Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS

OIG REPORT NUMBER 05-16

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

Kearney & Company
4501 Ford Avenue, Suite 1400
Alexandria, VA 22302

This report was issued to Corporation management on March 30, 2005. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than September 30, 2005, and complete its corrective actions by March 30, 2006. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 05-16

Audit of Corporation for National and Community Service Grants Awarded to the National Association of Community Health Centers

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Kearney & Company (Kearney) to perform an incurred-cost audit of grants awarded to the National Association of Community Health Centers (NACHC). The contract required that the audit be done in accordance with generally accepted government auditing standards.

For the grants audited, the Commission claimed costs of $7, 871,757, of which the auditors questioned $47,900 of costs as unallowable. Overall, the auditors questioned less than 1 percent of claimed costs. The auditors also questioned $32,195 of education awards.

Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations or specific award conditions, or that require an interpretation of allowability, or that require additional documentation to substantiate that the costs were incurred and are allowable. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Commission, except for the questioned costs identified in the report, and the effects of any adjustments.

In accordance with our statutory responsibilities, we reviewed Kearney's report and related audit documentation, interviewed their representatives, and performed other procedures deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on the Commission's Consolidated Schedule of Award Costs, internal controls or conclusions on compliance with laws and regulations. Kearney is responsible for the attached reports dated November 19, 2004, and the conclusions expressed therein. However, our review disclosed no instances where Kearney did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided officials of the National Association of Community Health Centers and the Corporation with a draft of this report for their review and comment. Their responses are included as Appendices A and B, respectively.

Audit of the Corporation for National and Community Service
AmeriCorps* National Direct Grants Awarded to
National Association of Community Health Centers
Bethesda, Maryland

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SUMMARY AND HIGHLIGHTS

KEARNEY& COMPANY

Certified Public Accountants and Consultants

4501 Ford Avenue, Suite 1400, Alexandria, VA 22302
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

Office of Inspector General
Corporation for National and Community Service
1201 New York Ave, NW, Suite 830
Washington, DC 20525

This report is issued under an engagement to audit the costs claimed by the National Association of Community Health Centers (NACHC) and its subrecipients from October 1, 2000, through September 30, 2004, under the grants awarded by the Corporation for National and Community Service (Corporation). We conducted our audit fieldwork from October 25 through November 19, 2004, in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. This report summarizes the results of the audit and identifies instances of noncompliance with laws, regulations, and grant terms. In addition, the report disclosed weaknesses in internal controls intended to ensure that grant funds were used for the purposes, and in the amounts, intended by the grants.

Results in Brief

As a result of our audit, we are questioning costs totaling $80,095 ($47,900 of grant costs and $32,195 of education awards). The grant costs questioned are approximately 0.6 percent of the total $7,871,757 in costs claimed by NACHC. Questioned costs are defined as costs for which there is documentation that the recorded costs were expended in violation of Federal laws, regulations, or specific conditions of the award, or those costs which require additional documentation support by the grantee or require interpretation of allowability by the Corporation. The following is a summary of the most significant questioned costs:

- $32,195 of costs are questioned for education awards at San Francisco Community Clinic Consortium (San Francisco CCC) and Lifelong Medical Care

- $11,923 is questioned related to the Project Coordinator's salary at San Francisco CCC. Time sheets indicated that the Project Coordinator was also working on other non-AmeriCorps projects

- $14,293 of consultant fees and travel costs are questioned due to insufficient support documentation related to the allocation of the costs to the AmeriCorps National Direct award and excess fringe benefits charged to the Corporation grant.

Other costs questioned include living allowances, education awards, and training. Details on the costs cited above, and the additional questioned costs, appear in Schedules B-1 to B-7.

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Grant Programs Audited

Our audit of NACHC covered financial transactions, compliance, and internal controls testing of the following program awards funded by the Corporation:

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ADNDC010	8/1/00 to 7/31/01	10/1/00 to 7/31/01
AmeriCorps	01ADNDC010	9/1/01 to 9/07/04	9/1/01 to 9/07/04
Homeland Security	02NHHMD010	9/1/02 to 12/31/05	9/1/02 to 9/30/04
Promise Fellows	01APNDC048	10/1/01 to 9/30/04	10/1/01 to 9/30/04

Our audit of the costs claimed by NACHC under these awards disclosed the following:

	Amount	Percentage of Budget/Claimed
Award Budget	$ 8,929,052	-
Claimed Costs	$ 7,871,757	88.15 %
Questioned Grant Costs	$ 47,900	0.60 %
Questioned Education Awards	$ 32,195	-

Costs Questioned

The following summarizes the costs questioned on these awards:

AmeriCorps Grant

• AmeriCorps Member Compliance Issues	$ 9,435
• Questioned Staff Salaries and Benefits (Net)	21,806
• Inadequate Accounting Support for Allowability/Allocation	14,265
• Administrative Costs Related to Costs Questioned	2,394
Subtotal Costs Questioned	$ 47,900
Education Awards	$ 32,195
Total Costs Questioned	$ 80,095

Our audit also disclosed certain questioned costs that we considered immaterial for NACHC and the subrecipients we selected for audit.

We utilized audit sampling techniques to test the costs claimed at NACHC and its subrecipients selected for testing as outlined in our Risk Assessment and our Audit Approach Memorandum, dated October 22, 2004. Based upon our sampling methodology, questioned costs in this report may not represent the total costs that may have been questioned had all expenditures been tested.

In addition, we have made no attempt to project such costs to total expenditures incurred based on the relationship of costs tested to total costs.

Member Eligibility and Cost Allowability

Our audit disclosed the following member eligibility and cost allowability issues:

1. NACHC did not apply the correct fringe benefit rate for Program Years 2000 – 2001 and 2002 – 2003 in accordance with their approved rate.
2. NACHC and two subrecipients, of the five tested, did not maintain documentation to support 12 selected items of direct costs.
3. Direct time charges to the grant were not properly supported by one subrecipient of the five tested.
4. Two subrecipients did not properly maintain AmeriCorps member records. Whole files were missing as were Member Agreements, Exit Forms, and time sheets.

Compliance

Our audit disclosed the following instances of non-compliance with federal laws, applicable regulations, and award conditions:

5. The Drug-Free Workplace Act information was not included in the standard Member Agreement developed by NACHC and used by all audited subrecipients.
6. Three subrecipients of the five tested failed to perform background checks for AmeriCorps members who were found to have direct, substantial contact with children.
7. Two subrecipients of the five tested did not properly maintain AmeriCorps member records, which lacked documentation for position descriptions, orientations, and member evaluations.
8. One subrecipient of the five tested did not submit Quarterly Progress Reports.
9. Two subrecipients of the five tested did not submit Enrollment and Change of Status forms in a timely manner.

Internal Controls

Our audit disclosed weaknesses in NACHC's and its subrecipients' internal control structures.

10. Three subrecipients did not perform reconciliations between their financial accounting systems and the Periodic Expense Reports they submitted to NACHC for reimbursement.

11. One subrecipient did not maintain documentation to support the allocation of the Project Coordinator's salary to the AmeriCorps grants.

Purpose and Scope of Audit

Our audit covered the costs claimed under the Corporation Grant Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps), and 02NHHMD010 (Homeland Security) for the period October 1, 2000, to September 30, 2004.

The principal objectives of our audit were to determine whether:

- Financial management systems used by NACHC presented accurate financial results of the sponsored programs,
- Internal controls for financial and project systems complied with the Corporation and the Office of Management and Budget (OMB) requirements for administering grant funds,
- NACHC and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions, and that member services were appropriate to the programs,
- Award costs reported to the Corporation were adequately documented and allowable in accordance with the award terms and conditions,
- NACHC had established adequate oversight and had informed subrecipients of Government Performance and Results Act (GPRA) goals.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance regarding whether amounts claimed against the awards, as presented in the Consolidated Schedule of Awards and Claimed Costs, are free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Schedule of Audited Award Costs (Exhibit A) and the grant-specific Schedules of Audited Costs (Exhibit B). An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for NACHC and its subrecipients in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

With regard to the Corporation's GPRA, AmeriCorps grantees and subrecipients provide progress reports that are maintained in the Web-Based Reporting System (WBRS). NACHC does not make continuation grants available to subrecipients that do not meet their program objectives, unless extenuating circumstances have prevented the subrecipient from meeting its objectives. In summary, this process appears to be operating as intended. NACHC is interested in obtaining useful reports from its subrecipients to forward to the Corporation, and takes corrective action on identified reporting deficiencies.

The contents of this report were disclosed to, and discussed with, NACHC at an exit conference on January 6, 2005. In addition, we provided a draft of this report to NACHC and to the

Corporation for comment. The NACHC and Corporation responses are included as Appendices A and B, respectively, of this report.

Background

The Corporation, pursuant to the authority of the National and Community Service Trust Act, as amended, awards grants and cooperative agreements to State and national organizations such as NACHC and other entities to assist in the creation of full-time and part-time national and community service programs.

The National Association of Community Health Centers is a national trade association headquartered in Bethesda, Maryland, serving and representing the interests of America's community health centers. NACHC was incorporated in 1971 pursuant to the District of Columbia Nonprofit Corporation Act, and is exempt from Federal and State income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. NACHC is supported by dues from its organizational and individual members and by grants and contributions from governments, private foundations, and other outside parties. The community migrant and homeless health center members are not-for-profit providers of care to the poor and medically underserved. The centers bring doctors, basic health services, and facilities into the nation's neediest and most-isolated communities and serve the working poor, the uninsured, as well as high-risk and vulnerable populations.

NACHC began the Community HealthCorps in 1996. Through its member health centers and community clinics, NACHC oversees the Community HealthCorps as a partnership with the Corporation and 17 community health centers located across the country. The mission of the Community HealthCorps and NACHC is to assure the provision of preventive and primary health care to medically underserved populations and communities. Community HealthCorps members (funded by, and operated as, an AmeriCorps National Direct program) are an auxiliary to this health service network.

HealthCorps members provide outreach and support services for low-income families served by community, migrant, and homeless health centers. Members are exposed to a variety of health careers and gain experience by working with health professionals. Full-time HealthCorps members receive a living allowance plus health insurance benefits and, if eligible, childcare benefits. After successfully completing a term of service (minimum of 1,700 hours), each member receives an education award to be used toward previously incurred student loans or future education costs. Part-time positions are also available at some sites; in these cases members can earn education awards and some may receive a pro-rated living allowance.

As of September 30, 2004, NACHC had received $9,283,052 in funding from the Corporation for various programs within the scope of this engagement. The majority of this funding has been awarded to various subrecipients who applied to NACHC to carry out Community HealthCorps service programs. A brief synopsis of the programs follows:

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NACHC Grant Awards and Direct Funding

	Funding Authorized	Claimed within Audit Period	Drawdowns During Audit Period
00ADNDC010 – AmeriCorps – National Direct	$ 1,696,497	$ 1,409,680	$ 1,409,680
01ADNDC010 – AmeriCorps – National Direct	6,798,555	6,142,489	6,142,428
Total AmeriCorps Funds	8,495,052	7,552,169	7,552,108
02NHHMD010 – Homeland Security	434,000	319,588	319,588
TOTALS – NACHC Grants subject to testing	**$ 8,929,052**	**$ 7,871,757**	**$ 7,871,696**
01APNDC048 – Promise Fellows	354,000	-0-	209,966
TOTALS – Grants Administered by NACHC (Including Promise Fellows)	$ 9,283,052	$ 7,871,757	$ 8,081,662

Report Release

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, the National Association of Community Health Centers and its subrecipients, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

William J. Kubistal
March 28, 2005

KEARNEY & COMPANY

Certified Public Accountants and Consultants

4501 Ford Avenue, Suite 1400, Alexandria, VA 22302
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

Office of Inspector General
Corporation for National and Community Service
1201 New York Ave, NW, Suite 830
Washington, DC 20525

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Consolidated Schedule of Awards and Claimed Costs of the National Association of Community Health Centers (NACHC) for the award numbers listed below under the terms of the respective grant agreements between the Corporation for National and Community Service and NACHC. The costs, as presented in this schedule, are the responsibility of NACHC's management. Our responsibility is to express an opinion on this schedule based on our audit.

