

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**HOUSING WORKS, INC.,  
DID NOT ALWAYS COMPLY WITH  
FEDERAL REQUIREMENTS  
RELATED TO ITS AFFORDABLE  
CARE ACT-FUNDED COMMUNITY  
HEALTH CENTER FUND GRANT**

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Assistant Inspector General  
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**December 2016  
A-02-15-02001**

# *Office of Inspector General*

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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

*Housing Works, Inc., did not comply with all applicable Federal requirements and grant terms related to its Affordable Care Act-funded Community Health Center New Access Point grant.*

### WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA) established a Community Health Center Fund administered by the Health Resources and Services Administration (HRSA) that provides \$9.5 billion in grant funds for the operation and expansion of the community health center program. HRSA awarded Housing Works, Inc. (Housing Works), a not-for-profit organization, \$1,354,167 of these funds through a New Access Point grant to provide comprehensive primary care services (e.g., medical, dental, behavioral health, and substance abuse) in Brooklyn, New York. ACA-funded New Access Point grants are intended to support new primary health care service delivery sites that address the health needs of underserved communities and vulnerable populations.

As part of its ACA oversight activities, the Office of Inspector General is conducting a series of reviews of certain ACA-funded grants because of the risks often associated with these awards.

The objective of this review was to determine whether Housing Works complied with applicable Federal requirements and grant terms related to its ACA-funded New Access Point grant.

### BACKGROUND

The Health Center Program is authorized under section 330 of the Public Health Service Act (42 U.S.C. § 254b). The Health Center Program provides primary health care services to medically underserved communities and vulnerable populations with limited access to health care through planning and operating grants to Federally Qualified Health Centers (health centers). Within the U.S. Department of Health and Human Services (HHS), HRSA administers the program.

Section 10503 of the ACA, as amended, established a Community Health Center Fund that provides \$9.5 billion over a 5-year period (Federal fiscal years (FYs) 2011 through 2015) for the operation and expansion of the community health center program.

Housing Works, a not-for-profit organization, provides advocacy, housing, health care, job training, and other support services to the homeless and the local HIV/AIDS population. Housing Works oversees 14 subsidiary nonprofit organizations, each of which is incorporated and managed by its own board of directors. The East New York Health Care for the Homeless Health Center is one of these subsidiaries and is incorporated as Housing Works Health Services III, Inc. (We refer to it as “the Housing Works subsidiary.”)

HRSA awarded Housing Works a total of \$1,354,167 in ACA-funded New Access Point grant funds for the period August 1, 2011, through August 31, 2013, to provide comprehensive primary care services (e.g., medical, dental, behavioral health, and substance abuse) at the Housing Works subsidiary. The ACA-funded New Access Point grant funds were used and managed by the Housing Works subsidiary; therefore, we reviewed the Housing Works subsidiary's financial management system. We refer to Housing Works and the Housing Works subsidiary, where appropriate, throughout this report.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed the \$1,354,167 in ACA-funded New Access Point grant funds awarded and expended for the Housing Works subsidiary for the period August 1, 2011, through August 31, 2013. Specifically, we reviewed whether the Housing Works subsidiary (1) had adequate financial management controls over ACA grant funds, (2) followed procurement standards in accordance with Federal requirements for goods and contracts, and (3) claimed allowable costs. We did not review the overall internal control structure of Housing Works, the Housing Works subsidiary, or HRSA's grant management program. Rather, we reviewed only those controls related to our objective.

## **WHAT WE FOUND**

Housing Works did not comply with all applicable Federal requirements and grant terms related to its ACA-funded New Access Point grant. Specifically, the Housing Works subsidiary did not track and account for these ACA-funded New Access Point grant expenditures separately from other Federal and non-Federal operating expenses and did not reconcile actual grant expenditures to its approved budgeted amounts used to draw down Federal funds. The Housing Works subsidiary followed Federal procurement standards and claimed allowable New Access Point grant costs of \$150,000 for the purchase of a mobile health unit. However, we could not determine whether the remaining \$1,204,167 in grant costs claimed by the Housing Works subsidiary were allowable.

