



State of Idaho

Legislative Services Office

Accountability Report

A communication to the Joint Finance-Appropriations Committee

DEPARTMENT OF HEALTH AND WELFARE

FOR THE PERIOD MAY 10, 2021, THROUGH MARCH 31, 2023

Report AR27022
Date Issued: August 21, 2023

Serving Idaho's Citizen Legislature



April Renfro, Manager

Idaho Legislative Services Office
Legislative Audits Division

DEPARTMENT OF HEALTH AND WELFARE

SUMMARY

PURPOSE OF THE ACCOUNTABILITY REPORT

We conducted a review of the Community Partners Grant program as part of this accountability report for the Department of Health and Welfare (Department) covering the period from May 10, 2021, and March 31, 2023.

The intent of this review was not to express an opinion but to provide general assurance on internal controls over the area reviewed, and to raise the awareness of management and others of potential noncompliance with laws, rules, and regulations and internal control weaknesses that came to our attention and offer recommendations for improvement.

CONCLUSION

We identified a lack of internal controls throughout the program that resulted in several deficiencies reported in the findings and recommendations section of the report. Based on the evidence available, the lack of controls related to expenditures of public funds allowed for grant recipients to use the funds for ineligible purposes and for ineligible age groups that did not meet the purposes specifically defined in the appropriation laws. These findings are serious enough to report to the Idaho Attorney General pursuant to Idaho Code, Section 67-702(1)(e), which states in part, "Report to the attorney general all facts which may indicate malfeasance, illegal expenditure of public funds or misappropriation of public funds or public property for such investigation or action, civil or criminal, as the attorney general may deem necessary." Illegal expenditure of public funds is defined as the use of funds for another use or other unauthorized purpose than that for which the appropriation was made.

FINDINGS AND RECOMMENDATIONS

There are eight findings and recommendations in this report.

Finding 1 – The Department did not maintain sufficient documentation to support award decisions for the Community Partners Grants.

Finding 2 – Some Community Partners Grant recipients received more than the maximum amount allowed by statute through the submission and approval of multiple applications using variations of the entity name while relying on the same tax identification number, address, and phone number.

Finding 3 – The Department did not provide evidence that they ensured compliance with age requirements for the Community Partners Grants awarded, as required by the legislative appropriation bills.

Finding 4 – The Department did not properly review applications for the Community Partners Grants to ensure that ineligible expenses were not included in the applicants' budget plan, nor did they document an identification or correction of these ineligible expenses prior to approval and distribution of funds.

Finding 5 – Status reports required to be submitted by the Community Partners Grant recipients were inadequate to ensure funds were spent in accordance with the requirements of the program.

Finding 6 – The Department did not properly document award decisions related to coverage areas identified by the applicant for the Community Partners Grant recipients to ensure the areas identified, and thus the funding provided, were appropriate.

Finding 7 – The payments distributed by the Department for phase 1 of the Community Partners Grant exceeded the \$36,000,000 appropriation for fiscal year 2022 by \$427,350.

Finding 8 – Payments to Community Partners Grant recipients were not made on time, in accordance with statutory requirements, for a total of four out of seven required payment periods in fiscal year 2022 and fiscal year 2023.

The findings are detailed on pages 9 through 36 of this report.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

MANAGEMENT’S VIEW

The Department disagrees with the findings included in this report and has provided its justification for that disagreement without providing corrective action plans. That information is included in its entirety at page 37 and with each applicable finding.

FINANCIAL INFORMATION

The following financial data includes total payments made to Community Partners Grants recipients in fiscal years 2022 and 2023 and is for informational purposes only.

Community Partner Grants Payments Distributed						
Grant Phase	Payment Period	Required Payment Date	Local	Regional	Statewide	Total
1	1	6/1/2021	\$ 500,000	\$ 4,500,000	\$ 3,000,000	\$ 8,000,000
1	2	9/1/2021	\$ 660,000	\$ 5,000,000	\$ 3,500,000	\$ 9,160,000
1	3	1/1/2022	\$ 700,000	\$ 5,310,000	\$ 3,500,000	\$ 9,510,000
1	4	5/1/2022	\$ 700,000	\$ 5,557,350	\$ 3,500,000	\$ 9,757,350
1	Total for Phase 1	6/30/2022	\$ 2,560,000	\$ 20,367,350	\$ 13,500,000	\$ 36,427,350
2	1	7/6/2022	\$ 480,000	\$ 3,747,350	\$ 3,000,000	\$ 7,227,350
2	2	9/1/2022	\$ 583,360	\$ 7,044,797	\$ 3,984,844	\$ 11,613,001
2	3	1/1/2023	\$ 568,040	\$ 6,690,436	\$ 4,343,929	\$ 11,602,405
2	4	5/1/2023	Not Reviewed			
2	Total for Phase 2	6/30/2023	\$ 1,631,400	\$ 17,482,583	\$ 11,328,773	\$ 30,442,756

OTHER INFORMATION

This report is intended solely for the information and use of the State of Idaho and the Department of Health and Welfare and is not intended to be used by anyone other than these specified parties. We are also supplying a copy of this report to the attorney general, the governor and the state controller in accordance with Idaho Code, Section 67-702(1)(e).

A copy of this report and prior reports are available on our [website](#) or by calling 208-334-4832.

We appreciate the cooperation and assistance given to us by the director, Dave Jeppesen, and his staff.

ASSIGNED STAFF

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OBJECTIVE

Our objective was to assess compliance with House Bill No. 400 from the first regular session of the sixty-sixth Idaho Legislature as directed in specific legislative intent language included in Senate Bill No. 1175 Section 8 of the first regular session of the sixty-seventh Idaho Legislature in 2023, for the Community Partners Grants. We focused our review on the procedures and internal controls utilized by the Idaho Department of Health and Welfare (Department) to ensure compliance with Idaho House Bill 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the 2022 first regular legislative session.

BACKGROUND

The Child Care and Development Fund (CCDF) program is a federal program specifically devoted to providing families with childcare subsidy and funding supports to states to improve quality. This program received additional funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Act Plan Act (ARPA) during the COVID-19 pandemic. The Idaho Community Partners Grant, as described on the Department's website, shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the COVID-19 pandemic. The funding was intended to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho.

The Idaho Legislature provided additional parameters for the Community Partners Grants as defined in Idaho House Bill 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the 2022 first regular legislative session. Both bills stated the following: "\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence."

METHODOLOGY

To evaluate the Department's compliance with legislative guidelines included in the fiscal year 2022 and fiscal year 2023 appropriations for this grant, we began by reviewing processes for approving or denying grant applications. We tried to identify internal controls during those processes that would assist the Department in ensuring compliance and we performed several tests focused on the various requirements defined in the intent language for the appropriations bills for fiscal year 2022 and fiscal year 2023.

We reviewed all approved and denied applications for the Community Partners Grants along with the payments made to recipients in fiscal year 2022 and the first three quarters of 2023. In addition, we reviewed a sample of the status reports submitted by recipients that were intended to provide progress updates for the completion of the applicant's goals and support the expenditures of the advanced funds.

The Community Partners Grants were distributed in two phases that correlated to the appropriation granted by the legislature: phase 1 was from June 1, 2021, to June 30, 2022. Phase 2 was from July 1, 2022, to June 30, 2023. Seventy-six organizations were awarded grants for phase 1 for the total distributed amount of \$36,427,350 (see finding #7). Sixty-nine organizations were awarded grants for phase 2 for the distributed amount of \$30,442,757 through three distribution periods. The May 2023 payments were not reviewed due to the timing of our review.

We also performed procedures to evaluate the Department's process for distributing funds and monitoring the Community Partners Grants in accordance with House Bill No. 400 Section 2 of the first regular session 2021, and House Bill No. 764 Section 6 of the first regular session 2022.

Review of the Approved Applications for the Community Partners Grants

- We reviewed all Community Partners Grants applications that were approved during phase 1 and phase 2 for a total of 145 total approved grants.
 - We evaluated Department documentation that supported the review and approval of the Community Partners Grant applications. We found that none of the approved applications had adequate documentation to support the approval. The documentation should have included an audit trail identifying who made the decision to approve and when the decision was made. See finding #1.
 - Scoring rubrics were identified by the Department as a tool used to evaluate applications and determine if the application would be approved or denied. As a result, we reviewed all applications, through both phases, to see that the rubric was completed, properly evaluated, and supported the decision made on the application.
 - For grant phase 1, there were 30 of 76 (39 percent) scoring rubrics used for grant approvals that were unavailable for review.
 - For grant phase 2, all scoring rubrics used for grant approvals were available for review, but still lacked documentation of the person completing it, the date it was completed, and that it was evaluated for accuracy.

- We also reviewed all applications, through both grant phases, for evidence that the Department included procedures to ensure that only children aged 5 to 13 would be served by the programs provided. We found a consistent lack of evidence that the Department implemented procedures to ensure that applicants provided plans that only assisted children between the ages of 5 and 13. See finding #3.
 - We identified 21 of 76 (28 percent) recipients in grant phase 1 that planned to use funds for children outside of the 5 to 13 age group, based on application materials and spending plans. Multiple recipients stated that two-thirds of their participants were 5 to 13, which indicated one-third is outside the targeted group. Other recipients had combined age ranges from 0 to 18 years of age. The age group for one recipient expanded to 24 years of age if diagnosed with a disability.
 - We identified 20 of 69 (29 percent) recipients in grant phase 2 that planned to use funds for children outside of the 5 to 13 age group, based on application materials and spending plans. Multiple recipients stated that two-thirds of their participants were 5 to 13, which indicated one-third is outside the targeted group. Other recipients had combined ages ranges from 0 to 18 years of age.
- We reviewed all applications, through both grant phases, for ineligible expenses based on the guidelines provided by the Department. See finding #4.
 - During phase 1, 42 of 76 (55 percent) recipients' proposed budgets included funds for ineligible expenses. Ineligible expenses included the following: building improvements, equipment (computer, playground, cameras, drones, electronic tablets), and rental assistance. The total amount of ineligible items included in proposed budgets for phase 1 was \$3,130,538.84.
 - During phase 2, 30 of 69 (43 percent) recipients' proposed budgets included funds for ineligible expenses. Ineligible expenses included the following: equipment (computer, playground, cameras, drones, electronic tablets) and rental assistance. The total amount of ineligible items included in proposed budgets for phase 2 was \$652,201.88.
- All applications for both grant phases were reviewed for evidence that the Department evaluated the applicants identified coverage area for compliance with the requirements. Coverage area determined the award amount, and improper verification could result in an over or under allocation to a particular recipient.
 - We found a consistent lack of evidence that the Department implemented procedures to evaluate and confirm the appropriateness of applicant's identification of coverage areas in all applications. See finding #6.
 - Additionally, for grant phase 1, coverage area was not included on one application.

Review of the Denied Applications for the Community Partners Grants

- We reviewed all Community Partners Grants applications that were denied during phase 1 and phase 2 to determine that the Department designed procedures to properly deny applications based on the requirements, and adequately documented those decisions. We

identified 33 organizations that were denied awards for phase 1 and phase 2 included 10 organizations that were denied awards. Documentation should have been available to support why a decision to reject an application was made. In addition, the documentation should have included who made the decision to deny and when the decision was made. See finding #1.

- Department personnel did not properly document the review and the denial of the Community Partners Grant applications for any recipients.
- Additionally, 2 of the 33 (6 percent) scoring rubrics used for grant denials during Phase 1 were unavailable for our review.

Financial and Programmatic Reviews

- We reviewed the Grant Tracker with Payment Information spreadsheet and a Business Objects query for the Community Partners Grants data. Eligible organizations received awards based on financial need, as described in a proposed budget, and based on coverage area: local coverage (up to \$20,000/per period), regional coverage (up to \$250,000/per period), and statewide coverage (up to \$500,000/per period). The local coverage area is limited to a single city or municipal area. Regional coverage spans multiple cities/municipal areas but falls within a single region or multiple neighboring regions. Statewide coverage spans multiple regions throughout all parts of Idaho.
 - We agreed the amount identified as disbursed to approved recipients on this spreadsheet to the Department's Financial Information System and Cost Allocation Accounting System (FISCAL).
 - We utilized this spreadsheet to review payments to recipients and ensure compliance with payment due dates and coverage area payment limits. Through this process we identified several organizations receiving a variety of awards that had identical overlapping characteristics, including tax identification numbers (TIN), mailing addresses, email addresses, telephone numbers, and contact persons. See finding #2.
 - We also reviewed the amount appropriated for the two phases through House Bill No. 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the 2022 first regular legislative session which both stated that \$36,000,000 shall be used for community provider grants.
 - We determined that the total payment amount for phase 1 was \$36,427,350, which exceeded the appropriation by \$427,350. See finding #7.

