



August 24, 2010

TO: Mary Wakefield, Ph.D., R.N.
Administrator
Health Resources and Services Administration

FROM: /Lori S. Pilcher/
Assistant Inspector General for Grants, Internal Activities,
and Information Technology Audits

SUBJECT: Results of Limited Scope Review of Bronx-Lebanon Integrated Services System,
Inc.'s Process for Compiling and Reporting Selected Recovery Act Data
(A-02-10-02010)

Attached, for your information, is an advance copy of our final report on Bronx-Lebanon Integrated Services System, Inc. (BLISS). We will issue this report to BLISS within 5 business days. The review was requested by the Recovery Accountability and Transparency Board.

If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-02-10-02010 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE REVIEW OF
BRONX-LEBANON INTEGRATED SERVICES
SYSTEM, INC.'S PROCESS FOR COMPILING
AND REPORTING SELECTED
RECOVERY ACT DATA**



Daniel R. Levinson
Inspector General

August 2010
A-02-10-02010

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.



Office of Audit Services
Jacob Javits Federal Building
26 Federal Plaza, Room 3900
New York, NY 10278

August 26, 2010

Report Number: A-02-10-02010

Ms. Saudah Muhammad
Executive Director
Bronx-Lebanon Integrated Services System, Inc.
1650 Selwyn Avenue, Apt. 11H
Bronx, New York 10457

Dear Ms. Muhammad:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Results of Limited Scope Review of Bronx-Lebanon Integrated Services System, Inc.'s Process for Compiling and Reporting Selected Recovery Act Data*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

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

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

If you have any questions or comments about this report, please do not hesitate to call me, or contact John J. Madigan, Audit Manager, at (518) 437-9390, extension 224, or through email at John.Madigan@oig.hhs.gov. Please refer to report number A-02-10-02010 in all correspondence.

Sincerely,

/Richard Schlitt/ for
James P. Edert
Regional Inspector General
for Audit Services

Enclosure

EXECUTIVE SUMMARY

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, was enacted February 17, 2009, to preserve and create jobs; to assist those most affected by the recession; to increase economic efficiency by investing in technological advances in science and health care; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and to stabilize State and local budgets. The Recovery Act provides approximately \$145.7 billion to the Department of Health & Human Services (HHS).

To promote transparency and accountability, section 1512 of the Recovery Act requires each recipient of Recovery Act funds to report on its use of funds to the applicable Federal agency not later than 10 days after the end of each calendar quarter. The reports should include, among other things, the total amount of Recovery Act funds received, funds expended, project status, final project report indicator, and the number of jobs created or retained with Recovery Act funds. To implement section 1512, the Office of Management and Budget (OMB) issued guidance for reporting Recovery Act data.

The Health Centers Consolidation Act of 1996 (P.L. No. 104-299) consolidated the Health Center Program under Section 330 of the Public Health Service Act, codified at 42 U.S.C. § 254(b). Within HHS, the Health Resources and Services Administration (HRSA) administers the Health Center Program. Under the Recovery Act, HRSA received \$2.5 billion in fiscal year (FY) 2009, including \$2 billion to expand the Health Center Program to serve more patients, stimulate new jobs, and meet the significant increase in demand for primary health care services among the Nation's uninsured and underserved populations. HRSA has provided guidance on compiling and reporting Recovery Act data to health centers awarded Recovery Act funds which incorporates OMB's guidance.

Bronx-Lebanon Integrated Services System, Inc. (BLISS), is a nonprofit health center organized in 1996 to provide medical, dental, social, and substance abuse services. BLISS provides these services primarily to residents of the south and central sections of The Bronx, New York. BLISS is funded primarily through HRSA grants. During FY 2009, HRSA awarded BLISS a 2-year Recovery Act grant totaling \$2,500,000 for capital improvements and the implementation of an electronic health records system.

Our review covered recipient data submitted during the second and third reporting periods. The second reporting period covered October 1 through December 31, 2009, and the third reporting period covered January 1 through March 31, 2010.