These deficiencies occurred because the Housing Works subsidiary did not maintain a financial management system that provided for accurate, current, and complete disclosure of the financial results of its ACA-funded New Access Point grant, including (1) separately tracking and accounting for these grant funds and (2) a comparison of outlays with budget amounts for these grant expenditures.

Housing Works officials stated that they were not familiar with applicable Federal grant requirements, especially as they related to fiscal operations. However, the Federal requirements were included in the Notice of Award document.

## **WHAT WE RECOMMEND**

We recommend that HRSA:

- require Housing Works to refund \$1,204,167 to the Federal Government or work with Housing Works to determine what portion of costs claimed to the ACA-funded New Access Point grant were allowable and
- ensure that the Housing Works subsidiary maintains a financial management system that provides for the accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program, including (1) tracking and accounting for grant expenditures separately from other operating expenditures and (2) a comparison of outlays with budget amounts for each award.

## **HOUSING WORKS, INC., COMMENTS AND OUR RESPONSE**

In comments on our draft report, Housing Works disagreed with our finding regarding its allocation of personnel costs and agreed with our finding related to its financial management system and described actions it had taken to address the finding. Specifically, Housing Works stated that its allocation of personnel costs was adequately documented through its payroll system and that clinical staff costs were distributed on the basis of benefits received. Housing Works also clarified comments regarding technical assistance it received from HRSA and stated that it should have contacted HRSA for assistance.

After reviewing Housing Works' comments, we revised our report to reflect Housing Works' comments related to HRSA's technical assistance. We maintain that our findings are valid. We did not question the method that the Housing Works subsidiary's fiscal agent used to allocate clinical staff costs to the grant. Rather, we could not verify which clinical staff costs were allocated to the New Access Point grant because the names of some employees and the percentages of time they were budgeted to work on the grant, according to Housing Works' requests for reimbursement, differed from those included in the fiscal agent's supporting documentation of actual work performed. If the Housing Works subsidiary had reconciled its budgeted grant costs to actual costs, we could verify the costs charged to the grant. The Housing Works subsidiary also did not provide documentation regarding how it allocated administrative staff costs.

## **HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS**

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

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## INTRODUCTION

### WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA)<sup>1</sup> established a Community Health Center Fund administered by the Health Resources and Services Administration (HRSA) that provides \$9.5 billion in grant funds for the operation and expansion of the community health center program. HRSA awarded Housing Works, Inc. (Housing Works), a not-for-profit organization, \$1,354,167 of these funds through a New Access Point grant to provide comprehensive primary care services (e.g. medical, dental, behavioral health, and substance abuse) in Brooklyn, New York.

As part of its ACA oversight activities, the Office of Inspector General is conducting a series of reviews of certain ACA-funded grants because of the risks often associated with these awards. Appendix A lists recent OIG reports related to ACA-funded community health center grants.

### OBJECTIVE

Our objective was to determine whether Housing Works complied with applicable Federal requirements and grant terms related to its ACA-funded New Access Point grant.

### BACKGROUND

#### The Health Center Program

The Health Center Program is authorized under section 330 of the Public Health Service Act (42 U.S.C. § 254b). The Health Center Program provides primary health care services to medically underserved communities and vulnerable populations with limited access to health care through planning and operating grants to Federally Qualified Health Centers (health centers).<sup>2</sup> Within the U.S. Department of Health and Human Services (HHS), HRSA administers the Health Center Program.