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ADNDC010	8/1/00 to 7/31/01	10/1/00 to 7/31/01
AmeriCorps	01ADNDC010	9/1/01 to 9/07/04	9/1/01 to 9/07/04
Homeland Security	02NHHMD010	9/1/02 to 12/31/05	9/1/02 to 9/30/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, except for the omission of the supporting source documentation related to the $80,095 in questioned costs discussed in the Supplemental Financial Schedules, the Consolidated Schedule of Awards and Claimed Costs presents fairly, in all material respects, the costs claimed for the period October 1, 2000, to September 30, 2004, in conformity with the terms of the NACHC's grant agreements with the Corporation for National and Community Service.

In accordance with the Government Auditing Standards, we have also issued our report, dated November 19, 2004, on compliance and internal controls over financial reporting.

Kearney & Company

November 19, 2004
Alexandria, Virginia

National Association of Community Health Centers and Subrecipients
Consolidated Schedule of Awards and Claimed Costs

Corporation for National and Community Service Awards

Award Number	Program	Approved Budget	Claimed Costs
00ADNDC010	AmeriCorps	$1,696,497	$1,409,680
01ADNDC010	AmeriCorps	6,798,555	6,142,489
Total AmeriCorps		8,495,052	7,552,169
02NHHMD010	Homeland Security	434,000	319,588
Totals		$8,929,052	$7,871,757

Notes to Consolidated Schedule of Awards and Claimed Costs

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying Consolidated Schedule of Audited Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps National Direct and Homeland Security grants awarded to the National Association of Community Health Centers (NACHC) by the Corporation for National and Community Service (Corporation) for the period from October 1, 2000, to September 30, 2004.

NACHC awards its AmeriCorps National Direct and Homeland Security Grants to numerous subrecipients that carry out the AmeriCorps Programs and report financial and programmatic results to NACHC and the Corporation.

Basis of Accounting

The Schedule of Audited Costs by Grantee and Subrecipients (Exhibit B), and the accompanying Schedules of Award Costs, Schedules B-1 to B-7, have been prepared to document claimed and questioned costs as a result of our audit procedures performed. The information presented in the schedules has been prepared from the reports submitted by the subrecipients to NACHC and to the Corporation. The basis of accounting used in preparation of these reports does not differ from accounting principles generally accepted in the United States of America.

KEARNEY& COMPANY

Certified Public Accountants and Consultants

4501 Ford Avenue, Suite 1400, Alexandria, VA 22302
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

Office of Inspector General
Corporation for National and Community Service
1201 New York Ave, NW, Suite 830
Washington, DC 20525

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have audited the Consolidated Schedule of Awards and Claimed Costs of the National Association of Community Health Centers (NACHC) and have issued our report thereon, dated November 19, 2004. Our audit included the Schedule of Audited Costs by Grantee and Subrecipient, as presented in Exhibits B, and Schedules of Award Costs, Schedules B-1 to B-7, that summarize the claimed costs of NACHC and its subrecipients under the Corporation awards listed below.

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ADNDC010	8/1/00 to 7/31/01	10/1/00 to 7/31/01
AmeriCorps	01ADNDC010	9/1/01 to 9/07/04	9/1/01 to 9/07/04
Homeland Security	02NHHMD010	9/1/02 to 12/31/05	9/1/02 to 9/30/04
Promise Fellows	01APNDC048	10/1/01 to 9/30/04	10/1/01 to 9/30/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

In planning and performing our audit of award costs as presented in the Consolidated Schedule of Awards and Claimed Costs for the period October 1, 2000 to September 30, 2004, we considered NACHC's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule, and not to provide assurance on the internal controls over financial reporting.

NACHC management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Internal controls also help to ensure that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial schedules in accordance with generally accepted accounting principles of the United States of America. Because of inherent limitations in any internal controls, errors or irregularities may nevertheless occur and not be

detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal controls would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material in relation to the financial schedules being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The following paragraphs present reportable conditions identified during our audit.

MEMBER ELIGIBILITY AND COST ALLOWABILITY

Finding Number 1 – Use of Incorrect Fringe Benefit Rate

Condition

NACHC did not apply the correct Fringe Benefit Rate, as approved by the U.S. Department of Health and Human Services (HHS), to the AmeriCorps National Direct grant. For Grant Year 2000-01, NACHC used a fringe benefit rate of 44.3 percent, which had been approved by HHS on April 19, 1999. However, on February 7, 2002, HHS revised the Fringe Benefit rate to 39.4 percent, retroactive to July 1, 2000. NACHC did not apply the retroactive adjustment to all of Grant Year 2000-01. As a result, it overcharged fringe benefit costs, and we questioned costs totaling $3,814.

For Grant Year 2002-03, NACHC used a Fringe Benefit Rate of 39.9 percent, which exceed the approved rate of 39.4 percent. As a result, they overcharged fringe benefit costs, and we questioned costs totaling $690.

The grantee provided a copy of its agreement with HHS which, as stated in Section III D, Use by Other Federal Agencies, provides that rates "were approved in accordance with the authority in Office of Management and Budget (OMB) Circular A-122." Further, the agreement allows the grantee to apply the rates contained therein "to grants, contracts and other agreements covered by this Circular [A-122]." Additionally, OMB Circular A-122 establishes that the "indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates" approved by the "cognizant agency" [in this case, HHS] are to be accepted by all Federal agencies.

According to NACHC officials, an adjustment was made to reflect the retroactive rate adjustment by HHS. NACHC adjusted the rate from July 1, 2001 forward. The HHS rate adjustment was applicable beginning July 1, 2000. This adjustment did not sufficiently reduce the claimed costs for fringe benefits to the approved new rate. This resulted in rate overcharges to the specified grant awards of $4,504 for direct Fringe Benefits.

Recommendation

The Corporation should direct NACHC to re-compute the fringe benefits charged to the grant based on the HHS rates approved and in place during the grant period and adjust the final Financial Status Report accordingly.

NACHC Response

NACHC indicated that the period under audit spanned two fringe rate agreements. The original agreement was for a fringe rate of 44.3 percent. The rate was a pre-determined rate until June 30, 2000 and provisional until renegotiated. According to the agreement, the application for the new rate was to cover the fiscal year ended June 30, 2001 and was due December 31, 2001. The final agreement for 39.4 percent was received on February 7, 2002. At this point, the audit for June 30, 2001 had been issued and NACHC's auditor advised NACHC officials to make the adjustment effective July 1, 2001. They indicated that they were advised by their auditors and the staff at Department of Health and Human Services that a prior period adjustment was unnecessary.

Auditor's Comment

We understand NACHC's position regarding the difficulties with the timing of the fringe benefit rate. However, the materiality threshold of a prior period adjustment for financial audit purposes is not relevant to the finding, as presented. Accordingly, the finding and recommendation remain unchanged.

Finding Number 2 – Inadequate Documentation Maintenance for Direct Costs

Condition

NACHC and its subrecipient, Family Health Centers, Inc. did not maintain adequate supporting documentation for transactions charged as Other Direct Costs to the grant award.

- One NACHC transaction totaling $9,789 was for consulting fees and travel costs for the consultant. The supporting documentation did not adequately describe the services performed by the consultant, and did not provide support for the charges to be allocated to the AmeriCorps National Direct award.

- The Family Health Centers, Inc. did not have documentation to support 12 of the 50 transactions selected for testing for travel, transportation, supplies, and meeting costs claimed totaling $2,734.

AmeriCorps Provisions, C. General Provisions, 27. Retention of Records, states:

> The Grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information, and personnel records for three years from the date of the submission of the final Financial Status Report (SF 269A). If an audit is started prior to the expiration of the three-year period, the records must be retained until the audit findings involving the records have been resolved and final action taken.

In addition, OMB Circular A-122, Attachment B, item 37, Professional services costs, sets forth criteria to determine the allowability of consulting costs. One relevant factor used to determine the allowability of consulting costs is in 37 b.(8). To determine the allowability of consulting costs, the auditor must consider "Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions."

This lack of adequate supporting documentation for the allocation of the expenses to the AmeriCorps National Direct award could result in the possible waste, misuse, loss, or misappropriation of Federal funds. As a result, $12,523 of costs is questioned.

Recommendations

- The Corporation should direct NACHC to implement an agreement with its consultants that contains, at a minimum, the requirements of OMB Circular A-122 and a listing of the deliverables due from the consultant, and a statement of how the work is related to the project, program, or grant being charged.

- The Corporation should direct NACHC to ensure that Family Health Centers, Inc. follows established procedures for record retention.

- If supporting documentation cannot be located for questioned costs, the Corporation should direct NACHC to submit a revised Financial Status Report reflecting the actual costs incurred, claimed, and supported by source documentation.

NACHC Response

NACHC indicated that the services provided by their contractor directly benefit the Community HealthCorps program, and that contractors' activities were consistent with the scope of work and included:

- Consultation with potential community health center partners Kaiser and WellPoint Health Systems Network regarding developing national partnerships which serve to enhance and ensure sustainability of the HealthCorps programs;
- Participated in meetings with The California Endowment on National Community HealthCorps regarding curriculum development of Ten Core Competencies program;

- Meeting with Kaiser Permanente in San Francisco regarding national partnership and consultation with SFCCC and Lifelong partners on health education curriculum development for national ten Core Competencies Curriculum; and
- Meetings preparation and follow up.

The associated costs for Family Health Centers and Lifelong Medical Care are related to training and activities that occurred on behalf of the members within the programs. These costs were directly related to the program and benefited the members. The health centers are attempting to locate the documentation. NACHC has also requested from storage facilities the original expense report submissions provided by the site for the time in question. As policy, NACHC does not process any expense reports without the proper documentation for each cost. If the health centers are unable to locate the original, NACHC will provide a copy.

Auditor's Comment

NACHC's response only addressed one of the points contained in our finding – the inability to produce source documentation. We would encourage NACHC to produce the copies, as indicated, and provide them to the Corporation for its review during the audit resolution phase of this engagement. In addition, we again encourage NACHC to review the agreements it executes with its subcontractors and incorporate all components outlined in OMB Circular A-122.

Finding Number 3- Time Sheets do not Support Direct Time Charges

Condition

- Direct time charges to the Homeland Security and the AmeriCorps National Direct award for Program Year 2002 – 2003 were not supported by time sheets for one of the two employees tested at San Francisco CCC.

- One employee was assigned as Project Coordinator for the AmeriCorps Homeland Security award and as Assistant Project Coordinator for the AmeriCorps National Direct award for Program Year 2002 – 2003. The employee's time sheets did not reflect that he had worked on either activity.

AmeriCorps Provisions, C. General Provisions, 22. Financial Management Provisions, c. Time and Attendance Records, I. Staff, states:

> "Salaries and wages charged directly to this grant or charged to matching funds must be supported by signed time and attendance records for each individual employee, regardless of position, and by documented payrolls approved by a responsible official of the Grantee."

Without time sheets to support labor charged to the grant, we have questioned staff salary costs of $17,302 (National Direct $8,585; Homeland Security $8,717).

