

A photograph of medical professionals in white coats, with stethoscopes around their necks, looking at a tablet computer. The image is partially obscured by a large, stylized arrow graphic pointing to the right, which is filled with a hexagonal pattern. The overall scene is brightly lit, suggesting a clinical or hospital setting.

# Preparing for the Federal Audit of the Future

**BKD**  
CPAs & Advisors

**NACHC - October 29, 2021**

Everyone needs a trusted advisor. Who's yours?



## Meet your BKD Trusted Advisor:



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# Agenda

1. The Federal Audit of the ~~Future~~ Present / Grants Management
2. Questions?

\*\* As always, Best Practices & Recommendations for Compliance (throughout)

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# The Federal Audit of the Future Present

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# High Risk Elements: COVID-19 Funding



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# High Risk Elements: COVID-19 Funding

- Double dipping – Allocating an expense to more than one funding stream
- Inadequate records to support to support administrative requirements related to grant funding..
- Programmatic performance reporting related to funding...
- Future audits of COVID-19 Funding
  - HHS Office of Inspector General
  - HRSA Division of Financial Integrity
  - Financial Statement Audits



# The Federal Audit of the Future Present



DEPARTMENT OF HEALTH AND HUMAN SERVICES

**OFFICE OF INSPECTOR GENERAL**



August 2, 2021

Report Number: A-01-21-12345

Dear Mr. Health Center:

OFFICE OF AUDIT SERVICES, REGION II  
JACOB K. JAVITS FEDERAL BUILDING  
26 FEDERAL PLAZA, ROOM 3900  
NEW YORK, NY 10278

The U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) is conducting an audit of COVID-19 supplemental grant funding awarded to health centers by the Health Resources and Services Administration (HRSA). The objective of our audit is to determine whether health centers in selected counties used their COVID-19 supplemental grant funding in accordance with Federal requirements and grant terms.

To accomplish our objective, we will review COVID-19 supplemental grant funds awarded by HRSA to health centers during Federal fiscal year (FY) 2020 to prevent, prepare for, and respond to COVID-19. These grant funds include (1) FY 2020 Coronavirus Supplemental Funding for Health Centers (H8C), (2) Health Center Coronavirus Aid, Relief, and Economic Security Act Funding (H8D), and (3) FY 2020 Expanding Capacity for Coronavirus Testing Funding (H8E). We selected for review a random sample of health centers that received COVID-19 supplemental grant funding from HRSA. Your health center was among those selected for review.

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# The Federal Audit of the Future Present – COVID Awards



1. A detailed list of expenditures claimed for each COVID-19 supplemental grant, including a summary by showing total amount charged to each of these grants: H8C, H8D and H8E.
2. A comparison schedule for HRSA-approved budget, actual expenditures incurred, and COVID-19 supplemental funds drawn down.



# The Federal Audit of the Future Present – COVID Awards

- Subpart D: Standards for Financial & Program Management (200.300 to 200.315)
  - Identification, in its accounts, of all Federal awards received & expended & the Federal programs under which they were received.
  - Accurate, current, & complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in § § 200.327
  - Records that identify adequately the source & application of funds for federally-funded activities.
    - These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income & interest & be supported by source documentation.



# Practical – Financial Management

## How are we going to track information?

- General ledger (chart of accounts)
- Funding segments in Chart of Accounts
- Spreadsheet
- Practice management system
- Memory???

## Documentation

- If it is not documented, did it happen?

## Organizational needs now/future?

- Number/complexity of grants

# Budget to Actual Analysis

Budget to Actual Analysis - HRSA COVID Award #1  
Grantee Name: Community Health Center

