



July 1, 2010

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

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

SUBJECT: Results of Limited Scope Review of West Caldwell Health Council, Inc.
(A-04-10-03536)

The attached final report provides the results of our limited scope review of West Caldwell Health Council, Inc. This review is part of an ongoing series of reviews performed by the Office of Inspector General (OIG) to provide oversight of funds provided by the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act).

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

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-04-10-03536 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE REVIEW OF
WEST CALDWELL HEALTH COUNCIL,
INC.**



Daniel R. Levinson
Inspector General

July 2010
A-04-10-03536

Office of Inspector General

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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

Pursuant to P.L. 104-299, the Health Centers Consolidation Act of 1996, health centers provide services to a population that is medically underserved. Within the U.S. Department of Health & Human Services, the Health Resources and Services Administration (HRSA) administers the Health Center program through the Bureau of Primary Health Care. The HRSA health centers are community-based and patient-directed organizations that serve populations with limited access to health care.

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 for health centers and other activities. HRSA made four types of grants available to health centers to provide for: new access points, increased demand for services, facilities investment programs, and capital improvement programs. Grants were provided to new and existing health centers, and a center could have received more than one type of grant.

West Caldwell Health Council, Inc. (West Caldwell) is a nonprofit primary health care provider that delivers medical services to underserved residents of the rural northern area of Caldwell County, North Carolina. Services began with the opening of the Collettsville Medical Center in 1977, followed by the addition of the Happy Valley Medical Center in 1985. In February 2009, West Caldwell received its first HRSA grant. During 2009, West Caldwell provided health services to approximately 3,200 patients, of which 36 percent were uninsured.

West Caldwell is funded through HRSA grants, Medicare, Medicaid, insurance payments, local grants, and donations. During fiscal year 2009, HRSA awarded three separate 2-year Recovery Act grants totaling \$1,651,000 to West Caldwell.

OBJECTIVE

Our objective was to assess West Caldwell's financial viability, capacity to manage and account for Federal funds, and capability to operate a Community Health Center in accordance with Federal regulations.

SUMMARY OF FINDINGS

Based on our assessment, West Caldwell is financially viable, and if it continues to make progress in implementing certain programmatic improvement recommendations, it will have the capacity to manage and account for Federal funds and to operate its health center in accordance with Federal regulations. In this regard, we noted weaknesses related to the Board of Directors, project execution, safeguarding of assets, compliance with Federal cost principles, financial systems, and the whistleblower process.

RECOMMENDATION

In determining whether West Caldwell is appropriately managing and accounting for the Recovery Act grant funding, we recommend that HRSA consider the information presented in this report in assessing West Caldwell's ability to operate a Community Health Center in accordance with Federal regulations.

WEST CALDWELL COMMENTS

In written comments on our draft report, West Caldwell generally agreed with the findings. West Caldwell described actions that it had taken or planned to take to address our findings with regard to its Board size and bylaws. West Caldwell said that many of its financial issues have been corrected and others are being addressed as quickly as possible. However, West Caldwell did not address our findings regarding project execution. West Caldwell's comments are included in their entirety as the Appendix.

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WEST CALDWELL HEALTH COUNCIL, INC. COMMENTS

INTRODUCTION

BACKGROUND

The Health Center Program

Pursuant to Public Law 104-299, the Health Centers Consolidation Act of 1996, health centers provide services to a population that is medically underserved. Within the U.S. Department of Health & Human Services, the Health Resources and Services Administration (HRSA) administers the Health Center program through the Bureau of Primary Health Care (BPHC).

The HRSA health centers are community-based and patient-directed organizations that serve populations with limited access to health care. The health centers provide comprehensive, culturally competent, quality primary health care services to medically underserved communities and vulnerable populations.

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 for health centers and other activities. HRSA made available four types of grants to health centers to provide for: new access points (NAP), increased demand for services (IDS), facilities investment programs (FIP), and capital improvement programs (CIP). Grants were provided to new and existing health centers, and a center could have received more than one type of grant.