Recommendations

- The Corporation should direct NACHC officials to ensure that timekeeping procedures being followed by its subrecipient comply with grant requirements.

- If adequate supporting documentation cannot be provided, the Corporation should direct NACHC to revise its final Financial Status Report to remove the unallowable charges, and the administrative costs associated with the unallowable charges to the AmeriCorps Homeland Security and National Direct awards for Program Year 2002 – 2003.

NACHC Response

NACHC obtained a response from SFCCC indicating that the time sheet instrument previously used by SFCCC to document staff time was confusing, mixing grant funds and staff functions on the same sheet. This tool led to incorrect recording of an employee's time for the period in question. SFCCC has revised its time sheet instruments so that employees can clearly and accurately reflect the activities on which they work.

Auditor's Comment

The procedures described in NACHC's response, subject to proper implementation and validation, should be sufficient to prevent the reoccurrence of this finding in future audits.

Finding Number 4 – Inadequate Documentation Maintenance of Member Records Resulting in Questioned Costs

Condition

The following subgrantees failed to maintain sufficient documentation in their member records to verify that members met eligibility requirements, AmeriCorps contract requirements, and member service term completion to justify their eligibility for Education Awards.

Subrecipient	Files Lacking Documentation/ Sample Size	Program Years	Questioned Costs	Questioned Ed. Award
Lacking Documentation: Member Records				
San Francisco CCC	4 of 34	01-02, 02-03		$ 5,000
Lacking Documentation: Member Agreements				
San Francisco CCC	8 of 34	00-01 thru 03-04	$9,435	15,382
Lacking Documentation: Exit Forms				
San Francisco CCC	9 of 34	00-01 thru 03-04		9,450
Lifelong Medical Center[1]	1 of 13	00-01		2,363
Totals			$9,435	$32,195

[1] This member's file also lacked time sheets to document completion of service and eligibility for an education award.

- Four AmeriCorps member records for three part-time members could not be located by the San Francisco CCC (one member served two terms). Management indicated that these part-time AmeriCorps members received the education award upon completion of the required service hours. The San Francisco CCC certified to the National Service Trust that the members were eligible for the education award. As a result, we were unable to determine if the members were eligible for education awards. Consequently, we questioned education awards totaling $5,000.

- Review of member records at San Francisco CCC found that member agreements for seven full-time AmeriCorps could not be located and one part-time AmeriCorps member did not have a Member Agreement. The San Francisco CCC indicated that records were maintained in off-site storage; however, they were unable to provide the records for the selected AmeriCorps members. As a result, we questioned $9,435 in living allowances and $15,382 in education awards.

- Nine AmeriCorps member records at San Francisco CCC and one AmeriCorps member record at Lifelong Medical Center did not contain Exit Forms certifying completion of the program and eligibility for education awards. Seven of the member records at San Francisco CCC lacking Exit Forms also did not contain Member Agreements and are included in the finding noted above. As a result, we questioned $9,450 and $2,363 respectively, in education awards.

- The AmeriCorps member's record at Lifelong Medical Center referenced above also did not contain time sheets to support the number of hours served. This member was part-time and received no living allowance. No cost is questioned because this member's education award was questioned for lack of an exit form ($2,363 above).

AmeriCorps Provisions, C. General Provisions, 27. Retention of Records states:

> The grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information, and personnel records for three years from the date of the submission of the final Financial Status Report (SF 269A).

Recommendations

- The Corporation should direct NACHC to evaluate the San Francisco CCC policies and procedures for maintaining member records.

- The Corporation should direct NACHC to instruct the San Francisco CCC to provide the Member Agreements that could not be located. The Corporation should also require NACHC to revise its final Financial Status Report to reflect the unallowable (living allowance plus applicable administrative costs) charges to the AmeriCorps National Direct Awards for Program Years 2001-2002, 2002-2003, and 2003-2004, if the supporting documentation is not provided.

- The Corporation should direct NACHC to instruct the San Francisco CCC and Lifelong Medical Center to provide the Exit Forms and other missing documentation for the AmeriCorps members identified in our sample, to certify these members completed the required hours of service and were eligible for the education awards.

- The Corporation should direct NACHC to instruct the Lifelong Medical Center to provide certification that the AmeriCorps member identified in our sample completed the required hours of service and was eligible for the education award.

NACHC Response

NACHC indicated that the missing member records at SFCCC for program years 01-02 and 02-03 have been located. The missing files were separated from the other member files during their office move and were offsite at the SFCCC storage space. These individuals' files also include exit forms and time sheets.

For the other, "education-award-only" individuals, there is evidence that each member in fact fulfilled the required responsibilities for receipt of an education award. Furthermore, SFCCC has made the necessary changes to its policies and procedures for maintaining complete and accurate "AmeriCorps Member Records."

Auditor's Comment

The additional documentation referred to in NACHC's response has not yet been provided. We cannot, therefore, determine if it is adequate to resolve the audit finding. We encourage NACHC to submit the newly located documents to the Corporation as part of the audit resolution process.

COMPLIANCE WITH GRANT PROVISIONS

Finding Number 5 – Drug Free Workplace

Condition

Drug Free Workplace Act stipulations were not included in the standard member agreement developed by NACHC and distributed to all subrecipients for their use.

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 7. Training Supervision and Support, b. Member Contracts, states:

> "Member contracts should contain requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*)."

Recommendation

The Corporation should direct NACHC to include the Drug Free Workplace Act stipulations in the standard member agreement and redistribute the revised documents to all subrecipients.

NACHC Response

NACHC indicated that, although the Drug Free Workplace policy itself was not included in the Member Agreement, reference is made to the Member Handbook. As part of the required Member Agreement that all members receive and sign at the time of enrollment, there is a line for members to initial indicating that they have received a copy of the HealthCorps Member Handbook. The Drug Free Workplace policies can be found within the Member Handbook. In addition, NACHC indicated that it will revise its Member Agreement and Member Handbook to ensure that the required policies are clearer and included directly in the text of the Member Agreement. This Member Agreement will be put in place immediately for any new members, and system-wide, beginning August 1, 2005, the start of the new grant year.

Auditor's Comment

The procedures described in NACHC's response, subject to proper implementation and validation, should be sufficient to prevent the reoccurrence of this finding in future audits.

Finding Number 6 – Lack of Background Checks

Condition

The San Francisco CCC, Lifelong Medical Care and Mississippi Primary Health Care Association failed to perform background checks for AmeriCorps members who had, or might have had, substantial, direct contact with children. Some members serving at the San Francisco CCC who lacked criminal background check documentation also did not have a position description in their files. As part of our audit test work, we selected a sample of current members to question about their job duties. Member assignments included member contact with children as follows:

- At Mississippi Primary Health Care Association and Lifelong Medical Care, member's duties included working on-site at elementary schools and supervising children at clinics while parents were being seen by physicians.

- At the San Francisco CCC, members performed services at the Adolescent Health Working Group. The group is a public/private community collaborative that works to increase youth's access to quality and age-appropriate health care and services. Responsibilities include community organizing, outreach and education to adolescence and public and health provider education about the specific health issues that teens face.

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 6. Eligibility, Selection, and Recruitment, h. Criminal Record Checks, states:

> Programs with members or employees who have substantial direct contact with children (as defined by state law) or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by state and local law, conduct criminal record checks on these members or

employees as part of the screening process. This documentation must be maintained consistent with the state law.

Without proper background checks, inappropriate individuals may be accepted into the program.

Recommendation

The Corporation should direct NACHC to inform all subrecipients of the need to perform criminal background checks for any member who might have direct contact with children.

NACHC Response

NACHC indicated that it requires all program sites to follow the AmeriCorps Provisions strictly in all areas, including the policies on criminal background checks. NACHC also monitors all aspects of the member files, including criminal background checks.

As a result of this audit, NACHC will further ensure that program sites are following the proper guidelines as laid out by the AmeriCorps Provisions by:

a. Requiring the names and verified criminal background checks of all members serving with children and/or vulnerable populations (as determined by state law) be sent to NACHC at the beginning of the program year;
b. Requiring the names and verified criminal background checks of any other members serving in a program (as per some health center policies, all new staff and volunteers are required to have a criminal background check);
c. Subrecipient contracts will be amended to indicate the above-mentioned new guidelines; and
d. A detailed training on the importance of conducting criminal background checks and how to respond to the results will be provided for all sites at the June Program Development Institute (annual grantee training/meeting).

Auditor's Comment

The procedures described in NACHC's response, subject to proper implementation and validation, should be sufficient to prevent the reoccurrence of this finding in future audits.

Finding Number 7 – Inadequate Documentation Maintenance of Member Records

Condition

The following subgrantees did not maintain sufficient documentation in member records to supporting compliance with AmeriCorps requirements regarding position descriptions, orientation, and member evaluations.

Subrecipient	Files Lacking Documentation/ Sample Size	Program Years
Lacking Documentation: Positions Descriptions		
San Francisco CCC	31 of 34	00-01 thru 03-04
Lifelong Medical Center	13 of 13	00-01 thru 03-04
Lacking Documentation: Orientation		
Lifelong Medical Center	13 of 13	00-01 thru 03-04
Lacking Documentation: Member Evaluations		
San Francisco CCC	21 of 68	00-01 thru 03-04
Lifelong Medical Center	18 of 26	00-01 thru 03-04

- At the San Francisco CCC, we found that in 31 out of 34 members tested, position descriptions were not attached to Member Agreements. At Lifelong Medical Care, in 13 of 13 members tested, position descriptions were not attached to Member Agreements. Without position descriptions, AmeriCorps members could be performing services that are not allowed under the AmeriCorps Provisions. If orientations are not performed, new members may not be made aware of the policies and procedures that must be followed, and the allowable and unallowable activities of service that can be performed during normal working hours.

- Lifelong Medical Care did not maintain documentation to support that orientations were held for new AmeriCorps members.

- At the San Francisco CCC, we found that for 21 of 68 total mid-term and end-of-term evaluations tested, supporting documentation was not maintained in the member records. At Lifelong Medical Care, mid-term and end-of-term evaluations were not maintained in member records for 18 of the 26 total evaluations tested. Without mid-term or end-of-term evaluations, there is no record of the AmeriCorps members' performance while performing services.

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 7. Training Supervision and Support:

b. Member Agreements states, in part,
"Member Contracts should contain the position description."
c. Training, states, in part,
"The Grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation."
g. Performance Reviews, states, in part,
"The grantee must conduct and keep a record of at least a mid-term and end-of-term written evaluation of each member's performance."

Recommendations

- The Corporation should instruct NACHC to evaluate procedures being followed by Lifelong Medical Care and San Francisco CCC to ensure position descriptions are properly prepared, incorporated in Member Agreements, and maintained in member files.

- The Corporation should direct NACHC to evaluate the procedures being followed by Lifelong Medical Care and San Francisco CCC to ensure that mid-term and end-of-term evaluations are properly prepared and maintained in member records.

- The Corporation should direct NACHC to evaluate the procedures and documentation of Lifelong Medical Care's orientation for new members.

NACHC Response

NACHC indicated that the revised Member Agreement will more clearly indicate receipt of the Member Position Description. Currently, the member initials the agreement to indicate receipt of their Position Description. The revised agreement will ensure that the Position Description is attached as part of the Member Agreement, and remains that way within the member file.

Auditor's Comment

The procedures described in NACHC's response, subject to proper implementation and validation, should be sufficient to prevent the reoccurrence of this finding in future audits.

Finding Number 8 – Subrecipient Failed to Submit Quarterly Progress Reports

Condition

The San Francisco CCC did not submit any Quarterly Progress Reports, as required by its subrecipient agreement with NACHC.

