

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**UNITY HEALTH CARE, INC.,
CLAIMED SOME UNALLOWABLE
COSTS AGAINST RECOVERY ACT
GRANTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
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Kay L. Daly
Assistant Inspector General

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A-03-11-03301

Office of Inspector General

<https://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.

EXECUTIVE SUMMARY

BACKGROUND

The Health Center Program

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. § 254b. The Health Center Program provides comprehensive primary health care services to medically underserved populations. Within the U.S. Department of Health and Human Services (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 and areas, and vulnerable populations composed of migrant and seasonal farm workers, homeless individuals, and residents of public housing.

American Recovery and Reinvestment Act Grants

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, HRSA received \$2.5 billion, which included \$2 billion to expand the Health Center Program to serve more patients, stimulate new jobs, and meet the expected increase in demand for primary health care services among the Nation’s uninsured and underserved populations. HRSA awarded a number of grants using Recovery Act funding in support of the Health Center Program, including Increased Demand for Services (IDS) grants, Capital Improvement Program (CIP) grants, and Facilities Investment Program (FIP) grants.

Unity Health Care, Inc.

Unity Health Care, Inc. (Unity), a federally qualified health center, was founded in 1985. Unity provides primary health care services to homeless, underserved, uninsured, and working low-income individuals and families. In 2010, Unity served approximately 82,000 individuals at 29 service sites in the District of Columbia. HRSA awarded Unity three Recovery Act grants totaling \$15,448,449: an IDS grant of \$948,449 in March 2009, a CIP grant of \$2,500,000 in June 2009, and a FIP grant of \$12,000,000 in October 2009. In 2010, Unity acquired two additional Recovery Act grants totaling \$422,995 through a merger with Columbia Road Health Services: an IDS grant of \$104,628 and a CIP grant of \$318,367.

Objective

Our objective was to determine whether costs claimed by Unity were allowable under the terms of the grants and applicable Federal regulations.

SUMMARY OF FINDINGS

Of the \$3,243,405 in claimed costs that we reviewed, \$2,170,162 was allowable under the terms of the grants and applicable Federal regulations. However, Unity claimed unallowable costs of \$79,904 for a financial consultant. In addition, we did not determine the allowability of

\$993,339 in salary and fringe benefit costs because Unity’s documentation did not include personnel activity reports to reflect the required after-the-fact distribution of salaries.

RECOMMENDATIONS

We recommend that HRSA:

- ensure that Unity refunds to the Federal Government \$79,904 related to the CIP grant,
- either require Unity to refund to the Federal Government \$993,339 related to the IDS grant or work with Unity to determine whether any of the \$993,339 was allowable, and
- require Unity to take corrective action to ensure that it maintains personnel activity reports that reflect an after-the-fact determination of the actual activity of all employees who worked on Federal awards.

UNITY HEALTH CARE, INC., COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its written comments on our draft report, Unity disagreed with our finding that it claimed unallowable consultant costs. Unity said that costs for financial consulting services were included in its CIP budget, which HRSA approved in the Notice of Grant Award. Unity also disagreed with our finding that the timecard system did not reflect an after-the-fact distribution of the actual activity of employees charged to the IDS grant. However, Unity stated that it strived to continuously improve systems and procedures to better demonstrate compliance with the time and effort requirements.

We maintain the validity of our findings and recommendations. The Notice of Grant Award states that HHS grantees must comply with the terms and conditions contained in the HHS Grants Policy Statement. The Grants Policy Statement specifically lists “[c]onsultant fees not related to actual construction” as unallowable costs. We reviewed Unity’s timecards, job descriptions, and personnel action forms used to distribute labor costs. However, these documents did not reflect after-the-fact determination of the actual activity of each employee.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA concurred with our recommendations.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
The Health Center Program	1
American Recovery and Reinvestment Act Grants	1
Unity Health Care, Inc.	1
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective	2
Scope.....	2
Methodology	2
FINDINGS AND RECOMMENDATIONS	3
UNALLOWABLE COSTS AND POTENTIALLY UNALLOWABLE COSTS	4
Unallowable Consultant Costs	4
Potentially Unallowable Salaries and Wages	4
RECOMMENDATIONS	5
UNITY HEALTH CARE, INC., COMMENTS	5
OFFICE OF INSPECTOR GENERAL RESPONSE	5
HEALTH RESOURCES AND SERVICES	
ADMINISTRATION COMMENTS	6
APPENDIXES	
A: UNITY HEALTH CARE, INC., COMMENTS	
B: HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS	

INTRODUCTION

BACKGROUND

The Health Center Program

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. § 254b. The Health Center Program provides comprehensive primary health care services to medically underserved populations. Within the U.S. Department of Health and Human Services (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 and areas, and vulnerable populations composed of migrant and seasonal farm workers, homeless individuals, and residents of public housing. Health centers funded by HRSA are community-based and patient-directed organizations meeting the definition of “health center” under 42 U.S.C. § 254b(a).

