

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE CHILDREN'S VILLAGE, INC.,
AN ADMINISTRATION FOR
CHILDREN AND FAMILIES
GRANTEE, DID NOT ALWAYS
COMPLY WITH APPLICABLE
FEDERAL AND STATE
POLICIES AND REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Gloria L. Jarmon
Deputy Inspector General

April 2019
A-02-16-02013

Office of Inspector General

<https://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <https://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG website.

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: April 2019

Report No. A-02-16-02013

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



Why OIG 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 years (FYs) 2005 through 2011. In FY 2012, the number of children served in the program increased to 13,625. In FY 2014, ORR served 57,496 children. In FY 2015, ORR served 33,726 children.

The Children's Village, Inc. (Children's Village), a UAC grantee responsible for caring for children in ORR custody, received \$16.7 million in Federal funds for the care and placement of approximately 483 children during our review period. We selected Children's Village for review because it received the third highest amount of UAC program funding in New York.

Our objectives were to determine whether Children's Village (1) met applicable requirements 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

We inspected shelter care cottages and reviewed a nonstatistical sample of employee files and a statistical sample of case files for those children who had been released to a sponsor during FY 2015. We also reviewed a statistical sample of financial transactions.

The Children's Village, Inc., an Administration for Children and Families Grantee, Did Not Always Comply With Applicable Federal and State Policies and Requirements

What OIG Found

Children's Village did not always ensure that its facility was free from potentially harmful conditions, did not meet or properly document that it met certain requirements for the care and release of children in its custody, claimed unallowable expenditures, and had inadequate financial management procedures. Specifically, Children's Village failed to meet or properly document that it had met certain requirements for the care and release of children in its custody in 46 of the 50 case files reviewed. Additionally, the files for 2 of 20 employees did not contain evidence that Children's Village had performed all required background checks.

In addition, Children's Village claimed unallowable expenditures totaling at least \$2.6 million related to transactions that were not properly approved, allocated, or supported. Finally, Children's Village did not disburse drawdowns of Federal funds in a timely manner, drew down funds from one UAC grant to cover expenditures related to its other UAC grant, and did not separately track expenditures for its two UAC grants.

What OIG Recommends and Children's Village Comments

We recommend that Children's Village (1) ensure that its facility is free from potentially harmful conditions, (2) refund to the Federal Government \$2.6 million in unallowable grant expenditures, and (3) implement improvements to its financial management system. We also made a series of other procedural recommendations.

In written comments on our draft report, Children's Village generally concurred with our procedural recommendations and described steps it had taken or planned to take to address them. Children's Village did not concur with our recommended financial adjustment. In addition, Children's Village provided additional documentation in response to a number of our draft report findings.

Further, Children's Village disagreed with many of our draft report findings. Based on our review of additional documentation provided by Children's Village and subsequent discussions with ORR officials, we revised our findings as appropriate and clarified our recommendations. We maintain that our findings and recommendations, as revised, are valid and commend Children's Village for agreeing to take appropriate corrective actions.

TABLE OF CONTENTS

INTRODUCTION	1
Why We Did This Review	1
Objectives.....	2
Background	2
Care Process.....	3
Family Reunification Process	4
The Children’s Village, Inc.	5
How We Conducted This Review	5
FINDINGS	6
Children’s Village Did Not Meet Some Federal and State Requirements	7
Potentially Harmful Conditions	7
Background Investigations of Potential Sponsors Not Sufficiently Documented.....	9
Case Files Did Not Sufficiently Document That Requirements for the Care and Release of Unaccompanied Alien Children Were Met	9
Background Investigation and Education Requirements For Employees Not Properly Documented or Not Met	11
Requirements at Children’s Village Not Met or Properly Documented Because of Lack of Oversight	12
Children’s Village Claimed Unallowable Expenditures	12
Unallowable Salary, Fringe Benefits, and Other Expenditures.....	12
Unallowable Construction, Renovation, and Depreciation Expenditures.....	13
Indirect Costs Related to Unallowable Expenditures	14
Inadequate Financial Management Procedures.....	15
RECOMMENDATIONS	15
CHILDREN’S VILLAGE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE.....	16
Draft Report Findings Related to Facilities	17
Children’s Village Comments	17
Office of Inspector General Response	17

Draft Report Findings Related to Case Files	17
Children’s Village Comments	17
Office of Inspector General Response	19
Draft Report Findings Related to Employee Files	19
Children’s Village Comments	19
Office of Inspector General Response	20
Draft Report Findings Related to Program Costs.....	20
Children’s Village Comments	20
Office of Inspector General Response	21
Draft Report Findings Related to General Financial Management	22
Children’s Village Comments	22
Office of Inspector General Response	22

APPENDICES

A: Audit Scope and Methodology	23
B: Office of Refugee Resettlement Requirements.....	25
C: Selected Requirements for Office of Refugee Resettlement Care Provider Facilities During Our Audit Period	29
D: Statistical Sampling Methodologies	30
E: Sample Results and Estimates	33
F: Definitions	35
G: Related Office of Inspector General Reports.....	36
H: Children’s Village Comments.....	37

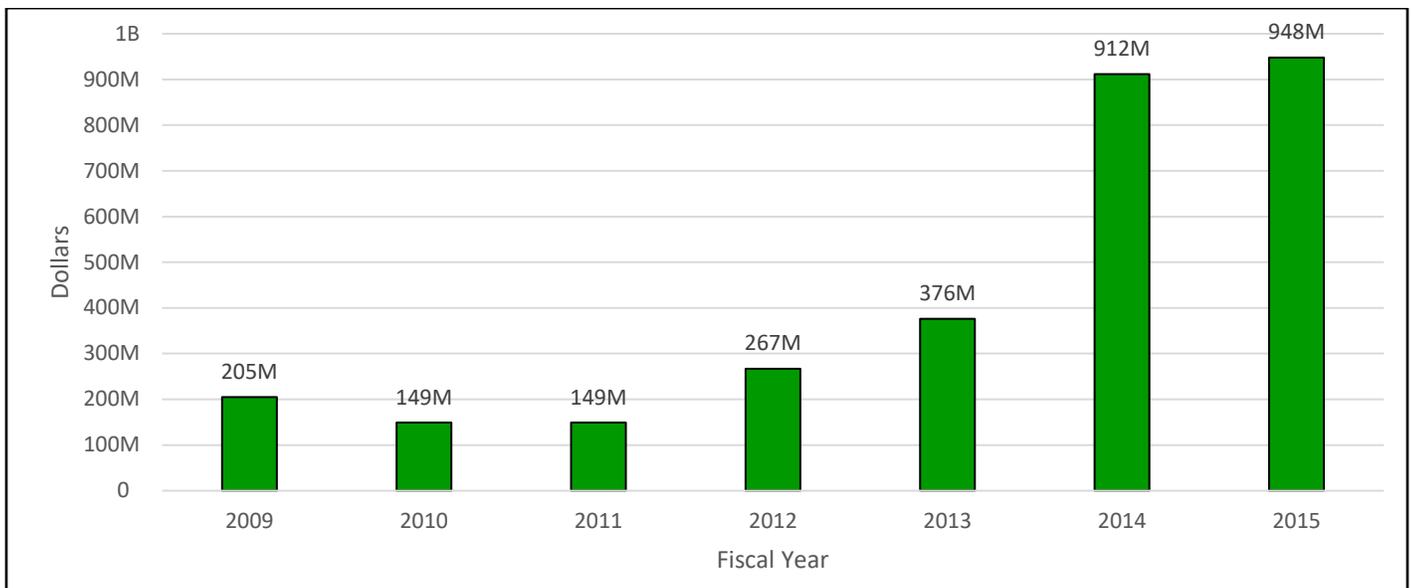
INTRODUCTION

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 manages the Unaccompanied Alien Children (UAC) program. The UAC program served between 7,000 and 8,000 children annually from Federal fiscal years (FYs) 2005 through 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 13,625 children. In FY 2013, the program served 24,668 children, and in FY 2014, ORR served 57,496 children. During FY 2015, ORR served 33,726 children.

As the number of children increased, so did the funding for the program. From FY 2009 through FY 2015, ORR's funding for its UAC program totaled more than \$3 billion, with about \$1.9 billion (62 percent) for FYs 2014 and 2015 (Figure 1).

Figure 1: UAC Program Funding Was Substantially Higher in FYs 2014 and 2015



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. (Appendix G lists related Office of Inspector General reports.) We selected The Children's Village, Inc. (Children's Village), for review because it received one of the three largest grants in New York. In FY 2015 (October 1, 2014, through September 30, 2015; our audit period), ORR awarded Children's Village \$16,664,820 for the care and placement of 483 children.

OBJECTIVES

Our objectives were to determine whether Children’s Village (1) met applicable requirements 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

The UAC program funds shelter care¹ and other related services for unaccompanied children in ORR custody. For project periods² beginning in FYs 2014 and 2015, ORR awarded grants totaling about \$1.9 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.

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)).

Under the Homeland Security Act of 2002, Congress transferred the care and custody of UAC 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(c)(2)).

During our audit period, ORR looked to the *2006 Draft Division of Unaccompanied Children’s Services Policy and Procedures Manual* (P&P Manual) for applicable policies and procedures.³ Additionally, ORR used the *ORR UAC Program Operations Manual*, which was originally issued in April 2012 and updated periodically, including in 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 Manuals on an ad hoc basis. During our audit period, ORR issued the *ORR Guide: Children Entering the United States Unaccompanied* (Policy Guide), effective January 2015, and

¹ Shelter care is provided in a residential care facility where all the program components are administered onsite in the least restrictive environment.

² A project period for the UAC program is a 36-month project with three 12-month budget periods. Our audit period covered the first budget period.

³ Although the P&P Manual was marked “[D]raft,” it included policies and procedures that should be followed.

the *ORR UAC Program Operations Guide (Operations Guide)*, effective September 2015, to replace the previous versions. ORR updates these documents on an ad hoc basis and records the most recent effective date next to each policy provision.

We looked to the P&P Manual, the Ops Manuals, the Policy Guide, and the Operations Guide to determine the policies and procedures in effect during our audit period, depending on the date and the topic. We applied the relevant policy or policies in effect at the time to determine whether Children’s Village was in compliance with ORR requirements. In this report, we include citations to the relevant criteria in effect at the time of the finding. For findings stemming from our site visit in December 2016, we cite to the applicable criteria in effect on that date. Children’s Village must also comply with New York State regulations for childcare institutions, found at Title 18, Part 442 of the New York Compilation of Codes, Rules, & Regulations (NYCRR). See Appendix B for a list of ORR requirements.

