
CORPORATION

FOR NATIONAL



S E R V I C E

OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Initial Year Review

National Association of Community Health Centers, Inc.

Washington, D.C.

Grant Agreement Number 95ADNDC010

This report is issued to CNS Management. According to OMB Circular A-50, *Audit Follow Up*, the Corporation must make final management decisions on the report's findings and recommendations no later than December 11, 1996. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

The Inspector General must approve any request for public release of the report.

Corporation for National Service
Office of Inspector General
Review of National Association of Community Health Centers, Inc.
Grant Agreement #95ADNDC010

We performed a limited review, as described in the Scope and Methodology section of this report, of the National Association of Community Health Centers, Inc. (NACHC) financial reporting and accounting systems and management controls to assess their ability to comply with Federal fiscal accounting and CNS grant requirements.

RESULTS IN BRIEF

Based on our review we concluded that NACHC's accounting systems and system of internal controls are generally adequate to report grant expenditures in accordance with grant requirements and to safeguard Federal funds. However, our review identified several conditions which warrant correction. These conditions include inadequate accounting for service hours by NACHC headquarters, an outdated indirect cost rate at the Providence, Rhode Island operating site, and a lack of separation of duties at the Denver, Colorado operating site. We are questioning \$18,759 of the Providence site's administrative match as of January 31, 1996 related to the outdated indirect cost rate.

BACKGROUND

NACHC, established in 1971, is a national professional association located in Washington, D. C. which includes more than 800 affiliate organizations. The association represents a large number of community, migrant, and homeless centers throughout the country and is dedicated to improving low-income citizen's access to primary and preventive health care. Its activities include providing information, training, technical assistance and professional development services for community health center administrators, board members, and clinicians.

NACHC was awarded \$1,443,061 from CNS to fund an AmeriCorps program for the period August 1, 1995 to December 31, 1996. The grant will fund 108 full-time AmeriCorps Members in seven operating sites to provide a medical "home" for residents of medically underserved areas,¹ assure appropriate utilization of health care services, and link primary care patients to other health and social services through outreach, referral and follow-up of the medically underserved.

¹Those individuals not having a usual source of affordable health care provided by medical professionals.

NACHC headquarters will assist in coordinating recruitment, selection of members, designing and carrying out orientation and training for members and worksite supervisors. NACHC is responsible for monitoring the work of the seven sites and will make two to three visits to each site during the course of the year to gain first-hand knowledge of the project's progress. NACHC is also responsible for assuring appropriate in-service training for members, on-going technical assistance, management information and financial systems reporting and evaluation.

The AmeriCorps grant provides support for the program as follows:

Cost Category	CNS Award*
Living Allowances (108 Full Time AmeriCorps Members)	\$ 686,448
FICA and Worker's Compensation	64,592
Health Care	103,680
Member Training, Education, Uniforms, and Other	44,021
Subtotal	898,741
Staff Salaries, Benefits and Training	301,568
Travel, Transportation, Supplies, Equipment and Other	153,037
Internal Evaluation	21,140
Administrative Expenses	68,575
Total NACHC Operating Grant	<u>\$1,443,061</u>
Total NACHC Operating Grant	\$1,443,061
Post Service Education Awards	510,300
Total Available CNS Funding	<u>\$1,953,361</u>
*Under the grant, NACHC must provide an additional \$799,928 in matching funds for the program.	

SCOPE AND METHODOLOGY

We performed our review during the period December 7, 1995 through March 5, 1996. Our procedures included site visits to NACHC's Headquarters in Washington, DC, and two operating sites: Providence Ambulatory Health Care Foundation, Inc., in Providence, Rhode Island and Colorado Community Health Network, in Denver, Colorado. We obtained an understanding of NACHC's accounting system and management controls and performed limited testing to determine whether they were operating as intended.

Our procedures included:

- interviewing key accounting and program personnel at Headquarters and the two sites;

- testing a judgmental sample of financial transactions related to the grant;
- reviewing NACHC's procedures for drawing down funds and disbursing them to the operating sites;
- reviewing NACHC's management controls to monitor and report AmeriCorps Members' service hours, and testing, on a judgmental basis, the accuracy of NACHC's system used to accumulate service hours; and
- inquiring of NACHC headquarters and operating site officials about their knowledge of, and adherence to, CNS regulations and policies regarding lobbying activities.

