 sponsor.

Vulnerability in Background Investigation Process

During our audit period, ORR policy did not require that all adult household members residing in a potential sponsor’s home undergo background checks, except in cases referred for a home study. ORR policy did require a sponsor unlawfully present in the United States to complete a sponsor care agreement indicating the sponsor’s plan for care for the UAC should immigration issues arise for the sponsor. However, the sponsor care agreement during the period of our audit did not require individuals named as potential caregivers to undergo background checks.

In FY 2014, His House released to category 1 sponsors approximately 65 percent of the children in its care. Of the children that His House released to category 1 sponsors, approximately 83 percent of those sponsors were unlawfully present in the United States. During our review of the 75 sampled case files, we noted vulnerabilities in ORR’s policy related to children released to category 1 sponsors. Not requiring a background investigation on all adults in the household put the safety of each child released to a category 1 sponsor at risk by virtue of the shared living space.

⁴ His House cared for approximately 1,900 children during FY 2014. Our review covered only those children who had been released directly to a sponsor.

⁵ The individual error percentages do not sum to 36 percent because some case files had both background-check-related errors and “other” documentation errors.

For example, one case file we reviewed, where the child was released to his mother, demonstrates the vulnerability that exists when household members do not undergo background checks. In this instance, if the mother were deported or experienced other immigration issues, the child's stepfather (an unrelated adult) could have become the child's caretaker. ORR subsequently changed its policy on background investigations to require certain types of background checks on all adults in a sponsor's household and on all adults in the sponsor care agreement. This is an important step to help ensure children are released into safe households, especially if complications arise from a sponsor's immigration status.

Missing Documentation Because of Lack of Oversight

His House stated that it did not document in the two UAC case file the background investigations required for these sponsor files because of a lack of oversight on its part to ensure that case files contained all required documentation.

Unaccompanied Children's Safety Potentially at Risk Upon Release

On the basis of our sample results, we estimated that His House did not have evidence that it had conducted background investigations in 3 percent of the cases in which it released children to sponsors in FY 2014. Without documentation in the UAC case files to demonstrate that His House conducted background investigations, ORR was not always sure that His House was releasing children to sponsors who had been properly vetted. As a result, children may have been at risk of being released to sponsors with significant criminal backgrounds, placing children in danger, including of human trafficking.

Some Case Files Had Other Documentation Errors

Of the 75 UAC case files in our sample, 26 files had other documentation errors, and 4 of these had more than 1 error. On the basis of our sample results, we estimated that His House did not properly document the care or notify DHS of release of approximately 35 percent of all children released to sponsors in FY 2014. As a result, ORR could not be assured that His House followed ORR policies regarding prompt medical care, provision of appropriate clothing, sponsor placement decisions, post-release services, or notification of DHS of the child's release to a sponsor. The documentation errors we identified are described below.

Information Not Gathered Within Required Time

According to ORR policy, a care provider must use an "Initial Intakes Assessment" form to interview the child within 24 hours of arrival at the ORR facility. For 10 of the 26 sample files, the "Initial Intakes Assessment" form contained errors. For example, 5 of these 10 sample files indicated that the required intake procedures were not completed within 24 hours. In addition, 2 of the 10 sample files did not document the date that the child arrived at the ORR care provider facility or the date the intake assessment was completed. Other discrepancies included missing intake assessment forms for three sample files.

Some Case Files Missing Documents To Support Clean Clothing Distribution

Care providers are required to issue clothing to each child upon admission (P&P Manual, § 3.01). For 17 of the 26 sample files, His House did not document that it gave the child clothing upon admission.

Some Case Files Missing Documentation To Prove Discharge Notification Forms Were Sent to the Department of Homeland Security

Upon release of a child to a sponsor, the care provider is required to complete a discharge notification form within 24 hours and email the forms to DHS and other stakeholders (Ops Manual 2012 § 4.500; Ops Manuals 2013 and 2014, § 4.501). For 3 of the 26 sample files, no documentation in the case file supported that His House notified DHS that it had released a child to a sponsor.

Missing Documentation Because of Lack of Oversight

His House stated that the file discrepancies and documentation missing from the UAC case files were caused by a lack of oversight by His House staff responsible for conducting quality assurance reviews of the case files.

ALTHOUGH TRANSACTIONS WERE ALLOWABLE, HIS HOUSE HAD DEFICIENCIES WITHIN ITS FINANCIAL MANAGEMENT AND PROPERTY CONTROL SYSTEMS

His House recorded \$8,994,814 in expenditures during FY 2014. Of these expenditures, we statistically selected 105 financial transactions totaling \$1,935,250 for review. All 105 transactions were allowable. However, His House had several deficiencies within its financial management system that, collectively, put at risk almost \$9 million in Federal funds for potential mismanagement or misappropriation.

His House Lacked Documentation and a Methodology for Payment Management System Drawdowns

Recipients' financial management systems must provide accounting records that are supported by source documentation (45 CFR § 74.21(b)(7)), and cash advances to a recipient organization must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the grantee in carrying out the program (45 CFR § 74.22(b)(ii)(2)). His House made 15 drawdowns from the payment management system (PMS)⁶ totaling approximately \$8.2 million during FY 2014 but had no documentation to support the use of the funds drawn. Additionally, although His House representatives asserted that they drew funds on an as-needed basis, they could not explain the methodology used to calculate the amounts drawn.

