



## Memorandum

Date

MAY 28 1992

From

  
Richard P. Kusserow  
Inspector General

Subject

Review of Bureau of Health Care Delivery and Assistance Grant Awards to the National Association of Community Health Centers for Fiscal Years 1982 through 1991 (A-04-91-04067)

TO

James O. Mason, M.D., Dr. P.H.  
Assistant Secretary for Health

In accordance with your request and that of the former Assistant Secretary for Management and Budget, we have reviewed Health Resources and Services Administration, (HRSA) Bureau of Health Care Delivery and Assistance (BHCDA) grant awards to the National Association of Community Health Centers (NACHC) for Fiscal Years (FY) 1982 through 1991. We also reviewed BHCDA's monitoring of the grants and NACHC's accomplishments. The attached final report provides you with the results of our review.

During the review period, BHCDA awarded grants of \$8.6 million to NACHC under the funding authority of the Public Health Service (PHS) Act (\$7.8 million from section 330 of the Act and \$.8 million from section 329 of the Act) for technical and other non-financial assistance to community and migrant health center grantees. For FYs 1988 through 1991, NACHC was also granted \$.9 million to provide technical and other non-financial assistance to section 340 grantees.

Our review disclosed: (1) the grants contained tasks that were not clearly related to technical and other non-financial assistance; (2) BHCDA did not adequately consider competing the grants to other sources besides NACHC, as required by the PHS Grants Policy Statement; (3) BHCDA did not meet the minimum monitoring requirements of the PHS Grants Administration Manual; and (4) the "Dues Assistance Plan" agreed to by BHCDA and NACHC resulted in NACHC receiving duplicate funding of \$274,697 in 1987.

In order to assure compliance with legislation and PHS policies and procedures, we are recommending that: (1) a clear definition of what constitutes technical and other non-financial assistance be established; (2) future awards for technical and other non-financial assistance be competed or noncompetitive awards be approved by the HRSA Administrator; (3) procedures be established to assure compliance with minimum monitoring requirements; and (4) \$274,697 of duplicate funding be recovered from NACHC.

The General Accounting Office (GAO) also recommended that PHS take steps to make sure that BHCDA fully complies with all laws, policies, and regulations regarding grant awards. On March 18, 1992, the GAO issued the report titled "COMMUNITY HEALTH CENTERS: Administration of Grant Awards Needs Strengthening" (GAO/HRD-92-51) to Senators Daniel K. Inouye and Quentin N. Burdick. The GAO pointed out that BHCDA: (1) has not awarded grants competitively; (2) does not fund grant awards based on the difference between grants and revenues as required by law; (3) has continually awarded a large number of grants for less than the standard 12 months and has not disclosed the practice to the Department of Health and Human Services and Congress; and (4) grant review process does not allow the final decision maker to adequately consider independent reviews that PHS requires to protect against bias in the grant award process. In addition, funding to NACHC indirectly through grantee dues reduced BHCDA's control over how these funds are used.

Because of the serious weaknesses in internal controls found by the Office of Inspector General and reaffirmed by the GAO, we are recommending that these problems be reported to the President and the Congress as a material internal control weakness under the Federal Managers' Financial Integrity Act. The HRSA officials informed us that BHCDA has developed a corrective action plan that addresses GAO's recommendation. This matter of the material weakness is still under review.

We requested your written comments and corrective action plan on our draft report be provided to us by May 11, 1992. In addition, we requested a copy of the corrective action plan developed to address GAO's findings discussed above. We have not received your comments or planned actions on GAO's recommendations. However, we did discuss our draft report with HRSA officials and we have incorporated their comments in the report. The HRSA officials generally agreed with our recommendations.

If you wish to discuss any of the issues raised in the report, please contact me or your staff may contact Daniel W. Blades, Assistant Inspector General for Public Health Service Audits, at (301) 443-3583.

