



August 8, 2011

Report Number: A-09-11-01005

Ms. Evelyn Mason
Executive Director
Idaho Parents Unlimited, Inc.
500 South 8th Street
Boise, ID 83702

Dear Ms. Mason:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Idaho Parents Unlimited, Inc.'s Financial Management System and Health Resources and Services Administration Grant for Fiscal Years 2009 and 2010*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Danuta Biernat, Audit Manager, at (323) 261-7218, extension 701, or through email at Danuta.Biernat@oig.hhs.gov. Please refer to report number A-09-11-01005 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Sherry D. Angwafo
Acting Director, Division of Financial Integrity
Health Resources and Services Administration
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Rockville, MD 20857

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF IDAHO PARENTS
UNLIMITED, INC.'S FINANCIAL
MANAGEMENT SYSTEM AND
HEALTH RESOURCES AND SERVICES
ADMINISTRATION GRANT FOR
FISCAL YEARS 2009 AND 2010**



Daniel R. Levinson
Inspector General

August 2011
A-09-11-01005

Office of Inspector General

<http://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:

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Notices

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

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.

EXECUTIVE SUMMARY

BACKGROUND

The Health Resources and Services Administration (HRSA) provided funding for family-to-family health information centers (family-to-family centers). Family-to-family centers are nonprofit organizations that help families of children and youth with special health care needs and the professionals who serve them statewide. Funding for family-to-family centers was provided through grants for up to 3 years, beginning June 1, 2009.

Idaho Parents Unlimited, Inc. (IPUL), a nonprofit corporation, is a statewide organization in Idaho that works to help sustain the health and well-being of Idaho's families, their children, and youth with special needs. IPUL is primarily funded by various State and Federal agencies, fundraising events, and parent membership. HRSA awarded family-to-family centers grant funds to IPUL totaling \$190,700 for fiscal years 2009 and 2010. Of that amount, IPUL received \$185,199. We reviewed the family-to-family centers grant funding for the period June 1, 2009, through March 31, 2011.

Federal regulations (45 CFR § 74.21) require grantees to maintain financial management systems. Pursuant to 45 CFR § 74.42, grantees must maintain written standards of conduct governing the performance of employees engaged in the award and administration of contracts. In addition, pursuant to 45 CFR § 74.44, grantees must establish written procurement procedures. Finally, pursuant to 45 CFR § 74.52(a)(2), grantees must comply with financial reporting requirements.

OBJECTIVE

Our objective was to determine whether IPUL (1) complied with Federal regulations related to its financial management system, standards of conduct, procurement procedures, and financial reporting and (2) expended funds received under the family-to-family centers grant in accordance with Federal regulations.

SUMMARY OF FINDINGS

IPUL did not maintain a financial management system in compliance with Federal regulations. In addition, IPUL did not maintain (1) written standards of conduct governing the performance of its employees engaged in the award and administration of contracts and (2) written procurement procedures. Moreover, IPUL did not always submit financial reports in accordance with Federal regulations.

Because of the deficiencies in IPUL's financial management system, we were not able to determine whether IPUL expended \$185,199 received under the family-to-family centers grant in accordance with Federal regulations. Consequently, we have set aside this amount for resolution by HRSA.

RECOMMENDATIONS

We recommend that IPUL:

- work with HRSA to resolve the \$185,199 that we set aside,
- maintain a financial management system in compliance with Federal regulations,
- establish written standards of conduct governing the performance of its employees engaged in the award and administration of contracts,
- establish written procurement procedures, and
- submit financial reports in accordance with Federal regulations.

IDAHO PARENTS UNLIMITED, INC., COMMENTS

In written comments on our draft report, IPUL concurred with our recommendations and described corrective actions that it had taken. IPUL's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

The Maternal and Child Health Bureau

The Maternal and Child Health Bureau (MCHB) is a bureau of the Health Resources and Services Administration (HRSA) within the U.S. Department of Health and Human Services (HHS). Authorized under Title V of the Social Security Act (the Act), the goal of HRSA's maternal and child health programs is to ensure access to quality care, reduce infant mortality, provide and ensure access to comprehensive prenatal and postnatal care, increase the number of children receiving health assessments, provide and ensure access to preventive and childcare services, implement family-centered systems of coordinated care for children with special health care needs, and provide assistance to pregnant women in applying for services.