⁶ PMS is a centralized payment and cash-management system that accomplishes all payment-related activities from the time of award through closeout.

His House's Financial Accounting System Was Not Able To Specifically Identify Expenditures for Its Shelter Care Cooperative Agreement

Recipients' financial management systems must provide records that adequately identify the source and application of funds for HHS-sponsored projects or programs (45 CFR § 74.21(b)(2)). His House's financial accounting system was not able to specifically identify expenditures for its ORR-funded shelter care (residential services) cooperative agreement. For example, His House's accounting system did not use an indicator to distinguish between expenditures associated with a different cooperative agreement. Therefore, we statistically selected and reviewed expenditure transactions for both His House's ORR-funded Residential Services cooperative agreement and its Home Study⁷ cooperative agreement.

The current His House staff stated that during FY 2014, both of the ORR-funded cooperative agreements (Residential Services and Home Study) were combined under one account in PMS. They believed that combining the cooperative agreement accounts in PMS created some confusion for the previous His House staff regarding how the cooperative agreements should have been recorded within the financial system.

His House Had Inadequate and Improperly Implemented Segregation of Duties

Recipients' financial management systems must provide effective control over and accountability for all funds (45 CFR § 74.21(b)(3)). His House payroll personnel had unlimited direct online access to change employee data in His House's human resource (HR) and payroll systems with limited managerial oversight. During the audit period, His House used one system for HR data (PayChex) and another system for processing time and attendance (QQest). The PayChex system maintained employee demographic data such as name, address, date of hire, date of birth, Social Security number, position title, etc. His House HR personnel were responsible for entering employee data into the PayChex system. The QQest system recorded time and attendance for His House employees. His House payroll personnel uploaded time and attendance data from QQest into PayChex to process payroll.

Payroll personnel had unlimited access to make changes in both PayChex and QQest with limited managerial oversight. His House has continued this process with its current system, SimplePay.

His House stated that payroll personnel had access to employee input fields; however, an approved Personnel Action Request form was required prior to the payroll personnel making a change in PayChex. Nevertheless, His House did not establish effective controls over HR and payroll responsibilities so that no single employee had unlimited access to both systems. Access to both systems gives an employee the ability to enter changes, such as salary and wage increases, in both the HR and payroll systems. His House had policies and procedures that were not implemented in a way that achieved adequate segregation of duties and managerial oversight.

⁷ The Office of Refugee Resettlement/Division of Children's Services conducts home studies for certain children prior to their release from ORR custody.

His House Had Inaccurate and Delayed Recording of Accounting Transactions

Recipients' financial management systems must provide for accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program (45 CFR § 74.21(b)(1)). Moreover, management designs appropriate control activities for the entity's internal control system such as accurately and timely recording transactions to maintain their relevance and value to management.⁸ In cash management situations, organizations rely on timely and accurate recording to draw Federal funds based on actual cash needs. Throughout the fiscal year, His House made numerous adjustments to payroll expenditures. Additionally, His House did not efficiently manage its credit card payments.

Instead of recording payroll to its proper account within the financial accounting system when payroll was processed, His House initially recorded payroll to a miscellaneous expense account. After it processed payroll, His House would allocate payroll to proper accounting codes on the basis of the labor distribution reports. Payroll transactions totaling \$122,308 that were not promptly recorded lost their relevance and value to management's control of operations and decision making.

Additionally, His House did not match payments on its corporate credit card with current expenditures. Therefore, we could not associate payments to specific grant expenditures that His House made with the credit card. As a result, we have no assurance that His House's credit card purchases and payments were for expenditures it incurred during the credit card billing period.

His House Had Inadequate Physical Control Over Vulnerable Assets

Recipients' financial management systems must provide effective control over and accountability for all funds, property, and other assets (45 CFR § 74.21(b)(3)). His House did not maintain an inventory of assets. For example, His House had equipment items that it used to perform routine maintenance on UAC shelters. These items were not documented or maintained in its inventory. Likewise, although property tags were placed on computer equipment, His House had no system for tracking the equipment and did no inventory verification. As a result, His House did not know the location or condition of the assets and equipment that it owned.

⁸ Principle 10.03, *Standards for Internal Control in the Federal Government* (GAO-14-704G), issued by GAO September 2014.

RECOMMENDATIONS

We recommend that His House:

- develop a policy for maintaining UAC case file documentation that would ensure ORR policies and procedures were followed when releasing a child to a sponsor;
- increase oversight of its reviewing process for UAC case files to ensure that all required documentation is maintained in the file;
- update or develop policies and procedures pertaining to:
 - maintaining adequate documentation to support its drawdowns of Federal funds and to support that its drawdowns are based on actual expenditures,
 - achieving the segregation of duties such as ensuring limited access to employee data maintained in its HR and payroll systems and improved managerial oversight, and
 - recording financial transactions accurately and timely; and
- implement a financial management system that requires adequate identification of the source and application of Federal funds and effective accountability of property and other assets.