The subrecipient contract between the NACHC and San Francisco CCC, 6. Financial Management, Recordkeeping, and Reporting, paragraph a., states:

> The Program Sponsor agrees to furnish to NACHC quarterly and annual progress reports regarding the services it has delivered, as well as information and reports which NACHC may reasonably find necessary for audit, statistical and its own reporting purposes.

According to NACHC officials, its original grant with SFCCC was subsequently changed to require only annual progress reports. San Francisco did file those annual reports.

Recommendation

The Corporation should require NACHC to execute, in writing, their policy concerning the submission of progress reports by the subrecipients.

NACHC Response

NACHC indicated that, in the past, the Corporation required quarterly progress reports, and NACHC required them in the subrecipient contracts. During the period of the subrecipient contract in question, the Corporation had changed its guidance from submitting quarterly reports to submitting annual progress reports. NACHC did not amend the contract at that time. The site was in full compliance with the Corporation guidelines and submitted the required progress report through the Web based Reporting System (WBRS) in a timely manner. NACHC will ensure that if the Corporation makes changes to its reporting requirements, the subrecipient contracts between NACHC and the program will be changed accordingly.

Auditor's Comment

We agree with NACHC's response. NACHC should update all subrecipient contracts to reflect programmatic changes in a timely manner.

Finding Number 9 – Enrollment and Change of Status Forms Not Reported Timely

Condition

Lifelong Medical Care and Grace Hill Neighborhood Health Services did not enter enrollment and change of status forms into WBRS within the required 30 days.

- Lifelong Medical Care did not enter 7 of 13 enrollment forms and 2 of 13 exit forms into WBRS within the required 30 days.
- Grace Hill Neighborhood Health Services did not enter 13 of 32 enrollment forms, and 2 of 9 change of status forms were entered into WBRS within the required 30 days.

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 16. Reporting Requirements, b. AmeriCorps Member–Related Forms, states:

> The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and Sub-Grantees may use WBRS to submit these forms electronically. Programs using WBRS must also maintain hard copies of the forms:
>
> i. Enrollment forms must be submitted no later than 30 days after a member is enrolled.
> ii. Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed. By forwarding Member Change of

Status Forms to the Corporation, State Commissions and Parent Organizations signal their approval of the change.

iii. Member Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

If enrollment and change of status forms are not submitted or entered into the WBRS System in a timely manner, the data maintained by the National Service Trust and the Corporation is not accurate and up to date.

Recommendation

The Corporation should direct NACHC to evaluate the procedures that Lifelong Medical Care and Grace Hill Neighborhood Health Services are performing when providing enrollment and change of status forms to the National Service Trust and the Corporation via WBRS.

NACHC Response

In response to our draft report, NACHC indicated that it requires that all programs to enter enrollment, change of status and exit forms into WBRS within the required 30 days. NACHC disputes the report in the area of "change of status forms:"

> "Grace Hill Neighborhood Health Services did not enter… 2 of 32 change of status forms, into WBRS within the required 30 days."

In many cases, a late enrollment entry and/or exit forms is due to clarification of required documentation and/or obtaining a required signature by a member. In addition, NACHC requires all programs to enter service hour reports by the 18th for the preceding month. NACHC will work closely with all sites to ensure these deadlines are being met.

Auditor's Comment

We understand NACHC's response that the finding as originally reported was not clear. We have changed the wording to clearly state the condition. The fact remains that, of the 32 member records tested, 9 records contained change of status forms. For 2 of the 9, WBRS did not reflect that the information was entered within the required 30 days. NACHC has not provided any additional support to refute this condition.

INTERNAL CONTROL FINDINGS

Finding Number 10 – Inadequate Reconciliations at Subrecipients

Condition

Family Health Centers, Inc., Unity Health Care, and Grace Hill Neighborhood Health Services did not perform a reconciliation between the financial information maintained in their accounting

system and the Periodic Expense Reports (PER) submitted to NACHC. These three subrecipients operate on a different fiscal year than the grant year. As a result, the corresponding quarterly transaction reports generated by the subrecipients' accounting systems do not agree to the PERs. The sub recipient's accounting systems do not segregate transactions by grant and program year.

The subrecipient agreement between the NACHC and Grace Hill Neighborhood Health Centers, Inc., 6. Financial Management, Recordkeeping, and Reporting, c. states:

> Consistent with Addendum II and 21, the Program Sponsor agrees to maintain a financial management system which includes standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures.

OMB Circular A-110, Subpart C – Post-Award Requirements, 21. Standards for financial management systems (b) (2) states:

> Recipient financial management systems shall provide...records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.

The accounting systems maintained by the subrecipients are not compatible with the reporting requirements implemented by NACHC and do not provide for grant year accounting.
As a result, reconciliations of the quarterly financial data maintained by these subrecipients cannot be reconciled to the PERs.

Recommendations

- The Corporation should direct NACHC to ensure that its subrecipients establish procedures to reconcile their financial information to PERs.

- NACHC should establish financial policies and accounting practices that enable subrecipients to track and support expended amounts by grant and program year.

NACHC Response

In response to our draft report, Grace Hill Neighborhood Health Centers agreed to segregate transactions by grant and year by utilizing separate account codes for each grant year in its accounting system. This change will be implemented to address the comments applicable to Grace Hill as shown on page 20 of the OIG draft audit report on the Community HealthCorps program.

Unity Healthcare, Inc. has agreed to reconcile the financial information maintained in our accounting system and the PERs submitted to the National Association of Community Health

Centers. All transactions will reconcile with the final PER and our financial system will segregate transactions by grant and year. This will be achieved by maintaining separate account codes for each grant year in our accounting system. In addition, NACHC will add a component to its financial reviews that tests this particular internal control item.

Auditor's Comment

The procedures described in NACHC's response, subject to proper implementation and validation, should be sufficient to prevent the reoccurrence of this finding in future audits.

Finding Number 11– Inadequate Time Sheet Project Detail

Condition

Lifelong Medical Care charged the Project Coordinator's salary to the AmeriCorps National Direct award without compiling time sheets that adequately support the charges. Time sheets prepared by the Project Coordinator did not specify what project the Project Coordinator was working on. The time sheets only captured the total hours worked each day and contained no details on cost centers where the time could be charged to specific tasks. We performed other procedures which indicated that approximately 25 percent of the Project Coordinator's time was for grant related activity. Based upon our field work, we find that the time charged is reasonable and accordingly we do not question these costs.

AmeriCorps Provisions, C. General Provisions, 22. Financial Management Provisions, c. Time and Attendance Records, i. Staff, states:

> Salaries and wages charged directly to this grant or charged to matching funds must be supported by signed time and attendance records for each individual employee, regardless of position, and by documented payrolls approved by a responsible official of the Grantee.

The Lifelong Medical Care payroll system is currently not adequate to properly account for individuals' time by cost objective. As a result, individuals who work on multiple projects cannot adequately track their time. According to Lifelong Medical Care finance officials, a new system of accounting for individuals' time is being implemented.

Recommendation

NACHC should track Lifelong Medical Care's implementation of a new payroll system.

NACHC Response

NACHC indicated that it will work with LifeLong Medical Care to ensure that its time reporting procedures are in accordance with AmeriCorps provisions. NACHC will also add a component to its financial reviews that tests this particular internal control item.

KEARNEY&
COMPANY

Auditor's Comment

The procedures described in NACHC's response, subject to proper implementation and validation, should be sufficient to prevent the reoccurrence of this finding in future audits.

November 19, 2004
Alexandria, Virginia

Exhibit A

National Association of Community Health Centers and Subrecipients
Consolidated Schedule of Audited Award Costs

Corporation for National and Community Service Awards

Award Number	Program	Approved Budget	Claimed Costs	Questioned Costs*	Questioned Education Awards	Total Questioned Costs*
00ADNDC010	AmeriCorps	$ 1,696,497	$ 1,409,680	$ 5,836	$ 10,382	$ 16,218
01ADNDC010	AmeriCorps	6,798,555	6,142,489	32,888	21,813	54,701
Total AmeriCorps		8,495,052	7,552,169	38,724	32,195	70,919
02NHHMD010	Homeland Security	434,000	319,588	9,176	- 0 -	9,176
Totals		$ 8,929,052	$ 7,871,757	$ 47,900	$ 32,195	$ 80,095

* These questioned cost figures include the related unallowable administrative costs, based on calculating 5.26 percent of other direct costs.

The cost details provided above are explained in Schedules B-1 through B-7 following this report.

Exhibit B

National Association of Community Health Centers
Schedule of Audited Costs by Grantee and Subrecipients
Corporation for National and Community Service
Award Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps),
and 02NHHMD010 (Homeland Security)
October 1, 2000, to September 30, 2004

Detailed Audits of AmeriCorps and Homeland Security Grants	Claimed Costs Note 1	Questioned Claimed Costs	Questioned Education Awards	Reference
Grantee				
NACHC - Parent	$ 1,938,016	$ 15,045	$ -0-	Schedule B-1
Subrecipients				
Unity Health Care, Inc.	134,893	-0-	-0-	Schedule B-2
Grace Hill Neighborhood Health Centers, Inc.	610,898	-0-	-0-	Schedule B-3
Family Health Centers, Inc.	404,788	2,878	-0-	Schedule B-4
Mississippi Primary Care Association, Inc.	246,245	-0-	-0-	Schedule B-5
Lifelong Medical Care	435,799	1,834	2,363	Schedule B-6
San Francisco Community Clinic Consortium	753,024	28,143	29,832	Schedule B-7
Total – Detailed Audits	$ 4,523,663	$ 47,900	$ 32,195	
Total Questioned Costs			$ 80,095	

Notes

1. The total claimed costs reported do not include costs claimed by subrecipients that were not selected as part of this audit. During the period covered by our audit, NACHC had 17 AmeriCorps program subrecipients. Accordingly, we used a sampling approach, based on our Risk Assessment and Audit Approach Memorandum, dated October 22, 2004, at selected field sites to test the costs claimed for Program Years 2000 through 2004.

National Association of Community Health Centers
Schedule of Audited Costs
Corporation for National and Community Service
Award Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps)
and 02NHHMD010 (Homeland Security)
October 1, 2000, to September 30, 2004

NACHC – Parent (Administration)

			Reference
Approved Budget (Federal Funds - For the Four Year Audit Period)			
00ADNDC010	$ 326,100		
01ADNDC010	$ 1,501,211		
02NHHMD010	$ 113,547		
Total Budget - 4 Years		$ 1,940,858	Note 1
Claimed Costs			
00ADNDC010	$ 326,100		
01ADNDC010	$ 1,500,128		
02NHHMD010	$ 111,788		
Total Claimed Costs - 4 Years		$ 1,938,016	Note 2
Questioned Costs			
00ADNDC010	$ 3,814		Note 3
01ADNDC010	$ 690		Note 3
01ADNDC010	$ 9,789		Note 4
Administrative Cost	$ 752		Note 5
Total Questioned Costs - 4 Years		$ 15,045	

Notes

1. Approved Budget represents the total funding to NACHC for the administration and management of AmeriCorps Programs for Program Years 2000 through 2004, according to the budget schedules for NACHC grants.