Attachment

cc:

Arnold R. Tompkins  
Assistant Secretary  
for Management and Budget

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

REVIEW OF BUREAU OF HEALTH CARE  
DELIVERY AND ASSISTANCE GRANT  
AWARDS TO THE NATIONAL  
ASSOCIATION OF COMMUNITY HEALTH  
CENTERS FOR FISCAL YEARS 1982  
THROUGH 1991



**Richard P. Kusserow  
INSPECTOR GENERAL**

A-04-91-04067

## SUMMARY

This final audit report provides the results of our review of Health Resources and Services Administration (HRSA), Bureau of Health Care Delivery and Assistance (BHCDA) grant awards to the National Association of Community Health Centers (NACHC) and BHCDA's stewardship over these funds. The review was requested by the former Assistant Secretary for Management and Budget (ASMB).

The objective of our review was to determine whether BHCDA had complied with legislation and Public Health Service (PHS) policies and procedures in its grants to NACHC and in its stewardship of these awards. During the period of our review, BHCDA granted NACHC over \$8.6 million for technical and other non-financial assistance to community and migrant health centers (C/MHC) (Appendix A). For Fiscal Years (FY) 1988 through 1991, NACHC was granted additional funds totaling \$.9 million to provide technical and other non-financial assistance to section 340 grantees (Appendix B).

We determined that: (1) the grants contained tasks that were not clearly related to technical and other non-financial assistance; (2) BHCDA did not adequately consider competing the grants to other sources besides NACHC, as required by the PHS Grants Policy Statement; (3) the monitoring of the grants after funding did not meet the minimum monitoring requirements of the PHS Grants Administration Manual (the Manual); and (4) the "Dues Assistance Plan" agreed to by BHCDA and NACHC resulted in NACHC receiving duplicate funding of \$274,697 in 1987.

In our opinion, these inappropriate actions resulted because established PHS policies and procedures were not followed when evaluating the need for management services and the availability of other sources of these services. In order to assure compliance with legislation and PHS policies and procedures, we recommend that: (1) a clear definition of what constitutes technical and other non-financial assistance be established; (2) future awards for technical and other non-financial assistance be competed or noncompetitive awards be approved by the HRSA Administrator; (3) procedures be established to assure compliance with minimum monitoring requirements; and (4) \$274,697 of duplicate funding be recovered from NACHC. The HRSA officials generally agreed with these recommendations.

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## INTRODUCTION

The Migrant Health program was established by the Migrant Health Act of 1962, Public Law (P.L.) 87-692, and authorized in its current form in 1975 by P.L. 94-63. The Community Health Center (CHC) program as authorized under section 330 of the PHS Act (the Act) was established in 1975 by P.L. 94-63. The NACHC was organized in early 1970 by a broad-based coalition of health center administrators, providers and consumers. According to NACHC, the association has become the national advocate for community health centers across the country and works to assure the continued growth and development of the ambulatory care program. The NACHC received direct funding from the HRSA, BHCDA under sections 329 and 330 of the Act since FY 1982. The NACHC also received section 340 (Homeless Assistance) direct funding from FYs 1988 through 1991.

### BACKGROUND

The funding authorities for the Migrant Health Center (MHC) program and the CHC program are sections 329 and 330, respectively of the Act (42 U.S.C. 254 b and c). Sections 329(g)(1) and 330(f)(1) of the Act authorize funding for "technical and other non-financial assistance" to the C/MHC grantees. For FYs 1982 through 1991, NACHC was awarded grants totaling \$8.6 million (\$7.8 million section 330 funds and \$.8 million section 329 funds) to provide technical and other non-financial assistance to individual C/MHC grantees which received direct grant awards under sections 329 and 330 of the Act. The Congress also passed the Stewart B. McKinney Homeless Assistance Act of 1987 (P.L. 100-77) in July 1987, section 340 of the PHS Act, which provides funds for technical and other non-financial assistance to Homeless Assistance (HA) grantees. For FYs 1988 through 1991, NACHC was awarded additional grant funds totaling \$.9 million to provide technical and other non-financial assistance to HA grantees.

See Appendix A and B for a summary of the funding actions by fiscal year, funding source, program year, and the effect of carry-over balances for C/MHCs and HA grantees, respectively.

