

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CHASE BREXTON HEALTH CARE  
COMPLIED WITH THE REQUIREMENTS  
OF A COMMUNITY HEALTH CENTER  
GRANT FUNDED UNDER THE  
AFFORDABLE CARE ACT**

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# *Office of Inspector General*

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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.

***Chase Brexton Health Care complied with Federal requirements and the Terms and Conditions of a \$5 million Community Health Center grant funded under the Affordable Care Act.***

## **INTRODUCTION**

### **WHY WE DID THIS REVIEW**

The Affordable Care Act (ACA)<sup>1</sup> established a Community Health Center Fund administered by the Health Resources and Services Administration (HRSA) that provides \$11 billion in grant funds for the operation, expansion, and construction of community health centers nationwide. HRSA awarded Chase Brexton Health Care (Chase),<sup>2</sup> a not-for-profit health center, \$5 million of these funds to renovate a recently acquired building in Baltimore, Maryland, to consolidate its Baltimore facilities in one location.

As part of its ACA oversight activities, the Office of Inspector General is conducting a series of reviews of certain grants awarded under the Community Health Center Fund for expansion and construction projects because of the risks associated with them.

### **OBJECTIVE**

Our objective was to determine whether Chase complied with applicable Federal requirements and the Terms and Conditions<sup>3</sup> of its ACA-funded capital development grant.

### **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 (FQHCs).<sup>4</sup> Within the U.S. Department of Health and Human Services (HHS), HRSA administers the Health Center Program.

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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> Chase's corporate name is Chase Brexton Health Services, Inc., but it does business as Chase Brexton Health Care.

<sup>3</sup> HRSA Notice of Award, page 2, "Terms and Conditions" (Terms and Conditions), issued Apr. 18, 2012.

<sup>4</sup> FQHCs are public and private nonprofit health care organizations receiving grants under section 330 of the Public Health Service Act. FQHCs qualify for enhanced reimbursement from Medicare and Medicaid, as well as other benefits. FQHCs must serve an underserved area or population, offer a sliding fee scale, provide comprehensive services, have an ongoing quality assurance program, and have a governing board of directors.

## **The Affordable Care Act Funding of Community Health Centers**

Section 10503 of the ACA established a Community Health Center Fund that provides \$11 billion over a 5-year period (Federal fiscal years (FYs) 2011 through 2015) for the operation, expansion, and construction of community health centers nationwide.<sup>5</sup>

In FYs 2011 through 2014, HRSA awarded approximately \$1.5 billion in capital development grants to health centers. Capital development grants were available to address immediate and urgent capital needs or to support the cost of alteration/renovation or construction for facilities that provide health services to medically underserved communities and vulnerable populations. The grants are one-time awards, with no additional funding provided for operations.

### **Chase Brexton Health Care**

Chase, a not-for-profit FQHC network, provides primary care, obstetric and gynecological care, dental care, and pharmacy and behavioral health services in Maryland. On April 18, 2012, HRSA awarded Chase a \$5 million grant for the period May 1, 2012, through April 30, 2015, to renovate a recently acquired building to consolidate its Baltimore facilities in one location. In its grant application, Chase projected that the health center would provide services to 20,125 medical patients, 9,150 dental patients, and 4,200 behavioral health patients.

By accepting Community Health Center Fund grant funds, Chase agreed to the Terms and Conditions of the grant for submitting required reports and updates on grant-related activities, including status reports on financial activities and construction milestones established by the grant.

See Appendix A for details on the Federal requirements related to grants awarded to community health centers.

### **HOW WE CONDUCTED THIS REVIEW**

We reviewed capital development costs of \$5 million, the full amount of the grant, that Chase claimed for the period April through October 2013. Specifically, we reviewed whether Chase (1) had adequate financial management controls over capital development grant funds, (2) followed procurement standards in accordance with Federal requirements for construction contracts, (3) claimed allowable construction costs, and (4) met project milestone dates established by the grant.

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

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<sup>5</sup> Of the \$11 billion, \$9.5 billion was targeted to support ongoing community health center operations, create new community health center sites, and expand preventive and primary health care services at existing community health center sites. The remaining \$1.5 billion was to support major construction and renovation projects at community health centers.

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 B contains the details of our audit scope and methodology.

## **RESULTS OF REVIEW**

Chase complied with applicable Federal requirements and the Terms and Conditions of the grant. Specifically, Chase had adequate financial management controls over capital development grant funds, followed procurement standards in accordance with Federal requirements, claimed allowable costs for construction contracts, and generally met project milestone dates established under the grant. Accordingly, this report contains no recommendations.

## **OTHER MATTERS**

Reporting requirement #5 in the Terms and Conditions of HRSA's Notice of Award specifies that the grantee must submit its selected construction contract, together with the grantee architect's certification letter recommending award of the contract, to HRSA within 270 days of grant award. If the grantee does not award the contract to the lowest bidder, it must also submit proper documentation for its decision.