2. Claimed costs represent NACHC's reported expenditures for the program years tested (2000 through 2004).

3. Our testing of AmeriCorps salary and benefits cost transactions revealed that the fringe benefit cost rate exceeded that provided in the Nonprofit Rate Agreement executed by the grantee and the U.S. Department of Health and Human Services (HHS) for Program Years 2000–2001 and 2002–2003. Our calculations show that the fringe benefit rate claimed for 2000-2001 was 42.93 percent. The HHS approved rate was 39.4 percent resulting in over application of 3.53 percent or $3,814. For Program Year 2002-2003 our calculations show that the fringe benefit rate claimed was 39.9 percent of salary costs. The HHS approved rate for this period was 39.4 percent resulting in over application of .5 percent or $690.

Program Year	Description	Amount
2000-2001 (00ADNDC010)	Excess Fringe over approved rate	$ 3,814
2002-2003 (01ADNDC010)	Excess Fringe over approved rate	$ 690
Total Questioned (Fringe Benefits)		$ 4,504

4. We found that one consultant expenditure (for labor $7800 and travel $1,989) totaling $9,789 could not be sufficiently and clearly supported as allocable to the AmeriCorps grant.

Program Year	Description	Amount
2003-2004	Unrelated Cost to AmeriCorps Grant	$ 9,789

5. Based on the questioned costs of $14,293, we questioned 5.26 percent or $752 of the total as administrative costs overcharged to the Corporation.

National Association of Community Health Centers
Schedule of Audited Costs by Subrecipient
Corporation for National and Community Service
Award Numbers 01ADNDC010 (AmeriCorps) and 02NHHMD010 (Homeland Security)
October 1, 2002, to September 30, 2004

Unity Health Care, Inc.

			Reference
Approved Budget (Federal Funds – For the Two Year Audit Period)			
01ADNDC010	$ 95,000		
02NHHMD010	76,000		
Total Budget – 2 Years		$ 171,000	Note 1
Claimed Costs			
01ADNDC010	$ 71,815		
02NHHMD010	63,078		
Total Claimed Costs - 2 Years		$ 134,893	Note 2
Questioned Costs			
01ADNDC010	-0-		
02NHHMD010	-0-		
Total Questioned Costs - 2 Years		$ -0-	Note 3

Notes

1. The amount shown above as Approved Budget represents the total funding to Unity Health Care, Inc. (UHC) for Program Years 2002 to 2004, according to the budget schedules for NACHC grants.

2. Claimed costs represent UHC's reported expenditures for the program years tested (2002 to 2004).

3. Certain questioned costs were noted during the audit, but were considered to be immaterial and were not included in this schedule.

National Association of Community Health Centers
Schedule of Audited Costs by Subrecipient
Corporation for National and Community Service
Award Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps)
and 02NHHMD010 (Homeland Security)
October 1, 2000, to September 30, 2004

Grace Hill Neighborhood Health Centers, Inc.

			Reference
Approved Budget (Federal Funds – For the Four Year Audit Period)			
00ADNDC010	$ 183,033		
01ADNDC010	523,907		
02NHHMD010	74,400		
Total Budget – 4 Years		$ 781,340	Note 1
Claimed Costs			
00ADNDC010	$ 155,964		
01ADNDC010	414,296		
02NHHMD010	40,638		
Total Claimed Costs – 4 Years		$ 610,898	Note 2
Questioned Costs			
00ADNDC010	-0-		
01ADNDC010	-0-		
02NHHMD010	-0-		
Total Questioned Costs – 4 Years		$ -0-	

Notes

1. The approved budget amount of $781,340 represents total gross funding to the Grace Hill Neighborhood Health Centers, Inc. (GHNHC) for Program Years 2000 to 2004, per the budget schedules for NACHC grants.

2. The claimed costs of $610,898 represents the amount of reported expenditures of GHNHC for the program years tested (2000 through 2004).

National Association of Community Health Centers
Schedule of Audited Costs by Subrecipient
Corporation for National and Community Service
Award Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps)
October 1, 2000, to September 30, 2004
Family Health Centers, Inc.

			Reference
Approved Budget (Federal Funds – For the Four Year Audit Period)			
00ADNDC010	$ 149,500		
01ADNDC010	330,797		
Total Budget – 4 Years		$ 480,297	Note 1
Claimed Costs			
00ADNDC010	$ 142,628		
01ADNDC010	262,160		
Total Claimed Costs – 4 Years		$ 404,788	Note 2
Questioned Costs			
00ADNDC010	-0-		
01ADNDC010	$ 2,734		Note 3
Administrative Costs	144		Note 4
Total Questioned Costs – 4 Years		$ 2,878	

Notes

1. The approved budget amount represents total funding to Family Health Centers, Inc. for Program Years 2000 through 2004, per the budget schedules for NACHC grants.
2. The claimed costs represent the amount of reported expenditures for the program years tested (2000 through 2004).
3. Family Health Center could not provide supporting documentation for Other Direct Costs totaling $2,615 that were claimed during the audit period. In addition, $119 was questioned as unsupported, due to the lack of a receipt.
4. We questioned $144 in administrative costs, which exceeded the allowable costs claimed and is based on the questioned costs in Note 3.

National Association of Community Health Centers
Schedule of Audited Costs by Subrecipient
Corporation for National and Community Service
Award Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps)
September 1, 2001, to September 30, 2004

Mississippi Primary Health Care Association, Inc.

			Reference
Approved Budget (Federal Funds - For the Audit Period)			
01ADNDC010	$ 301,894		
Total Budget		$ 301,894	Note 1
Claimed Costs			
01ADNDC010	$ 246,245		
Total Claimed Costs		$ 246,245	Note 2
Questioned Costs			
01ADNDC010	-0-		
Total Questioned Costs		$ -0-	

Notes

1. The amount shown above as Approved Budget represents the total funding to Mississippi Primary Health Care Association (MPHCA) for Program Years 2000 to 2004, according to the budget schedules for the NACHC grants.

2. Claimed costs represent MPHCA's reported expenditures for the program years tested (2000 through 2004).

National Association of Community Health Centers
Schedule of Audited Costs by Subrecipient
Corporation for National and Community Service
Award Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps)
October 1, 2000, to September 30, 2004

Lifelong Medical Care

			Reference
Approved Budget (Federal Funds – For the Four Year Audit Period)			
00ADNDC010	$ 109,500		
01ADNDC010	356,139		
Total Budget – 4 Years		$ 465,639	Note 1
Claimed Costs			
00ADNDC010	$ 106,157		
01ADNDC010	329,643		
Total Claimed Costs - 4 Years		$ 435,799	Note 2
Questioned Costs			
00ADNDC010	$ 200		
01ADNDC010	1,542		
Administrative Costs	92		
		$ 1,834	Note 3
Questioned Education Awards			
00ADNDC010	$ 2,363		Note 4
Total Questioned Education Awards – 4 Years		$ 2,363	

Notes

1. The amount shown above as Approved Budget represents the total funding to Lifelong Medical Care (LMC) for Program Years 2000 to 2004, according to the budget schedules for NACHC grants.
2. Claimed costs represent LMC's reported expenditures for the program years tested (2000 through 2004).

3. We could not find any supporting documentation for the following transactions:

Program Year	Missing Documentation	Amount
2000-2001	Invoice – CPR Training	$ 200
2001-2002	Invoice – Graduation Party	532
2001-2002	Invoice – CPR Training	560
2002-2003	Invoice – CPR Training	450
Administrative Costs applied to the above missing invoices		92
Total Questioned		$ 1,834

4. Compliance testing of part-time member records revealed that an Exit Form and time sheets were missing for one member. Since successful completion of the member's service could not be validated via Exit Forms or time sheets, we questioned the member's education award. Questioned costs are summarized below.

Program Year	Missing Documentation	Amount
2000-2001	Exit Form and Time Sheets	$ 2,363
Total Questioned		$ 2,363

National Association of Community Health Centers
Schedule of Audited Costs by Subrecipient
Corporation For National and Community Service
Award Numbers 00ADNDC010 and 01ADNDC010 (AmeriCorps)
and 02NHHMD010 (Homeland Security)
October 1, 2000, to September 30, 2004

San Francisco Community Clinic Consortium

			Reference
Approved Budget (Federal Funds - For the Four Year Audit Period)			
00ADNDC010	$ 209,000		
01ADNDC010	558,757		
02NHHMD010	54,000		
Total Budget – 4 Years		$ 821,757	Note 1
Claimed Costs			
00ADNDC010	$ 173,412		
01ADNDC010	530,204		
02NHHMD010	49,408		
Total Claimed Costs – 4 Years		$ 753,024	Note 2
Questioned Costs			
00ADNDC010	$ 1,530		Note 3
01ADNDC010	16,490		Note 4
02NHHMD010	8,717		Note 5
Administrative Costs	1,406		Note 6
Total Questioned Costs – 4 Years		$ 28,143	
Questioned Education Awards			
00ADNDC010	$ 8,019		Note 7
01ADNDC010	21,813		Note 8
02NHHMD010	-0-		
Total Questioned Education Awards		$ 29,832	

Notes

1. The amount shown above as Approved Budget represents the total funding to San Francisco CCC for Program Years 2000 to 2004, according to the budget schedules for NACHC grants.

2. Claimed costs represent San Francisco CCC's reported expenditures for the program years tested (2000 through 2004).

3. Compliance testing of member records revealed that one member's Member Agreement, was missing. Since the member's service could not be validated through supporting documentation, we questioned the living allowance claimed for that member. Questioned costs are summarized below.

Program Year	Missing Documentation	Amount
2000-2001	Member Agreement	$ 1,530*
Total Questioned		$ 1,530

* The member in question was awarded 20 percent of full-time living allowance, based on time served, before withdrawing from the program for compelling reasons. The maximum living allowance paid to full-time members for 2000-2001 was $7,650, ($9,000 x 85%). Since the member in question only participated in the program approximately 20 percent of the year, we questioned the Corporation's proportional Federal share of the maximum living allowance of $1,530 (7,650 x 20%).

4. Compliance testing of member records revealed that eligibility documentation was missing for the full-time member. Since the member's service could not be validated through supporting source documentation, we questioned that member's living allowances of $7,905 ($9,300 x 85%). Compliance testing of the Project Coordinator salary charged to AmeriCorps National Direct grants revealed that time sheets did not agree with charges allocated to the National Direct Award. Since the allocation of the Project Coordinator's salary of $11,923 (Federal share - $8,585; Match - $3,338) was not supported by adequate time sheets indicating that he worked on the project, we questioned the related salary claimed. Questioned costs are summarized below.

Program Year	Missing Documentation	Amount
2001-2002	One Member Agreement	$ 7,905
2002-2003	Time sheets do not show charges to AmeriCorps grants	8,585
Total Questioned		$ 16,490

5. Compliance testing of Project Coordinator salary charged to AmeriCorps Homeland Security and National Direct Program Year 2002-2003 Grants revealed that the employee's time sheets did not agree with charges to the Homeland Security and National Direct Awards.

Since the allocation of the Project Coordinator's salary of $11,309 (Federal share - $8,717; Match - $2,592) was not supported by adequate time sheets indicating that he worked on the project, we questioned the related salary claimed. Questioned costs are summarized by type of missing documentation, as follows:

Program Year	Missing Documentation	Amount
2002-2003	Time sheets do not show charges to AmeriCorps grants	$ 8,717
Total Questioned Staff Salaries		$ 8,717

6. Based on the total questioned cost of $26,737, including $1,530 from note 3 above, $7,905 and $8,585 from note 4 above, and $8,717 from note 5 above, 5.26 percent of this amount or $1,406 is questioned as administrative costs charged to the Corporation.

Education Awards

7. Compliance testing of member records revealed that one part-time and one full-time Member Agreements and Exit Forms were missing. One full-time member was missing the exit form. Since members' service could not be validated through supporting source documentation, we questioned these member's education awards. Questioned costs are summarized below.