Federal regulations establish uniform administrative requirements for awards to nonprofit organizations. For grant awards made prior to December 26, 2014, 45 CFR part 74 establishes uniform administrative requirements governing HHS grants and agreements awarded to nonprofit entities. The allowability of costs incurred by nonprofit organizations is determined in accordance with the provisions of 2 CFR part 230 (formerly OMB Circular No. A-122) (made applicable by 45 CFR § 74.27(a)). For grant awards made on or after December 26, 2014, 45 CFR part 75 establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities. Our audit period included awards made before Dec. 26, 2014, to which Part 74 applied, and awards made after Dec. 26, 2014, to which Part 75 applied. For the purposes of this report, there were only minor, non-substantive differences between the provisions of the rules that applied to a finding; thus, for simplicity’s sake, we cited to the provisions of 45 CFR part 74 and the associated cost principles, as they applied at the beginning of our audit period. We have included the relevant cites to 45 CFR part 75 in footnotes.

Care Process

ORR funds care providers through cooperative agreements to provide housing and other services to children in ORR custody at State-licensed facilities.⁴ 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

⁴ ORR provides shelter care and other related services to children in its custody through Residential Services grants. ORR also provides an in-depth investigation of the potential sponsor’s ability to ensure the child’s safety and well-being through Post-Release and Home Study Services grant.

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 (ISPs),
- assessing potential 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 (see below for a description of this process). After reviewing the Case Managers' decision, 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;
- 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. 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.

The Children's Village, Inc.

Children's Village provides ORR-funded shelter care at its residential campus in Dobbs Ferry, New York, where it also operates residential treatment, short-term crisis intervention, and other programs. During our audit period, ORR awarded Residential Services and Post-Release and Home Study Services grants to Children's Village totaling \$16,664,820 for the care and placement of 483 children.

HOW WE CONDUCTED THIS REVIEW

Our review covered 374 UAC released directly to sponsors, 236 full- and part-time staff for whom Children's Village charged expenses to the UAC program, and \$15,118,394 expended during our audit period.

To determine whether Children's Village met applicable requirements, we (1) inspected all residential cottages where UAC-funded shelter care was provided, (2) reviewed Children's Village licensing documents and inspection results, (3) selected a statistical sample of 50 UAC who had been released to a sponsor during our audit period and reviewed associated case file documentation, and (4) reviewed a nonstatistical sample of 20 Children's Village employee files.

To determine whether Children's Village claimed only allowable expenditures for its Residential Services and Post-Release and Home Study Services grants, we reviewed (1) a statistical sample of 136 financial transactions, (2) certain costs not included in the statistical sample,⁵ and (3) Children's Village's financial management system.

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

⁵ We separately reviewed certain construction and renovation costs because these costs were not included on the Children's Village general ledger from which we drew our statistical sample. We also separately reviewed depreciation and indirect costs.

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, Appendix D contains our statistical sampling methodology, Appendix E contains our sample results and estimates, and Appendix F contains selected definitions.

FINDINGS

Children’s Village did not always ensure that its facility was free from potentially harmful conditions, did not meet or properly document that it met certain requirements for the care and release of children in its custody, claimed unallowable expenditures, and had inadequate financial management procedures.

We found that 46 of the 50 UAC case files that we reviewed contained deficiencies. On the basis of our sample results, we estimated that Children’s Village did not meet or properly document that it met certain requirements for the care and release of 344 children (92 percent) released to sponsors during our audit period. In addition, we found that 2 of the 20 employee files we reviewed contained deficiencies.

In addition, Children’s Village claimed unallowable expenditures totaling at least \$2,623,785 related to transactions that were not properly approved, allocated, or supported. Specifically, we estimated that Children’s Village improperly claimed at least \$1,322,522 in direct costs related to our sampled transactions.⁶ We also determined that Children’s Village improperly claimed \$1,031,596 in direct costs that we separately reviewed. Further, we calculated related unallowable indirect costs totaling at least \$269,667. These deficiencies occurred because Children’s Village lacked quality assurance policies and procedures to comply with Federal requirements for claiming allowable expenditures.

Finally, Children’s Village did not disburse drawdowns of Federal funds in a timely manner, drew down funds from one UAC grant to cover expenditures related to its other UAC grant, and did not separately track expenditures for its two UAC grants. The inappropriate drawdowns occurred because Children’s Village lacked financial management system procedures to adequately ensure that Federal funds were drawn down when needed, all related obligations were paid timely, and grant funds were separately identified and segregated. Children’s Village officials stated that Children’s Village experienced cash flow issues during our audit period and used some funds from a UAC grant for expenditures related to another UAC grant because it was unaware of the requirement to separately account for activities related to both its UAC grants.

⁶ To be conservative, we recommend recovery of overpayments at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner will be less than the actual overpayment total 95 percent of the time.

CHILDREN’S VILLAGE DID NOT MEET SOME FEDERAL AND STATE REQUIREMENTS

Potentially Harmful Conditions

New York requires institutions to be free from all conditions which constitute a hazard to the life, health, or safety of any person (18 NYCRR § 442.15(a)) and to protect equipment from tampering by children (18 NYCRR § 442.5(j)).

Children’s Village did not ensure that the facility it used to host UAC was free from conditions that could potentially cause harm. Specifically, during our onsite inspection of residential cottages in December 2016, we observed:

- Unlocked areas contained cleaning supplies, such as laundry detergent pods and fabric softener, that are harmful if swallowed (Photograph 1). We also observed an unlocked area that contained plumbing equipment that was accessible to children (Photograph 2, following page). We informed Children’s Village of the unlocked areas, and Children’s Village immediately locked the areas.

Photograph 1: Cleaning supplies in unlocked laundry room.



Photograph 2: Accessible plumbing equipment.



- Unsanitary conditions in some bathrooms (Photograph 3) and peeling plaster (Photograph 4, following page).

Photograph 3: Unsanitary shower curtain and missing drain cover in bathroom.



Photograph 4: Peeling plaster.



Background Investigations of Potential Sponsors Not Sufficiently Documented

All potential sponsors must undergo background investigations (Ops Manual 2014 § 4.402 and Policy Guide § 2.5.1).

For 13 of the 50 sampled UAC files, Children’s Village did not provide sufficient documentation that it had conducted the required sponsor background investigations. Specifically, five case files for children released to Category 2 sponsors did not contain documentation that Federal Bureau of Investigation (FBI) checks of the sponsors had been conducted. In addition, the case files for eight children released to Category 1 sponsors contained no documentation that public records checks of sponsors had been conducted. We noted that the 13 files contained email messages from an ORR contractor to the FFS indicating that the appropriate check was conducted; however, the files did not contain documentation from a third-party source confirming that the checks were performed.⁷ Children’s Village attributed these deficiencies to staff turnover and difficulties in hiring staff due to a lack of qualified applicants.

Case Files Did Not Sufficiently Document That Requirements for the Care and Release of Unaccompanied Alien Children Were Met

No Care Provider Signature

Required forms (Intake, Admission Assessment, Psychosocial Summary, and ISP) must be completed and signed by a case manager or clinician (P&P Manual Appendices).

For 29 of the 50 sampled UAC files, there was no care provider signature documented in the case file on required forms.

⁷ The case files for the remaining 37 sampled UAC contained such documentation (e.g., screen printouts from a website indicating that a public records check was conducted on a sponsor).

Family Reunification Packet and Release-to-Sponsor Documentation Incomplete or Not Always Followed

Providers are required to complete family reunification packets (P&P Manual § 1.02) and release-to-sponsor documentation (P&P Manual Appendix H).

For 29 of the 50 sampled UAC files, release-to-sponsor and family reunification documentation did not meet ORR requirements. Specifically, 28 sampled UAC case files were missing required release-to-sponsor documents, including signed exit letters, sponsor's driver's license information, alien card, Social Security number, or utility bill used as proof of residence. In addition, for one sampled UAC case file there was no release approval date on the family reunification packet release request worksheet, and for another sampled UAC case file there was no evidence that Children's Village followed up with the sponsor as required after the child was released.⁸

Medical Exams Not Performed by Appropriate Personnel Within Required Timeframes

Providers must ensure that UAC receive a complete medical examination, including screening for infectious diseases by a licensed physician or physician's assistant within 48 hours of admission or the first workday after admission (P&P Manual § 3.01 and Policy Guide § 3.3).

For 26 of the 50 sampled UAC, the required medical exam was not performed by appropriate personnel (i.e., a licensed physician or physician's assistant) within 48 hours of admission. Children's Village stated that it experienced an unanticipated influx of children during our audit period. Therefore, to determine any immediate medical needs of children, Children's Village arranged to have assessments on the 26 UAC performed by a registered nurse or a licensed practical nurse within 48 hours of admission. Children's Village told us that if any urgent issues were noted during the nursing assessment, the on-call physician was notified. These children were subsequently examined by a physician between 4 and 12 days after admission (i.e., after the required timeframe). Although Children's Village took steps to ensure each child was seen by a nurse within 48 hours of admission, it failed to consult with or seek approval from ORR about arranging for nurses to do the initial assessment followed by a medical examination completed later by a licensed physician or physician's assistant.

No Telephone and Supply Logs

Providers are required to maintain records logs, such as telephone calls and a list of clothing and supplies distributed to UAC (P&P Manual § 1.02 and Policy Guide § 5.6.2).

For 18 of the 50 sampled UAC, the case files were missing required telephone call logs and lists of clothing and supplies distributed to the UAC. The progress notes indicated that the UAC did

⁸ The total adds to more than 29 because 1 case file contained multiple deficiencies.

make and receive telephone calls. However, these calls were not recorded in the telephone call logs, which indicate whom the UAC spoke with and the length of the call, as required.

Educational Assessments Not Documented or Not Performed Within Required Timeframes

Providers must assess each UAC to determine individual educational competency levels within the first 72 hours of admission (P&P Manual § 3.12 and Policy Guide § 3.3).

For 16 of the 50 sampled UAC, an initial educational assessment was not documented in the UAC's case files or not performed within 72 hours of admission, as required.⁹ Specifically, nine UAC sampled case files were missing educational assessments, and for the remaining seven UAC sampled case files, the assessments were not performed within 72 hours of admission. Failure to perform timely educational assessments could result in UAC being placed in an inappropriate level of instructional learning. According to Children's Village, the educational assessments were not documented or performed timely because of an unanticipated influx of children.

