Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

SEVENTEEN OF THIRTY SELECTED HEALTH CENTERS DID NOT USE OR MAY NOT HAVE USED THEIR HRSA COVID-19 SUPPLEMENTAL GRANT FUNDING IN ACCORDANCE WITH FEDERAL REQUIREMENTS

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

Report in Brief
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Report No. A-02-21-02005

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

Seventeen of Thirty Selected Health Centers Did Not Use or May Not Have Used Their HRSA COVID-19 Supplemental Grant Funding in Accordance With Federal Requirements

Why OIG Did This Audit

In response to the unprecedented crisis of COVID-19, Congress appropriated approximately $2 billion for supplemental grant funding to the Health Resources and Services Administration (HRSA) Health Center Program. HRSA awarded this supplemental grant funding to health centers and made the funds immediately available to help vulnerable populations and underserved communities detect, prevent, diagnose, and treat COVID-19. This audit is part of the OIG's COVID-19 response strategic plan.

Our objective was to determine whether selected health centers used their COVID-19 supplemental grant funding in accordance with Federal requirements and grant terms.

How OIG Did This Audit

Our audit covered COVID-19 supplemental grant funding totaling $70,305,389 awarded during fiscal year 2020 to 30 selected health centers. We judgmentally selected these health centers for audit based on their geographic location, financial risk level, and grant award amounts. For each of the sampled health centers, we interviewed financial and program officials and reviewed financial documentation and other records.

What OIG Found

Seventeen of the 30 selected health centers did not use or may not have used a portion of their COVID-19 supplemental grant funding in accordance with Federal requirements and grant terms. Specifically, 10 health centers charged unallowable costs totaling $787,152 and 13 health centers may not have properly allocated salary and fringe benefits costs totaling $15,056,835 to their COVID-19 supplemental grant funding. (The total exceeds 17 because 6 health centers had more than 1 deficiency.) These funds could have been used to support health centers' activities related to COVID-19 response, including providing essential testing services to monitor and suppress COVID-19.

These deficiencies occurred because health centers did not always follow HRSA's guidance for financial management systems and internal controls to ensure that only allowable, allocable, and documented costs were charged to their COVID-19 supplemental grant funding.

What OIG Recommends and HRSA Comments

We made a series of recommendations to HRSA, including that it require health centers in our sample to refund unallowable and improperly allocated costs to the Federal Government. In addition, we recommended that HRSA assist the 17 health centers to implement HRSA's guidance for developing and maintaining financial management systems and internal controls that ensure only allowable, allocable, and documented costs to their HRSA supplemental grant funding.

In written comments on our draft report, HRSA partially concurred with our recommendations and described actions it plans to take to address them. HRSA stated that it is committed to reviewing health centers' documentation and following up on those claims that can be substantiated, and will work with the identified health centers to resolve any issues. We maintain that our findings and recommendations are valid and acknowledge HRSA's efforts to ensure appropriate use and oversight of COVID-19 supplemental grant funding.

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INTRODUCTION

WHY WE DID THIS AUDIT

In January 2020, the Department of Health and Human Services (HHS) declared the outbreak of COVID-19 in the United States a public health emergency. In response to this unprecedented crisis, Congress appropriated approximately $2 billion for supplemental grant funding for the Health Resources and Services Administration (HRSA) Health Center Program. HRSA awarded this supplemental grant funding to health centers and made the funds immediately available to help vulnerable populations and underserved communities detect, prevent, diagnose, and treat COVID-19.

COVID-19 created extraordinary challenges for the delivery of health care and human services to the American people. As the oversight agency for HHS, the Office of Inspector General (OIG) oversees HHS's COVID-19 response and recovery efforts. This audit is part of the OIG's COVID-19 response strategic plan.[1, 2]

OBJECTIVE

Our objective was to determine whether selected health centers used their COVID-19 supplemental grant funding in accordance with Federal requirements and grant terms.

BACKGROUND

The Health Center Program

The Health Center Program, authorized under section 330 of the Public Health Service Act (42 U.S.C. § 254b), awards grants to health centers to provide primary health care services to medically underserved communities and vulnerable populations with limited access to health care. Health centers focus on integrating care for their patients across a full range of statutorily required and additional services, including medical, dental, mental health, substance use disorder, and vision services. Within HHS, HRSA administers the Health Center Program.

