

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**HENRY J. AUSTIN HEALTH  
CENTER, INC., A HEALTH RESOURCES  
AND SERVICES ADMINISTRATION  
GRANTEE, DID NOT COMPLY WITH  
FEDERAL GRANT REQUIREMENTS**

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A-02-17-02002

# *Office of Inspector General*

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## Report in Brief

Date: February 2018  
Report No. A-02-17-02002

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

As part of its oversight activities, OIG is conducting a series of reviews of Community Health Center Program grants because of the risks often associated with these awards.

The Affordable Care Act provided \$9.5 billion in supplemental funding for the operation and expansion of the Community Health Center Program, which is administered by the Health Resources and Services Administration (HRSA).

HRSA awarded Henry J. Austin Health Center, Inc. (HJAHC), a not-for-profit organization, \$8.3 million of these funds through several Community Health Center Program grants to provide comprehensive primary care services in the Trenton, New Jersey, area. Of this amount, \$281,217 was to support certain activities (i.e., one-time equipment purchases).

Our objective was to determine whether HJAHC complied with Federal requirements and grant terms related to its Community Health Center Program grants.

### How OIG Did This Review

We reviewed Community Health Center Program grant funds totaling \$8.3 million awarded to and expended by HJAHC from April 2013 through March 2016. Specifically, we reviewed whether HJAHC (1) had adequate financial management controls over these grant funds and (2) claimed allowable costs.

## Henry J. Austin Health Center, Inc., a Health Resources and Services Administration Grantee, Did Not Comply With Federal Grant Requirements

### What OIG Found

HJAHC did not comply with Federal requirements related to its Community Health Center Program grants. Specifically, HJAHC did not track and account for grant expenditures separately from other Federal and non-Federal operating expenses, did not reconcile actual grant expenditures to its approved budgeted amounts used to draw down Federal funds, and did not maintain documentation that supported grant expenditures for certain activities. As a result, we could not determine whether \$8 million in costs claimed by HJAHC for certain Community Health Center Program grants were allowable. In addition, HJAHC claimed costs totaling \$243,066 for certain activities that were unallowable.

These deficiencies occurred because HJAHC did not maintain a financial management system that provided for accurate, current, and complete disclosure of the financial results of its Community Health Center Program grants.

### What OIG Recommends and Auditee Comments

We recommend that HRSA (1) require HJAHC to refund \$8 million to the Federal Government or work with HJAHC to determine what portion of these costs claimed to the Community Health Center Program grants were allowable and (2) require HJAHC to refund \$243,066 to the Federal Government for unallowable costs. We also made procedural recommendations.

In its comments on our draft report, HJAHC described how it used its supplemental grant funds to provide health center services. HJAHC disagreed with our findings related to its tracking and accounting for grant funds and claiming of personnel costs. Also, HJAHC stated that it anticipates providing additional supporting documentation for certain expenditures to HRSA. After reviewing HJAHC's comments, we maintain that our findings are valid.

In its comments on our draft report, HRSA concurred with our recommendations. Specifically, HRSA agreed to work with HJAHC to determine what portion of the \$8.2 million claimed to the Community Health Center Program grants were allowable and if necessary, require a refund. In addition, HRSA stated that it has been working with HJAHC to improve its financial management system and practices.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

As part of its oversight activities, the Office of Inspector General (OIG) is conducting a series of reviews of Community Health Center Program grants because of the risks often associated with these awards. Appendix A lists recent OIG reports related to these grants.

More than 24 million Americans—1 of 13 nationwide—rely on a health center for primary health care. The Patient Protection and Affordable Care Act (ACA)<sup>1</sup> provided supplemental funding of \$9.5 billion for the operation and expansion of the Community Health Center Program.

The Health Resources and Services Administration (HRSA) awarded Henry J. Austin Health Center, Inc. (HJAHC), a not-for-profit organization, \$8,281,670 of these supplemental funds through several Community Health Center Program grants to provide comprehensive primary care services (including medical, dental, behavioral health, and substance abuse) in the Trenton, New Jersey, area.

### OBJECTIVE

Our objective was to determine whether HJAHC complied with Federal requirements and grant terms related to its Community Health Center Program grants.

### BACKGROUND

#### The Health Center Program

The Health Center Program is authorized under section 330 of the Public Health Service Act (42 U.S.C. § 254b). The Health Center Program provides primary health care services to medically underserved communities and vulnerable populations with limited access to health care through planning and operating grants to Federally Qualified Health Centers (health centers).<sup>2</sup> Within the U.S. Department of Health and Human Services (HHS), HRSA administers the Health Center Program.

Section 10503 of the ACA provided \$9.5 billion in supplemental funding over a 5-year period (Federal fiscal years (FYs) 2011 through 2015) to support ongoing community health center operations, create new community health center sites, and expand health care services at

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<sup>1</sup> The Patient Protection and Affordable Care Act, P.L. No. 111-148 (Mar. 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, P.L. No. 111-152 (Mar. 30, 2010), is known as the Affordable Care Act.