No Admission Orientation Records

Providers are responsible for certain admission and orientation requirements, including verifying that UAC have a signed Notice of Rights and Request for Disposition form. The provider must also ensure that UAC attend a "Know Your Rights" legal presentation and receive a copy of the provider's grievance policy, which the child is required to sign and the provider is required to maintain in the child's case file (P&P Manual § 3.01 and Policy Guide § 3.3).

For 4 of the 50 sampled UAC, the case files were missing evidence that the UAC received and signed a Notice of Rights form.

Background Investigation and Education Requirements For Employees Not Properly Documented or Not Met

Background Investigation Requirements Not Properly Documented

Care provider facilities are required to complete background investigations on all staff, contractors, and volunteers. Background investigations must include a fingerprint check through the FBI and a child protective services (CPS) check in each State where the applicant has resided over the previous 5 years. All background investigations and the facilities' review and conclusions of the investigations must be documented and placed in employees' personnel files (P&P Manual § 1.01).

⁹ Untimely educational assessments ranged from 5 to 66 days after admission.

For 1 of the 20 employee files we reviewed, Children’s Village was unable to provide documentation that an FBI fingerprint check or CPS check had been conducted.¹⁰

Experience Requirements Not Met

Employees must have a high school diploma or equivalent degree and a minimum of 1 year employment experience in the child welfare field working with children in a social service setting. In addition, employment applications and resumes shall be maintained in the personnel file (P&P Manual § 1.01).

For 1 of the 20 employee files we reviewed, the employee did not meet the minimum 1-year employment experience requirement in the child welfare field. The employee’s résumé demonstrated only 4 months of experience prior to being hired by Children’s Village.

Requirements at Children’s Village Not Met or Properly Documented Because of Lack of Oversight

Children’s Village indicated that it had experienced a turnover in staff and had difficulty hiring staff owing to a lack of qualified applicants. Moreover, there was an unanticipated influx of UAC. Consequently, according to Children’s Village, it did not have enough staff to ensure that required documentation related to the care and release of children and vetting of employees was maintained in case files.

CHILDREN’S VILLAGE CLAIMED UNALLOWABLE EXPENDITURES

Unallowable Salary, Fringe Benefits, and Other Expenditures

To be allowable under an award, costs must be reasonable, allocable under these principles, and adequately documented (2 CFR part 230, App. A, §§ A.2, A.3 and A.4). A cost is allocable to a particular cost objective, such as a grant, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it (1) is incurred specifically for the Federal award and (2) benefits both the Federal award and other work of the non-Federal entity (2 CFR part 230, App. A, §§ A.4.a(1) and (2)).¹¹ Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the award (2 CFR part 230, App. A, § A.4.b.).¹² Capital expenditures, including construction and renovation costs, are

¹⁰ Although the employee did not have direct access to children, the employee was hired on March 4, 2013, when the P&P Manual was in effect, and thus should have undergone a criminal background check.

¹¹ 45 CFR § 75.405(a).

¹² 45 CFR § 75.405(c).

unallowable as direct charges, except where approved in advance by the awarding agency (2 CFR part 230, App. B, §§ 15.b(1) and (3)).¹³

Children's Village claimed unallowable direct costs for 52 of the 136 sampled financial transactions.

- **Salary and Fringe Benefits.** For 23 of the 136¹⁴ sampled financial transactions, Children's Village claimed unallowable direct salary and fringe benefit costs. Specifically, Children's Village did not provide supporting documentation for 22 transactions related to salary and fringe benefits. Children's Village also claimed direct salary and fringe benefits costs for one expenditure incurred outside of the award period. These costs were not allocable because they did not benefit the award. The transactions resulted in unallowable direct costs totaling \$136,342.
- **Other Expenditures.**¹⁵ For 29 of the 136¹⁶ sampled financial transactions, Children's Village claimed unallowable direct costs for other expenditures not related to direct salary and fringe benefit costs. Specifically, Children's Village (1) did not provide supporting documentation for 18 transactions, (2) did not provide support for how it allocated costs to the UAC program for 6 transactions,¹⁷ and (3) claimed unallowable construction and renovation costs associated with 5 transactions. These transactions resulted in unallowable direct costs totaling \$382,006.

On the basis of our sample results, we estimated that Children's Village improperly claimed direct charges totaling at least \$1,322,522.

Unallowable Construction, Renovation, and Depreciation Expenditures

Capital expenditures, including construction and renovation costs, are unallowable as direct charges, except where approved in advance by the awarding agency (2 CFR part 230, App. B, §§ 15.b(1) and (3)).¹⁸ A cost is allocable to a particular cost objective, such as a grant, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it (1) is incurred specifically for the Federal award and (2) benefits both the Federal award and

¹³ 45 CFR §§ 75.439(a)(1) and (3).

¹⁴ Of the 136 sampled financial transactions, we reviewed 50 salary and fringe benefits transactions.

¹⁵ These expenditures included costs for clothing, food, education, utilities, travel, equipment, and supplies.

¹⁶ Of the 136 sampled financial transactions, we reviewed 86 other transactions not related to salary and fringe benefits.

¹⁷ All of the six transactions were partially unallowable.

¹⁸ 45 CFR §§ 75.439(a)(1) and (3).

other work of the non-Federal entity (2 CFR part 230, App. A §§ A.4.a(1) and (2)).¹⁹ Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the award (2 CFR part 230, App. A § A.4.b).²⁰ A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to the award as a direct cost (2 CFR part 230, App. A § C.1).²¹

Children's Village claimed unallowable expenditures totaling \$1,031,596 related to construction, renovation, and depreciation costs. Specifically:

- **Construction and Renovation Costs.** We determined that Children's Village claimed \$767,923 in unallowable construction and renovation costs.²² Children's Village indicated that it obtained approval from ORR to perform construction and renovation work to prepare for an influx of incoming residents. However, Children's Village did not provide evidence that ORR gave its approval. According to ORR, there was no such agreement.
- **Depreciation Costs.** Children's Village claimed depreciation costs totaling \$263,673 that were unallowable because it claimed the costs as both direct and indirect costs, resulting in additional costs billed to the grant. Specifically, Children's Village included these depreciation costs in its approved indirect cost rate and also claimed these same costs directly.

Indirect Costs Related to Unallowable Expenditures

Children's Village claimed indirect costs related to the unallowable expenditures we identified in our audit and described above. We applied the HHS approved provisional cost rate of 12.9 percent to these unallowable expenditures, except for depreciation costs that were included in Children's Village's approved provisional rate, and determined that Children's Village claimed at least \$269,667 in unallowable indirect costs.²³

¹⁹ 45 CFR § 75.405(a).

²⁰ 45 CFR § 75.405(c).

²¹ 45 CFR § 75.412.

²² These costs included some expenditures that Children's Village incurred outside of the grant period and were therefore unallowable.

²³ We calculated the amount of indirect costs related to the estimated unallowable expenditures included in our sampling frame to be \$170,605 ($\$1,322,522 \times 12.9 \text{ percent} = \$170,605$). We also calculated the amount of indirect costs related to unallowable construction and renovation expenditures not included in our sampling frame. To prevent duplication of our disallowance, we excluded depreciation costs of \$263,673 that were already included in Children's Village's provisional rate ($(\$1,031,596 - \$263,673) \times 12.9 \text{ percent} = \$99,062$).

INADEQUATE FINANCIAL MANAGEMENT PROCEDURES

Grantees must time cash advances in accordance with their actual, immediate cash requirements in carrying out the program (45 CFR § 74.22(b)(2)).²⁴ In addition, grantees' financial management systems must provide records that adequately identify the source and application of funds for HHS-sponsored activities (45 CFR § 74.21(b)(2)).²⁵ Any cost allocable to a particular award may not be shifted to other Federal awards to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the award (2 CFR part 230, App. A, § A.4.b.).²⁶

Children's Village drew down grant funds from HHS's payment management system (payment system)²⁷ for teaching costs that were not paid for up to 1 1/2 years and some vendor costs that were not paid for up to 226 days after the funds were drawn down. Children's Village also drew down funds for one of its UAC grants from the payment system to cover expenditures related to its other UAC grant and did not separately track expenditures for its two UAC grants using unique indicators.

The inappropriate drawdowns occurred because Children's Village lacked financial management system procedures to adequately ensure that Federal funds were drawn down when needed, all related obligations were paid timely, and grant funds were separately identified and segregated. In addition, Children's Village officials stated that Children's Village experienced cash flow issues during our audit period and used some of its UAC grant funds for expenditures related to other programs because it was unaware of the requirement to separately account for activities related to its two UAC grants.

RECOMMENDATIONS

We recommend that Children's Village:

- take corrective action to ensure that its facility is free from potentially harmful conditions;
- determine whether resources are aligned as needed to ensure that all required documentation is maintained in UAC case files and that ORR policies and procedures are followed when releasing UAC to sponsors;

²⁴ 45 CFR § 75.305(b).

²⁵ 45 CFR § 75.405(c).

²⁶ 45 CFR § 75.302(b)(3).

²⁷ The payment system is a centralized payment and cash-management system that accomplishes all payment-related activities from the time of award through closeout.

- ensure that all medical exams and educational assessments are documented and performed as required by ORR;
- ensure that all employee requirements pertaining to background investigations and experience are met and documented;
- refund to the Federal Government \$2,623,785 in unallowable grant expenditures;
- review its claimed expenditures for FYs 2016 and 2017 (the second and third years of the grant awards) to determine whether they were claimed in accordance with Federal requirements and refund to the Federal Government any unallowable amount;
- ensure that costs are properly approved, allocated, and adequately supported; and
- implement financial management system procedures to ensure Federal funds are drawn down only when needed, all related obligations are paid timely, and grant funds are separately identified and segregated.

CHILDREN’S VILLAGE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, Children’s Village generally concurred with our first four recommendations and described steps it had taken or planned to take to address them. Children’s Village did not concur with our recommended financial disallowance (fifth recommendation) and did not indicate concurrence or nonconcurrence with our remaining recommendations.

Children’s Village stated that, during our audit period, ORR policies were “in a state of flux” and noted that it was unaware that ORR’s P&P Manual constituted actual policy; therefore, it disagreed with our suggestion that P&P Manual requirements were binding. Children’s Village stated that it has always interpreted ORR requirements within the context of a 1997 settlement agreement²⁸ that requires housing UAC in the least restrictive setting and in a setting appropriate to the child’s age and special needs. We subsequently contacted ORR, which confirmed that the provisions of the P&P Manual on which we based our draft report findings and to which Children’s Village objected constituted actual policy.