American Recovery and Reinvestment Act Grants

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, HRSA received \$2.5 billion, which included \$2 billion to expand the Health Center Program to serve more patients, stimulate new jobs, and meet the expected increase in demand for primary health care services among the Nation’s uninsured and underserved populations.

HRSA awarded a number of grants using Recovery Act funding in support of the Health Center Program, including Increased Demand for Services (IDS) grants, Capital Improvement Program (CIP) grants, and Facilities Investment Program (FIP) grants.

Unity Health Care, Inc.

Unity Health Care, Inc. (Unity), a federally qualified health center, was founded in 1985. Unity provides primary health care services to homeless, underserved, uninsured, and working low-income individuals and families. In 2010, Unity served approximately 82,000 individuals at 29 service sites in the District of Columbia.

HRSA awarded Unity three Recovery Act grants totaling \$15,448,449:

- an IDS grant of \$948,449, awarded March 27, 2009, to increase staffing and extend existing services;
- a CIP grant of \$2,500,000, awarded June 25, 2009, for phase I renovations of the Upper Cardozo Health Center; and

- a FIP grant of \$12,000,000, awarded October 19, 2009, to construct the Anacostia Health Center and for phase II of the renovations of the Upper Cardozo Health Center.

In 2010, Unity acquired two additional Recovery Act grants totaling \$422,995 through a merger with Columbia Road Health Services: an IDS grant of \$104,628, awarded July 15, 2010, and a CIP grant of \$318,367, awarded July 19, 2010. As of December 31, 2010, Unity had not started the project funded by the Columbia Road Health Services CIP grant.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether costs claimed by Unity were allowable under the terms of the grants and applicable Federal regulations.

Scope

We reviewed \$3,243,405 of the \$3,603,712 that Unity claimed against its Recovery Act grants: \$2,364,894 based on a judgmental sample that we reviewed for allowability and \$878,511 for which we performed a limited review for the distribution of salaries. We did not review \$360,307. We limited our review because the results of our judgmental sample did not warrant an increase in substantive testing. Consequently, we do not provide any assurance on the costs we did not review. We performed this review in response to a request from HRSA. We limited our review of internal controls to those that pertained to our objective.

We performed fieldwork at Unity's office in the District of Columbia in January 2011.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed Unity's Recovery Act grant application packages and HRSA's Notices of Grant Award;
- reviewed Unity's Office of Management and Budget (OMB) Circular A-133 audited Consolidated Financial Report for fiscal years 2008 and 2009;
- interviewed Unity management to gain an understanding of its accounting systems and internal controls;
- reviewed Unity's Office of Finance's policies and procedures;
- compared total expenditures to funds drawn from Recovery Act grants;

- reviewed detailed support for a judgmental sample of 49 transactions accounting for \$2,364,894 of the amount claimed as of December 31, 2010: the 17 largest transactions claimed on the CIP and FIP grants, 20 IDS transactions for salaries and fringe benefits, and an additional 12 CIP transactions for payments to a financial consultant;
- reviewed the distribution of all salaries and fringe benefits, totaling \$939,339, claimed under the IDS grant (including \$60,828 that we reviewed as part of our judgmental sample and \$878,511 for which we reviewed only the distribution records), to determine whether they were supported by personnel activity reports;
- traced sample transactions from Unity's expenditure ledger to the supporting source documents, which included third-party invoices, internal accounts payable check requests, and checks;
- reviewed personnel authorization, payroll, time, and attendance records for the IDS grants;
- reviewed Unity's procurement contracting process used for all eight CIP or FIP construction and renovation project contracts;
- reviewed the deliverables of a comprehensive financing assistance contract for the Upper Cardozo project;
- reviewed the quarterly performance progress reports for the Unity IDS grant from June 2009 through December 2010 and a HRSA CIP Site Review Report; and
- discussed the results of our audit with Unity 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

Of the \$3,243,405 in claimed costs that we reviewed, \$2,170,162 was allowable under the terms of the grants and applicable Federal regulations. However, Unity claimed unallowable costs of \$79,904 for a financial consultant. In addition, we did not determine the allowability of \$993,339 in salary and fringe benefit costs because Unity's documentation did not include personnel activity reports to reflect the required after-the-fact distribution of salaries.