OBJECTIVE

Our objective was to determine whether BLISS's processes for compiling and reporting selected data provided reasonable assurance of compliance with section 1512 requirements of the Recovery Act.

SUMMARY OF FINDINGS

BLISS's processes for reporting the selected data elements in the second and third reporting period generally provided reasonable assurance that it complied with section 1512 requirements of the Recovery Act. Specifically, BLISS accurately reported funds received, project status, and the final project report indicator. However, BLISS:

- overstated the number of jobs created by 12 full-time equivalents (FTEs) in the second reporting period and by 10.62 FTEs in the third reporting period because it did not comply with Federal guidance on calculating FTEs and
- understated funds expended by \$211,712 for the third reporting period because, according to BLISS officials, there was a miscommunication between the officials regarding section 1512 reporting requirements.

These deficiencies occurred because although BLISS had processes for gathering and reviewing data elements before submitting the data through FederalReporting.gov, it did not have adequate written policies and procedures for reporting the data elements in accordance with the Recovery Act requirements. The processes were also not designed to detect errors caused by following guidance not applicable to the reporting period. The reporting errors could have resulted in the public being misled or confused by BLISS's use of Recovery Act funds.

RECOMMENDATIONS

We recommend that BLISS:

- strengthen its written policies and procedures for compiling and reporting Recovery Act data elements,
- follow current HRSA guidance that incorporates OMB reporting guidance, and
- ensure that similar errors are not made in subsequent reporting periods.

BRONX-LEBANON INTEGRATED SERVICES SYSTEM, INC., COMMENTS

In written comments on our draft report, BLISS concurred with our findings and described actions that it had taken to address our recommendations. BLISS's comments are included in their entirety as the appendix.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
American Recovery and Reinvestment Act.....	1
Section 1512 Reporting Requirements	1
Office of Management and Budget Implementing Guidance	1
Health Resources and Services Administration	2
Bronx-Lebanon Integrated Services System, Inc.....	2
OBJECTIVE, SCOPE, AND METHODOLOGY	3
Objective	3
Scope.....	3
Methodology.....	3
FINDINGS AND RECOMMENDATIONS	4
DATA ELEMENTS REPORTED	4
Recovery Act Reporting Requirements	4
Data Elements Accurately Reported.....	5
Data Elements Inaccurately Reported.....	5
Conclusion	6
RECOMMENDATIONS	6
BRONX-LEBANON INTEGRATED SERVICES SYSTEM, INC., COMMENTS	6
APPENDIX	
BRONX-LEBANON INTEGRATED SERVICES SYSTEM, INC., COMMENTS	

INTRODUCTION

BACKGROUND

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, was enacted February 17, 2009, to preserve and create jobs; to assist those most affected by the recession; to increase economic efficiency by investing in technological advances in science and health care; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and to stabilize State and local budgets. The Recovery Act provides approximately \$145.7 billion to the Department of Health & Human Services (HHS).

Section 1512 Reporting Requirements

To promote transparency and accountability, section 1512 of the Recovery Act requires quarterly reporting by recipients of certain funds made available under the Recovery Act. A recipient includes any non-Federal entity, other than an individual, that receives Recovery Act funds directly from the Federal Government. Section 1512 reporting requirements apply mainly to recipients of grants, contracts, and loans for discretionary programs. Section 1512(c) requires each recipient to report to the applicable Federal agency not later than 10 days after the end of each calendar quarter:

- the total amount of Recovery Act funds received and the amount that was expended or obligated;
- a detailed list of all projects for which Recovery Act funds were expended or obligated, including the project name, description, and completion status and an estimate of the number of jobs created or retained; and
- detailed information on payments to subrecipients and vendors.¹

Office of Management and Budget Implementing Guidance

To implement section 1512 of the Recovery Act, on June 22, 2009, OMB issued memorandum M-09-21, which requires recipients to report detailed information on their projects.² This guidance applies to recipients of grants, loans, tribal agreements, cooperative agreements, and other forms of assistance. During the second reporting period, October 1 through December 31,

¹ A vendor is a dealer, distributor, merchant, or other seller providing goods or services for a Federal program. A recipient or subrecipient may purchase from vendors those goods or services needed to carry out a project (Office of Management and Budget (OMB) memorandum M-09-21, section 2.2, p. 7 (June 22, 2009)).