[1] OIG's COVID-19 response strategic plan and oversight activities can be accessed at HHS-OIG's Oversight of COVID-19 Response and Recovery | HHS-OIG.

[2] In a separate audit, we plan to review HRSA's monitoring of high-risk COVID-19 grantees.

COVID-19 Supplemental Grant Funding

In fiscal year (FY) 2020, HRSA awarded approximately $2 billion in supplemental grant funding to 1,387 health centers nationwide to respond to the COVID-19 public health emergency.[3] The funding was intended to support health centers' activities related to the detection, prevention, diagnosis, and treatment of COVID-19, including maintaining or increasing health center capacity and staffing levels during the pandemic. It also provided funding for health centers to purchase, administer, and expand capacity for testing to monitor and suppress COVID-19.[4] HRSA separately awarded grants for each of the COVID-19 supplemental grant funding appropriations with different activity codes to support its tracking of COVID-19-related spending.[5, 6]

To expedite distribution of the COVID-19 supplemental grant funding, HRSA did not require health centers to apply for these funds. Instead, HRSA made the funds immediately available to health centers and required the health centers to submit activity overviews and budget information within 30 days of the award release date.[7] Health centers were also required to submit quarterly progress reports to HRSA on the status of activities supported with each supplemental grant funding appropriation.[8] Specifically, health centers were required to report on activities in five categories: (1) staff and patient safety, (2) testing, (3) maintaining or increasing health center capacity and staffing levels, (4) telehealth, and (5) minor

[3] This included funding from three COVID-19 appropriation bills: (1) the Coronavirus Aid, Relief and Economic Security (CARES) Act ($1.32 billion), (2) the Paycheck Protection Program and Health Care Enhancement Act ($583 million), and (3) the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 ($100 million). We refer to the amount appropriated through these laws as COVID-19 supplemental grant funding. The performance period for these one-time supplemental awards was 12 months and health centers were permitted to charge pre-award costs to the awards to support expenses related to the COVID-19 public health emergency dating back to January 20, 2020. Health centers could request for an extension period up to 12 months to complete approved projects or programs by submitting prior approval requests to HRSA.

[4] This funding was from the $583 million COVID-19 supplemental grant funding appropriation awarded for expanding capacity for COVID-19 testing. See footnote 3.

[5] Funding appropriated by the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, the CARES Act, and the Paycheck Protection Program and Health Care Enhancement Act were issued under activity codes H8C, H8D, and H8E, respectively.

[6] The COVID-19 supplemental grant funding was one of many Federal programs to address the pandemic, including the HRSA COVID-19 Uninsured Program, which allowed providers, including health centers, to enroll and submit claims for reimbursement of COVID-19 testing and treatment made to uninsured individuals. Health centers also received operational and other supplemental grants. Operational grants are generally ongoing funding while supplemental grants are usually one-time funding for a specific purpose.

[7] During a normal grant application process, this information is usually submitted to, reviewed, and approved by HRSA before funds are awarded to a grant recipient.

[8] HRSA reviewed quarterly progress reports submitted by health centers for each award and monitored health centers' drawdown activities.

alteration/renovation, as applicable.[9] HRSA provided guidance to the health centers on allowable uses of the supplemental funds, including terms and conditions in grant award notices. It also maintained technical assistance webpages, online Frequently Asked Questions (FAQs), and recorded webinars.

HOW WE CONDUCTED THIS AUDIT

Our audit covered COVID-19 supplemental grant funding totaling $70,305,389 awarded during FY 2020 to 30 selected health centers. We judgmentally selected these health centers for audit based on their geographic location, financial risk level, and grant award amounts.[10, 11] For each of the sampled health centers, we interviewed financial and program officials and reviewed financial documentation and other records to determine whether the health center (1) used the awarded supplemental grant funding to prepare for, prevent, and respond to COVID-19, including maintaining or increasing its capacity and staffing level; (2) purchased, administered, and expanded capacity for testing to monitor and suppress COVID-19; (3) complied with grant reporting requirements; and (4) charged allowable costs for all awarded COVID-19 supplemental grant funding.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

FINDINGS

Seventeen of the 30 selected health centers did not use or may not have used a portion of their COVID-19 supplemental grant funding in accordance with Federal requirements and grant terms. Of the 17 health centers, 10 charged unallowable costs and 13 may not have properly allocated costs to their COVID-19 supplemental grant funding. The total number of health centers with deficiencies exceeds 17 because 6 health centers had more than 1 deficiency.

