
**IMPLEMENTATION OF THE STATE
LEGALIZATION IMPACT ASSISTANCE
GRANTS UNDER THE IMMIGRATION
REFORM AND CONTROL ACT OF 1986**

DISTRICT OF COLUMBIA

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EXECUTIVE SUMMARY

PURPOSE

The purpose of this inspection was to determine how effectively the District of Columbia implemented the State Legalization Impact Assistance Grants (SLIAG) program, to identify potential problems early in the process, and to identify good practices which all States could share.

BACKGROUND

The SLIAG program was established under the Immigration Reform and Control Act (IRCA) of 1986 to reduce the financial burden of providing public assistance, public health assistance, and educational services to eligible legalized aliens. In Fiscal Year (FY) 1988, \$928.5 million in program funds were allocated to States, and funds will continue to be allocated through FY 1991. These funds also cover administrative costs for implementing SLIAG at the State and local levels. Payments are made for public assistance activities generally available to all needy individuals and public health assistance services offered under the States' public health programs. The payments also cover educational services designed to assist eligible legalized aliens to attain a satisfactory level of performance in school and to achieve English language proficiency and citizenship skills necessary to become permanent residents. The Family Support Administration (FSA) is responsible for administering the program.

Because SLIAG establishes a new program, FSA realized that problems would surface early in its implementation. In addition to the normal difficulties encountered in creating new processes and procedures, FSA recognized that SLIAG would have unique problems. Some of these issues include the diversity of programs which SLIAG encompasses, cultural and language barriers associated with the service population, maintaining confidentiality of information, and the extremely short time frames for the grant award process.

METHODOLOGY

In response to the anticipated difficulties with implementing SLIAG, FSA requested that the Office of Inspector General (OIG) conduct reviews in 10 States to determine the progress of States' implementing this program. The FSA selected nine States and the District of Columbia because of the variety of programs they offered, the number of eligible legalized aliens in the population, or the amount of the grant. The nine States are Arizona, California, Colorado, Florida, Illinois, Massachusetts, New York, Texas, and Washington.

Interviews based on structured discussion guides for each major program area, as well as documentation furnished by FSA and State and local officials, built the base of information for this report. This report represents the review conducted in the District of Columbia and reports on its implementation of the SLIAG program as of August 1988.

Both FSA and the District of Columbia were committed to identifying problems and developing innovative and effective solutions for them. Immediately following our on-site visits, FSA was given an outline of the State concerns identified in this report. The FSA and the District of Columbia have already initiated action on some of the findings and recommendations.

FINDING: Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.

- The FSA held several national conferences beginning in 1987 to share information with the States on SLIAG legislation, the implications for States, the application process, and the documentation of costs.
- The FSA also provided States with “Question and Answer” issuances and demographic data from the Immigration and Naturalization Service.

FINDING: The District of Columbia established a structure to identify organizational and program needs.

- The District of Columbia Department of Human Services established a Multi-National Eligibility Unit to determine eligibility for all noncitizen applicants for Aid to Families with Dependent Children, General Assistance, Medicaid, and Medical Charities. This process is critical for accurate and adequate delivery of services, and proper application of policy.
- The Executive Director of the Office on Latino Affairs is the single point of contact for the District of Columbia. The Director of the Office on Latino Affairs is a cabinet-level position. The placement of the single point of contact within this office ensured high visibility for this program which is relatively small in most States and could be lost among the larger programs administered by the larger agencies.
- Based on current registration information, a large number of eligible legalized alien students are illiterate, which causes problems for planning purposes. The District of Columbia created a new program called Amnesty Orientation which addresses literacy and citizenship skills simultaneously.

FINDING: The District of Columbia also took immediate steps to document expenditures and control disbursements.

- A discrete identifier code has been developed which identifies a person as an eligible legalized alien. This number also contained a three-digit program code for Medicaid which distinguishes eligible legalized aliens participating in this program from other types of recipients. These minor modifications to the existing computer system allows for accurate identification and documentation of individual eligible legalized aliens receiving any type of income maintenance assistance.
- Intra-District agreements establish “buyer” and “seller” relationships between certain District of Columbia agencies. The buyer is the agency using the service while the seller is the one providing the service. Under the agreements, money is not actually transferred to the provider, instead the agreements give the provider budget authority. The provider must incur costs and submit vouchers to claim reimbursement. This process gives the grantee agency much more control over the SLIAG funds than in other States where the grantee agency simply transfers cash to other agencies for SLIAG activities. This system contains a built-in, ongoing control process.
- Drawdown of Federal funds is used to reimburse the District of Columbia government for expenditures. There are no cash balances because money must be expended before reimbursement can be requested.

Nevertheless, there are some funds control vulnerabilities.

FINDING: The FSA’s definition of public assistance includes some public health activities which created administrative and service delivery problems for the District of Columbia public health agencies.

FINDING: The District of Columbia Commission on Public Health and the District of Columbia Public School System had not established methods to identify and validate costs for services and benefits to individual eligible legalized aliens. Without this documentation, the District of Columbia cannot be reimbursed for the funds expended.

FINDING: The FSA application review process created a number of significant problems for the District of Columbia. Also, the FSA’s application review process interfered with the District’s ability to plan for services.

- Delay in FSA issuing the implementing regulation resulted in the District of Columbia's inability to properly plan for SLIAG.
- Numerous policy misinterpretations and disagreements resulted because FSA did not provide definitive written instructions to assist the District of Columbia in understanding SLIAG application requirements.
- The time frames were too short for submitting the initial SLIAG application, FSA review and comment, and revisions of the application.
- Implementing SLIAG-funded programs was delayed because of a significant delay in notifying the District of Columbia of the grant award.

No formal appeals process exists if programs or costs are denied in the first level review.

FINDING: *At the time of the inspection, the District of Columbia had only informal guidelines from FSA on determining and claiming SLIAG administrative costs, and the District of Columbia had not developed methods for determining and documenting these costs.*

As mentioned earlier, FSA and the District of Columbia have already initiated action on some of the recommendations made in this report. Steps have been taken by FSA to provide States with more specific, formal guidelines for identifying and documenting actual program and administrative costs. However, additional actions are necessary in other areas on the part of FSA and the District of Columbia.

RECOMMENDATION: *The FSA should reconsider its position to classify certain public health services as public assistance and make appropriate adjustments to this position.*

RECOMMENDATION: *The District of Columbia should ensure that its Commission on Public Health and Public School System develop a method to identify and validate costs for services and benefits to individual eligible legalized aliens.*

RECOMMENDATION: *The FSA should make its application and grant process more orderly. Specifically, FSA should*

- provide definitive written instructions on the SLIAG application requirements and establish a dialogue with the District of Columbia on SLIAG policy, compliance, and reporting issues to minimize the confusion that occurred in the initial application process;
- ensure that sufficient time is allotted to the application process including: the District of Columbia's initial application, FSA's review and formal comment,

the District of Columbia's consideration of FSA comments and negotiation of disputes, and its submission of the revised application for FSA approval;

- develop an appeals process to use if programs or costs associated with providing services are denied in the initial application process; and
- revise the grant award process for approved applications so that the notice of grant award reaches the District of Columbia prior to the beginning of the fiscal year.