² Section 3.1 of M-09-21 requires that the information reported by recipients and subrecipients of Recovery Act funds be submitted through FederalReporting.gov, reviewed by the funding agency, and published on Recovery.gov. Programs subject to the reporting requirements in section 1512 of the Recovery Act are listed in Supplement 1 of M-09-21.

2009, OMB updated its guidance (memorandum M-10-08) to incorporate lessons learned from the first reporting period (ended September 30, 2009) and address recommendations of the Government Accountability Office. The update simplified the manner in which job estimates are calculated and reported. Specifically, recipients now report job estimates on a quarterly, rather than a cumulative basis; all other data elements are still reported cumulatively. Recipients are no longer required to sum various data on hours worked across multiple quarters of data when calculating job estimates. In addition, recipients are no longer required to make a subjective judgment on whether jobs were created or retained as a result of the Recovery Act.

Health Resources and Services Administration

The Health Centers Consolidation Act of 1996 (P.L. No. 104-299) consolidated the Health Center Program under Section 330 of the Public Health Service Act, codified at 42 U.S.C. § 254(b). Pursuant to 42 U.S.C. § 254(b), the Health Center Program is a national program designed to provide comprehensive primary health care services to medically underserved populations through planning and operating grants to health centers. Within HHS, the Health Resources and Services Administration (HRSA) administers the Health Center Program.

The Health Center Program provides grants to nonprofit, private, or public entities that serve designated medically underserved populations, including migrant and seasonal farm workers, the homeless, and residents of public housing. Health centers funded by HRSA are community based, patient-directed organizations that meet the definition of “health center” under 42 U.S.C. § 254(b).

Under the Recovery Act, HRSA received \$2.5 billion in fiscal year (FY) 2009, including \$2 billion to expand the Health Center Program to serve more patients, stimulate new jobs, and meet the significant increase in demand for primary health care services among the Nation’s uninsured and underserved populations.

On December 29, 2009, HRSA issued the third edition of the *Health Center Quarterly Reporting Manual* (the reporting manual), which incorporates OMB’s revised guidance. The reporting manual provides guidance to assist health centers awarded Recovery Act funds in reporting section 1512 Recovery Act data elements. In addition, the reporting manual requires recipients to report on a limited number of health center program performance elements to allow HRSA to report on and demonstrate the impact of health center activities funded under the Recovery Act. To further assist recipients in reporting Recovery Act data elements, HRSA holds a quarterly technical conference call that addresses reporting requirements.

Bronx-Lebanon Integrated Services System, Inc.

Bronx-Lebanon Integrated Services System, Inc. (BLISS), is a nonprofit health center organized in 1996 to provide medical, dental, social, and substance abuse services. BLISS provides these services primarily to residents of the south and central sections of The Bronx, New York.

BLISS is funded primarily through HRSA grants. During FY 2009, HRSA awarded BLISS a 2-year Recovery Act grant totaling \$2,500,000 for capital improvements and the implementation of an electronic health records system.

OBJECTIVE, SCOPE, METHODOLOGY

Objective

Our objective was to determine whether BLISS's processes for compiling and reporting selected data provided reasonable assurance of compliance with section 1512 requirements of the Recovery Act.

Scope

Our review covered recipient data submitted during the second and third reporting periods. The second reporting period covered October 1 through December 31, 2009, and the third reporting period covered January 1 through March 31, 2010. We reviewed BLISS's processes in compiling and reporting Recovery Act data elements for the second reporting period and the actions taken to enhance data quality for the third reporting period. Specifically, we selected the data elements for jobs created, funds received, funds expended, project status, and final project report indicator to ensure compliance with section 1512 requirements of the Recovery Act. To gain an understanding of BLISS's compiling and reporting of Recovery Act data elements, we conducted a limited review of the internal controls related to our audit objective.

