



March 26, 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 at Lower Lights Christian Health Center  
(A-05-10-00021)

The attached final report provides the results of our limited scope review at Lower Lights Christian Health Center (Lower Lights). In accordance with the Recovery Act, the Office of Inspector General (OIG) will provide oversight of covered funds to prevent fraud, waste and abuse.

Pursuant to P.L. No.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.

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, 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.

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

Based on our assessment, Lower Lights managed and accounted for Federal funds in accordance with Federal regulations. However, we found that Lower Lights lacked written policies and procedures for accounting for property, the use of consultants, and Federal grant reporting.

In written comments on our draft report, Lower Lights stated that it has developed and is implementing written policies and procedures for accounting for property, the use of consultants, and Federal grant reporting.

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

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (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 contact me at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-05-10-00021 in all correspondence.

Attachment

cc:

Patricia Reese

Director, HRSA

Office of Federal Assistance Management/Division of Financial Integrity

**Department of Health & Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE REVIEW  
AT LOWER LIGHTS CHRISTIAN  
HEALTH CENTER**



**Daniel R. Levinson  
Inspector General**

**March 2010  
A-05-10-00021**

# *Office of Inspector General*

<http://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

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, 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. 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.

The Lower Lights Christian Health Center (Lower Lights) is an independent non-profit, faith-based, primary care provider that serves patients in an impoverished neighborhood in Columbus, Ohio. Lower Lights assists approximately 4,600 patients each year of which 33 percent are uninsured.

Lower Lights is funded primarily through HRSA grants, Medicare, Medicaid, local grants, donations, and insurance payments. During fiscal year 2009, HRSA awarded 3 separate two-year Recovery Act grants totaling \$1,651,000 to Lower Lights.

### **OBJECTIVE**

Our objective was to assess Lower Lights' 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, Lower Lights managed and accounted for Federal funds in accordance with Federal regulations. However, we found that Lower Lights lacked written policies and procedures for accounting for property, the use of consultants, and Federal grant reporting.

### **RECOMMENDATION**

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

## **LOWER LIGHTS COMMENTS**

In written comments on our draft report, Lower Lights stated that it has developed and is implementing written policies and procedures for accounting for property, the use of consultants, and Federal grant reporting. Lower Lights comments are included as the appendix.

# TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
The Health Center Program .....	1
Lower Lights Christian Health Center .....	1
Requirements for Federal Grantees .....	1
<b>OBJECTIVE, SCOPE, AND METHODOLOGY</b> .....	2
Objective .....	2
Scope .....	2
Methodology .....	2
<b>FINDING AND RECOMMENDATION</b> .....	3
<b>POLICIES AND PROCEDURES</b> .....	3
<b>RECOMMENDATION</b> .....	3
<b>LOWER LIGHTS COMMENTS</b> .....	3
<b>OTHER MATTERS</b> .....	4
<b>APPENDIX</b>	
<b>LOWER LIGHTS COMMENTS</b>	

## 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.

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, 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.

#### Lower Lights Christian Health Center

The Lower Lights Christian Health Center (Lower Lights) is an independent non-profit, faith-based, primary care provider that serves patients in an impoverished neighborhood in Columbus, Ohio. Lower Lights assists approximately 4,600 patients each year of which 33 percent are uninsured.

Lower Lights is funded primarily through HRSA grants, Medicare, Medicaid, local grants, donations, and insurance payments. During fiscal year (FY) 2009, HRSA awarded three separate two-year Recovery Act grants<sup>1</sup> totaling \$1,651,000 to Lower Lights.

#### Requirements for Federal Grantees

Pursuant to 45 CFR part 74, grantees of Federal awards must implement written accounting policies and procedures and maintain financial systems that provide for accurate and complete reporting of grant related financial data, effective control over grant funds, and allocation of costs to all benefitting programs. In addition, grantees must establish written procurement procedures. Grantees are also required to maintain inventory control systems and take periodic physical inventory of grant related equipment. In addition, pursuant to 45 CFR § 74.27, the

---

<sup>1</sup>The new access point grant period was from March 1, 2009, through February 28, 2011. The increased demand for services grant period was from March 27, 2009, through March 26, 2011. The capital improvement program grant period was from June 29, 2009, through June 28, 2011.

allowability of costs incurred by nonprofit organizations is determined in accordance with the provisions of Office of Management and Budget Circular A-122, "Cost Principles for Nonprofit Organizations." Finally, section 330 of the Public Health Service Act (42 USCS § 254b) defines requirements for health centers under the Health Center program.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to assess Lower Lights' 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 Lower Lights' 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 Lower Lights' internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objectives. Our review period was July 1, 2006, through December 11, 2009.