Uniform Data System Reporting

The BPHC collects data on its programs to ensure compliance with legislative mandates and to report to Congress, the Office of Management and Budget (OMB), and other policy makers on program accomplishments. To meet these objectives, BPHC requires that grantees submit a core set of information annually that is appropriate for reviewing and evaluating performance and for reporting on annual trends. The tool BPHC uses to accomplish these objectives is the Uniform Data System (UDS). Recovery Act funded activities are reported in the UDS.

The 2009 UDS Manual provides full instructions and definitions critical for consistent reporting of UDS data across grantees. For example, visit definitions are needed both to determine who is counted as a patient and to report visits by type of provider staff. The Manual defined patients as individuals who have at least one visit during the reporting year. The Universal Report includes all patients who have at least one visit during the year within the scope of activities supported by any BPHC grant covered by the UDS.

West Caldwell Health Council, Inc.

West Caldwell Health Council, Inc. (West Caldwell) is a nonprofit, primary health care provider that serves patients in the rural northern area of Caldwell County, North Carolina. Service began with the opening of the Collettsville Medical Center in 1977, followed by the addition of the Happy Valley Medical Center in 1985. The current Board of Directors (Board) was primarily a planning and fundraising group until 2005 when the North Carolina Primary Care Association

encouraged West Caldwell to consider applying for HRSA funding as a Community Health Center.

With the passage of the Recovery Act, HRSA awarded a NAP grant to West Caldwell in February 2009. Pursuant to the grant terms, BPHC retained a consultant to conduct a New Start Technical Assistance site visit that occurred from June 29 to July 1, 2009. Both the site visit and the consultant's report were intended to provide useful feedback to help West Caldwell improve its organizational performance to meet the requirements of a federally qualified health center. West Caldwell's progress in implementing these recommendations is discussed in the *Findings and Recommendation* section of this report (below).

West Caldwell is funded through HRSA grants, Medicare, Medicaid, insurance payments, local grants, and donations. During 2009, HRSA awarded West Caldwell three separate 2-year Recovery Act grants totaling \$1,651,000. The awards included a NAP grant for \$1,300,000, a CIP grant for \$250,000 and an IDS grant for \$100,000, with a supplemental award increase of \$1,000. During 2009, West Caldwell provided health services to approximately 3,200 patients, of which 36 percent were uninsured.

Requirements for Federal Grantees

Board of Directors

Pursuant to 42 CFR part 51c.304, grantee governing boards shall consist of at least 9 but not more than 25 members and a majority of the board members shall be individuals who are, or will be, served by the center and who, as a group, demographically represent the individuals being, or to be, served. No more than one-half of the remaining members of the board may be individuals who derive more than 10 percent of their annual income from the health care industry. The remaining members of the board shall be representative of the community in which the center's catchment area is located and shall be selected for their expertise in community affairs, local government, finance and banking, legal affairs, trade unions, and other commercial and industrial concerns or they shall be selected from social service agencies within the community.

Project Execution

Pursuant to 42 CFR part 51c.104, an application for a grant contains several components including a budget and a narrative plan that describes how the applicant intends to conduct the project and carry out the requirements. The application must describe how and the extent to which the project has met, or plans to meet, each grant related requirement for the operation of community health centers. Among other things, applications must include:

- a statement of specific, measurable objectives and the methods to be used to assess the achievement of the objectives in specified time periods and at least on an annual basis;
- the results of an assessment of the need that the population served or proposed to be served has for the services to be provided by the project; and

- a list of all services proposed to be provided by the project.

Pursuant to section 330(k)(3)(A) of the Public Health Service Act, the Secretary may not approve an application for a grant unless the Secretary determines that the entity for which the application is submitted is a health center and, among other things, that the required primary health services of the center will be available and accessible promptly in the catchment area of the center, as appropriate, and in a manner which assures continuity to the residents of the center's catchment area.

NAP grant specific term 2 states that during the initial months of funding, consultants would conduct a site visit to assist in determining needed areas of technical assistance and training. It also requires the grantee develop a work plan that would address any areas needing improvement that were identified through this site visit. Grant specific term 5 requires that funding beyond the first project period would be contingent upon compliance with applicable statutory and regulatory requirements and demonstrated organizational capacity to accomplish the project's goals.