HIS HOUSE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

His House concurred with our recommendations and described steps it had taken or planned to take to address our findings and recommendations. His House also provided additional documentation to support some of the items we determined to be in error in our draft report. Additionally, His House provided policies and procedures that it developed in response to our review. We revised our findings, as appropriate, to reflect our review of the additional documentation His House provided.

With respect to our review of UAC case files, His House provided documentation to support 19 sample items that we had determined to contain errors. We accepted this documentation for three sample items and adjusted our sample results accordingly. Although our error count changed, our findings and recommendations did not change. We included these changes in the body of the report, as well as in Appendix E.

With respect to our review of financial transactions, His House disagreed with the OIG's findings but concurred with our recommendations. Although His House disagreed with our findings, it developed new policies and procedures related to its financial management system to address our findings and recommendations. These addressed:

- maintaining adequate documentation to support its drawdowns of Federal funds,
- maintaining adequate documentation to support that its drawdowns are based on actual expenditures,
- segregating duties to ensure limited access to employee data maintained on its HR and payroll systems,
- improving managerial oversight over access to employee data,
- recording financial transactions accurately and timely,
- implementing a financial management system that requires adequate identification of source and application of Federal funds, and
- implementing effective accountability of property and other assets.

After reviewing His House’s comments and additional documentation, we maintain that our findings and recommendations are correct.

His House’s written comments are included in their entirety as Appendix G. However, we did not include the attached exhibits because they were too voluminous.

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

We reviewed His House's health and safety controls to ensure that the care provider met applicable safety standards for the care of children in its custody. Additionally, we reviewed documentation related to grant expenditures claimed for reimbursement and His House accounting policies, procedures, and organizational structure to ensure His House met applicable Federal and State grant requirements in administering its UAC grant.

We performed our fieldwork at His House in Miami Gardens, Florida, from November 2016 through July 2017. Our review covered from October 1, 2013, through September 30, 2014 (audit period).

Our objective did not require an understanding of all of His House's internal controls. We limited our assessment to His House's controls pertaining to the selected health and safety factors we reviewed. We also reviewed His House's internal controls related to its financial management system.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed grant documents and policies and procedures maintained at His House;
- interviewed His House officials and ORR's Federal Field Specialist assigned to His House;
- toured the His House site;
- conducted a review of selected health and safety factors at the site and noted any deficiencies;
- selected a statistical sample of UAC case files for children released to sponsors during FY 2014 (Appendix D);
- reviewed and documented any deficiencies within these sampled UAC case files;
- selected and reviewed a judgmental sample of employee files by:
 - sorting the list of employees into two groups: part-time and full-time,
 - numbering the list sequentially, and

- selecting every 10th full-time employee and every 6th part-time employee;
- selected a stratified statistical sample of financial transactions that His House charged to the grant during FY 2014 (Appendix D);
- reviewed supporting documentation for each sampled transaction (including payments to subcontractors, if applicable);
- reviewed His House’s Federal grant reports—financial and programmatic—for the audit period;
- estimated results of statistical samples, as applicable (Appendix E); and
- discussed our findings with His House 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: OFFICE OF REFUGEE RESETTLEMENT REQUIREMENTS
(Effective 10/2013–9/2014)**

Unless otherwise noted, Manual provisions are effective as of the following dates:

Ops Manual 2012—12/21/12

Ops Manual 2013—11/25/13

Ops Manual 2014—4/4/14

P&P Manual—8/21/06

Background Checks for Sponsors

To meet the requirement of an independent finding that the sponsor does not have a history that would place a UAC's safety at risk, in collaboration with the U.S. Department of Health and Human Services, Office of Security and Strategic Information, Division of Personnel Security, care providers shall conduct criminal history, child abuse/neglect checks and immigration background checks as follows:

Ops Manual 2012 § 4.401

National (FBI) Criminal History Check (digital fingerprint)

- All sponsors
- All adult household members for cases referred for a home study
- May be conducted on any adult household member where a case of special concern is identified

Immigration Status Check

- All sponsors

Child Abuse and Neglect check

- The sponsor, for all home study cases
- May be conducted on any adult household member where a case of special concern is identified

Criminal Public Record Check (Internet)

- All sponsors
- May be conducted on any adult household member where a case of special concern is identified

State Criminal History Repository Check and/or Local Police Check

- For sponsors or household members, may be conducted in special circumstance only for unresolved criminal arrest or issue

Ops Manuals 2013 § 4.402

National (FBI) Criminal History Check (digital fingerprint)⁹

- Category 2 and Category 3 sponsors
- Category 1 sponsors where there is a documented risk to the safety of the UAC, the UAC is especially vulnerable, or the case is being referred for a mandatory home study
- All adult household members for home study cases
- May be conducted on any adult household member where a case of special concern is identified

Immigration Status Check

- All sponsors

Child Abuse and Neglect Check

- The sponsor, for all home study cases
- May be conducted on any adult household member where a case of special concern is identified

Criminal Public Record Check (Internet)

- All sponsors
- May be conducted on any adult household member where a case of special concern is identified

State Criminal History Repository Check and/or Local Police Check

- May be conducted on sponsors or household members in special circumstances only for unresolved criminal arrest or issue

Ops Manuals 2014 § 4.402 (issued 1/1/14)