#### Patient Protection and Affordable Care Act Funding of Community Health Centers

Section 10503 of the ACA provided \$11 billion over a 5-year period (Federal fiscal years (FYs) 2011 through 2015) for the operation, expansion, and construction of community health centers nationwide. Of this amount, \$9.5 billion was targeted to support ongoing community health center operations, create new community health center sites, and expand preventive and primary health care services at existing community health center sites.<sup>3</sup>

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<sup>1</sup> The Patient Protection and Affordable Care Act, P.L. No. 111-148 (Mar. 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, P.L. No. 111-152 (Mar. 30, 2010), is known as the Affordable Care Act.

<sup>2</sup> Federally Qualified Health Centers are public and private nonprofit health care organizations that receive grants under section 330 of the Public Health Service Act. These centers qualify for enhanced reimbursement from Medicare and Medicaid, as well as other benefits, and serve an underserved area or population.

<sup>3</sup> The remaining \$1.5 billion was to support major construction and renovation projects at community health centers.

In FYs 2011 through 2015, HRSA awarded approximately \$8.7 billion for the operation and expansion of community health centers, which included \$598 million for “new access points.” ACA-funded New Access Point grants were to establish new full-time service delivery sites that addressed the unique and significant barriers to affordable and accessible primary health care services for underserved communities and vulnerable populations.

### **Housing Works, Inc.**

Housing Works, a not-for-profit organization, was established to address homelessness and HIV/AIDS through advocacy for and provision of housing, effective models of health care delivery, job training, and other support services. Housing Works oversees 14 subsidiary nonprofit organizations, each of which is incorporated and managed by its own board of directors. The East New York Health Care for the Homeless Health Center is one of these subsidiaries and is incorporated as Housing Works Health Services III, Inc. (We refer to it as “the Housing Works subsidiary.”)

In December 2010, Housing Works submitted an application to HRSA for an ACA-funded New Access Point grant to provide comprehensive primary care services (e.g., medical, dental, behavioral health, and substance abuse) at the Housing Works subsidiary to address the needs of homeless individuals and members of the local community. In its application, Housing Works submitted a budget to HRSA that included costs for salaries and a mobile health unit to supplement the Housing Works subsidiary by providing outreach and primary medical and behavioral health services at sites throughout the East New York section of Brooklyn, New York. HRSA awarded Housing Works a total of \$1,354,167 in ACA-funded New Access Point grant awards for the period August 1, 2011, through August 31, 2013.<sup>4</sup>

By accepting these ACA-funded New Access Point grant awards, Housing Works agreed to submit updates on its grant-related activities and required reports to HRSA.

Housing Works submitted the grant application and received the grant awards from HRSA for the Housing Works subsidiary. The ACA-funded New Access Point grant funds were used and managed by the Housing Works subsidiary; therefore, we reviewed the Housing Works subsidiary’s financial management system. We refer to Housing Works and the Housing Works subsidiary, where appropriate, throughout this report.

See Appendix B for details on the Federal requirements related to grants awarded to community health centers.

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<sup>4</sup> HRSA awarded the funds through three separate awards. On July 26, 2011, June 8, 2012, and June 12, 2013, Housing Works, Inc., was awarded \$541,667, \$650,000, and \$162,500 in ACA grant funds, respectively, for the new access point at the Housing Works subsidiary. The Housing Works subsidiary became a Federally Qualified Health Center and began receiving funding under section 330 of the Public Health Service Act after it received these ACA-funded New Access Point grant awards.

## HOW WE CONDUCTED THIS REVIEW

We reviewed the \$1,354,167 in ACA-funded New Access Point grant funds awarded and expended for the Housing Works subsidiary for the period August 1, 2011, through August 31, 2013. Specifically, we reviewed whether the Housing Works subsidiary (1) had adequate financial management controls over ACA grant funds, (2) followed procurement standards in accordance with Federal requirements for goods and services, and (3) claimed allowable costs. We did not review the overall internal control structure of Housing Works, the Housing Works subsidiary, or HRSA's grant management program. Rather, we reviewed only those controls related to our objective.

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 objectives.

Appendix C contains the details of our audit scope and methodology.