### SCOPE OF REVIEW

The objectives of the review were to determine whether BHCDA had complied with legislation and PHS policies and procedures in its grants to NACHC and in its stewardship of these awards. To accomplish these objectives we: (1) held discussions with personnel in the offices of the ASMB, HRSA and BHCDA; (2) reviewed applicable Federal laws and regulations; (3) reviewed BHCDA's grants to NACHC for compliance with PHS grant policies and procedures; (4) reviewed BHCDA's grant files for FYs 1982 through 1991; and (5) reviewed BHCDA's project

officer files for required monitoring. Also, we held discussions with personnel in the General Accounting Office (GAO) in order to avoid any duplication of effort and reporting; and we obtained and relied upon pertinent documentation compiled during GAO's review of BHCDA's grant activities.

Our review was performed in accordance with generally accepted Government auditing standards. The review was performed at various Government offices in Washington, D.C. and at BHCDA's administrative office in Rockville, Maryland from July, 1991, through January, 1992.

On April 9, 1992, we provided a draft report of the results to the Assistant Secretary for Health and we requested comments and a corrective action plan within 30 days. Written comments have not been received. However, we did receive oral comments from HRSA officials. These comments are summarized following the conclusions and recommendations for each of our finding sections.

### *FINDINGS AND RECOMMENDATIONS*

During 1982 through 1991, BHCDA awarded, under authorities of sections 329 and 330 of the Act, grants in excess of \$8.6 million to NACHC for technical and other non-financial assistance to C/MHCs and \$.9 million to HA grantees under section 340. We found:

- 0 The awards contained tasks that were not clearly related to technical and other non-financial assistance.
- 0 The BHCDA did not adequately consider competing the grants to other sources besides NACHC as required by the PHS Grants Policy Statement.
- 0 The monitoring of the C/MHC and HA grants after award did not meet the minimum monitoring requirements of the PHS Grants Administration Manual.
- 0 The "Dues Assistance Plan" agreed to by BHCDA and NACHC resulted in NACHC receiving duplicate funding of \$274,697 in 1987.

## GRANTS FOR TECHNICAL AND OTHER **NON-FINANCIAL** ASSISTANCE

We found that BHCDA had not established clear definitions of what constitutes technical and other non-financial assistance, and we question whether the awards to NACHC contained tasks that all clearly related to technical and other non-financial assistance, as required by sections 329 and 330 of the Act.

### Legislative Provisions

Starting in FY 1982, the NACHC was awarded direct funding under sections 329 and 330 of the Act to provide technical and other non-financial assistance to C/MHCs. Section 330(f)(1) of the Act (U.S.C. section 254 c) states:

"The Secretary may provide (either through the Department of Health and Human Services or by grant or contract) all necessary technical and other non-financial assistance (including fiscal and program management assistance and training in such management) to any public or private nonprofit entity to assist it in developing plans for, and in operating as a community health center and in meeting requirements of subsection (e)(2)."

Section 329(g)(1) contains the same provision for MHCs.

### HRSA Guidelines

Until 1985, the BHCDA had no definition of "technical and other non-financial assistance," when HRSA published the following guideline:

"The HRSA has decided to make these funds available under this notice in order to provide assistance to CHCs in the following areas: (1) The initiation of new shared services activities involving specific CHCs within a State or region; and (2) the enhancement of the clinical capability of centers within a State or region. (50 Federal Register 27851, July 8, 1985)"

### NACHC's Proposals

The NACHC was first awarded direct funding under sections 329 and 330 of the Act in FY 1982 for the period October 1, 1982 through September 30, 1983. The funding was based on NACHC's

unsolicited proposal entitled "National Health Promotion and Illness Prevention." The NACHC proposed:

"...to conduct a national program aimed at heightening the awareness of communities served by Community and Migrant Health Centers, relative to illness prevention, and health promotion.

"A second outcome of this program would be development and/or strengthening of links between the centers, and voluntary agencies in their respective communities."

According to the proposal, it was anticipated that a third outcome would evolve from the efforts of the second outcome, that was, the development and implementation of an ongoing program.

The specific methodology the NACHC proposed to employ included:

(a) developing an idea package inclusive of suggestions for activities; (b) developing a national theme logo, posters, flyers and other communication materials; (c) developing a media kit inclusive of marketing plan and implementation plan (which would reflect the recommendations of the public relations firm); and (d) arranging for national media coverage. We question whether these public relations-related activities can be considered technical and other non-financial assistance to CHCs.