Chase submitted its architect's certification letter more than 9 months after the 270-day due date (i.e., more than 18 months after it received the grant award). In addition, we found that Chase had the necessary documentation for the decision not to choose the lowest bidder but had not submitted it to HRSA. We brought this to the attention of Chase officials, who subsequently submitted the documentation 737 days after the due date (approximately 2 years and 9 months after it received the grant award).

## **CHASE COMMENTS**

In response to our report, Chase said that it had no comments.

## **APPENDIX A: FEDERAL REQUIREMENTS FOR COMMUNITY HEALTH CENTER GRANTEES**

A nonprofit organization in receipt of grant funds awarded by HHS must comply with the Uniform Administrative Requirements in the Federal regulations at 45 CFR part 74. The organization also must comply with Federal cost principles (2 CFR part 230, made applicable by 45 CFR § 74.27(a)). These cost principles require that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and allowable. A community health center grantee must also comply with the requirements for health centers in 42 U.S.C. § 254b and implementing regulations at 42 CFR part 51c.

### **FEDERAL REGULATIONS**

#### **45 CFR Part 74 Uniform Administrative Requirements**

##### *45 CFR § 74.21 Standards for financial management systems*

Grantees must maintain financial management systems that provide accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program (45 CFR § 74.21(b)(1)).

Grantees' financial management systems must maintain records that adequately identify the source and uses of funds for HHS-sponsored activities (45 CFR § 74.21(b)(2)).

Grantees' systems must provide effective control over and accountability for all funds, property, and other assets. Grantees must adequately safeguard all such assets and assure that they are used solely for authorized purposes (45 CFR § 74.21(b)(3)).

Grantees must have written procedures for determining the reasonableness, allocability, and allowability of expenditures in accordance with the applicable Federal cost principles and the terms and conditions of the award (45 CFR § 74.21(b)(6)).

Grantees' systems must also provide accounting records that are supported by source documentation (45 CFR § 74.21(b)(7)).

##### *45 CFR § 74.43 Competition*

Grantees must conduct procurement transactions in a manner that provides open and free competition to the maximum extent practical.

##### *45 CFR § 74.44 Procurement procedures*

Grantees must, on request, make available for the awarding agency, pre-award review, procurement documents such as requests for proposals or invitations for bids, independent cost estimates, or other documentation, when among other things, the proposed award exceeds the

simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement (45 CFR § 74.44(e)).

#### **42 CFR Part 51c Grants for Community Health Services**

Grantees must record award payments in accounting records separate from the records of all other funds, including funds derived from other grant awards. For each project, the grantee must account for the total of all amounts paid, as well as other funds and in-kind contributions by presenting satisfactory evidence of expenditure for direct and indirect costs (42 CFR § 51c.112(a)).

#### **DEPARTMENT OF HEALTH AND HUMAN SERVICES GRANT REQUIREMENTS**

The HHS Grants Policy Statement states that a grantee indicates acceptance of an award and its associated Terms and Conditions by requesting and accepting funds. The Notice of Award is binding unless and until it is modified by a revised Notice of Award signed by the Grants Management Officer (Part II, page 1).

Reporting requirement #5 in the Terms and Conditions of HRSA's Notice of Award C8ACS23655-01-00 states that, within 270 days of the award issue date, the grantee must submit the selected contract, certified by its architect or engineer with a formal recommendation. If the grantee awards the contract to any qualified bidder other than the lowest bidder, the grantee must provide proper documentation for its decision. The material must be submitted by the established deadline. If the established deadline is not feasible, the grantee should contact the Project Officer to request an extension.

In addition, the Terms and Conditions state that failure to comply with reporting requirements will result in deferral or additional restrictions of future funding decisions.

## **APPENDIX B: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

We reviewed the \$5 million capital development grant awarded to Chase on April 18, 2012. Chase claimed the full amount of the grant during the period from April through October 2013. We reviewed whether Chase (1) had adequate financial management controls over capital development grant funds, (2) followed procurement standards in accordance with Federal requirements for construction contracts, (3) claimed allowable construction costs, and (4) met grant-established project milestone dates during the audit period.

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

We performed fieldwork at Chase's office in Baltimore, Maryland, in July and August 2014.

### **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- met with HRSA officials to gain an understanding of the ACA community health center program and funding requirements;
- met with Chase officials to gain an understanding of their accounting system, policies and procedures for managing Federal grant funds, and health center grant activities;
- obtained and reviewed Chase's ACA capital development grant application package, approved design documents and timeline for project completion, Notice of Award documents, and applicable amendments;
- reviewed Chase's financial management controls, procurement policies and procedures, and construction contracts;
- reviewed costs totaling \$5 million claimed on grant expenditure reports, including costs invoiced by the construction contractor, to determine whether costs were allowable and properly approved for reimbursement;
- compared budgeted amounts to actual grant expenditures and analyzed discrepancies;
- identified any costs transferred to or from the grant;
- determined whether Chase met established milestone dates for project completion;

- reviewed Chase's progress toward meeting its projected increases in patient capacity and delivery of health services; and
- discussed the results of our review with Chase 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.