<sup>2</sup> Federally Qualified Health Centers are public and private nonprofit health care organizations that receive grants under section 330 of the Public Health Service Act. These centers qualify for enhanced reimbursement from Medicare and Medicaid, as well as other benefits, and serve an underserved area or population.

existing community health center sites. During FYs 2011 through 2015, HRSA awarded approximately \$6.2 billion in operational funds to support ongoing Health Center Program operations. HRSA also awarded approximately \$8.6 billion in supplemental funding to community health centers nationwide through various Community Health Center Program grants.

**Henry J. Austin Health Center, Inc.**

HJAHC, a not-for-profit organization, was established to provide community-based, affordable, and accessible primary health care, mental health, and substance abuse treatment services to medically underserved populations in the Trenton, New Jersey, area. It currently operates four full-time primary care health center sites and five part-time primary care service sites within other behavioral health agencies.

HRSA awarded HJAHC a total of \$13,658,186 in Community Health Center Program funding for the period April 1, 2013, through March 31, 2016, including supplemental funding of \$8,281,670 for expansion and continued operation of HJAHC’s Community Health Center Program.<sup>3</sup> Table 1 below summarizes the award amounts for the supplemental funding.

**Table 1: HJAHC’s Supplemental Community Health Center Program Grants**

<b>Grant Type</b>	<b>Number of Grants</b>	<b>Total Award Amount</b>
New Access Point	2	\$835,405
Outreach and Enrollment	2	216,426
Behavioral Health Integration	1	250,000
Expanded Services	2	505,870
Continued Operations	3	6,286,548
Base Adjustment	3	177,853
Quality Improvement	1	9,568
<b>Total</b>	<b>14</b>	<b>\$8,281,670</b>

HJAHC claimed the entire amount of the awarded grant funds. For details on these supplemental Community Health Center Program grants, see Appendix B.

In April 2013 and October 2014, HJAHC submitted applications to HRSA for New Access Point grant funds to establish a new primary care site to address the needs of northern New Jersey residents and satellite primary care service sites within five behavioral health agencies in Mercer County, New Jersey, to serve patients from those agencies and in the community. In its

<sup>3</sup> HJAHC received supplemental funding through 14 Community Health Center Program grants, including grants for New Access Point, Outreach and Enrollment, Behavioral Health Integration, Expanded Services, continued operations, Base Adjustment, and Quality Improvement activities.

applications, HJAHC submitted budgets to HRSA that included personnel, supplies, contractual, and other costs, including costs for one-time activities that HJAHC stated in the applications that it would only use for equipment.<sup>4</sup> Based on these applications, HRSA awarded HJAHC a total of \$835,405 in New Access Point grant awards, including \$281,217 in one-time activities funding for equipment purchases.

In May 2013 and April 2014, HJAHC submitted applications to HRSA for Outreach and Enrollment and Behavioral Health Integration grant funds to provide outreach and enrollment assistance and to expand behavioral health services at its health center sites, respectively. In July 2014 and 2015, HJAHC submitted applications to HRSA for Expanded Services grant funds for medical, oral health, and pharmacy services expansion projects. In its applications, HJAHC submitted budgets to HRSA that included personnel, equipment, supplies, contractual, travel, and other costs. On the basis of these applications, HRSA awarded HJAHC a total of \$972,296 in Outreach and Enrollment, Behavioral Health Integration, and Expanded Services grant funds.

HRSA also awarded HJAHC a total of \$6,473,969 in Continued Operations, Base Adjustment, and Quality Improvement grant funds as part of the supplemental funding.

By accepting these Community Health Center Program grant awards, HJAHC agreed to claim reimbursement for allowable costs in accordance with grant terms and submit updates on its grant-related activities, including required reports, to HRSA. See Appendix C for details on the Federal requirements related to grants awarded to community health centers.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed supplemental Community Health Center Program grant funds totaling \$8,281,670 awarded to and expended by HJAHC for the period April 1, 2013, through March 31, 2016.<sup>5</sup> Specifically, we reviewed whether HJAHC (1) had adequate financial management controls over these grant funds and (2) claimed allowable costs. We did not review the overall internal control structure of HJAHC or HRSA's grant management program. Rather, we reviewed only those controls related to our objective.

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 objectives.

Appendix D contains the details of our audit scope and methodology.

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<sup>4</sup> Grantees can request funding up to \$150,000 in the first year of a New Access Point grant for one-time minor capital costs for equipment and/or minor alterations or renovations.

<sup>5</sup> We did not review operational funds totaling \$5,376,516 awarded to HJAHC during the same period.

## FINDINGS

HJAHC did not comply with Federal requirements and grant terms related to its Community Health Center Program grants. Specifically, HJAHC did not track and account for its Community Health Center Program grant expenditures separately from other Federal and non-Federal operating expenditures, did not reconcile actual grant expenditures to budgeted costs used to support its claim for reimbursement, and did not maintain documentation that supported certain grant expenditures. As a result, we could not determine whether \$8,000,453 in costs claimed by HJAHC for certain Community Health Center Program grants were allowable. In addition, we determined that while HJAHC claimed allowable one-time equipment costs of \$38,151, the remaining \$243,066 that it claimed for these one-time costs were unallowable.