Review of the Status Reports

- Status reports were required by the Department and should have been a monitoring tool used to ensure that recipients spent the grant funds advanced as intended by the legislation authorizing these grants. This grant was an advance based grant, which means that once the application was approved the recipient received funding in advance of incurring the expenditures. It is important for a grantor to design and implement procedures to ensure that the recipient complies with the requirements of the grant when spending the advanced funds. One way to do that is by status or periodic reports of expenditures and program details that are then reviewed by appropriate staff within the Department to ensure

compliance. Additionally, timely and detailed review of status reports that include adequate detail could enable the Department to withhold future distributions if ineligible expenditures were noted. See finding #5. We selected 60 status reports for review – 45 from phase 1 and 15 from phase 2.

- The Department documented the receipt of status reports for each quarter for all grant recipients, along with comments regarding their budget and detailed accomplishments. However, the Department could not provide documentation to show who completed the review and approval of the status reports or when the review and approval of the status reports was completed.
- The Department did not require the recipients to include detailed information in status reports to verify that expenses incurred during the reporting period were for eligible items. The recipients were only required to self-certify that the expenses were eligible; however, there was not enough consistent detail provided to verify the allowability.
- The Department did not require the recipients to include detailed information in status reports to verify that expenses incurred served only children 5 to 13 years-of-age.
- For all 60 status reports, we were able to see a narrative describing whether or not goals were met, however those were program goals and did not necessarily speak to the specific requirements included in the appropriation bills.
- Based on the deadlines provided by the Department, all 60 status reports reviewed were submitted on time.
- 59 status reports did not include the number of children served by racial/ethnic population, as required by grant guidelines provided by the Department.
- 5 of the status reports tested did not report any demographic information, as required by grant guidelines provided by the Department.
- 3 status reports only reported total demographic information and did not provide any racial, ethnic, or gender information, as required by grant guidelines provided by the Department.

Review of Community Partners Grants payments processed by the Department

- The Department processed 420 payments totaling \$66,870,107.03 to the Community Partners Grants recipients through March 31, 2023. We designed procedures to evaluate the Department's implementation of appropriate internal controls to ensure the correct amounts were paid to recipients and the payments were included in the financial system accurately. We randomly selected 60 payments for testing from both phase 1 and phase 2. We then analyzed all 420 payments from both phase 1 and phase 2.
 - In our sample, we found that 16 of 60 payments (27 percent) were not compliant with House Bill No. 400 and House Bill No. 764, as they were not made by the dates specified in the bills. See finding #8.
 - In our analysis of all payments, we found that 152 of 420 payments (36 percent) were not compliant with House Bill No. 400 and House Bill No. 764, as they were not made by the dates specified in the bills. See finding #8.
 - All of the payments tested for the grant program were made to approved applicants.

- All of the payments tested showed evidence of review and approval of the program personnel.
- All of the payments tested were consistent with the amount included in the approval notice.

Related-Party Transactions

- For audit purposes, a related-party transaction is where a transaction does not take place at arm's length or when one party to a transaction can exert undue influence on the transaction. We identified a risk that related-party transactions may have occurred requiring additional safeguards and reporting related to the Community Partners Grants. One of the Department's former program managers also served on the board of a recipient organization. The program manager was part of the team that approved and denied the grant applications. With the assistance of the Department, we completed an analysis of e-mails between the former program manager and the recipient organization. In the e-mails provided, we did not find specific evidence of related-party transactions; however, the absence of documentation of the approvals and denials of the grant applications make it impossible to confirm with certainty that related-party transactions were not present. The Department did not disclose any related-party transactions when we inquired about the possible presence of related-party transactions. See finding #1.

CONCLUSION

We identified a lack of internal controls throughout the program that resulted in several deficiencies reported in the findings and recommendations below. Based on the evidence available, the lack of controls related to expenditures of public funds allowed for recipients of the grants to use funds received for ineligible purposes and for ineligible age groups that did not meet the purposes specifically defined in the appropriation laws. These findings are serious enough to report to the Idaho Attorney General pursuant to Idaho Code, Section 67-702(1)(e), which states in part, "Report to the attorney general all facts which may indicate malfeasance, illegal expenditure of public funds or misappropriation of public funds or public property for such investigation or action, civil or criminal, as the attorney general may deem necessary." Illegal expenditure of public funds is defined as the use of funds for another use or other unauthorized purpose than that for which the appropriation was made. The complete findings are found on the following pages.

FINDINGS AND RECOMMENDATIONS

Finding 1 – The Department did not maintain sufficient documentation to support award decisions for the Community Partners Grants.

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

The *U.S. Code of Federal Regulations* (CFR), 2 CFR 200.303, requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by COSO.

The Child Care and Development Fund (CCDF) program received additional funding through Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). The Idaho Community Partners Grant shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the COVID-19 pandemic. The funding was intended to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho.

The parameters of the Community Partners Grants were defined in Idaho House Bill 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the 2022 first regular legislative session. Both bills stated the following: “\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.”

In addition, the Idaho Department of Health and Welfare Financial Policy Manual states that in order to ensure compliance with federal grant management rules, as contained in 45 CFR 74.53 and 45 CFR 92.42, documentation must be retained for at least three- and one-half years past the end of the State fiscal year in which the transaction occurred.

Condition: During testing, we reviewed all grant applications for the Community Partners Grants to determine if they were properly reviewed and approved by Department staff. There was evidence that an evaluation process took place; however, there was no documentation to show who completed the evaluation or when the evaluation was completed.

There were two phases of the Community Partners Grant distribution: phase 1 was from June 1, 2021, to June 30, 2022; phase 2 was from July 1, 2022, to June 30, 2023. Seventy-six organizations were awarded for phase 1. Sixty-nine organizations were awarded for phase 2.

While reviewing the applications during the audit period, there were several issues noted.

In phase 1:

- Department personnel did not properly document the review and the approval or denial of the Community Partners Grant applications for any recipients. Documentation should have been available to support why a decision to approve or reject an application was made.
- 30 of the 76 (39 percent) scoring rubrics used for grant approvals were unavailable for review.
- 2 of the 33 (6 percent) scoring rubrics used for grant denials evaluations were unavailable for review.
- Coverage area was not included on one application. The applicant with the missing coverage area was a county-based organization and awarded grant funds at a local level. Coverage area determines the award amount, and improper verification could result in an over or under allocation to a particular recipient.

In phase 2:

- While all scoring rubrics were available, Department personnel did not properly document the review and the approval or denial of the Community Partners Grant applications for any recipients. Documentation should have been available to support why a decision to approve or reject an application was made.

Additionally, we identified a risk that related-party transactions may have occurred requiring additional safeguards and reporting related to the Community Partners Grants. One of the Department's former program managers also served on the board of a recipient organization. The program manager was part of the team that approved and denied the grant applications. For audit purposes, a related-party transaction is where a transaction does not take place at arm's length or when one party to a transaction can exert undue influence on the transaction. With the assistance of the Department, we completed an analysis of e-mails between the former program manager and the recipient organization. In the e-mails provided, we did not find specific evidence of related-party transactions; however, in the absence of documentation of the approvals and denials of the grant applications, we were unable to confirm with certainty that related-party transactions were not present. The Department did not disclose any related-party transactions when we inquired about the possible presence of related-party transactions.

Cause: The Department did not design and properly document a review process that would identify who participated, what was evaluated, what each applicant scored on the evaluation

criteria, and the final decision made. The Department stated that review and approval of the grants was a group effort and agreed that the process was not properly documented. Additionally, there was indication of high turnover during grant processing, which could have contributed to missing documentation for the scoring rubrics.

Effect: The Department did not maintain adequate support for all application approvals and denials, which could result in grant funds being used for purposes other than intended. During testing of grant payments, we were able to tie payment amounts to recipients that were approved for grants, but we also have identified issues with ineligible expenditures (finding #4) that are the result of these absent or inadequately performed evaluations of recipient submission documents.

Recommendation: We recommend that the Department ensure that internal controls are consistently performed to ensure adequate evaluations of grant requests and compliance with maintaining documentation in accordance with records retention policies and grant requirements. In addition, we recommend that the Department develop a system to evaluate the risk of, develop safeguards, and include proper reporting for potential related-party transactions.

Management's View: *IDHW respectfully disagrees with this finding. We disagree that the documentation elements outlined by the auditors are the only way to create effective controls of grant approvals. IDHW did properly document the review and approval or denial of Community Program Grant applications and provided that documentation to the auditors.*

The legislative appropriation bills explained that "The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines." This was completed fully and appropriately. IDHW collected applications, staff reviewed and scored each eligible application, and notified grantees. All applications, collective scoring decisions, the spreadsheet containing the eligibility decisions and scores with reviewer's comments, and the notifications to grantees, which explained the reason for approval or rejection, were retained. Applications that were categorically ineligible were denied without scoring or additional review, and applicants were notified.

While it is accurate that some of the individual scoring rubrics from specific reviewers were not available due to those employees having left IDHW and their files being removed per IDHW record retention policy, information from those individual scoring rubrics was retained via the collective scoring decision. And it is important to point out that the collective scoring decision is what was used to determine an applicant's eligibility. There was no requirement in House Bill 400 (2021) nor in House Bill 764 (2022) nor in federal law specifying that individual scoring rubrics must be retained, nor is this practice required by Generally Accepted Accounting Principles. In previous grant awards, IDHW has followed similar record retention practices, maintaining the collective scoring information but not the individual scoring rubrics, with no deficiencies identified.

The specific finding related to coverage area notes that "for grant phase 1, coverage area was not included on one application." In this instance, the applying program's budget did not exceed \$20,000 (the smallest grant size) per funding period so the applicant was deemed to be "local" and there was no possibility of over or underpayment.

IDHW did state " ...that the review and approval of the grants was a group effort..." but did not agree "that the process was not properly documented." Rather IDHW asserts that the process was properly documented.

Considering Goal 4 of the Department's Strategic Plan is to "Strengthen trust and confidence" in DHW, the Department takes allegations of employee misconduct seriously. Employees who engage in unscrupulous practices damage the integrity of the entire agency and hamper our ability to fulfill our mission to strengthen the health, safety, and independence of Idahoans. All IDHW employees agree to always conduct state business ethically and legally. We note the following requirement in the IDHW HR Policy Manual, which all employees are required to sign: "Employees are expected to act impartially in performing official duties and not give preferential treatment to any outside organization or individual." The staff engaged in reviewing the Community Program Grant applications understood and met their obligation to report any conflicts of interest.

We therefore would like to address the concerns about related-party transactions mentioned under the condition of this finding. No department employee gave preferential treatment to any community program grantee. There was always more than one staff member involved in the scoring and review of the applications. Further, the program manager referenced in this finding was not involved in the application process from the recipient organization where she served on their board. IDHW requested a legal analysis from the Attorney General's office in November 2022 immediately after this concern of a related-party transaction had been raised. The purpose of IDHW's inquiry was to ensure no staff malfeasance had occurred and uncover any problems should interventions be necessary. That legal opinion confirmed that there was not a related-party transaction. The Department provided thousands of records and emails related to the Community Program Grant program to LSO auditors, including emails between the program manager and the recipient organization where she was on their board, and other DHW employees. LSO admits that "we did not find specific evidence of related-party transactions." The Department does not agree that the individual in question was involved in any work that would fit the definition of a related-party transaction, which is why, as noted in this finding, "The Department did not disclose any related-party transactions when we inquired about the possible presence of related-party transactions."

Auditor's Concluding Remarks: We thank the Department for providing responses to the findings. We would like to emphasize that the purpose of this review was not to audit at the level and approach we would use to meet the federal requirements for Single Audit and the Child Care and Development Fund program, but rather to assess the Department's compliance with specific requirements provided in the appropriation bills that were signed into law for fiscal years 2022 and 2023 within the constraints of applicable federal programs. To that end, an assessment of the internal controls the Department utilized to ensure that it met those requirements is an important part of this review. We continue to assert that the Department did not adequately design, implement, and document internal controls to ensure compliance with the requirements included in the applicable appropriation bills for fiscal years 2022 and 2023, nor has it provided anything in its response that changes our findings or what was documented during our fieldwork.

It is important to note that not only did we find an overall lack of evidence to support consistent application of internal controls, such as identification of reviewers and the date of review, but we also found that 39 percent of the applications approved in fiscal year 2022 did not have the scoring rubric available for review. The scoring rubric, which was designed by the Department, is a critical piece of the approval process and should have been retained to support decisions made. A failure rate approaching half of the total grants approved in fiscal year 2022 indicates a significant weakness in the process and increases the risk that applications were improperly approved. The fact stated by the Department in its response, “There was no requirement in House Bill 400 (2021) nor in House Bill 764 (2022) nor in federal law specifying that individual scoring rubric must be retained, nor is this practice required by Generally Accepted Accounting Principles.” is contradictory to the understanding, at the federal and State level, that robust internal controls improve compliance and reduce the risk of improper payments, errors, or misappropriation. The Department selected these procedures and described them to us as part of its designed process to approve or deny applicants; it is the Department’s responsibility to maintain documentation to support that these procedures were completed and effective. The Department also cannot support the statement that they “used adequate controls to ensure that the Community Program Grants were awarded to recipients for eligible purposes and for eligible age groups per the intent language in House Bill 400 (2021) and House Bill 764 (2022) and federal guidance.” without also providing evidence of those controls. The underlying rubrics, reviewer details, and review dates are all critical pieces of evidentiary documentation to support the decisions and assertion made by the Department of adequate controls. Additionally, the grant tracking spreadsheet identified by the Department as a primary component of its control system did not include enough information to function as a control, and we could not verify the accuracy of the information provided, as spreadsheets are easily changed.