RECOMMENDATION: The FSA should issue written guidelines for determining and claiming SLIAG administrative costs. Also, the District of Columbia should develop methods for determining and documenting these costs.

COMMENTS

The FSA and the District of Columbia both commented on the draft report. They generally agreed with our findings and recommendations. Both reported having taken steps to improve implementing SLIAG. Their comments are included verbatim.

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INTRODUCTION

PURPOSE

The Family Support Administration (FSA) requested that the Office of Inspector General (OIG) conduct an inspection in nine States and the District of Columbia to determine how effectively the States implemented the State Legalization Impact Assistance Grants (SLIAG) program awarded under the Immigration Reform and Control Act (IRCA) of 1986. The inspection included reviewing mechanisms in place to identify these funds and determining whether present or projected policies and procedures adhere to FSA guidelines. The FSA also was interested in identifying potential problems early in the process and any good practices which all States could share. This report presents the results of the inspection pertaining to the District of Columbia.

BACKGROUND

Under IRCA, eligible legalized aliens may apply for permanent residency within a 1-year period after they first become eligible (i.e., by the 31st month after they receive temporary resident status).

This new population will increase the demand for State public assistance and public health assistance services significantly. It will also increase the demand for State educational services as these new residents obtain English language and civic skills needed to become U.S. citizens.

To help States defray many of the costs of providing public assistance, public health assistance, and educational services to eligible legalized aliens, IRCA authorized \$1 billion each year from Fiscal Years (FY) 1988 through 1991 for SLIAG grants, less an amount identified as the "Federal offset." With few exceptions, eligible legalized aliens are ineligible for federally funded public assistance programs such as Aid to Families with Dependent Children (AFDC), food stamps, and Medicaid. The "Federal offset" is the estimated cost to the Federal Government of providing these services or benefits to those few legalized aliens who are eligible for them. In FY 1988, the law allocated \$928.5 million to States.

To receive SLIAG funds, States must apply to the FSA Division of State Legalization Assistance, which is responsible for approving applications and administering the program. The application must be approved in total for a State to receive any SLIAG funds. The FSA also provides States with technical assistance on policy issues and on the methods used to estimate costs and verify actual costs.

The basic requirement for States to claim reimbursement is that costs must be allowable, reasonable, and allocable. State public assistance and public health assistance programs must be the same ones available to the general public. States cannot create new programs in these areas specifically for eligible legalized aliens. However, States may create new or additional education programs for the eligible legalized alien population. States may also claim reimbursement for program administrative and SLIAG administrative costs.

Reimbursement for public assistance and public health assistance is limited only to the amount of State and local funds expended for SLIAG-related costs. The maximum SLIAG reimbursement for educational services is an average of \$500 per year per eligible legalized alien. Determining program administrative costs is made in accordance with the final regulation at 45 CFR 402.22.

The FSA is responsible for administering the program. Because SLIAG was a new program, FSA realized that problems would surface early in its implementation. In addition to the normal difficulties encountered in creating new processes and procedures, FSA recognized that SLIAG would have unique problems. Some of these issues include the diversity of programs which SLIAG encompasses, cultural and language barriers associated with the service population, maintaining confidentiality of information, and the extremely short time frames for the grant award process.

METHODOLOGY

The FSA selected nine States and the District of Columbia for the inspection because of the variety of programs offered, the number of eligible legalized aliens in the population, or the amount of the grant. The nine States are Arizona, California, Colorado, Florida, Illinois, Massachusetts, New York, Texas, and Washington. This report reviews the District of Columbia's implementation of the SLIAG program as of August 1988.

Prior to conducting the inspection, the OIG developed structured discussion guides for each major program activity at the State and local levels. In conducting this review, interviews were held with officials from the Office on Latino Affairs; the Offices of the Director and the Controller of the Department of Human Services; the Commissions on Social Services, Public Health, and Mental Health; and the District of Columbia Public School System. In addition, interviews were conducted at the local level of public assistance, mental health, and education.

DISTRICT OF COLUMBIA'S ORGANIZATIONAL STRUCTURE

Each State designated a single point of contact to administer and coordinate the SLIAG program. For the District of Columbia, the contact is the Executive Director of the Office on Latino Affairs.

The grantee agency is the Department of Human Services which is responsible for the drawdown of Federal funds, disbursement of these funds to the District of Columbia agencies providing SLIAG-related services, and reporting expenditures to FSA. The Program Manager responsible for the day-to-day operation of the SLIAG program is located in the Department of Human Services, Office of Special Programs and Services. The Department of Human Services also houses the Commission on Social Services that provides public assistance services, the Commission on Public Health which furnishes public health assistance services, and the Commission on Mental Health that is responsible for mental health services.

Educational services are provided by the District of Columbia Public School System. Currently, the Board of Education is considered the State education agency. All agencies below the Board of Education, including the Superintendent, make up the local education agency. The Division of Adult and Career Education, Adult and Community Education Branch, is responsible for SLIAG education programs and services. The branch has named a coordinator who administers the SLIAG programs, and works with the single point of contact and the Program Manager to ensure that systems are in place to identify eligible legalized aliens participating in the various programs and that financial accounting systems are modified to identify SLIAG costs. The coordinator also works with the two primary district facilities providing adult education to evaluate the kinds of programs needed for eligible legalized aliens and the resources required to conduct these programs.

FINDINGS AND RECOMMENDATIONS

Both FSA and the District of Columbia were committed to identifying problems and developing innovative and effective solutions for them. Immediately following our on-site visits, FSA was given an outline of the State concerns identified in this report. The FSA and the District of Columbia have already initiated action on some of the findings and recommendations.

FINDING: Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.

- The FSA held several national conferences beginning in 1987 to share information with States on SLIAG legislation, the implications for States, the application process, and the documentation of costs.
- The FSA also provided States with “Question and Answer” issuances and demographic data from the Immigration and Naturalization Service (INS).

FINDING: The District of Columbia established a structure to identify organizational and program needs.

