



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION V
233 NORTH MICHIGAN, SUITE 1360
CHICAGO, IL 60601

April 18, 2012

TO: Mary Wakefield, PhD, RN
Administrator
Health Resources and Services Administration

FROM: /Sheri L. Fulcher/
Regional Inspector General for Audit Services

SUBJECT: Recovery Act Costs Claimed by Aunt Martha's Youth Service Center, Inc. Were Generally Allowable (A-05-11-00063)

The attached final report provides the results of our review of *Recovery Act Costs Claimed by Aunt Martha's Youth Service Center, Inc. Were Generally Allowable*. This review was requested by the Health Resources and Services Administration.

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>.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Mike Barton, Audit Manager, at (614) 469-2543 or through email at Mike.Barton@oig.hhs.gov. We look forward to receiving your final management decision within 6 months. Please refer to report number A-05-11-00063 in all correspondence.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION V
233 NORTH MICHIGAN, SUITE 1360
CHICAGO, IL 60601

April 18, 2012

Report Number: A-05-11-00063

Mr. Raul Garza
Chief Executive Officer
Aunt Martha's Youth Service Center, Inc.
19990 Governors Highway
Olympia Fields, IL 60461

Dear Mr. Garza:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Recovery Act Costs Claimed by Aunt Martha's Youth Service Center, Inc. Were Generally Allowable*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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If you have any questions or comments about this report, please do not hesitate to call me, or contact Mike Barton, Audit Manager, at (614) 469-2543 or through email at Mike.Barton@oig.hhs.gov. Please refer to report number A-05-11-00063 in all correspondence.

Sincerely,

/Sheri L. Fulcher/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Sandy Seaton
Team Leader, Compliance Team,
Office of Federal Assistance Management/Division of Financial Integrity
Health Resources and Services Administration
Parklawn Building, Room 13C-24
5600 Fishers Lane
Rockville, Maryland 20857

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RECOVERY ACT COSTS CLAIMED
BY AUNT MARTHA'S YOUTH
SERVICE CENTER, INC. WERE
GENERALLY ALLOWABLE**



Daniel R. Levinson
Inspector General

April 2012
A-05-11-00063

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 and 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

THIS REPORT IS AVAILABLE TO THE PUBLIC
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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

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 (42 U.S.C. § 254b). The Health Center Program provides comprehensive primary health care services to medically underserved populations through planning and operating grants to health centers. Within the U.S. Department of Health and Human Services (HHS), the Health Resources and Services Administration (HRSA) administers the program. The Health Center Program provides grants to nonprofit private or public entities that serve designated medically underserved populations and areas, as well as vulnerable populations of migrant and seasonal farm workers, the homeless, 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, \$2 billion of which was to expand the Health Center Program by serving more patients, stimulating new jobs, and meeting the significant increase in demand for primary health care services among the Nation’s uninsured and underserved populations. HRSA made four types of grants available to health centers: new access points (NAP) grants, grants to meet increased demand for services (IDS), facilities investment program (FIP) grants, and capital improvement program (CIP) grants. HRSA provided grants to new and existing health centers; some health centers received more than one type of grant.

Aunt Martha’s Youth Service Center, Inc.

Aunt Martha’s Youth Service Center, Inc. (the grantee) is a not-for-profit corporation established in 1972 to provide counseling, training, placement and health services to youth and their families throughout the State of Illinois. The grantee provides primary health, women’s health, oral health, behavioral health, care management, housing and shelter, education and life skills, and other services.

HRSA awarded the grantee three Recovery Act grants totaling \$15,205,354, with grant performance periods starting as early as March 27, 2009 and ending as late as February 29, 2012. As of December 31, 2010, the grantee claimed \$3,370,426 under the grants.