National (FBI) Criminal History Check (digital fingerprint)

- Category 2 and Category 3 sponsors
- Category 1 sponsors where there is a documented risk to the safety of the UAC, the UAC is especially vulnerable, or the case is being referred for a mandatory home study
- All adult household members for home study cases
- May be conducted on any adult household member where a case of special concern is identified

Immigration Status Check

- All sponsors that require a national (FBI) criminal history check

Child Abuse and Neglect check

- The sponsor, for all home study cases

⁹ During the first 2 months of the audit period of this review (October and November 2013), ORR required all categories of sponsors to undergo a National (FBI) Criminal History Check. Effective November 25, 2013, this requirement no longer applied to Category 1 sponsors. Additionally, for approximately 1 month during our audit period (May 20, 2014, through June 16, 2014), ORR did not require fingerprint background checks on any category of sponsor if certain conditions were met.

- May be conducted on any adult household member where a case of special concern is identified

Criminal Public Record Check (internet)

- All sponsors
- May be conducted on any adult household member where a case of special concern is identified

State Criminal History Repository Check or Local Police Check

- May be conducted on sponsors or household members in special circumstances only

Other Documentation

P&P Manual § 3.01

Admission staff shall be responsible for ensuring that:

- an Initial Intake form is completed within 24 hours of each UAC's arrival,
- the UAC receives clean clothing (if needed), and
- the UAC receives a medical examination within 48 hours of admission or the first workday after admission.

Ops Manual 2012 § 4.402; Manuals 2013 and 2014, § 4.401 and § 4.403

When making a release recommendation, the care provider conducts an assessment of the UAC and the potential sponsor.

Upon completion of the assessment process, the Case Manager makes a release recommendation to the Case Coordinator. The Case Coordinator conducts a third-party review of the proposed release and submits the release recommendation to the FFS. The FFS considers the release recommendation and makes the final decision on the UACs release.

Ops Manual 2012 § 4.500; Ops Manuals 2013 and 2014, § 4.403 and § 4.501 (issued 11/25/13)

The Department of Homeland Security (DHS) shall be provided notice, by email, of the pending release of a UAC. In order to provide DHS sufficient time to comment on the release of a UAC, the care provider shall not release the UAC until 24 hours have elapsed from the time the care provider emails notification of the pending release to DHS.

Case File Management

P&P Manual 1.02

ORR's policy is to ensure that UAC case files are comprehensive, complete, accurate and up-to-date, and that confidentiality and security is maintained. Care providers shall develop, maintain, and safeguard individual UAC case files and develop an internal policy on staff access and use. This policy shall include a system of accountability that ensures completeness and accuracy of files, preserves the confidentiality of client information, and protects the records from unauthorized use or disclosure.

Each UAC case file shall contain the following information:

Personal Identifying Information

- Name/Alien Number
- Initial Intake Form
- Placement and Medical Authorization Forms
- Photographs
- Cover Sheet which highlights dates of key services provided (admission date, mental health assessments, counseling sessions, medical treatments, transfers, and family reunification/release)
- Case Information/History from Referral Source
- Case Notes/Log

Legal Information

- 1-770 Notice of Rights
- Authority to Accept Child
- Case Information Referral
- Case History
- G-28 (if applicable)
- DHS Documents
- Court Documents
- Signed Release of Information (if applicable)

Medical and Mental Health

- Admission Assessment Form
- Psycho-Social Summary and Individual Service Plan (ISP)
- Updates of Psycho-Social Summary and ISP at 90-day intervals
- Trafficking Addendum
- Staff-Secure/Secure Addendum
- Medical Exam (within 48 hours)
- Medical Records
- Immunization Records
- Individual Counseling Notes
- Group Counseling Log
- Progress Notes Related to Medical or Mental Health Services
- Signed Release of Information
- Copies of Referrals to Medical Providers and Results of Outpatient Consultations

Care Provider Information

- Acknowledgement of Orientation Program Rules/Policies/Grievance
- Acknowledgement of Rights and Responsibilities (signed by child in client's language)
- Incidents Reports (Internal and ORR)
- Telephone Log
- Inventory and Receipts of Cash and Personal Property
- Stipend Log
- Clothing and Supplies Distribution Log

Education, Training, and Recreation

- Educational Assessment
- Education Records
- Training Records
- Recreational Activity Log

Exit Information

- Family Reunification Packet
- Transfer Forms
- Exit Letter

**APPENDIX C: SELECTED REQUIREMENTS FOR OFFICE OF REFUGEE RESETTLEMENT
PROVIDER CARE FACILITIES DURING OUR AUDIT PERIOD¹⁰**

Care/Service	Requirement
Initial Intakes Assessment	Within 24 hours of receiving a child, facility staff conduct an assessment to gather information on family members, medical and mental health concerns, medications taken, and personal safety concerns.
Orientation	Within 48 hours of admission, facility staff provide an orientation to the child, including providing information on the care provider’s rules, regulations, and procedures; the child’s rights and responsibilities; and grievance policies and procedures.
Medical Services	Within 48 hours of arrival, children receive an initial medical examination, unless the child has been transferred from another ORR care provider and has documentation showing that the initial examination has already occurred.
Academic Educational Services	Within 72 hours of admission, the provider must conduct an educational assessment. Facilities must provide 6 hours of education per day, Monday-Friday, throughout the calendar year in basic educational areas (including English as a second language, if applicable).
Proper Physical Care	Children are provided suitable living accommodations, food, appropriate clothing, and personal grooming items.
Individual Child Assessment	Care providers must conduct intake/admission assessments and develop ISPs for UAC to ensure that their needs are accurately assessed and addressed.