- The District of Columbia Department of Human Services established a Multi-National Eligibility Unit to determine eligibility for all noncitizen applicants for AFDC, General Assistance, Medicaid, and Medical Charities. This process is critical for accurate and adequate delivery of services, and proper application of policy.
- The Executive Director of the Office on Latino Affairs is the single point of contact for the District of Columbia. The Director of the Office on Latino Affairs is a cabinet-level position. The placement of the single point of contact within this office ensured high visibility for this program which is relatively small in most States and could be lost among the larger programs administered by the larger agencies.
- Based on current registration information, a large number of eligible legalized alien students are illiterate, which causes problems for planning purposes. The District of Columbia created a new program called Amnesty Orientation which addresses literacy and citizenship skills simultaneously.

FINDING: The District of Columbia also took immediate steps to document expenditures and control disbursements.

- A discrete identifier code has been developed which identifies a person as an eligible legalized alien. This number also contained a three-digit program code for Medicaid which distinguishes eligible legalized aliens participating in this program from other types of recipients. These minor modifications to the existing computer system allows for accurate identification and documentation of individual eligible legalized aliens receiving any type of income maintenance assistance.
- Intra-District agreements establish “buyer” and “seller” relationships between certain District of Columbia agencies. The buyer is the agency using the service while the seller is the one providing the service. Under the agreements, money is not actually transferred to the provider of services. Instead, the agreements give the provider budget authority. The provider must incur costs and submit vouchers to claim reimbursement. This process gives the grantee agency much more control over the SLIAG funds than in other States where the grantee agency simply transfers cash to other agencies for SLIAG activities. This system contains a built-in, ongoing control process.

Drawdown of Federal funds is used to reimburse the District of Columbia government for expenditures. There are no cash balances because money must be expended before reimbursement can be requested.

Nevertheless, there are some funds control vulnerabilities.

Findings and recommendations concerning these vulnerabilities follow under major topic areas. Findings and recommendations which affect more than one assistance program are discussed in the Crosscutting Issues section of this report.

PUBLIC ASSISTANCE

Assistance or Service Activities

The District of Columbia offers a number of public assistance programs and services to its residents. To be eligible for these services, an individual must be a District of Columbia resident. There are no U.S. citizenship requirements for these programs. In fact, a Mayor’s Executive Order prohibits agencies from asking questions about legal status unless that

information is necessary for determining eligibility for a Federal program; e.g., AFDC, Medicaid, etc.

The major programs affected by SLIAG are Medicaid, General Public Assistance to Unemployables, General Public Assistance for Children, Medical Charities, and Emergency Assistance. Also, there are six programs that administratively are public or mental health, but for purposes of SLIAG reimbursement were approved by FSA as public assistance. These programs are Clinical Health, Maternal and Child Health, Alcohol Treatment, Drug Treatment, Dental Services, and the Multicultural Services Division. (The impact of this distinction on the public health agencies is discussed in the Public Health Assistance and Mental Health sections.) The District of Columbia General Hospital also is considered a public assistance service for purposes of SLIAG reimbursement.

The Income Maintenance Administration has 12 decentralized offices throughout the District of Columbia. Individuals can apply for most income maintenance programs at any of these locations. To ease administrative problems associated with identifying individual eligible legalized aliens and to simplify staff training, a Multi-National Eligibility Unit was established to determine eligibility of all noncitizen applicants for AFDC, General Assistance, Medicaid, and Medical Charities. This unit also completes all redeterminations for continuing eligibility for these programs for the noncitizen population.

The District of Columbia officials think that centralized intake for this population is critical for accurate and adequate delivery of services and proper application of policy. The persons in this unit have been specifically trained on the special eligibility issues related to eligible legalized aliens, persons granted citizenship under color of law, and persons eligible for assistance under the Omnibus Budget Reconciliation Act of 1986.

Documentation of Eligible Legalized Alien Status

The single point of contact and the Income Maintenance Administration are emphasizing the importance of identifying individuals as eligible legalized aliens at the time the application is taken for benefits or services. Questions are asked in a nonthreatening way, and it is explained that answers will not affect eligibility for the program nor be used by the INS to deport them or other members of the household. There is a question on the application which asks if the individual is a U.S. citizen. If the answer is no, the person is referred to the Multi-National Unit. If the person is an eligible legalized alien, a copy of the alien registration card (I-688, Temporary Resident Card or I-688A, Employment Authorization Card) is made for the case record.

Program Costs

As mentioned previously, a discrete identification number identifies an individual as an eligible legalized alien. The 11th digit of the District of Columbia identification number is

coded "5" if the individual is an eligible legalized alien. This number also contains a three-digit program code for Medicaid which distinguishes eligible legalized aliens participating in this program from other recipients. Implementing these identification numbers required only minor modifications to the existing computer system while allowing for accurate identification of individual eligible legalized aliens receiving any type of income maintenance assistance. Use of these identification numbers also will assist public and mental health programs that must identify individual eligible legalized aliens to document costs, since many of these patients use Medicaid or Medical Charities to pay for the services.

Administrative Costs

The District of Columbia used 20 percent of the total SLIAG program costs to estimate their total SLIAG administrative costs for FY 1988 and FY 1989. The FSA approved the use of this 20 percent to estimate these costs. However, FSA indicated that this approval was not a line-item approval and that the District of Columbia would have to verify actual SLIAG administrative costs when claiming reimbursement. The FSA has not defined allowable SLIAG administrative activities nor has FSA issued guidelines for documenting these costs. The District of Columbia is concerned that without any criteria to follow, any method they use may be questioned in an audit situation. Methods for determining the actual amount of the SLIAG administrative costs in the affected agencies had not been developed at the time of the review. To estimate program administrative costs in the initial FY 1988 application, percentages were used for each of the program areas (17 percent for public assistance, 8 percent for public health, etc.). The FSA approved these computations. When the FY 1988 update was submitted, FSA indicated that there were problems with the percentages used in the initial application, the update, and the FY 1989 application. The computations were recalculated, and the District of Columbia submitted actual dollar figures for the program administrative costs for

FY 1988. While the District of Columbia is more comfortable with the revised figures, there is concern with documentation of these costs for audit purposes, especially for agencies like public health that are not accustomed to time studies and cost reimbursement programs. In addition, the District of Columbia is concerned that FSA initially approved their methodology and later disapproved it retroactively.

Drawdown of Funds and Cash Balances

The Department of Human Services, Office of the Controller draws down Federal funds, usually once each quarter, to reimburse the District of Columbia government for expenditures. There are no cash balances because money must be expended before reimbursement can be requested. The accounting system has been modified to include a funding source code for SLIAG and program codes to identify the program incurring SLIAG expenses.

The Commissions in the Department of Human Services will be given budget authority to obligate a specific amount from the SLIAG fund. Program agencies will submit vouchers monthly to the Controller's Office for reimbursement. The vouchers provide information on the amount of money obligated for each program and from each funding source.