[9] Health centers are also required to submit annual Federal Financial Reports and Tangible Personal Property Reports after the completion of each project.

[10] We selected health centers located within the counties with the highest number of COVID-19 cases in calendar year (CY) 2020. We obtained the COVID-19 case data by county from the USAFacts.org website in January 2021.

[11] The health centers' financial risk levels were determined by HRSA's Division of Financial Integrity. HRSA considered 6 of the 30 health centers to be at high or moderate risk levels at the time of award or as of March 31, 2021.

These deficiencies occurred because although HRSA provided supplemental grant funding guidance, including allowable uses of funds, and monitored each award, health centers did not always follow HRSA's guidance. Specifically, health centers' financial management systems and internal controls did not always ensure that only allowable, allocable, and documented costs were charged to their COVID-19 supplemental grant funding.

As a result, 10 of the 30 sampled health centers charged unallowable costs totaling $787,152 to their COVID-19 supplemental grant funding and 13 health centers may not have properly allocated costs totaling $15,056,835 to their COVID-19 supplemental grant funding. Nearly 50 percent of the $787,152 in unallowable costs were charged to the COVID-19 supplemental grant funding for expanding capacity for COVID-19 testing. These funds could have been used to provide essential testing services to monitor and suppress COVID-19. In addition, improperly allocated costs could have been used to support health centers' activities related to the COVID-19 public health emergency, including preventing, preparing for and responding to COVID-19.

HEALTH CENTERS CHARGED UNALLOWABLE COSTS

Ten of the thirty sampled health centers charged unallowable costs to their COVID-19 supplemental grant funding totaling $787,152. The table below summarizes the unallowable costs we identified and the associated number of health centers.[12]

Table: Unallowable Costs Associated With Sampled Health Centers

Unallowable Costs	No. of Health Centers	Amount
Costs for Testing Services Paid by HRSA COVID-19 Uninsured Program	4	$413,188
Costs Not Related to the Grants or Adequately Supported	4	18,837
Costs Not Consistent with Grant Funding Purpose	3	319,300
Duplicate Salaries Charged to Multiple Funding Sources	2	4,352
Salary Exceeded Federal Executive Level II Salary Limit	1	31,475
Total	**14**	**$787,152**

[12] The total number of health centers with deficiencies exceeds 10 because 3 health centers had multiple deficiencies.

Health Centers Charged Costs for Testing Services Paid by HRSA COVID-19 Uninsured Program

Health centers may not use their COVID-19 supplemental grant funding to support costs that are reimbursed or compensated by other Federal or State programs that provide for such benefits, including the HRSA COVID-19 Uninsured Program (the UIP).[13] Grant recipients shall consider payments from the UIP to be payment in full for COVID-19 testing and/or testing-related items, vaccine administration, care, or treatment.[14]

Four sampled health centers charged laboratory costs for processing COVID-19 tests to their COVID-19 supplemental grant funding, submitted claims for these services to the UIP, and received reimbursements from the UIP for these services.[15] In total, the four health centers charged laboratory costs related to COVID-19 testing totaling $413,188 to their COVID-19 supplemental grant funding and received reimbursement totaling $410,433 from the UIP for these services. According to HRSA, health centers should have accepted any payments from the UIP as payment in full and should not have charged the costs to their COVID-19 supplemental grant funding, including the difference between the amount claimed to the UIP and the amount they were reimbursed by the UIP.[16, 17]

Costs Not Related to the Grants or Adequately Supported

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be allocable (45 CFR § 75.403(a)). The financial management system of each grant recipient must provide accurate, current, and complete disclosure of the financial results of each Federal award or program. The grant recipient's records must identify the source and application of funds for federally funded activities and be supported by source documentation (45 CFR §§ 75.302(b)(2) and (3)).

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[13] See FY 2020 Expanding Capacity for Coronavirus Testing Supplemental Funding Guidance Reporting Requirements for Health Centers | Bureau of Primary Health Care (hrsa.gov) and Coronavirus-Related Funding FAQs | Bureau of Primary Health Care (hrsa.gov).

[14] Terms and Conditions for Participation in the HRSA COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured Program.