Program Year	Missing Documentation	Amount
2000-2001	Exit Forms – Full-Time	$ 4,725
2000-2001	Member Agreement and Exit Form	$ 3,294
Questioned Education Awards		$ 8,019

8. Compliance testing of member records revealed that eligibility documentation was missing for 11 members. Since members' service could not be validated through supporting documentation, we questioned member education awards and living allowances for these members. Questioned costs and the number of members involved are summarized below.

Program Year	Missing Documentation	Questioned
2001-2002	Member record not provided (3)	$ 1,250
2001-2002	Member Agreements & Exit Forms (3)	$ 7,225
2002-2003	Members record not provided (3)	$ 3,750
2002-2003	Member Agreement and Exit Form (2)	$ 2,500
2002-2003	Member Exit Form (1)	$ 4,725
2003-2004	Member Agreement (1)	$ 2,363
Questioned Education Awards		$ 21,813

Appendix A

National Association of Community Health Center's Response

National Association of Community Health Centers, Inc.

March 15, 2005

MEMORANDUM ***by email***

To: Carol Bates, Acting Inspector General
Corporation for National and Community Service-
Office of the Inspector General

From: Mary Hawbecker, Vice President-Division of Finance and Administration /
Cal George, Director-Community HealthCorps /
Jason Patnosh, Deputy Director-Community HealthCorps
National Association of Community Health Centers, Inc (NACHC)

Re: **Response to Audit of Corporation for National and Community Service Grants Awarded to NACHC (to be included as appendix in final report)**

Thank you for the opportunity to record NACHC's responses as part of the final report for the audit that was completed on our program. Below, we have addressed each of the findings included in the report produced by Kearney and Company.

Finding 1 – Incorrect Use of Fringe Benefit Rate

The period under audit spanned two fringe rate agreements. The original agreement was for a fringe rate of 44.3%. The rate was a pre-determined rate until June 30, 2000 and provisional until renegotiated. According to the agreement, the application for the new rate was to cover the fiscal year ended June 30, 2001 and was due December 31, 2001. The final agreement for 39.4% was received on February 7, 2002. At this point the audit for June 30, 2001 had been issued and the auditor advised us to make the adjustment effective July 1, 2001. We were advised by our Auditors (Gelman, Rosenburg, and Freedman) and the staff at Department of Health and Human Services that a prior period adjustment was not necessary.

Finding 2 – Inadequate Documentation Maintenance of Direct Costs

a) NACHC-$9,789 in questioned costs

The services provided by Katherine (Katie) Kiedrowski directly benefit for the Community HealthCorps program. Ms. Kiedrowskis' activities are consistent with the scope of work and include:

- Consultation with potential community health center partners Kaiser and WellPoint Health Systems Network regarding developing national partnerships which will serve to enhance and ensure sustainability of the HealthCorps programs;
- Participated in meetings with The California Endowment on National Community HealthCorps regarding curriculum development of Ten Core Competencies program;

- Meeting with Kaiser Permanente in San Francisco regarding national partnership and consultation w/ SFCCC / Lifelong partners on health education curriculum development for national Ten Core Competencies Curriculum; and
- Meetings preparation and follow up.

The Ten Core Competencies curriculum referenced above is the training curriculum used by all HealthCorps members for member development. As stated in NACHC's 2001-2004 renewal application to CNCS for funding in response to the question of program sustainability:

- "In addition, NACHC plans to approach a large foundation for funding to increase capacity and effectiveness of health centers in meeting the primary and preventive health care needs for previously uninsured or underserved individuals. The HealthCorps program will be the model for expansion and replication efforts within this strategy".

Ms. Kiedrowski's activities are consistent with the program objectives outlined in the 2001-2004 grant proposal. We feel that these costs are reasonable, allowable and properly allocated to the grant.

b) Family Health Centers ($2,734) and Lifelong Medical Care ($1,834) in questioned costs
The associated costs are related to trainings and activities that occurred on behalf of the members within the programs. These costs were directly related to the program and benefited the members. The health centers are attempting to locate the documentation. NACHC has also requested from storage facilities the original expense report submissions provided by the site for the time in question. As policy, NACHC does not process any expense reports without the proper documentation for each cost. If the health center in unable to locate the original documentation, we will be able to provide a copy.

Finding 3 – Time Sheets Do Not Support Direct Time Charges
Directly excerpted from *Attachment 1-San Francisco Community Clinic Consortium*:

> "The time sheet instrument previously used by SFCCC to document staff time was confusing, mixing grant funds and staff functions on the same sheet. This tool led to incorrect recording of an employee's time for the period in question. SFCCC has revised its time sheet instrument so that employees can clearly and accurately reflect the activities on which they work.
>
> SFCCC utilizes their members to provide outreach and education at their homeless sites. The homeless program is funded by multiple sources one of which is AmeriCorps. The staff member in question provided support to the homeless program. Member activities can be substantiated in progress reports completed by the program. In the case of the staff person in question, the fund source was mistakenly recorded on his timesheets, though the activities and support he provided for the program were invaluable and can be linked directly to the activities of the program."

Finding 4 – Inadequate Documentation Maintenance of Member Records Resulting in Questioned Costs
Directly excerpted from *Attachment 1-San Francisco Community Clinic Consortium*

> "The missing Member records for Program Year 01-02 and 02-03 have been located. The missing files were separated from the other member files during our office move and were offsite

at the SFCCC storage space. In these individuals' files were also their exit forms and timesheets. The files have been brought back to our office and are available for review.

For the other, "education-award-only" individuals, there is evidence that each member in fact fulfilled the required responsibilities for receipt of an education award. Furthermore, SFCCC has made the necessary changes to its policies and procedures for maintaining complete and accurate AmeriCorps Member Records."

LifeLong Medical Care has located the missing file and it is available for review.

Finding 5 –Drug Free Workplace

Although the Drug Free Workplace policy itself was not included in the Member Agreement, reference is made to the Member Handbook. As part of the required Member Agreement that all members receive and sign at the time of enrollment, there is a line for members to initial indicating that they have received a copy of the HealthCorps Member Handbook. The Drug Free Workplace policies can be found within the Member Handbook.

NACHC will revise its Member Agreement and Member Handbook to ensure that the required policies (e.g., Drug Free Workplace) are clearer and included directly in the text of the Member Agreement. This Member Agreement will be put in place immediately for any new members, and system-wide beginning August 1, 2005 with the start of the new grant year.

Finding Number 6 – Lack of Background Checks

NACHC requires all program sites to follow the AmeriCorps Provisions strictly in all areas, including the policies on criminal background checks. NACHC also monitors (through site visits and auditing of files) all aspects of the member files, including criminal background checks.

As a result of this audit, NACHC will further ensure that program sites are following the proper guidelines as laid out by the AmeriCorps Provisions by:

a. Requiring the names and verified criminal background checks of all members serving with children and/or vulnerable populations (as determined by state law) be sent to NACHC at the beginning of the program year;
b. Requiring the names and verified criminal background checks of any other members serving in a program (as per some health center policies, all new staff and volunteers are required to have a criminal background check);
c. Subrecipient Contracts will be amended to indicate the above mentioned new guidelines; and
d. A detailed training on the importance of conducting criminal background checks and how to respond to the results will be provided for all sites at the June Program Development Institute (annual grantee training/meeting).

In addition, the sites indicated in the report have responded to this issue below:

a) Directly excerpted from Attachment 1-San Francisco Community Clinic Consortium

"SFCCC failed to perform a background check on the AmeriCorps member assigned to the Adolescent Health Working Group. We did not consider this position to pose a significant risk of

abuse, since services are not provided to younger children or in unsupervised settings. SFCCC has since revised its policies and procedures so that background checks are preformed on all staff and AmeriCorps members, regardless of whether an individual works with children or other vulnerable populations."

b) Directly excerpted from Attachment 2 - Mississippi Primary Health Care Association

"The draft report reflects one finding for MPHCA, as indicated on page 16, regarding a Lack of Background Checks. The report states that the MPHCA failed to perform background checks for AmeriCorps members that had, or might have had, substantial direct contact with children. The report specifically cited an example of a member's duties that included working on-site at elementary schools and supervising children at clinics while parents were being seen by physicians.

We are taking this opportunity to offer clarification on this finding. A copy of the member's position description is attached which reflects that she provides assistance at a school-based clinic, operated by a Community Health Center, only two mornings each week. The member does not supervise children while parents are being seen by physicians inasmuch as no clinical services are provided to the parents at the school based clinic. This member's duties at the school based clinic consist primarily of entering enrollment information into the computer. Her direct contact with children was not considered significant. Also, it has been determined that the staff members who were assigned to this school-based clinic who supervised and/or assisted this member were not required to have a criminal background check by their employer.

Please be assured that the MPHCA will adhere to the requirement set forth in our Community HealthCorps contract with NACHC, which requires a criminal record check on those members who have substantial direct contact with children (as defined by state law) or who perform service in the homes of children or individuals considered vulnerable by the program."

Finding Number 7 – Inadequate Documentation of Member Records

As with the "Drug Free Workplace" finding indicated above the revised Member Agreement will more clearly indicate the receipt of the Member Position Description. Currently the member initializes that they received their Position Description. The revised agreement will ensure that the Description is attached as part of the Member Agreement, and remains that way within the actual file.

Directly excerpted from *Attachment 1-San Francisco Community Clinic Consortium*:

"*Missing Position Descriptions* - SFCCC has on file electronically all position descriptions, although the position descriptions were not physically attached to the Member Agreements. Members also indicated on their Member Agreement that they had received a copy of their position description. Furthermore, SFCCC has revised its policies and procedures to attach a copy of each member's position description to each member's Member Agreement.

Missing Mid-Term and End-Of-Term Evaluations - It has been noted by SFCCC that in the earlier years, staff did not properly and universally maintain or perform mid-term and end-of-term evaluations...SFCCC has revised its policies and procedures and educated staff so that the proper evaluations are preformed in accordance to AmeriCorps provisions and that the evaluations are filed in the Member Records."

In accordance with program requirements, Lifelong Medical Care provides orientation to all members. Members interviewed confirmed that they received orientation. We are unsure as to why this was questioned but we have provided a copy of the Pre-Service Orientation schedules as *Attachment 3–Lifelong Medical Care*.

Finding 8 – Subrecipient Failed to Submit Quarterly Progress Report

In the past, CNCS required quarterly progress reports, and NACHC required them in the subrecipient contracts. During the period of the subrecipient contract in question, CNCS had changed their guidance from submitting quarterly reports to submitting one annual progress report. NACHC did not amend the contract at the time. The site was in full compliance with CNCS guidelines and timely submitted the required progress report through the Web Based Reporting System (WBRS). NACHC will ensure that if CNCS makes changes to its reporting requirements, the subrecipient contracts between NACHC and the program sites will be changed accordingly.

Finding 9 – Enrollment and Change of Status Forms Not Reported Timely

NACHC requires all programs to enter enrollment, change of status and exit forms within the required 30 days. NACHC disputes the report in the area of "change of status forms":

> "Grace Hill Neighborhood Health Services did not enter…2 of 32 change of status forms, into WBRS within the required 30 days" (pg. 19)

There are not 32 "change of status" forms in the system, and if this is meant to reflect "exit" forms the report needs to be amended to correct this.

In many cases, where there is a late entry of enrollment and/or exit forms it is due to clarification of required documentation and/or a required signature by a member. In addition, NACHC requires all programs to enter service hour reports by the 18th of the month for the preceding month. NACHC will work closely with all sites to ensure these deadlines are being met.

