

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RECOVERY ACT COSTS CLAIMED
BY SOUTHEAST LANCASTER
HEALTH SERVICES, INC.,
WERE GENERALLY ALLOWABLE**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Stephen Virbitsky
Regional Inspector General**

**February 2013
A-03-12-00350**

Office of Inspector General

<https://oig.hhs.gov>

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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 (PHS Act), codified at 42 U.S.C. § 254b. The Health Center Program provides comprehensive primary health care services to medically underserved populations. Within the U.S. Department of Health and Human Services, the Health Resources and Services Administration (HRSA) administers the Health Center Program. The Health Center Program provides grants to nonprofit private or public entities that serve designated medically underserved populations and areas, and vulnerable populations composed of migrant and seasonal farm workers, homeless individuals, 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, which included \$2 billion to expand the Health Center Program to serve more patients, stimulate new jobs, and meet 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) grants, Capital Improvement Program (CIP) grants, and Facilities Investment Program (FIP) grants. HRSA provided grants to new and existing health centers; some health centers received more than one type of grant.

SouthEast Lancaster Health Services, Inc.

SouthEast Lancaster Health Services, Inc. (SouthEast), is a not-for-profit corporation founded in 1972 to provide medical and dental care and patient health education to members of the local community. SouthEast provides these services at three separate facilities in Lancaster, Pennsylvania. HRSA awarded SouthEast three Recovery Act grants totaling \$4,217,378: a FIP grant of \$3,250,000, a CIP grant of \$723,690, and an IDS grant of \$243,688.

Objective

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

SUMMARY OF FINDINGS

Of the \$4,217,378 that SouthEast claimed, \$3,974,522 was allowable under the terms of the grants and applicable Federal regulations. We could not determine the allowability of \$237,897 for salaries and fringe benefits. However, SouthEast claimed unallowable costs of \$4,959 related to the purchase of equipment. In addition, SouthEast did not always make timely payments to

vendors, and it reported some drawdowns and disbursements incorrectly. SouthEast made these errors because it had weaknesses in its internal controls.

RECOMMENDATIONS

We recommend that HRSA:

- either require that SouthEast refund to the Federal Government \$237,897 related to the IDS grant or work with SouthEast to determine whether any of the \$237,897 was allowable;
- require that SouthEast refund \$4,959 to the Federal Government (\$3,473 related to the FIP grant and \$1,486 related to the CIP grant);
- require that SouthEast take corrective action to ensure that it maintains activity reports that reflect an after-the-fact certification of actual activity for employees who worked on all Federal awards; and
- require that SouthEast establish procedures for determining the allowability of equipment costs, for disbursing funds on a timely basis, and for accurately reporting drawdowns and disbursements of Federal funds on its Financial Reports.

SOUTHEAST LANCASTER HEALTH SERVICES, INC., COMMENTS

In its comments on our draft report, Southeast said it did not concur with our finding that \$237,897 in salary and fringe benefit costs charged to the IDS grant was potentially unallowable; however, SouthEast did agree that its documentation could have been clearer. SouthEast concurred with the recommendation to refund unallowable equipment costs and described its new policies and procedures for maintaining after-the fact certification of personnel activity and determining allowability of equipment costs under the grants.

OFFICE OF INSPECTOR GENERAL RESPONSE

Personnel activity reports are required to document after-the-fact determination of the actual activity for employees whose salary and fringe benefit costs were charged to the IDS grant. Without such reports, the allowability of salary and fringe benefits could not be determined. Therefore, we maintain the validity of our finding.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA concurred with our recommendations.

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INTRODUCTION

BACKGROUND

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The Health Center Program provides grants to nonprofit private or public entities that serve designated medically underserved populations and areas, and vulnerable populations composed of migrant and seasonal farm workers, homeless individuals, and residents of public housing.

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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, which included \$2 billion to expand the Health Center Program to serve more patients, stimulate new jobs, and meet 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) grants, Capital Improvement Program (CIP) grants, and Facilities Investment Program (FIP) grants. HRSA provided grants to new and existing health centers; some health centers received more than one type of grant.

SouthEast Lancaster Health Services, Inc.

