



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION VII
601 EAST 12TH STREET, ROOM 0429
KANSAS CITY, MO 64106

May 31, 2012

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

FROM: /Patrick J. Cogley/
Regional Inspector General
Office of Inspector General, Office of Audit Services, Region VII

SUBJECT: Allowability of Recovery Act Costs Claimed by Primary Health Care, Inc., for the
Period December 9, 2009, Through August 15, 2011 (A-07-11-05018)

The attached final report provides the results of our review of Primary Health Care, Inc. This review was performed in response to a request from 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 at (816) 426-3591, or your staff may contact Scott Englund, Audit Manager, at (573) 893-8338, extension 27, or through email at Scott.Englund@oig.hhs.gov. Please refer to report number A-07-11-05018 in all correspondence.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION VII
601 EAST 12TH STREET, ROOM 0429
KANSAS CITY, MO 64106

May 31, 2012

Report Number: A-07-11-05018

Ms. Kelly Huntsman
Executive Director
Primary Health Care, Inc.
9943 Hickman Road
Urbandale, IA 50322

Dear Ms. Huntsman:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Allowability of Recovery Act Costs Claimed by Primary Health Care, Inc., for the Period December 9, 2009, Through August 15, 2011*. We are issuing this report to the Health Resources and Services Administration.

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>.

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact Scott Englund, Audit Manager, at (573) 893-8338, extension 27, or through email at Scott.Englund@oig.hhs.gov. Please refer to report number A-07-11-05018 in all correspondence.

Sincerely,

/Patrick J. Cogley/
Regional Inspector General
for Audit Services

Enclosure

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ALLOWABILITY OF
RECOVERY ACT COSTS CLAIMED
BY PRIMARY HEALTH CARE, INC.,
FOR THE PERIOD
DECEMBER 9, 2009, THROUGH
AUGUST 15, 2011**



Daniel R. Levinson
Inspector General

May 2012
A-07-11-05018

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.

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

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.

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, \$2.0 billion of which was to expand the Health Center Program by serving more patients, stimulating new jobs, and meeting the expected increase in demand for primary health care services among the Nation's uninsured and underserved populations. HRSA awarded a number of grants using Recovery Act funding in support of the Health Center Program, including Increased Demand for Services (IDS), Facilities Investment Program (FIP) grants, and Capital Improvement Program (CIP) grants.

Primary Health Care, Inc. (PHC), central Iowa's only community health center, provides medical and dental services to the Des Moines, Iowa, metropolitan area and the Marshalltown, Iowa, area. Under the provisions of the Recovery Act, HRSA awarded PHC three grants totaling \$4,160,596. These grants included an IDS grant in the amount of \$515,367, a CIP grant of \$1,029,800, and a FIP grant of \$2,615,429. This report presents the results of our review of the FIP grant (number C80CS16958); we are separately reporting on the results of our reviews of the IDS and CIP grants.

OBJECTIVE

Our objective was to determine whether costs claimed by PHC under the FIP Recovery Act grant were allowable pursuant to applicable Federal regulations and the terms of the grant.

RESULTS OF REVIEW

We determined that the \$974,861 in costs claimed by PHC under the FIP Recovery Act grant were allowable pursuant to applicable Federal regulations and the terms of the grant. We are therefore making no recommendations.

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INTRODUCTION

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.

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, \$2.0 billion of which was to expand the Health Center Program by serving more patients, stimulating new jobs, and meeting the expected increase in demand for primary health care services among the Nation's uninsured and underserved populations. HRSA awarded a number of grants using Recovery Act funding in support of the Health Center Program, including Increased Demand for Services (IDS), Facilities Investment Program (FIP) grants, and Capital Improvement Program (CIP) grants.

Primary Health Care, Inc.

Primary Health Care, Inc. (PHC), central Iowa's only community health center, provides medical and dental services to the Des Moines, Iowa, metropolitan area and the Marshalltown, Iowa, area.

During calendar year 2009, and under the provisions of the Recovery Act, HRSA awarded PHC three grants totaling \$4,160,596:

- an IDS grant in the amount of \$515,367, awarded March 27, 2009, to increase staffing and extend existing services;
- a CIP grant of \$1,029,800, awarded June 25, 2009, to relocate the Outreach Project and Pharmacy to a larger facility in Des Moines, relocate and expand the Marshalltown dental clinic to a new site, and renovate the Marshalltown medical clinic; and
- a FIP grant of \$2,615,429, awarded October 19, 2009, to consolidate billing office space and expand space for both clinical services and administrative functions at the existing East Side Center in Des Moines.

This report presents the results of our review of the FIP grant (number C80CS16958); we are separately reporting on the results of our reviews of the IDS and CIP grants.

Federal Requirements for Federal Grantees

Title 45, part 74, of the Code of Federal Regulations (CFR) establishes uniform administrative requirements governing HHS grants and agreements awarded to nonprofit organizations. As a nonprofit organization in receipt of Federal funds, PHC 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 submitted for Federal reimbursement be allowable.

To help ensure that Federal requirements are met, grantees must maintain financial management systems in accordance with 45 CFR § 74.21. These systems must provide for accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program (45 CFR § 74.21(b)(1)) and must ensure that accounting records are supported by source documentation (45 CFR § 74.21(b)(7)). Grantees also must have written procedures for determining the allowability of expenditures in accordance with applicable Federal cost principles and the terms and conditions of the award (45 CFR § 74.21(b)(6)).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether costs claimed by PHC under the FIP Recovery Act grant were allowable pursuant to applicable Federal regulations and the terms of the grant.

Scope

Our review included FIP Recovery Act costs totaling \$974,861 that PHC claimed for grant number C80CS16958 from December 9, 2009, through August 15, 2011.¹

We did not perform an overall assessment of PHC's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective.

We performed fieldwork at PHC's office in Urbandale, Iowa, in September 2011.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed HRSA's Notice of Grant Award;
- reviewed PHC's policies and procedures;

¹ The grant end date as stated on the Notice of Federal Award is December 8, 2011. This grant was still open during our audit fieldwork. Therefore, we reviewed expenditures charged to the grant through August 15, 2011.

- interviewed PHC officials to gain an understanding of its accounting systems, internal controls and implementation of the Recovery Act grant awards;
- compared PHC's total costs to funds drawn from Recovery Act grants;
- reviewed all invoices charged to the FIP grant through August 15, 2011;
- reviewed PHC's procurement contracting process used for FIP construction and renovation project contracts and verified that PHC had a Notice of Federal Interest on file for the FIP construction projects; and
- discussed the results of our audit with PHC officials on September 21, 2011.

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 objective.

RESULTS OF REVIEW

We determined that the \$974,861 in costs claimed by PHC under the FIP Recovery Act grant were allowable pursuant to applicable Federal regulations and the terms of the grant. We are therefore making no recommendations.