Finding 10 – Inadequate Reconciliation at Subrecipients

Attached are responses from each of the sites that were questioned in this finding:

- *Attachment 4-Grace Hill Neighborhood Health Services*
- *Attachment 5 - Unity Health Care*
- *Attachment 6- Family Health Centers*

In addition, NACHC will add a component to its financial reviews that tests this particular internal control item.

Finding 11 – Inadequate Time Sheet Project Detail

NACHC will work with LifeLong Medical Care to ensure that its time reporting procedures are in accordance with AmeriCorps Provisions. NACHC will also add a component to its financial reviews that tests this particular internal control item.

San Francisco Community Clinic Consortium

1550 Bryant St., Suite 450, San Francisco, CA 94103 (415) 355-2222 (415) 865-9960 FAX

March 8, 2005

Mary Hawbecker, CPA
Vice-President and Chief Financial Officer
National Association of Community Health Centers
7200 Wisconsin Avenue
Suite 210
Bethesda, Maryland 20814

Dear Ms Hawbecker:

Please find below our comments regarding the finding specific to our agency in the OIG audit conducted by Kearney and Company.

Finding Number 3 – Time Sheets do not Support Direct Time Charge

The time sheet instrument previously used by SFCCC to document staff time was confusing, mixing grant funds and staff functions on the same sheet. This tool led to incorrect recording of an employee's time for the period in question. SFCCC has revised its time sheet instrument so that employees can clearly and accurately reflect the activities on which they work.

SFCCC utilizes their members to provide outreach and education at their homeless sites. The homeless program is funded by multiple sources one of which is AmeriCorps. The staff member in question provided support to the homeless program. Member activities can be substantiated in progress reports completed by the program. In the case of the staff person in question, the fund source was mistakenly recorded on his timesheets, though the activities and support he provided for the program were invaluable and can be linked directly to the activities of the program.

Finding Number 4 – Inadequate Documentation Maintenance of Member Records

Missing Members Records

The missing Member records for Program Year 01-02 and 02-03 have been located. The missing files were separated from the other member files during our office move and were offsite at the SFCCC storage space. In these individuals' files were also their exit forms and timesheets. The files have been brought back to our office and are available for review.

For the other, "education-award-only" individuals, there is evidence that each member in fact fulfilled the required responsibilities for receipt of an education award. Furthermore, SFCCC has made the necessary changes to its policies and procedures for maintaining complete and accurate AmeriCorps Member Records.

Finding Number 6 – Lack of Background Checks

SFCCC failed to perform a background check on the AmeriCorp member assigned to the Adolescent Health Working Group. We did not consider this position to pose a significant risk of abuse, since services are not provided to younger children or in unsupervised settings. SFCCC has since revised its policies and procedures so that background checks are preformed on all staff and AmeriCorps members, regardless of whether an individual works with children or other vulnerable populations.

Finding Number 7 – Inadequate Documentation Maintenance of Member Records

Missing Position Descriptions

SFCCC has on file electronically all position descriptions, although the position descriptions were not physically attached to the Member Agreements. Members also indicated on their Member Agreement that they had received a copy of their position description. Furthermore, SFCCC has revised its policies and procedures to attach a copy of each member's position description to each member's Member Agreement.

Missing Mid-Term and End-Of-Term Evaluations

It has been noted by SFCCC that in the earlier years, staff did not properly and universally maintain or perform mid-term and end-of-term evaluations. As you may be aware, our members are placed in more than ten different service sites, with different site supervisors, which complicates the collection of this information. SFCCC has revised its policies and procedures and educated staff so that the proper evaluations are preformed in accordance to AmeriCorps provisions and that the evaluations are filed in the Member Records.

Overall SFCCC does what it can to monitor and strengthens its policies, procedures and staff for ensuring that all grants funds are used for the purposes and in the amounts intended by the grant. We recognize that there is always room for improvement and welcome advice for further development. Improvements to our operations are illustrated in the OIG audit by the fact that incidence of missing files and forms occurred more often in the earlier years. SFCCC will continue to evaluate its policies and procedures so that it is in compliance to all funders' provisions.

Please let me know if you have any questions or need further information. Thank you for your assistance in this matter.

Sincerely yours,

Maria W. Powers
Vice President, Finance Information and Operations

Cc: Jason Patnosh, NACHC
Cal George, NACHC

MAR 4 2005

MISSISSIPPI PRIMARY HEALTH CARE ASSOCIATION

6400 Lakeover Road / Suite A / Jackson, MS 39213 / (601) 981-1817 / Fax (601) 981-1217

EXECUTIVE COMMITTEE

Marilyn Sumerford, President
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Dr. Martha K. Davis, Immediate Past-President
Kaye Ray, Secretary
Shirley Ellis, Treasurer
Sally Bates, Member-at-Large
Jasmin Chapman, DDS, Member-at-Large

Executive Director:
ROBERT M. PUGH, MPH
Email: rmpugh@mphca.com

March 1, 2005

Mr. Jason Patnosh
Deputy Director
Community HealthCorps
National Association of Community Health Centers
7200 Wisconsin Avenue, Suite 210
Bethesda, MD 20814

Re: **Audit Findings from Office of Inspector General, Community HealthCorps Grants**

Dear Mr. Patnosh:

The Mississippi Primary Health Care Association (MPHCA) has received a copy of the draft report from the Office of Inspector General which provides the results of the recent audit conducted by Kearney & Company.

The draft report reflects one finding for MPHCA, as indicated on page 16, regarding a Lack of Background Checks. The report states that the MPHCA failed to perform background checks for AmeriCorps members that had, or might have had, substantial direct contact with children. The report specifically cited an example of a member's duties that included working on-site at elementary schools and supervising children at clinics while parents were being seen by physicians.

We are taking this opportunity to offer clarification on this finding. A copy of the member's position description is attached which reflects that she provides assistance at a school-based clinic, operated by a Community Health Center, only two mornings each week. The member does not supervise children while parents are being seen by physicians inasmuch as no clinical services are provided to the parents at the school based clinic. This member's duties at the school based clinic consist primarily of entering enrollment information into the computer. Her direct contact with children was not considered significant. Also, it has been determined that the staff members who were assigned to this school-based clinic who supervised and/or assisted this member were not required to have a criminal background check by their employer.

Please be assured that the MPHCA will adhere to the requirement set forth in our Community HealthCorps contract with NACHC, which requires a criminal record check on those members who have substantial direct contact with children (as defined by state law) or who perform service in the homes of children or individuals considered vulnerable by the program.

Should any additional information be required concerning this matter, you may contact our Program Coordinator, Ms. Renee Campbell.

Sincerely,

Robert M. Pugh, MPH
Executive Director

MAILING ADDRESS: Post Office Box 11745, Jackson, MS 39283-1174
www.mphca.com

WEEKLY ASSIGNMENTS FOR AMERICORPS MEMBERS
JACKSON-HINDS COMPREHENSIVE HEALTH CENTER

Days & Location	Assignment	Time
Monday Brown Elementary School	Monitor, Register students/patients at this school-based site, contact parents if needed for enrollment or follow-up	8:00 a.m. - 11:45 a.m. 12:00 p.m. - 1:00 p.m. Lunch
Peds/Screening Main Site	Appointment reminders, schedule clinic appointments; patient education	1:00 p.m. - 2:30 p.m.
	Complete paper work from school based sites (encounters, registration packages; prepare encounters for Friday	2:30 p.m. - 5:00 p.m.
Friday Poindexter Elementary School	Monitor, register students/patients at this school-based site; contact parents if need for enrollment or follow-up	8:00 a.m. - 11:45 a.m. 12:00 p.m. - 1:00 p.m. Lunch
Peds/Screening Main Site	Appointment reminders, schedule clinic appointments; patient education	1:00 p.m. - 2:30 p.m.
	Complete paper work from school based sites (encounters, registration packages; prepare encounters for Friday	2:30 p.m. - 5:00 p.m.
Tuesday, Wednesday, Thursday Main Site	Appointment reminders, Peds/Screening/Adult, schedule clinic appointments; patient education	8:00 a.m. - 11:45 a.m. 12:00 p.m. - 1:00 p.m. Lunch
	Complete school based sites paperwork (encounters, registration packages; prepare encounters for Friday	1:00 p.m. - 2:30 p.m.
	Appointment reminders, patient surveys, training in the Billing Department to develop skills to enhance professional development in the field of health-care (Contacting insurance companies, registration, completing insurance forms and etc.)	2:30 p.m. - 5:00 p.m.

Pre Service Orientation Agenda

Monday, September 2
No training – holiday

Tuesday, September 3
9-10 am Introductions
10-11 am AmeriCorps Overview
11-12 pm Intro LifeLong, Public Health and Community Clinics
12-1 pm Lunch
1-2 pm Job Placements Introduction
2-3 pm Paperwork and Rules of Conduct with Human Resources
3-4 pm Financial Forms/Q&A
4-5 pm Tours of West Berkeley Family Practice and surrounding area

Wednesday, September 4
9-10 am Introduction to Insurances
10-12 am Step-by-step—AmeriCorps logistics
12-1 pm Lunch
1-2 pm Medi-Cal
2-2:30 pm Healthy Families
2:30-3 pm Family Pact
3-5 pm LifeLong Fun Run 5K and Parade Prep

Thursday, September 5
9-10:30 am CHDP, Vis-a-Dent, Care Entrée, AIM, Kaiser Kids
10:30-12 Tour of Berkeley Primary Care: Supportive Housing Project, The LifeLong Clinic, Access Program
12-1 pm Lunch
1-5 pm Handling Outside Business: signing up for Food stamps, etc.

Friday, September 6
9-5 am Healthy Families and SSI Advocacy Training

Sunday, September 8
8-12 pm LifeLong Fun Run

Monday, September 9
9-11 am East Oakland Clinic Tour
11-12 am Projects Brainstorm and sign-up
12-1 pm Lunch
1-5 pm Meet with San Francisco Health Corps
7-8 pm Youth Homeless Clinic—optional

Tuesday, September 10
9-12 am Merrit Training
12-1 pm Lunch
1-3 pm Over 60 Clinic Tour
3-5 pm Family Care and First Care Training

Wednesday, September 11
8-5 pm September 11th Anniversary Service Project: Fred Finch Youth Center

Thursday, September 12
9-10 am Parade Prep
10-11 am Member Orientation to Site Placement
11-12 am Healthy Seniors
12-1 pm Lunch
1-2 pm Report about sites and site placements
2-5 pm Patient Scenarios
7-9 pm GOSERV Members: Back-to-School Night (elementary)

Friday, September 13
9-10 am Evaluations, last-minute questions
10-12 Team Building
12-1 pm Lunch
1-5 pm Team Building

Pre Service Orientation Agenda
September 8th – September 16th, 2003

Monday, September 8
All day at WBFP (West Berkeley Family Practice) Auditorium

9 – 11	Breakfast, Getting to Know the Team and Intro to AmeriCorps *Morgan Fitzpatrick, AmeriCorps Program Director*
11 – 12	The Big Picture: Intro to LifeLong, Public Health, and Community Clinics *Marty Lynch, LifeLong Medical Care CEO*
12 – 1	Lunch
1:30 – 2	Current LifeLong Goals and Issues *Melissa Schoen, LifeLong Medical Care COO*
2 – 2:30	Financial Forms Q/A *Patricia Espinosa, Contract/GL Accountant*
2:30 – 3:30	Team Building Activity: Creating the Ideal Health Center
3:30 – 4	Cultural Competency in Community Clinics
3:30 – 5	Walking Tour of WBFP, Surrounding Area, and Fifth Street

Tuesday, September 9
9-11 at East Oakland; 11-5 at Over 60 Health Center (OSHC)