Children’s Village disagreed with many of our draft report findings. After receiving Children’s Village’s written comments, we met with Children’s Village officials to discuss our findings and obtain additional supporting documentation referenced in its written comments. Based on our review of the additional documentation and subsequent discussions with ORR officials, we

²⁸ The 1997 agreement, known as the *Flores Settlement Agreement*, was the result of a series of lawsuits against the Federal Government during the 1980s.

revised our findings as appropriate, clarified our recommendations, and reduced the amount to refund the Federal Government from \$3.2 million to \$2.6 million.

Children's Village's comments are included as Appendix H. We did not include Children's Village's supporting documentation because it was too voluminous. We maintain that our findings and recommendations, as revised, are valid and commend Children's Village for agreeing to take the appropriate corrective actions in response to our draft report.

DRAFT REPORT FINDINGS RELATED TO FACILITIES

Children's Village Comments

- Campus Rear Entrance: Children's Village disagreed with our draft report finding that its lack of a security guard at the rear entrance of its campus was not in compliance with § 3.3.4 of the ORR Policy Guide. However, it stated that it would discuss the issue with ORR and post a permanent guard at the rear entrance if so directed by ORR.
- Laundry Detergent and Unlocked Plumbing Closets: Children's Village stated that, while it believed access to areas containing cleaning supplies and plumbing equipment did not pose a hazard to the UAC it served, it has taken steps to secure the areas.
- Minor Repairs: Children's Village objected to any implication that the unsanitary conditions and peeling plaster identified in our draft report were hazardous; however, it stated that these conditions were immediately corrected.

Office of Inspector General Response

Based on our review of Children's Village's comments and subsequent discussion with ORR officials, we removed the draft report subfinding related to facility security and revised the related recommendation. We commend Children's Village for agreeing to take appropriate corrective actions on our other draft findings related to its facilities.

DRAFT REPORT FINDINGS RELATED TO CASE FILES

Children's Village Comments

Children's Village stated that it disagreed with our draft report to the extent it implied that the absence of a small number of documents within its hard copy files might call into question the appropriateness of the decision to release a child. Further, Children's Village described the documents associated with our draft report findings related to case files as having been electronically submitted to ORR although not present in its hard copy files, or not critical to ORR's release decision. Children's Village also commented on specific draft report findings:

- Sponsor Background Checks: Children’s Village stated that, for the 13 sampled UAC for whom it did not provide documentation that it had conducted required sponsor background investigations, it had email correspondence from an ORR contractor to the FFS indicating that the sponsor background checks had been completed and conveying the results of the checks. Under separate cover, Children’s Village subsequently provided the email correspondence.
- Signatures: Children’s Village stated that it does not believe that draft ORR guidance can support an allegation of noncompliance with ORR requirements and that ORR currently requires forms to be uploaded electronically to its UAC Portal. Children’s Village stated it would be willing to follow-up with ORR to determine whether signed copies of forms should be uploaded to the UAC Portal.
- Family Reunification and Release-to-Sponsor Documentation: Children’s Village stated that it believes the files it submitted to ORR contained all necessary documentation, or minor irregularities in the files were considered acceptable by ORR. However, Children’s Village also stated that its efforts to increase staffing and implement case file review policy enhancements have remedied any past case file documentation weaknesses.
- Timing of Medical Exams: Children’s Village stated that a registered nurse or licensed practical nurse performed an initial medical screening referred to as a “nursing assessment” for all children within 48 hours of arrival. If any urgent medical issues were identified during these assessments, Children’s Village’s on-call physician was contacted. Children’s Village stated that, for 14 of the 26 children identified as not having received a medical exam by appropriate personnel within 48 hours, a physician assessed their condition within 6 days of arrival. Children’s Village further stated that it has increased its staffing to facilitate exams by physicians. Under separate cover, Children’s Village subsequently provided the nursing assessments.
- Telephone and Supply Logs: Children’s Village acknowledged that its files did not contain telephone logs and itemized supply distribution logs but stated that it has improved its documentation of these logs as a result of staffing increases and its implementation of case file review policy enhancements.
- Educational Assessments: Children’s Village stated that children receive educational services from the time they arrive. In addition, staffing increases have resolved delays in conducting formal educational assessments.
- Orientation Records: Children’s Village stated that the outside contractor responsible for conducting the “Know Your Rights” presentation had confirmed that each child in our sample received this orientation, which showed the UAC received a Notice of Rights form. Under separate cover, Children’s Village subsequently provided some of the missing Notice of Rights forms.

Office of Inspector General Response

With regard to sponsor background checks, we contacted ORR, which stated that Children's Village should maintain results of sponsor background checks in its case files. Therefore, we did not accept email correspondence between an ORR contractor and the FFS as sufficient support that sponsor background checks had been performed. We also contacted ORR regarding the forms requiring signatures, and ORR confirmed that forms requiring staff signatures are not considered complete unless signed.

We commend Children's Village for taking steps to ensure that family reunification, release-to-sponsor documentation, and telephone and supply logs are maintained in UAC case files. We also commend Children's Village for taking steps to ensure that educational assessments are completed within required timeframes. While we commend Children's Village for taking steps to ensure that medical assessments are completed by appropriate personnel, we note that for 26 items in our sample, the medical assessments were not performed by appropriate personnel within the required timeframe. Rather, as we describe in the report, initial assessments were performed by a registered nurse or a licensed practical nurse within 48 hours, followed by a medical examination completed later by a licensed physician or physician's assistant. While we recognize that Children's Village may have modified its normal procedure to handle an influx of children, it failed to communicate with ORR and gain approval.

Regarding orientation records, we accepted additional supporting documentation for seven sample items and adjusted the related draft report subfinding as appropriate. Children's Village was unable to provide additional documentation for the remaining four sample items.

DRAFT REPORT FINDINGS RELATED TO EMPLOYEE FILES

Children's Village Comments

- Employee Background Investigations: Children's Village stated that all of its employees for whom background checks are required have had them, and none of the checks indicated adverse findings. It further stated that while it hired some employees prior to conducting a background check on them, these employees attended in-house training courses and had no contact with children while their background check was pending.²⁹ Under separate cover, Children's Village subsequently provided employees' training records as additional support.
- Performance Evaluations: Children's Village clarified when one employee was hired and stated that it located performance evaluations for two others. It subsequently provided the additional supporting documentation under separate cover.

²⁹ If an employee completed their training before the background check was returned, Children's Village indicated that they remained in a conditional job offer/employment status.

- Experience Requirements: Children’s Village objected to the use of the draft P&P Manual as the basis for requiring employees to have certain levels of experience. While Children’s Village stated that the manual reflects desirable employee experience standards, it believed its hiring process was sound because our audit identified only one employee with less than 1 year of experience.

Office of Inspector General Response

After reviewing Children’s Villages comments and additional documentation provided, we revised our determinations for 15 of 16 employee background investigations identified in our draft report and therefore adjusted our subfinding. We note that as of February 2015, ORR Policy explicitly required that employees complete all background checks prior to hire. ORR told us that it expected facilities to complete background checks prior to hire even before that date, but we did not find written ORR policy that made that requirement explicit. Thus, we amended our finding to reflect the gap in ORR policy during part of our audit period. We also accepted Children’s Village’s additional supporting documentation related to performance evaluations. Therefore, we removed the related subfinding. We maintain that our subfinding related to experience requirements is valid and note that ORR confirmed our interpretation of work experience requirements for Children’s Village staff.

DRAFT REPORT FINDINGS RELATED TO PROGRAM COSTS

Children’s Village Comments

Children’s Village disagreed with some unallowable costs identified in our draft report. Specifically:

- Personnel Expenses: Children’s Village stated that the process its employees use to track and allocate their time led to the equitable allocation of employees’ time. Children’s Village subsequently provided additional documentation under separate cover.
- Non-Personnel Expenses: Children’s Village stated that the total questioned costs for unallowable non-personnel expenses should be reduced to \$6,265 for various reasons and offered to provide additional supporting documentation, including allocation schedules. Children’s Village also provided detailed explanations of some sampled expenditures questioned in our draft report, including credits associated with a court-ordered settlement agreement related to its food contractor. Children’s Village asserted that these credits should not have been allocated to its UAC grants because Children’s Village did not house UAC at its Dobbs Ferry campus during the period for which settlement credit was provided.
- Construction and Renovation Costs: Children’s Village stated that some of the construction and renovation costs questioned in our draft report did not require ORR approval and provided additional documentation indicating that these costs were

incurred for repairs within the grant period. Further, Children’s Village stated that some of the costs were approved by ORR while other “repair expenses” were “carried out with the knowledge of ORR.”

Children’s Village concurred with our finding related to depreciation costs and stated that it was prepared to make appropriate financial adjustments. Children’s Village also described the circumstances surrounding the drawdown of Federal funds for teacher salaries and fringe benefits that we questioned in our draft report. Children’s Village recognized that disbursement of these funds occurred more than 90 days after the end of the grant period in which the costs were incurred and stated that it planned to request that ORR approve an extension of the pertinent drawdown period.

Office of Inspector General Response

After reviewing Children’s Village’s comments and additional documentation provided, we adjusted some of the subfindings identified in our draft report and maintain that our remaining subfindings are valid. Specifically:

Personnel Expenses: Based on our review of the additional documentation provided by Children’s Village, we allowed some of the personnel expenses identified in our draft report.³⁰ We maintain that Children’s Village cannot support the remaining personnel expenses.

Non-Personnel Expenses: We reviewed Children’s Village’s additional supporting documentation, including allocation schedules, invoices, and bank statements, and adjusted our determinations for five sampled transactions. We maintain that credits from Children’s Village’s food contractor should have been applied to its UAC residential grant. According to ORR, Children’s Village housed UAC at its Dobbs Ferry campus during the period for which settlement credit was provided, and Children’s Village has not supplied sufficient evidence supporting its assertion that it did not.

- Construction and Renovation Costs: We reviewed the additional documentation Children’s Village provided and determined that some of the repair costs questioned in our draft report were allowable.
- Teacher Salaries: After reviewing Children’s Village’s description of the circumstances surrounding a contract for teacher salaries, we are no longer questioning the associated costs. However, we maintain that Children’s Village must timely disburse funds drawn down from HHS’s payment management system in accordance with Federal requirements.

³⁰ For example, Children’s Village provided documentation related to health benefits and salaried employees.