Safeguarding of Assets, Federal Cost Principles, and Financial Systems

Federal regulations (45 CFR § 74.21) establish the requirements for the grantees' financial management systems:

- Pursuant to paragraph (b)(3), grantees must provide effective control over and accountability of all funds, property, and other assets to adequately safeguard all assets and assure they are used solely for authorized purposes.
- Pursuant to paragraph (b)(6), grantees must establish written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.¹
- Pursuant to paragraph (b)(1), grantees' financial management systems must provide for accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program.
- Pursuant to paragraph (b)(7), grantees must ensure that accounting records are supported by source documentation.

Whistleblowers

Whistleblower laws are found in section 1553(a) of the Recovery Act and prohibit reprisals against an employee of an organization awarded Recovery Act funds for disclosing to appropriate authorities any credible evidence of (1) gross mismanagement of an agency contract

¹ Nonprofit organizations that receive HRSA funds must comply with Federal cost principles found at 2 CFR part 230, *Cost Principles for Non-profit Organizations* (formerly OMB Circular A-122).

or grant relating to covered funds; (2) a gross waste of covered funds; (3) a substantial and specific danger to public health or safety related to the implementation or use of covered funds; (4) an abuse of authority related to the implementation or use of covered funds; or (5) a violation of law, rule, or regulation related to an agency contract (including the competition for or negotiation of a contract) or grant, awarded or issued relating to covered funds. Pursuant to section 1553(e) of the Recovery Act, any employer receiving covered funds shall post notice of the rights and remedies provided for the protection of employees under this section.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to assess West Caldwell's financial viability, capacity to manage and account for Federal funds, and capability to operate a Community Health Center in accordance with Federal regulations.

Scope

We conducted a limited scope audit to assess West Caldwell's capacity to manage, account for, and report Recovery Act funds and to operate a HRSA-funded health center in accordance with Federal regulations. Therefore, we did not perform an overall assessment of West Caldwell's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective. Our review period covered July 1, 2005, through January 31, 2010.

We performed our fieldwork at West Caldwell's offices in Caldwell County, North Carolina, during November and December 2009.

Methodology

To accomplish our objective, we:

- confirmed that West Caldwell was not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance;
- reviewed West Caldwell's grant applications, grant terms and conditions, and implementation of the grant awards for the Recovery Act funding;
- reviewed the findings and recommendations related to the HRSA consultant's New Start Technical Assistance site visit, West Caldwell's technical assistance work plan, and documentation to support actions taken with respect to the recommendations;
- reviewed West Caldwell's bylaws, minutes from its Board meetings, and its organizational charts;

- reviewed West Caldwell’s audited financial statements for July 1, 2005, through June 30, 2009;
- performed trend and ratio analyses of West Caldwell’s financial statement information;
- interviewed West Caldwell personnel to gain an understanding of its accounting systems and internal controls;
- reviewed West Caldwell’s revised *Financial Policies and Procedures* dated September 2009;
- reviewed West Caldwell’s chart of accounts, trial balance, and other financial reports to assess the adequacy of West Caldwell’s current financial system; and
- reviewed West Caldwell’s revised *Personnel Policies and Procedures* dated January 2010, timekeeping records, and *Quality Improvement Survey* results.

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 RECOMMENDATION

Based on our assessment, West Caldwell is financially viable, and if it continues to make progress in implementing certain programmatic improvement recommendations, it will have the capacity to manage and account for Federal funds and to operate its health center in accordance with Federal regulations. In this regard, we noted weaknesses related to the Board of Directors, project execution, safeguarding of assets, compliance with Federal cost principles, financial systems, and the whistleblower process.

BOARD OF DIRECTORS

The West Caldwell Board struggled to retain an adequate number of members for viable working committees. In addition, West Caldwell had not fully implemented recommendations from HRSA consultants involving Board composition and bylaw language.

Board Size

West Caldwell’s December 2007 bylaws, Article II, required from 10 to 12 members. Pursuant to HRSA’s consultant recommendations, on August 18, 2009, the Board approved a change to Article II to increase Board size to 15 members to bring more expertise to the Board and to individual Board committees. At the time of our site visit in early December 2009, West Caldwell’s Board consisted of 12 members. Before the Board could expand, one member died in December 2009, and another resigned in January 2010, to become West Caldwell’s Chief

Financial Officer. This resulted in the Board having only 10 members rather than the 15 the Board authorized.