Additional activities proposed by NACHC which could be considered as indirectly assisting in providing technical and other non-financial assistance to C/MHCs, included: (a) coordinating and monitoring the ongoing program; (b) assisting in the development of evaluation criteria; and (c) conducting the program evaluation.

In June 1984, NACHC submitted a proposal entitled "Comprehensive Capacity Building for Community and Migrant Health Programs." This proposal not only continued the work under the "National Health Promotion and Disease Prevention"\* program but added four additional projects: strategic planning, developing physician manpower resources, improving financial management and coordinating migrant services. We believe that these four added projects could also be considered as indirectly assisting in providing technical and other non-financial assistance to C/MHCs.

#### Results of the Office of Inspector General Analysis

Although BHCDA attempted to define "technical and other non-financial assistance," we find the definition to be limited and fails to provide sufficient, detailed guidance to identify specific activities that would qualify as "technical and other

non-financial assistance." Further, we believe that PHS should examine whether certain tasks that NACHC reported it performed under the BHCDA grant should be classified as "technical and other non-financial assistance."

Based on our review of the available BHCDA guidance and our review of grant files and discussions with BHCDA officials, we do not believe that "heightening the awareness of communities" and "strengthening of links between the centers, and voluntary organizations," as originally contained in NACHC's unsolicited proposal, constitutes technical or other non-financial assistance to C/MHCs. We also identified other specific tasks which did not, in our opinion, clearly relate to technical and other non-financial assistance. None of these tasks involved direct assistance to any CHC or MHC, but instead generally supported NACHC's activities as a national association. Some examples of these non-related tasks which PHS should examine are:

- 0 Provide logistical support to BHCDA for several meetings and conferences (10/83-6/84 grant period).
- 0 Conduct ongoing analysis of State legislative and/or regulatory changes with respect to Title XIX (8/85-7/86 grant period).
- 0 Identify and work with individuals to assist in developing articles for publication in relevant magazines and journals (8/86-7/87 grant period).
- 0 Participate and provide input into development of the Office of Migrant Health's Environment Work Group (8/87-8/88 grant period).
- 0 Monitor developments in eligibility expansions, presumptive eligibility, reimbursement methodologies and prepayment. The information will be used to cross-fertilize ideas from one State to another (9/88-11/89 grant period).

#### Conclusions and Recommendations

The BHCDA did not establish sufficient, detailed guidance as to what constitutes technical and other non-financial assistance, and we believe that PHS should consider whether the grants awarded to NACHC contained tasks that were clearly related to technical and other non-financial assistance. In order to assure that all tasks under the grant comply fully with legislative purposes, we recommend that the Administrator of HRSA direct BHCDA to establish a clear definition of what constitutes

technical and other non-financial assistance and implement controls to assure that such awards meet these definitions.

#### **HRSA Comments**

The HRSA officials agreed that a clearer definition of technical and other non-financial assistance should be written. The officials told us BHCDA expects to have a new definition finalized by the end of FY 1992, and either the definition or a reference to where it is documented will be stated in a Federal Register notice.

#### **GRANT COMPETITION**

All BHCDA grant awards of sections 329, 330, and 340 funds to NACHC during FYs 1982 through 1991 were made without competition. Section 3 of the "PHS Grants Policy Statement" (effective January 1, 1987) states in part:

"Applications for PHS financial assistance are sought from all eligible entities and new and competing continuation awards made only after maximum competition. Under maximum competition, funding opportunities are publicized and applications undergo an objective review process and vie for program funding with other applications."

Section 144.4 of the Manual (effective July 1, 1986) describes the justification documentation for restricted competition and states in part; "Prior to requesting applications for grant(s) or cooperative agreement(s) with less than maximum competition, the justification for such action must be approved by the PHS agency head...." Approval authority for BHCDA's noncompetitive awards would be the Administrator of HRSA.

Through FY 1991, BHCDA has made 32 awards (grants, supplements, and extensions) to NACHC. The current BHCDA Director acknowledged that full and open competition was not sought in awarding grants to NACHC prior to Calendar Year 1991. During approved project periods, applications were processed as non-competing continuations. Applications to extend project periods were processed as competing renewals without an effort to openly compete the grant.