DRAFT REPORT FINDINGS RELATED TO GENERAL FINANCIAL MANAGEMENT

Children’s Village Comments

Children’s Village stated that it maintains a detailed general ledger and subsidiary financial management records, and that it records expenses in accordance with a comprehensive chart of accounts. However, it also stated that it identified areas where its systems for managing Federal grants could be improved and planned to discuss these areas with ORR.

Office of Inspector General Response

We maintain that our findings related to Children’s Village’s financial management system are valid. As described in the report, Children’s Village inappropriately drew down funds because it lacked financial management system procedures to adequately ensure that Federal funds were drawn down when needed, all related obligations were paid timely, and grant funds were separately identified and segregated.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered 374 UAC released directly to sponsors, 236 full- and part-time staff for whom Children's Village charged expenses to the UAC program, and \$15,118,394 expended during our audit period (October 1, 2014, through September 30, 2015).

To determine whether Children's Village met applicable requirements for the care and release of children in its custody, we (1) inspected all residential cottages where UAC-funded shelter care was provided, (2) reviewed Children's Village licensing documents and inspection results, (3) selected a statistical sample of 50 UAC who had been released to a sponsor during our audit period and reviewed associated case file documentation, and (4) reviewed a nonstatistical sample of 20 Children's Village employee files.

To determine whether Children's Village claimed only allowable expenditures, we reviewed (1) a statistical sample of 136 financial transactions, (2) certain costs not included in the statistical sample, and (3) Children's Village's financial management system.

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

METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- reviewed grant documents;
- reviewed Children's Village's policies and procedures;
- interviewed Children's Village officials to gain an understanding of their policies and procedures related to the UAC program;
- toured Children's Village's ORR-funded facilities to identify potential deficiencies;
- obtained and reviewed a list of 483 UAC whom Children's Village had discharged during our audit period and removed 109 UAC who had been transferred to other facilities, released because of age redetermination, or voluntarily discharged;

- selected a statistical sample of 50 UAC released to sponsors during our audit period from the sampling frame containing the remaining 374 UAC (Appendix D);
- reviewed the associated case file for each sampled UAC and documented any deficiencies;
- selected and reviewed a nonstatistical sample of 20 of 236 employee files representing different position titles and salary ranges;
- selected a stratified statistical sample of 136 financial transactions from a sampling frame of 3,544 transactions, totaling \$13,421,503, that Children’s Village charged to its grants during our audit period (Appendix D);
- reviewed supporting documentation for each sampled financial transaction;
- separately reviewed supporting documentation for construction and renovation, depreciation, and teaching cost transactions, totaling \$1,696,891, not included in our statistical sample that Children’s Village charged to its grants during our audit period;
- calculated indirect costs related to unallowable direct cost expenditures;
- reviewed Children’s Village’s Federal grant reports—financial and monitoring—for our audit period;
- estimated the number and percentage of UAC Children’s Village released to sponsors without following ORR policies and procedures (Appendix E);
- estimated the total unallowable expenditures Children’s Village submitted for Federal reimbursement during our audit period (Appendix E);
- determined the number of employee files we reviewed that did not meet employee documentation requirements; and
- discussed our findings with Children’s Village 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 10/1/2014–9/30/2015)

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

Ops Manual 2014—4/4/2014

Policy Guide—1/30/2015

P&P Manual—8/21/2006

Campus Security and Accident Prevention

Policy Guide § 3.3.4 Safety Planning

Care providers must ensure entrances and exits are controlled to prevent access by the public and ensure UAC remain within the facility perimeter.

Background Investigations for Sponsors

Ops Manual 2014 § 4.402

Sponsor background investigations are to be conducted as required for each sponsor category. Sponsor background investigations are categorized as follows:

- Public Records Check (Internet Based) – Sponsor categories 1, 2, and 3; non-sponsor adult household member if special concern is identified.
- FBI fingerprint check – Sponsor categories 2 and 3 (in all cases); sponsor category 1, sponsor and non-sponsor adult household members, where there is a documented risk to the safety of the UAC, the child is especially vulnerable, or the case is being referred for a home study.
- State criminal history and local police check – Sponsor categories 1,2,3, and adult household members – on a case-by-case basis when there is an unresolved criminal arrest or issue that is still in process.

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.

Policy Guide § 2.5.1

The following check was required for potential sponsors during our audit period:

Child Abuse and Neglect check

- Category 3 sponsors (applied as of 3/23/15).
- Category 1 and category 2 sponsors in all cases that require a home study and in any case where a special concern is identified.
- All adult household members in any case where a special concern is identified.

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 where there is a documented risk to the safety of the UAC, the UAC is especially vulnerable, and/or the case is being referred for a mandatory home study.

Immigration Status Check

- 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, and/or the case is being referred for a mandatory home study.
- All adult household members where there is a documented risk to the safety of the UAC, the UAC is especially vulnerable, and/or the case is being referred for a mandatory home study.

Criminal Public Record Check (internet)

- All sponsors
- All adult household members in any case where a special concern is identified.

State Criminal History Repository Check and Local Police Check

- For sponsors or household members, used on a case-by-case basis when there is an unresolved criminal arrest or issue that is still in process.

Other Documentation

P&P Manual §§ 1.02, 3.01, 3.12 and Appendices and Policy Guide §§ 3.2.2, 3.3, 3.31, 3.4.2, 5.6.2 and Ops Manual § 4.403

Care providers must maintain comprehensive, accurate, and up-to-date UAC case files. The case files should include items such as a record of telephone calls, list of clothing and supplies distributed to the UAC, admission/orientation records, educational assessments, release-to-sponsor documentation, and medical exams.

Medical Exams and Educational Assessments

P&P Manual §§ 3.01 and 3.12

Providers are to ensure that the UAC receive a complete medical examination, including screening for infectious diseases by a licensed physician or physician's assistant within 48 hours of admission or the first workday after admission; and receive an initial educational assessment within 72 hours of arrival. A teacher must assess each UAC to determine individual educational competency levels. The academic assessment must be administered within the first 72 hours of admission and documented in the case file.

Employee Background Investigations and Hiring Decisions

P&P Manual § 1.01

Care provider facilities are required to complete background investigations on all staff, contractors, and volunteers. Background investigations must include a fingerprint check through the FBI and a child protective services (CPS) check in each State where the applicant has resided over the previous 5 years. All background investigations and the facilities' review and conclusions of the investigations must be documented and placed in employees' personnel files and employee educational or experience levels must be commensurate with the responsibilities and expertise required of the position.

Case File Management and Care Provider Services

P&P Manual 1.02 and Policy Guide § 3.3

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 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
CARE PROVIDER FACILITIES DURING OUR AUDIT PERIOD³¹**

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 by appropriate personnel, 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, a care provider must conduct an educational assessment.
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.
Reunification Services	Staff are required to identify sponsors and evaluate the suitability of the sponsor.

³¹ P&P Manual and Policy Guide.

APPENDIX D: STATISTICAL SAMPLING METHODOLOGIES

REQUIREMENTS FOR THE CARE AND RELEASE OF CHILDREN

Objective

The objective of our UAC sample was to determine whether Children’s Village met applicable requirements for the care and release of children in its custody.

Target Population

The population consisted of all UAC that Children’s Village released to sponsors during our audit period.

Sampling Frame

We received an Excel file from Children’s Village that listed 483 UAC whom it had discharged during our audit period. From this list, we removed 10 UAC who had been transferred. We also removed 49 UAC released because of age redetermination and 50 UAC who were voluntarily discharged. The remaining 374 UAC, whom Children’s Village directly released to a sponsor, comprised our sampling frame.

Sample Unit

The sample unit was a UAC whom Children’s Village released to a sponsor during our audit period.

Sample Design

We used a simple random sample.

Sample Size

We selected 50 UAC.

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 374. After generating 50 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 Children’s Village released to sponsors without following ORR policies and procedures during our audit period at the point estimate. We also used the software to calculate the lower and upper limits of the corresponding two-sided 90-percent confidence interval.

FINANCIAL TRANSACTIONS

Objective

The objective of our expenditure transactions sample was to determine whether Children’s Village claimed only allowable expenditures in accordance with applicable laws, regulations, and Departmental guidance.

Target Population

The population consisted of all expenditure transactions recorded by Children’s Village for both its Residential Services and Post-Release and Home Study Services grants during our audit period.

Sampling Frame

Children’s Village provided an Excel file that listed 7,007 transactions totaling \$14,033,937 that Children’s Village had recorded as expenditures during our audit period for both its Residential Services and Post-Release and Home Study Services grants. We manually matched and removed all transactions that netted to zero. We also removed all transactions less than \$100 and all depreciation and indirect costs transactions, totaling \$612,434. The resulting Excel spreadsheet of 3,544 expenditure transactions totaling \$13,421,503 comprised our sampling frame.

Sample Unit

The sample unit was an expenditure transaction.

Sample Design and Sample Size

We used a stratified random sample. The sampling frame was divided into five strata. Strata 1 and 2 consisted of payroll and benefits expenditure transactions; strata 3 through 5 consisted of all other expenditure transactions and were based on monetary thresholds as outlined in Table 1.

Table 1: Sample Design and Size

Stratum	Frame Count	Frame Total	Stratum Lower Bound	Stratum Upper Bound	Sample
1	787	\$4,018,581	\$100.00	\$30,895.99	30
2	61	5,546,741	30,896.00	177,223.00	20
3	2,433	1,081,098	100.00	1,989.99	30
4	237	1,300,023	1,990.00	20,499.99	30
5	26	1,475,060	20,500.00	182,025.00	26
Totals	3,544	\$13,421,503			136

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 136 random numbers, we selected the corresponding frame items.

Estimation Methodology

We used the OIG/OAS statistical software to estimate the overpayment associated with the unallowable expenditure transactions at the lower limit of the two-sided 90-percent confidence interval. We also used the software to calculate the corresponding point estimate and the upper limit of the two-sided 90-percent confidence interval.

In addition, we determined the estimated unallowable related indirect costs by multiplying the estimated unallowable expenditure transactions by the HHS-approved provisional cost rate.