Regarding the related party transaction concerns noted in the finding and the Department’s response, we continue to assert that our concern was with the Department’s identification of related party situations and the design of any necessary safeguards. The fact that an entity may have a related party transaction does not, in and of itself, automatically mean preferential treatment was given or that a transaction was unduly influenced, but it does identify that there is a risk that it could occur, and safeguards should be in place. The employee did have the opportunity, by being a part of the team approving applications and their ties to applying entities, to influence the transaction. As stated above, we did not find evidence that undue influence occurred, but we also found no evidence that the Department identified this risk or implemented safeguards.

Finding 2 – Some Community Partners Grant recipients received more than the maximum amount allowed by statute through the submission and approval of multiple applications using variations of the entity name while relying on the same tax identification number, address, and phone number.

Criteria: The Child Care and Development Fund (CCDF) program received additional funding through Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). The Idaho Community Partners Grant shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the Coronavirus disease (COVID-19) pandemic. The funding was intended

to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho.

The parameters of the Community Partners Grants were defined in Idaho House Bill 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the 2022 first regular legislative session. Both bills stated the following: “\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.”

Condition: The funding for the Community Partners Grant distribution was completed in phases. The phase 1 period was from June 1, 2021, to June 30, 2022, with 76 applicants receiving an award. The phase 2 period was from July 1, 2022, to June 30, 2023, with 69 applicants receiving an award. However, several of the organizations receiving awards had identical overlapping characteristics, including tax identification numbers (TIN), mailing addresses, email addresses, telephone numbers, and contact persons. The Department paid several specific organizations more than the maximum amount of grant funding allowed. Eligible organizations received awards based on financial need, as described in a proposed budget, and based on coverage area: local coverage (up to \$20,000/per period), regional coverage (up to \$250,000/per period), and statewide coverage (up to \$500,000/per period). The local coverage area is limited to a single city or municipal area. Regional coverage spans multiple cities/municipal areas but falls within a single region or multiple neighboring regions. Statewide coverage spans multiple regions throughout all parts of Idaho.

Applications for the grants were only accepted by e-mail. Applicants submitted initialed and signed applications and included a W-9 Form, tax identification number, and a detailed budget for review. The applications were e-mailed to ChildCareGrant@dhw.idaho.gov, then Department personnel evaluated the applications using a scoring rubric.

Four separate groups included multiple grant awards, which had varying levels of identical overlapping characteristics, including TINs, mailing addresses, business telephone numbers, business e-mails, and main contact persons. The groups included grant amounts at the local, regional, and statewide levels.

**Entities with characteristics that indicate they are the same entity, or closely affiliated,
receiving multiple Community Partners Grants**

				Identical Information				
Entity Name	Name Suffix	Coverage Area	Amount Received	TIN	Mailing Address	Business Phone	Business Email	Main Contact
United Way								
United Way	of Southeastern Idaho	regional	\$493,200	X	X	X	X	X
United Way	of SE Idaho - American Falls	local	\$100,000	X	X	X	X	X
United Way	of SE Idaho - imPact	local	\$100,000	X	X	X	X	X
Total to the same tax identification number:			\$693,200					
Idaho Association for Education of Young Children								
Idaho Association for Education of Young Children	Education Collaborative	statewide	\$3,500,000	X	X	X	X	X
Idaho Association for Education of Young Children	Child & Family Connections	statewide	\$3,500,000	X	X	X	X	X
Idaho Association for Education of Young Children	Ready for Kindergarten	statewide	\$3,500,000	X	X	X	X	X
Total to the same tax identification number:			\$10,500,000					
University of Idaho								
University of Idaho Extension 4-H	Jefferson County	local	\$60,000	X	X	X	X	
University of Idaho Extension 4-H	Minidoka County	local	\$80,000	X	X	X	X	
University of Idaho Extension 4-H	Adventure Camp	regional	\$489,615	X	X	X	X	
University of Idaho Extension 4-H	Bannock County	local	\$39,755	X	X	X	X	
University of Idaho Extension 4-H	Bear Lake County	local	\$120,000	X	X	X	X	
University of Idaho Extension 4-H	Benewah County	regional	\$522,333	X	X	X	X	

**Entities with characteristics that indicate they are the same entity, or closely affiliated,
receiving multiple Community Partners Grants**

				Identical Information				
Entity Name	Name Suffix	Coverage Area	Amount Received	TIN	Mailing Address	Business Phone	Business Email	Main Contact
University of Idaho								
University of Idaho Extension 4-H	Bonner County	local	\$27,969	X	X	X	X	
University of Idaho Extension 4-H	Bonneville County	local	\$120,000	X	X	X	X	
University of Idaho Extension 4-H	Boundary County	local	\$99,981	X	X	X	X	
University of Idaho Extension 4-H	Camas County	local	\$119,761	X	X	X	X	
University of Idaho Extension 4-H	Gooding County	local	\$119,996	X	X	X	X	
University of Idaho Extension 4-H	Jerome	local	\$80,000	X	X	X	X	
University of Idaho Extension 4-H	Kootenai/Shoshone	regional	\$475,696	X	X	X	X	
University of Idaho Extension 4-H	Teton County	local	\$115,994	X	X	X	X	
University of Idaho Extension 4-H	Twin Falls County	local	\$40,000	X	X	X	X	
University of Idaho Extension 4-H	Valley County	local	\$80,000	X	X	X	X	
University of Idaho Extension 4-H	Creating a Spark in Treasure Valley Youth	regional	\$1,237,998	X	X	X	X	
University of Idaho Extension 4-H	Engaging and Supporting Youth	statewide	\$969,696	X	X	X	X	
University of Idaho Extension 4-H	Into the Garden	local	\$80,000	X	X	X	X	
University of Idaho Extension 4-H	Military Youth	regional	\$1,499,983	X	X	X	X	
University of Idaho Extension 4-H	North Central Tribe	regional	\$1,380,710	X	X	X	X	
University of Idaho Extension 4-H	Statewide	statewide	\$2,000,000	X	X	X	X	
University of Idaho Extension 4-H	Southwest Idaho	regional	\$1,000,000	X	X	X	X	
University of Idaho Extension 4-H	STEM 2022	regional	\$180,372	X	X	X	X	

Entities with characteristics that indicate they are the same entity, or closely affiliated, receiving multiple Community Partners Grants								
				Identical Information				
Entity Name	Name Suffix	Coverage Area	Amount Received	TIN	Mailing Address	Business Phone	Business Email	Main Contact
University of Idaho								
University of Idaho	McCall Outdoor Science School	statewide	\$1,749,993	X	X	X	X	
Total to the same tax identification number:			\$12,689,852					
Boys and Girls Club								
Boys and Girls Club	Of Lewis Clark Valley	regional	\$1,750,000		X	X	X	X
Boys and Girls Club	Idaho Alliance of	statewide	\$3,500,000		X	X	X	X
Total to organizations sharing significant characteristics, but with different tax identification number:			\$5,250,000					

Cause: The Department stated that for large entities, such as the University of Idaho and the Boys and Girls Clubs, applications were reviewed to ensure that each application was for a unique component of programming. The Department stated that they believed it was acceptable for one entity to receive multiple awards for different programs and activities.

Effect: Grant amounts in excess of maximums allowed by the statutory requirements were paid to some community partners with the same TIN, address, and phone number. The statute clearly delineates specific amounts available based on the area served by a community provider, which could be circumvented by submitting multiple applications by entities that are all under one umbrella TIN and managed by the same grantee personnel and office.

Recommendation: We recommend that the Department design processes and internal controls to ensure that they comply with statutory guidance, including sections of bills that are signed into law with intent language.

Management’s View: *The Idaho Department of Health and Welfare respectfully disagrees with this finding. Community Program Grant recipients did not receive more than the maximum amount allowed by statute.*

The 2021 Idaho House Bill 400 and 2022 Idaho House Bill 764 both state the following: "Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence." Neither bill defined the term "provider" relevant to the administration of the Community Program Grants. With no such definition, IDHW staff used the definition of "provider" that IDHW commonly uses for grants

similar to the Community Program Grants: a "provider" is an operator of a program, not a single entity. The Community Program Grant program allowed multiple applications from an entity if unique and specific programs were being provided.

For example, University of Idaho (UI) operates a variety of unique programs across the state, each serving a specific purpose without overlap or duplication to other awarded programs. The UI McCall Outdoor Science School (MOSS) hosts students from across the state at its campus for residential programming, adventure day camps, and outreach programming that teaches exploration of the environment, guided inquiry, and observation and investigation of the relationships between biological, physical, and social systems around them. UI also administered the 4-H Experiential Youth Person Finance Education program that operated children's financial literacy learning programs during out-of-school time. Clearly these are each unique and specific programs, each providing benefit to their community and individually eligible for grant participation.

It is important to note that if the definition of provider suggested by the auditors had been used, it would not have been possible to achieve the \$36,000,000 in grant distribution that is found in the legislative intent language. Said differently, every Community Program Grant application that was eligible was fully funded at the appropriate level, except for the very last payment in May 2023, which was not fully funded by the Legislature.

Auditor's Concluding Remarks: We thank the Department for providing responses to the findings. We continue to assert that approving multiple grants to different "programs" under one entity's tax identification number, contact person, etc., reduces the opportunity for that program to reach more community providers. This process also seems to circumvent the limitations by service area that were included in the appropriation bills. Additionally, the Department pointed out that "It is important to note that if the definition of provider suggested by the auditors had been used, it would not have been possible to achieve the \$36,000,000 in grant distribution that is found in the legislative intent language." Appropriation bills are created as a limit to what an agency is authorized to spend, not a minimum amount to achieve superseding other considerations. We are not questioning that these programs provide value to the community, but that value needs to be provided within the constraints of the requirements included in the spending authority. Distributing almost \$24 million of just over \$66 million in total distributions over two years (approximately 36 percent) to multiple programs from just three entities within the State seems to conflict with the intent behind limitations to the grant amount by area served. For example, if one of these entities received the maximum distribution of the statewide amount each quarter, it would be limited to \$4 million over the two fiscal years, yet two of these entities received over \$10 million each over the period reviewed, which did not include the final payment of the grant.

Finding 3 – The Department did not provide evidence that they ensured compliance with age requirements for the Community Partners Grants awarded, as required by the legislative appropriation bills.

Criteria: *The Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate

review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

The *U.S. Code of Federal Regulations* (CFR), 2 CFR 200.303, requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by COSO.

The Child Care and Development Fund (CCDF) program received additional funding through Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). The Idaho Community Partners Grant shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the COVID- 19 pandemic. The funding was intended to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho.

The parameters of the Community Partners Grants were defined in Idaho House Bill 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the 2022 first regular legislative session. Both bills were signed into law and stated the following: “\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.”

Condition: We reviewed 145 approved grant applications and supporting documentation covering June 1, 2021, through March 31, 2023, and found that several of them included spending plans that would serve participants outside of the 5 through 13 age range specified in statute.

The Community Partners Grant funds were distributed to approved applicants in two phases: the first covered June 1, 2021, to June 30, 2022, and the second covered July 1, 2022, to June 30, 2023.

In phase 1, we identified 21 of 76 (28 percent) recipients that used funds for children outside of the 5 through 13 age group. Based on budget plans and status reports, multiple recipients stated that two-thirds of their participants were included in the 5 through 13 age range, which indicated one-third were outside the targeted group. Other recipients served combined age ranges from 0 to 18 years. The age group for one recipient expanded to 24 years of age if a participant was diagnosed with a disability. The applications did not indicate that funds received would only be

spent on the target group of 5- to 13-year-olds, nor did they provide documentation confirming it was only spent on that allowable group.

In phase 2, we identified 20 of 69 (29 percent) recipients that used funds for children outside of the 5 through 13 age group. Again, multiple recipients stated that two-thirds of their participants were included in the 5 through 13 age range, which indicated one-third were outside the targeted group. Other recipients had combined ages ranges from 0 to 18 years of age. The applications did not indicate that funds received would only be spent on the target group of 5- to 13-year-olds, nor did they provide documentation confirming it was only spent on that allowable group.

The Department did not design or implement procedures or internal controls to ensure that only participants from ages 5 through 13 were served by the Community Partners Grants.