SouthEast Lancaster Health Services, Inc. (SouthEast), is a not-for-profit corporation founded in 1972 to provide medical and dental care and patient health education to members of the local community. SouthEast provides these services at three separate facilities in Lancaster, Pennsylvania.

HRSA awarded SouthEast three Recovery Act grants totaling \$4,217,378: a FIP grant of \$3,250,000, a CIP grant of \$723,690, and an IDS grant of \$243,688. By September 30, 2011, SouthEast had claimed all of the funds available under the grants.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed costs totaling \$4,217,378 that SouthEast claimed from April 1, 2009, through September 30, 2011. We did not perform an overall assessment of SouthEast's internal control structure. Rather, we reviewed only the internal controls that pertained to our objective.

We performed our fieldwork at SouthEast's administrative offices in Lancaster, Pennsylvania, during October 2011 and February 2012.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed grant announcements, grant applications, and notices of grant awards;
- reviewed SouthEast's audited financial statements and management letters for fiscal years 2009 through 2011;
- interviewed SouthEast management to gain an understanding of its accounting systems, procurement process, and related internal controls;
- reviewed SouthEast's Finance Department's policies and procedures;
- compared total expenditures to funds drawn from Recovery Act grants;
- reviewed all claimed costs (163 transactions totaling \$4,217,378) for allowability;
- traced all costs to the supporting source documents, such as vendor invoices, cancelled checks, and employee pay records;
- reviewed personnel authorization, payroll, and time and attendance records; and
- reconciled all submitted Financial Reports¹ to actual amounts of drawdowns and disbursements recorded in SouthEast's general ledger.

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

¹ For the period April 2009 through September 2009, SouthEast reported grant-related financial data on the Federal Cash Transactions Report. Beginning with Federal Fiscal Year 2010, HRSA required grantees to report grant-related financial data on the Federal Financial Report instead. We refer to these reports generally as Financial Reports.

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.

FINDINGS AND RECOMMENDATIONS

Of the \$4,217,378 that SouthEast claimed, \$3,974,522 was allowable under the terms of the grants and applicable Federal regulations. We could not determine the allowability of \$237,897 for salaries and fringe benefits. However, SouthEast claimed unallowable costs of \$4,959 related to the purchase of equipment. In addition, SouthEast did not always make timely payments to vendors, and it reported some drawdowns and disbursements incorrectly. SouthEast made these errors because it had weaknesses in its internal controls.

POTENTIALLY UNALLOWABLE COSTS AND UNALLOWABLE COSTS

Potentially Unallowable Salaries and Wages

Federal cost principles require that the distribution of salaries and wages must be supported by personnel activity reports (2 CFR part 230, Appendix B, § 8.m (2)).² The activity reports maintained by nonprofit organizations must: (a) reflect an after-the-fact distribution of the actual activity of each employee; (b) account for the total activity for which each employee is compensated; (c) be signed by the employee or by a responsible supervisory official having firsthand knowledge of the activities performed; and (d) be prepared at least monthly and coincide with one or more pay periods.

We could not determine the allowability of \$237,897 in salary and fringe benefit costs charged to the IDS grant because SouthEast did not adequately document these costs. Specifically, SouthEast did not maintain personnel activity reports to document after-the-fact determination of the actual activity for employees whose salary and fringe benefit costs were charged to the grant. Southeast's payroll records showed hours and compensation and the employees' biweekly timesheets showed their times of arrival and departure, the total daily hours worked, and approval by a supervisor. However, the timesheets did not reflect after-the-fact distribution of the actual activity because they showed neither the grant(s) on which an employee worked nor the activities performed. SouthEast officials stated that they were unaware of the requirement to maintain after-the-fact activity certifications for employees who worked on Federal awards.

Unallowable Costs for Equipment

Federal cost principles allow taxes as a claimed cost except when exemptions are available to the organization (2 CFR part 230, Appendix B, § 47(a)). The HHS Grants Policy Statement, Part II-29, requires that credits to direct charges made to HHS grants must be treated as an adjustment on expenditure reports. Also, the cost principles state that, to be allowable under an award, costs must be reasonable for the performance of the award (2 CFR part 230, Appendix A, § A (2)).

² OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, was relocated to 2 CFR part 230.