[15] We worked with OIG's Division of Data Analytics (DDA) to identify claims for COVID-19 testing submitted to the UIP by the 30 sampled health centers. Eleven of the 30 health centers submitted claims for COVID-19 testing to the UIP. We matched the claims data provided by DDA for these health centers with information provided by the health centers for laboratory costs related to COVID-19 testing charged to their COVID-19 supplemental grant funding.

[16] As a result of our audit, two of the health centers returned a total of $379,805 to the UIP.

[17] Working with OIG's DDA, we determined that 506 of the 1,357 health centers not selected for this review submitted claims for COVID-19 testing to and received reimbursement from the UIP totaling $169,864,569. We plan to conduct additional audit work to determine if these health centers charged COVID-19 laboratory costs to both their COVID-19 supplemental grant funding and the UIP.

Four sampled health centers charged costs totaling $18,837 to their COVID-19 supplemental grant funding that were not related to the grants or adequately supported. One of these health centers stated that it erroneously charged computer and supplies costs that should have been charged to its Head Start program. Another health center charged computer costs to its COVID-19 supplemental grant funding based on a price quote; however, the actual invoiced amount for these costs was less than the quote. A third health center provided two invoices for purchasing supplies (e.g., personal protective equipment (PPE), masks, gloves, gowns); however, the invoices did not contain adequate information. Specifically, only the vendor's name was included on the invoices (the invoices did not include the vendor's address and contact information, an invoice number, or a date). The remaining health center drew down funds from its COVID-19 supplemental grant funding for purchasing PPE. However, the health center could not provide documentation to support the expenditures.[18]

Costs Not Consistent with Grant Funding Purpose

A cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to that Federal award in accordance with relative benefits received (45 CFR § 75.405(a)). In addition, COVID-19 supplemental grant funding for expanding capacity for COVID-19 testing must be used by health centers for necessary expenses to purchase, administer, and expand capacity for testing to monitor and suppress COVID-19.[19]

Three sampled health centers charged salaries and other costs, totaling $319,300, to their COVID-19 supplemental grant funding awarded for expanding capacity for COVID-19 testing, that were not related to COVID-19 testing activities and therefore not consistent with grant terms and conditions. Specifically, one health center charged 100 percent of salary and fringe benefits costs to its COVID-19 supplemental grant funding for an OB/GYN physician that did not work directly with COVID-19 testing.[20] Another health center used its grant funds to purchase a mobile unit to increase its dental services capacity and provide services to patients in rural areas with limited access to care. The remaining health center purchased dental supplies (e.g., fluoride rinse, floss, and toothpaste) with its grant funds.

[18] During our audit, the health center stated that it did not have the supporting documentation and provided documentation that it returned the funds, totaling $2,948, to HRSA.

[19] Program Specific Terms in Notice of Grant Award.

[20] According to the health center, the doctor did not work directly with COVID-19 testing during the grant period.

Duplicate Salaries Charged to Multiple Funding Sources

Health centers may not use COVID-19 supplemental grant funding to support costs reimbursed or compensated by other Federal or State programs that provide for such benefits.[21]

Two sampled health centers charged duplicate salary costs totaling $4,352 to multiple funding sources. Specifically, one health center charged duplicate salary costs for one employee to two different COVID-19 supplemental grant funding appropriations for one pay period.[22] Another health center allocated a portion of its employees' salaries to its COVID-19 supplemental grant funding in addition to charging 100 percent of the salaries for the same periods to its operational grant (H80).

Salary Exceeded Federal Executive Level II Salary Limit

Grant recipient's costs must conform to any limitations or exclusions set forth in the Federal awards as to types or amount of cost items (45 CFR § 75.403(b)). The amount of direct salary that may be paid to an individual under a HRSA grant is restricted to a rate no greater than Executive Level II of the Federal Executive Pay Scale.[23, 24]

One sampled health center charged salary and fringe benefit costs for the chief medical officer to its COVID-19 supplemental grant funding that exceeded the Executive Level II salary levels for calendar years (CYs) 2020 and 2021 by a total of $31,475.

HEALTH CENTERS MAY NOT HAVE PROPERLY ALLOCATED COSTS TO THEIR COVID-19 SUPPLEMENTAL GRANT FUNDING

Thirteen health centers in our sample may not have properly allocated salary and fringe benefits costs, totaling $15,056,835, to their COVID-19 supplemental grant funding.