OBJECTIVE

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

SUMMARY OF FINDINGS

The grantee's claimed costs generally were allowable under the terms of the grants and applicable Federal regulations. Of the \$2,693,191 we reviewed, \$2,686,282 was allowable; however \$6,909 was unallowable. Specifically the grantee:

- used an incorrect rate to determine fringe benefit costs claimed under the grant resulting in unallowable costs claimed of \$4,990; and
- inadvertently paid an invoice twice resulting in unallowable costs claimed of \$1,919.

RECOMMENDATION

We recommend that HRSA require the grantee to refund \$6,909 in unallowable costs to the Federal Government.

GRANTEE COMMENTS

In written comments on our draft report, the grantee concurred with our recommendations. Grantee's comments are included in their entirety as Appendix A.

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.

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INTRODUCTION

BACKGROUND

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HRSA awarded the grantee three Recovery Act grants totaling \$15,205,354, with grant performance periods starting as early as March 27, 2009 and ending as late as February 29, 2012. As of December 31, 2010, the grantee claimed \$3,370,426 under the grants.

Federal Requirements for Grantees

Title 45, part 74, of the Code of Federal Regulations establishes uniform administrative requirements governing HHS awards to nonprofit organizations, institutions of higher education,

hospitals and commercial entities. As a nonprofit organization in receipt of Federal funds, the grantee must comply with Federal cost principles in 2 CFR pt. 230, *Cost Principles for Non-Profit Organizations* (formerly Office of Management and Budget Circular A-122), incorporated by reference at 45 CFR § 74.27(a). These cost principles require that grant expenditures be allowable. The HHS awarding agency may include additional requirements that are considered necessary to attain the award's objectives.

HRSA incorporates the HHS Grants Policy Statement (Grants Policy) in its Notice of Grant Awards, which, among other things, identifies allowable and unallowable costs.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We performed this limited scope review in response to a request from HRSA. Therefore, we did not perform an overall assessment of the grantee's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective. We limited our review to costs the grantee claimed for the IDS, FIP, and CIP grants during the review period March 27, 2009, through December 31, 2010. During the review period, the grantee claimed \$721,797 under the IDS grant; \$642,382 under the FIP grant; and \$2,006,247 under the CIP grant for a total of \$3,370,426. We reviewed \$2,693,191 or 80 percent of costs claimed by the grantee as of December 31, 2010.

We performed our field work at the grantee's administrative office in Olympia Fields, Illinois in April 2011.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and other guidance;
- reviewed grant announcements, grant applications, and notices of grant awards;
- reviewed the grantee's policies and procedures manual;
- interviewed grantee officials;
- reviewed the grantee's board minutes covering the audit period;

- reviewed the grantee's independent auditor's reports and management letters for fiscal years 2008, 2009, and 2010;
- identified expended funds in the grantee's accounting records as of December 31, 2010;
- reconciled grant draw downs to grant expenditures;
- reconciled grant expenditures per accounting records to Federal reports;
- compared budgeted and actual expenditures; and
- reviewed selected costs claimed under the grants for allowability.

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

The grantee's claimed costs generally were allowable under the terms of the grants and applicable Federal regulations. Of the \$2,693,191 we reviewed, \$2,686,282 was allowable; however \$6,909 was unallowable. Specifically the grantee:

- used an incorrect rate to determine fringe benefit costs claimed under the grant resulting in unallowable costs claimed of \$4,990; and
- inadvertently paid an invoice twice resulting in unallowable costs claimed of \$1,919.

FINANCIAL REPORTING

Federal Requirements

Pursuant to 2 CFR pt. 230, Appendix A, § A. 2, to be allowable under an award, costs must be reasonable for the performance of the award and be allocable thereto under these principles. Costs must also be adequately documented.

Fringe Rate

When calculating fringe benefit costs, the grantee did not apply the correct multiplier to its calculation of major medical and did not account for employee contributions to the vision insurance calculation. As a result of these computational errors, the grantee charged to the grant \$4,990 of fringe benefit costs that were not reasonable for the performance of the award. Therefore, these excess fringe benefit costs were unallowable.