We performed our fieldwork at the Lower Lights' administrative office in Columbus, Ohio, during December 2009.

### **Methodology**

To accomplish our audit objectives, we:

- confirmed that Lower Lights was not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance;
- reviewed Lower Lights' application and implementation of the grant awards for the Recovery Act funding;
- reviewed the findings related to the most recent HRSA review;
- reviewed Lower Lights' policies and procedures related to the Health Center Program;
- reviewed Lower Lights' by-laws, minutes from its Board of Director meetings, and its organizational chart;
- performed audit steps to assess the adequacy of Lower Lights' current financial systems;
- reviewed Lower Lights' audited financial statements and supporting documentation for the period July 1, 2006, through June 30, 2009; and

- reviewed Lower Lights' unaudited financial statements and supporting documentation for the period of July 1, 2009, through October 31, 2009.

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.

### **FINDING AND RECOMMENDATION**

Based on our assessment, Lower Lights managed and accounted for Federal funds in accordance with Federal regulations. However, we found that Lower Lights lacked written policies and procedures for accounting for property, the use of consultants, and Federal grant reporting.

#### **POLICIES AND PROCEDURES**

Pursuant to 45 CFR part 74, grantees of Federal awards must implement written accounting policies and procedures and maintain financial systems that provide for accurate and complete reporting of grant related financial data, effective control over grant funds, and allocation of costs to all benefitting programs.

We identified the need for additional policies and procedures that are required for Federal grantees. In order to comply with Federal regulations, Lower Lights needs to implement policies and procedures for:

- inventory of property;
- use of consultants; and
- grant reporting based on Federal requirements.

#### **RECOMMENDATION**

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

#### **LOWER LIGHTS COMMENTS**

In written comments on our draft report, Lower Lights stated that it has developed and is implementing written policies and procedures for accounting for property, the use of consultants, and Federal grant reporting. Lower Lights comments are included as the appendix.

## **OTHER MATTERS**

As part of our audit, we reviewed Lower Lights' adherence to HRSA-identified health center best practices. We determined that Lower Lights:

- based salaries and wages charged to Federal grants on actual time worked, supported by timesheets;
- recorded activities worked on a daily basis;
- maintained adequate documentation for all charges to Federal awards;
- monitored its financial position through the use of financial ratios;
- provided accounting personnel with cost principles training;
- conducted a physical inventory at least once every two years; and
- assigned personnel the duty of ensuring that A-133 audits are submitted to the Federal Audit Clearinghouse within nine months of the end of the grant fiscal year, as required by Federal regulations.

# **APPENDIX**



## LOWER LIGHTS CHRISTIAN HEALTH CENTER

February 4, 2010

Mr. Stephen Slamar  
Acting Regional Inspector General  
Department Of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region V  
233 North Michigan Avenue  
Suite 1360  
Chicago, IL 60601

Re: Report Number A-05-10-00021

Dear Mr. Slamar:

The following is our response to the findings indicated in the review report dated January 29, 2010.

**FINDING: Lack of written Policies and Procedures for accounting for property**

*Response:* The policy and procedure for accounting for property will be written, approved by our Board of Directors and implemented no later than March 31, 2010.

**FINDING: Lack of written Policies and Procedures for use of Consultants**

*Response:* The policy and procedure for the use of Consultants and Contractors has been written and approved by our Board of Directors on February 2, 2010. The policy and procedure was developed, approved and will be implemented immediately.

**FINDING: Lack of written Policies and Procedures for grant reporting based on Federal requirements**

*Response:* The policy and procedure for Federal Reporting has been written and approved by our Board of Directors on February 2, 2010. The policy and procedure was developed, approved and will be implemented immediately.

Please let me know if you require any additional information.

Sincerely,  
Dr. Dana S. Vallangeon, CEO