We performed our fieldwork at BLISS's administrative office in The Bronx, New York, during May 2010.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed BLISS's HRSA Capital Improvement Program (CIP)³ grant application and award;
- reviewed BLISS's Recovery Act reported data elements and comments reported on FederalReporting.gov;
- interviewed personnel to gain an understanding of BLISS's Recovery Act reporting processes;

³ The CIP award made available by the Recovery Act supports health centers in addressing capital improvement needs, such as construction, repair, renovation, and equipment purchases, including health information technology systems.

- performed analytical procedures to determine the reasonableness of the reported data elements when compared with supporting documentation for expenditures and funds received, and jobs created and retained; and
- discussed our findings with BLISS's officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

BLISS's processes for reporting the selected data elements in the second and third reporting period generally provided reasonable assurance that it complied with section 1512 requirements of the Recovery Act. Specifically, BLISS accurately reported funds received, project status, and the final project report indicator. However, BLISS:

- overstated the number of jobs created by 12 full-time equivalents (FTEs) in the second reporting period and by 10.62 FTEs in the third reporting period because it did not comply with Federal guidance on calculating FTEs; and
- understated funds expended by \$211,712 for the third reporting period because, according to BLISS officials, there was a miscommunication between the officials regarding section 1512 reporting requirements.

These deficiencies occurred because although BLISS had processes for gathering and reviewing data elements before submitting the data through FederalReporting.gov, it did not have adequate written policies and procedures for reporting the data elements in accordance with the Recovery Act requirements. The processes were also not designed to detect errors caused by following guidance not applicable to the reporting period. The reporting errors could have resulted in the public being misled or confused by BLISS's use of Recovery Act funds.

DATA ELEMENTS REPORTED

Recovery Act Reporting Requirements

OMB memorandum M-09-21, section 2.5, states that all data contained in each quarterly recipient report will be cumulative to encompass the total amount of funds expended to date. However, OMB later issued memorandum M-10-08 allowing for recipients to report job estimate information on a quarterly basis, rather than a cumulative one.

OMB memorandum M-10-08 states that the estimated number of jobs created should be expressed as FTEs. Specifically, OMB memorandum M-10-08 states that in calculating an FTE, the number of actual hours worked in funded jobs are divided by the number of hours

representing a full work schedule for the kind of job being estimated. These FTEs are then adjusted to count only the portion corresponding to the share of the job funded by Recovery Act funds. All other reporting elements continue to be reported cumulatively.

HRSA's third edition of the reporting manuals restates OMB's guidance that FTEs will be reported only to the extent that Recovery Act funds are used.

Data Elements Accurately Reported

BLISS was in compliance with OMB and HRSA guidance on the reporting of second period data elements for funds received, funds expended, project status, and final project report indicator. Specifically, BLISS accurately reported that no funds were received or expended, and the CIP grant project status as less than 50 percent completed. Therefore, BLISS correctly reported the final project indicator as "not completed."

Data Elements Inaccurately Reported

Overstated the Number of Jobs Created for the Second and Third Reporting Periods

BLISS overstated the number of jobs created by inappropriately reporting the number of FTEs it anticipated on hiring—not the actual number of FTEs hired with Recovery Act funds. Therefore, BLISS reported 17.8 FTEs for the second reporting period and 15.8 FTEs for the third reporting period. BLISS's reporting of the second and third period jobs numbers were inconsistent with OMB and HRSA guidance to report only the number of jobs funded by Recovery Act funds. As a result, BLISS overstated the number of jobs reported by 12 FTEs (17.8 FTEs reported less 5.8 FTEs that should have been reported) in the second reporting period and by 10.62 FTEs (15.8 FTEs reported less 5.18 FTEs that should have been reported) in the third reporting period.