SouthEast claimed unallowable costs totaling \$4,959 relating to the purchase of equipment as follows:

- SouthEast claimed Pennsylvania sales tax totaling \$2,391: \$1,486 on the CIP grant and \$905 on the FIP grant. However, SouthEast had a Pennsylvania sales tax exemption and therefore should have claimed no sales tax.
- SouthEast claimed \$15,000 that it paid for dental equipment under its FIP grant. Because the vendor issued a credit for \$2,145, the dental equipment cost only \$12,855. However, SouthEast did not report the \$2,145 credit as an adjustment on its FIP grant expenditure reports.
- SouthEast claimed duplicate costs of \$423 on the FIP grant for a vendor invoice for projection equipment.

SouthEast claimed these unallowable costs because its written procedures did not include specific controls for determining allowability of certain costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award (45 CFR § 74.21(b)(6)).

FINANCIAL MANAGEMENT SYSTEM WEAKNESSES

Cash Management Weaknesses

Federal administrative requirements call for the timing and amount of drawdowns to be as close as is administratively feasible to the actual disbursement (2 CFR § 215.22(b)(2)).³

SouthEast did not time payments to its vendors as close as administratively feasible to drawdowns from its grants. SouthEast allowed 10 to 68 days to elapse between drawing down the funds and paying the vendor for costs totaling \$327,988. For example, SouthEast drew down funds for a contractor's invoice totaling \$168,940 but waited 49 days to make the payment.

SouthEast did not have procedures to minimize the time elapsed between drawdowns and disbursements as required. SouthEast officials acknowledged experiencing cash shortage issues, which contributed to noncompliance with Federal regulations for the timing of drawdowns and disbursements.

Financial Reporting Weaknesses

Federal standards for financial management systems require grantees to maintain financial management systems that provide for accurate and complete reporting of grant-related financial data (45 CFR § 74.21(b)(1)). The Financial Report instructions require recipients to report the

³ OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* was relocated to 2 CFR part 215.

amount of actual cash received from the Federal agency (drawdowns) and the amount of Federal funds disbursed as of the period end date.⁴ The difference is considered cash on hand.

When completing the Financial Reports, SouthEast consistently reported the disbursements for the period as equal to the drawdowns. It should have reported the actual disbursements and reported the difference in the Cash on Hand field. For example, SouthEast should have reported cumulative disbursements of \$1,366,779 on the Financial Report for the quarter ending June 30, 2010. Instead, SouthEast reported disbursements of \$1,391,036, which was the amount of its drawdowns. The \$24,257 difference between the drawdowns and the actual disbursements should have been reported in the Cash on Hand field.

In addition, when reporting disbursements for the quarter ending September 30, 2010, SouthEast attributed \$254,784 of FIP disbursements to the CIP grant in error. SouthEast staff said that the \$254,784 error could have been prevented with a secondary review, but SouthEast lacked a procedure for performing this check.

SouthEast made these disbursement reporting errors because it did not follow the Financial Report instructions and did not have policies and procedures to ensure accurate and complete reporting of grant-related financial data.

Weaknesses in Financial Policies and Procedures

Federal standards for financial management systems require grantees to maintain financial management systems that provide for written policies and procedures for determining allowability of costs in accordance with Federal regulations and terms and conditions of the Federal award, for minimizing the time between drawdown and disbursement of Federal funds, and for accurately reporting grant-related financial data (45 CFR § 74.21).

SouthEast did not have financial policies and procedures in place that addressed the need to determine the allowability of some costs, minimize the time between drawdown and disbursement of Federal funds, and report grant-related financial data accurately.

RECOMMENDATIONS

We recommend that HRSA:

- either require that SouthEast refund to the Federal Government \$237,897 related to the IDS grant or work with SouthEast to determine whether any of the \$237,897 was allowable;
- require that SouthEast refund \$4,959 to the Federal Government (\$3,473 related to the FIP grant and \$1,486 related to the CIP grant);

⁴ *Federal Financial Report Instructions*, accessed on August 30, 2012 at (http://www.whitehouse.gov/sites/default/files/omb/grants/standard_forms/ffr_instructions.pdf) and the instructions for the Federal Cash Transaction Report (included as part of the report form) had substantially similar requirements.

