



June 25, 2010

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

FROM: /Lori S. Pilcher/
Assistant Inspector General for Grants, Internal Activities,
and Information Technology Audits

SUBJECT: Results of Limited Scope Review at Circle Family HealthCare Network, Inc.
(A-05-10-00041)

The attached final report provides the results of our limited scope review at Circle Family HealthCare Network, Inc.. In accordance with the Recovery Act, the Office of Inspector General (OIG) will provide oversight of covered funds to prevent fraud, waste and abuse.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-05-10-00041 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE
REVIEW AT CIRCLE FAMILY
HEALTHCARE NETWORK, INC.**



Daniel R. Levinson
Inspector General

June 2010
A-05-10-00041

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

INTRODUCTION

BACKGROUND

The Health Center Program

Pursuant to Public Law 104-299, the Health Centers Consolidation Act of 1996, health centers provide services to a population that is medically underserved. Within the U.S. Department of Health & Human Services, the Health Resources and Services Administration (HRSA) administers the Health Center program.

The HRSA health centers are community-based and patient-directed organizations that serve populations with limited access to health care. The health centers provide comprehensive, culturally competent, quality primary health care services to medically underserved communities and vulnerable populations.

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 for health centers and other activities. HRSA made available four types of grants to health centers to provide for: new access points, increased demand for services, facilities investment programs, and capital improvement programs. Grants were provided to new and existing health centers, and a center could have received more than one type of grant.

Circle Family HealthCare Network

The Circle Family HealthCare Network, Inc. (Circle Family) coordinates with West Suburban, Bethany, Oak Park, and University of Illinois hospitals to expand services and meet the needs of the community. Circle Family offers comprehensive medical services as well as counseling and outreach programs including after-school programs for teens and 24-hour support for mentally ill clients. For the past 30 years, Circle Family has been serving residents of Chicago's Westside communities.

Circle Family is funded primarily through HRSA grants, state grants, local grants, and donations. During fiscal year (FY) 2009, HRSA awarded two separate two-year Recovery Act¹ grants totaling \$835,374 to Circle Family.

Requirements for Federal Grantees

Pursuant to 45 CFR part 74, grantees of Federal awards must implement written accounting policies and procedures and maintain financial systems that provide for accurate and complete reporting of grant related financial data, effective control over grant funds, and allocation of costs to all benefitting programs. In addition, grantees must establish written procurement

¹ The increased demand for services grant period was from March 27, 2009 through March 26, 2011. The capital improvement program grant period was from June 29, 2009, through June 28, 2011.

procedures. Grantees are also required to maintain inventory control systems and take periodic physical inventory of grant related equipment. In addition, pursuant to 45 CFR § 74.27, the allowability of costs incurred by nonprofit organizations is determined in accordance with the provisions of Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Organizations*. Finally, section 330 of the Public Health Service Act defines requirements for health centers under the Health Center program (42 USCS § 254b).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to assess Circle Family's financial viability, capacity to manage and account for Federal funds, and capability to operate a Community Health Center in accordance with Federal regulations.

Scope

We conducted a limited scope audit to assess Circle Family's capacity to manage, account for, and report Recovery Act funds and to operate a HRSA funded health center in accordance with Federal regulations. Therefore, we did not perform an overall assessment of Circle Family's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective. Our review period was July 1, 2005, through December 31, 2009.

We performed our fieldwork at the Circle Family's administrative office in Chicago, Illinois during March 2010.

Methodology

To accomplish our audit objective, we:

- confirmed that Circle Family was not excluded from receiving Federal funds;
- reviewed relevant Federal laws, regulations, and guidance;
- reviewed Circle Family's application and implementation of the grant awards for the Recovery Act funding;
- reviewed the findings related to the most recent HRSA review;
- reviewed Circle Family's policies and procedures related to the Health Center Program;
- reviewed Circle Family's minutes from its Board of Director meetings, and its organizational chart;
- performed audit steps to assess the adequacy of Circle Family's current financial systems; and

- reviewed Circle Family's audited financial statements and supporting documentation for the period of July 1, 2005, through, June 30, 2008.

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 objective.

RESULTS OF AUDIT

Based on our assessment, we believe Circle Family is financially viable and has the capacity to manage and account for Federal funds and to operate its health center in accordance with Federal regulations.