Because the Office on Latino Affairs and the District of Columbia Public School System are not part of the Department of Human Services, intra-District agreements must be prepared to transfer funds from the Department of Human Services to these two agencies. Under the agreements, the seller (the Office on Latino Affairs or the District of Columbia Public School System) must incur costs and submit vouchers to claim reimbursement. The Department of Human Services Program Manager must approve the invoices before the Controller's Office will pay the invoice.

This process gives the Department of Human Services much more control over SLIAG grant funds than there is in other States where the grantee agency simply transfers cash to other agencies for SLIAG activities. In addition, there are no cash balance or advance-of-funds issues because agency funds must be expended before claims can be made for reimbursement. The same principle is true of all contracts awarded by the District of Columbia government.

PUBLIC HEALTH ASSISTANCE

Assistance or Service Activities

The Commission on Public Health provides a number of services which are reimbursable with SLIAG funds. The Sexual Assault Follow-Up program, one of those approved by FSA in the FY 1988 application, was denied in the FY 1989 application retroactive to FY 1988. This precedent generated considerable concern because of the serious implications it has for both FSA and the States.

Retroactive disapproval of a program, coupled with retroactive disapproval of the methodology used to calculate program administrative costs discussed under Public Assistance, has established an atmosphere of uncertainty and distrust. The District of Columbia felt that it is under considerable financial risk if costs are incurred for a program thought to be approved for SLIAG reimbursement. The impact is geometric if anticipation of reimbursement causes the District of Columbia to expend additional funds for other activities.

Documentation of Eligible Legalized Alien Status

Public health agencies, like income maintenance agencies, emphasize the importance of identifying an eligible legalized alien when the person requests services. However, no processes or identifier codes had been developed at the time of the review. Using the Income

Maintenance Administration model, intake and referral forms will be revised to ask specifically for this information, and eligible legalized aliens will be given identification numbers.

Program Costs

FINDING: The FSA's definition of public assistance includes some public health activities which created administrative and service delivery problems for the District of Columbia public health agencies.

Several programs administered by the Commission on Public Health are considered public assistance programs for SLIAG reimbursement purposes. The distinction is important because the identification of a service as public assistance requires documenting of costs incurred for individual eligible legalized aliens served. If a program or service is considered public health, the population ratio method for establishing costs can be used. Applying this method, costs are determined by the percentage of eligible legalized aliens in a service population to all members of the relevant service population. This percentage is applied to total program costs to determine how much can be reimbursed with SLIAG funds.

While there is no quarrel with the logic of FSA's definition of public assistance versus public health, the distinction creates serious administrative and programmatic difficulties for public health agencies. These agencies, not the public assistance agencies, must develop and implement new processes for identifying individual eligible legalized aliens in order to document costs. Public health officials in the District of Columbia are concerned that asking patients about their legal status will adversely influence the willingness of patients who are illegal residents to access public health services. These people often enter the country with highly contagious diseases such as Hepatitis B and need treatment immediately. The effect of this policy on the public health in general is not known at this time.

The District of Columbia noted that, initially, FSA indicated that services considered "public health" under the State's public health plan would also be considered public health for SLIAG reimbursement. This position changed in June 1988, necessitating a total rethinking of ways to distinguish public health from public assistance for services provided by public health agencies. The feeling on the part of the District of Columbia officials is that by making this process more difficult, States will not be able to claim reimbursement for their costs, which will have the effect of sequestering funds.

RECOMMENDATION: The FSA should reconsider its position to classify certain public health services as public assistance and make appropriate adjustments to this position.

Administrative Costs

Although actual dollars claimed for administrative costs must be documented in some way, the District of Columbia public health agencies had not developed a method at the time of the review.

Most program administrative costs are part of program costs for public health. However, some program administrative costs are not included in this figure. Initially, the District of Columbia submitted a plan to claim these costs using as an estimate the 8 percent indirect cost rate approved by the cognizant Federal agency. Because of FSA's concern about this computation in the FY 1988 update and the FY 1989 application, the District of Columbia recalculated these costs and submitted an actual dollar figure.

The Commission on Public Health had not determined if attempting to document and claim costs retroactively for FY 1988 is cost effective. The delay in the publication of final regulations, coupled with the requirement that many public health programs identify individuals to document costs, has made this such a labor-intensive and costly effort, that the District of Columbia may not have the resources nor the time to properly document costs in order to claim reimbursement retroactively.

Drawdown of Funds and Cash Balances

The Department of Human Services, Office of the Controller provides the Commission on Public Health with budget authority to expend a specific dollar figure under the SLIAG account. The Commission must submit vouchers for funds expended in order to claim reimbursement from the SLIAG account. The Program Manager must approve the vouchers before the Office of the Controller will authorize payment. Since all payments are cost reimbursement, there are no cash advance or cash balance issues.

MENTAL HEALTH

Assistance or Service Activities

The District of Columbia has a separate Commission on Mental Health. Within this Commission, the Multicultural Services Division was established in 1987. The Division is primarily a community-based program to meet the mental health service needs of the growing District of Columbia immigrant population. The goal is to preserve the integrity of the family, support ethnic pride, and assist in adaptation to U.S. culture. The Division provides a wide range of both inpatient and outpatient services including psychiatric assessment, medication, nursing and social services, psychological testing, and individual, group, and family therapy.

Documentation of Eligible Legalized Alien Status

Programs offered by this agency are considered public assistance services for SLIAG reimbursement purposes. Individual eligible legalized aliens must be identified to document costs. When a patient comes to the center for treatment, basic information is obtained, including the individual's legal status. The staff is sensitive in approaching this question. Many times it is not discussed until there is a trust relationship between the patient and the counselor. However, at some point during therapy, legal status is discussed because it is an important stressor and an integral part of therapy. Once it has been established that the patient is an eligible legalized alien, a copy of the alien registration card (I-688, Temporary Resident Card or I-688A, Employment Authorization Card) is made and becomes part of the patient's record.

Program Costs

Patients are told immediately that there is a billing system. Different methods for payment are discussed including Medicare, Medicaid, and Medical Charities. The Division already has a system to identify costs for individuals.

Once an individual is identified as an eligible legalized alien, a discrete income maintenance identifier code is used. There is also a program code which identifies the funding source as SLIAG. Other funding sources (e.g., Medicaid) are shown in the program code so only the appropriate percentage is charged to SLIAG. All financial information provided to the counselor is verified by the financial division within 30 days of the first visit.

Rates for treatment are determined by Medicare, which views the Commission on Mental Health as a hospital with affiliated clinics. Financial statements are submitted to Medicare in accordance with the State Mental Health Plan. From these statements, Medicare and the Commission agree on a per diem inpatient rate and outpatient treatment rates. These rates could become actual program costs for SLIAG reimbursement.