Cause: The Department interpreted House Bill 400 and House Bill 764 language, “Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance.,” as indicating that an eligible recipient could receive grant funding if the intended programs included school-aged participants ages 5 through 13, even if it also included participants outside the Idaho statutory guidelines.

We assert that the guidance provided in House Bill 400 and House Bill 764 specifying that only children within the 5 through 13 age range should be served by this specific program does not result in noncompliance with the federal requirements and that the Department could have, and should have, followed both sets of guidance in administering this program and the funds appropriated specifically for the Community Partners Grants within the Child Care Development Block Grant.

Effect: Grant funds appropriated specifically for the Community Partners Grants were not solely used for the intended purpose and recipients may not have been entitled to the grant funds.

Recommendation: We recommend that the Department ensure compliance with State statutes, including designing and implementing internal controls and procedures to ensure compliance with legislative appropriations and intent language included in Idaho laws.

Management’s View: *IDHW respectfully disagrees with this finding and the interpretation of state statute used to create this finding. IDHW did comply with the age requirements for Community Program Grants as described in the legislative appropriation bills.*

The Community Program Grants were funded by the Federal American Rescue Plan Act of 2021 (ARP) section 2201. The Idaho State Legislature appropriated these ARP funds to IDHW in the 2021 session (\$106,000,000 in House Bills 395 and 400) and 2022 session (\$100,503,000 in House Bill 764). Both bills included intent language, which stated the "Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance." Federal guidance was clear that funds should only be used to support children ages 0 to 13. If the legislative intent language had read, "Grants shall be used ONLY for serving..." (emphasis added) that would have precluded the eligible grant recipients from using the funds for children ages 0 to 4. However, the legislative intent language did not include the word "only," which means that

eligible recipients could receive grant funding if the intended programs included school-aged participants ages 5 through 13, even if grant recipients also included participants under age 5 in their programs.

IDHW shared publicly in 2021 the Community Program Grant awardees through a press release and sent a list of the grant awardees to the Legislative Joint Finance and Appropriations Committee (JFAC). In the 2022 session, with the knowledge of the \$26 million in Community Program Grant funding that had already been distributed and knowledge of who the grant awardees were, JFAC passed House Bill 764 (2022) with the same intent language with updated payment dates.

Then, in November 2022 after a lobbyist raised concerns, IDHW requested a legal analysis from the Attorney General's office of the intent language in House Bill 400 (2021) and House Bill 764 (2022) to clarify what ages were eligible. The purpose of IDHW's inquiry was to ensure compliance with state and federal law, and to do so immediately should interventions be necessary. However, no changes were necessary because the Attorney General's office confirmed that IDHW's "processing of community grants raises no concerns of statutory violations." This issue was subsequently raised before District Court Judge Lynn Norton and addressed twice. First, in a decision issued by District Court Judge Norton on April 27, 2023 in a case having to do with the question of what age is eligible for these grants, Judge Norton said that grant recipients would "... violate House Bills 400 and/or 764 if the recipients only serve children four years old or younger or only provide online educational or enrichment activities."⁵ Then again, on Aug 10, 2023, Judge Norton said, "Therefore, this Court finds ... that the IDHW and IDHW officials were justified in relying on the opinions and evaluations of the administration of the grants that were provided by the Attorney General's Office."⁶ That legal opinion found that both the federal and the state's appropriation bills' intent language allowed the use of the funds for children aged 0 to 13, but a grantee must also serve children ages 5 to 13. IDHW has relied on the AG's legal opinion and two judicial decisions as confirmation of IDHW's interpretation of the legislative intent language. IDHW is unclear on what basis the auditors used to come to a different interpretation of the legislative intent language and can only assume that is a source other the then [sic] AG's legal opinion or recent judicial decisions.

Applicants were not excluded from receiving Community Program Grants if their organizations included services for children older than 13; however, their use of funds by approved programs was limited to children ages 0 to 13 per federal guidance and must include children ages 5 to 13 per state guidance. Signed applications indicated that all grant participants served children aged 5 - 13 years old as required by Idaho House Bill 400 (2021) and Idaho House Bill 764 (2022).

The Department's position is that a signed application attesting to the ages served is sufficient information for the initiation of grant participation. Federal guidance for the use of ARP Act funding supports this position: "subgrant applications may include check boxes for providers to select, and the lead agency may treat submission of the application as the certification."⁷ Check boxes with an application serving as certification is what IDHW did and provided to the auditors. Relatedly, child care subsidy payments are paid to child care providers based on an attestation; this has been the subject of previous LSO audits and never been a finding.

Additionally, all grantees initialed their agreement with the following statement: "I understand that all expenses covered by the grant payment amount are subject to audit. I understand that I must maintain sufficient documentation to account for the entire grant payment amount for no less than five (5) years." The grant guide explains that IDHW may audit any or all Community Program Grant grantees. Compliance with grant requirements continues to be subject to review by IDHW staff. As the department did not have any concerns with potential violations of this requirement during the application and reporting phases of this grant cycle, we have not performed any audits to date. However, the spending for the Community Program Grants must be completed by September 2023; audits will begin once the program has concluded.

*Please note that Child Care and Development Block Grant (CCDBG) requirements detailed in the Finding 3 Cause were not from CCDBG but from the American Rescue Plan Act (ARP Act), and are **not** applicable to the Community Program Grants. The Community Program Grants were funded from ARP Act supplemental discretionary funds (Sec. 2201). The quoted requirements in this finding apply to the ARP Act Stabilization funds (Sections 2201 and 2202, H.R.1319 - American Rescue Plan Act of 2021) which is specifically for child care services. None of the Community Program Grant grantees received Community Program Grants for child care services. Therefore, the following requirements do not apply to the Community Program Grants:*

- 1. That the childcare provider will, when open and providing services, implement policies in line with guidance and orders from corresponding State, territorial, tribal, and local authorities and, to the greatest extent possible, implement policies in line with guidance from the Centers for Disease Control and Prevention (CDC).*
- 2. For each employee, the childcare provider must pay at least the same amount in weekly wages and maintain the same benefits for the duration of the stabilization funding.*
- 3. The provider will provide relief from copayments and tuition payments for the families enrolled in the provider's program, to the extent possible, and prioritize such relief for families struggling to make either type of payment.*

Auditor's Concluding Remarks: We thank the Department for providing responses to the findings. We also appreciate the Department providing clarification on the specific federal funding source and have removed some information included in the cause section of this finding that was not applicable based on the response provided.

We note that the Department is involved in litigation with the Attorney General in relation to the Community Partners Grant program. The Department asked that we review the ruling from April 27, 2023, and referenced both that ruling and the August 10, 2023, ruling in its response. We have reviewed the rulings provided from Judge Norton on April 27, 2023, and August 10, 2023. The ruling on April 27, 2023, related to civil investigative demands that were served by the Office of the Attorney General to various recipients of the Community Partners Grant, and it granted, in part, and denied, in part, certain civil investigative demands. We do not feel that this ruling impacts the work we performed as part of this accountability review, which was authorized under Idaho Code, Section 67-702. Likewise, the ruling on August 10, 2023, focused on a conflict of interest related to the Attorney General and concluded that "While the Attorney General can still oversee its investigation into the Community Partner Grant Program, the specific conflict between the Attorney General's Office and the IDHW related to the administration of the grant program

precludes the Attorney General or any Deputy Attorney General from pursuing civil investigative demands served on the petitioners in this litigation unless the Attorney General appoints an independent special prosecutor.” This judgement applies to the Attorney General and does not impact our ability to review the Department’s administration and internal controls as they relate to this program or to report our findings. It also does not impact our responsibility to report certain facts to the Attorney General in compliance with Idaho Code, Section 67-702(1)(e); it only addresses how the Attorney General is required to proceed in any investigation it chooses to pursue or not pursue related to the Community Partners Grants.

We continue to assert that the intent language included in the appropriations was not in conflict with broader federal requirements related to this funding and that “Grants shall be used for serving school-aged participants ages 5 through 13 years.” is prescriptive language. That *shall* is considered a directive in most accounting regulations, and throughout our review, we performed various procedures to determine what internal controls the Department designed, implemented, and documented to ensure that this was the specific group served by the applicants, not only that this group might be included in the program. As the Department indicated in its response, it was aware that children aged 0 to 4 were being served by these programs, and it also did not provide evidence that for programs serving older individuals, those individuals were not included in the program. We continue to assert that many of the applications reviewed included service groups much broader than 5 to 13 years of age, and no additional evidence was provided that the Department implemented this requirement into program controls.

During our review, the Department did not indicate any intention to do post-grant audits of the recipients, in general or as a control feature. Even if these discretionary post-grant audits occurred, due to the length of time between when the recipient spent the grant funds and when an audit might occur limits its ability to add value as a part of the Departments internal controls intended to ensure compliance.

As a clarifying point to the Department’s note about grant requirements, comparing the findings in this report to findings included in our single audit work (referenced by the comment “Relatedly, child care subsidy payments are paid to child care providers based on an attestation; this has been the subject of previous LSO audits and never been a finding.”) is an inappropriate comparison as we are specifically addressing federal compliance requirements included in the Single Audit Act, Uniform Guidance and the Compliance Supplement issued by the Office of Management and Budget for those audits of federal programs. The intent language used as the criteria for this finding has only been included for fiscal year 2022 and fiscal year 2023 appropriations, so to make comparisons to prior audits, such as the fiscal year 2021 Single Audit Report, with different scope and guidelines is inappropriate. Additionally, federal requirements regularly mention compliance with State requirements as well, so it would not be unusual to have more restrictive state requirements within the federal allowability requirements for a particular program. While this is not a federal single audit, the argument from the Department that it need only comply with the broader federal requirements does not preclude compliance with State requirements, and we continue to assert that they could have complied with both sets of requirements.

Finding 4 – The Department did not properly review applications for the Community Partners Grants to ensure that ineligible expenses were not included in the applicants’ budget plan, nor did they document an identification or correction of these ineligible expenses prior to approval and distribution of funds.

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

The *U.S. Code of Federal Regulations (CFR)*, 2 CFR 200.303, requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by COSO.

The Child Care and Development Fund (CCDF) program received additional funding through Coronavirus Aid, Relief, and Economic Security (CARES) Act, and American Rescue Plan Act (ARPA). The Idaho Community Partners Grant shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the COVID-19 pandemic. The funding was intended to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho.

The parameters of the Community Partners Grants were defined in Idaho House Bill 400 of the 2021 first legislative session and Idaho House Bill 764 of the 2022 first regular legislative session. Both bills stated the following: “\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.”

In addition, the Department developed the Idaho Community Program Grant Guide for Community Organizations. The guide states that money may not be spent on:

- Building improvements and renovations
- Landscaping
- The lease or purchase of a vehicle
- Personal debt or personal credit card payments not related to your business

- Licensing fees or permits
- Subscriptions
- Equipment, materials, or staffing in service of school age children during the regular school day, including kindergarten
- Any expense being reimbursed by another program or funded by another grant source
- Rental/Utility assistance to families

Condition: During testing, we reviewed all grant applications to determine if they were properly reviewed and approved by Department staff and that the application materials were in accordance with the requirements included in the Idaho Community Program Grant Guide for Community Organizations. There was evidence that an evaluation process took place; however, there was no documentation to show who completed the evaluation, what was approved, or when the evaluation was completed.

There were two phases of the Community Partners Grant distribution: phase 1 was from June 1, 2021, to June 30, 2022; and phase 2 was from July 1, 2022, to June 30, 2023. Seventy-six organizations were awarded for phase 1; sixty-nine organizations were awarded for phase 2.

The following test exceptions were noted:

- During phase 1, 42 of 76 (55 percent) recipients' proposed budgets included funds for ineligible expenses. Ineligible expenses included the following: building improvements, equipment (computer, playground, cameras, drones, electronic tablets), and rental assistance. The total amount of ineligible items included in proposed budgets for phase 1 was \$3,130,538.84.
- During phase 2, 30 of 69 (43 percent) recipients' proposed budgets that included funds for ineligible expenses. Ineligible expenses included the following: equipment (computer, playground, cameras, drones, electronic tablets) and rental assistance. The total amount ineligible items included in proposed budgets for phase 2 was \$652,201.88.

Based on our review, the grants were approved for payment with the ineligible amounts included in the budget, and there was no evidence that the Department identified the requested amounts as ineligible throughout the approval process. The Department required the recipients to provide status reports to certify that grant requirements were met. We tested a sample of 60 status reports. The budget to actual information included in the status reports was not documented at a level detailed enough for us to determine what items were purchased or paid for and if ineligible amounts that had been included in approved applications were included in the actual spending.

Cause: The Department did not document a review or denial of ineligible items in the grant approval process and solely relied on the grant recipients to self-certify, at a very high level, that the funds spent met grant requirements.

Effect: Based on the documentation maintained by the Department, grant funds were likely used for items outside of the parameters of the Idaho Community Program Grant Guide for Community Organizations and House Bill 400 and House Bill 764 requirements for in-person educational and

enrichment activities that focus on student needs and for providing behavioral health supports to address student needs.