These deficiencies occurred because HJAHC did not maintain a financial management system that provided for accurate, current, and complete disclosure of the financial results of its Community Health Center Program grants, including (1) separately tracking and accounting for these grant funds, (2) a comparison of expenditures with budget amounts for these grant awards, and (3) maintaining records that supported the distribution of employees' salaries and wages among specific activities and all expenditures charged to grant awards.

### NO SEPARATE TRACKING AND ACCOUNTING FOR GRANT FUNDS

The financial management system of each grantee must provide accurate, current, and complete disclosure of the financial results of each Federal award or program (45 CFR §§ 75.302(b)(2) and 74.21(b)(1)).<sup>6</sup> The grantee's records must identify the source and application of funds for federally funded activities and be supported by source documentation (45 CFR §§ 75.302(b)(3), 74.21(b)(2), and 74.21(b)(7)).<sup>7</sup> In addition, grantees must record all grant award payments in accounting records separately from the records of all other funds, including funds derived from other grant awards (42 CFR § 51c.112(a)).<sup>8</sup>

HJAHC did not track and account for its Community Health Center Program grant expenditures separately from other Federal and non-Federal operating expenses. As a result, we were unable to determine HJAHC's actual expenditures for its Community Health Center Program and reconcile HJAHC's reported cash disbursements with its accounting records.

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<sup>6</sup> For grant awards made prior to December 26, 2014, 45 CFR part 74 establishes uniform administrative requirements governing HHS grants and agreements awarded to nonprofit entities. For grant awards made on or after December 26, 2014, 45 CFR part 75 establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities. The scope of our review covered the period April 1, 2013, through March 31, 2016. Therefore, we cite to both regulations throughout the report.

<sup>7</sup> These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest.

<sup>8</sup> Further, a HRSA Policy Information Notice issued to Health Center Program grantees stated that expenditures of grant funds under section 330 of the Public Health Service Act must follow all applicable Federal requirements and be accounted for separately (HRSA Policy Information Notice 2013-01 (March 18, 2014)).

Specifically, HJAHC deposited Community Health Center Program funds into a bank account that also included funds from other Federal (non-HRSA) and non-Federal sources. HJAHC then transferred funds from this account to its payroll and operating accounts. HJAHC subsequently used these two accounts to pay Community Health Center Program expenditures and other expenditures, including payroll and payments to loan lenders, supermarkets, food catering vendors, real estate corporations, hotels, gift card issuers, and unions. HJAHC stated that it used program income from all sources, including Federal grant funds, to cover its expenditures. HJAHC did not separately account for or track its Community Health Center Program expenditures in its general ledger.

According to HJAHC, all of its Community Health Center Program funds were used for payroll expenses because payroll comprised approximately 85 percent of HJAHC's total operating expenses. However, HJAHC did not provide records to support actual expenditures for payroll charged to its Community Health Center Program grants.<sup>9</sup>

### **BUDGETED COSTS USED TO SUPPORT CLAIM FOR REIMBURSEMENT**

Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards (45 CFR § 75.430(i)(1)(viii) and 2 CFR part 230, Appendix B, § 8(m)(2)(a)). In addition, the grantee's financial management system must provide a comparison of expenditures with budget amounts for each Federal award (45 CFR §§ 75.302(b)(5) and 74.21(b)(4)).

For salaries and wages to be allowable for Federal reimbursement, grantees must maintain monthly after-the-fact certifications of the actual activity for each employee working on Federal awards (2 CFR part 230, Appendix B, §§ 8.b and 8.m).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. The records must support the distribution of the employee's salary or wages among specific activities or costs. The grantee's system of internal controls should include processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated (45 CFR § 75.430(i)(1)).

HJAHC did not reconcile actual Community Health Center Program expenditures to approved budgeted amounts after it drew down Federal funds. Specifically, HJAHC used budgeted

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<sup>9</sup> For the period April 2013 through May 2015, HRSA required HJAHC to submit monthly Requests for Advance or Reimbursement (Standard Form 270) for approval of drawing down grant funds. HJAHC's monthly requests indicated that all Community Health Center Program expenditures claimed were salary expenses (except for \$150,000 in one-time equipment costs). After May 2015, HJAHC submitted quarterly Federal Financial Reports (Standard Form 425) to HRSA that did not specify cost items claimed for Community Health Center Program expenditures. We could not verify the amounts reported on these forms because HJAHC did not separately track these expenditures in its accounting records and did not have complete records to support its claimed Community Health Center Program expenditures.

amounts—not actual amounts—in its financial reports to claim reimbursement for its Community Health Center Program grant expenditures. However, HJAHC did not perform a comparison of actual expenditures with budgeted amounts for these grants.