Salary and Fringe Benefits Costs Charged Based on Budget Estimates

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than

[21] See Program specific terms in Notice of Grant Award, FY 2020 Expanding Capacity for Coronavirus Testing Supplemental Funding Guidance Reporting Requirements for Health Centers | Bureau of Primary Health Care (hrsa.gov) and Coronavirus-Related Funding FAQs | Bureau of Primary Health Care (hrsa.gov).

[22] Costs were charged to funding appropriated by the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act. We disallowed the portion of salary costs that exceeded the gross wages paid to the employee for the pay period.

[23] The Executive Level II salary level is $197,300 and $199,300, for CYs 2020 and 2021, respectively.

[24] Standard terms in Notice of Grant Award.

one Federal award or both a Federal award and a non-Federal award. Budget estimates (i.e., estimates determined before services are performed) alone do not qualify as support for charges to Federal awards. The grant recipient's system of internal controls should include processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated (45 CFR § 75.430(i)(1)).

Twelve sampled health centers allocated salary and fringe benefits costs totaling $14,093,862 to their COVID-19 supplemental grant funding based on budget estimates that may not have accurately reflected the work performed. Specifically, the health centers did not maintain records, such as time-and-effort reports, to support the actual distribution of employees' time and the allocation of salaries or wages for each employee that worked on Federal awards. As a result, we could not determine what portion of salary and fringe benefits costs charged by these health centers for staff who worked less than 100 percent on COVID-19 supplemental grant-funded activities were allocable to the grants.

Salary and Fringe Benefits Costs May Not Be Consistent with Grant Funding Purpose

A cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to that Federal award in accordance with relative benefits received (45 CFR § 75.405(a)). In addition, COVID-19 supplemental grant funding awarded for expanding capacity for COVID-19 testing must be used by health centers for necessary expenses to purchase, administer, and expand capacity for testing to monitor and suppress COVID-19.[25]

One sampled health center allocated 100 percent of salary and fringe benefit costs totaling $962,973 for 82 employees from various departments, including its accounting, communications, compliance and risk, information technology, and pharmacy departments, to its COVID-19 supplemental grant funding for expanding capacity for COVID-19 testing. However, the health center did not maintain supporting documentation to show that these employees worked on COVID-19 testing-related activities as required by the grant's terms and conditions. As a result, we could not determine what portion of the employees' salary and fringe benefits costs were allocable to the health center's COVID-19 supplemental grant funding.

CAUSE OF UNALLOWABLE AND POTENTIALLY IMPROPERLY ALLOCATED COSTS

Although HRSA provided supplemental grant funding guidance (including guidance on allowable uses of these funds) and monitored each award, health centers charged unallowable costs and may not have properly allocated costs to their COVID-19 supplemental grant funding because they did not always follow HRSA's guidance. Specifically, health centers did not follow HRSA's guidance on maintaining financial management systems and internal controls that would

[25] Program Specific Terms in Notice of Grant Award.

ensure that only allowable, allocable, and documented costs were charged to their COVID-19 supplemental grant funding.

Health centers did not always charge costs that were consistent with grant terms and maintain sufficient documentation to support how they allocated costs to Federal awards, including their COVID-19 supplemental grant funding. Further, some health centers stated that there was a lack of communication between their billing and accounting departments that led to the charging of some testing services to both the COVID-19 supplemental grant funding and the UIP. Some health centers also stated that they thought that they could charge their COVID-19 supplemental grant funding the difference between what they billed the UIP and what the UIP reimbursed them. In addition, the health centers charged salary and fringe benefits costs based on budget estimates and did not have processes to review interim charges and make necessary adjustments (e.g., reconciling charges based on budget estimates to records that support the actual distribution of employees' time) to ensure amounts charged to the awards were accurate for each employee who worked on Federal awards.

RECOMMENDATIONS

We recommend that the Health Resources and Services Administration:

- require the 10 health centers identified in our report as having charged unallowable COVID-19 supplemental grant funding costs to refund $787,152 (less any amounts health centers voluntarily refunded as a result of our audit) to the Federal Government;

- work with the 13 health centers identified in our report that may not have properly allocated COVID-19 supplemental grant funding costs to determine what portion of the $15,056,835 is allocable to their COVID-19 supplemental grant funding and require the health centers to refund the improperly allocated funds to the Federal Government; and

- assist the 17 health centers identified in our report as having charged unallowable costs or potentially improperly allocated costs to implement HRSA's guidance for developing and maintaining financial management systems and internal controls that ensure that only allowable, allocable, and documented costs are charged to their HRSA supplemental grant funding.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA partially concurred with our recommendations and described actions it plans to take to address them. HRSA stated that Congress provided COVID-19 supplemental grant funding and allowed flexibility for health centers to respond to the unique needs in their communities. HRSA also stated that it is concerned that OIG may be conflating reporting and documentation issues associated with critical health care activities that occurred at the peak of the pandemic with broader compliance issues. In addition, HRSA stated that it is committed to reviewing health centers' documentation and following up on those

claims that can be substantiated, and will work with the identified health centers to resolve any issues.