UNALLOWABLE COSTS AND POTENTIALLY UNALLOWABLE COSTS

Unallowable Consultant Costs

HRSA incorporates HHS's Grants Policy Statement (Grants Policy) in its Notice of Grant Awards. Exhibits 12 and 13 of the Grants Policy (page II-103 and 104) describe allowable and unallowable costs for grants awarded for the construction and modernization of facilities, including CIP awards. Specifically, Exhibit 13, "Unallowable Costs and Activities Under Construction Grants," states "[c]onsultant fees not related to actual construction" are unallowable costs. Further, HRSA's guidance to applicants for CIP grants under the Recovery Act (Announcement Number HRSA 09-244) states that "... consultant fees that are not related to the administration of the technical aspects of the proposed project" are unallowable.

Unity claimed \$79,904 of unallowable CIP grant costs for a contract with a financial consultant for financing services. Unity entered into the contract with the financial consultant on June 2, 2008, and amended the contract on November 24, 2008. Under the amended contract, the financial consultant provided Unity with services that would enable it to obtain suitable low-cost financing for the Upper Cardozo renovation project. The financial consultant's services were not related to actual construction or to technical aspects of the renovation project funded by the CIP grant.

Unity officials confirmed that Unity paid the consultant approximately \$109,000, including \$79,904 of Recovery Act funds from its CIP grant award. Unity claimed these financing consultant fees as technical assistance; however, only consultant fees actually related to construction are allowable.

Potentially Unallowable Salaries and Wages

Federal cost principles require that the distribution of salaries and wages must be supported by personnel activity reports (2 CFR part 230, Appendix B, § 8.m(2)).¹ The activity reports maintained by nonprofit organizations must: (a) reflect an after-the-fact distribution of the actual activity of each employee; (b) account for the total activity for which each employee is compensated; (c) be signed by the employee or by a responsible supervisory official having firsthand knowledge of the activities performed; and (d) be prepared at least monthly and coincide with one or more pay periods.

We could not determine the allowability of \$993,339 in salary and fringe benefit costs that Unity charged to the IDS grant because it did not adequately document those costs. Specifically, Unity's personnel activity reports did not reflect an after-the-fact determination of the actual activity for employees whose salary and fringe benefit costs were charged to the grant. Unity's biweekly timesheets for these employees showed the employees' times of arrival and departure, the total daily hours the employees worked, and their supervisors' approvals. Unity officials said that the employees worked on the IDS grant. However, the timesheets did not reflect an after-the-fact distribution of the actual activity because they showed neither the grant(s) an employee worked on, nor the activities performed.

¹ OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, was relocated to 2 CFR part 230.

RECOMMENDATIONS

We recommend that HRSA:

- ensure that Unity refunds to the Federal Government \$79,904 related to the CIP grant,
- either require Unity to refund to the Federal Government \$993,339 related to the IDS Grant or work with Unity to determine whether any of the \$993,339 was allowable, and
- require Unity to take corrective action to ensure that it maintains personnel activity reports that reflect an after-the-fact determination of the actual activity of all employees who worked on Federal awards.

UNITY HEALTH CARE, INC., COMMENTS

In its written comments on our draft report, Unity disagreed with our finding that it claimed unallowable costs for the financial consultant. Unity said that costs for the financing services were included in its CIP budget, which HRSA approved in the Notice of Grant Award, and that the terms and conditions of the specific grant award, not the general policy statements, should be used to determine allowability of a particular cost.

Unity also disagreed with our finding that the timecard system did not reflect an after-the-fact distribution of the actual activity of employees whose salary and fringe benefit costs were charged to the IDS grant. Unity stated that those employees performed only one function. Therefore, all of their time was appropriately distributed to the IDS grant by the timecard system. Moreover, Unity said that its timecards represented the employees' certifications that they performed the duties detailed in their job descriptions, which described the activities of the employees. However, Unity stated that it strived to continuously improve systems and procedures and to implement changes to better demonstrate compliance with the time and effort requirements of the OMB Circular.