## FINDINGS

Housing Works did not comply with all applicable Federal requirements and grant terms related to its ACA-funded New Access Point grant. Specifically, the Housing Works subsidiary did not track and account for these ACA-funded New Access Point grant expenditures separately from other Federal and non-Federal operating expenses<sup>5</sup> and did not reconcile actual grant expenditures to its approved budgeted amounts used to draw down Federal funds. The Housing Works subsidiary followed Federal procurement standards and claimed allowable New Access Point grant costs of \$150,000 for the purchase of a mobile health unit. However, we could not determine whether the remaining \$1,204,167 in grant costs claimed by the Housing Works subsidiary were allowable.

These deficiencies occurred because the Housing Works subsidiary did not maintain a financial management system that provided for accurate, current, and complete disclosure of the financial results of its ACA-funded New Access Point grant, including (1) separately tracking and accounting for these grant funds and (2) a comparison of outlays with budget amounts for these grant expenditures.

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<sup>5</sup> According to HRSA, the only ACA funding that health centers are required to track separately from other Health Center Program funding (grants under section 330 of the Public Health Service Act) are capital development grants. However, HRSA required that grantees track expenditures related to all Health Center Program grant funds separately for other Federal and non-Federal funds. Because Housing Works was a new HRSA grantee at the time of its grant award, the New Access Point grant funded under ACA was its only Health Center Program grant. Therefore, the Housing Works subsidiary was required to track these expenditures separately.

Housing Works officials stated that they were not familiar with applicable Federal grant requirements, especially as they related to fiscal operations. However, the Federal requirements were included in the Notice of Award document.<sup>6</sup>

## **INADEQUATE FINANCIAL MANAGEMENT SYSTEM**

### **No Separate Tracking and Accounting for Grant Funds**

Grant recipients must maintain financial management systems that provide accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program (45 CFR § 74.21(b)(1)) and records that identify adequately the source and application of funds for HHS-sponsored activities (45 CFR § 74.21(b)(2)).<sup>7</sup> In addition, grantees must record all grant award payments in accounting records separately from the records of all other funds, including funds derived from other grant awards (42 CFR § 51c.112(a)).

The Housing Works subsidiary did not track and account for ACA-funded New Access Point grant expenditures. Its financial management system did not provide accurate records that identified the application of funds for HHS-sponsored activities.<sup>8</sup> As a result, we were unable to reconcile cash disbursements that Housing Works reported on its quarterly financial reports with its accounting records.

The Housing Works subsidiary deposited Federal funds into its general operating account, which also included funds from other Federal (non-HRSA) and non-Federal sources. The Housing Works subsidiary used its general operating account to pay for ACA-funded New Access Point expenditures as well as other expenditures unrelated to its New Access Point project, including payments to the New York City Department of Finance, real estate corporations, public utility companies, beer distributors, amusement parks, and movie theaters. The Housing Works subsidiary's fiscal agent<sup>9</sup> stated that program income from all sources, including ACA grant funds, was used to cover its expenditures. The Housing Works subsidiary did not have a

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<sup>6</sup> We noted that HRSA included applicable Federal grant requirements in its Notice of Award document. Item 2 in the "Program Specific Terms" stated that all HRSA grantees that receive community health center funds must adhere to the applicable cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. Further, item 6 stated that costs not consistent with 45 CFR Part 74 were not allowable under the grant.

<sup>7</sup> These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.

<sup>8</sup> For the first year of the grant period, the records that the Housing Works subsidiary provided were for salary expenses and consultant fees. The Housing Works subsidiary did not allocate these expenses between the ACA-funded New Access Point grant and other Federal and non-Federal programs. For the second year of the grant period, Housing Works submitted requests for reimbursement to HRSA for the Housing Works subsidiary's ACA-funded New Access Point grant expenditures that listed salary expenses, consultant fees, and costs of a mobile health unit. However, except for the mobile health unit, we could not verify the amounts reported on these forms because the Housing Works subsidiary did not separately track these ACA-funded New Access Point grant expenditures. The Housing Works subsidiary did not have complete records to support expenditures claimed to the ACA-funded New Access Point grant.