APPENDIX E: SAMPLE RESULTS AND ESTIMATES

Table 2: Sample Details and Results—Unaccompanied Alien Children Released to Sponsor

No. of Unaccompanied Alien Children in Sampling Frame	Sample Size	No. of Unaccompanied Alien Children With Case File Deficiencies
374	50	46

**Table 3: Estimated Number and Percent of Unaccompanied Alien Children With Case File Deficiencies
(Limits Calculated at the 90-Percent Confidence Level)**

Estimate Description	Number			Percent		
	Lower Limit	Point Estimate	Upper Limit	Lower Limit	Point Estimate	Upper Limit
Child case files with at least one deficiency	312	344	362	84	92	97

Table 4: Sample Details and Results—Financial Transactions

Stratum	Frame Size (Expenditure Transactions)	Value of Frame	Sample Size	Value of Sample	Number of Unallowable Expenditure Transactions in Sample	Value of Unallowable Expenditure Transactions in Sample
1	787	\$4,018,581	30	\$176,719	15	\$21,084
2	61	5,546,741	20	1,297,413	8	115,258
3	2,433	1,081,098	30	12,481	7	2,579
4	237	1,300,023	30	143,352	9	48,440
5	26	1,475,060	26	1,475,060	13	330,988
Totals	3,544	\$13,421,503	136	\$3,105,025	52	\$518,349

**Table 5: Estimated Value of Unallowable Expenditure Transactions
(Limits Calculated at the 90-Percent Confidence Level)**

Estimate Description	Lower Limit	Point Estimate	Upper Limit
Amount of unallowable expenditures	\$1,322,522	\$1,827,424	\$2,332,326
Amount of related ³² unallowable indirect costs ³³	170,605	235,738	300,870

³² These totals only include indirect costs related to our statistical sample. We separately calculated the amount of indirect costs related to unallowable construction and renovation expenditures not included in our sampling frame.

³³ The unallowable indirect costs were calculated by multiplying the provisional cost rate of 12.9 percent by the estimated amount of unallowable expenditures.

APPENDIX F: DEFINITIONS³⁴

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 a local ORR liaison with care providers and stakeholders and who are responsible for making transfer and release recommendations.

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.

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.

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.

³⁴ Policy Guide, *Children Entering the United States Unaccompanied: Guide to Terms*.

APPENDIX G: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Lincoln Hall Boys' Haven, an Administration for Children and Families Grantee, Did Not Always Comply With Applicable Federal and State Policies and Requirements</i>	<u>A-02-16-02007</u>	2/11/2019
<i>BCFS Health and Human Services Did Not Always Comply With Federal and State Requirements Related to the Health and Safety of Unaccompanied Alien Children</i>	<u>A-06-17-07007</u>	12/6/2018
<i>Florence Crittenton Services of Orange County, Inc., Did Not Always Claim Expenditures in Accordance With Federal Requirements</i>	<u>A-09-17-01002</u>	10/15/2018
<i>Heartland Human Care Services, Inc., Generally Met Safety Standards, But Claimed Unallowable Rental Costs</i>	<u>A-05-16-00038</u>	9/20/2018
<i>Florence Crittenton Services of Orange County, Inc., Did Not Always Meet Applicable Safety Standards Related to Unaccompanied Alien Children</i>	<u>A-09-16-01005</u>	6/18/2018
<i>BCFS Health and Human Services Did Not Always Comply With Federal Requirements Related to Less-Than-Arm's-Length Leases</i>	<u>A-06-16-07007</u>	2/20/2018
<i>Office of Refugee Resettlement Unaccompanied Alien Children Grantee Review—His House</i>	<u>A-04-16-03566</u>	12/4/2017

APPENDIX H: CHILDREN'S VILLAGE COMMENTS



ADMINISTRATIVE OFFICE: One Echo Hills, Dobbs Ferry, NY 10522 • (914) 693-0600

www.childrensvillage.org

January 14, 2019

Board of Trustees

Chair

Paul H. Jenkel

Vice Chair I

James E. Mann

Treasurer/Vice Chair II

Jamie Marley

Trustees

Lois S. Amend

Janet I. Benton

Gregg Bienstock

Leonard Comberiate

Heidi Davidson

Emma DeVito

Katrina Dudley

Wes Engram

Edward Gooding

Peter Hicks

William Hirshorn

David D. Howe

Peter Kaplan

Kevin J. Life

Pamela Loscher

Thomas Martin

Kathryn O'Neal-Dunham

Robert S. Robbin

Michael Schaenen

David Schwartz

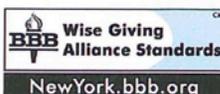
Sanjay Singla

Robert Cameron Smith

Francine Vernon

President and CEO

Jeremy C. Kohomban, Ph.D.



Brenda M. Tierney
Regional Inspector General
for Audit Services
U.S. Department of Health and Human Services
Office of Audit Services, Region II
26 Federal Plaza, Room 3900
New York, NY 10278

Subject: Comments Regarding Draft Report No. A-02-16-02013

Dear Ms. Tierney:

Thank you for the opportunity to comment on the above referenced draft Office of Inspector General ("OIG") report. Children's Village is committed to the children we serve, all requirements of the Office of Refugee Resettlement's ("ORR") programs, and the guidelines of the Flores Settlement Agreement. We provide the highest standard of care to the children we serve, including the 662 children ORR placed with us during the period audited.

Though we disagree with a number of conclusions your audit team reached, we appreciate the time your office has dedicated to reviewing our activities. We appreciate that your draft report acknowledges that we and ORR were responding to an increase of approximately four hundred percent in the annual number of unaccompanied minors received into the United States as compared to the numbers of children arriving only five years prior. Moreover, we appreciate that your draft report acknowledges that, in the midst of this critical period, ORR policies were in a state of flux.

With respect to this last point, we note that the draft report cites a *draft* 2006 ORR manual as a source of requirements against which our operations were audited. While we concur that much of what is described in the draft manual would make for effective ORR policy, we are unaware of it ever being made actual policy. We therefore respectfully disagree with suggestions in the draft report that the 2006 draft manual sets forth binding requirements.

Further, we wish to highlight that all unaccompanied children received into care in our ORR programs are between the ages of twelve (12) and seventeen (17), and that ORR programs operate within the Flores Settlement Agreement framework, which requires housing children in (i) a "least restrictive setting" and (ii) a setting "appropriate to the minor's age and special needs."¹ It

¹ Flores Settlement Agreement, § IV, □ 11.

is within this context that ORR programmatic requirements have always been interpreted and operationalized.

Finally, we are concerned that many of the findings stemmed from a lack of effective communication between the audit team and our staff. We request an opportunity for further dialogue and to offer additional supporting documentation to clear up the misunderstandings highlighted below.

Comments on Draft Findings

Draft Findings Related to Facilities.

* a. Campus Rear Entrance Security Guard.

ORR activities are only a portion of the activities that take place on our 186-acre campus. Other on-campus activities include domestic foster care and juvenile justice programs, administrative offices related to our community prevention programs, and Greenburgh 11, a New York public school. The ORR shelter program children constitute approximately 40 to 50 percent of the total number of young people on campus and reside within designated areas, generally referred to as our “cottages.” We provide residential and educational services within the cottages, which are secure and staffed at all times at the applicable staff-to-children ratios. ORR program children remain under direct staff supervision when they leave the cottages for outdoor recreation and other activities such as visits to our medical department. In circumstances where a particular child is assessed as posing a flight risk, our staff-to-child supervision ratio is increased to one-to-one. These measures (and the absence of a security post at the back gate) have been noted by ORR site visit reviewers as well as reviewers visiting our campus to inspect for compliance with the Flores Settlement Agreement’s focus on housing the children we serve in a least restrictive setting.

The draft report asserts that the lack of a security guard at the rear entrance to our campus² constituted a failure to comply with § 3.3.4 of the ORR Guide: Children Entering the United States Unaccompanied (the “ORR Policy Guide”).³ In relevant part, § 3.3.4 requires “[c]ontrolled entry and exit from the premises to ensure unaccompanied alien children remain within the facility perimeter and to prevent access by the public without proper authorization.” We believe we have complied with this requirement.

We believe that the audit team has read meaning into the text of § 3.3.4 that is not warranted by its plain language, overall context, or ORR practice. The text does not define “premises” so broadly as to encompass our entire multi-purpose campus. Until this OIG audit, it has been our understanding that our approach was compliant with ORR requirements and laudable in terms of the guiding principles of the Flores Settlement Agreement. In further support, we are pleased to note that we have never had any serious security incident arise in our program. Looking forward,

² Draft Report at 7.

³ ORR Guide: Children Entering the United States Unaccompanied (Jan. 30, 2015), available at <https://www.acf.hhs.gov/orr/resource/children-entering-the-united-states-unaccompanied>.

*** Office of Inspector General Note:** Based on our discussions with ORR officials, we removed the draft report finding associated with this section.

we would gladly discuss this matter with ORR and post a permanent security guard at this entrance if ORR directs that its policy guidance requires such action prospectively.

b. Laundry Detergent and Unlocked Plumbing Closets.

The draft findings assert that certain “unlocked areas containing cleaning supplies, such as laundry detergent and fabric softener” as well as certain unlocked areas with access to plumbing fixtures presented safety “hazards” in violation of state regulations.⁴ First, access to laundry detergent and the ability for adolescents to do their own laundry under adequate supervision is perfectly consistent with providing our children a developmentally appropriate environment. In general terms, access to such cleaning supplies did not pose a “hazard” to the children we serve, who are between the ages of twelve (12) and seventeen (17). Nonetheless, we have updated our cabinetry and other spaces to secure all such materials and areas.

c. Minor Repairs.

The draft findings assert three small items across our eighteen (18)-cottage program as alleged violations of state safety regulations: one missing shower drain cover, one small area of degraded plaster, and an “unsanitary shower curtain.”⁵ Though we object to any implication in the draft report that our facilities are hazardous, we immediately corrected all of the identified areas and items. Further, we note that our facilities are subject to regular visits by the New York Office of Children and Family Services (“OCFS”) for compliance with the state regulations cited in the draft report, and that Children’s Village has never been placed on any corrective action plan related to facility quality or safety.

Draft Findings Related to Case Files.

Children’s Village does not make any final release determinations. Rather, there are two levels of review and approval above Children’s Village. First, the file prepared by Children’s Village is reviewed by ORR’s oversight contractor, General Dynamics Information Technologies (“GDIT”).⁶ Based upon GDIT’s review and recommendation, ORR makes all final determinations.⁷ We therefore disagree with the draft report to the extent it implies that the absence of a small number of documents within Children’s Village’s hard copy files might call into question to appropriateness of a release decision. Rather, the fact of GDIT and ORR final reviews and approvals tends to indicate one of two conditions: (i) that a particular document was present in the electronic file submitted to ORR although not present in the hard copy file the OIG later reviewed, or (ii) that the form was not critical to ORR’s release decision. In any event, we dispute

⁴ Draft Report at 7.