- require that SouthEast take corrective action to ensure that it maintains activity reports that reflect an after-the-fact certification of actual activity for employees who worked on all Federal awards; and
- require that SouthEast establish procedures for determining the allowability of equipment costs, for disbursing funds on a timely basis, and for accurately reporting drawdowns and disbursements of Federal funds on its Financial Reports.

SOUTHEAST LANCASTER HEALTH SERVICES, INC., COMMENTS

In its comments on our draft report, SouthEast said it did not concur with our finding that \$237,897 in salary and fringe benefit costs charged to the IDS grant was potentially unallowable; however, SouthEast did agree that its documentation could have been clearer. SouthEast concurred with the recommendation to refund unallowable equipment costs and described its new policies and procedures for maintaining after-the fact certification of personnel activity and determining allowability of equipment costs under the grants.

SouthEast's comments and enclosures are included as Appendix A. We redacted portions of SouthEast's enclosure titled "Summary of Grant Expenses" because it contained personally identifiable information.

OFFICE OF INSPECTOR GENERAL RESPONSE

Personnel activity reports are required to document after-the-fact determination of the actual activity for employees whose salary and fringe benefit costs were charged to the IDS grant. Without such reports, the allowability of salary and fringe benefits could not be determined. Therefore, we maintain the validity of our finding.

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: SOUTHEAST LANCASTER HEALTH SERVICES, INC., COMMENTS

October 3, 2012

Stephen Virbitsky
Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106

Report Number: A-03-12-00350

Dear Mr. Virbitsky:

Thank you for the opportunity to provide a written response to the findings and recommendations as outlined in the Report referenced above.

We do not concur with the finding that SouthEast Lancaster Health Services (SELHS) Salary & Wages of \$237,897 are potentially unallowable. The IDS grant funds were used to hire new dental staff to cover the increase in capacity that resulted from our expansion from 6 to 13 dental chairs, as approved in the grant award. We recognize that the documentation could have been more clear to meet the after-the-fact certification requirements in 2009. To strengthen our records, SELHS has created and implemented a policy and procedure for after-the-fact salary reporting by utilizing our electronic time keeping system to show specific salary and benefit allocation to grants. Our new policy and procedures require records that a) reflect an after-the-fact distribution of the actual activity of each employee; b) account for the total activity for which each employee is compensated; c) are signed by the employee or a responsible supervisor with firsthand knowledge of the activities performed; and d) are prepared at least monthly and coincide with pay periods.¹ We agree to work with HRSA to further explore whether \$237,897² in Salary & Wages is allowable.

We concur with the recommendation for SELHS to refund \$4,959 in unallowable equipment costs as a result of payment of sales tax and improper allocation of an equipment credit. To avoid these errors in the future, SELHS now has a Sales and Use Tax Exemption policy³ in place and has adopted a new policy and procedures on accounting for Federal grant expenses¹ through the use of project codes in our accounting system with proper reviews. We will work with HRSA to determine appropriate payback terms.

We concur with the recommendation for SELHS to establish procedures for determining the allowability of equipment costs, for disbursing funds on a timely basis, and for accurately reporting drawdowns and disbursements of Federal funds on Financial Reports. SELHS has adopted new policies and procedures to meet this recommendation and is committed to accurately reporting and meeting Federal Financial Guidelines.¹

We appreciate the opportunity to respond to the draft report and welcome continued conversations with HRSA to finalize this review of allowable costs. Do not hesitate to contact me with questions or for additional information.

Sincerely,



Hilda A. Shirk, Ph.D., M.S.W.
Chief Executive Officer
SouthEast Lancaster Health Services

Enclosures

¹ Policy for Federal Awards Financial Grant Reporting

² Summary of Grant Expenses

³ Policy for Sales and Use Tax Exemption

SELHS ADMINISTRATIVE POLICY/PROCEDURE

TITLE: Federal Grant Awards – Financial Grant Reporting

ORIGINATOR: Chief Financial Officer

SIGNATURE: 

APPROVED BY: Senior Leadership

DATE: 10/3/12

Policy: SELHS maintains procedures for determining the allowability of costs in accordance with Federal regulations and terms and conditions of the Federal award, for minimizing the time between drawdown and disbursement of Federal funds, and for accurately reporting grant-related financial data as required by (45 CFR 74.21).