Board Composition

HRSA's consultants found that some client groups accessing health center services were not represented on the Board and recommended that the nominating committee solicit membership from among this population to fill future openings. The Board has been unsuccessful in soliciting a member from this population.

West Caldwell's original bylaws, Article II, listed three classes of members: Class I – Health Consumers, Class II – Health Providers, and Class III – Other representatives. HRSA's consultants recommended that the Board rewrite Article II of the bylaws and: (1) allow a range of number of board members and a maximum appropriate to the size and future growth of the center, especially considering the need for viable working committees to review and recommend actions to the full Board; (2) identify only two classes of members, namely consumers and non-consumers of West Caldwell services; (3) place appropriate limits on non-consumer member income from the health care industry; and (4) encourage appropriate and desirable expertise of both consumer and non-consumer members.

On August 18, 2009, the Board revised the bylaws. However, Article II remained unchanged with regard to the three classes of members. West Caldwell believed it was in compliance with HRSA program requirements because its bylaws were based on a template provided by the North Carolina Community Health Association.

The conditions involving West Caldwell's Board size and composition were caused by a lack of understanding of the Federal grant requirements for the Board's role and responsibilities. Prior to 2005, West Caldwell's Board was primarily a planning and fundraising group. Subsequent to receiving its grants, the Board started to take an increasingly active role in directing the activities of the Community Health Center by assigning members to committees and by soliciting a new Board member from the local Health Department. Continued effort in soliciting members with desired expertise, increasing the number of Board members for viable committees, and readdressing Article II of the bylaws will be required to ensure West Caldwell's Board is able to comply with the program requirements and to demonstrate the organizational capacity to accomplish the Community Health Center's goals.

PROJECT EXECUTION

Grant Application Detail

West Caldwell's 2007 grant application contained discrepancies that HRSA may have relied on to make its initial award decision. West Caldwell served 5,512 patients and proposed to serve 8,586 in "Year 1," which would have been calendar year 2008 had the 2007 grant application been funded. On the December 31, 2009, UDS Report, West Caldwell reported serving 3,226 patients in calendar year 2009. This number is significantly different from the patients originally proposed in the application.

West Caldwell said that the grant application discrepancy occurred because a 24-month period of active patients was reported based on an unduplicated count at each clinic, and the counts were inflated by patients that had used both clinic locations. Additionally, in 2009 fewer medical staff and delays associated with the implementation of a new electronic health records system resulted in fewer patients being seen.

Furthermore, West Caldwell's grant application stated that it would provide services from 8 a.m. to 5 p.m., Monday through Friday, at both its Collettsville and Happy Valley facilities and that the Collettsville office would also be open Saturday mornings from 8 a.m. to 12 p.m. With the additional NAP grant funding, West Caldwell planned to open the Happy Valley Clinic on Saturday mornings. West Caldwell's 2007 patient survey indicated that its patients preferred more Saturday and evening hours. However, at the time of our site visit, neither the Collettsville nor Happy Valley Clinics were open on Saturday mornings or for extended evening hours.

Office operating hours remain an unresolved program noncompliance matter in HRSA's consultant's report. West Caldwell said that it did not plan to extend evening hours and could not open on Saturdays at the Happy Valley Clinic because of ongoing construction at the clinic. West Caldwell said that it would address expanded hours at Happy Valley when construction is completed.

New Start Technical Assistance Followup

The HRSA consultant's report listed approximately 96 recommendations, of which 46 related to noncompliance or minimal compliance with Federal regulation or program requirements, and 50 related to performance improvement areas (PIAs). The work plan that West Caldwell submitted to HRSA in response to the review did not sufficiently explain how and when it planned to achieve compliance. Of the 46 Federal regulation or program requirement recommendations, action had not been completed on 24 of them. Some examples of the consultant's recommendations that West Caldwell had not yet fully implemented include the following:

1. Expand quality improvement activities beyond annual chart audits to include administrative, fiscal, and clinical studies and other components of a comprehensive program.
2. Update the Health Care Plan to include required Core Clinical Measures. Develop systems to collect baseline data consistent with BPHC guidelines and track progress toward established goals within each clinical measure. Analyze data, display (graphic presentation of findings over time), and distribute results to communicate progress to senior management, staff and board members on a regular, defined basis. Consider sharing results in an understandable format with users.
3. Establish specific financial goals in a Business Plan with baselines and measurable outcomes (BPHC performance measurements at a minimum), such as cost per medical encounter, medical cost per medical patient, current ratio, etc.