Although the approved budgets for its Community Health Center Program grants included personnel, equipment, supplies, contractual, travel and other costs, HJAHC officials stated that all Community Health Center Program expenditures claimed were for payroll expenditures. HJAHC allocated salaries to the grants based on budget estimates rather than on the actual time employees spent working on each award. HJAHC did not have a time-and-effort reporting system that included after-the-fact certifications of actual activities or other records that supported the distribution of salaries or wages for each employee that worked on Federal awards. Therefore, we could not determine what portion of employees' salaries should have been charged to the grants.

Because HJAHC did not separately account for its Community Health Center Program grant expenditures and used budget estimates to claim employees' salaries, we were unable to compare budgeted amounts to actual Community Health Center Program grant expenditures and could not determine whether \$8,000,453 in costs claimed by HJAHC for certain Community Health Center Program grants were allowable.

## **INADEQUATE DOCUMENTATION OF EXPENDITURES**

To be allowable under Federal awards, costs must conform to any limitations or exclusions set forth in the Federal awards as to types or amount of cost items (45 CFR § 75.403(b) and 2 CFR part 230, Appendix A, § A.2). The grantee's records must identify the source and application of funds for federally funded activities and be supported by source documentation (45 CFR §§ 75.302(b)(3), 74.21(b)(2), and 74.21(b)(7)). The grantee must comply with Federal statutes, regulations, and the terms and conditions of the Federal awards (45 CFR § 75.303(b) and 2 CFR part 230, Appendix A, § A.3.b).

HRSA required Community Health Center Program grantees to separately track and account for one-time activities funded under the New Access Point grant in accordance with specific reporting requirements listed in the Notice of Award.<sup>10</sup> In its grant announcement, HRSA required grantees that requested one-time funding in the first year of their New Access Point grant to provide a complete list of equipment in the application for grant funds.

HJAHC did not maintain documentation to support a portion of its claimed New Access Point one-time activities costs. HRSA awarded HJAHC one-time activities funding totaling \$281,217 in two New Access Point awards: \$150,000 on October 31, 2013, and \$131,217 on July 23, 2015.

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<sup>10</sup> The Notice of Award stated that proposed alteration and renovation activities or fixed equipment not identified in the one-time funding project(s) may not be funded without prior approval. The Notice of Award also stated that grantees must maintain adequate documentation. The reporting requirements in the Notice of Award stated that grantees must submit a budget narrative/justification and final equipment list showing the actual project costs to HRSA for the approved one-time funding project(s) within 30 days after completion of the activities.

In its applications for these grant awards, HJAHC stated that it would use the funding only for equipment and included a list of equipment to be purchased. Of the \$281,217 in total awarded one-time activities funding, HJAHC claimed allowable equipment costs totaling \$38,151. For the remaining \$243,066, HJAHC did not (1) provide invoices or other documentation to support equipment costs of \$9,357 or (2) maintain records documenting that it spent the remaining \$233,709 in one-time activities funding on equipment purchases. Therefore, one-time activities costs totaling \$243,066 claimed by HJAHC were unallowable for Federal reimbursement.

### **RECOMMENDATIONS**

We recommend that HRSA:

- require HJAHC to refund \$8,000,453 to the Federal Government or work with HJAHC to determine what portion of these costs claimed to the Community Health Center Program grants were allowable;
- require HJAHC to refund \$243,066 to the Federal Government; and
- ensure that HJAHC develops and maintains a financial management system that provides for the accurate, current, and complete disclosure of the financial results of its Community Health Center Program grant funds, including (1) tracking and accounting for grant expenditures separately from other operating expenditures, (2) documenting a comparison of actual expenditures with budget amounts, and (3) maintaining records that support the distribution of employees' salaries and wages among specific activities and all expenditures charged to grant awards.

### **HENRY J. AUSTIN HEALTH CENTER, INC., COMMENTS**

In written comments on our draft report, HJAHC described how it used its supplemental grant funds to integrate behavioral health services and provide expanded health center services to the community, including opening new health center sites and hiring new staff at its existing sites. HJAHC disagreed with our findings related to its tracking and accounting for grant funds and claiming of personnel costs. Also, HJAHC stated that it anticipates providing additional supporting documentation for certain expenditures to HRSA.

Specifically, HJAHC stated that its general ledger differentiated the cost centers to which grant expenditures were applied and that our draft report implied that its use of a single bank account to maintain both Federal and non-Federal funds is improper. HJAHC also stated that it has sufficient documentation to support its allocation of personnel costs and plans to provide this additional documentation to HRSA. Regarding its documentation of equipment costs, HJAHC stated that it is conducting a further review of its records and anticipates providing additional supporting documentation to HRSA.

HJAHC's comments are included in their entirety as Appendix E.

### OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing HJAHC's comments, we maintain that our findings are valid. The scope of our audit did not include a review of services provided. Rather, we reviewed whether HJAHC had adequate financial management controls over its Community Health Center program grant funds and claimed allowable costs.