We performed our review in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. However, our procedures were substantially less in scope than an audit, and accordingly, did not include elements essential to the expression of an opinion on management controls. Accordingly, we do not express such an opinion. Further, if additional audit procedures had been performed, other matters might have come to our attention that would have been reported. Also, projections of any evaluation of the internal control structure over financial reporting to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We provided a draft of this report to CNS and NACHC officials for their comments. CNS did not respond. NACHC's response is presented as Exhibit A of this report (without attachments) and summarized after each finding. NACHC also provided copies of documentation related to our findings which we have forwarded to CNS Grants Management for their consideration during the audit resolution process.

This report is intended for the information and use of Corporation and NACHC management. However, this report is a matter of public record and its distribution is not limited.

FINDINGS AND RECOMMENDATIONS

- I. NACHC headquarters did not have a system to track AmeriCorps Member service hours reported by each of the operating sites.

Without a system to track hours NACHC cannot verify the hours shown in the operating sites' quarterly reports which must be summarized and reported to CNS. In addition, if the AmeriCorps Member service hours are not properly tracked, NACHC will be unable to accurately report to the Trust Fund those individuals who have completed their required service hours and earned their post service educational benefit.

Under the terms and conditions of the grant grantees “must keep time and attendance records on all AmeriCorps Members in order to document their eligibility for in-service and post-service benefits” (AmeriCorps Provisions, section 23 c.ii).

We recommend that NACHC develop a method for tracking service hours by operating site and member.

In their response to a draft of this report NACHC stated that, subsequent to our site visit in December, they had developed and implemented a Monthly Service Hours Report to track and certify program hours.

II. NACHC’s Providence, Rhode Island operating site used an outdated indirect cost rate.

As of January 31, 1996, Providence Ambulatory Health Care Foundation, Inc. (PAHCF) had charged \$18,759 of indirect costs using an indirect cost rate of 37%. The indirect costs have been applied as PAHCF’s administrative match and represent 88% of their total required match. The rate was developed in 1988 and no effort has been made to determine its accuracy or present reasonableness.

PAHCF’s actual indirect cost rate may be lower or higher than 37%. However, because Providence has failed to provide a current indirect cost analysis, we have questioned all the matching administrative costs charged to the grant through January 31, 1996, totaling \$18,759.

We recommend that:

- the Providence operating site develop and receive approval for a current indirect costs rate;
- NACHC review all indirect cost rates in use to assure that they are reasonable; and
- CNS assess the propriety of the amounts reported as matching funds for the grant once reasonable indirect cost rates are available for NACHC and its sites.

In their response to a draft of this report NACHC stated that PACHF has agreed to reduce the cost sharing amounts related to excess general and administrative expenses and will be submitting documentation for additional matching that they have been providing. Until such documentation is received, NACHC will limit PACHF’s administrative expense rate.

III. NACHC's Denver, Colorado operating site lacks adequate separation of key accounting duties.

In a May 18, 1995 audit report, Colorado Community Health Network's (CCHN) auditors cited a lack of segregation of duties as a reportable condition. A reportable condition is defined as a significant deficiency in the design or operation of the internal control structure that could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

During our review at CCHN we noted that this condition continues to exist. One individual is responsible for the majority of the accounting functions including: receiving and preparing invoices/vouchers, preparing checks for payment, preparing the payroll and payroll checks, entering expenditures in the ledger, and mailing the checks. This lack of separation of duties increases the risk that errors and irregularities may occur and not be detected.

We recommend that NACHC:

- increase the level of review and oversight for Denver's financial transactions and reports;
- determine what (if any) action to correct the problem has been implemented;
- require Colorado Community Health Network's Board of Directors to exercise additional oversight of financial matters until this condition is corrected; and
- visit the Denver site and determine whether certain of the duties can be transferred to other staff.

In their response to a draft of this report NACHC stated that they believe it would be duplicative and not cost efficient to have NACHC staff perform additional on site audit procedures. We believe that NACHC could efficiently include financial oversight procedures as part of their regular site monitoring visits.



**National Association of
Community Health Centers, Inc.**

May 23, 1996

Luise S. Jordan
Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Jordan:

This letter is in response to your draft report dated April 25, 1996 for the limited review your staff performed on our organization to assess our ability to comply with Federal requirements applicable to our AmeriCorps grant.