Recommendation: We recommend that the Department sufficiently implement internal controls to ensure that applicant grant request submissions are properly reviewed and are compliant with the Idaho Community Partner Grant guidelines. We further recommend that the Department implement procedures to properly monitor spending to ensure that funds are only spent for eligible expenses.

Management's View: *The Idaho Department of Health and Welfare respectfully **disagrees** with this finding.*

IDHW did review applications for the Community Program Grants to ensure that only eligible expenses were included and approved in the applicants' budget plan and did take corrective action if applications included ineligible expenses.

Per the LSO audit request and in the interest of transparency, IDHW provided the auditors with thousands of documents and emails detailing our support of the Community Program Grant grantees allowable uses of grant funding. These emails were maintained and supplied to the auditors with the intention of supporting the implementation of internal controls related to the spending on the grants.

IDHW staff communicated directly with grantees related to their uses of grant funding, frequently assisting with policy interpretation and reviews of policies noted in the grant guide. Additionally, submitted budgets and status reports were carefully reviewed by staff with additional communication and revisions if unallowable costs were proposed. All emails and supporting documentation were provided to the auditors. For example, one grantee proposed building improvements and another proposed building a playground in their application. After budget review, IDHW staff denied both the proposed building improvements and playground. The grantees updated their budgets and did not use Community Program Grant funds on unallowable expenses. The budgets, the related status reports, and all communications with the grantees were retained and provided to auditors as stated above.

As the definition of allowable costs is not contained in the intent language, the Department used federal guidance. The specific purchases highlighted in the report were either allowable based on Child Care Development Block Grant (CCDBG) requirements, the grant guide, or participants sent a reduced or corrected budget before any spending was initiated. Federal guidance does not preclude spending the funds on "Computers, cameras, drones, electronic tablets." Additionally, House Bill 400 (2021) and House Bill 764 (2022) allows such purchases if they were a component of "in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs."

Auditor's Concluding Remarks: We thank the Department for its responses to the findings. The Department's statement that "Per the LSO audit request and in the interest of transparency, IDHW provided the auditors with thousands of documents and emails detailing our support of the Community Program Grant grantees allowable uses of grant funding. These emails were

maintained and supplied to the auditors with the intention of supporting the implementation of internal controls related to the spending on the grants.” requires clarification of certain facts. We vehemently disagree with the characterization that these e-mails were provided with the intention of supporting the implementation of internal controls related to spending the grant funds. The Department never asserted to us that e-mails were a part of the internal control procedures related to the administration of these grants. In fact, upon our request for e-mails specifically to further investigate the related party transaction, as discussed in finding #1, the Department advised that it did not know if it could gather those e-mails and that it would take far too long to do so. After a conversation with Department deputy directors, the Department worked with the information technology professionals within the Department to provide those e-mails. We reiterate that this was never provided as part of the Department’s internal control procedures, nor would the Department have provided the e-mails had we not specifically requested them on June 7, 2023, in relation to the related party evaluation.

We continue to assert that the Department did not require or document adequate support to ensure that funds were spent for eligible items. While we did see, peripherally, that some e-mails included in the related party request addressed some potential ineligible expenditures, it was not at a level to support that those conversations resulted in adjustments to expenditures from grant funds, nor that those conversations were appropriately documented and reviewed by the Department.

Finding 5 – Status reports required to be submitted by the Community Partners Grant recipients were inadequate to ensure funds were spent in accordance with the requirements of the program.

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

The *U.S. Code of Federal Regulations* (CFR), 2 CFR 200.303 requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by COSO.

According to the Department’s Idaho Community Partner Grant Guide for Community Organizations posted on the Department’s website, quarterly status reports should be provided to the Department that relays the information of the program’s progress. The following is an excerpt of the status report requirements provided by the Department:

The Department will furnish a Status Report template along with a Budget vs Actual template for each organization to complete. These will be sent out quarterly to the contact person provided on your application. They will

include a specific due date and are **required** to be completed. Information requested will cover the following:

- *The progress of your program's goals*
- *Number of children impacted*
 - *# Served by racial/ethnic population*
 - *# Enrolled in program by gender*
- *Were goals met?*
 - *Describe how?*
- *How much funds have been spent within the funding period?*
 - *Provide an actual breakdown within the Budget vs Actual template*

Condition: The Department used a spreadsheet, separated by grant phase, to track all grant recipients and their corresponding awarded amounts. On the spreadsheet, the Department documented an application date, an approval date, a rubric score, a business name and address, a quarterly grant amount for each funding period, coverage area, main objectives of the program, a main contact person, and any additional comments. On the same spreadsheet, the Department documented the receipt of status reports for each quarter for all grant recipients, along with comments regarding their budget and detailed accomplishments. However, the Department could not provide documentation to show who completed the review and approval of the status reports or when the review and approval of the status reports was completed.

The Department's design of the status report did not include sufficient elements necessary to ensure funds were spent on eligible activities.

- The Department did not require the recipients to include detailed information in status reports to verify that expenses incurred during the reporting period were for eligible items. The recipients were required to self-certify that the expenses were eligible; however, there was not enough consistent detail provided to verify the eligibility.
- The Department did not require the recipients to include detailed information in status reports to verify that expenses incurred served only children 5 to 13 years of age.

We tested 60 status reports submitted to the Department during the review period and noted several omissions. We identified instances where the recipient did not provide information required by the Department.

- 59 status reports did not include number of children served by racial/ethnic population, as required by grant guidelines.
- 5 of the status reports tested did not report any demographic information.
- 3 status reports only reported total demographic info and did not provide any racial, ethnic, or gender information.

Cause: The Department stated that they identified information that may be covered on the status report within the Idaho Community Program Grant Guide for Community Organizations. However, the Department also knew that not all grant recipients tracked the required information, and it was determined that the entirety of the information was not required to be provided by the grant recipients. The Department determined that the completion and submission of the status report for each funding period was the sole requirement. The Department included a section in

the Idaho Community Program Grant Guide for Community Organizations titled “Updates.” The updates section states, “The Idaho Department of Health and Welfare reserves the right to modify this guide and any information related to the Idaho Child Care Community Grant at any time with appropriate notice to prospective applicants by posting on the IDHW website.” We were unable to locate updates to the grant guide restating the required elements of the status reports.

Effect: The absence of necessary information in the status reports submitted to the Department raises concerns about the Department’s compliance with the grant program guidelines. Lack of transparency in reports submitted may hinder the Department’s ability to assess the impact of the grant and ensure appropriate utilization of funds. It appears that the status reporting requirements for the grant recipients were changed in an ad hoc fashion and some recipients could have unnecessarily expended efforts to meet reporting requirements. Additionally, given that the Community Partners Grants were advance funded, these reports could have provided the information needed to ensure that funds were expended appropriately by the recipients, had they been designed, reviewed, and enforced properly by the Department.

Recommendation: We recommend that the Department review the reporting process and ensure that it supports the objectives of the grant and provides important information about compliance. We also recommend that the Department strengthen internal controls to ensure status report submissions are complete, properly reviewed, and that any deficiencies are addressed.

Management’s View: *The Idaho Department of Health and Welfare respectfully **disagrees** with this finding because status reports were not a requirement of the Legislature’s intent language or the federal funding and were not implemented as a financial control.*

Regularly submitted budgets were the financial control and were reviewed and tracked quarterly so that IDHW could review use of funds and recover any unused funds. Every grant recipient supplied the required budget worksheets. Evidence of these financial reviews via the submitted budget worksheets and any needed adjustments can be found in the grant tracking spreadsheet and emails, all of which was provided to the auditors.

IDHW staff went above and beyond by designing the status reports to capture the stories and successes of the programming; it was understood and expected that not all grantees would meet all potential reporting metrics in the status reports. The intention was to compile impact statements summarizing program participation and children’s experiences. As noted in the Idaho Community Program Grant Guide developed by IDHW, completion of the status reports was “required;” however, all the specific components “requested” in the status report were not required. Every participating program supplied the required status reports.

Auditor’s Concluding Remarks: We thank the Department for its responses to the findings. We continue to assert that the grant tracking spreadsheet was not maintained at a level of detail necessary to support the assertions made in the Department’s response. There was no evidence provided of detailed budget submissions, reviews, the results of those reviews, or who completed them. In the absence of any other adequate internal control, the status reports could have been a mitigating internal control to document the Department’s review of the actual expenditures made by recipients, along with the “stories and successes of the programming.” We continue to assert

that, given that the Community Partners Grants were advance funded, and the tracking spreadsheet did not provide the detail necessary, these reports could have provided the information needed to ensure that funds were expended appropriately by the recipients, had they been designed, reviewed, and enforced properly by the Department.

Finding 6 – The Department did not properly document award decisions related to coverage areas identified by the applicant for the Community Partners Grant recipients to ensure the areas identified, and thus the funding provided, were appropriate.

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

The *U.S. Code of Federal Regulations* (CFR), 2 CFR 200.303 requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by COSO.

The Child Care and Development Fund (CCDF) program received additional funding through Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). The Idaho Community Partners Grant shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the COVID-19 pandemic. The funding was intended to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho.

The parameters of the Community Partners Grants were defined in Idaho House Bill 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the first regular legislative session. Both bills stated the following: “\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.”

Condition: Organizations that were deemed eligible for the Community Partners Grants received an award based on financial needs, as described in the proposed budget, and based on coverage area. The coverage areas were designated as follows:

- Local coverage (up to \$20,000/per period). Local coverage is defined as limited to a single city or municipal area.
- Regional coverage (up to \$250,000/per period). Regional coverage spans multiple cities/municipal areas but falls within a single region.
- Statewide coverage (up to \$500,000/per period). Statewide coverage spans multiple regions throughout all parts of Idaho.

As part of the application process, the applicants identified a coverage level for funding and certified that the application information was legitimate. We reviewed all 188, approved and denied, grant applications submitted over the two phases to determine if they were properly reviewed and approved by Department staff: 145 grant applications were approved, and 43 grant applications were denied during the review process. There was evidence that an evaluation of the applications process took place; however, there was no documentation to show who completed the evaluation or when the evaluation was completed. In addition, there was no evidence to support that the Department performed an analysis on the coverage levels identified by the applicant to ensure that it was appropriate, or consideration given to related entities requesting overlapping funding.

Review and evaluation of the coverage area is an important factor in the approval process because it determines the level of funding allowed.

Cause: The Department stated that review and approval was a group effort and was not properly documented. Internal controls were not designed properly to ensure that coverage area for the Community Partners Grant recipients was verified and appropriate. The Department solely relied on the grant recipients to self-certify the coverage area for funding level purposes.

Effect: Community Partners Grant funds could have been over or under allocated to recipients based on erroneous coverage area designations. Over allocation to a single organization with coverage area overlap to related organizations awards is also a risk given the lack of substantive review of the self-certified designations.

Recommendation: We recommend that the Department develop a more robust process of review and approval of applications, including coverage area, to ensure grants are properly awarded and spent in compliance with statutory requirements.

Management's View: *The Idaho Department of Health and Welfare respectfully **disagrees** with this finding. IDHW did properly document award decisions related to coverage areas by reviewing applications in detail and having applicants attest to their coverage area.*

Since the state appropriation bills did not specify how this was to be accomplished, IDHW used federal guidance for the use of ARP Act funding. That guidance said that attestations were sufficient. Specifically, Federal guidance states, "subgrant applications may include check boxes for providers to select, and the lead agency may treat submission of the application as the

certification."⁸ Check boxes with an application serving as certification is what IDHW did and provided to the auditors. Relatedly, child care subsidy payments are paid to child care providers based on an attestation, which has been the subject of previous LSO audits and never been a finding.

If IDHW had concerns about the attestations in the applications, the grant guide explains that IDHW may audit any or all Community Program Grant grantees. Additionally, all grantees initialed their agreement with the following statement: "I understand that all expenses covered by the grant payment amount are subject to audit. I understand that I must maintain sufficient documentation to account for the entire grant payment amount for no less than five (5) years." Compliance with grant requirements continues to be subject to review by IDHW staff.

A specific finding related to coverage area in finding I notes, "for grant phase 1, coverage area was not included on one application." In this instance, the applying program's budget did not exceed \$20,000 per funding period, so the applicant was deemed to be "local" and there was no possibility of over or underpayment.

Finally, IDHW did state " ... that the review and approval of the grants was a group effort..." but did not agree "that the process was not properly documented." Rather IDHW asserts that the process **was** properly documented.

Auditor's Concluding Remarks: We thank the Department for its responses to the findings. We continue to assert that utilizing a self-certification from the applicant, especially in circumstances where there is guidance on what constitutes each category, increases the risk that the applicant could be provided with more, or less, grant funds than allowed by the appropriation. The concerns noted in this finding are further magnified by the issue raised in finding #2, where several programs received service area funding at various levels, all under a few entities. A documented review by the Department to ensure that an applicant's identified service area is appropriate would strengthen compliance with this requirement.