¹⁰ P&P Manual, sections 2 and 3.

Care/Service	Requirement
Recreational and Leisure Services	Children are to engage in at least 1 hour of large muscle activity each day and 1 hour per day of structured leisure activity, per a recreational and leisure services plan.
Individual and Group Counseling Services	Children are provided at least one individual counseling session with a trained social worker and two group counseling sessions per week.
Legal Services Information	Children are provided information on legal rights and the availability of free legal services.
Reunification Services	Staff are required to identify sponsors and evaluate the suitability of the sponsor.

APPENDIX D: STATISTICAL SAMPLING METHODOLOGIES

HEALTH AND SAFETY

Target Population

The population consisted of all children that His House released to sponsors during FY 2014.

Sampling Frame

We received an Excel file from His House that listed 1,873 children whom it had discharged during FY 2014. From this list, we removed those children who had been transferred. We also removed children who were 18 or over at the time of their admission to His House. The remaining 1,810 children, whom His House directly released to a sponsor, constitute our sampling frame.

Sample Unit

The sample unit was a child whom His House released to a sponsor during FY 2014.

Sample Design

We used a simple random sample.

Sample Size

We selected 75 children.

Source of Random Numbers

We used the Office of Inspector General, Office of Audit Services (OIG/OAS), statistical software to generate the random numbers.

Method of Selecting Sample Items

We consecutively numbered the lines in the sampling frame from 1 to 1,810. After generating the random numbers, we selected the corresponding frame items.

Estimation Methodology

Using the OIG/OAS statistical software, we estimated the number and percentage of children whom His House released to sponsors during FY 2014 without following ORR policies and procedures. For this same timeframe, we also estimated the percentage and number of Category I sponsors and sponsors unlawfully present in the United States.

FINANCIAL TRANSACTIONS

Target Population

The population consisted of all expenditure transactions on His House’s general ledger for its “residential” and “home study”¹¹ grants during FY 2014.

Sampling Frame

We received an Excel file from His House that listed 6,953 transactions totaling \$8,994,814 that His House had recorded as expenditures during FY 2014 for both its residential and home study grants. We manually matched expenditure transactions in the general ledger by verifying accounting system identifiers to remove all transactions that netted to zero. We also removed all transactions less than \$100 (both debits and credits). The resulting Excel spreadsheet of 3,838 transactions totaling \$8,959,645 was our sample frame.

Sample Unit

The sample unit was a general ledger expenditure transaction.

Sample Design and Sample Size

We used a stratified random sample. The sampling frame was divided into four strata based on dollar value, as outlined in Table 1.

Table 1: Sample Design

Stratum #	Frame Count	Frame Total	Strata Values From	Strata Values To	Sample
1	3,086	\$2,060,483	\$100.00	\$3,782.48	30
2	367	3,551,804	3,799.04	26,226.64	30
3	63	3,555,708	27,972.50	210,255.13	30
4	322	(208,350)	(19,745.47)	(100.00)	15
Totals	3,838	\$8,959,645			105

¹¹ ORR provides temporary shelter care and other related services to children in its custody through residential grants. A home study is an indepth investigation of the potential sponsor’s ability to ensure the child’s safety and well-being. A home study is conducted for any case in which the safety and well-being of the unaccompanied child is in question and on any case that meets the mandatory Trafficking Victims Protection Reauthorization Act of 2008 home study categories. ORR provides separate funding for the conduct of home studies.

Source of Random Numbers

We used the OIG/OAS statistical software to generate the random numbers.

Method of Selecting Sample Items:

We consecutively numbered the transactions in each stratum. After generating the random numbers, we selected the corresponding frame items.

Estimation Methodology

We planned to estimate the total amount of any expenditures that were unallowable. However, we identified no errors in the sample of financial transactions, so we calculated no estimate.

APPENDIX E: SAMPLE RESULTS AND ESTIMATES—UAC CASE FILES

Table 2: Sample Results

Sample Frame	Sample	Inadequate Background Investigation	Documentation Errors
1,810	75	2	26

Table 3: Statistical Estimates
(Limits Calculated at the 90-Percent Confidence Level)

Estimate Description	Percent			Number		
	Lower Limit	Point Estimate	Upper Limit	Lower Limit	Point Estimate	Upper Limit
Case files with background errors	.5	3	8	9	48	145
Case files with other documentation errors	26	35	44	466	627	805
Case files with at least one error	27	36	46	488	652 ¹²	830
Case files associated with category 1 sponsors	56	65	74	1,005	1,183	1,344
Case files associated with sponsors unlawfully present in the U.S.	74	83	89	1,341	1,496	1,616

SAMPLE RESULTS AND ESTIMATES—FINANCIAL TRANSACTIONS

We did not identify any unallowable transactions in the 105 statistically valid sample items that we reviewed.