Purpose: The purpose of this policy is to 1) meet Federal grant financial reporting requirements and 2) verify Federal grant-related data is accurate.

Procedures:

1. Salary and Wage Tracking/Reporting - Activity reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, be signed by the employee or by a responsible supervisory official having firsthand knowledge of the activities performed and be prepared at least monthly and coincide with one or more pay periods.
 - a. The CFO will give HR/Payroll the name of the Grant Award and staff/positions covered under the grant.
 - b. Payroll will set up a separate Non-Pay Code in the electronic timekeeping system for each grant.
 - c. Payroll will notify the supervisor of the grant employees and instruct them on how to use the Non-Pay Code in the timekeeping system.
 - i. Normal Hours are entered by the employee's swipe card and supervisor input on a bi-weekly basis.
 - ii. A second record is created by the supervisor to enter the bi-weekly hours related to the Grant using the established Non-Pay Code.
 - d. Payroll will run a Time & Attendance Detail Report for each employee covered by the grant on a monthly basis and give to the Project Manager of the specific grant to review to ensure grant requirements are being met.
 - i. The Time & Attendance Detail Report includes the name of each employee as well as the Supervisor who approves the time on a bi-weekly basis.

2. Allowability of Grant Costs – All grant related expenditures including equipment need to be reviewed and approved to determine if they are allowable under the specific grant conditions.
 - a. The CFO will notify the Controller of each new Federal Grant. The Controller will create a Project ID code in the accounting system for the specific grant and notify the Accountant and Project Manager of the grant.
 - b. The Project Manager of the grant will review and approve all invoices/purchases made under the grant.

SELHS ADMINISTRATIVE POLICY/PROCEDURE

TITLE: Federal Grant Awards – Financial Grant ReportingORIGINATOR: Chief Financial OfficerSIGNATURE: APPROVED BY: Senior LeadershipDATE: 10/3/12

- i. The Project Manager will sign, date and note the Project ID code on the invoice for each expenditure and give to the Accountant for processing.
 - c. The Accountant will enter the invoice into the accounting system using the Project ID code along with the normal General Ledger codes and process payment.
 - i. The approved and processed invoices will be filed in the Finance Department.
 - ii. The Accountant will review all credits/refunds received to identify if grant related and process appropriately.
 - d. The Controller will provide a Monthly Income Statement Report for the Project ID code to the Project Manager to review to make sure grant requirements are being met.
3. Timing and Amount of drawdowns – The Federal requirement calls for the timing and amount of drawdowns to be as close as is administratively feasible to the actual disbursement.
- a. The Controller will drawdown funds on a monthly basis after expenses have occurred when cash flow allows for payment before grant drawdown.
 - i. Review Project ID code cost report from accounting system to determine drawdown amount.
 - b. Drawdowns before expense payments – The Finance Department will process grant expense disbursements within 5 business days of grant drawdown when payment prior to grant drawdown is not possible.
4. Federal Financial Reporting (FFR) – The reporting of drawdowns and disbursements through the FFR is required to be completed as deemed by the Department of Health Resources Services Administration (HRSA), which need to be filed accurately and timely.
- a. The Controller will utilize the monthly Income Statement that had been created for the grant and crosswalk with other supporting documentation, as well as the PSC 272, to determine the accuracy of the drawdowns that have taken place within the reporting period.
 - b. The Controller will utilize the monthly Income Statement that had been created for the grant and crosswalk with other supporting documentation to determine the accuracy of the disbursements that have taken place within the reporting period.
 - c. The drawdowns and the disbursements will be reported on the FFR with any difference reported as Cash on Hand. The FFR will be electronically submitted to HRSA. Copies of the FFR, along with supporting documentation, will be kept on file in the Finance Department.