We note that when the NACHC grant for technical assistance to the HA grantees ended, the subsequent award was competed and the award mechanism changed from a grant to a contract. As a result of the competition for this award, the successful bidder's best and final offer was 21 percent below that of the National Primary

Care Institute, a subsidiary of NACHC. Thus the BHCDA realized \$183,500 of savings. Savings may have also been realized if the other awards for technical and other non-financial assistance had been competed.

### **Conclusions and Recommendations**

We conclude that full and open competition was not sought in awarding grants to NACHC. Where awards are made with less than maximum competition, which was the case in this instance, the justification for such action should have been approved by the PHS agency head.

We recommend that all future awards for technical and other non-financial assistance to C/MHCs and HAS be based on full and open competition or obtain approval authority from the HRSA Administrator for noncompetitive grant awards.

### **HRSA Comments**

The HRSA officials agreed with our recommendation. The officials told us BHCDA will maximize competition by announcing the availability of funds as required. In addition, BHCDA will continue to comply with the requirements of HRSA Circular No. 91.01, dated February 4, 1991. This Circular established the policy that all HRSA grants to national organizations require the Administrator's approval.

### **BHCDA'S MONITORING OF NACHC'S PERFORMANCE**

The BHCDA did not exercise the PHS minimum monitoring requirements over the \$9.5 million granted to NACHC during FY 1982 through 1991. Section 105.4 of the Manual describes the "Minimum Monitoring Duties." These are required actions to be performed continuously and may not be omitted. These minimum requirements include:

- 0 ensuring receipt of all required reports;
- 0 review of Financial Status Reports (FSR);
- 0 review of performance reports: and
- 0 review of audit reports.

Section 105.6 of the Manual requires that monitoring actions must be documented and placed in the official grant file even if no adverse findings were identified.

## Receipt of Required Reports

The first of the minimum monitoring requirements states: "the grants management official shall check to ensure receipt by the due date of financial, performance, or other reports..." The BHCDA had not developed any type of "check list" or "control document" to ensure the required reports were received.

For the C/MHC grant awards during the period 1982 through 1991, NACHC should have submitted six mid-year progress reports, seven year-end progress reports, seven FSRs and seven annual certified public accountant (CPA) reports (the eighth year reports were due after field work ended).

For the HA grants during the period 1988 through 1991, NACHC should have submitted a 6-month and a 12-month FSR for the first year and progress reports at 4-month intervals for the first 12 months of funding. An end of period progress report and a FSR were required.

As a result of BHCDA's lack of an adequate report control system, one of the C/MHC year-end reports was 3 months late; one of the mid-year and one of the year-end reports were never received; five of the FSRs were received from 3 to 5 months late, one was 10 months late, and a BHCDA official informed us that none of the CPA reports were received until after GAO reviewers requested copies of the audit reports in association with their review (March 1991).

## Review of Financial Status Reports

The second minimum requirement states: "the grants management official shall ensure that FSRs are complete and accurate." The Manual further states that: "...in cases of extended delinquency, no further funding will be made on a grant until the report is received." We found no indication that funding was withheld or delayed because of the delinquencies of the FSRs. We also did not find any documentation showing the verification of completeness and accuracy of the FSRs that were received. The FSRs should have been reconciled with the annual CPA reports; however, a BHCDA official informed us that the CPA reports were not received until March 1991.

## Review of Performance Reports

The third minimum monitoring requirement states: "Performance reports shall include at a minimum (a) actual accomplishments toward meeting project goals and (b) reasons for not meeting desired goals." The reports are required at least annually for

all grantees. Many of the annual performance reports were included as part of the proposal for the upcoming grant year, and as such, were reviewed and commented on by the BHCDA Objective Review Committee (the Committee) (the Committee must review all grant applications). The Committee's conclusions are documented in the Grants Management Officer's and Project Officer's files and show that the annual reports did not sufficiently describe accomplishments toward meeting project goals. According to the BHCDA's Director of Primary Care Services, this was due to the fact that, prior to 1990 through 1991, NACHC's performance reports did not distinguish between BHCDA grant and non-grant supported activities. Title 45, Code of Federal Regulations 74.82(c)(1) requires grantees' performance reports to compare actual accomplishments to the goals established for the period. The BHCDA's Director of Primary Care Services stated that as early as August, 1988, BHCDA instructed NACHC to prepare applications which distinguish more clearly between BHCDA supported activities and non-grant supported activities.