Regarding our first recommendation, HRSA stated that it is concerned that OIG's methodology does not fully consider the COVID-19 supplemental grant funding flexibilities Congress provided for health centers to respond to community needs. However, HRSA stated that it will work with the 10 health centers identified in our report as having charged unallowable COVID-19 supplemental grant funding costs to determine the amount of unallowable costs charged to their grants and will require that such amounts be refunded to the Federal Government.

Regarding our second recommendation, HRSA stated that it is concerned about the lack of evidence to support the scale of the associated finding and noted that OIG has not confirmed that the 13 health centers did not properly allocate COVID-19 supplemental grant funding costs. However, HRSA stated that it will work with the 13 health centers to determine if they improperly allocated costs, and if so, the amount of improperly allocated costs charged to their grants and will require that such amounts be refunded to the Federal Government.

Regarding our third recommendation, HRSA stated that it is committed to assist any health centers that it confirms have charged unallowable costs or potentially improperly allocated costs, to implement HRSA guidance to develop and maintain proper financial management systems and internal controls.

HRSA also provided separate technical comments on our draft report, which we addressed as appropriate. HRSA's comments, excluding its technical comments, are included as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing HRSA's comments, we maintain that our findings and recommendations are valid and acknowledge HRSA's efforts to ensure appropriate use and oversight of COVID-19 supplemental grant funding. Regarding HRSA's concern that OIG may be conflating reporting and documentation issues associated with critical health care activities that occurred at the peak of the pandemic with broader compliance issues, we note that our analysis of costs associated with the COVID-19 supplemental grant funding and our related audit findings are grounded in Federal regulations and HRSA's grant terms and conditions, which we cite throughout our report. In addition, our audit protocol allowed health centers sufficient time (with extensions, if requested) to provide information to demonstrate compliance with Federal requirements for using COVID-19 supplemental grant funds.

Regarding HRSA's concern that our methodology did not fully consider the flexibilities Congress provided for health centers to respond to community needs, we note that we considered the requirements in Federal regulations (45 CFR part 75) and the flexibilities provided for the COVID-19 supplemental grant funding listed in the terms and conditions in grant award notices. Our determinations of unallowable costs charged to health centers' COVID-19 supplemental grant funding were based on (1) our review of health centers' supporting documentation

(including invoices and proof of payment) for their grant expenditures, (2) inquiries with health center personnel regarding the use of COVID-19 supplemental grant funding, and (3) discussions with HRSA program staff regarding the allowability of certain expenditures.[26] In addition, we note that some health centers stated that as a result of our audit, they have returned the identified misspent funds to the Federal Government.

Regarding HRSA's comments concerning the lack of evidence to support the scale of the finding associated with our second recommendation, we obtained sufficient evidence from the health centers to support the finding.[27] Specifically, the associated health centers did not comply with Federal and grant requirements for maintaining records to support the actual distribution of employees' time and the allocation of salaries or wages for each employee that worked on Federal awards. Therefore, we could not determine what portion of salary and fringe benefits costs charged by the 13 health centers were allocable to their COVID-19 supplemental grant funding.

[26] For certain costs that we determined to be unallowable, we obtained clarification from HRSA program staff that, based on program requirements, the costs were unallowable (e.g., costs charged to the grants that were reimbursed by the UIP and the purchase of a mobile unit not used for COVID-19 testing-related activities). For other costs, health center personnel confirmed that either the costs were not related to COVID-19 or supporting documentation was not available; or Federal regulations or grant terms were clear that these costs were not allowable (e.g., duplicate salaries charged to multiple funding sources and executive salaries above certain thresholds).