Description	Additional Info.	Total Award	Adjustments to budget	Adjusted Budget	COVID Actual Grant Expenditures			Total Expenditures	Grant Funds Remaining
					PPE 10-15-20	PPE 10-31-20	PPE 10/31/2020		
<b>REVENUE</b>									
Federal Funds - 330		174,352	-	174,352	5,500	5,000	18,965	77,465	96,887
<b>TOTAL REVENUE</b>		<b>174,352</b>	<b>-</b>	<b>174,352</b>			<b>18,965</b>	<b>77,465</b>	<b>96,887</b>
<b>EXPENSES</b>									
<b>Personnel:</b>		<b>77,512</b>		<b>77,512</b>	<b>5,000</b>	<b>5,000</b>	<b>10,000</b>	<b>20,000</b>	<b>57,512</b>
COVID 19 Education Support Specialist	John Doe	30,281		30,281	2,708	2,708	5,417	10,833	19,448
COVID 19 Education Support Specialist	Jane Doe	30,281	(21,114)	9,167	2,292	2,292	4,583	9,167	0
Dental Assistant - Reassigned to COVID-19 Screening	Jim Doe	4,500		4,500					4,500
Dental Assistant - Reassigned to COVID-19 Screening	Janice Doe	12,450		12,450					12,450
COVID 19 Education Support Specialist	Joe Doe	-	21,114	21,114					21,114
<b>Fringe Benefits</b>		<b>12,179</b>		<b>12,179</b>	<b>500</b>	<b>-</b>	<b>1,265</b>	<b>1,765</b>	<b>10,414</b>
SS / FICA @ 7.65%		4,633		4,633			765	765	3,868
Medical, Dental & Vision @ 12.46% ???		7,546		7,546	500		500	500	7,046
Unemployment & Workers Compensation @ 3.44%		-		-	500		500	500	(500)
<b>Travel / Training:</b>		<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>2,500</b>	<b>(2,500)</b>
Conference Expense		-		-			2,500	2,500	(2,500)
<b>Equipment</b>		<b>33,500</b>		<b>33,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,500</b>
Software: Integrated voice recording		10,500		10,500					10,500
Software: Firmware		7,500		7,500					7,500
Lab Equipment - COVID Testing		15,500		15,500					15,500
<b>Supplies</b>		<b>3,900</b>		<b>3,900</b>	<b>-</b>	<b>-</b>	<b>3,200</b>	<b>3,200</b>	<b>700</b>
Hardware: Computers (4 units x \$800/unit)		3,200		3,200			3,200	3,200	-
Hardware: Monitors (4 units x \$175/unit)		700		700					700
<b>Contractual:</b>		<b>500</b>		<b>500</b>	<b>10,000</b>	<b>20,000</b>	<b>20,000</b>	<b>50,000</b>	<b>(49,500)</b>
Lab Testing Expense		500		500	10,000	20,000	20,000	50,000	(49,500)
<b>Other:</b>		<b>46,761</b>		<b>46,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,761</b>
Training of providers on COVID Response Assessment / Evaluation		30,201		30,201					30,201
		16,560		16,560					16,560
<b>TOTAL EXPENSES</b>		<b>174,352</b>		<b>174,352</b>	<b>15,500</b>	<b>25,000</b>	<b>38,965</b>	<b>77,465</b>	<b>96,887</b>

OK - Why?

Not OK - Why?

174,352 Total Award  
43,588 25%

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# The Federal Audit of the Future Present – COVID Awards

## 3. Health center's policy on paying salaries under unexpected or extraordinary circumstances, if applicable.

### CHC – Policy for Paying Salaries Under Unexpected or Extraordinary Circumstances:

It is the policy of **Sample CHC** to provide additional compensation in the form of premium pay to employees as deemed appropriate under unexpected or extraordinary circumstances. The decision to award premium pay (in a lump sum or over a specified period of time) will be made at the discretion of the Board of Directors based on the facts and circumstances at the time. When awarded, premium pay will be subject to all regular tax and payroll withholdings.

Examples of the types of circumstances considered unexpected or extraordinary under this policy might include (but are not limited) to the following:

- During declaration(s) of a public health or other type of emergency
- When impacted by a natural and man-made disaster(s)
- Other circumstances identified as unexpected or extraordinary by the Health Center's Board of Directors

### Allocability to Federal Awards:

Costs of compensation are allowable to be allocated to federal awards to the extent that they satisfy the specific requirements listed in the UGG and that the total compensation for employees:

- Is reasonable and conforms to written policies of the non-federal entity
- Is consistently applied to both federal and non-federal activities

**Sample CHC** will charge compensation for employees engaged in work on federal awards consistently between federal and non-federal activities if applicable.

The compensation policies of **Sample CHC** in no way align with the level of federal funding provided to support the CHC or other federal policy.