#### Review of Audit Reports

According to the Manual, the audit report on an active grant should be jointly reviewed by grants management and program officials. Our review showed no evidence that the audit reports were reviewed by either of these officials. In fact, we were told by a BHCDA official that the audit reports for 1984 through 1990 were not even received by BHCDA until March, 1991.

We discussed the PHS minimum monitoring requirements with BHCDA and the current Director acknowledged that BHCDA could have more aggressively monitored NACHC's performance against established goals and objectives. The BHCDA also concurred that more detailed documentation is desirable.

#### Conclusions and Recommendations

We conclude that the minimum monitoring requirements for the grants awarded to NACHC were not met because BHCDA did not: ensure receipt of all required reports: review FSRs; review performance reports; and review audit reports. Additionally, activities related to NACHC's performance under the BHCDA grant could not be evaluated appropriately, because NACHC's proposals for continued funding and their performance reports did not distinguish between BHCDA grant supported activities and other non-grant activities.

We are recommending that BHCDA establish procedures to ensure that administrative reporting requirements are followed and comply with PHS grants policy. We further recommend that BHCDA

establish procedures to compare actual performance to established objectives and goals for technical and other non-financial assistance grantees.

#### **HRSA Comments**

The HRSA officials agreed with our recommendations. The officials told us BHCDA has taken the following steps to improve the monitoring and evaluation of activities performed by NACHC and by other national organizations. Improvements initiated by BHCDA include:

- 0 Work plans for grants to national organizations distinguish between grant-supported activities and activities supported through other revenue sources.
- 0 A computerized tracking system for comparing the receipt, review of grantee products and activities against the project plan for NACHC has been established. A similar program tracking system is being established for other national organizations and will become operational in FY 1993.
- 0 The BHCDA and NACHC have agreed to quarterly grant performance reporting.
- 0 For FY 1993, the Office of Grants Management is planning to establish a computerized system for tracking the receipt and review of required reports.

#### **FUNDING TO C/MHCS FOR NACHC MEMBERSHIP DUES**

Since 1987, the BHCDA has concurred with increases in the amounts of NACHC membership dues for C/MHCs. In May 1987, NACHC submitted a grant renewal application for \$749,000. A grant award was made for \$525,000 which represented a 30 percent decrease in the amount requested. The "cut" of the direct BHCDA grant support was the result of an arrangement between NACHC and BHCDA by which NACHC would rely less on BHCDA direct grant support and more on indirect support from its C/MHC members through increased dues. This arrangement was referred to as the "Dues Assistance Plan." With BHCDA's concurrence, NACHC would double the existing dues assessment to the centers with a 5 percent annual increase thereafter.

Dues were assessed based on each center's total operating budget. As a result of the "Dues Assistance Plan", the maximum membership dues increased from \$4,000 in 1986 to \$9,261 in 1990. Another feature of the "Dues Assistance Plan" was that BHCDA made special

funding provisions to the C/MHCs to cover the initial membership fees for non-NACHC members and to cover the increases for the current members (see Appendix C). The BHCDA authorized grant supplements to the individual C/MHCs to cover the increased dues. In a meeting with GAO, the BHCDA estimated that the "Dues Assistance Plan" resulted in supplemental grant awards to the individual C/MHCs totaling \$324,000 for the C/MHCs subsequent grant year.

On October 30, 1987, only 3 months into the budget period and only 1 month into the FY 1988 funding authority period, NACHC requested a supplement from BHCDA for \$274,697. This request represented a reinstatement of the 30 percent "cut" (\$224,000) from the original budget proposal plus an additional \$50,697, without a change in the original scope of work. The \$274,697 supplement represented duplicate funding to NACHC in that individual membership dues had been increased by an estimated \$324,000 to cover the initial "cut".