Unity's comments are included as Appendix A. We did not include the enclosures because they contained confidential information and personally identifiable information.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain the validity of our findings and recommendations. In the Terms and Conditions of the Notice of Grant Award, HRSA states that HHS grantees must comply with all terms and conditions outlined in their grant award, including terms and conditions contained in HHS Grants Policy. The Grants Policy specifically lists "[c]onsultant fees not related to actual construction" as unallowable costs. Obtaining financing is not related to actual construction.

We reviewed Unity's timecards, job descriptions, and personnel action forms used to distribute labor costs. However, these documents did not reflect after-the-fact determination of the actual activity of each employee.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA concurred with our recommendations. HRSA's comments are included in their entirety as Appendix B.

APPENDIXES

APPENDIX A: UNITY HEALTH CARE, INC. COMMENTS



1220 12th Street, SE, Suite 120 • Washington, DC 20003

November 7, 2012

Mr. Stephen Virbitsky
Regional Inspector General for Audit Services
DHHD/Office of Inspector General
Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106

Report Number: A-03-11-03301

Dear Mr. Virbitsky:

I am in receipt of your draft report entitled "Unity Health Care, Inc., Claimed Unallowable Salaries and Wages and Consultant Fees Against Recovery Act Grants". On behalf of the Board of Directors of Unity Health Care, Inc. (Unity), I want to thank you for the opportunity to respond and provide comments on the draft recommendations included in the report.

Unity is very appreciative for access to funds through the Recovery Act Grants and the resulting benefits for the patients we serve within the District of Columbia. We feel very strongly that Unity met the obligations set forth in the applicable notices of grant awards, achieved the objectives of the grants, and appropriately utilized the federal dollars that were entrusted to us. We disagree with the findings that Unity claimed or possibly claimed unallowable costs toward the grants and we do not concur with recommendations to refund money to the Federal Government.

Please see the attached detailed response to each recommendation.

Please let me know if you have further questions or need additional information. I can be reached at (202) 715-6562 or vkeane@unityhealthcare.org.

Sincerely,

Vincent A. Keane
President and Chief Executive Officer

Unity Health Care, Inc.
Response to Draft Report from the Office of Inspector General
Report #: A-03-11-03301

Recommendation 1 to HRSA: Ensure that Unity refunds to the Federal Government \$79,904 related to the Capital Improvement Program (“CIP”) grant.

We do not agree with this recommendation as the proposed payments to [REDACTED] an organization Unity contracted with to provide assistance in obtaining financing to complete the construction project in question, were included in Unity’s approved CIP budget and were incurred in furtherance of the purposes of the CIP program. Accordingly, the costs were allowable under OMB Circular A-122 and Unity asks that this recommendation be removed.

A. Background

Unity’s largest site, the Upper Cardozo clinic, was built in 1972 and except for maintenance and minor renovations, was largely untouched in the 40 years since it was built. For a number of years prior to passage of ARRA, Unity tried without success to raise or borrow sufficient funds, well in excess of \$10.0 million, to renovate the Upper Cardozo site. With the passage of ARRA, sufficient funds through the CIP and FIP programs became available. These funds did not eliminate the need to locate other sources of funds but did provide enough funding to jump-start what turned out to be a construction project costing in excess of \$17.0 million.

Unity’s first CIP application, accepted by HRSA, proposed leveraging \$2.5 million in CIP funding with approximately \$12.5 million in non-federal funds to renovate the Upper Cardozo building. When FIP funding became available, Unity proposed to HRSA a more ambitious renovation of the Upper Cardozo building by revising its CIP project scope to include additional renovation activities for the least costly part of the project – specifically, the 4th floor, basement, and penthouse – for a total approved budget of \$5,869,548. The federal share remained at \$2.5 million. Unity designated this work as Phase 1. Unity proposed to utilize \$12.0 million in FIP funds to complete the considerably more complicated work necessary to renovate the 1st, 2nd, and 3rd floors, which Unity designated as Phase 2. These proposals were accepted by HRSA and are reflected in the various Notices of Grant Award.