Of the 50 PIA recommendations, action had not been completed for about 22 of them. Some examples of the consultant's unimplemented recommendations include the following:

1. Change the Sliding Scale Discount (SSD) categories to match the UDS reporting requirements so that West Caldwell does not have to maintain two different reporting structures for SSDs. While the use of social security numbers for medical program and medical record identification is legal under HIPAA and Federal Law, West Caldwell should capture only the last four digits of patients' social security numbers in an effort to limit any legal liabilities.
2. The Chief Financial Officer (CFO) needs to become more strategically oriented to the overall financial operation and financial performance of West Caldwell. West Caldwell should maintain a parallel budget to actual "projections" reflecting its actual performance on a year-to-date basis. West Caldwell should move the financial and accounting records from their current location to a safer, non-flooding location.

We noted that West Caldwell's work plan sometimes showed that action was completed when the action taken was inadequate to fully resolve the noncompliance matter. For example, in regard to the Sliding Fee Discounts Program Requirements, West Caldwell stated that "[a]ll items mentioned have been addressed except inclusion of policy in [the] clinic brochure...." However, we did not find that all SSD forms had been revised to only require the last four digits of the social security number, and the 2009 Sliding Scale Discount Schedule had not been appropriately revised to agree with the UDS categories. West Caldwell thought the UDS categories were the same as those used for the Rural Health program and did not understand the differences until it completed the December 31, 2009, UDS report. Upon recognition of these differences, West Caldwell revised the SSD schedule and planned to have the Board approve the changes and implement the new categories beginning July 1, 2010.

Implementation was impeded because West Caldwell's Board and personnel had minimal knowledge and experience with developing a work plan that listed specific steps to address each finding and a monitoring system that the Board could use to evaluate progress.

SAFEGUARDING OF ASSETS

West Caldwell's September 2009 revised *Financial Policies and Procedures* stated that corporate credit card accounts may only be opened with the approval of the Board, can only be used by staff the CEO designated, and may only be used for business purposes. The policies and procedures did not restrict the use of personal credit cards in lieu of the corporate card when purchasing items for the Community Health Center or for the Board. Staff members used personal credit cards to purchase administrative supplies. For one transaction, West Caldwell reimbursed the Chief Executive Officer twice for a personal credit card payment of \$138.

In addition, West Caldwell:

- did not maintain its unused check supply in a locked location;

- did not require that physical inventory counts be reconciled with inventory records, or that there be a segregation of duties between the person responsible for taking the physical inventory and the person reconciling the inventory to the accounting records;
- did not require that a record be created and maintained for inventory items and that the record include pertinent information such as the item description, date acquired, cost, item location, and the tag number assigned to the item; and
- did not have a written policy governing the use of consultants that would ensure evidence is maintained that shows (1) the consultant services were required, (2) a selection process had been used to ensure the most qualified individual available, considering the nature and extent of the services to be provided, (3) the fee was reasonable, considering the qualifications of the consultant, the formal charges and the nature of the services to be provided, and (4) the consultant was required to submit documentary evidence and reports indicating the nature and extent of services performed.

These conditions occurred primarily because West Caldwell staff did not have the experience and knowledge needed to ensure that its internal controls kept pace with its organizational growth. Continued development and implementation of procedures in these areas should improve West Caldwell's ability to adequately safeguard assets.

FEDERAL COST PRINCIPLES

West Caldwell's September 2009 revised *Financial Policies and Procedures* did not include any requirement for determining the reasonableness, allocability, and allowability of costs.

West Caldwell did not use personnel activity reports to ensure that staff time was allocated to the correct grants pursuant to 2 CFR part 230, Attachment B, section 8.m.(2). West Caldwell supported staff salaries and wages with time and attendance records; however, not all timesheets were signed by the employee or the approving official.

These conditions occurred because West Caldwell did not have staff with experience and knowledge of Federal cost principles.