#### Conclusions and Recommendations

We believe the membership dues may still be inflated because the 1987 increase was not related to any increase in membership services or costs. We also believe that the \$274,697 of duplicate funding was unreasonable and accordingly, was unallowable as a cost of the grant. The NACHC was the beneficiary of full funding plus \$50,697 from BHCDA and increased support from membership dues.

We recommend that BHCDA determine, document, and implement a reasonable membership fee structure to be used in the future C/MHC budgets funded by sections 329 and 330. We further recommend that BHCDA recover the \$274,697 in duplicate funding provided to NACHC.

#### HRSA Comments

The HRSA officials agreed with our first recommendation. They plan to perform a comprehensive review of policies on the use of grant funds for professional organization dues.

Regarding our second recommendation, HRSA officials agreed that NACHC received a substantial increase as a result of operational support services it provided to member CHCs. As a consequence, HRSA will write to NACHC questioning the additional \$274,697. A final decision will be made after receiving NACHC's response.

APPENDIX A

NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS  
 DIRECT GRANT FUNDING FOR TECHNICAL AND NON-FINANCIAL ASSISTANCE TO CMHCs

EFFECTIVE DATE	AMOUNT OF ACTION	FISCAL YEAR	PROG YEAR	FUNDING SOURCE	FUNDING SOURCE	FUNDING SOURCE	FISCAL YEAR	PROGRAM YEAR	CUMULATIVE FUNDING TO DATE	CARRY OVER ACTIONS	PROGRAM SPENDING LEVEL	CARRY OVER EXPENDITURE BALANCES
DATE	AMOUNT	YEAR	YEAR	330	330	330	TOTALS	TOTALS	TO DATE	OVER	LEVEL	BALANCES
2/4/83	\$750,000	82	1	\$25,000	\$725,000		\$750,000		\$750,000			
9/2/83	730,000	83	1	30,000	700,000		\$1,480,000		1,480,000		\$1,480,000	\$107,386
7/24/84	999,829	84	2	151,789	848,040		999,829		2,479,829	107,386		(\$107,386)
7/2/85	81,986	85	2		81,986		1,081,815		2,561,815		1,189,201	1,146,725
8/20/85	1,084,739	85	3	192,876	891,863		1,084,739		3,646,554	42,476	1,127,215	1,013,780
8/5/86	1,115,000	86	4	172,800	942,200		1,115,000		4,761,554	113,435		113,435
12/19/86	50,000	87	4		50,000		1,165,000		4,811,554		1,278,435	1,217,312
8/10/87	525,000	87	5	70,000	455,000		575,000		5,336,554	61,122		61,122
11/16/87	274,697	88	5		274,697		799,697		5,611,251		860,819	745,408
8/31/88	652,725	88	6	17,200	635,525		927,422		6,263,976	115,411		115,411
8/20/89	232,550	89	6	50,000	182,550		885,275		6,496,526	(0)	1,000,686	1,000,686
11/30/89	930,200	90	7	50,000	880,200		7,426,726			0		0
9/28/90	95,000	90	7		95,000		1,025,200		7,521,726	(123,329)	1,025,200	901,871
12/7/90	1,080,000	91	8	50,000	1,030,000		1,080,000		8,601,726	123,329	1,203,329	0
TOTALS	\$8,601,726			\$809,665	\$7,792,061		\$8,601,726		\$8,601,726		\$8,601,726	\$8,601,726

APPENDIX B

NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS

DIRECT GRANT FUNDING FOR TECHNICAL AND NON-FINANCIAL ASSISTANCE TO HOMELESS GRANTEEES

EFFECTIVE DATE	AMOUNT OF ACTION	FISCAL YEAR	PROG YEAR	FUNDING SOURCE	FISCAL YEAR	PROGRAM YEAR	CUMULATIV FUNDING TO DATE	CARRY-OVER ACTIONS LEVEL	AUTHORIZE SPENDING YEAR	PROGRAM YEAR	EXPENDITURE	CARRY-OVER BALANCE
2/22/88	\$203,773	88	1	\$203,773			\$203,773					
8/31/88	50,000	88	1	50,000			253,773					
9/26/88	15,000	88	1	15,000	268,773		268,773					
12/30/88	10,000	89	1	10,000	278,773		278,773		\$278,773		\$236,869	\$41,904
1/31/89	285,258	89	2	285,258	295,258		564,031					(\$41,904)
5/7/90	105,000	90	2	105,000			669,031					
9/5/90	96,271	90	2	96,271	201,271		765,302					
4/29/91	102,500	91	2	102,500	102,500	589,029	867,802	41,904	630,933			
TOTALS	\$867,802			\$867,802	\$867,802	\$867,802	\$867,802					