Although HJAHC's general ledger contained cost centers designed to separately track grant expenditures, HJAHC did not separately track and account for its Community Health Center Program grant expenditures during our audit period. Contrary to HJAHC's comments, we did not imply in our report that HJAHC's use of one bank account to hold funds from Federal and non-Federal sources was improper. Rather, our finding related to the requirement under Federal regulations to track and account for all expenditures made with Community Health Center Program funds. HJAHC officials informed us that they created grant expenditure reports and journal entries by cost center only after we requested this information because during our audit period, HJAHC did not track expenditures for individual grants (cost centers). The officials stated that they were only required to report an aggregate amount for all Community Health Center Program expenditures to HRSA.<sup>11</sup>

Regarding the grant expenditure reports that HJAHC created for us, we were not able to trace expenditures in these reports to the financial reports that HJAHC submitted to HRSA because the expenditure line items (i.e., expense categories) did not match.<sup>12</sup> In response to our inquiries regarding the expense categories claimed, HJAHC officials informed us that all expenditures claimed were for personnel costs. We could not verify actual personnel costs allocable to HJAHC's Community Health Center Program grants because during the audit period, HJAHC did not have a reporting system that supported its distribution of personnel costs to various Federal awards.<sup>13</sup> HJAHC used budgeted amounts to claim salaries on its financial reports and did not reconcile these budgeted amounts to actual expenditures.

Additionally, during our fieldwork, we repeatedly requested that HJAHC provide supporting documentation for its use of one-time activities funding totaling \$281,217 for equipment purchases. HJAHC provided an inventory list of equipment purchased with all supplemental Community Health Center Program funding. This list showed equipment costs totaling \$98,360

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<sup>11</sup> See footnote 9.

<sup>12</sup> Specifically, the grant expenditure reports that HJAHC prepared for our review contained expenditures such as salaries, fringe benefits, consultant and contractual fees, office supplies, equipment repairs and maintenance, vaccines, pharmaceuticals, printing and publications, travel, dues, and subscriptions.

<sup>13</sup> HJAHC provided us with what it described as "Bi-Annual Time and Effort Verification Forms" to support its allocation of personnel costs. However, HJAHC officials later informed us that the amounts indicated on these forms were only budgeted amounts and not based on actual records.

(less than half of the one-time activities funding awarded to HJAHC under its New Access Point grants). HJAHC did not provide supporting documentation for any other equipment purchases.

#### **HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS**

In written comments on our draft report, HRSA concurred with our recommendations. Specifically, HRSA agreed to work with HJAHC to determine what portion of the \$8,243,519 claimed to the Community Health Center Program grants were allowable and if necessary, require a refund. In addition, HRSA stated that it has been working with HJAHC to improve its financial management system and practices. HRSA's comments are included in their entirety as Appendix F.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Housing Works, Inc., Did Not Always Comply With Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant</i>	<a href="#"><u>A-02-15-02001</u></a>	12/8/2016
<i>HPM Foundation, Inc., Did Not Always Comply With Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant</i>	<a href="#"><u>A-02-14-02022</u></a>	2/5/2016
<i>Hidalgo Medical Services Did Not Comply With All Federal Requirements Related to Its Capital Development Grant</i>	<a href="#"><u>A-06-14-00056</u></a>	1/25/2016
<i>Community of Hope Generally Complied With the Requirements of a Capital Development Grant Funded Under the Affordable Care Act</i>	<a href="#"><u>A-03-14-03304</u></a>	8/18/2015
<i>East Harlem Council for Human Services, Inc., Complied With Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant</i>	<a href="#"><u>A-02-14-02021</u></a>	5/21/2015
<i>Chase Brexton Health Care Complied With the Requirements of a Community Health Center Grant Funded Under the Affordable Care Act</i>	<a href="#"><u>A-03-14-03303</u></a>	5/21/2015
<i>Lone Star Circle of Care Complied with Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant</i>	<a href="#"><u>A-06-14-00058</u></a>	4/7/2015

**APPENDIX B: LIST OF HENRY J. AUSTIN HEALTH CENTER, INC.'S, SUPPLEMENTAL  
COMMUNITY HEALTH CENTER PROGRAM GRANTS**

<b>Grant Type</b>	<b>Grant Purpose</b>	<b>Award Amount</b>	<b>Grant Period</b>
New Access Point	Establish a new primary care site	\$358,333	11/1/2013 to 3/31/2014
	Establish five satellite primary care sites	477,072	8/1/2015 to 3/31/2016
Outreach and Enrollment	Outreach and enrollment assistance	139,927	7/1/2013 to 6/30/2014
	Outreach and enrollment assistance	76,499	12/1/2013 to 3/31/2014
Behavioral Health Integration	Behavioral health services expansion	250,000	8/1/2014 to 7/31/2015
Expanded Services	Medical and dental services expansion	228,200	9/1/2014 to 8/31/2015
	Pharmacy services expansion	277,670	9/1/2015 to 8/31/2016*
Continuation	Ongoing operations	1,310,870	4/1/2013 to 3/31/2014
	Ongoing operations	2,034,370	4/1/2014 to 3/31/2015
	Ongoing operations	2,941,308	4/1/2015 to 3/31/2016
Base Adjustment	Ongoing operations	37,215	4/1/2013 to 3/31/2014
	Ongoing operations	39,996	4/1/2014 to 3/31/2015
	Ongoing operations	100,642	4/1/2015 to 3/31/2016
Quality Improvement	Quality improvement activities	9,568	12/1/2014 to 11/30/2015
<b>Total</b>	<b>14 Grants</b>	<b>\$8,281,670</b>	

\* Although the grant period for the pharmacy services expansion grant extended past our audit period, HJAHC claimed the entire awarded amount by March 31, 2016.