FINANCIAL SYSTEMS

Monthly financial information that West Caldwell provided to its Board contained inaccuracies and lacked comparisons to budget and prior year-to-date detail. Specifically:

1. The inventory balance account was inaccurate because medical supply items had been inappropriately capitalized rather than expensed. The majority of the \$24,099 inventory balance on the June 30, 2009, Statement of Financial Position, was medical supplies. West Caldwell's capitalization level was \$500 prior to receiving the grant but was subsequently increased to \$5,000. Correcting these two issues should result in a much lower inventory balance on West Caldwell's next Statement of Financial Position.

2. Internal monthly income and expense statements did not contain comparisons to budget for the month and year-to-date. In addition, the monthly balance sheets did not contain comparisons to the prior year. West Caldwell prepared these monthly reports using a typewriter, greatly limiting the staff's ability to show comparison data, and reducing the usefulness of the reports.

These conditions occurred because West Caldwell staff did not have adequate knowledge of *Generally Acceptable Accounting Principles for Non-Profits* and did not have the computer expertise needed to prepare detailed monthly reports. The former Accounting Director retired in January 2010 and was replaced by a West Caldwell Board member who assumed the CFO position. The CFO indicated that she has the computer skills to prepare the required monthly reports. The CFO's resume reflected a Bachelor of Science degree in Business Administration and approximately 18 years of banking experience.

The new CFO recently attended training and has expanded West Caldwell's chart of accounts so that better detail can be provided. In addition, the new CFO indicated that West Caldwell plans to purchase new accounting and reporting software for use in the new fiscal year starting July 2010.

WHISTLEBLOWER PROCESS

West Caldwell did not have a process established and communicated to officers, employees, and others about the rights and remedies provided by the Recovery Act for reporting suspected instances of wrongdoing by the company or its employees.

This condition occurred because West Caldwell did not have adequate knowledge regarding Federal whistleblower requirements.

RECOMMENDATION

In determining whether West Caldwell is appropriately managing and accounting for the Recovery Act grant funding, we recommend that HRSA consider the information presented in this report in assessing West Caldwell's ability to operate a Community Health Center in accordance with Federal regulations.

WEST CALDWELL HEALTH COUNCIL, INC. COMMENTS

In written comments on our draft report, West Caldwell generally agreed with the findings. West Caldwell described actions that it had taken or planned to take to address our findings with regard to its Board size and bylaws. West Caldwell said that many of its financial issues have been corrected and others are being addressed as quickly as possible. However, West Caldwell did not address our findings regarding project execution. West Caldwell's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: WEST CALDWELL HEALTH COUNCIL, INC. COMMENTS

West Caldwell Health Council, Inc.

Collettsville Medical Center
Old Highway 90 / PO Drawer 9
Collettsville, NC 28611
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Fax: (828) 757-3214

May 31, 2010

Mr. Peter J. Barbera
Regional Inspector General for Audit Services
61 Forsyth St., SW, Suite 3T41
Atlanta, Ga. 30303

RE: Report # A-04-10-03536

Dear Mr. Barbera:

The following are WCHC's comments regarding the Findings and Recommendations in the Draft Report, "Results of Limited Scope Review of West Caldwell Health Council, Inc. Community Health Center".

Board of Directors: The ByLaws adopted by the BOD at their Aug. '09 meeting reads "There shall be at least 10 but no more than 15 regular members of the Board of Directors." At the December, 2009 meeting a nominating committee was appointed and at the February, 2010 meeting two members were elected to fill the vacancies created by the untimely death of one member and the resignation of another. The nominating committee is currently seeking additional members to join the Board. The BOD is currently working on the revisions and adoption of the revised By-Laws.

Financial Matters: With the employment of a new CFO many of the matters have been corrected and others are being address as quickly as time permits. New computer software has been purchased and installed for use with the new fiscal year.

Whistleblower Process: A copy of our whistleblower policy has been given to every employee together with a signed acknowledgement of the policy in each personnel file. In addition, we have posted the policy in each clinic.

Overall, we agree with the audit findings and as noted above we are constantly working to comply with HRSA regulations. Thank you for this opportunity to provide these written comments.

Sincerely,


Eugene H. Woods, Chairman
Board of Directors
WEST CALDWELL HEALTH COUNCIL, INC.

EHW:vm