Duplicate Invoice

The grantee did not pay a particular invoice promptly and subsequently received a second invoice from the vendor covering the same services. The grantee paid both invoices which resulted in an unallowable duplicate payment of \$1,919.

RECOMMENDATION

We recommend that HRSA require the grantee to refund \$6,909 in unallowable costs to the Federal Government.

GRANTEE COMMENTS

In written comments on our draft report, the grantee concurred with our recommendations. Grantee's comments are included in their entirety as Appendix A.

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: GRANTEE COMMENTS



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Marion County
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Stark County
Vermilion County
Wabash County
Will County

February 27, 2012

Report Number: A-05-11-00063

Ms. Sheri L. Fulcher
Regional Inspector General for Audit Services
Office of Audit Services, Region V
233 North Michigan Avenue
Suite 1360
Chicago, IL 60601

Dear Ms. Fulcher:

We appreciate the opportunity to comment on the validity of the facts and the reasonableness of the recommendations in the draft report entitled *Recovery Act Costs Claimed by Aunt Martha's Youth Service Center, Inc. Were Generally Allowable* (Report Number: A-05-11-00063).

We concur with the two findings cited in the report, as well as with the Recommendation put forth by the OIG. Specifically:

- We concur with the Finding that an inaccurate rate was used to determine part-time fringe benefit costs claimed under the grant, resulting in unallowable costs claimed of \$4,990. The root cause of the inaccurate rate was the rounding up of the rate to a round number. In order to mitigate the recurrence of this issue in the future, the fiscal department has instituted an additional level of review in the fringe benefit process.
- We concur with the Finding that we inadvertently paid a duplicated invoice, which resulted in unallowable costs claimed of \$1,919. After becoming aware of the second payment, we contacted the vendor and received a refund of the duplicate payment.
- We concur with the Recommendation that Aunt Martha's refund a total of \$6,909 in unallowable costs to the Federal Government. Understanding that the draft report is subject to further review and revision, we will look forward to receiving a copy of the final report from OIG, and will take the steps necessary to comply with all of the final Recommendations at that time.

Our obligation as an organization to be an effective steward of Government funds is not one which we take lightly, which is why we appreciate this opportunity to provide a formal response to the OIG findings. We are proud of the work we do at Aunt Martha's, and are excited about the significant projects we are undertaking with the funding granted to us by the Federal Government under the American Recovery and Reinvestment Act.

If you need any further clarification in regards to this letter or the steps we've taken to address the OIG Findings, please do not hesitate to call me, or contact Chris Nordloh, Chief Financial Officer, at (708) 747-7100 or through email at CNordloh@auntmarthas.org.

Sincerely,

Raul Garza
Chief Executive Officer
Aunt Martha's Youth Service Center



Administrative Office
19990 Governors Highway
Olympia Fields, IL 60461
(708) 747-7100
www.auntmarthas.org



APPENDIX B: HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services
Administration

Rockville, MD 20857

APR 3 2012

TO: Inspector General

FROM: Administrator

SUBJECT: OIG Draft Report: "Recovery Act Costs Claimed by Aunt Martha's Youth Service Center, Inc. Were Generally Allowable" (A-05-11-00063)

Attached is the Health Resources and Services Administration's (HRSA) response to the OIG's draft report, "Recovery Act Costs Claimed by Aunt Martha's Youth Service Center, Inc. Were Generally Allowable" (A-05-11-00063). 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 –
"Recovery Act Costs Claimed by Aunt Martha's Youth Service Center, Inc. Were
Generally Allowable" (A-05-11-00063)**

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

OIG Recommendation:

We recommend that HRSA require the grantee to refund \$6,909 in unallowable costs to the Federal Government.

HRSA Response:

HRSA concurs with the OIG recommendation and will work with the grantee to facilitate collection of the unallowable costs. In addition, HRSA will continue to monitor the grantee's use of funds and progress on awarded activities.