This methodology of determining program costs was reported to the OIG reviewer at the time of the on-site inspection.

Administrative Costs

The District of Columbia has not determined a method to document actual administrative costs. The 8 percent figure used for public health was also used for mental health to compute program administrative costs in the initial FY 1988 application. This figure was recomputed for the FY 1988 update and the FY 1989 application.

Drawdown of Funds and Cash Balances

The Commission on Mental Health uses the same process as the Commission on Public Health to obtain SLIAG funding. Since all payments are cost reimbursement, there are no cash advance or cash balance problems.

EDUCATION

Assistance or Service Activities

The District of Columbia claims SLIAG reimbursement only for adult education services. The District of Columbia Public School System already offers a number of courses in English language and civics skills. Based on current registration information, a large number of the 400 eligible legalized alien students at the Gordon Adult Education Center are illiterate, which presents special problems for planning classes. In response, the District of Columbia Public School System is creating a new program, Amnesty Orientation. This program simultaneously addresses literacy and citizenship skills, which eligible legalized aliens need to convert their status from temporary to permanent.

The District of Columbia Public School System had planned to provide special classes for eligible legalized aliens during the summer when other adult education classes were not in session. However, because the grant for the first half of FY 1988 was not awarded until July 25, 1988, these classes could not be offered. The lack of funding also affected the ability of the District of Columbia Public School System to plan for the fall semester.

Although the District of Columbia Public School System plans to contract for some services, no contracts had been awarded at the time of the review. Because the grant was not awarded until the end of July 1988, the request for proposal was still being developed. The District of Columbia Public School System hoped to have contracts awarded by the end of November 1988.

Documentation of Eligible Legalized Alien Status

The Career and Adult Education Branch has not yet determined how they are going to identify individual eligible legalized aliens. Registration forms have been modified to record the alien registration number. The form will be used to identify individual eligible legalized aliens and to document costs. The registration form also provides information on the student's U.S. school attendance. A copy of the alien registration card (forms I-688 or I-688A) will be kept in the student's record.

Program Costs

The District of Columbia Public School System officials believe there will be enough students in lower-level courses to establish separate classes for eligible legalized aliens, which should simplify the documentation of costs for individual students and the process of determining program administrative costs.

Maintaining an unduplicated count will be a branch or division responsibility. They will probably cross check registration in different programs using the alien registration number to ensure that claims are not in excess of the average \$500 per eligible legalized alien per year.

Contractors will be required to have a program approved by the INS and to use the alien registration number for accurately documenting costs and ensure no duplication of services.

Administrative Costs

The State education agency, which in the District of Columbia is the Board of Education, can only charge 1.5 percent of program costs for SLIAG program administration costs. The Adult and Career Education Branch has not determined how to calculate program costs, program administrative costs, or SLIAG administrative costs. They have not established a method for documenting actual costs in any of these areas. The method they use depends heavily on the ability to establish separate classes for eligible legalized aliens. The District of Columbia Public School System preferred the establishment of separate classes for eligible legalized aliens if there were sufficient numbers to warrant these classes. This would facilitate identifying such individuals for cost determination purposes. However, regardless of class structure, the methodology used would need to identify those individual eligible legalized aliens for whom costs would be claimed.

Drawdown of Funds and Cash Balances

The District of Columbia Public School System will enter into an intra-District agreement with the Department of Human Services. The agreement will specify services to be provided by the school system in exchange for the money provided by the Department of Human Services. The agreement gives the school system budget authority, not cash, to expend funds under the SLIAG account established in the Department of Human Services. The school system will submit vouchers to claim reimbursement for any of their funds expended in providing SLIAG services. The Program Manager must approve these vouchers before the Department of Human Services, Office of the Controller will authorize payment.

CROSSCUTTING ISSUES

FINDING: *The District of Columbia Commission on Public Health and the District of Columbia Public School System had not established methods to identify and validate costs for services and benefits to individual eligible legalized aliens. Without this documentation, the District of Columbia cannot be reimbursed for the funds expended.*

As noted in the sections on Public Health Assistance and Education, the Commission on Public Health and the District of Columbia Public School System either have methods to identify eligible legalized aliens or are developing methods. However, these agencies have not developed systems to document costs for individual eligible legalized aliens.

RECOMMENDATION: *The District of Columbia should ensure that its Commission on Public Health and Public School System develop a method to identify and validate costs for services and benefits to individual eligible legalized aliens.*

FINDING: *The FSA application review process created a number of significant problems for the District of Columbia. Also, the FSA's application review process interfered with the District's ability to plan for services.*

- Delay in FSA issuing the implementing regulation resulted in the District of Columbia's inability to properly plan for SLIAG.
- Numerous policy misinterpretations and disagreements resulted because FSA did not provide definitive written instructions to assist the District of Columbia in understanding SLIAG application requirements.
- The time frames were too short for submitting the initial SLIAG application, FSA review and comment, and revisions of the application.
- Implementing SLIAG-funded programs was delayed because of a significant delay in notifying the District of Columbia of the grant award.
- No formal appeals process exists if programs or costs are denied in the first level review.

According to final regulations published March 10, 1988, States had to submit the 1988 application no later than May 16, 1988. Revisions to the application had to be submitted by July 1, 1988, and the FY 1989 application had to be submitted no later than July 15, 1988. Applications were to contain brief descriptions of the States' programs or services, estimates

of the States' SLIAG-related costs for each program or activity for that particular fiscal year (including information on the number of eligible legalized aliens residing in the State), and a brief explanation of the methodology used to estimate these costs.

Due largely to these short time frames, FSA provided no formal feedback on revisions necessary in the District of Columbia's FY 1988 application. The information was transmitted by telephone or in meetings. The time frames to make necessary revisions did not accommodate the organizational structure or the need to communicate with or seek approval from the program components impacted by revisions requested by FSA. Although some changes had a major impact on programs and grant amounts, the single point of contact received no official rationale from FSA for requesting the changes. This could place the single point of contact or the staff level person who assumed responsibility for revisions in an awkward position should the changes or the amount of the grant be questioned.

The FSA would not grant partial funding nor would FSA conditionally approve applications. If changes were not made in accordance with FSA suggestions, the entire application was disapproved. In addition, FSA did not provide the District of Columbia with an appeals process when programs, costs, or methodologies were not approved. The District of Columbia had no recourse other than to delete the program entirely from its application or forfeit all of the SLIAG funds for that fiscal year.

The District of Columbia grant award notice for the first half of FY 1988 was received in late July 1988, after the first half of the fiscal year had ended. Coupled with the delay in publishing the regulation, this made it difficult for the District of Columbia to claim reimbursement for much of FY 1988 costs. The District of Columbia will have to determine if it is cost effective to retroactively identify actual costs associated with providing services to eligible legalized aliens.