The Omnibus Budget Reconciliation Act of 1989, P.L. No. 101-239, amended Title V of the Act to extend the authority and responsibility of MCHB, Division of Services for Children with Special Health Needs, to address core elements of community-based systems of services for children with special health care needs and their families. State programs for children with special health care needs under the Maternal and Child Health Services Block Grant were given the responsibility to provide and promote family-centered care for such children.

Family-to-Family Health Information Centers

HRSA provided funding for family-to-family health information centers (family-to-family centers). The funding was given to address the President's New Freedom Initiative to reduce barriers to community living for people with disabilities and to address families' lack of access to services, advocacy, and assistance as mandated in the Family Opportunity Act. This initiative funded statewide family-run centers that provided information, education, technical assistance, and peer support to families of children with special health care needs.

Family-to-family centers are nonprofit organizations that help families of children and youth with special health care needs and the professionals who serve them statewide. Because the health care needs of children with special health care needs are chronic and complex, parents and caregivers are often challenged with finding the resources to provide and finance health care for their children. Family-to-family centers are typically run by parents of children with special needs.

Funding for family-to-family centers was provided through grants for up to 3 years, beginning June 1, 2009. Funding beyond the first year was dependent on the availability of appropriate funds in subsequent years, grantee satisfactory performance, and a decision that funding was in the best interest of the Federal Government.

Idaho Parents Unlimited, Inc.

Idaho Parents Unlimited, Inc. (IPUL), a nonprofit corporation, is a statewide organization in Idaho that works to help sustain the health and well-being of Idaho's families, their children, and youth with special needs. IPUL is governed by a board of directors.

IPUL is primarily funded by various State and Federal agencies, fundraising events, and parent membership. HRSA awarded family-to-family centers grant funds to IPUL totaling \$190,700 for fiscal years 2009 and 2010. Of that amount, IPUL received \$185,199.

Requirements for Federal Grantees

The Standards for Financial Management Systems found at 45 CFR § 74.21 establish regulations for grantees to maintain financial management systems. Grantees' financial management systems must provide for (1) accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program; (2) records that identify adequately the source and application of funds for HHS-sponsored activities; (3) effective control over and accountability for all funds, property, and other assets; (4) comparison of outlays with budget amounts for each award; (5) written procedures to minimize the time elapsing between the transfer of funds to the grantee from the U.S. Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes by the recipient; and (6) written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

Pursuant to 45 CFR § 74.42, grantees must maintain written standards of conduct governing the performance of employees engaged in the award and administration of contracts. In addition, pursuant to 45 CFR § 74.44, grantees must establish written procurement procedures. Finally, pursuant to 45 CFR § 74.52(a)(2), grantees must comply with financial reporting requirements.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether IPUL (1) complied with Federal regulations related to its financial management system, standards of conduct, procurement procedures, and financial reporting and (2) expended funds received under the family-to-family centers grant in accordance with Federal regulations.

Scope

We conducted a limited review of IPUL's financial management system and related policies and procedures applicable to HHS-sponsored programs. We did not perform an overall assessment of IPUL's internal control structure; rather we reviewed only internal controls that pertained directly to our objective. We reviewed the family-to-family centers grant funding for the period June 1, 2009, through March 31, 2011.

We conducted our audit from March to June 2011 and performed our fieldwork at IPUL's office in Boise, Idaho.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed IPUL's family-to-family centers grant application and supporting documentation;
- reviewed the grant's terms and conditions;
- reviewed IPUL's articles of incorporation and the board of directors' meeting minutes;
- reviewed IPUL's administrative and personnel policies and procedures;
- reviewed IPUL's chart of accounts, expenditure reports, and other financial reports to assess the adequacy of IPUL's financial management system;
- interviewed IPUL's personnel to gain an understanding of IPUL's accounting system and internal controls;
- attempted to reconcile IPUL's accounting records to the \$161,130 claimed in expenditures for the family-to-family centers grant in the Payment Management System (PMS);¹ and
- attempted to reconcile the \$185,199 that IPUL received under the family-to-family centers grant to the associated expenditures.

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 objective.

¹ The PMS is maintained by the Division of Payment Management within the Financial Management Service of the Program Support Center of HHS.