In May 2010, BLISS accurately recalculated its FTE data for the third reporting period and revised its report to indicate the correct number of FTEs hired. However BLISS officials stated they could not revise the number of FTEs reported for the second reporting period because the deadline for revising this information had lapsed.

Understated the Total Federal Amount of Funds Expended for the Third Reporting Period

BLISS understated funds expended by \$211,712 for the third reporting period. BLISS officials indicated that they did not report these expenditures because BLISS had not received expenditure information from a subrecipient. However, in March 2010, prior to the closing of the third reporting period, BLISS had received information from the subrecipient related to salary expenses that should have been reported. BLISS officials stated that they did not report this information because of a miscommunication between officials. The officials stated that the miscommunication has since been resolved and that BLISS has revised its procedures for reporting expenditures. However BLISS officials stated they could not revise funds expended for the third reporting period because the deadline for revising this information had lapsed.

Conclusion

BLISS senior officials had implemented a review process for gathering and reviewing data elements before submitting data through [FederalReporting.gov](https://www.federalreporting.gov). However, the process did not ensure that reported Recovery Act data elements complied with HRSA and OMB guidance, and management did not always follow current guidance when reporting specific data elements. Our review of BLISS's process, policies, and procedures noted the following weaknesses:

- BLISS did not have adequate policies and procedures to ensure that it complied with the most up-to-date HRSA and OMB reporting guidance.
- BLISS did not establish or implement data quality checks, nor perform analytical procedures as stipulated in OMB guidance. Although BLISS officials reviewed data elements submitted to the Federal agency, there were no procedures to ensure that data elements reported were reasonable.

The reporting errors could have resulted in the public being misled or confused by BLISS's use of Recovery Act funds.

RECOMMENDATIONS

We recommend that BLISS:

- strengthen its written policies and procedures for compiling and reporting Recovery Act data elements,
- follow current HRSA guidance that incorporates OMB reporting guidance, and
- ensure that similar errors are not made in subsequent reporting periods.

BRONX-LEBANON INTEGRATED SERVICES SYSTEM, INC., COMMENTS

In written comments on our draft report, BLISS concurred with our findings and described actions that it had taken to address our recommendations. BLISS's comments are included in their entirety as the appendix.

APPENDIX

BRONX-LEBANON INTEGRATED SERVICES SYSTEM, INC., COMMENTS

B R O N X - L E B A N O N I N T E G R A T E D S E R V I C E S S Y S T E M , I n c .

August 2, 2010

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Executive Director

James P. Edert
Regional Inspector General for Audit Services
Department of Health & Human Services
Region II
Jacob Javits Federal Building
New York, NY 10278

Dear Mr. Edert:

On behalf of BLISS and its sub-recipients, I would like to thank you for the Office of Inspector General's (OIG) limited scope review.

We have reviewed the draft report and concur with the findings that we overstated the FTEs in the second and third reporting periods, and understated expenses in the third reporting period. In both instances, these errors were due to a misunderstanding of the reporting guidelines by staff members.

We have taken several steps to ensure that the future reports are submitted accurately:

- a. Prior to the audit, BLISS had begun drafting a written ARRA policy and procedure statement. This statement has now been updated to include current Federal guidance, and
- b. it lays out the steps necessary for proper reporting.
- c. BLISS staff participated in ARRA training/webinars (sponsored by NACHC and HRSA) on modifications to the HCQR report.
- d. We have instituted a process where BLISS staff review OMB, HCQR and HRSA guidance on an ongoing basis to stay abreast of modifications to the reporting process.
- e. We have implemented a standardized quarterly data collection worksheet that will enable staff to accurately compile the required information and eliminate miscommunications.
- f. We have created an evaluation spreadsheet which will facilitate a comprehensive review by all data providers prior to submission of each quarterly report.
- g. Reports will not be submitted until the evaluation spreadsheet has been fully reviewed and approved.

We believe that the procedures put in place will greatly improve the reporting process and prevent the submission of inaccurate reports in the future.

Sincerely,

/Saudah Muhammad/
Executive Director

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