## APPENDIX C: FEDERAL REQUIREMENTS FOR COMMUNITY HEALTH CENTER GRANTEES

Title 45, part 74, of the Code of Federal Regulations establishes uniform administrative requirements governing HHS grants and agreements awarded to nonprofit organizations for awards issued prior to December 26, 2014. As a nonprofit organization in receipt of Federal funds, HJAHC must comply with Federal cost principles in 2 CFR part 230, *Cost Principles for Non-Profit Organizations*.<sup>14</sup> Title 45, part 75, of the Code of Federal Regulations establishes uniform administrative requirements governing HHS grants and agreements awarded to nonprofit organizations for awards issued after December 26, 2014. These cost principles require that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and otherwise allowable. The grantee must also comply with the requirements for health centers in 42 U.S.C. § 254b and implementing regulations at 42 CFR part 51c.

Grantees must record all grant award payments in accounting records separately from the records of all other funds, including funds derived from other grant awards (42 CFR § 51c.112(a)).

The financial management system of each grantee must provide accurate, current, and complete disclosure of the financial results of each Federal award or program (45 CFR §§ 75.302(b)(2) and 74.21(b)(1)). The grantee's records must identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation (45 CFR §§ 75.302(b)(3), 74.21(b)(2), and 74.21(b)(7)). The grantee's financial management system must provide a comparison of expenditures with budget amounts for each Federal award (45 CFR §§ 75.302(b)(5) and 74.21(b)(4)).

The grantee must comply with Federal statutes, regulations, and the terms and conditions of the Federal awards (45 CFR § 75.303(b) and 2 CFR part 230, Appendix A, § A.3.b). To be allowable under Federal awards, costs must conform to any limitations or exclusions set forth in the Federal awards as to types or amount of cost items (45 CFR § 75.403(b) and 2 CFR part 230, Appendix A, § A.2).

Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards (45 CFR § 75.430(i)(1)(viii) and 2 CFR part 230, Appendix B, § 8(m)(2)(a)).

For salaries and wages to be allowable for Federal reimbursement, grantees must maintain an after-the-fact certification of the actual activity for each employee working on Federal

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<sup>14</sup> The Office of Management and Budget (OMB) Circular No. A-122, *Cost Principles for Non-Profit Organizations*, was relocated to 2 CFR part 230 and made applicable by 45 CFR § 74.27(a). HHS promulgated new grant regulations and cost principles at 45 CFR part 75 (and removing parts 74 and 92) that are effective for all Federal awards issued on or after December 26, 2014 (45 CFR § 75.110).

awards. The certification must be signed by the employee or a supervisory official having firsthand knowledge of the employee's activities, be prepared monthly, coincide with one or more pay periods, and account for the total activity of the employee (2 CFR part 230, Appendix B, § 8.b and 8.m).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal controls that provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The records must also support the distribution of the employee's salary or wages among specific activities or cost. The entity's system of internal controls should include processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated (45 CFR § 75.430(i)(1)).

HRSA Policy Information Notice 2013-01 (March 18, 2014) stated that expenditures of grant funds under section 330 of the Public Health Service Act must follow all applicable Federal requirements and be accounted for separately.

In its grant announcements, HRSA required grantees that requested one-time funding in the first year of their New Access Point grant to provide a complete list of equipment in the application for grant funds. The Notice of Award stated that proposed alteration and renovation activities or fixed equipment not identified in the one-time funding project(s) may not be funded without prior approval. The Notice of Award also stated that grantees must maintain adequate documentation. The reporting requirements in the Notice of Award stated that grantees must submit a budget narrative/justification and final equipment list showing the actual project costs to HRSA for the approved one-time funding project(s) within 30 days after completion of the activities.

## APPENDIX D: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed supplemental Community Health Center Program grants totaling \$8,281,670 awarded to and expended by HJAHC for the period April 1, 2013, through March 31, 2016.<sup>15</sup> Specifically, we reviewed whether HJAHC (1) had adequate financial management controls over these grant funds and (2) claimed allowable costs.

We did not review the overall internal control structure of HJAHC or HRSA's grant management program. Rather, we reviewed only those controls related to our objective.