<sup>9</sup> The Housing Works subsidiary's finance and accounting records are maintained by an external fiscal agent.

designated cost center to account for ACA-funded New Access Point grant fund expenditures in its general ledger.

Because the Housing Works subsidiary did not separately account for its grant expenditures, we could not determine whether \$1,204,167 in claimed ACA-funded New Access Point grant costs was allowable under the applicable Federal requirements and grant terms. Of the \$1,354,167 awarded to Housing Works, we were only able to determine that \$150,000, used to purchase a mobile health unit, was allowable.

Housing Works officials stated that they were unaware of the Federal requirements related to tracking and accounting for ACA-funded New Access Point grants because HRSA did not initially provide clear guidance on Federal grant policies. However, the Federal requirements were included in the Notice of Award document.

### **Budgeted Costs Used To Support Claim for Reimbursement**

Budgeted estimates for salaries and wages (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards (2 CFR Part 230, Appendix B, § 8(m)(2)(a)). In addition, grant recipients' financial systems must provide a comparison of outlays with budget amounts for each award (45 CFR § 74.21(b)(4)).

For the second year of the grant period, HRSA required Housing Works to obtain approval from the HRSA grants management officer before any grant funds could be drawn down and to adopt accounting policies and procedures consistent with program requirements.<sup>10</sup> Housing Works used budgeted amounts—not actual amounts—for salaries and other costs in its requests to HRSA to draw down funds for reimbursement of ACA-funded New Access Point grant expenditures.

The Housing Works subsidiary's financial management system did not provide a comparison of outlays with budget amounts. Specifically, the Housing Works subsidiary did not reconcile actual ACA-funded New Access Point grant expenditures to approved budgeted amounts after it drew down Federal funds. The Housing Works subsidiary's fiscal agent stated that it did not reconcile budgeted costs to actual costs and provided us with documentation of actual salaries paid to clinical employees;<sup>11</sup> however, most employees listed on the documents were different from those identified on Housing Works' requests for reimbursement.<sup>12</sup> In addition, the fiscal agent stated that it did not maintain payroll information for administrative staff's salaries charged

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<sup>10</sup> HRSA required Housing Works to submit Standard Form 270s, Request for Advance or Reimbursement, along with documentation to substantiate requests for reimbursement.

<sup>11</sup> Documentation identified gross and net amounts of actual salaries paid to clinical employees, which were then allocated to the ACA-funded New Access Point grant using the percentage of claims for the services provided that were within the scope of the grant.

<sup>12</sup> There were 7 clinical staff members listed on documents submitted to HRSA whose salaries were claimed for reimbursement under the grant, whereas 13 clinical staff members were listed on the fiscal agent's document. Only four individuals were listed on both documents. Further, the percentages of Federal effort for one of these four individuals were different on the two documents.

to the grant and did not provide support for the distribution of the administrative staff's salaries among specific activities.

Because the Housing Works subsidiary's accounting records did not segregate expenditures between Federal and non-Federal funding sources, we were unable to compare budgeted amounts to actual ACA-funded New Access Point grant expenditures.

## **RECOMMENDATIONS**

We recommend that HRSA:

- require Housing Works to refund \$1,204,167 to the Federal Government or work with Housing Works to determine what portion of these costs claimed to the ACA-funded New Access Point grant were allowable and
- ensure that the Housing Works subsidiary maintains a financial management system that provides for the accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program, including (1) tracking and accounting for grant expenditures separately from other operating expenditures and (2) a comparison of outlays with budget amounts for each award.

## **HOUSING WORKS, INC., COMMENTS**

In comments on our draft report, Housing Works disagreed with our finding regarding its allocation of personnel costs and agreed with our finding related to its financial management system and described actions it has taken to address the finding. Specifically, Housing Works stated that its allocation of personnel costs was adequately documented through its payroll system and that clinical staff costs were distributed based on benefits received.