SouthEast Lancaster Health Services
Dental Expansion - \$243,688

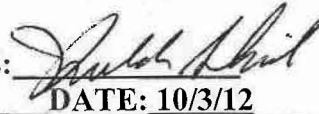
	Draw on 6/23/2009	Draw on 7/2/2009	Draw on 7/14/2009	Draw on 8/12/2009	Draw on 9/9/2009	Draw on 10/7/2009	Draw on 11/3/2009	Draw on 1/5/2010	Draw on 1/26/2010	Draw on 3/1/2010	Total FYE 03/2010
	5,791.30	3,316.00	9,088.00	9,360.00	5,361.38	6,614.00	9,379.00	10,876.00	6,553.00	6,401.00	72,739.68
		3,316.00	2,576.00	2,760.00	1,641.98	2,034.00	3,925.00	3,698.00	2,199.00	2,183.00	24,332.98
			1,600.00	2,400.00	1,423.50	1,767.00	3,195.00	2,940.00	1,569.00	1,520.00	16,414.50
			3,520.00	2,640.00	1,402.34	1,711.00	696.00				9,969.34
Benefits			1,392.00	1,560.00	893.56	1,102.00	1,563.00	2,759.00	1,693.00	1,631.00	6,083.00
Supplies -	998.86							1,479.00	1,092.00	1,067.00	10,148.56
Supplies -	781.50										998.86
Supplies -	1,371.02										781.50
Equipment - Tab	2,639.92										1,371.02
	5,791.30	3,316.00	9,088.00	9,360.00	5,361.38	6,614.00	9,379.00	10,876.00	6,553.00	6,401.00	2,639.92
General Ledger ID Code:	87	88	89	90	91	92	93	94	95	96	72,739.68

	Draw on 4/1/2010	Draw on 4/5/2010	Draw on 5/17/2010	Draw on 5/19/2010	Draw on 6/29/2010	Draw on 8/25/2010	Draw on 9/16/2010	Draw on 10/26/2010	Draw on 12/10/2010	Draw on 2/8/2011	Draw on 3/10/2011	Total FYE 03/2011
	6,628.00	6,628.00	6,311.00	17,100.00	14,738.88	19,333.00	10,716.00	20,773.00	19,168.01	32,392.08	17,160.35	170,948.32
		Estimate			3 Pays	4 pays	2 Pays	3 Pays	3 Pays	5 pays	3 pays	
	2,262.13	2,262.13	1,680.97		3,292.87	4,348.99	2,054.16	3,225.77	3,138.01	5,472.43	3,355.03	31,092.49
	1,563.50	1,563.50	1,595.95				5,903.00	1,811.95	2,174.30	3,917.50	2,440.85	20,970.55
				17,100.00	4,050.00	5,251.50	2,430.00	4,124.25	3,956.40	6,413.40	6,901.55	50,227.10
	1,697.92	1,697.92	2,209.95		2,447.11	3,215.37	1,480.06	2,209.17	2,399.63	4,318.03	1,602.86	23,278.02
					2,492.42	3,294.59	(5,787.01)	9,180.08	4,305.00	6,872.04		20,357.12
Estimate Correction			(272.94)				3,420.00	(3,240.00)				(92.94)
Benefits	1,104.45	1,104.45	1,097.07		2,456.48	3,222.55	1,215.79	3,462.24	3,194.67	5,398.68	2,860.06	25,116.44
	6,628.00	6,628.00	6,311.00	17,100.00	14,738.88	19,333.00	10,716.00	20,773.00	19,168.01	32,392.08	17,160.35	170,948.32
General Ledger ID Code:	97	98	99	100	101	102	103	104	105	106	107	

Summary

Hire Date	Position	
4/27/2009	Dental Assistant - New Hire for expanded Capacity - IDS Grant	55,425.47
6/10/2009	Dental Receptionist - New Hire for expanded Capacity - IDS Grant	37,385.05
5/4/2009	Dental Assistant - New Hire for expanded Capacity - IDS Grant	9,969.34
9/5/2008	Dentist - increased hours for expanded Capacity-IDS Grant	50,227.10
11/16/2009	Dental Assistant - New Hire for expanded Capacity - IDS Grant	29,361.02
7/14/2010	Dental Hygienist - New Hire for expanded Capacity-IDS grant	20,357.12
	Estimate Correction	(92.94)
	Benefits	35,265.00
		237,897.16
	Supplies -	3,151.38
	Equipment - Tab	2,639.92
		5,791.30
Total		243,688.46

