



June 15, 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 Community Health Centers of Greater  
Dayton (A-05-10-00036)

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

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-05-10-00036 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE REVIEW  
AT COMMUNITY HEALTH CENTERS  
OF GREATER DAYTON**



Daniel R. Levinson  
Inspector General

June 2010  
A-05-10-00036

# *Office of Inspector General*

<http://oig.hhs.gov>

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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.

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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.

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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*

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**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 over 2 years. 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 Community Health Centers of Greater Dayton (Dayton Health Centers) is a non-profit organization founded in 2007 to improve access to high-quality, affordable primary health care in the region. Dayton Health Centers was formed out of three established locations: Charles Drew, Corwin Nixon, and East Dayton Health Centers.

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

### **OBJECTIVE**

Our objective was to assess Dayton Health Centers' 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, Dayton Health Centers managed and accounted for Federal funds in accordance with Federal regulations. However, we found that Dayton Health Centers lacked written policies and procedures for accounting for property, cash receipts and disbursements, purchasing, Federal Deposit Insurance Corporation (FDIC) limit, and Federal grant reporting.

### **RECOMMENDATION**

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

## **DAYTON HEALTH CENTER COMMENTS**

In written comments on our draft report, Dayton Health Centers stated that it has developed and is implementing written policies and procedures for accounting for property, cash receipts and disbursements, purchasing, FDIC limit, and Federal grant reporting.

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## **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.

#### **Community Health Centers of Greater Dayton**

The Community Health Centers of Greater Dayton (Dayton Health Centers) is a non-profit organization founded in 2007 to improve access to high-quality, affordable primary health care in the region. Dayton Health Centers was formed out of three established locations: Charles Drew, Corwin Nixon, and East Dayton Health Centers.

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

#### **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

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<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 Dayton Health Centers' 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 Dayton Health Centers' 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 Dayton Health Centers' internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective. Our review period was July 1, 2008, through January 1, 2010.

We performed our fieldwork at the Dayton Health Centers' administrative office located at the Charles Drew Health Center in Dayton, Ohio, during January 2010.

### **Methodology**

To accomplish our audit objective, we:

- confirmed that Dayton Health Centers was not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance;
- reviewed Dayton Health Centers' application and implementation of the grant awards for the Recovery Act funding;
- reviewed the findings related to the most recent HRSA review;
- reviewed Dayton Health Centers' policies and procedures related to the Health Center Program;
- reviewed Dayton Health Centers' by-laws, minutes from its Board of Director meetings, and its organizational chart;
- performed audit steps to assess the adequacy of Dayton Health Centers' current financial systems; and

- reviewed Dayton Health Centers' financial statements and supporting documentation for the period of July 1, 2008, through November 30, 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 finding and conclusions based on our audit objectives.

## **FINDING AND RECOMMENDATION**

Based on our assessment, Dayton Health Centers managed and accounted for Federal funds in accordance with Federal regulations. However, we found that Dayton Health Centers lacked written policies and procedures for accounting for property, cash receipts and disbursements, purchasing, Federal Deposit Insurance Corporation (FDIC) limit, 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.

Although we did not find any discrepancies, we identified the need for additional policies and procedures that are required for Federal grantees. In order to comply with Federal regulations, Dayton Health Centers needs to implement policies and procedures for:

- inventory of property,
- cash receipts and disbursements,
- purchasing,
- maintaining the FDIC limit with financial institutions, and
- grant reporting based on Federal requirements.

Although we did not find any discrepancies in inventory of property, cash receipts and disbursements, purchasing, bank balances in excess of \$250,000, or improper grant reporting, Dayton Health Centers did not have these written policies and procedures as required for Federal grantees. The development and implementation of written policies and procedures is essential considering Dayton Health Centers has property and equipment with a booked cost in excess of \$275,000. Additionally, the large award of Recovery Act funds could result in balances exceeding the \$250,000 FDIC insured limit.

## **RECOMMENDATION**

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

## **DAYTON HEALTH CENTER COMMENTS**

In written comments on our draft report, Dayton Health Centers stated that it has developed and is implementing written policies and procedures for accounting for property, cash receipts and disbursements, purchasing, FDIC limit, and Federal grant reporting.

# **APPENDIX**



APPENDIX: DAYTON HEALTH CENTER COMMENTS

Community Health Centers of Greater Dayton

1323 West 3rd Street • Dayton, Ohio 45402-6714

March 24, 2010

Mr. James C. Cox,  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of Audit Services  
Office of Inspector General

Re: Report Number A-05-10-00036

Dear Mr. Cox,

The following is our response to the findings indicated in the review dated March 10, 2010.

**FINDINGS: Lack of written policy and procedures for inventory of property.**

*Response:* The policy and procedure for inventory of property will be written, approved by our Board of Directors and implemented no later than May 7, 2010.

**FINDINGS: Lack of written policy and procedures for cash disbursements and receipts.**

*Response:* The policy and procedure for cash disbursements and receipts will be written, approved by our Board of Directors and implemented no later than May 7, 2010.

**FINDINGS: Lack of written policy and procedures for purchasing.**

*Response:* A Procurement Policy was written and approved by our Board of Directors at their meeting on January 21, 2010. That policy was implemented immediately.

**FINDINGS: Lack of written policy and procedures for maintaining the FDIC limit with financial institutions.**

*Response:* The policy and procedure for maintaining the FDIC limit with financial institutions will be written, approved by our Board of Directors and implemented no later than May 7, 2010.

**FINDINGS: Lack of written policy and procedures for grant reporting based on Federal requirements.**

*Response:* The policy and procedure for grant reporting will be written, approved by our Board of Directors and implemented no later than May 7, 2010.

Feel free to contact me if you have any further questions or concerns.

Sincerely,

Gregory Hopkins  
Executive Director

Doing Business As:

Charles Drew Health Center  
1323 West 3rd Street  
Dayton, Ohio 45402  
(937) 461-4336

East Dayton Health Center  
2132 East Third Street  
Dayton, Ohio 45403  
(937) 528-6850

Corwin Nixon Health Center  
2351 Stanley Avenue  
Dayton, Ohio 45404  
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