Housing Works also stated that it has implemented improvements to its financial management system and that the issues identified in our draft report have been resolved. Housing Works also clarified comments regarding technical assistance it received from HRSA and stated that it should have contacted HRSA for assistance.

Housing Works' comments are included in their entirety as Appendix D.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

After reviewing Housing Works' comments, we revised our report to reflect Housing Works' comments related to HRSA's technical assistance. We maintain that our findings are valid. We did not question the method that the Housing Works subsidiary's fiscal agent used to allocate clinical staff costs to the grant. Rather, we could not verify which clinical staff costs were allocated to the New Access Point grant because the names of some employees and the percentages of time they were budgeted to work on the grant, according to Housing Works' requests for reimbursement, differed from those included in the fiscal agent's supporting documentation of actual work performed. If the Housing Works subsidiary had reconciled its

budgeted grant costs to actual costs, we could verify the costs charged to the grant. The Housing Works subsidiary also did not provide documentation regarding how it allocated administrative staff costs.

## **HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS**

In comments on our draft report, HRSA concurred with our recommendations. HRSA's comments are included in their entirety as Appendix E.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>HPM Foundation, Inc., Did Not Always Comply With Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant</i>	<a href="#"><u>A-02-14-02022</u></a>	2/5/2016
<i>Hidalgo Medical Services Did Not Comply With All Federal Requirements Related to Its Capital Development Grant</i>	<a href="#"><u>A-06-14-00056</u></a>	1/25/2016
<i>Community of Hope Generally Complied With the Requirements of a Capital Development Grant Funded Under the Affordable Care Act</i>	<a href="#"><u>A-03-14-03304</u></a>	8/18/2015
<i>East Harlem Council for Human Services, Inc., Complied With Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant</i>	<a href="#"><u>A-02-14-02021</u></a>	5/21/2015
<i>Chase Brexton Health Care Complied With the Requirements of a Community Health Center Grant Funded Under the Affordable Care Act</i>	<a href="#"><u>A-03-14-03303</u></a>	5/21/2015
<i>Lone Star Circle of Care Complied with Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant</i>	<a href="#"><u>A-06-14-00058</u></a>	4/7/2015

## **APPENDIX B: FEDERAL REQUIREMENTS FOR COMMUNITY HEALTH CENTER GRANTEES**

Regulations at 45 CFR § 74.27(a) require that the allowability of costs of a nonprofit organization in receipt of Federal funds be determined in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations* (codified at 2 CFR part 230). Costs must be reasonable, allocable, adequately documented, and otherwise allowable (2 CFR part 230, Appendix A, §§ A(2)). The grantee must also comply with the requirements for health centers in 42 U.S.C. § 254b and implementing regulations at 42 CFR part 51c.

Regulations (45 CFR § 74.21(b)(1)) require grantees to maintain financial management systems that provide for accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program. Grantee records must adequately identify “the source and application of funds for HHS-sponsored activities,” including “information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest” (45 CFR § 74.21(b)(2)). The recipients’ financial system shall also provide a comparison of outlays with budget amounts for each award (45 CFR § 74.21(b)(4)).

Regulations (45 CFR § 74.43) require that all procurement transactions be conducted in a manner to provide, to the maximum extent practical, open and free competition.

Regulations (42 CFR § 51c.112(a)) require that all grant payments be accounted for separately from all other funds and that grantees account for the total of all amounts paid with respect to each project, as well as other funds and in-kind contributions, by presenting satisfactory evidence of expenditure for direct and indirect costs.

Budget estimates for salaries and wages (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards (2 CFR Part 230, Appendix B, § 8(m)(2)(a)).