As of mid-October 1988, the District of Columbia had not received the grant award notice for either the second half of FY 1988 nor the first half of FY 1989. The continued delay in officially notifying the District of Columbia of its grant awards has created fiscal problems. In the District of Columbia, agencies cannot legally expend funds until funding sources are created. Since SLIAG was a new program, agencies could not authorize or obligate funds without the grant award notice.

RECOMMENDATION: *The FSA should make its application and grant process more orderly. Specifically, FSA should*

- provide definitive written instructions on the SLIAG application requirements and establish a dialogue with the District of Columbia on SLIAG policy, compliance, and reporting issues to minimize the confusion that occurred in the initial application process;

- ensure that sufficient time is allotted to the application process including: the District of Columbia's initial application, FSA's review and formal comment, the District of Columbia's consideration of FSA comments and negotiation of disputes, and its submission of the revised application for FSA approval;
- develop an appeals process to use if programs or costs associated with providing services are denied in the initial application process; and
- revise the grant award process for approved applications so that the notice of grant award reaches the District of Columbia prior to the beginning of the fiscal year.

FINDING: At the time of the inspection, the District of Columbia had only informal guidelines from FSA on determining and claiming SLIAG administrative costs, and the District of Columbia had not developed methods for determining and documenting these costs.

The District of Columbia agencies indicated that the most pressing need is for formal guidelines which deal with acceptable methods of documenting administrative costs. The District of Columbia officials did not feel sufficient guidelines existed to determine allowable SLIAG administrative activities.

The FSA held several national conferences beginning in 1987 to share information with States on SLIAG legislation, the implications and effects of the legislation on the States, the application process, and most recently the documentation of costs. As part of this effort, FSA provided the States with program information via "Question and Answer" issuances and demographic data from the INS. Yet, according to the District of Columbia, "question and answer" issues are not enough and more formal guidelines are needed.

The District of Columbia Commissions on Social Services, Public Health and Mental Health, as well as the District of Columbia Public School System, recognized the need for capturing administrative costs. However, at the time of the review, they had not developed methodologies to do this.

The District of Columbia agencies must recognize that there are limitations on the direction that FSA can provide. Guidelines must be flexible enough to accommodate variations in State systems and internal processes. Ultimately the District of Columbia, as the grantee, is responsible for development and implementation of SLIAG program activities, and for fiscal documentation of costs and expenditures.

RECOMMENDATION: The FSA should issue written guidelines for determining and claiming SLIAG administrative costs. Also, the District of Columbia should develop methods for determining and documenting these costs.

OIG RESPONSE TO COMMENTS

The FSA and the District of Columbia both commented on the draft report.

The FSA

The FSA has generally agreed with the OIG report findings and recommendations. The FSA has taken a number of steps to improve implementing the SLIAG program including clarifying program policies and procedures. We have modified certain aspects of the report based on the comments received from FSA.

The FSA questioned the statement that the new population would significantly increase public assistance and public health assistance services. Early estimates indicated that large numbers of aliens would qualify to access the SLIAG program. The report recognized that information obtained during the review determined that substantial increases in workloads and expenditures could occur in these areas as well as in education. However, we understand from recent discussions with State officials that demand for services nationally is falling behind earlier projections.

The FSA's definition of public assistance includes some public health activities which created administrative and service delivery problems for the District of Columbia public health agencies. The OIG recommended that FSA reconsider this position.

The FSA replied that they see this primarily as an issue of cost identification and that they will work with the States to develop methods of documenting costs which are consistent with FSA's responsibilities as stewards of public funds. We believe that FSA's actions to identify alternative methods is responsive to our concerns.

We continue to believe that a strict interpretation which permits public health costs to be claimed only for specific eligible legalized aliens is burdensome to the States and, in many cases, would require considerable revisions to the States' system or statutory requirements. However, we do agree that FSA's use of alternative systems, such as the Cost Documentation System and a revised population ratio method system which reflects usage, would be a positive effort to enhance cost effectiveness without requiring States to develop new systems or make considerable revisions to present systems. The population ratio method could be revised to consider not only eligible legalized aliens in the service population but also use of those services by eligible legalized aliens. Where appropriate, other alternatives might be used which would produce a more efficient system for the States and address congressional intent that the States would not be required to establish new or elaborate systems.

We reported that no formal appeals process exists if program costs are denied in the first level review. We agree with FSA's statement that the Grant Appeals Board does have jurisdiction over matters for withholding and repayment of SLIAG funds. However, it was the States' concern that an effective appeals mechanism be in place for issues involving programs or costs at the first level of FSA's review in the application process.

The FSA made numerous comments to clarify certain matters of fact, policy, or procedure. We have included these comments verbatim in Appendix B.

The District of Columbia

The District of Columbia agreed with the OIG report findings and recommendations. Their comments are included verbatim in Appendix C. Since the time of the on-site review, the District has taken steps to fulfill staffing needs and the designation of a new SLIAG coordinator.

APPENDIX A

GOOD PRACTICES

A number of practices have been identified that other States could share.

1. Based on current registration information, a large number of eligible legalized alien students are illiterate, which causes problems for planning purposes. The District of Columbia created a new program called Amnesty Orientation which addresses both literacy and citizenship skills simultaneously.
2. Intra-District agreements establish "buyer" and "seller" relationships between certain District of Columbia agencies. The buyer is the agency using the service while the seller is the one providing the service. Under the agreements, money is not actually transferred to the provider of services, instead the agreements give the provider budget authority. The provider must incur costs and submit vouchers to claim reimbursement. This process gives the grantee agency much more control over the SLIAG funds than in other States where the grantee agency simply transfers cash to other agencies for SLIAG activities. This system contains a built-in, ongoing control process.
3. The District of Columbia Department of Human Services established a Multi-National Eligibility Unit to determine eligibility for all noncitizen applicants for AFDC, General Assistance, Medicaid, and Medical Charities. This process is critical for accurate and adequate delivery of services, and proper application of policy.
4. The Executive Director of the Office on Latino Affairs is the single point of contact for the District of Columbia. The Director of the Office on Latino Affairs is a cabinet-level position. The placement of the single point of contact within this office ensured high visibility for this program which is relatively small in most States and could be lost among the larger programs administered by the larger agencies.
5. A discrete identifier code has been developed which identifies a person as an eligible legalized alien. This number also contained a three-digit program code for Medicaid which distinguishes eligible legalized aliens participating in this program from other types of recipients. These minor modifications to the existing computer system allows for accurate identification and documentation of individual eligible legalized aliens receiving any type of income maintenance assistance.

6. Drawdown of Federal funds is used to reimburse the District of Columbia government for expenditures. There are no cash balances because money must be expended before reimbursement can be requested.