[27] Information obtained from the health centers included payroll, time and attendance records, and other documentation indicating employees' time spent working on COVID-19 supplemental grant-funded activities, if available.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered COVID-19 supplemental grant funding totaling $70,305,389 awarded during FY 2020 to 30 selected health centers located within the 500 counties with the highest cumulative number of COVID-19 cases as of December 31, 2020.[28] These funds could be spent during the period January 20, 2020, through April 30, 2022. We reviewed a judgmental sample of 30 health centers based on their geographic location, financial risk level, and grant award amounts.[29]

We limited our review of HRSA's and the sampled health centers' internal controls to those applicable to our objective. We did not assess the overall internal control structure of HRSA or the health centers.

We established reasonable assurance of the authenticity and accuracy of the COVID-19 supplemental grant funding data provided by HRSA from its Electronic Handbook system by reconciling the COVID-19 supplemental grant funding data to the Notices of Grant Award for COVID-19 supplemental grant funding for 14 judgmentally selected health centers (separate from the sample selection for review) and by reviewing the Notices of Grant Award for the health centers in our sample. We also verified the location of the 14 health centers using publicly available information. However, we did not assess the completeness of the file.

We conducted our audit work with HRSA and the health centers from May 2021 through February 2023.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- met with HRSA officials to gain an understanding of the COVID-19 supplemental grant funding requirements and HRSA's oversight activities;
- obtained from HRSA 3 lists of health centers that received COVID-19 supplemental grant funding during FY 2020 (1 list for each funding appropriation) totaling $1,999,118,325 for 1,387 health centers nationwide;

[28] We obtained the COVID-19 case data by county from the USAFacts.org website in January 2021.

[29] The health centers' financial risk levels were determined by HRSA's Division of Financial Integrity. HRSA considered 6 of the 30 selected health centers to be at high or moderate risk levels at the time of award or as of March 31, 2021.

- identified 500 counties with the highest number of COVID-19 cases in CY 2020 where at least 1 health center received COVID-19 supplemental grant funding;[30]

- selected a judgmental sample of 30 health centers, located within the 500 counties, for audit based on the health centers' geographic location, financial risk level, and grant award amounts;

- for each of the 30 sampled health centers, interviewed the financial and program officials, and reviewed the COVID-19 supplemental grant funding budget information, grant award notices, financial and performance reports, accounting, personnel, and other records, to determine whether the health center:

    - used the awarded supplemental grant funding to prepare for, prevent, and respond to COVID-19, including maintaining or increasing its capacity and staffing level;

    - purchased, administered, and expanded capacity for testing to monitor and suppress COVID-19;

    - complied with grant reporting requirements; and

    - charged allowable costs for all awarded COVID-19 supplemental grant funding;

- worked with OIG's Division of Data Analytics to identify claims for COVID-19 testing submitted to the UIP by the 30 sampled health centers and the 1,357 health centers not selected for this review; and

- summarized the results of our audit and discussed the results with HRSA officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[30] There were 1,008 health centers in these 500 counties that received COVID-19 supplemental grant funds totaling $1,576,611,997 during FY 2020.

APPENDIX B: HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services Administration

Rockville, MD 20857

TO: Amy J. Frontz
Deputy Inspector General for Audit Services

FROM: Carole Johnson
Administrator

DATE: March 29, 2023

SUBJECT: Office of Inspector General Draft Report: *"Seventeen of Thirty Selected Health Centers Did Not Use or May Not Have Used Their HRSA COVID-19 Supplemental Grant Funding in Accordance With Federal Requirements"*
(A-02-21-02005)

Attached is the Health Resources and Services Administration's (HRSA) response to the Office of Inspector General draft report A-02-21-02005. If you have any questions, please contact Sandy Seaton in HRSA's Office of Federal Assistance Management at (301) 443-2432.

Health Resources and Services Administration's Comments on the OIG Draft Report – "Seventeen of Thirty Selected Health Centers Did Not Use or May Not Have Used Their HRSA COVID-19 Supplemental Grant Funding in Accordance With Federal Requirements, A-02-21-02005"

General Comments

The Health Resources and Services Administration (HRSA) appreciates the opportunity to review and comment on the Office of the Inspector General's draft report. HRSA is committed to strong financial oversight and program management of grant awards.

HRSA supports nearly 1,400 health centers and approximately 100 Health Center Program look-alike organizations, collectively operating more than 14,000 service delivery sites in communities across the country. Health centers serve more than 30 million people and deliver primary health care to the nation's underserved individuals and families, including one in three people living in poverty and one in five rural residents.