## APPENDIX C: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the \$1,354,167 in ACA-funded New Access Point grant funds awarded and expended for the Housing Works subsidiary for the period August 1, 2011, through August 31, 2013. Specifically, we reviewed whether the Housing Works subsidiary (1) had adequate financial management controls over ACA grant funds, (2) followed procurement standards in accordance with Federal requirements for goods and services, and (3) claimed allowable costs.

We did not review the overall internal control structure of Housing Works, the Housing Works subsidiary, or HRSA's grant management program. Rather, we reviewed only those controls related to our objective.

We performed our fieldwork at Housing Works' offices in Brooklyn, New York, and its fiscal agent's office in New York, New York, from November 2014 through June 2015.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- met with HRSA officials to gain an understanding of the community health center program and ACA funding requirements;
- met with Housing Works officials and its fiscal agent to gain an understanding of its accounting system, policies, and procedures for managing Federal grant funds and health center grant activities;
- obtained and reviewed Housing Works' ACA-funded New Access Point grant application package, Notice of Grant Award documents, and applicable amendments;
- reviewed the Housing Works subsidiary's financial management controls and procurement policies and procedures;
- reviewed costs totaling \$1,354,167 claimed on Housing Works' grant expenditure reports to determine whether costs were allowable for reimbursement; and
- discussed the results of our review with Housing Works officials.

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 objectives.

## APPENDIX D: HOUSING WORKS, INC., COMMENTS



August 18, 2016

James P. Edert  
Regional Inspector General for Audit Services  
Office of Audit Services, Region II  
Office of Inspector General  
U.S. Department of Health and Human Services  
Jacob K Javits Federal Building  
26 Federal Plaza, Room 3900  
New York, NY 10278

Re: Report Number A-02-15-02001

Dear Mr. Edert:

This letter is the response of Housing Works Inc. ("Housing Works") to the above-referenced draft audit report of your office. As an initial matter, we want to thank your staff for their professionalism and willingness to accommodate numerous commitments and priorities over the audit period. We also appreciate the recommendations contained in the draft to work with the Health Resources and Services Administration ("HRSA") to resolve any questions about the allowability of personnel and other costs charged to the grants as well as implement improvements to our financial management system. We do feel a few important points should be made through this response.

**First**, The goals of the New Access Point ("NAP") Grant/Awards (as outlined in the three consecutive service area competition (SAC) applications related to this time period) were met and/or exceeded). The site was operational as planned and during the period covered by the audit (August 1, 2011 through August 31, 2013) provided 11,565 patient visits to 1,340 unduplicated clients at this site. These visits were for the full range of primary care services as required by the funding awarded to Housing Works under § 330 of the Public Health Service Act and met the projections in our approved grant application as amended

**Second**, with respect to personnel costs – by far the largest cost item in the NAP awards – we do not agree with the draft's dismissal in footnote 11 of our allocation of personnel costs based on patient visits. The cost of our personnel was, we believe, adequately documented through our payroll system. This system demonstrated that the clinical employees in question provided health care services to patients of Housing Works at various sites, some within the scope of the NAP grant and some not. The issue then is one of allocation, *i.e.*, how much of the work of the employees "benefitted" the clients within NAP grant scope.

Under OMB Circular A-122 a shared direct cost such as the personnel costs here can be allocated to "cost objectives" such as a grant if that allocation is based on benefits received. That is, a grantee can charge a cost that "[b]enefits both the award and other work" to a federal grant if that

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cost “can be distributed in reasonable proportion to the benefits received...” 2 CFR part 230, appendix A, ¶ A.4.a(2).

A distribution based on benefits received is exactly what Housing Works did. The cost of clinical staff was allocated to benefitting activities and specifically to the NAP grant(s) utilizing an allocation method commonly employed by the Department of Health and Human Services – patient visits.<sup>1</sup> We ask therefore that the personnel costs allocated to the awards be allowed and the amount questioned reduced accordingly.