⁵ Draft Report at 7-9.

⁶ GDIT personnel conduct site visits to Children’s Village every Tuesday and Thursday, regularly attend weekly meetings at which case files are discussed, and regularly review electronic files in the UC Portal. The Contract Field Specialist assigned to Children’s Village’s case matters is in regular direct communication with our staff about any questions on our files.

⁷ See Policy Guide, § 2.3.1 (ORR/Federal Field Specialists (ORR/FFS)).

the audit team’s suggestion that a small number of missing forms in the hard copy files might equate to risk of harm to children.

Consistent with the broader context stated above, we note that ORR case files are robust and detailed files. The missing items asserted in the draft report represent a very small percentage of documentation as compared to what was included in the audited files.

Regardless, prior to the audit we and ORR recognized our need for additional staffing with increased placement needs. Since 2015, we have hired additional staff and submitted a revised documentation-related policy to ORR for approval. Our current case management staff includes a Director of Case Management, three (3) Lead Case Managers, two (2) Casework Specialists, and twenty-five (25) Case Managers.

Further, though still pending final ORR approval, we have implemented the enhanced processes. In particular, (i) our Casework Specialists review each file at various stages during each child’s admission, receipt of services, and discharge, and (ii) the Lead Case Managers review numerous files of each Caseworker for completeness on a biweekly basis. As noted above, these oversight practices are in addition to third party oversight provided by GDIT.

The specific draft findings regarding documentation are addressed below.

a. Sponsor Background Checks.

The draft findings assert that “[f]or 13 of the 50 sampled UAC released to sponsors, Children’s Village did not provide documentation that it had conducted the required sponsor background investigations.”⁸ In light of this draft finding, we reviewed approval correspondence between GDIT and ORR’s Field Specialist (on which we are copied). The correspondence relating the thirteen questioned files all state clearly that background checks were conducted, and specifically convey the results of each check. We would be happy to share copies of these emails with the audit team and ORR as appropriate and ask that this draft finding be removed.

b. Signatures.

The draft report asserts that the draft 2006 ORR manual required care provider signatures.⁹ As discussed above, we do not believe this draft guidance can support an allegation of noncompliance with ORR requirements. Current ORR operational practice is to require the uploading of forms in electronic format to ORR’s UC Portal. The Portal requires unique user log-ins and logs documents by date and time uploaded as well as by the individual who processed the uploading at Children’s Village. It has not been our practice to print, sign, and scan such forms, but rather to simply upload them electronically through the UC Portal, and ORR has never objected to this practice. We are willing to follow-up with ORR to determine whether signed copies will now be expected through the UC Portal.

⁸ Draft Report at 9.

⁹ Draft Report at 10.

APPENDIX H IS OF CHILDREN'S VILLAGE COMMENTS

records and known allergies, (ii) a discussion of medical history and current medications, (iii) a basic physical assessment in terms of height, weight, blood pressure, pulse, respiratory rate, and temperature, (iv) assessment of apparent urgent medical needs, (v) assessment and, as needed, treatment for lice, and (vi) pregnancy testing for females. Many of the above-listed assessment items are targeted at identifying contagious diseases. If any urgent medical needs were identified, or any medical issues complained of, that were beyond the scope of the NP or LPN's scope of practice, the on-call physician was contacted for prompt medical attention.

Fourteen (14) of the twenty-six (26) children for whom a medical exam delay was noted by the OIG (fifty-four percent (54%)) were again assessed by a physician within six (6) days of arriving at The Children's Village, and at this time provided vaccinations. In no case was there delay beyond twelve (12) days after arrival for the follow-up physician exam and vaccination.

Since 2015 we have increased our staffing from one medical coordinator to two, added a medical office assistant, and went from a part-time to a dedicated fulltime pediatrician. These staffing additions facilitate medical examinations by physicians, including administration of vaccinations, in each case within the initial forty-eight (48) hours of arrival.

e. Telephone and Supply Logs.

As noted in the draft report,¹³ children placed in our care were permitted telephone calls, which case managers noted in their case file progress notes. Additionally, supplies such as clean clothing and toiletries were regularly distributed. We recognize that our files failed to contain itemized supply distribution logs and telephone logs. This finding pertains merely to the absence of documentation of distribution of supplies, not a failure to provide the supplies. Since the timeframe under audit, improvements in documenting such items have been made through the significant staff additions and constant case file review policy noted above.

f. Educational Assessments.

The draft findings assert that seven (7) sampled files showed formal educational assessments conducted later than seventy-two (72) hours after arrival and that nine (9) sampled files lacked assessment documentation.¹⁴ All children in our care receive educational services from the time they arrive, and the teachers engage in informal assessments of the educational level of all children in their classes. Improving staffing numbers has resolved delays in formal assessments. Specifically, with improved Case Manager staffing, in the event an educational assessment is not emailed to the cognizant Case Manager for a particular file within the seventy-two-hour timeframe, the Case Manager will contact the teacher to remind them the assessment must be immediately accomplished and documented.

¹³ Draft Report at 11.

¹⁴ *Id.*

g. Orientation Records.

Consistent with ORR Policy Guide § 3.2.2, our process of orientation entails each of the following elements: (i) explanation of the nature of the child's custody in ORR, (ii) care provider's rules, responsibilities and procedures, (iii) child's rights and responsibilities (see also below), (iv) care provider's behavior management policies, (v) care provider's grievance policies and procedures, (vi) emergency and evacuation procedures, and (vii) other policies and procedures to help the child adjust to the new setting, and (viii) general legal-related information.

Items (i) through (vii) are accomplished the day of arrival through a one-on-one orientation briefing conducted by a Youth Specialist. These briefings are conducted in the cottage where the child will reside. Item (viii), in the form of a "know your rights" briefing, is provided by Catholic Charities under contract between Catholic Charities and ORR. To the best of our understanding, ORR's actual expectation is that this briefing be conducted within seven (7) to ten (10) days of the child's arrival, which it is.

The draft findings assert that eleven (11) of the sampled files "were missing evidence that the [child] participated in an admission orientation, received and signed a Notice of Rights form, or both."¹⁵

We reached out to Catholic Charities for confirmation, based upon their records, that the briefing was conducted for each individual whose file was questioned by the audit team. Catholic Charities was able to confirm that all children in the sample received the "Know-Your-Rights" orientation and provided us with the date of each. We believe our staffing increases and file reviews (discussed above) make the likelihood of complete orientation packages not making it into each child's case file remote even in future high-volume periods.

Draft Findings Related to Employee Files.

Children's Village conducts criminal background screenings of all members of our staff and the providers of our background checks automatically send prompt updates if anyone on our staff ever has law enforcement issues after completion of their initial background check.

All of our staff for whom background checks are required have had them, and none displayed adverse finding. The issues identified by the audit team are issues of perceived or actual delay, depending upon the case, but not instances in which any individual with adverse background information was permitted access to a child. Further, we believe that the majority of the asserted draft findings relating to employee files reflect misunderstandings of our systems caused by the audit team's failure to consult with our human resources department while on site.

a. Employee Fingerprint Records and Background Investigations.

The draft findings assert that, of twenty (20) employee files sampled, documentation was lacking in four respects: (i) twelve (12) files lacked documentation demonstrating that a state Child Protective Services ("CPS") check was conducted prior to hiring; (ii) nine (9) files lacked

¹⁵ Draft Report at 11.

documentation demonstrating that an FBI fingerprint check was conducted prior to hiring; (iii) nine (9) files lacked documentation demonstrating that a background investigation update had been done within the last five years; and (iv) one (1) file lacked documentation demonstrating that either a CPS check or an FBI fingerprint check had been conducted.

ORR Policy Guide § 4.3.2 provides in relevant part, “[t]he following individuals must complete background checks prior to being hired and gaining access to children or youth . . . [a]ll temporary, part-time, or full-time employees and contractors with direct access to children or youth [and] [a]nyone who may have unsupervised, direct access to children or youth, including volunteers. . . .” With respect to updates every five years, it states, “ORR minimum standards . . . include . . . [b]ackground investigation updates at a minimum of every five (5) years [after the individual’s] start date or last background investigation update.”

All Children’s Village staff go through an orientation and training process as the initial phase of their employment. The initial training/orientation period generally lasts two (2) weeks for each new employee. During this period the new employees have no direct access to any children.¹⁶ The orientation is conducted primarily in a classroom setting in which the new hire is among only other adults, including other new hires and the instructor.

During the orientation/training period, each new hire undergoes a national criminal history fingerprint check and a New York State Central Registry (“SCR”) background check. No employee is granted unsupervised access to children or youth until all background checks are returned from reporting agencies. If an employee completes his or her training before the background check is returned, he or she remains in a conditional job offer/employment status.

We believe our approach consistent with historical interpretation of the background check requirements. Specifically, we note that the UAC Residential Services Funding Opportunity Announcement (“FOA”) for the pertinent period stated: “Because State licensing requirements may differ in each state, ORR has established a minimum standard that includes a national criminal history fingerprint check prior to unsupervised access to UAC.”¹⁷

We have examined the files relevant to each of the draft findings. We believe many aspects of the draft findings are erroneous, substantially overstating documentation errors, and are happy to provide additional specific support to the audit team and ORR as appropriate. In particular:

- (i) CPS Checks: We examined the twelve (12) files identified by the audit team. All twelve (12) did undergo CPS checks with no adverse reports.

¹⁶ See Children’s Village, Employee Handbook (11/20/2018), Employment Process, § F; State Central Register Clearance Procedure (effective 12/2007) at 22 (“no staff is permitted to work alone with clients until the staff is cleared by OCFS/SCR [New York State’s Office of Children and Family Services and State Central Register, respectively].”).

¹⁷ ACF Funding Opportunity Announcement No. HHS-2015-ACF-ORR-ZU-0833 at 6.

- (ii) FBI Fingerprint Check: We examined the nine (9) files identified by the audit team. All nine (9) files show that the employees were fingerprinted with no adverse reports.
- (iii) Five-Year Background Investigation Update: We believe our systems comply with this requirement. All of our employees hired prior to July 1, 2013 were fingerprinted through the New York State Division of Criminal Justice Services, and all of our employees hired on or after July 1, 2013 were fingerprinted through the New York State Justice Center for the Protection of People with Special Needs. Both DCJS and the Justice Center provide automatic updates of any arrests or convictions any of our employees may have in the future immediately upon their occurring. Through this system, we receive essentially daily updates to our initial background investigations if any adverse development enters the system.
- (iv) Employee File Allegedly Completely Lacking Both a CPS Check and FBI Fingerprint Check: We examined this file. We have the support to show the employee in question had his fingerprint check completed before his start date and his CPS check completed while he was still in training.

b. Performance Evaluations.