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SELHS ADMINISTRATIVE POLICY/PROCEDURE**TITLE: Sales and Use Tax Exemption****ORIGINATOR: Chief Financial Officer****SIGNATURE:****APPROVED BY: Senior Leadership****DATE: 10/3/12**

POLICY: SouthEast Health holds a Pennsylvania Sales and Use Tax exemption as a Charitable Organization 501(c)(3) and is not required to pay sales and use taxes with certain exceptions. All purchases made on behalf of the health center must be made using our tax exempt certificate regardless of the method of payment or funds used. It is the responsibility of the individual initiating the purchase to alert the vendor to our tax exempt status. Contact the Accountant to request a copy of the tax exemption certificate to provide to the vendor.

DETAILS:

1. Our sales and use tax exemption applies to purchases made regardless of funding source. These funds include federal, state, local, patient revenues, grants, and contributions. The tax exemption applies regardless of the method of payment whether by check, charge card or electronic payment.
2. Purchases made for the health center by an employee with personal funds, petty cash, who is later reimbursed by the health center, are also exempt from sales tax. To avoid paying sales tax, it is the employee's responsibility to present a tax exemption certificate upon making a purchase. Contact the Accountant to request a copy of the tax exemption certificate.
3. In the event that sales tax has been included on exempt purchases, the Accountant will contact the vendor informing them of SouthEast Health's tax exemption status, and provide to them the Pennsylvania Sales and Use Tax Certificate. At that time the Accountant will either request a new invoice, which should not include Pennsylvania Sales Tax, or remove the Sales Tax portion of the invoice and process as is.
4. Not all purchases made by SouthEast Health as a Charitable Organization 501(c)(3) are exempt from Pennsylvania Sales and Use Tax. These exceptions are as follows:
 - Property for the use of construction, improvement, repair or maintenance or any real property
 - Property used for unrelated activities
 - Property used for unrelated operation of a public trade or business
 - Equipment used to maintain real property

APPENDIX B: HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services
Administration

Rockville, MD 20857

MAY 16

TO: Inspector General

FROM: Administrator

SUBJECT: OIG Draft Report: "SouthEast Lancaster Health Services, Inc., Costs Claimed Against Recovery Act Grants Were Generally Allowable"
(A-03-12-00350)

Attached is the Health Resources and Services Administration's (HRSA) response to the OIG's draft report, "SouthEast Lancaster Health Services, Inc., Costs Claimed Against Recovery Act Grants Were Generally Allowable" (A-03-12-00350). 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 –
“SouthEast Lancaster Health Services, Inc., Costs Claimed Against Recovery Act Grants
Were Generally Allowable” (A-03-12-00350)**

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

OIG Recommendation to HRSA:

We recommend that HRSA either require that SouthEast refund to the Federal Government \$237,897 related to the IDS grant or work with SouthEast to determine whether any of the \$237,897 was allowable.

HRSA Response:

HRSA concurs with the OIG recommendation and will work with the grantee to determine whether any of the \$237,897 costs associated with the IDS grant are allowable.

OIG Recommendation to HRSA:

We recommend that HRSA require that SouthEast refund \$4,959 to the Federal Government (\$3,473 related to the FIP grant and \$1,486 related to the CIP grant).

HRSA Response:

We concur with the OIG recommendation and will recover from SouthEast the \$4,959 in unallowable costs related to the purchase of equipment under the FIP and CIP grants.

OIG Recommendation to HRSA:

We recommend that HRSA require that SouthEast take corrective action to ensure that it maintains activity reports that reflect an after-the-fact certification of actual activity for employees who worked on all Federal awards.

HRSA Response:

We concur with the OIG recommendation and will assist SouthEast in establishing policies to maintain activity reports that appropriately reflect an after-the-fact certification of actual activity for employees who worked on all federal awards.

OIG Recommendation to HRSA:

We recommend that HRSA require that SouthEast establish procedures for determining the allowability of equipment costs, for disbursing funds on a timely basis, and for accurately reporting drawdowns and disbursements of Federal funds on its Financial Reports.

HRSA Response:

We concur with the OIG recommendation and will assist the grantee in determining the allowability of equipment costs, for disbursing funds on a timely basis, and to accurately report drawdowns and disbursements of federal funds.