As part of the revisions to the CIP project, Unity provided HRSA with a revised budget including a section on Administrative and Legal costs in the amount of \$301,054 which contained the funding to engage [REDACTED]. As described in the attached budget narrative, Unity proposed to “contract with [REDACTED] to assist with planning and obtaining financing for the renovation . . . [REDACTED] will assist Unity with accessing capital and working with financing organization to access tax credits and other financing instruments.” See Attachment A, consisting of Unity’s Budget Justification Narrative and Form 424C. In a Notice of Grant Award dated October 29, 2009, HRSA approved the revised budget in Item 1 of the “Grant Specific Terms.” See Attachment B, HRSA NGA No. 6 C81CS14084-01-01 (10/29/2009).

Unity Health Care, Inc.
 Response to Draft Report from the Office of Inspector General
 Report #: A-03-11-03301

Finally, as noted in the draft report, Unity paid [REDACTED] \$79,904 from Unity's CIP grant to assist Unity in obtaining low cost financing for the Upper Cardozo project.

B. The [REDACTED] payments were an allowable cost

There is nothing in the draft report to support the assertion that Unity's payments to [REDACTED] were in some way unallowable except a claim that the payment for such activities are, in all cases, unallowable under the provisions of the HHS Grants Policy Statement ("HHS GPS"). This assertion is a misreading of the HHS GPS provisions cited in the draft.

Specifically, the introduction to the section on grants for the "Construction and Modernization of Facilities" cited in the draft report states on page II-103:

Exhibits 12 and 13 indicate types of costs and activities *generally* allowable and unallowable under HHS construction grants. . . . The lists are not all-inclusive. *Program guidelines and other terms and conditions of the award should be consulted for the specific costs allowable under a particular program or grant.*

(emphasis added.) As the emphasized language makes clear, the HHS GPS is a statement of general policy. The terms and conditions of the specific grant award, not the general policy statements in the HHS GPS, should be used to determine whether a particular cost is allowable or not.¹

Here, Unity fully disclosed the nature and purpose of the [REDACTED] contract and that it intended to use CIP funds to pay for activities under that contract. HRSA, the awarding agency, approved that use of funds and, accordingly, the payments to [REDACTED] are an allowable cost under OMB Circular A-122.

Recommendation 2 to HRSA: Either require Unity to refund to the Federal Government \$993,339 related to the IDS Grant or work with Unity to determine whether any of the \$993,339 was allowable.

Unity does not agree with this recommendation as the personnel costs in question were allowable and adequately documented. Accordingly, Unity asks that this recommendation be removed.

A. Background

In response to likely increases in the uninsured and underinsured populations served by Section 330 grantees, HRSA made supplemental grants to all Section 330 Health Centers

¹ The statement that the specific terms and conditions of an award take precedence over provisions of the HHS GPS is wholly unremarkable. For example, the HHS GPS states on page II-2, "award-specific requirements take precedence over Part II of the HHS GPS."

Unity Health Care, Inc.
Response to Draft Report from the Office of Inspector General
Report #: A-03-11-03301

like Unity under the Increased Demand for Services (“IDS”) program starting in March of 2009. Health Centers could submit an application to use IDS funding for any of the following purposes: adding new providers, expanding hours of operation, and/or expanding existing health center services.

Unity proposed to use IDS funds to 1) increase the hours of operation at the Anacostia Health Center, located in the District of Columbia’s Ward 8, which had and still has an acute need for health care services, by 7 hours a week; and 2) provide funding for approximately 10 needed positions (21 FTEs over the two year project period) primarily related to Unity’s implementation of Electronic Medical Records (EMR) and its Re-entry Health Center, which facilitates the re-entry of ex-offenders into society by providing them with a medical home. The project period was for two years starting on March 27, 2009, and ending on March 26, 2011.