APPENDIX B

FSA'S COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Family Support Administration

Memorandum

Date: June 27, 1989

From: Acting Assistant Secretary
for Family Support

Subject: OIG Draft Report: Implementation of the State Legalization
Impact Assistance Grants Under the Immigration Reform and
Control Act of 1986 - District of Columbia (OAI-07-88-00444)

To: Richard P. Kusserow
Inspector General

Attached are the Family Support Administration comments on the above draft report. Many of our comments are technical in nature due to the complexity of the legislation and the fact that the SLIAG program was very new at the time of the review.

We appreciate the assistance and cooperation we have received from you in response to our request to conduct this round of reviews of the SLIAG program. The reports we received are very useful to us in understanding how States are implementing the program.


Catherine Bertini

Attachment

OIG DRAFT REPORT:
Implementation of the State Legalization Impact Assistance Grants
Under the Immigration Reform and Control Act of 1986:
District of Columbia

The Family Support Administration's comments are divided into three sections: Comments on background information and other narrative material that does not relate directly to the draft report's findings, comments on the findings, and responses to the draft report's recommendations.

Narrative:

Page 1 (Background) -- The draft report says, "This new population will increase the demand for State public assistance and public health assistance services significantly." The draft report isn't clear whose conclusion this is or upon what data and analysis the conclusion is based. The final report should clarify these points.

In the course of implementing SLIAG, we have discovered that neither State and local public health programs nor, with few exceptions, public assistance programs, inquire about legal status. This suggests that at least some aliens were using these services before legalization and that newly legalized aliens do not represent a "new population" for public assistance and public health assistance services. Preliminary cost data from States suggests that newly legalized aliens are accessing public assistance services at rates far lower than the general population. There are indications that a backlog of public health needs existed and was identified during the medical examinations required of all applicants for legalizations. However, there is no data to suggest that, other than this temporary bulge in demand for public health services, newly legalized aliens will generate a significant increase in demand for public health assistance or public assistance services.

Page 4 (Findings and Recommendations) -- The draft report says, "Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program." Since the OIG's onsite visits in August 1988, we have continued to provide assistance to States. We have conducted several more workshops and meetings to assist states in implementation. In October 1988, we issued a compendium incorporating the extensive formal guidance previously provided to States on methods of cost documentation. We also have provided assistance to individual States in the form of correspondence, telephone consultation, and onsite technical assistance. We are in the process of conducting initial program reviews of the major States, and intend to visit

the District of Columbia and selected other States as well. We request that the final report reflect this continuing dialogue with States.

Page 10 (Public Health Assistance: Administrative Costs) -- The draft report says, "The Commission on Public Health had not determined if attempting to document and claim costs retroactively for FY 1988 is cost effective." The District of Columbia can claim costs for those public health programs for which they are using the population ratio method without documentation. We have provided guidance to States on various approaches to establishing actual costs on behalf of individuals, including extrapolation from partial year data, statistical sampling, and using comparable programs in other States or jurisdictions as a basis. We are continuing to work extensively with States to help them establish costs for periods during which they did not have tracking systems in place.

Page 12 (Mental Health: Program Costs) -- In the discussion on how patient rates are determined, the draft report says, "...Medicare and the Commission agree on a per diem inpatient rate and outpatient treatment rates. These rates become actual program costs for SLIAG reimbursement." We are unclear as to what the report intends to say. The rates can become the basis for determining SLIAG-related costs, but do not automatically become the costs because other factors (e.g., sliding scale fees, insurance, etc.) may determine what portion of the rate is an allowable SLIAG cost.

Page 13 (Education: Administrative Costs) -- The draft report says, "The Adult and Career Education Branch has not ... established a method for documenting actual costs.... The method they use depends heavily on the ability to establish separate classes for eligible legalized aliens." We are uncertain as to why the draft report says that the District of Columbia needs separate classes for eligible legalized aliens in order to document costs. They only need to identify as eligible legalized aliens those persons they are claiming costs for. There is no need to establish separate classes. Please document and explain this claim more fully. Without a documented context, it makes no sense.

Findings:

Finding: The FSA's definition of public assistance includes some public health activities which creates administrative

and service delivery problems for the District of Columbia public health agencies.

Comments: We question how the definitions of public health and public assistance create service delivery problems for the District of Columbia public health agencies. By law and regulation, all programs or activities under both categories must be generally available. In practice, this means that SLIAG funds are available only to reimburse costs in ongoing, generally available programs. In most programs, immigration status is not a condition of eligibility. If the alien is eligible for services, he or she would receive those services regardless of whether they were reimbursed under SLIAG. The final report should clarify this point.

The draft report notes that "there is no quarrel with the logic of FSA's definition of public assistance versus public health," but does not explain that logic or why OIG recommends that FSA reverse its logic. The final report should explain that the regulatory definitions of public assistance and public health assistance are based directly on IRCA.

Programs of public assistance are defined as programs that "provide for cash, medical or other assistance...designed to meet the basic subsistence or health needs of individuals" [section 204(j)(2)(A) emphasis added]. Consistent with IRCA's explicit inclusion of medical assistance under the public assistance category, State or locally funded programs that provide medical treatment to needy individuals are public assistance.

IRCA defines programs of public health assistance as programs which "provide public health services, including immunizations for immunizable diseases, testing and treatment for tuberculosis and sexually-transmitted diseases, and family planning services" [section 204(j)(3)(A)]. These statutory definitions and the legislative history indicate that Congress intended to allow certain traditional public health functions under the public health assistance category and medical assistance to the needy under the public assistance category. In implementing SLIAG, we have followed that statutory framework. We have defined public health assistance as, among other things, programs or activities that "are provided for the primary purpose of protecting the health of the general public" [45 CFR 402.2]. The scope of programs included in that regulatory definition of public health assistance goes far beyond the specific activities

listed in the Immigration Reform and Control Act of 1986 (IRCA), which created SLIAG.

Regarding the draft report's concern that aliens "often enter the country with highly contagious diseases and need treatment immediately," the final report should note that the treatment of dangerous contagious diseases, including tuberculosis and sexually transmitted diseases, is included in the statutory and regulatory definition of public health assistance.

The public assistance/public health assistance categorization issue is primarily one of cost documentation requirements, not the allowability of costs associated with any particular health program. The report notes that District of Columbia officials feel that because of this issue, "States will not be able to claim reimbursement for their costs, which will have the effect of sequestering funds." Without the distinction between categories, the District of Columbia would likely use the population ratio method to establish costs for all programs run by the Commission on Public Health. Implicit in this method is the assumption that eligible legalized aliens will access programs in the same frequency and at the same cost as the general population. We do not believe this assumption to be appropriate for medical assistance programs that provide treatment to needy individuals. To the contrary, the information that we have to date indicates that allowing use of the population ratio method for these programs generally would overstate costs, dramatically in some cases. However, we would be willing to allow use of the population ratio method for any program for which there is an empirical basis to indicate that doing so would not overstate costs.