Finding 7 – The payments distributed by the Department for phase 1 of the Community Partners Grant exceeded the \$36,000,000 appropriation for fiscal year 2022 by \$427,350.

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

The *U.S. Code of Federal Regulations* (CFR), 2 CFR 200.303, requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control Integrated Framework* issued by COSO.

The Child Care and Development Fund (CCDF) program received additional funding through Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). The Idaho Community Partners Grant shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the COVID-19 pandemic. The funding was intended to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho. The parameters of the Community Partners Grants were defined in Idaho House Bill 400 of the 2021 first regular legislative session. House Bill 400 was signed into law and stated the following: “\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.”

Condition: The funding for the Community Partners Grant distribution was completed in phases: Phase 1 was from June 1, 2021, to June 30, 2022, and phase 2 was from July 1, 2022, to June 30, 2023.

Using the Department provided Grant Tracker with Payment Information spreadsheet and a Business Objects query tied to the Department’s Financial Information System and Cost Allocation (FISCAL) accounting system, we determined that the total payment amount for phase 1 was \$36,427,350.

House Bill 400 stated that \$36,000,000 shall be used for community provider grants. For phase 1 distribution, the Department overspent the appropriation by \$427,350.

Cause: The Department did not have internal controls in place to properly monitor the amounts paid in accordance with House Bill 400 to ensure that they did not overspend the appropriation.

Effect: Phase 1 of the Community Partners Grant funds were overspent by \$427,350.

Recommendation: We recommend that the Department develop a more robust process to monitor appropriation spending to ensure grants are properly spent in compliance with statutory requirements.

Management’s View: *The Idaho Department of Health and Welfare respectfully **disagrees** with this finding. IDHW did not distribute more grant funds than it was authorized.*

The 2021 Idaho House Bill 400 states the following: "Of the moneys appropriated in Section I of this act, \$36,000,000 shall be used for community provider grants..." If the language had been"... only \$36,000,000 shall be used ... " then there would have indeed been a cap at that amount, but the word "only" is not used. Therefore, the intent language does not impose a cap. As a result, IDHW interpreted this to be the minimum amount that should be spent on Community Program Grants. IDHW cannot be held accountable for failing to comply with a spending cap that was never imposed by statute.

The Idaho State Legislature appropriated ARP Act funds to IDHW in the 2021 session via House Bills 395 and 400 in the amount of \$106,000,000 and directed that at least \$36,000,000 be used for the Community Program Grants. This means that the Legislature appropriated more than enough to cover the \$427,350 distributed above minimum amount of \$36,000,000.

Auditor's Concluding Remarks: We thank the Department for its responses to the findings. We disagree with the Department's assertion that the Legislature directed that "at least \$36,000,000" be used for the Community Partners Grant program. The Legislature did not use the words "at least" in the appropriation intent language and, as mentioned in previous findings, appropriations are authority to spend "up to" not "at least." Further, the Department included "*Of the moneys appropriated in Section I of this act, \$36,000,000 shall be used for community provider grants...*" as part of its conclusion that this appropriation bill was not intended to impose a cap. However, Section 1 of House Bill 400 from the 2021 First Regular Session, that Section 2 is referencing, only includes a total appropriation of \$36,000,000. That is the total amount being authorized for the Department to spend under this specific legislation and is subject to the intent language in Section 2. Additionally, other State agency appropriations were entered into the statewide accounting system as a spending authority limit, which is intended to provide additional statewide internal controls, and the system did not allow the agency to spend more than the appropriated amount. The Department utilized a bucket funding system and was not constrained by the same limits as other agencies. We also realize that the Department received a larger appropriation of ARPA funds through other legislative appropriation bills, some of which was for other purposes than were included in this appropriation, but that is not relevant to this review. We continue to assert that the intent language in Section 2 states that "\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs." and that section 1 is authorizing a total of \$36,000,000, and neither section includes any use of the words "at least."

Finding 8 – Payments to Community Partners Grant recipients were not made on time, in accordance with statutory requirements, for a total of four out of seven required payment periods in fiscal year 2022 and fiscal year 2023.

Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

The Child Care and Development Fund (CCDF) program received additional funding through Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). The Idaho Community Partners Grant shall assist educational activities that support student learning, enhance behavioral health supports, and expand access to serve more students and youth affected by the COVID-19 pandemic. The funding was intended to improve the quality of care, expand access, and increase equity within program opportunities for children across Idaho.

The parameters of the Community Partners Grants were defined in Idaho House Bill 400 of the 2021 first regular legislative session and Idaho House Bill 764 of the 2022 first regular legislative session. Both bills stated the following: “\$36,000,000 shall be used for community provider grants to address COVID-19 pandemic impacts on school-aged children, including learning loss. Community provider grants shall be used only for in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs. Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance. The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines. Priority will be given to grant applications that include professional staff to provide services directly to participants. Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.”

House Bill 400 stated that grants shall be released not later than June 1, 2021, for summer 2021 grants; September 1, 2021, for fall 2021 grants; January 1, 2022, for spring 2022 grants; and May 1, 2022, for summer 2022 grants. All spending for this purpose shall conclude by June 30, 2022.

House Bill 764 stated that grants shall be released no later than July 6, 2022, for summer 2022 grants; September 1, 2022, for fall 2022 grants; January 1, 2023, for spring 2023 grants; and May 1, 2023, for summer 2023 grants. All spending for this purpose shall conclude by June 30, 2023.

Condition: The Department processed 420 payments over seven funding periods totaling \$66,870,107.03 to the Community Partners Grants recipients. We designed procedures to test that the Department implemented appropriate internal controls to ensure the amounts paid to recipients were completed to meet the required payment dates outlined in House Bill 400 and House Bill 764. We randomly selected a total of 60 payments for testing from phase 1 and phase 2. We found that 16 of 60 payments (27 percent) were paid later than the required dates in the bills. We then analyzed all 420 payments from both phase 1 and phase 2 using the Department provided Grant Tracker with Payment Information spreadsheet and a Business Objects query. We found that 152 of 420 payments (36 percent) were not compliant with the payment dates specified in the bills.

Community Partners Grant Payments to Recipients					
Phase	Payment Period	Required Payment Date	Paid on Time	Payments up to Two Months Late	Payments Over Two Months Late
1	1	6/1/2021	\$2,770,000	\$5,190,000	\$40,000
1	2	9/1/2021	\$8,660,000	\$500,000	
1	3	1/1/2022	\$9,510,000		
1	4	5/1/2022	\$9,757,350		
2	1	7/6/2022	\$0	\$7,227,350	
2	2	9/1/2022	\$11,613,001		
2	3	1/1/2023	\$0	\$11,602,406	
2	4	5/1/2023	Not Reviewed		

Cause: The Department indicated that the time between authorization of the program in House Bill 400, with an emergency clause, in the 2021 first regular legislative session and being signed by the governor on May 10, 2021, was not an adequate amount of time to establish the program, evaluate applications, and award grants by the first payment due date of June 1, 2021. This resulted in 37 payments completed on July 13, 2021 and 2 payments completed on August 3, 2021. The payments required to be made by July 6, 2022, were paid on July 14, 2022, due to confusion in the transition from phase 1 to phase 2. There were 45 payments completed on July 14, 2022. In addition, payments required on January 1, 2023, were processed on January 3, 2023, due to the holiday. There were 68 payments completed on January 3, 2023.

Effect: Missing the payment date deadlines could hinder the community partners' ability to reduce learning loss for students in the timeframe expected under the grant terms.

Recommendation: We recommend that the Department strengthen internal controls to ensure compliance with the requirements of the Community Partners Grant.

Management's View: *The Idaho Department of Health and Welfare respectfully disagrees that this should have been a finding.*

As noted in the report, between House Bill 400 (2021) being signed by the governor on May 10, 2021, and the first established payment due date June 1, 2021, the Division of Welfare (also known as Self Reliance) was tasked with an aggressive 21-day implementation. IDHW staff started from scratch, turning broad federal guidance and specific state legislation into process, applications, program guidance, financial controls and reporting requirements. Staff then had to issue a call for applications, review applications, complete the decision-making process, and make grant awards. All this was done in the middle of a public health emergency. This explains why not all first payments were made on June 1, 2021. Notably, all but two payments were completed by July 13, 2021 and the final two payments went out on August 3, 2021.

The payment that occurred after the September 1, 2021 date was a reissuance due to the grantee's request to use an updated addressee on the paper warrant so that their bank could redeem the payment.

Other payments were delayed because some applications required additional review, staff inquiry of the applicant for clarification, or staff support of the applications and budgets; those were paid as they were determined eligible.

The payments required to be made on July 6, 2022 were all paid on July 14, 2022 due to confusion in the transition from phase 1 to phase 2.

The next payment date was January 1, 2023. This was a Saturday, and also a state holiday, which meant that Friday, December 31, 2022 was the observed holiday for state employees. As a result, all the payments due on Saturday, January 1, 2023 were processed on Monday, January 3, 2023.

There were good and justifiable operational reasons why not all the payments went out on the due dates. From IDHW's perspective, the options were either: 1) to not make the payments at all if they could not be made on time; or 2) to make late payments. Denying payments that grantees qualified for and expected would have had a negative impact on the community partners' abilities to positively impact children. Making the payments late, in some cases mere days after the scheduled payment date, was far less detrimental to our community partners and to Idaho's children.

Auditor's Concluding Remarks: We thank the Department for its responses to the findings. While we understand that the Department was under significant time constraints to establish and distribute funds from this program, which contributed to the difficulty in meeting the first payment due date, the Department did not meet the required due dates throughout the almost two-year program duration for approximately 36 percent of the payments made. Improved internal controls could have prevented a significant portion of those late payments.

MANAGEMENT'S VIEW



IDAHO DEPARTMENT OF HEALTH & WELFARE

BRAD LITTLE – Governor
DAVE JEPPESEN – Director

OFFICE OF THE DIRECTOR
450 West State Street, 10th Floor
P.O. Box 83720
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August 11, 2023

April Renfro, Manager
Legislative Audits Division
Legislative Services Office
P.O. Box 83720
Boise, Idaho 83720-0054

Dear Ms. Renfro:

The Department has reviewed the findings stated in the Legislative Services Office DRAFT Accountability Report received on July 28, 2023. On behalf of the Department of Health and Welfare, we thank you for the efforts of your staff and for the opportunity to respond to the Accountability Report for the period of May 10, 2021 through March 31, 2023. The Department has reviewed the findings presented in the report and has enclosed a copy of our response to each recommendation addressed in the report.

If you have any further questions, please contact Kelly Combs at (208) 334-5814.

Sincerely,

A handwritten signature in black ink, appearing to be 'DJ', written in a cursive style.

DAVE JEPPESEN
Director

Department of Health and Welfare
Accountability Report FY22 and FY23

Conclusion: We identified a lack of internal controls throughout the program that resulted in several deficiencies reported in the findings and recommendations section of the report. Based on the evidence available, the lack of controls related to expenditures of public funds allowed for recipients of the grants to use funds received for ineligible purposes and for ineligible age groups that did not meet the purposes specifically defined in the appropriation laws. These findings are serious enough to report to the Idaho Attorney General pursuant to Idaho Code, Section 67-702(e), which states in part, "Report to the attorney general all facts which may indicate malfeasance, illegal expenditure of public funds or misappropriation of public funds or public property for such investigation or action, civil or criminal, as the attorney general may deem necessary." Illegal expenditure of public funds is defined as the use of funds for another use or other unauthorized purpose than that for which the appropriation was made.

Department General Response: The Idaho Department of Health and Welfare (IDHW) welcomes the audit review and the transparency it affords the public in understanding the Idaho Community Program Grants and their assistance to families throughout Idaho. The staff at the IDHW appreciate the opportunity to review our implementation of the Community Program Grants. We wish to express our thanks to the Legislative Services Office, as their professionalism and timely partnership is appreciated.

While the Department agrees with many factual observations in the audit report, which recognizes the diligence and thoroughness of the Department's process, IDHW respectfully disagrees with all the findings. IDHW used adequate controls to ensure that the Community Program Grants were awarded to recipients for eligible purposes and for eligible age groups per the intent language in House Bill 400 (2021) and House Bill 764 (2022) and federal guidance. As detailed in the Department's specific response to each finding, the findings of deficiencies appear to rely on hindsight and do not appear to consider the needs of Idaho's communities, Idaho children, and the goals of the grant program, amidst the pandemic.

The Community Program Grants were funded by the Federal American Rescue Plan Act of 2021 (ARP) section 2201. The Idaho State Legislature appropriated these ARP funds to IDHW in the 2021 session (\$106,000,000 in House Bills 395 and 400) and 2022 session (\$100,503,000 in House Bill 764). House Bill 400 (2021) included intent language for the Community Program Grants. IDHW shared publicly in 2021 the Community Program Grant awardees through a press release and sent a list of the grant awardees to the Legislative Joint Finance and Appropriations Committee (JFAC). In the 2022 session, with the knowledge of the \$26 million in Community Program Grant funding that had already been distributed and knowledge of who the grant awardees were, JFAC passed House Bill 764 (2022) with the same intent language with updated payment dates.