Unity acted consistently with its IDS grant application and used these funds to successfully expand services in the District in the following ways:

- Unity extended the hours at the Anacostia Health Center by 7 hours a week by adding two evening sessions during the week and two Saturday sessions per month. These extended hours were available to new and existing patients, not included in the patient counts, enabling more appropriate use of primary care services as an alternative to emergency room care. This substantial increase in hours was achieved through hiring new and retaining existing health center staff. Those extended hours continue to this day due to the jump start provided by the IDS funding.
- Unity added a provider and medical assistant team to its Re-entry Health Center to provide expanded services to ex-offenders returning to the District of Columbia from prisons and jails. The Re-entry Health Center has since moved to a new, larger location due to the increased demand for services, staff, and space.
- Unity hired or retained three staff members (3 FTEs) who were responsible for implementation of our EMR system. These staff members were integral to completing a successful EMR implementation at 23 different sites, which involved the customization of the EMR to meet Unity’s needs and training over 160 providers and 870 total employees to utilize the system. After the successful go-live of both the practice management and electronic medical record components, the EMR team focused on improvements and maintenance that allowed for long-term use of the system, including meeting Meaningful Use requirements. The investment in these staff members has resulted in a strong foundation that has supported increased access and utilization, which will continue to positively impact our patient population, as well as provide opportunities for advancement organization-wide.

Unity Health Care, Inc.
Response to Draft Report from the Office of Inspector General
Report #: A-03-11-03301

- Unity hired two staff members (2 FTEs) for our centralized Patient Scheduling Center (PSC) that began operation in Spring 2009. Our network of health centers now utilizes a central scheduling line that has resulted in increased scheduling and utilization at our sites. Due to the expanded capacity of the central scheduling line, including the IDS-funded positions, the average hold time for patients who call the PSC has been reduced from 4.2 minutes in 2009 to 2.4 minutes in 2012. This increased access to appointment scheduling has positively impacted patient satisfaction because we needed to match increased hours and access with equivalent support for patient scheduling to ensure that appointment slots were available and, more importantly, utilized.
- Unity used IDS funding to support the hiring of two nurses to support our patient-centered medical home (PCMH) teams. Unity needed to add these positions to continue its work toward PCMH recognition, but did not have the funding to do so. Unity added these nurse positions in order to provide the care management and education necessary to effectively manage patients with chronic conditions, such as diabetes, asthma, and hypertension. Unity intends to submit our organizational application to NCQA for PCMH recognition by the end of 2012. These nursing positions positively affect our ability to move forward on this important project.

In total, Unity retained or hired 11.55 FTEs on an annual basis over the two-year project period with support from IDS funding. The positions that were created or saved have made a significant impact on access for our patients and on Unity's stability. As a result of IDS funding, Unity was able to serve 2,225 new, unduplicated patients during a financially difficult time when expansion would not otherwise have been possible. Of the new patients served, 1,225 were particularly vulnerable because they were uninsured. In terms of patient visits, IDS funding supported over 5,500 visits for these new, unduplicated patients alone. Consistent with the goals of the Health Center program, the IDS funding made a significant and positive impact on the health of the residents of the District of Columbia.

B. Documentation of Personnel Cost under OMB Circular A-122

The draft audit finding stated that "we did not determine the allowability of \$993,339 in salary and fringe benefit costs because Unity's documentation did not include personnel activity reports to reflect the required after-the-fact distribution of salaries." We do not agree that the distribution of the time of our employees charged to the IDS grant was inadequately documented under OMB Circular A-122 since 1) all Unity employees record their time after the fact every pay period, if not more frequently, through Unity's Automatic Data Processing (ADP) timecard system and 2) the employees charged to the IDS grant were performing only one function and therefore all of their time was appropriately distributed to the IDS grant *via* the timecard system. That is, there was no need for an additional narrative or some other notation on the timecard system describing

Unity Health Care, Inc.
 Response to Draft Report from the Office of Inspector General
 Report #: A-03-11-03301

the IDS employee's tasks because they all performed tasks consistent with the grant application and their job descriptions.

OMB Circular A-122 requires that the distribution of salaries and wages to awards be supported by personnel activity reports for all staff members whose compensation is charged directly to awards. The personnel activity reports must satisfy the following standards:

1. reflect an after-the-fact determination of the actual activity of each employee;
2. account for the total activity for which employees are compensated;
3. be signed by the employee *or* by a supervisory official with first-hand knowledge of the employee's activities; and
4. be prepared at least monthly and coincide with pay periods.

2 C.F.R. Part 230, App. B, para. 8.m.2(a)-(d).

Unity utilizes ADP's timekeeping and payroll system. Through that system, Unity collected information from each IDS employee, thereby meeting the requirements of the Circular.