Your staff determined our organization had the three conditions which warrant correction. These conditions were cited as inadequate accounting for service hours by NACHC headquarters, outdated indirect cost rate at the Providence, Rhode Island operating site, and a lack of segregation of duties at the Denver, Colorado operating site.

Inadequate accounting for service hours by NACHC headquarters:

The National Association of Community Health Centers, Inc. has an effective time keeping system. Each NACHC employee completes their time sheet (attached) for each semimonthly pay period. The individual signs and dates their time sheet and forwards it to their supervisor for signature, indicating certification of the accuracy of the time spent. The Vice President of Finance reviews the time sheets for the appropriate signatures and enters them into the time record keeping system, allocating the time to the appropriate fund source and reconciling them to the payroll journal.

In respect to the tracking of the sites' service hours, in the original stages of the grant year, each program director/manager received an AmeriCorps manual and orientation training. They were made aware that the members' hours must be maintained and distinguished between training and service. In addition, each site program director, certified in their grant acceptance their compliance with the AmeriCorps manual which states grantees "must keep time and attendance records on all AmeriCorps Members in order to document their eligibility for in-service and post-service benefits." The actual Monthly Service Hours Report form (attached) utilized was developed and finalized in January 1996. Each site's program directors/managers completed, tallied, and certified the program hours for their individual sites. The Monthly Service Hours Reports were submitted by each site to the NACHC AmeriCorps Program Manager (see attached

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example). NACHC's AmeriCorps Program Manager reviews the forms for completeness and to ensure each member will meet their quota by the end of the program period. Any sites possessing the potential of not meeting their quotas were contacted by the NACHC AmeriCorps Program Manager.

Outdated indirect cost rate at Providence Rhode Island operating site.

In order to address this problem and ensure that it does not happen again, NACHC has implemented a policy that any site who does not have an approved indirect cost plan must submit an audited justification of indirect costs. Absent a documented indirect rate, the reimbursed expenditures will be limited to the approved rates provided by the Corporation for administrative expenditures.

To address the specific conditions present at the Providence Ambulatory Health Foundation, Inc. we have asked them to respond to the Corporation's comments and asked them for a corrective action plan (see letter attached). In summary, they have agreed to reduce the cost sharing amounts related to excess general and administrative expenses and will be submitting documentation for additional matching that they have been providing but have not included in their most recent reports. Given the documentation that we expect to receive from Providence, we expect that the full amount of 18,759 will be substantiated with other direct salaries. Until such time as documentation is received, NACHC has informed them that their administrative expenses will be limited to the Corporation's rate.

Lack of separation of duties at the Denver, Colorado operating site.

Part of the process for the selection of sites is NACHC reviews with the Bureau of Primary Health Care (BPHC) the potential sites selected to determine if those sites are in good standing with BPHC. Due to the fact that these recipients receive a major portion of their funding from BPHC and are closely monitored by the Bureau, we feel this is a good initial tool to determine that the sub-recipients have adequate controls to ensure that Federal funds are being safeguarded. In accordance with A-133 monitoring of sub-recipients, NACHC has instituted a policy to obtain and review the most current A-133 audit reports of each subrecipient site prior to awarding grants. Any sites with reportable conditions must submit a corrective action plan with expected dates of completion. Any sites not adhering to a corrective action plan will not receive additional funding until such conditions are met. In addition, all sites have a contract with NACHC that lists all their responsibilities (see attached).

As indicated in their A-133 report (see attached), The Colorado Community Health Network (CCHN) has a small staff and although there is a lack of segregation of duties the auditors feel that they have other controls in place not to classify it as a material weakness.

National Association of Community Health Centers, Inc.

CCHN has already instituted a policy for additional board involvement (see attached). In addition NACHC has always required that CCHN submit copies of all expenditures and general ledger support for each period they request reimbursement. NACHC's Assistant Controller reviews the documentation for allowability, allocability, accuracy and completeness.

Due to the fact CCHN receives an A-133 audit, we feel that efforts would be duplicative, and not cost efficient to have NACHC staff perform additional on site audit procedures. In response to segregation of duties problems, as we are sure the Corporation is aware, with any small operation, this is going to continue to be cited in A-133 audits but CCHN's auditors feel that they have instituted additional controls to address this.

I believe the above fully responds to the Corporation's concerns. If additional information is necessary please do not hesitate to call me at (202)659-8008.

Sincerely,



Mary L. Hawbecker, CPA
Vice-President of Finance and Administration

National Association of Community Health Centers, Inc.