**Third**, with respect to the findings on budget to actual reporting and other aspects of Housing Works’ financial management system, we agree with the draft recommendation to improve financial reporting. Since the end of the grant period in 2013, we have designed and implemented numerous improvements and believe that the issues identified by the draft report such as budget to actual reporting have been resolved. To date, we have 1) moved all Fiscal Operations in house (rather than subcontracting these services) 2) installed ‘Great Plains’ and ‘Arriet’ software for accounting and asset management, 3) established monthly variance meeting between Fiscal and Program staff, 4) created and implemented effective reporting systems at all levels – program/contract, division, Executive portfolio and agency wide. These and other areas of fiscal reporting are regularly reviewed by Senior Management and the Board Finance Committee for further improvement.

For clarification, your letter states (page ii) that “Housing Works officials stated that HRSA did not initially provide clear guidance on applicable Federal grant requirements”. According to our shared recollection, we stated that we, as new grant recipients, were unclear of the applicable Federal grant requirements especially as they relate to Fiscal Operations. In retrospect, we should have definitely asked HRSA for technical assistance. We have subsequently done so numerable times.

Thank you for the opportunity to respond to the draft report. Please contact the undersigned if you or your office have any additional questions. She can be best reached via cell phone at 845-674-3354

Sincerely,



Pat Troy  
SVP, Healthcare Operations

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<sup>1</sup> See, for example, the Medicare cost report utilized by the Centers for Medicare and Medicaid Services for Federally Qualified Health Centers (“FQHCs”). Housing Works is an FQHC by virtue of its receipt of § 330 funding.

**APPENDIX E: HEALTH RESOURCES AND SERVICES ADMINISTRATION  
COMMENTS**



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services  
Administration

Rockville, MD 20857

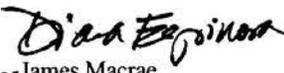
**TO:** Amy J. Frontz  
Assistant Inspector General for Audit Services

**FROM:** Acting Administrator

**DATE:** NOV 16 2016

**SUBJECT:** OIG Draft Report: "Housing Works, Inc., Did Not Always Comply With Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant" (A-02-15-02001)

Attached is the Health Resources and Services Administration's (HRSA) response to the OIG's draft report, "Housing Works, Inc., Did Not Always Comply with Federal Requirements Related to Its Affordable Care Act-Funded Community Health Center Fund Grant" (A-02-15-02001). If you have any questions, please contact Sandy Seaton in HRSA's Office of Federal Assistance Management at (301) 443-2432.

  
James Macrae  
Acting Administrator

Attachment

**Health Resources and Services Administration’s Comments on the OIG Draft Report –  
“Housing Works, Inc., Did Not Always Comply with Federal Requirements Related to Its  
Affordable Care Act-Funded Community Health Center Fund Grant” (A-02-15-02001)**

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

**OIG Recommendation:**

We recommend that HRSA require Housing Works to refund \$1,204,167 to the Federal Government or work with Housing Works to determine what portion of these costs claimed to the ACA-funded New Access Point grant were allowable.

**HRSA Response:**

HRSA concurs with the OIG’s recommendation. HRSA will work with Housing Works to determine what portion of these costs claimed to the ACA-funded New Access Point grant were allowable. If necessary, HRSA will require Housing Works to refund \$1,204,167 to the Federal Government for the unallowable costs charged to the ACA-funded New Access Point grant.

**OIG Recommendation:**

We recommend that HRSA ensure that the Housing Works subsidiary maintains a financial management system that provides for the accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program, including (1) tracking and accounting for grant expenditures separately from other operating expenditures and (2) a comparison of outlays with budget amounts for each award.

**HRSA Response:**

HRSA concurs with the OIG’s recommendation. HRSA will work with Housing Works to ensure that the “Housing Works subsidiary” maintains a financial management system that provides for the accurate, current, and complete disclosure of the financial results of each HHS-sponsored project or program, including (1) tracking and accounting for grant expenditures separately from other operating expenditures and (2) a comparison of outlays with budget amounts for each award.