Report in Brief
Date: September 2018
Report No. A-05-16-00038

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

Heartland Human Care Services, Inc., Generally Met Safety Standards, but Claimed Unallowable Rental Costs

Why OIG Did This Review

The Unaccompanied Alien Children (UAC) program, which is overseen by HHS's Office of Refugee Resettlement (ORR), served between 7,000 and 8,000 children annually from fiscal year (FY) 2005 through FY 2011. The UAC program served approximately 13,600 children in FY 2012, 24,700 in FY 2013, 57,500 in FY 2014, and 33,700 in FY 2015.

As the number of children increased, funding for the program increased. From FY 2009 through FY 2015, funding for the UAC program totaled more than $3 billion.

We selected Heartland Human Care Services, Inc. (Heartland), for review because it received the third highest amount of UAC program funding and served a large number of children.

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

How OIG Did This Review

We reviewed Heartland's compliance with safety standards and costs claimed for the FY 2015 program period. We reviewed UAC case files, personnel records, and financial transactions, and we inspected buildings that provided shelter care.

What OIG Found

Heartland generally met applicable safety standards for the care and release of children in its custody. Heartland met State licensure requirements and requirements for inspections, performed adequate oversight, and followed guidance when reviewing background investigations for employees who care for the children. However, we observed one classroom where the staff-to-child supervision ratio was significantly less than required, and we observed one classroom and hallway that lacked required monitoring equipment. We also found that some Heartland case files were missing documentation assuring that required records were provided upon the child's release to a family member or other sponsor.

Heartland claimed allowable expenditures for 119 of 120 transactions reviewed in our stratified random sample. For one transaction, it did not comply with Federal regulations related to less-than-arm's-length lease agreements. We also identified rental costs on two additional less-than-arm's-length leases that exceeded the amount allowable for such leases. The three leases resulted in unallowable rental costs of $665,333 and associated indirect costs of $103,127.

What OIG Recommends and Heartland's Comments

We recommend that Heartland adhere to classroom staffing-to-child ratios in accordance with State regulations and maintain children's case file documentation in accordance with ORR policy. We also recommend that Heartland refund $768,460 to ORR for unallowable costs incurred under the less-than-arm's-length lease agreements and limit future rental costs under less-than-arm's-length lease agreements to the amount that would be allowed under 45 CFR section 75.465(c).

In written comments on our draft report, Heartland agreed with our first two recommendations regarding staffing-to-child ratios and maintenance of case file documentation. Heartland did not agree with our third recommendation to refund $768,460 to ORR for unallowable rental costs.

After reviewing Heartland's comments, we maintain that the recommendation to refund unallowable rental costs is valid, although the amount of questioned costs for one facility could be reduced. We defer to ACF to determine any potential adjustments for the one facility.

The full report can be found at https://oig.hhs.gov/oas/reports/region5/51600038.asp.