*

The draft findings also assert that two (2) employee files lacked annual performance evaluations. A table provided by the audit team listed three (3) files for which the audit team referenced lack of a performance evaluation. We reviewed the three (3) listed files and located evaluations for two (2) files. The third file corresponds to an employee who was hired in October 2014 and therefore would not have had a 2014 annual evaluation.

c. Experience Requirements.

The draft findings assert that “[e]mployees must have a high school diploma or equivalent degree and a minimum of 1 year employment experience in the child welfare field working with children in a social service setting” and that one (1) of the twenty (20) employee files sampled showed only four (4) months of experience.¹⁸

First, we must object to the suggestion that employees were required to have certain levels of experience. While we concur that certain minimum experience levels are desirable, the draft finding cites only to the 2006 draft manual. As explained above, that manual did not create binding requirements against which care provider programs can or should be evaluated in a compliance audit. Consistently, the FOA for the pertinent period contained minimum experience requirements only for a care provider organization’s (i) program director, (ii) assistant program director, (iii) lead clinician, (iv) clinicians, and (v) lead case worker.¹⁹ The individual identified by the audit team was none of these.

¹⁸ Draft Report at 12.

¹⁹ ACF Funding Opportunity Announcement No. HHS-2015-ACF-ORR-ZU-0833 at 6-7.

* **Office of Inspector General Note:** We removed the draft report finding associated with this section after reviewing supporting documentation provided by Children’s Village subsequent to its written comments.

c. Teacher Contract with Greenburgh 11 School District.

The draft audit report asserts that \$193,156 in costs of a contract for teacher services that were incurred in the summer of 2014 were charged against Children's Village's ORR grant for a later period.²² We believe the audit team misunderstands the circumstances. The \$193,156 was properly expensed in the summer of 2014 and charged against grant funds available for that period. The confusion likely arises from the fact that The Children's Village did, in fact, draw down the federal funds for this expense at the time it was incurred, but then withheld payment from the contractor, Greenburgh 11 School District, for an extended period of time, finally making payment for the services by check in January 2016. Children's Village prudently withheld payment from Greenburgh 11 because, during this period, Greenburgh 11 was failing to pay monthly lease bills of a similar magnitude due Children's Village under a separate facility lease. After these circumstances continued for an extended period of time, the parties agreed to exchange payments due on the separate contracts, and the funds were disbursed. We recognize that, while acting prudently in withholding the funds under these circumstances, the delayed disbursement occurred more than ninety (90) days after the end of the period of performance in which the cost was incurred. We intend to request that ORR approve an extension of the pertinent liquidation period for this amount, given the unusual circumstances and prudent approach. We believe it important to highlight that these were allowable costs that were charged against the proper grant period.

d. Sodexo Contract Recovery Credit.

It appears that, within the costs it sampled, the audit team asserted a number of offsets²³ related to a legal settlement with Sodexo, Children's Village's food service contractor at its Dobbs Ferry campus for many years. These offsets are in error. The settlement at issue related to Sodexo overcharges in years prior to 2006. Children's Village did not house ORR children at its Dobbs Ferry campus until at least late 2009. As such, there was no federal contribution to the Sodexo contract price during the period for which the settlement credit was provided, and therefore there is no federal share of this credit.

e. Non-Personnel Expense Sample Items.

The draft report asserts that thirty-three (33) of eighty-six (86) specific non-personnel expense items sampled suffered from various deficiencies, totaling \$392,288 in questioned sample expenses. For various reasons stated below, we believe these results should be adjusted to a value of \$6,265.

- (i) Sodexo Contract Credits²⁴: As noted above, we believe the Sodexo Contract applicable credits should be removed from the sample.

²² *Draft Report at 15.*

²³ Audit Team sample items S5-1, 2, 3, 4, 5, 6, 7, and 8.

²⁴ *Id.*

- (ii) Repair Expenses²⁵: A number of repair expenses within the sample are questioned for lack of ORR prior approval. As discussed above, these repairs were carried out, with the knowledge of ORR, to fulfill ORR placement requests. Further, not all of these repair costs required prior agency approval under 45 C.F.R. § 75.439. We believe they should be removed from the sample.
- (iii) Food Contract Allocations²⁶: The audit team questioned the method by which certain food contract expenses were allocated. As discussed with the audit team, from July to August 2015, our new food contractor, Whitson's, did not provide us with invoices on a cottage-by-cottage basis. Additionally, for June 2015, Sodexo (which was in the last month of its contract) did not provide a cottage-by-cottage invoice. We believed it reasonable to allocate the meal costs by continuing to charge approximately the average allocation experienced in the months preceding that three-month period and note that such allocations were consistent with the invoice for the first period in which Whitson's provided a cottage-by-cottage breakdown (September 2015). While we are disappointed the audit team rejected this methodology, we are further preparing a schedule of food contract costs allocated over total child care days by program for the period, which will further support the allocations. We would be pleased to share this additional support with the audit team and ORR as appropriate.
- (iv) Utility Expenses²⁷: The audit team questioned the method by which natural gas and electric bills were allocated, suggesting they be disallowed in full. We are in the process of further preparing support for these facility-related allocations on a relative square foot basis. Based upon preliminary calculations, we anticipate the final analysis will support our charges.
- (v) Telephone Expenses²⁸: The audit team questioned the method by which cell phone and landline phone bills were allocated. We have been able to obtain a copy of the Sprint bill at issue for the cell phones, and it specifically identifies charges by Children's Village program (including which are applicable to our ORR programs). We note that our charge to ORR was too high by an amount of \$139.38 but believe this expense otherwise supportable. We are happy to provide copy of the bill. Further, for the Verizon landlines, we are preparing additional support in the form of an allocation of the overall campus bill by total numbers of direct employees.

²⁵ Audit Team sample items S4-15, 16, and 17; S5-25 and 26.

²⁶ Audit Team sample items S5-9, 10, and 11.

²⁷ Audit Team sample items S4-13 and 14.

²⁸ Audit Team sample items S4-28 and 29.

- (vi) Various Expense Costs²⁹: Various other expense items were questioned for lack of supporting documentation. We have continued to examine our records and contact vendors for duplicate copies of missing documentation, and note that we have identified a number of items that further support costs the audit team questioned. We would be happy to provide this additional documentation to the audit team and directly to ORR as appropriate.

f. Personnel Expenses.

The draft audit report asserts deficiencies with respect to twenty-six (26) of fifty (50) sampled personnel expense items, stating that, for twenty-five (25) of the items, Children's Village lacked certain supporting documentation. First, we believe it important to note that for many of these items, only a portion of the cost was questioned as the majority was supported. Regardless, we believe that, in many cases, the costs charged to ORR are fully supportable.

As with many of the findings, we suspect there was a misunderstanding of the processes used by Children's Village. Each employee is required to clock-in and clock-out with biometric verification every day. The vast majority of our employees who are charged in whole or in part to ORR programs dedicate one hundred percent (100%) of their time to those programs. For the employees whose time is split between ORR and non-ORR programs (less than ten percent (10%) of employees), we believe our processes to have led to equitable allocations. We are happy to address these findings further with the audit team and directly with ORR.

Finally, one of the asserted findings³⁰ is that Children's Village charged certain October 2015 health insurance in September 2015, reflecting an impact of \$82,575. We believe there remains a misunderstanding. While the bill was received in October, it was an invoice for September coverage, and the underlying expense was recorded in September and charged against proper period grant funds. We believed we had adequately explained this item during the audit but would be happy to provide additional support of this fact to the audit team or ORR as appropriate.

Draft Finding Regarding General Financial Management.

Children's Village maintains a detailed general ledger and subsidiary financial management records, including detailed payroll records. Further, Children's Village records expenses in accordance with a comprehensive chart of accounts. That said, in the course of undergoing this audit, reviewing the draft findings, and working with outside consultants regarding the same, we have identified areas in which we can improve our systems for federal grant management purposes. We welcome a discussion with ORR to ensure our identified areas are consistent with ORR's needs and look forward to increased efficiencies that some of the improvements are likely to create.

²⁹ Audit Team sample items S2-20; S3-18, 19, 21, 24, 28; S4-8.

³⁰ S4-19.

Comments on Draft Recommendations

While we disagree with the scope of many of the draft findings, we concur generally with the draft report's recommendations that Children's Village continue to ensure (i) its facilities are safe, (ii) full physician-provided medical exams are accomplished for all children within forty-eight (48) hours of arrival, (iii) formal educational assessments are accomplished within seventy-two (72) hours of arrival, and (iv) employee background check, performance evaluation, and qualification standard guidelines continue to be met. Children's Village has been consistently committed to high standards in all of these areas and will continue to be.

We also concur generally with the draft report's recommendation that Children's Village review its staffing levels to determine whether resources are sufficient to meet the myriad requirements associated with ORR funding. We and ORR recognized this need well before this audit and have already fully addressed it. We are currently operating at staffing levels that are adequate for the increased placement services needed by ORR, even with the considerably increased numbers of unaccompanied children for whom placement is required. Having managed the care for these children through a period in which increased staffing on short notice presented a considerable challenge, we concur with the draft report's general concern that staffing levels are fundamental to program management.

We disagree with the draft report's recommendation that Children's Village refund the federal government \$3,282,493. For the reasons stated above, we believe a significant number of the draft findings in this area are in error. Recognizing that it is undesirable for both the audit team and Children's Village to have reached this point in the audit process with what we believe are misunderstandings of the underlying conditions, we are hopeful that either the audit team or ORR will engage further with us regarding our available support. To that end, should the OIG finalize the audit report without further information, we request that this recommendation be amended to direct ORR to further evaluate the expenses and associated support before concluding a refund of the full \$3.2 million is appropriate.

Conclusion

Children's Village is committed to the care of the children in its charge and to full accountability for federal funds. While we do not agree with all of the audit team's conclusions and are concerned misunderstandings remain, our ultimate goal is effective management of our ORR programs in furtherance of their public purposes. We at Children's Village are happy to answer any questions the OIG or ORR may have regarding this letter or our program.

Please feel free to contact the undersigned at (914) 693-0600, ext. 1201.

Sincerely,



Jeremy C. Kohomban, PhD
President and CEO