9 – 11	New-Hire Orientation with Human Resources *Sophia Mao-Redwine, Human Resources Generalist*
11 – 12	Migrate to Over 60 Health Center, tour the clinic
12 – 1	Lunch
1 – 1:30	Insurance Overview *LaTonya Summers, Member Services Manager*
1:30 – 2	HIPAA Video and Discussion *Kelly Haeussler, Training and Compliance Manager*
2 – 2:30	Healthy Families *Christhy Wilson, Member Services Representative*
2:30 – 3	Family PACT *Rosy León, Member Services Representative*
3 – 3:30	Clinical Services and Quality Assurance *Floyd Huen, Medical Director, LMC*
3:30 – 5	Fun Run and Parade Prep *Development Team*

Wednesday, September 10
9-12 in WBFP Auditorium; 1-5 WBFP Member Services

9 – 10	Site Placements Orientation, Resources Binder Review
10 – 11	Site Supervisor/Member Orientation
11 – 12	Insurance Enrollment—Step by Step: CMSP, and EAPC *Michael Reed, Member Services Representative*
12 – 1	Lunch
1 – 2	Medi-Cal and Personal Eligibility (PE) *LaTonya Summers, Member Services Manager*
2 – 5	Merritt Training *Sylvia Green, Systems Analyst*

Thursday, September 11
9 – 12 East Oakland; 12:30-5 at WBFP Auditorium

9 – 10	Health Education/Outreach and Projects Discussion
10 – 11	Supplemental Insurances Overview: Vís-a-Dent, Care Entrée, AIM, and Alameda Alliance *LaTonya Summers, Member Services Manager*
11 – 12	Tour: East Oakland
12 – 1	Lunch
1 – 2	Tour: LifeLong Dental Care
2	Hope McDonnell to meet with Anita
2 – 4	CHDP Overview: Video and Q & A *Diane Covall, Public Health Nurse, City of Berkeley*
4 – 5	Tour: Supportive Housing Project

Friday, September 12
All day at the WBFP Auditorium

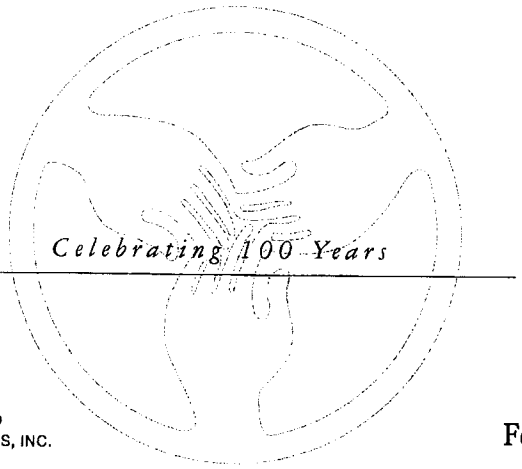
9 – 11	Lina and Anita only: CHDP Application Entry Training
9 – 11	More Parade Prep (everyone except Lina and Anita)
11 – 12	Former AmeriCorps Panel *Kim Honda, Carrie Cangelosi and Hilary Schlickman from Community Health Corps, Berkeley (2002-2003); Iris Cholula from Learning For Life (2002-2003); Kelly Johnson from Community Health Corps, San Francisco (2002-2003)*
12 – 1	Catered Lunch
1 – 5	SSI Advocacy Training *April Davis, Homeless Action Center*

Monday, September 15
All day at the WBFP Auditorium

9 – 11	Benefits Check-up Training (http://www.benefitscheckup.org) *George Massengale, Healthy Seniors Program Director* Medi-Care Training *Naomi Young, Legal Assistance for Seniors*
11 – 12	Family Care, First Care, and Group Care (Alameda Alliance for Health) *Christhy Wilson, Member Services Representative*
12 – 1	Lunch
1 – 4	CHDP Application Training *Patricia Lebrón,*
4 – 5	Case Management
7 – 8	Youth Homeless Clinic—optional *At Berkeley Primary Care*

Tuesday, September 16
All day at the WBFP Auditorium

9 – 12	Handling Business: Food Stamps, Fingerprinting, etc.
12 – 1	Lunch
1 – 2	Evaluations, last-minute questions
2 – 4:30	Patient Insurance Scenarios *Michael Reed, Member Services Representative*
4:30 – 5	Swearing In



GRACE HILL

neighbors helping neighbors

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February 23, 2005

Attn: Jason Patnosh
Deputy Director – Community HealthCorps
National Association of Community Health Centers
7200 Wisconsin Ave Suite 210
Bethesda, MD 20814

Dear Mr. Patnosh:

As discussed during our conference call today, Grace Hill has agreed to segregate transactions by grant and year by utilizing separate account codes for each grant year in its accounting system. This change will be implemented to address the comments applicable to Grace Hill as shown on page 20 of the audit report of the Community HealthCorps program provided by the Inspector General's (IG) Office for the Corporation for National and Community Service.

Let me know if you have any questions.

Sincerely,

Janet Voss

Janet Voss
Chief Financial Officer

cc.:
Richard K. Gram
Yvonne M. Buhlinger
Linda L. Williams

UNITY
HEALTH CARE
3020 14th St. N.W. Washington, DC 20009
www.unityhealthcare.org

Attn: Jason Patnosh
Deputy Director – Community HealthCorps
National Association of Community Health Centers
7200 Wisconsin Ave., Suite 210
Bethesda, MD 20814

March 15, 2004

Dear Mr. Patnosh,

I am writing this letter in response to the findings reported on page 20 of the Inspector General's Office for the Corporation for National and Community Service. Unity Health Care, Inc. (Unity) has agreed to reconcile the financial information maintained in our accounting system and the Periodic Expense Reports (PERs) submitted to the National Association of Community Health Centers (NACHC). All transactions will reconcile with the final PER and our financial system will segregate transactions by grant and year. This will be achieved by maintaining separate account codes for each grant year in our accounting system.

If you have any further questions, please contact Ardell Butler, Unity's Chief Financial Officer at (202) 518-6438.

Sincerely,

Vincent A. Keane
Chief Executive Officer
Unity Health Care, Inc.

Family Health Centers, Inc.
P.O. Box 1806 / 3310 Magnolia Street
Orangeburg, SC 29116
Telephone (803) 531-6900 • Fax (803) 531-6907
http://fhc-oburg.org

Accredited by
Joint Commision
on Accreditation of Healthcare Organizations

March 14, 2005

Jason Patnosh
Deputy Director-Community HealthCorps, LLC
National Association of Community Health Centers
7200 Wisconsin Ave Suite 210
Bethesda, MD 20814

Re: Audit Findings from Inspector General-Inadequate Reconciliations at Subrecipients

Dear Mr. Patnosh,

As a follow-up to our conference call on February 23, 2005 regarding the Inspector General's Audit Findings, specifically the finding regarding the inadequate reconciliations due to the accounting system not segregating transactions by grant and program year, Family Health Centers, Inc (Orangeburg, SC) has implemented a process in which the AmeriCorp Grant will be assigned a unique cost center for the grant/program period as per the award.

We believe this will adequately allow the center to track revenues/expenditures by program year. This change will be implemented during our current fiscal year (Dec'04-Nov '05).

Your assistance and the assistance of your staff were greatly appreciated during the audit.

Please call me at (803) 531-6914 or Tina Sharperson, Acting Manager at (803) 531-6922 if you have any questions and/or concerns.

On behalf of Dr. Arthur Kennedy, CEO, and staff, we thank you for your time and effort as we continue to deliver quality healthcare to the individuals we serve.

With Warm Personal Regards,

Helen Bryson, CFO

Cc: Dr. Arthur Kennedy, CEO
Shauna Patterson, AmeriCorp Coordinator
Tina Sharperson, Accounting Manager
Ray Knight, Director of Operations

Morgan Fitzpatrick
Program Coordinator
Community HealthCorps
LifeLong Medical Care
2031 Sixth Street
Berkeley, CA 94710
Tel: 510-981-4240

March 15, 2005

Jason Patnosh, Deputy Director
Community HealthCorps
National Association of Community Health Centers
7200 Wisconsin Ave, Suite 210
Bethesda, MD 20814

Dear Jason Patnosh,

This letter is in regards to Inspector General's Audit Findings and your Urgent Memo dated February 15, 2005.

Inadequate documentation Maintenance of Member Records Resulting in Questioned Costs

RESPONSE: If provided with the AmeriCorps member's name, LifeLong Medical Care would be more than happy to attempt to produce these forms.

Lack of Background Checks

RESPONSE: LifeLong Medical Care is committed to running background checks on AmeriCorps members when appropriate. The Audit finding that AmeriCorps members supervise children in clinics is erroneous. If Auditors' fieldwork found that this information is false, the Program Coordinator will need names of members so that she can speak with them regarding their duties. School-based member(s) are beginning to work with children in schools (previously their work had been limited to paperwork and follow-up with parents only) and LMC is re-evaluating if background checks are necessary.

Inadequate Documentation Maintenance of Member Records

(1) **Position Descriptions.** RESPONSE: Position descriptions are on file for each AmeriCorps member at least as far back as 2002-2003; at the time of the audit they were integrated into the Member Agreement Process and filed in a separate folder at the front of the Program Year's file. LMC will ensure that these position descriptions are also in each member's file.
(2) **Orientation.** RESPONSE: LMC's current practice of including the Pre-Service Orientation schedule as well as signed and dated Member Agreements in the Program Year's file has never been challenged as insufficient proof of orientation. The Program Coordinator and LMC will gladly take NACHC's suggestions in response to this finding.
(3) **Member Evaluations.** RESPONSE: The Program Coordinator challenges this finding beginning Program Year 03-04 (member evaluations are indeed missing from previous program years). Moreover, form-tracking systems are in place (and have been since the 2003-2004 Program Year) to avoid missing evaluations from member files in the future.

Enrollment and Change of Status Forms Not Reported Timely

RESPONSE: LMC is aware of the provision that says that change of status and enrollment forms are due within 30 days. LMC has always tried to comply when possible and will continue to do so in the future.

Internal Control Findings

(1) **Inadequate Reconciliations at Subrecipients.** RESPONSE: LifeLong Medical Care strenuously challenges this finding. At the time of the audit, copies of ALL invoices listed in the findings were in fact provided to auditors. Auditors did request the originals of those invoices but as they had been archived in storage, this would have been difficult. The auditors made no mention that without the originals LMC would be found incompliant and therefore responsible for reimbursement of those costs; as such, copies were thought to be sufficient at the time.
(2) **Inadequate Timesheet Project Detail.** RESPONSE: Program Coordinator was not aware that such additional documentation is necessary and will be happy to comply.

Thank you for your time,

Morgan Fitzpatrick

Morgan Fitzpatrick
Program Coordinator
Community HealthCorps
LifeLong Medical Care
2031 Sixth Street
Berkeley, CA 94710
Tel: 510-981-4240

March 15, 2005

Jason Patnosh, Deputy Director
Community HealthCorps
National Association of Community Health Centers
7200 Wisconsin Ave, Suite 210
Bethesda, MD 20814

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Internal Control Findings

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Thank you for your time,

Morgan Fitzpatrick

APPENDIX B

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S RESPONSE

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Andrew Kleine, Acting Chief Financial Officer
Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator

Date: March 15, 2005

Subject: Response to OIG Draft Audit of Grants Awarded to the National Association of Community Health Centers

We have reviewed the draft incurred-cost audit of grants awarded to the National Association of Community Health Centers. Due to the limited timeframe for response, we have not thoroughly reviewed the report nor have we discussed it with the grantee. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.