In November 2022, after some questions were raised about IDHW's interpretations of the legislative intent language in House Bill 400 (2021) and House Bill 764 (2022), IDHW requested a legal analysis from the Attorney General's (AG's) office. The purpose of IDHW's inquiry was to ensure our compliance with state and federal law, and to do so immediately should interventions be necessary. However, no changes were necessary because that legal opinion from the AG's office confirmed that IDHW had correctly interpreted both the federal guidance and legislative intent language.

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Specifically, the AG's office noted that IDHW's, "processing of community grants raises no concerns of statutory violations." This issue was subsequently raised before District Court Judge Lynn Norton and addressed twice. First, on April 27, 2023 in a case having to do with the question of what age is eligible for these grants, Judge Norton confirmed IDHW's interpretation of the legislative intent language. Specifically, Judge Norton said that grant recipients would "... violate House Bills 400 and/or 764 if the recipients only serve children four years old or younger or only provide online educational or enrichment activities."¹ Then, on August 10, 2023, Judge Norton issued a decision stating, "Therefore, this Court finds ... that the IDHW and IDHW officials were justified in relying on the opinions and evaluations of the administration of the grants that were provided by the Attorney General's Office."² That court decision found that both the federal and state's appropriation bills' intent language allowed the use of the funds for children aged 0 to 13, but a grantee must also serve children ages 5 to 13.³ IDHW has relied on the AG's legal opinion and two judicial decisions as confirmation of IDHW's interpretation of the legislative intent language. IDHW is unclear on what basis the auditors used to come to a different interpretation of the legislative intent language and can only assume that is a source other than the AG's legal opinion or recent judicial decisions.

The auditors' conclusion notes that the audit findings "are serious enough to report to the Idaho Attorney General." However, in Judge Norton's August 10, 2023 decision, she said: "... the Court finds the Attorney General's Office was provided information in confidence in search of guidance and the Attorney General cannot now seek to investigate IDHW and its employees' actions since the IDHW request for a legal opinion made the IDHW a client of the Attorney General on this same issue. More importantly, the Attorney General provided an opinion to a client and cannot now seek to investigate whether that the (sic) client violated the law on the same issue."⁴

IDHW is proud of the outcomes achieved as a result of the Community Program Grants. Idaho's implementation of this federal grant was recognized by our federal partners as being innovative and aligning with the federal goals for the grant. Most importantly, grant recipients brought significant benefit to the children in their communities. Some of the most notable achievements came from some of Idaho's most rural and remote communities, impacting children and families that have not previously benefitted from our programming.

The Teton Valley Mental Health Coalition contacted IDHW to say, "Thank you so much for fully funding our grant request. Because of you, we have been able to expand our programming to better meet the needs of our communities! We have already served 97 kids and have big plans for cool programs starting in January. We couldn't do this without you. As one counselor put it, 'this program helps me sleep at night because I know my students are getting the help they need.'" This is just one example of the Community Program Grants achieving the goals described in intent language in House Bill 400 (2021) and House Bill 764 (2022), specifically, "... providing behavioral health supports to address student needs."

¹ Case No. CV01-23-04242, Memorandum Decision and Order Granting in Part, Denying in Part Preliminary Injunction, p.20

² Case No. CV01-23-04832, Memorandum Decision and Order Granting in Part Motion to Disqualify Attorney General's Office and Denying Motion to Disqualify Petitioner's Counsel, p. 28

³ Ibid, pp. 24-28

⁴ Ibid, p. 28

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As noted in the quote from Teton Valley Mental Health Coalition, all eligible applicants were fully funded at the appropriate level. This means that there were not winners and losers among the eligible grant applicants. If an applicant was eligible, they were funded, benefiting the children of Idaho rather than leaving the federal grant unused.

IDHW staff worked incredibly hard sacrificing time with their families, prioritizing this effort above others, to implement emergency funding on an emergency timeline. The Division of Welfare (also known as Self Reliance) was tasked with an aggressive 21-day implementation after House Bill 400 (2021) was signed on May 10, 2021, with the first payment expected to occur on June 1, 2021. IDHW staff started from scratch turning broad federal guidance and specific state legislation into process, applications, program guidance, financial controls, and reporting requirements. Staff then had to issue a call for applications, review applications, complete the decision-making process, and make grant awards. All this was done in the middle of a public health emergency. Within those parameters we created a successful, accountable grant program that positively impacted thousands of Idahoans, specifically children, with appropriate use of federal funding.

Finding 1: The Department did not maintain sufficient documentation to support award decisions for the Community Partners Grants.

Recommendation: We recommend that the Department ensure that internal controls are consistently performed to ensure adequate evaluations of grant requests and compliance with maintaining documentation in accordance with records retention policies and grant requirements. In addition, we recommend that the Department develop a system to evaluate the risk of, develop safeguards, and include proper reporting for potential related-party transactions.

Department Response: IDHW respectfully *disagrees* with this finding. We disagree that the documentation elements outlined by the auditors are the only way to create effective controls of grant approvals. IDHW did properly document the review and approval or denial of Community Program Grant applications and provided that documentation to the auditors.

The legislative appropriation bills explained that “The Department of Health and Welfare shall require grant applications from community providers that are in compliance with grant guidelines.” This was completed fully and appropriately. IDHW collected applications, staff reviewed and scored each eligible application, and notified grantees. All applications, collective scoring decisions, the spreadsheet containing the eligibility decisions and scores with reviewer’s comments, and the notifications to grantees, which explained the reason for approval or rejection, were retained. Applications that were categorically ineligible were denied without scoring or additional review, and applicants were notified.

While it is accurate that some of the individual scoring rubrics from specific reviewers were not available due to those employees having left IDHW and their files being removed per IDHW record retention policy, information from those individual scoring rubrics was retained via the collective scoring decision. And it is important to point out that the collective scoring decision is what was used to determine an applicant’s eligibility. There was no requirement in House Bill 400 (2021) nor in House Bill 764 (2022) nor in federal law specifying that individual scoring rubrics

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must be retained, nor is this practice required by Generally Accepted Accounting Principles. In previous grant awards, IDHW has followed similar record retention practices, maintaining the

collective scoring information but not the individual scoring rubrics, with no deficiencies identified.

The specific finding related to coverage area notes that “for grant phase 1, coverage area was not included on one application.” In this instance, the applying program’s budget did not exceed \$20,000 (the smallest grant size) per funding period so the applicant was deemed to be “local” and there was no possibility of over or underpayment.

IDHW did state “...that the review and approval of the grants was a group effort...” but did not agree “that the process was not properly documented.” Rather IDHW asserts that the process **was** properly documented.

Considering Goal 4 of the Department’s Strategic Plan is to “Strengthen trust and confidence” in DHW, the Department takes allegations of employee misconduct seriously. Employees who engage in unscrupulous practices damage the integrity of the entire agency and hamper our ability to fulfill our mission to strengthen the health, safety, and independence of Idahoans. All IDHW employees agree to always conduct state business ethically and legally. We note the following requirement in the IDHW HR Policy Manual, which all employees are required to sign: “Employees are expected to act impartially in performing official duties and not give preferential treatment to any outside organization or individual.” The staff engaged in reviewing the Community Program Grant applications understood and met their obligation to report any conflicts of interest.

We therefore would like to address the concerns about related-party transactions mentioned under the condition of this finding. No department employee gave preferential treatment to any community program grantee. There was always more than one staff member involved in the scoring and review of the applications. Further, the program manager referenced in this finding was not involved in the application process from the recipient organization where she served on their board. IDHW requested a legal analysis from the Attorney General’s office in November 2022 immediately after this concern of a related-party transaction had been raised. The purpose of IDHW’s inquiry was to ensure no staff malfeasance had occurred and uncover any problems should interventions be necessary. That legal opinion confirmed that there was not a related-party transaction. The Department provided thousands of records and emails related to the Community Program Grant program to LSO auditors, including emails between the program manager and the recipient organization where she was on their board, and other DHW employees. LSO admits that “we did not find specific evidence of related-party transactions.” The Department does not agree that the individual in question was involved in any work that would fit the definition of a related-party transaction, which is why, as noted in this finding, “The Department did not disclose any related-party transactions when we inquired about the possible presence of related-party transactions.”

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Finding 2: Some Community Partners Grant recipients received more than the maximum amount allowed by statute through the submission and approval of multiple applications using variations of the entity name while relying on the same tax identification number, address, and phone number.

Recommendation: We recommend that the Department design processes and internal controls to ensure that they comply with statutory guidance, including sections of bills that are signed into law with intent language.

Department Response: The Idaho Department of Health and Welfare respectfully *disagrees* with this finding. Community Program Grant recipients did not receive more than the maximum amount allowed by statute.

The 2021 Idaho House Bill 400 and 2022 Idaho House Bill 764 both state the following: “Grant amounts shall be: up to \$500,000 for community providers who have a statewide presence; up to \$250,000 for community providers who have a regional presence in one part of the state; and up to \$20,000 for community providers with a local presence.” Neither bill defined the term “provider” relevant to the administration of the Community Program Grants. With no such definition, IDHW staff used the definition of “provider” that IDHW commonly uses for grants similar to the Community Program Grants: a “provider” is an operator of a program, not a single entity. The Community Program Grant program allowed multiple applications from an entity if unique and specific programs were being provided.

For example, University of Idaho (UI) operates a variety of unique programs across the state, each serving a specific purpose without overlap or duplication to other awarded programs. The UI McCall Outdoor Science School (MOSS) hosts students from across the state at its campus for residential programming, adventure day camps, and outreach programming that teaches exploration of the environment, guided inquiry, and observation and investigation of the relationships between biological, physical, and social systems around them. UI also administered the 4-H Experiential Youth Person Finance Education program that operated children’s financial literacy learning programs during out-of-school time. Clearly these are each unique and specific programs, each providing benefit to their community and individually eligible for grant participation.

It is important to note that if the definition of provider suggested by the auditors had been used, it would not have been possible to achieve the \$36,000,000 in grant distribution that is found in the legislative intent language. Said differently, every Community Program Grant application that was eligible was fully funded at the appropriate level, except for the very last payment in May 2023, which was not fully funded by the Legislature.

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Finding 3: The Department did not provide evidence that they ensured compliance with age requirements for the Community Partners Grants awarded, as required by the legislative appropriation bills.

Recommendation: We recommend that the Department ensure compliance with statutes, including designing and implementing internal controls and procedures to ensure compliance with legislative appropriations and intent language included in Idaho laws.

Department Response: IDHW respectfully *disagrees* with this finding and the interpretation of state statute used to create this finding. IDHW did comply with the age requirements for Community Program Grants as described in the legislative appropriation bills.

The Community Program Grants were funded by the Federal American Rescue Plan Act of 2021 (ARP) section 2201. The Idaho State Legislature appropriated these ARP funds to IDHW in the 2021 session (\$106,000,000 in House Bills 395 and 400) and 2022 session (\$100,503,000 in House Bill 764). Both bills included intent language, which stated the “Grants shall be used for serving school-aged participants ages 5 through 13 years, as allowable by federal guidance.” Federal guidance was clear that funds should only be used to support children ages 0 to 13. If the legislative intent language had read, “Grants shall be used ONLY for serving . . .” (emphasis added) that would have precluded the eligible grant recipients from using the funds for children ages 0 to 4. However, the legislative intent language did not include the word “only,” which means that eligible recipients could receive grant funding if the intended programs included school-aged participants ages 5 through 13, even if grant recipients also included participants under age 5 in their programs.

IDHW shared publicly in 2021 the Community Program Grant awardees through a press release and sent a list of the grant awardees to the Legislative Joint Finance and Appropriations Committee (JFAC). In the 2022 session, with the knowledge of the \$26 million in Community Program Grant funding that had already been distributed and knowledge of who the grant awardees were, JFAC passed House Bill 764 (2022) with the same intent language with updated payment dates.