FINDINGS AND RECOMMENDATIONS

IPUL did not maintain a financial management system in compliance with Federal regulations. In addition, IPUL did not maintain (1) written standards of conduct governing the performance of its employees engaged in the award and administration of contracts and (2) written procurement procedures. Moreover, IPUL did not always submit financial reports in accordance with Federal regulations.

Because of the deficiencies in IPUL's financial management system, we were not able to determine whether IPUL expended \$185,199 received under the family-to-family centers grant in accordance with Federal regulations. Consequently, we have set aside this amount for resolution by HRSA.

FINANCIAL MANAGEMENT SYSTEM

IPUL did not maintain a financial management system in compliance with the Federal regulations for HHS-sponsored programs. Specifically, IPUL did not maintain a financial management system that provided for (1) adequate financial and accounting records; (2) adequate segregation of duties; and (3) required written financial procedures for funds transfers and determination of the allowability, allocability, and reasonableness of costs in accordance with Federal cost principles.

Inadequate Financial and Accounting Records

Pursuant to Federal regulations, grantees must maintain financial management systems that provide for accurate, current, and complete disclosure of the financial results of each HHS-sponsored program (45 CFR § 74.21(b)(1)); records that identify adequately the source and application of funds for HHS-sponsored activities (45 CFR § 74.21(b)(2)); and comparison of outlays with budget amounts for each award (45 CFR § 74.21(b)(4)).

Contrary to Federal regulations, IPUL's financial management system did not provide for accurate, current, and complete disclosure of financial results; records that identified adequately the application of funds; and comparison of outlays with budget amounts. IPUL received \$185,199 in family-to-family centers funds and reported \$161,130 in expenditures in the PMS. At the time of our review, IPUL was not able to provide sufficient, relevant, valid, and reliable financial records to support the expenditures of \$161,130 and account for the \$24,069 difference between the total amount received and the total amount reported in expenditures. As a result, we were not able to reconcile IPUL's general ledger to the \$161,130 claimed in expenditures or the \$185,199 in funds received.

IPUL's board of directors minutes dated May 13, 2010, indicated that IPUL had "serious problems" with its accounting software and that "grants were not being charged appropriately." The minutes also indicated that IPUL did not have qualified personnel with sufficient knowledge of accounting and had a high turnover of bookkeepers. An IPUL official stated that one bookkeeper "moved many items around in the software" and IPUL is "still cleaning up records."

In addition, IPUL was not able to provide records that adequately identified the application of funds. Moreover, IPUL was not able to provide a comparison of outlays with budgeted amounts.

Inadequate Segregation of Duties

Pursuant to 45 CFR § 74.21(b)(3), grantees' financial management systems must provide for effective control over and accountability for all funds, property, and other assets so that grantees can adequately safeguard all such assets and ensure they are used solely for authorized purposes.

Contrary to Federal regulations, IPUL did not adequately segregate duties for timekeeping and payroll or duties related to procurement of supplies. During the audit period, one individual processed timesheets, prepared payroll, processed checks, reconciled bank accounts, and booked the transactions. For internal controls to be effective, duties should be segregated among different individuals.

Lack of Required Written Financial Procedures

Pursuant to 45 CFR § 74.21(b)(5), grantees' financial management systems must provide for written procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury to the recipient and the issuance or redemption of checks, warrants, or payments by other means for program purposes by the recipient. In addition, pursuant to 45 CFR § 74.21(b)(6), grantees must maintain written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

Contrary to Federal regulations, IPUL did not maintain written procedures (1) to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes and (2) for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the grant.

STANDARDS OF CONDUCT

Pursuant to 45 CFR § 74.42, grantees must maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employers, or agents of the grantees. Contrary to Federal regulations, IPUL did not maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts.

PROCUREMENT PROCEDURES

Pursuant to 45 CFR § 74.44, grantees must establish written procurement procedures. These procedures must provide at a minimum that (1) grantees avoid purchasing unnecessary items; (2) where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the recipient and the Federal

Government; and (3) solicitations for goods and services provide for a clear and accurate description of the technical requirements and requirements that the bidder must fulfill, among other requirements. Contrary to Federal regulations, IPUL did not maintain written procurement procedures.

