

# Audit Highlights



Highlights of performance audit report on the Department of Health and Human Services, Director's Office issued on May 2, 2018. Legislative Auditor report # LA18-16.

## Background

The Department of Health and Human Services promotes the health and well-being of Nevadans through the delivery of essential services to ensure families are strengthened, public health is protected, and individuals achieve their highest level of self-sufficiency. For fiscal year 2017, the Director's Office (Office) was responsible for 11 budget accounts with nearly \$73 million in revenues and expenditures. Of this, nearly \$26 million is related to grant programs and administration.

The Office of Community Partnerships and Grants, known as the Grants Management Unit is an administrative unit within the Office that administers grants for local, regional, and statewide programs serving Nevadans. Its mission is to help families reach their highest level of self-sufficiency by supporting community agencies that provide service through engagement, advocacy, and resource development.

## Purpose of Audit

This audit included a review of grant awards and payments made in fiscal years 2016 and 2017. The purpose of our audit was to determine if the Director's Office had sufficient controls to ensure grant awards and payments were appropriate.

## Audit Recommendations

This audit report contains eight recommendations to improve grant administration. These recommendations address coordination between the Office and its various divisions regarding grant awarding and monitoring activities and developing policies, procedures, and controls over grant administration activities.

The Office accepted the eight recommendations.

## Recommendation Status

The Department's 60-day plan for corrective action is due on July 27, 2018. In addition, the six-month report on the status of audit recommendations is due on January 27, 2019.

# Director's Office

## Department of Health and Human Services

### Summary

The Director's Office needs to improve controls over grant awards and payments. Grantees received payment for services that exceeded the cost to provide the service. In total, grantees overstated personnel costs by \$870,000. Of this, overpayments were made in the amount of \$176,000, and \$682,000 was improperly categorized as federal cost share to obtain funding. Overpayments occurred partially because grantees were awarded funding for the same position across multiple grants that exceeded 100% of the employee's time and effort. Furthermore, the Office does not coordinate awarding or fiscal monitoring activities with its various divisions and grant award applications were not consistent or properly completed. Finally, additional procedures and controls are needed over year-end adjustments that resulted in overpayments of \$12,000.

Provisions in grant agreements authorize the Department of Health and Human Services (DHHS) to recover these overpayments; however, recovery may not be cost effective. As noted in the report, we did not determine overpayments for 6 of 10 grant recipients selected because grant applications had insufficient detail. Nevertheless, based on our testing of the remaining four grant recipients, it is likely overpayments occurred for other grant recipients. Because identifying overpayments requires a detailed comparison of each payment request for multiple grants, a significant commitment of DHHS resources would be necessary to determine all overpayments. In addition, the overpayments we identified were widespread across different funding sources making it difficult to identify which funding source an overpayment might relate to. We believe DHHS's resources would be better spent taking action to correct the issues causing the overpayments than recovering past overpayments. However, the final decision on where to commit DHHS resources rests with management.

### Key Findings

Grantees requested payment for certain personnel from multiple grants that exceeded the annual salary and benefit total of the employee. Grants included state and federal funding sources, but were administered and overseen by the Office and its various divisions. Since the Office and its divisions did not coordinate grant activities, \$176,000 in personnel costs was overpaid to grantees during fiscal years 2016 and 2017. Grantees, in order to receive funding, overcharged salaries as cost share in the amount of \$682,000. Salaries and benefits were overcharged partially because some program activities are interrelated. (page 6)

Four of 10 grantees selected received additional funding because personnel performing program services were dedicated to multiple grant programs, and their time and effort claimed across the grants aggregated to more than 100%. Specifically, 33 of 134 (25%) positions noted on grant applications were for personnel whose time, when aggregated, exceeded a full-time equivalent position. Amounts awarded above the annual salary and benefit cost could have been utilized to fund other programs or awarded to other grantees to provide services to more people in need. (page 6)

Grantees requested funding from a federal program for personnel who were dedicated to providing service to state funded programs. Program activities between the state and federal grants were only marginally related for some personnel and were not related for others. As a result, services provided may have been less than that paid for. (page 8)

Completed grant applications did not provide detail as required, or specific information was not requested to adequately determine if grantees were requesting inappropriate funding. Seventy-eight of 170 (46%) grant applications reviewed did not provide enough information such as the name of the individual or a position number, to determine if grantees were requesting more than necessary to recover costs. Details regarding grant funding are important for determining the adequacy of requests. We noted one grantee received over \$2 million in funding for salaries and benefits for one fiscal year, but provided only minimal detail regarding the positions or employees being funded. (page 9)

Grantees also received overpayments when salaries were adjusted at the end of the fiscal and grant year. In total, two of four grantees received overpayments of nearly \$12,000 when amounts requested on June 2016 payment requests were also included on July 2016 requests. Additionally, some payment requests near year end included amounts for personnel who had not been charged to the program previously and were not listed on grant budgets. (page 10)