We performed our fieldwork at HJAHC's office in Trenton, New Jersey, from November 2016 through April 2017.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- met with HRSA officials to gain an understanding of the Community Health Center Program and funding requirements;
- met with HJAHC officials to gain an understanding of its accounting system, policies and procedures for managing Federal grant funds, and health center grant activities;
- obtained and reviewed HJAHC's grant application packages, Notice of Grant Award documents, and applicable amendments;
- reviewed HJAHC's financial management controls and procurement policies and procedures;
- reviewed costs totaling \$8,281,670 claimed on Federal Financial Reports (Standard Form 425) to determine whether costs were allowable for reimbursement; specifically, we:
  - reviewed HJAHC's Requests for Advance or Reimbursement (Standard Form 270), where applicable, to determine the expenditure items claimed;
  - compared HJAHC's approved budgeted costs used to claim Federal funds to its actual costs for the Community Health Center Program;

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<sup>15</sup> We did not review operational funds totaling \$5,376,516 awarded to HJAHC during the same period.

- traced Federal funds drawn down from HHS' Payment Management System to HJAHC's bank statements;
- reviewed personnel action forms and payroll records for staff who worked on certain Community Health Center Program grants; and
- verified invoices and other documentation for equipment purchases; and
- discussed the results of our review with HJAHC 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 objectives.

## APPENDIX E: HENRY J. AUSTIN HEALTH CENTER, INC., COMMENTS



August 4, 2017

Brenda M. Tierney  
Regional Inspector General for Audit Services  
Office of Audit Services, Region II  
Office of the Inspector General  
U.S. Department of Health and Human Services  
James K. Javits Federal Building  
26 Federal Plaza, Room 3900  
New York, NY 10278

Re: Draft Office of Inspector General Report No. A-02-17-02002

Dear Ms. Tierney:

Henry J. Austin Health Center, Inc. ("HJAHC") hereby submits its response to the subject draft report. Though we disagree with your conclusions, we want to thank your staff for their professionalism throughout the audit period. We appreciate the draft report's recommendation to work with the Health Resources and Services Administration ("HRSA") to resolve any remaining questions about the allowability of the audited costs. We welcome the opportunity to do so, and believe most, if not all, of the questioned costs can be resolved.

As we understand that you are required to publish the audit report, we do offer the following response, which we request be included in the record:

1. All Funds Were Used for Health Center Purposes, and the New Access Points, Behavioral Health Integration and Expanded Services Have Been Highly Successful.

The goals of the New Access Point ("NAP"), behavioral health integration, and expanded services awards were met and/or exceeded. HJAHC opened two new health center sites as planned. In fact the NAP programs have continued to grow and thrive. In the last twelve months, the NAP sites that are embedded in the five local mental health/homeless organizations have provided services to over 350 individuals with severe mental illness, generating over 900 visits. The NAP located at our Bellevue site in the past twelve month has provided services to over 1,400 individuals generating over 3,400 visits. Since it's opening in February of 2013 this site has provided much needed services to over 3,000 city residents, generating well over 10,000 visits. These visits included care across the full range of primary care services, as well as additional services, as required by the funding awarded to HJAHC under § 330 of the Public Health Services Act.

With the funds received for the behavioral health integration HJAHC has been able to provide behavioral health services to our community in need. HJAHC has hired three additional Licensed Clinical

**Henry J. Austin Health Center locations:**

321 North Warren St. Trenton, NJ 08618 \* 112 Ewing St. Trenton, NJ 08609 \*  
317 Chambers St. Trenton, NJ 08609 \* 433 Bellevue Ave., 4<sup>th</sup> fl Trenton, NJ 08618  
Ph: 609-278-5900 \* Fax: 609-695-3532 \* [www.henryjaustin.org](http://www.henryjaustin.org)



Social Workers (LCSWs). HJAHC now has a LCSW to provide behavioral health services in ALL of our four primary care facilities. Currently, HJAHC employs *ten LCSWs* or Behavioral Health Counselors (BHCs). For the first time in HJAHC history a Behavioral Health Director was hired and under his guidance we have created an innovative behavioral health program including the use of *web-based Cognitive Behavioral Health Therapy* and the ground breaking use of *Patient Activation Measures*. In the past fifteen months alone the BHCs provided behavioral health services to over 2,500 individuals.

With funds provided through the Expanded Services grant, HJAHC opened the only Clinical/Retail Pharmacy in the county. We have hired three clinical pharmacists, two pharmacy technicians, and a patient navigator. Another first for HJAHC is the addition of a Director of Pharmacy Services. The HJA Pharmacy handles over 500 prescriptions a week and ensures that NO HJAHC patient goes without their medication because they cannot afford it.

HJAHC has continually expanded the scope of its services and enhanced the quality of care for the low-income and underserved communities where 24% of its patients live at or below poverty level; more than 60% percent don't have health insurance or adequate health insurance coverage; 70% percent are women or children; and 87% are Black/African or Hispanic. Faced with ever-increasing annual costs, HJAHC managed to use more and more non-grant funds to pay for the delivery of needed services. Non-grant funded expenditures to total expenditures grew from 35% to 38% from 2013 to 2016.

2. HJAHC Thoroughly Accounts for All Federal and Non-federal Funds.

We do not agree with the draft report's conclusion that HJAHC did not track and account for grant funds separately from non-grant funds. Our general ledger accurately details the cost centers to which the expenditures were applied, differentiating between each cost center.