FINANCIAL REPORTING

Pursuant to 45 CFR § 74.52(a)(2), when funds are advanced, grantees are required to submit the Report of Federal Cash Transactions quarterly. The HHS awarding agency uses this report to monitor cash advanced to grantees and to obtain disbursement information for agreements with grantees. Contrary to Federal regulations, IPUL did not always submit the Report of Federal Cash Transactions. During the audit period, IPUL submitted four out of seven required reports.

RECOMMENDATIONS

We recommend that IPUL:

- work with HRSA to resolve the \$185,199 that we set aside,
- maintain a financial management system in compliance with Federal regulations,
- establish written standards of conduct governing the performance of its employees engaged in the award and administration of contracts,
- establish written procurement procedures, and
- submit financial reports in accordance with Federal regulations.

IDAHO PARENTS UNLIMITED, INC., COMMENTS

In written comments on our draft report, IPUL concurred with our recommendations and described corrective actions that it had taken. IPUL's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: IDAHO PARENTS UNLIMITED, INC., COMMENTS



Department of Health & Human Services
Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

Report Number A-09-11-01005

Dear Ms Ahlstrand

I am sending the following reponse to the draft audit for Idaho Parents Unlimited in regard to award #H84MC12896. - reference number is A-09-11-01005 in behalf of Evelyn Mason the Executive Director of Idaho Parents Unlinimited Inc. If you need any additional information please contact us.

Sincerely,

Candace Garman
Bookkeeper/Adm Assistant
Idaho Parents Unlimited Inc
Creative Access Art Center
500 South 8th Street
Boise, Idaho 83702
Voice 208-342-5884
Fax 208-342-1408

500 South 8th Street, Boise, Idaho 83705
TEL: 208-342-5884, 800-242-4785
TDD & FAX: 208-342-1408

Idaho Parents Unlimited, Inc. (IPUL) response to letter of “Findings and Recommendations” included in the U.S. Department of Health & Human Services, Office of Inspector General (OIG) report entitled *Review of Idaho Parents Unlimited, Inc.’s Financial Management System and Health Resources and Services Administration Grant for Fiscal Years 2009 and 2010*.

1. Work with HRSA to resolve the \$185,199 that we set aside.

Concur with recommendation.

Idaho Parents Unlimited, Inc. (IPUL) is currently working with HRSA to resolve the \$185,199 that was set aside. Although there have been two issues of noncompliance in the past IPUL is working to resolve the matter and provide the appropriate documentation.

Also, according to the draft report IPUL had inadequate Financial and Accounting records. At the time of the audit IPUL was going through a turnover in bookkeepers and management and was not able to produce the backup documentation in a timely manner. Since the audit, IPUL has had an independent financial audit by a certified public accountant. This auditor is issuing an unqualified opinion and has stated to IPUL that they were able to audit the records.

2. Maintain a financial management system in compliance with Federal regulations.

Concur with recommendation.

IPUL uses *Quickbooks for Nonprofits*, as its accounting software. IPUL feels that this software is adequate for the size of the organization. However, IPUL is continuing to make efforts to fully utilize all the capabilities that *Quickbooks for Nonprofits* has to offer. *Quickbooks for Nonprofits* has the capability to categorize revenues and expenditures by grant. IPUL has categorized revenues and expenditures by grant in the past, continues to do so and will continue doing so in the future. IPUL has also resolved to close and password protect the books at the end of each year to ensure that “items are not moved around in the software” by the staff. The board has also taken more responsibility in maintaining a financial management system in compliance with Federal regulations. The board has updated and approved new policies and procedures to ensure this compliance.

3. Establish written standards of conduct governing the performance of its employees engaged in the award and administration of contracts.

Concur with recommendation.

The board has updated and approved new policies and procedures in regards to its employees engaged in the award and administration. The executive director and the board of directors are in charge of oversight and will ensure that these policies and procedures are being followed.

4. Establish written procurement procedures.

Concur with recommendation.

The board has updated and approved new policies and procedures in regards to its procurement procedures. The executive director and the board of directors are in charge of oversight and will ensure that these policies and procedures are being followed.

5. Submit financial reports in accordance with Federal regulations

Concur with recommendation.

In the past the executive director has prepared and submitted the quarterly financial reports. However, due to traveling commitments, these reports have not been submitted on a timely basis. The board has shifted the duties of preparing and submitting to the bookkeeper and has resolved to send them out in a timely manner.

Prepared by:

Preston Roberts, CPA
IPUL Board Co-Treasurer