¹² The number and percentage of case files with at least one error is less than the sum of the individual error estimates because one sampled case file had both documentation errors and inadequate background investigations.

APPENDIX F: DEFINITIONS¹³

Care Provider—A care provider is any ORR-funded program that is licensed, certified, or accredited by an appropriate State agency to provide residential care for children, including shelter, group, foster care, staff-secure, secure, therapeutic, or residential treatment care.

Case Manager—The Case Manager is the care provider staff member who coordinates assessments of unaccompanied children, individual service plans, and efforts to release unaccompanied children from ORR custody, which includes conducting sponsor background investigations. Case Managers also maintain case files for unaccompanied children and ensure that all services for children are documented.

Case Coordinators—Case Coordinators are ORR nongovernmental contractor field staff who act as local ORR liaisons with care providers and stakeholders and who are responsible for making transfer and release recommendations.

Child Sponsor—A sponsor is an individual (in the majority of cases a parent or other relative) or entity to which ORR releases an unaccompanied child out of Federal custody.

Clinician—The Clinician is the care provider staff that provides clinical and/or counseling services for unaccompanied children and provides oversight for the unaccompanied child’s mental and emotional health.

Family Reunification Packet—The family reunification packet is an application and supporting documentation completed by potential sponsors who wish to have an unaccompanied child released from ORR into their care. ORR uses the application and supporting documentation, as well as other procedures, to determine the sponsor’s ability to provide for the unaccompanied child’s physical and mental well-being.

Legal Guardian—A legal guardian is a person who was appointed to charge or custody of a child in a court order recognized by U.S. courts.

Federal Field Specialist (FFS)—Field staff who act as the local ORR liaison with care providers and stakeholders. An FFS is assigned to multiple care providers within a specific region and serves as the regional approval authority for unaccompanied children transfer and release decisions.

Placements—The term “placements” includes initial placement of an unaccompanied child into an ORR care provider facility, as well as the transfer of an unaccompanied child within the ORR network of care.

¹³ Definitions compiled from various ORR sources.

Release—A release is the ORR-approved release of an unaccompanied child from the care and custody of ORR to the care of a sponsor.

APPENDIX G: HIS HOUSE COMMENTS



www.hhch.org

October 3, 2017

Report Number A-04-16-03566

Lori S. Pilcher
Regional Inspector General
For Audit Services
Office of Inspector General
Audit Services, Region IV
61 Forsythe Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Ms. Pilcher:

Please find His House Children's Home (His House) response to the U.S. Department of Health and Human Services, Office of Inspector General's (OIG), report dated August 2017 entitled "Office of Refugee Resettlement Unaccompanied Alien Children Grantee Review - His House." As noted in the OIG report, 2014 was the "surge" year for the Federal program. During 2014, His House similarly experienced a significant increase in the number of children placed and cared for at His House from previous years. In order to efficiently process and accommodate the higher number of children in Federal care, ORR made several changes to the DUCS Policies and Procedures Manual and the ORR UAC Program Operations Manual during this period. This was a difficult period of adjustment for all the care providers across the nation who accommodated the care and processing of children in their facilities during a high period of influx. The analogy can be made with that of "changing the tires on a moving school bus."

In the report OIG made two findings. The first finding was that His House might not have followed ORR policies for 724 children regarding "sponsor background checks, prompt medical care, provision of appropriate clothing, sponsor placement decisions, post-release services, and/or the notification of Department of Homeland Security of the child's release to a sponsor." The second finding was that His House might have placed Federal funds totaling 9 million dollars at risk of mismanagement or misappropriation.

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FINDING #1 SOME DOCUMENTS WERE MISSING FROM HIS HOUSE CASE FILES.

Although some documents were missing from the His House UAC case files, it does not mean that the care or the services were not provided to the UAC minors, or was documented in the UAC electronic portal or via email.

Sponsor Background Checks: With regards to the two case files (3% of the cases) lacking evidence of background clearances on Sponsors, the public record check was found on one of the cases (OIG Sample #6), and is being provided as supporting evidence. (See, Exhibit “A”.) The other background check was not found in the file. However, it is highly unlikely for the His House Case Manager and Supervisor, the Case Coordinator (serving as the third party reviewer), and the Federal Field Specialist (FFS) to have supported the release of a minor to a Sponsor without the supporting background clearance documentation.

OIG also noted that 29 files (approximately 39% of all children released) contained documentation errors. Pursuant to the report, in 12 of the 29 sample files, the “Initial Intakes Assessment” form contained errors. His House attributes some of these errors to the fact that the Initial Intakes Assessment forms were being completed twice, in the home by the UAC Resident Counselor and on the following business day by the UAC Case Manager. Hence, there were conflicting information and dates contained in the two forms being completed. Approximately two years ago, His House established a weekend UAC Case Manager on-call schedule to ensure that the Initial Intakes Assessment forms were being completed within twenty-four hours by a UAC Case Manager, and that the forms were completed thoroughly and accurately.