To the extent the draft report implies that HJAHC's use of a single bank account to hold funds from multiple federal and non-federal sources is improper, we further disagree. Federal grant management regulations do not require segregation of physical funds, but rather clear accounting of the source and application of all funds in the grantee's possession. 45 C.F.R. § 74.21 (OMB Circular A-110), 45 C.F.R. § 75.302 (Uniform Guidance). We are surprised by the suggestion that comingling physical funds is improper, as it is commonplace and well known to auditors to be an acceptable practice.

3. HJAHC's Records Support its Allocation of Personnel Costs.

We disagree with the draft report's conclusion that HJAHC's cost allocation approach was insufficient. As shown to the auditors, HJAHC has (i) documentation demonstrating staff performed work as required by their employment, (ii) documentation demonstrating such staff performed healthcare activities as their work, and (iii) documentation supporting HJAHC's reasonable allocation of staff costs to various (including related and/or overlapping) funding sources. Our understanding of the draft report is that this third category of documentation was assessed as insufficient by your auditors. We believe there to be a misunderstanding, and look forward to providing additional documentation to HRSA.

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4. Questioned Equipment Costs.

With respect to the findings related to HJAHC's equipment costs, we are conducting further review of our records and are hopeful that we can resolve the questioned amounts by providing additional supporting documentation to HRSA.

Conclusion

Thank you for the opportunity to respond to the draft report. We take our obligations as a steward of federal funds seriously and look forward to addressing these matters more substantively with HRSA.

Please do not hesitate to contact me if you have any additional questions.

Sincerely,

A handwritten signature in black ink that reads "Kemi Alli".

Kemi Alli, M.D.  
Chief Executive Officer

Henry J. Austin Health Center locations:

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APPENDIX F: HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services  
Administration

Rockville, MD 20857

**TO:** Gloria L. Jarmon  
Deputy Inspector General for Audit Services

**FROM:** Administrator

**DATE:** January 5, 2018

**SUBJECT:** Office of Inspector General Draft Report: "Henry J. Austin Health Center, Inc., a Health Resources and Services Administration Grantee, Did Not Comply With Federal Grant Requirements" (A-02-17-02002)

Attached is the Health Resources and Services Administration's (HRSA) response to the Office of Inspector General draft report, "Henry J. Austin Health Center, Inc., a Health Resources and Services Administration Grantee, Did Not Comply With Federal Grant Requirements" (A-02-17-02002). If you have any questions, please contact Sandy Seaton in HRSA's Office of Federal Assistance Management at (301) 443-2432.

A handwritten signature in cursive script that reads "George Sigounas".

George Sigounas, MS, Ph.D.

Attachment

**Health Resources and Services Administration’s Comments on the OIG Draft Report – “Henry J. Austin Health Center, Inc., a Health Resources and Services Administration Grantee, Did Not Comply with Federal Grant Requirements” (A-02-17-02002)**

The Health Resources and Services Administration (HRSA) appreciates the opportunity to respond to the above draft report. HRSA’s responses to the Office of Inspector General (OIG) recommendations are as follows:

**OIG Recommendation:**

We recommend that HRSA require Henry J. Austin Health Center refund \$8,000,453 to the Federal Government or work with Henry J. Austin Health Center to determine what portion of these costs claimed to the Community Health Center Program grants were allowable.

**HRSA Response:**

HRSA concurs with the OIG’s recommendation. HRSA will work with Henry J. Austin Health Center to determine what portion of these costs claimed to the Community Health Center Program grants were allowable. If necessary, HRSA will require Henry J. Austin Health Center to refund \$8,000,453 to the Federal Government for the unallowable costs charged to the Community Health Center Program grants.

**OIG Recommendation:**

We recommend that HRSA require Henry J. Austin refund \$243,066 to the Federal Government.

**HRSA Response:**

HRSA concurs with the OIG’s recommendation. HRSA will work with Henry J. Austin Health Center to determine what portion of these costs claimed to the Community Health Center Program grants were allowable. If necessary, HRSA will require Henry J. Austin Health Center to refund \$243,066 to the Federal Government for the unallowable costs charged to the Community Health Center Program grants.

**OIG Recommendation:**

We recommend that HRSA ensure that Henry J. Austin Health Center develops and maintains a financial management system that provides for the accurate, current, and complete disclosure of the financial results of its Community Health Center Program grant funds, including (1) tracking and accounting for grant expenditures separately from other operating expenditures, (2) documenting a comparison of actual expenditures with budget amounts, and (3) maintaining records that support the distribution of employees’ salaries and wages among specific activities and all expenditures charged to the grant awards.

**HRSA Response:**

HRSA concurs with the OIG's recommendation. HRSA has been working with Henry J. Austin Health Center to improve its financial management system and practices. We will continue to work with Henry J. Austin Health Center to ensure it maintains a financial management system that provides for the accurate, current, and complete disclosure of the financial results of its Community Health Center Program grant funds, including (1) tracking and accounting for grant expenditures separately from other operating expenditures, (2) documenting a comparison of actual expenditures with budget amounts, and (3) maintaining records that support the distribution of employees' salaries and wages among specific activities and all expenditures charged to the grant awards.