FSA realizes that many public assistance and public health programs don't routinely collect information on immigration status, but, we have found that many do collect social security numbers. That is why we funded and devoted substantial staff resources to developing a system that will match the social security numbers of program participants with those of newly legalized aliens. This system will give States information on the number of newly legalized aliens participating in a program and the cost of services to them. It is now available and allows States to establish costs for FY 1988 as well as current and future years. Recently, we sent State SLIAG Single Points of Contact suggestions for other possible methods for establishing costs. None of these alternative methods would require setting

up new administrative mechanisms or checking status of all program participants.

We will continue to work closely with the District of Columbia to develop methodologies to document costs for all programs in its approved applications.

Finding: The FSA application process created a number of significant problems for the District of Columbia. Also, the FSA's application review process interfered with the District's ability to plan for services.

Comments: The draft report says that the time period for submission, review, revision and approval of the initial application was too short. We agree that it would have been preferable to have had a longer period of time between the publication of the final regulation and the deadline for submission and approval of FY 1988 and FY 1989 applications. However, the final report should note that, because of the way IRCA set up the allocation formula, one major reason for the compressed timeframe was that we could not award funds to any State until all States' applications had been approved. In order for us to run the allocation formula, which IRCA requires to include estimates of costs, we must have approved estimates for all States before we can calculate States' allocations.

The draft report says that "numerous policy misinterpretations and disagreements resulted because FSA did not provide definitive written instructions to assist the District of Columbia in understanding SLIAG application requirements." Had there been more time, we would have communicated more extensively in writing. Comments on the District's FY 1989 application were made in writing in response to the District's request.

The report says no formal appeals process exists if programs or costs are denied. The Grant Appeals Board has jurisdiction over issues related to the withholding and repayment of funds. For other matters, the State may follow normal procedures for disagreeing with an agency finding.

Finding: At the time of the inspection, the District of Columbia had only informal guidelines from FSA on determining and claiming SLIAG administrative costs, and the District of Columbia had not developed methods for determining and documenting these costs.

Comments: Several methods for determining the share of administrative costs in ongoing programs that are allocable to SLIAG and which are acceptable a priori are specified in the regulation at 45 CFR 402.22(b). Additional guidance is offered in the manual "Establishing and Documenting Actual Costs," October 1988, Modules 8 and 9. The process of determining SLIAG administrative costs, like all costs associated with administering HHS grants, is governed by 45 CFR Parts 74 and 92 and relevant OMB circulars.

We would like to note that this comment applies to the draft report's discussion under public assistance administrative costs (p. 7) and public health assistance administrative costs (p. 10). We agree with the draft report's assertion that "[U]ltimately the District of Columbia, as the grantee, is responsible for...fiscal documentation of costs and expenditures."

Three of the draft report's recommendations propose action on the part of FSA:

Recommendation: The FSA should reconsider its position to classify certain public health services as public assistance and make appropriate adjustments to this position.

Response: As discussed above, the primary issue relating to the definitions of public assistance and public health assistance is one of cost documentation. States would like to use the population ratio method for all programs run by their health departments. The final report should clarify whether the OIG is recommending that we allow use of the population ratio in programs where, as discussed above, its use would likely overstate actual costs.

We believe that using the population ratio method for all health department programs would be inconsistent with our responsibility to exercise fiscal responsibility in administering SLIAG funds. However, we recognize that some States may encounter difficulties in establishing actual costs, especially where ELAs are a small percentage of a State's population or for programs that few ELAs access. We will continue to work with States to ensure that a method is available to allow them to establish actual costs for each program in their approved applications, consistent with our responsibilities as stewards of public funds.

Recommendation: The FSA grant process should be made more orderly.

Response: The draft report's recommendation refers to the FSA grant process, but the specifics indicate that it is referring to the SLIAG application and grant award process. The language of the recommendation should be more specific.

We agree that the application process should be conducted in a more orderly fashion than was the case for the initial submissions. As the draft report indicates, the timeframes for the FY 1988 and FY 1989 application processes was necessarily short. In effect, the States and we had to complete two application processes in less than a year. We do not expect similar problems for the FY 1990 and FY 1991 application processes.

To ensure that States have adequate time to prepare their FY 1990 applications based on empirical data, we have extended the deadline from July 15 to October 1. Additionally, we have encouraged States to submit as early as possible any new programs, questions, or issues, and have advised them that they may submit all or portions of their applications at any time prior to the deadline.

In order to reduce the possibility of misunderstanding, we have advised States that we will communicate all substantive questions and concerns on their FY 1990 applications in writing, as was done for States' end-of-year reports. We issued extensive written guidance on the FY 1990 application process and the standards we will apply.

The draft report also recommends that we develop an appeals process to use if programs or costs associated with providing services are denied in the initial applications process. We do not believe such a process is necessary. The Department's Grant Appeals Board has jurisdiction over cases involving the repayment or withholding of funds. Normal channels within the Department are open to States that disagree with decisions made during the course of application review.

Recommendation: The FSA should issue written guidelines for determining and claiming SLIAG administrative costs.

Response: Our comments under Finding #4 specify the guidelines offered to States in the regulation and in subsequent written guidance.

APPENDIX C

DISTRICT OF COLUMBIA'S COMMENTS



GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE OF THE MAYOR
OFFICE ON LATINO AFFAIRS
REEVES MUNICIPAL CENTER
2000 14TH STREET, N.W. - SECOND FLOOR
WASHINGTON, D.C. 20009
TELEPHONE (202) 939-8765

August 9, 1989


Richard P. Kusserow
Inspector General
U.S. Department of Health and Human Services
Washington, D.C. 20201

Dear Mr. Kusserow:

We have reviewed your office's draft report on implementation of the SLIAG program and found it to be a fairly accurate representation of the status of the District of Columbia's implementation of the State Legalization Impact Assistance program as of the end of last summer. The few errors, which naturally occur during brief site visits, in no way take away from the description, which is fair and sound. We had not planned to submit comments, but are sending you this letter at Mr. Hugh Owens's request.

This spring the District of Columbia Department of Human Services -- which serves as grantee and administering agency and will soon become Single Point of Contact as well -- completed hiring staff for its SLIAG unit. Ms. Gayle Smith -- a DHS staff member of long standing who has worked on SLIAG since its inception -- is coordinator of the new unit. Should you require information on the current status of SLIAG implementation, please do not hesitate to call Ms. Smith, 202-673-3420

Sincerely,


Susan B. Butler
SLIAG Coordinator/OLA