His House found two of the Initial Intake Assessment forms not located by the OIG investigator. His House found the Initial Intake Form for OIG Sample #49, which reflects child’s arrival date/time as “4/26/14 @ 6:30 PM” and the intake interview date/time as “4/26/14 @ 8:40 PM”, and for OIG Sample #74, which reflects the child’s arrival date/time as “9/24/13 at 7:00 PM” and the intake interview date/time at “9/25/13 at 11:00AM.” (See, Exhibit “B”.)

Prompt Medical Care: In one file (OIG Sample #18), OIG found “no documentation that the required medical exam occurred within 48 hours” of the child’s arrival. Pursuant to the Office of Refugee Resettlement Division of Children’s Services, Program Guidance – Revised Initial Medical Exam Requirements (dated September 16, 2013), care providers must provide a complete medical examination within 48 hours of admission, excluding weekends and holidays, unless the minor was recently examined at another facility. In this case, the child arrived on Friday, January 31, 2014 at His House, as documented on the Placement Authorization form. On Monday February 3, 2014 at 12:22 PM, she was seen by [REDACTED] for her initial medical screening,

Office of Inspector General Note—The deleted text has been redacted because it is personally identifiable information.

where a chest x-ray was done and lab work was ordered. This is documented in the file with the following documentations; "UAC Doctor's Visit Report", an electronic copy of the doctor's chart, the "Florida Certification of Immunization" record that documents on the second page that the child was seen on February 3, 2014 for a "complete physical exam", and a prescription for lab work dated February 3, 2014 showing the same date for the "collection" of sample for testing. (See, Exhibit "C".)

Provision of Appropriate Clothing: OIG found that in 17 of the 29 sample files, His House did not document that it gave the children clothing upon admission to His House. His House acknowledges that there are 3 files that were missing supporting documentation that clothing was provided to the children upon arrival. The 3 cases are OIG Samples #20, #49 and #53. However, the remaining samples all had the "His House Children's Home – UAC INVENTORY LOG (Minor's Belongings Upon Arrival)" in addition to the "His House Children's Home - UAC INVENTORY LOG (DISCHARGE)." This documentation was previously provided to the OIG investigators in July of 2016. (The supporting documentation for the 14 cases is attached as Exhibit "D"). Of the 29 sample files, 13 of the files *sole* issue during the OIG audit was the lack of evidence in the case file to support the child was given clothing upon arrival. Assuming *arguendo* that OIG concurs with His House that the "clothing" documentation is acceptable, then the number of files with documentation errors is reduced to 16 files (as opposed to 29), and approximately 21% of the children (as opposed to 39%). This will also reduce the total number of children from approximately 724 to 398. Similarly this number can be further reduced, if OIG gives His House credit on other supporting documentation provided by His House in this response.

Sponsor Placement Decisions: OIG found that in 3 of the 29 sample files, release recommendations maintained in the UAC case file were incomplete. One of the examples provided in the OIG report (OIG Sample #9) states that the His House Case Manager and the Case Coordinator offered different release recommendations to the FFS when they recommended that the child be released to a sponsor. The recommendation of the Case Manager and the Case Coordinator to the FFS was the same person, "the grandfather's nephew." In the section titled "Provide Details on Relationship including Official Documentation" the Case Manager clearly refers to the sponsor as the "grandfather's nephew." Unfortunately, the Case Manager makes a mistake in the "Comment" section under her name and writes "his biological sister", however when reviewing the entire file with all of the supporting documentation, it is clear that the sponsor was the grandfather's nephew and the recommendation by both the Case Manager and the Case Coordinator to the FFS was the same.

The second sample (OIG Sample #49) provided in the report was the lack of documentation in the case file to indicate that post-release services were provided to a sponsor once the child was released from His House. The

supporting documentation is an email dated May 7, 2014 at 3:00 o'clock from the Intake Coordinator at BCFS HHS International Children's Services to the His House Case Manager accepting the referral for post release services for the minor and sponsor.

According to the OIG Report, the third sample which had incomplete release recommendations in the UAC case file was OIG Sample #74. The following documentations were found in the UAC case file, the "Release Request Information" done by the His House Case Manager recommending a straight release, the "GDIT Case Coordination Program Third Party Recommendation Form" done by the Case Coordinator recommending a straight release, and an email dated October 15, 2013 by [REDACTED] Federal Field Specialist approving the straight release. (See Exhibit "D".)

Notification of Department of Homeland Security of the Child's Release to a Sponsor: OIG found that in 3 of the 29 sample files, no documentation in the case file supported that His House notified DHS that it had released a child to a sponsor. Unfortunately, His House was unable to find the supporting documentation of notification to DHS in these three files.

Pursuant to OIG Finding #1, two recommendations were made to His House.

- 1.) His House is to develop a policy for maintaining UAC case file documentation that would ensure ORR policies and procedures were followed when releasing a child to a sponsor. His House **CONCURS** with this recommendation. Within thirty (30) days of this response, His House will review and amend its Records Management and Confidentiality of UAC Information Policy and Procedures (6-013) to ensure that all required documentation when releasing a child to a sponsor is found in the UAC case file.
- 2.) His House is to increase oversight of its reviewing process for UAC case files to ensure that all required documentation is maintained in the file. His House **CONCURS** with this recommendation. His House has implemented a checklist with all required documentation needed by each of its UAC departments. The Department Supervisor or Lead signs the checklist as having reviewed that all of the required documents have been timely and accurately completed and sent to the UAC file room. The file room clerk signs off that all of the documents in the checklist have been received by the file room. The file room Supervisor will randomly sample files prepared by each of the file room clerks to ensure compliance and the accuracy of the records as part of her supervisory review. Lastly, the Quality Assurance Department will review its UAC Case File Audit tool to ensure that all of the necessary documents are in the UAC file. The QA department will also randomly audit 15 open UAC case files and 10 closed

Office of Inspector General Note—The deleted text has been redacted because it is personally identifiable information.

files on a monthly basis. These steps will be incorporated into the above referenced policy and procedure.