Then, in November 2022 after a lobbyist raised concerns, IDHW requested a legal analysis from the Attorney General’s office of the intent language in House Bill 400 (2021) and House Bill 764 (2022) to clarify what ages were eligible. The purpose of IDHW’s inquiry was to ensure compliance with state and federal law, and to do so immediately should interventions be necessary. However, no changes were necessary because the Attorney General’s office confirmed that IDHW’s “processing of community grants raises no concerns of statutory violations.” This issue was subsequently raised before District Court Judge Lynn Norton and addressed twice. First, in a decision issued by District Court Judge Norton on April 27, 2023 in a case having to do with the question of what age is eligible for these grants, Judge Norton said that grant recipients would “. . . violate House Bills 400 and/or 764 if the recipients only serve children four years old or younger or only provide online educational or enrichment activities.”⁵ Then again, on Aug 10, 2023, Judge

⁵ Case No. CV01-23-04242, Memorandum Decision and Order Granting in Part, Denying in Part Preliminary Injunction, p.20

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Norton said, “Therefore, this Court finds ... that the IDHW and IDHW officials were justified in relying on the opinions and evaluations of the administration of the grants that were provided by

the Attorney General’s Office.”⁶ That legal opinion found that both the federal and the state’s appropriation bills’ intent language allowed the use of the funds for children aged 0 to 13, but a grantee must also serve children ages 5 to 13. IDHW has relied on the AG’s legal opinion and two judicial decisions as confirmation of IDHW’s interpretation of the legislative intent language. IDHW is unclear on what basis the auditors used to come to a different interpretation of the legislative intent language and can only assume that is a source other than the AG’s legal opinion or recent judicial decisions.

Applicants were not excluded from receiving Community Program Grants if their organizations included services for children older than 13; however, their use of funds by approved programs was limited to children ages 0 to 13 per federal guidance and must include children ages 5 to 13 per state guidance. Signed applications indicated that all grant participants served children aged 5-13 years old as required by Idaho House Bill 400 (2021) and Idaho House Bill 764 (2022).

The Department’s position is that a signed application attesting to the ages served is sufficient information for the initiation of grant participation. Federal guidance for the use of ARP Act funding supports this position: “subgrant applications may include check boxes for providers to select, and the lead agency may treat submission of the application as the certification.”⁷ Check boxes with an application serving as certification is what IDHW did and provided to the auditors. Relatedly, child care subsidy payments are paid to child care providers based on an attestation; this has been the subject of previous LSO audits and never been a finding.

Additionally, all grantees initialed their agreement with the following statement: “I understand that all expenses covered by the grant payment amount are subject to audit. I understand that I must maintain sufficient documentation to account for the entire grant payment amount for no less than five (5) years.” The grant guide explains that IDHW may audit any or all Community Program Grant grantees. Compliance with grant requirements continues to be subject to review by IDHW staff. As the department did not have any concerns with potential violations of this requirement during the application and reporting phases of this grant cycle, we have not performed any audits to date. However, the spending for the Community Program Grants must be completed by September 2023; audits will begin once the program has concluded.

Please note that Child Care and Development Block Grant (CCDBG) requirements detailed in the Finding 3 Cause were not from CCDBG but from the American Rescue Plan Act (ARP Act), and are **not** applicable to the Community Program Grants. The Community Program Grants were funded from ARP Act supplemental discretionary funds (Sec. 2201). The quoted requirements in this finding apply to the ARP Act Stabilization funds (Sections 2201 and 2202, H.R.1319 - American Rescue Plan Act of 2021) which is specifically for child care services. None of the

⁶ Case No. CV01-23-04832, Memorandum Decision and Order Granting in Part Motion to Disqualify Attorney General’s Office and Denying Motion to Disqualify Petitioner’s Counsel, p. 28

⁷ U.S. Department of Health and Human Services, *Stabilizing Child Care and COVID-19 FAQs*, June 16, 2021 accessible online: <https://www.acf.hhs.gov/occ/faq/stabilizing-child-care-and-covid-19-faqs#:~:text=In%20order%20to%20qualify%20for,COVID%2D19%20public%20health%20emergency.>

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Community Program Grant grantees received Community Program Grants for child care services. Therefore, the following requirements do not apply to the Community Program Grants:

1. *That the childcare provider will, when open and providing services, implement policies in line with guidance and orders from corresponding State, territorial, tribal, and local authorities and, to the greatest extent possible, implement policies in line with guidance from the Centers for Disease Control and Prevention (CDC).*
2. *For each employee, the childcare provider must pay at least the same amount in weekly wages and maintain the same benefits for the duration of the stabilization funding.*
3. *The provider will provide relief from copayments and tuition payments for the families enrolled in the provider's program, to the extent possible, and prioritize such relief for families struggling to make either type of payment.*

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Finding 4: The Department did not properly review applications for the Community Partners Grants to ensure that ineligible expenses were not included in the applicants' budget plan, nor did they document an identification or correction of these ineligible expenses prior to approval and distribution of funds.

Recommendation: We recommend that the Department sufficiently implement internal controls to ensure that applicant grant request submissions are properly reviewed and are compliant with the Idaho Community Partner Grant guidelines. We further recommend that the Department implement procedures to properly monitor spending to ensure that funds are only spent for eligible expenses.

Department Response: The Idaho Department of Health and Welfare respectfully *disagrees* with this finding.

IDHW did review applications for the Community Program Grants to ensure that only eligible expenses were included and approved in the applicants' budget plan and did take corrective action if applications included ineligible expenses.

Per the LSO audit request and in the interest of transparency, IDHW provided the auditors with thousands of documents and emails detailing our support of the Community Program Grant grantees allowable uses of grant funding. These emails were maintained and supplied to the auditors with the intention of supporting the implementation of internal controls related to the spending on the grants.

IDHW staff communicated directly with grantees related to their uses of grant funding, frequently assisting with policy interpretation and reviews of policies noted in the grant guide. Additionally, submitted budgets and status reports were carefully reviewed by staff with additional

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communication and revisions if unallowable costs were proposed. All emails and supporting documentation were provided to the auditors. For example, one grantee proposed building improvements and another proposed building a playground in their application. After budget review, IDHW staff denied both the proposed building improvements and playground. The

grantees updated their budgets and did not use Community Program Grant funds on unallowable expenses. The budgets, the related status reports, and all communications with the grantees were retained and provided to auditors as stated above.

As the definition of allowable costs is not contained in the intent language, the Department used federal guidance. The specific purchases highlighted in the report were either allowable based on Child Care Development Block Grant (CCDBG) requirements, the grant guide, or participants sent a reduced or corrected budget before any spending was initiated. Federal guidance does not preclude spending the funds on “Computers, cameras, drones, electronic tablets.” Additionally, House Bill 400 (2021) and House Bill 764 (2022) allows such purchases if they were a component of “in-person educational and enrichment activities that focus on student needs and for providing behavioral health supports to address student needs.”

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Finding 5: Status reports required to be submitted by the Community Partners Grant recipients were inadequate to ensure funds were spent in accordance with the requirements of the program.

Recommendation: We recommend that the Department review the reporting process and ensure that it supports the objectives of the grant and provides important information about compliance. We also recommend that the Department strengthen internal controls to ensure status report submissions are complete, properly reviewed, and that any deficiencies are addressed.

Department Response: The Idaho Department of Health and Welfare respectfully *disagrees* with this finding because status reports were not a requirement of the Legislature’s intent language or the federal funding and were not implemented as a financial control.

Regularly submitted budgets were the financial control and were reviewed and tracked quarterly so that IDHW could review use of funds and recover any unused funds. Every grant recipient supplied the required budget worksheets. Evidence of these financial reviews via the submitted budget worksheets and any needed adjustments can be found in the grant tracking spreadsheet and emails, all of which was provided to the auditors.

IDHW staff went above and beyond by designing the status reports to capture the stories and successes of the programming; it was understood and expected that not all grantees would meet all potential reporting metrics in the status reports. The intention was to compile impact statements summarizing program participation and children’s experiences. As noted in the Idaho Community Program Grant Guide developed by IDHW, completion of the status reports was “required;”

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however, all the specific components “requested” in the status report were not required. Every participating program supplied the required status reports.

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Finding 6: The Department did not properly document award decisions related to coverage areas identified by the applicant for the Community Partners Grant recipients to ensure the areas identified, and thus the funding provided, were appropriate.

Recommendation: We recommend that the Department develop a more robust process of review and approval of applications, including coverage area, to ensure grants are properly awarded and spent in compliance with statutory requirements.

Department Response: The Idaho Department of Health and Welfare respectfully *disagrees* with this finding. IDHW did properly document award decisions related to coverage areas by reviewing applications in detail and having applicants attest to their coverage area.

Since the state appropriation bills did not specify how this was to be accomplished, IDHW used federal guidance for the use of ARP Act funding. That guidance said that attestations were sufficient. Specifically, Federal guidance states, “subgrant applications may include check boxes for providers to select, and the lead agency may treat submission of the application as the certification.”⁸ Check boxes with an application serving as certification is what IDHW did and provided to the auditors. Relatedly, child care subsidy payments are paid to child care providers based on an attestation, which has been the subject of previous LSO audits and never been a finding.

If IDHW had concerns about the attestations in the applications, the grant guide explains that IDHW may audit any or all Community Program Grant grantees. Additionally, all grantees initialed their agreement with the following statement: “I understand that all expenses covered by the grant payment amount are subject to audit. I understand that I must maintain sufficient documentation to account for the entire grant payment amount for no less than five (5) years.” Compliance with grant requirements continues to be subject to review by IDHW staff.

A specific finding related to coverage area in finding 1 notes, “for grant phase 1, coverage area was not included on one application.” In this instance, the applying program’s budget did not exceed \$20,000 per funding period, so the applicant was deemed to be “local” and there was no possibility of over or underpayment.

⁸ U.S. Department of Health and Human Services, *Stabilizing Child Care and COVID-19 FAQs*, June 16, 2021 accessible online: <https://www.acf.hhs.gov/occ/faq/stabilizing-child-care-and-covid-19-faqs#:~:text=In%20order%20to%20qualify%20for,COVID%2D19%20public%20health%20emergency.>

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Finally, IDHW did state "...that the review and approval of the grants was a group effort..." but did not agree "that the process was not properly documented." Rather IDHW asserts that the process **was** properly documented.

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Finding 7: The payments distributed by the Department for phase 1 of the Community Partners Grant exceeded the \$36,000,000 appropriation for fiscal year 2022 by \$427,350.

Recommendation: We recommend that the Department develop a more robust process to monitor appropriation spending to ensure grants are properly spent in compliance with statutory requirements.

Department Response: The Idaho Department of Health and Welfare respectfully *disagrees* with this finding. IDHW did not distribute more grant funds than it was authorized.

The 2021 Idaho House Bill 400 states the following: "Of the moneys appropriated in Section 1 of this act, \$36,000,000 shall be used for community provider grants..." If the language had been "... only \$36,000,000 shall be used ..." then there would have indeed been a cap at that amount, but the word "only" is not used. Therefore, the intent language does not impose a cap. As a result, IDHW interpreted this to be the minimum amount that should be spent on Community Program Grants. IDHW cannot be held accountable for failing to comply with a spending cap that was never imposed by statute.

The Idaho State Legislature appropriated ARP Act funds to IDHW in the 2021 session via House Bills 395 and 400 in the amount of \$106,000,000 and directed that at least \$36,000,000 be used for the Community Program Grants. This means that the Legislature appropriated more than enough to cover the \$427,350 distributed above minimum amount of \$36,000,000.

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Finding 8: Payments to Community Partners Grant recipients were not made on time, in accordance with statutory requirements, for a total of four out of seven required payment periods in fiscal year 2022 and fiscal year 2023.

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Recommendation: We recommend that the Department strengthen internal controls to ensure compliance with the requirements of the Community Partners Grant.

Department Response: The Idaho Department of Health and Welfare respectfully disagrees that this should have been a finding.

As noted in the report, between House Bill 400 (2021) being signed by the governor on May 10, 2021, and the first established payment due date June 1, 2021, the Division of Welfare (also known as Self Reliance) was tasked with an aggressive 21-day implementation. IDHW staff started from scratch, turning broad federal guidance and specific state legislation into process, applications, program guidance, financial controls and reporting requirements. Staff then had to issue a call for applications, review applications, complete the decision-making process, and make grant awards. All this was done in the middle of a public health emergency. This explains why not all first payments were made on June 1, 2021. Notably, all but two payments were completed by July 13, 2021 and the final two payments went out on August 3, 2021.

The payment that occurred after the September 1, 2021 date was a reissuance due to the grantee's request to use an updated addressee on the paper warrant so that their bank could redeem the payment.

Other payments were delayed because some applications required additional review, staff inquiry of the applicant for clarification, or staff support of the applications and budgets; those were paid as they were determined eligible.

The payments required to be made on July 6, 2022 were all paid on July 14, 2022 due to confusion in the transition from phase 1 to phase 2.

The next payment date was January 1, 2023. This was a Saturday, and also a state holiday, which meant that Friday, December 31, 2022 was the observed holiday for state employees. As a result, all the payments due on Saturday, January 1, 2023 were processed on Monday, January 3, 2023.

There were good and justifiable operational reasons why not all the payments went out on the due dates. From IDHW's perspective, the options were either: 1) to not make the payments at all if they could not be made on time; or 2) to make late payments. Denying payments that grantees qualified for and expected would have had a negative impact on the community partners' abilities to positively impact children. Making the payments late, in some cases mere days after the scheduled payment date, was far less detrimental to our community partners and to Idaho's children.

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