Specifically, all Unity employees record their time after-the-fact via a biometric hand punch time clock or an electronic time card. All Unity employees are required to enter their time at least on a bi-weekly basis for the time worked during the *previous* two week period. The submission of the electronic time card by the employee represents the employee's certification that they were on the job or took paid time off. These timecards, moreover, represent the employee's certification that they performed their job duties and those job duties are detailed in each employee's job descriptions.² Finally, the time captured/reported for each employee is approved by that employee's supervisor.³

We believe that Unity's ADP timecard system meets the requirements of OMB Circular A-122 for the following reasons:

1. The timecard is completed after-the-fact by the employee every two weeks; thus meeting the requirement for contemporaneous documentation of time;

² The job descriptions describe the activities of the employees. Page 14 of Unity's Employee Handbook which represents Unity's personnel policies and hiring practices approved by the Unity Health Care, Inc. Board of Directors states that "job descriptions shall contain the following information: position title, person to whom accountable, major areas of responsibility, principal activities, qualifications, and attendance expectations."

³ A list of the 20 employees charged to the IDS grant over the two-year project period is found in Attachment C. We selected a number of employees from the list in Attachment C and have provided a sampling of their timesheets and their position descriptions in Attachment D. We ask that these attachments be kept confidential as they contain personally identifiable or proprietary information.

Unity Health Care, Inc.
Response to Draft Report from the Office of Inspector General
Report #: A-03-11-03301

2. The timecard accounted for all of the activity of the IDS employees; as noted above, these employees only performed the function described in their position descriptions and those functions were performed in furtherance of the IDS grant purposes; thus there was no need for more descriptive or detailed documentation of the activity of the IDS employees;
3. The timecard was completed by the employee via an electronic timecard system and approved by the employee's supervisor, thus meeting the signature requirement;
4. The timecard was completed bi-weekly coinciding with payroll, thus meeting the requirement that the timecards be completed at least monthly.

In short, we believe that Unity adequately documented the time of the employees charged to the IDS grant as required by OMB Circular A-122 and ask that this finding be removed.

Recommendation 3: HRSA require Unity to take corrective action to ensure that it maintains personnel activity reports that reflect an after-the-fact determine of the actual activity of all employees who worked on Federal awards.

Unity strives to continuously improve systems and procedures and is actively engaged with ADP to implement changes to better demonstrate compliance with the time and effort requirements of the OMB Circular. Unity has already begun a review of its grant documentation systems and procedures and intends to implement any changes that will improve documentation of Unity's compliance with regulations.

APPENDIX B: HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services
Administration

Rockville MD 20857

MAY 16 2013

TO: Inspector General

FROM: Administrator

SUBJECT: OIG Draft Report: "Unity Health Care Inc., Claimed Some Unallowable Costs Against Recovery Act Grants" (A-03-11-03301)

Attached is the Health Resources and Services Administration's (HRSA) response to the OIG's draft report, "Unity Health Care Inc., Claimed Some Unallowable Costs Against Recovery Act Grants" (A-03-11-03301). If you have any questions, please contact Sandy Seaton in HRSA's Office of Federal Assistance Management at (301) 443-2432.

Mary K. Wakefield, Ph.D., R.N.

Attachment

**Health Resources and Services Administration's Comments on the OIG Draft Report –
"Unity Health Care Inc., Claimed Some Unallowable Costs Against Recovery Act Grants"
(A-03-11-03301)**

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

OIG Recommendation:

We recommend that HRSA ensure that Unity refunds to the Federal Government \$79,904 related to the CIP grant.

HRSA Response:

HRSA concurs with the OIG recommendation. HRSA will work with Unity Health Care Inc., (Unity) to determine if any Capital Improvement Program (CIP) grant funds need to be refunded to the federal government.

OIG Recommendation:

We recommend that HRSA either require Unity to refund to the Federal Government \$993,339 related to the IDS grant or work with Unity to determine whether any of the \$993,339 was allowable.

HRSA Response:

HRSA concurs with the OIG recommendation. HRSA will work with Unity to determine if any Increased Demand for Services (IDS) grant funds need to be refunded to the federal government.

OIG Recommendation:

We recommend that HRSA require Unity to take corrective action to ensure that it maintains personnel activity reports that reflect an after-the-fact determination of the actual activity of all employees who worked on Federal awards.

HRSA Response:

HRSA concurs with the OIG recommendation. HRSA will work with Unity to ensure that they maintain personnel activity reports that reflect an after-the-fact determination of the actual activity for each employee who works on federal awards.