FINDING #2 ALTHOUGH TRANSACTIONS WERE ALLOWABLE, HIS HOUSE HAD DEFICIENCIES WITHIN ITS FINANCIAL MANAGEMENT AND PROPERTY CONTROL SYSTEMS.

His House disagrees with the OIG findings that Federal funds were at risk for potential mismanagement or misappropriations. His House had an independent audit conducted by the accounting firm of Shariff, Wittmer, Kurtz, Jackson & Diaz, for fiscal year 2013 – 2014. The audit report did not identify any material weaknesses, or any significant deficiencies that could be considered material weaknesses.

- 1.) His House lacked documentation and a methodology for payment management system drawdowns.
 - a. His House was drawing down funds based on expenses obtained through expense reports on a monthly basis. Cash was drawn down when there were enough expenses incurred to justify the drawdown. For fiscal year 2013-14, there were a few instances where we recorded the invoice with a date subsequent to the drawdown within the actual month. However, the expenses at this point were already incurred and paid for.
 - b. At present, each month is undergoing a month-end closing procedure where drawdowns are executed only after all the analysis is performed. This usually occurs somewhere between 10th and 15th day of the next month. Indirect cost expenses are usually drawn down after the 15th of the month.
- 2.) His House's financial accounting system was not able to specifically identify expenditures for its shelter care cooperative agreement.

At present, the UAC grants and other cooperative agreements are classified with their own department as well as their own project code to differentiate revenues and expenses from other organization funds.
- 3.) His House had inadequate and improperly implemented segregation of duties.
 - a. At present, the Finance Department's job is only to process payroll.
 - b. Access and changes to employee fields are performed by the HR Department.

- c. His House has one employee for each of the following positions: accounts receivable, accounts payable, and payroll. There is also a manager to oversee and post transactions on daily basis, and another person to help with the handling of petty cash and other minor accounts.
 - d. Internal control procedures have been revised by the annual auditing company and there have been no findings as of today.
- 4.) His House had inaccurate and delayed recording of accounting transactions
- a. Presently, payroll is processed by ADP. It is completely revised by a payroll manager before submittal.
 - b. Thereafter, ADP generates a report where all the proper accounts and project codes are used to label each employee payroll transaction.
 - c. The report is downloaded and imported into our accounting system, thus eliminating the need to record the entry to a miscellaneous account.
 - d. Credit card transactions are currently segregated by employee/department. Credit card expenses are preapproved by a manager before they are incurred. UAC employees can only incur UAC related expenses. Each credit card receipt is collected and matched to the monthly credit card statement and reviewed by the corresponding manager/director for accuracy.
 - e. Once the month period is closed, no other transactions are posted to it.
 - f. His House has implemented new policies and procedures approved by our board members addressing all expense transactions.
- 5.) His House had inadequate physical control over vulnerable assets.
- a. Presently, His House has added the fixed assets module to its accounting system "Financial Edge". A complete inventory of fixed assets has been performed and adjustments have been made. All assets are properly depreciated on a monthly basis.
 - b. His House has implemented new policies and procedures approved by our board members addressing the fixed assets. The new policies are in alignment with ORR standards (45 CFR 74.21(b)(3)).

Pursuant to OIG Finding #2, the following recommendations were made to His House.

1.) His House to update or develop policies and procedures pertaining to:

a. Maintaining adequate documentation to support its drawdowns of Federal funds and to support that its drawdowns are based on actual expenditures. His House **CONCURS** with this recommendation. In August of 2016, His House developed a policy and procedure titled Payment Management System, policy number 2-060. The policy was amended in August of 2017 to allow the Executive Director or the designee to authorize the drawing down of UAC funds.

b. Achieving the segregation of duties such as ensuring limited access to employee data maintained in its HR and payroll systems and improved managerial oversight. His House **CONCURS** with this recommendation. In October of 2017, His House amended its Payroll policy and procedures (policy number 2-010) to reflect changes addressed in the response above.

c. Recording financial transactions accurately and timely. His House **CONCURS** with this recommendation. In October of 2017, His House amended its Financial Reporting policy and procedures (policy number 2-003) to reflect the changes made in our accounting practices.

d. Implementing a financial management system that requires adequate identification of source and application of Federal funds and effective accountability of property and other assets. His House **CONCURS** with this response, His House amended the following two policies and procedures (Fixed Assets (2-008) and Purchasing of Goods and Services (2-017)) to reflect the changes made in our accounting practices.

Sincerely,

Silvia Smith-Torres

Silvia Smith-Torres,
Executive Director of
His House Children's Home

Enclosure

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