## Memorandum

Date FEB 12 1987

From Director

Subject Supplemental Allocation of Fiscal Year (FY) 1987 Community Health Center (CHC) Funds - Regional Program Guidance memorandum 87 - 3

To Regional Health Administrator, PHS  
Regions I -X

The Advice of Allowance (AOA) which was signed on January 22 included funds targeted to be identified in Notices of Grant Award as grant funds restricted for the purpose of covering current year increases in National Association of Community Health Centers (NACHC) dues. The purpose of this memorandum is to summarize the policy on which this allocation is based and provide project-by-project back-up to the aggregate dollar total included in the January 22 AOA.

The NACHC has established an organizational goal of bringing about a shift in the distribution of its sources of revenue. In order to insure accountability to member CHC, the NACHC has proposed to increase its dependence on member dues as a source of revenue for their educational and technical assistance activities. To this end, the NACHC has raised organizational member dues and has begun a drive to enroll new organizations. The Bureau of Health Care Delivery and Assistance (BHCDA) supports this goal and has agreed to allocate sufficient grant funds to cover the increased dues that each member CHC will have to pay under the new dues structure. In addition, we have allocated to each region an amount which can be used to cover the annual dues for CHC that enroll this year as new members of NACHC. The BHCDA considers NACHC membership to be a valuable educational and technical assistance resource; therefore, it will be expected that each region ensure that their zero-based assessment process does not penalize grantees for this cost increase.

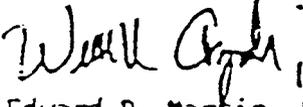
Attachment A shows the membership list provided by NACHC. For each member, both the "current dues" and the projected "new dues" are shown. The NACHC annual dues are calculated each spring based on a statement by each member as to the size of the organization (level of revenue). The dues are effective for an annual membership period beginning July 1. Thus, for any member, the "new dues" figure must be considered to be tentative until it is determined that the organization has not moved into a different dues category. In some cases, grantees will already have recalculated their dues for the upcoming year and will include a revised figure in their continuation application. For all other grantees, the difference between the "new dues" and "current dues" shown in Attachment A can be assumed to

be the amount targeted to each member as restricted funds specifically for the dues increase. The amount included in the January 22 AOA for each region is the sum of the dues increases, plus ten percent. The ten percent factor creates the pool of funds which can be drawn upon if CHCs which are not on this list submit continuation applications requesting grant funds to become new members of NACHC, or if members CHCs move into higher dues categories. It is expected that any Notice of Grant Award using funds from this supplemental allocation will contain language that restricts the use of funds for the purpose of paying NACHC dues (for new members) or dues increases (for current members). We will reconcile this allocated amount during the fourth quarter and any funds not used for this restricted purpose will become an offset to each region's FY 87 new start/expansion allocation.

Attachment B shows the list of individuals designated by each region as being responsible for the accounting of these allocated dollars. It is to these individuals that we will look for the reconciliation of this account during the fourth quarter as well as for an assurance that the appropriate amount is awarded to each member.

Since sufficient dollars are being made available by the BHCDA to cover the full amount of each grantee's increase in NACHC dues, it is important that these restricted funds are actually issued in Notices of Grant Award (NGA). We expect that the number of supplemental NGA necessitated by this allocation will be relatively small since most grantees have not yet received all the FY 87 dollars targeted in the region's funding plan.

If you have any questions on the information contained in this memorandum, please contact Mr. Richard C. Bohrer, Director, Divisions of Primary Care Services, on 443-2260.

  
 Edward D. Martin, M.D.  
 Assistant Surgeon General

Attachments