Health centers played a vital role during the COVID-19 pandemic and have led efforts to ensure equitable access to COVID-19 tests, vaccines, and treatments. For example, as of March 2023, health centers have administered over 23.2 million COVID-19 vaccinations, of which nearly 70 percent were among racial and ethnic minority patients.[1]

The onset of the pandemic was a novel challenge for health centers. Circumstances demanded, and the federal government called for quick action to implement supplemental health center funding to mitigate the further spread of the virus. Furthermore, Congress provided COVID-19 supplemental funding in such a way as to allow flexibility for health centers to respond to the unique needs in their communities.

Given the public health emergency, HRSA took swift action to both allocate supplemental funding and ensure appropriate use and oversight of these important resources. In addition to issuing program guidance and providing webinar sessions for all COVID-19 supplemental award recipients to explain award objectives, requirements, and allowable costs, HRSA initiated a webinar series on financial management fundamentals in November 2022 for specific health centers. These sessions were presented in partnership with HRSA's Office of Federal Assistance Management and covered record-keeping, tracking and documenting time and effort and the federal award draw-down process. Health centers received detailed guidance on achieving and maintaining compliance with federal fiscal requirements and counsel on award implementation and reporting requirements.

HRSA will continue to build upon its commitment to train and educate health centers on methods to improve and streamline financial management systems and internal controls. HRSA will offer ongoing support for health centers regarding federal grants management and financial management requirements and expects to offer financial management training for all health centers in Summer 2023. HRSA will continue to use technical assistance resources to ensure

[1] https://data.hrsa.gov/topics/health-centers/covid-vaccination

that health centers have the knowledge, understanding, and resources needed to develop and maintain their financial management systems and internal controls.

With regard to this report, HRSA is concerned that the OIG may be conflating reporting and documentation issues associated with critical health care activities occurring at the peak of the pandemic with broader compliance issues. Nonetheless, HRSA is committed to reviewing the documentation and following up on those claims that can be substantiated and will work with the identified health centers to resolve any issues.

OIG RECOMMENDATION

Require the 10 health centers identified in our report as having charged unallowable COVID-19 supplemental grant funding costs to refund $787,152 (less any amounts health centers voluntarily refunded as a result of our audit) to the Federal Government.

HRSA RESPONSE:

HRSA partially concurs with the OIG's recommendation. HRSA is concerned that OIG's methodology does not fully consider the COVID-19 supplemental funding flexibilities Congress provided for health centers to respond to community needs. HRSA will work with the 10 health centers to determine the amount of unallowable costs charged to their grants and will require that such amounts be refunded to the Federal Government.

OIG RECOMMENDATION

Work with the 13 health centers identified in our report that may not have properly allocated COVID-19 supplemental grant funding costs to determine what portion of the $15,056,835 is allocable to their COVID-19 supplemental grant funding and require the health centers to refund the improperly allocated funds to the Federal Government.

HRSA RESPONSE:

HRSA partially concurs with the OIG's recommendation. HRSA is concerned at the lack of evidence to support the scale of the finding for this OIG recommendation and notes that the OIG has not confirmed that these 13 health centers did not properly allocate COVID-19 supplemental funding costs. HRSA will work with the 13 health centers to determine if these health centers improperly allocated costs, and if so, the amount of improperly allocated costs charged to their grants and will require that such amounts be refunded to the federal government.

OIG RECOMMENDATION

Assist the 17 health centers identified in our report as having charged unallowable costs or potentially improperly allocated costs to implement HRSA's guidance for developing and maintaining financial management systems and internal controls that ensure that only allowable, allocable, and documented costs are charged to their HRSA supplemental grant funding.

Health Resources and Services Administration's Comments on the OIG Draft Report – "Seventeen of Thirty Selected Health Centers Did Not Use or May Not Have Used Their HRSA COVID-19 Supplemental Grant Funding in Accordance With Federal Requirements, A-02-21-02005"

HRSA RESPONSE:

HRSA partially concurs with the OIG's recommendation. Given the recommendation speaks to "*potentially improperly allocated costs,*" HRSA is committed to assist any health centers that we confirm have charged unallowable costs or potentially improperly allocated costs, to implement HRSA guidance to develop and maintain proper financial management systems and internal controls.