# The Federal Audit of the Future Present – COVID Awards

4. Total number of employees/contractors that the health center had at the beginning and at the end of each year: 2019, 2020 and 2021 (as of now), including a description of any issues or barriers that the health center faced in maintaining its staffing levels during the pandemic, if applicable.
5. A schedule of staff/contractors whose salaries were charged to COVID-19 supplemental grants. Please use [this template](#) to create the schedule, if possible.
6. For all employees/contractors, whose salaries were charged to COVID-19 supplemental grants, please provide the following:
  - a. Professional licenses, if applicable.
  - b. For contractors, please provide a copy of the executed contract with detailed terms and conditions, including invoices/billing records and proof of payment.
  - c. Time and attendance records, if maintained.
  - d. Documentation showing time spent working on COVID-19 supplemental grants, including supervisor's approval, if applicable.
  - e. Payroll register/summary (please provide this in excel format showing all the relevant data elements such as employee name, payroll ID, gross pay amount, pay-period, payroll date etc.).
7. For employees who were hired using COVID-19 supplemental grant funds, please provide a copy of the personnel action form and position description.



# The Federal Audit of the Future Present – COVID Awards

Name	Employee/Contractor? (Enter "E" for employee and "C" for Contractor)	Job Title	Hire Date	Annual Salary Amount for 2020	Annual Salary Amount for 2021	Fringe Benefit Rate for 2020	Fringe Benefit Rate for 2021	Total Salary and Fringe for 2020	Total Salary and Fringe for 2021	Total Salary and Fringe Amount Charged to COVID-19 Grants
Example: Jane Doe	E	Nurse	6/1/2019	\$ 65,000.00	\$ 68,000.00	20%	22%	\$ 78,000.00	\$ 82,960.00	\$ 9,100.00
Example: Jane Doe (If worked on more than one COVID-19 grants)										\$ 43,253.00

Which Grant Was the Total Salary and Fringe Allocated to? (H8C, H8E, or H8D)	Date Range when Salary and Fringe Allocated to COVID-19 Grants?	H8C Effort %?	H8D Effort %?	H8E Effort %?	Received Hazard/Premium Pay? (Yes or No)	Total Hazard/Premium Pay Amount?	Which Grant Was the Total Hazard/Premium Pay Allocated to? (H8C, H8D or H8E)	Date Range when Hazard/Premium pay was effective?2	Brief Justification for Hazard/Premium Pay
H8C	3/1/2020 - 9/30/2020	20%							
H8D	10/1/2020 - 5/31/2021		80%						

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# Compensation – Personal Services – 75.430

- Section I: Standards for Documentation of Personnel Expenses
  - Comply with established organization policies & procedures
  - “Charges to federal awards for salaries & wages **must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable & properly allocated**”
  - “Reasonably reflect the total activity for which the employee is compensated by the non-federal entity; not exceeding 100% of compensated activities”
  - “Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one federal award”
  - **“Budget estimates alone do not qualify as support for charges to federal awards**, but may be used for interim accounting purposes” if they are a reasonable approximation, significant deviations are identified & corrected timely & the internal control process review after-the-fact interim charges & make the necessary adjustments for accuracy”

# Time & Effort Reporting Options

## ➤ Personnel Activity Reports (PARS) / Time Sheet

After the fact: Based on Practice Management data?, Hours

Actual & not budget

Total activity

Certified as accurate: Employee or supervisor with firsthand knowledge

Prepared monthly

Coincide with at least one pay period

## ➤ Employee Certifications


# PARs Practical Example

Employee Time Distribution Report for Work/Non-Work Hours

Arizona Alliance 1231 I Street Ste 400 Phoenix, AZ 85034		Employee Name: _____																
		Pay Period: _____																
	1/16	2/17	3/18	4/19	5/20	6/21	7/22	8/23	9/24	10/25	11/26	12/27	13/28	14/29	15/30	31	Total	
<b>Summary of Work Hours</b>																		
<b>Direct Program/Grant/Contract Activities*</b>																		
Project #1										6	6						12	
Project #2												5					5	
Project #3													8				8	
Project #4														8			8	
Fundraising / Lobbying									2	2							4	
<b>Indirect Activities**</b>												3					3	
<b>Subtotal</b>	0	0	0	0	0	0	0	0	0	8	8	8	8	8	0	0	40	
<b>Summary of Non-Work Hours - Release Time</b>																		
Annual Leave		8	8	8	8	15											47	
Sick Leave																	0	
Holiday																	0	
Other***																	0	
<b>Subtotal</b>	0	8	8	8	8	15	0	0	0	0	0	0	0	0	0	0	47	
<b>Total</b>	0	8	8	8	8	15	0	0	8	8	8	8	8	8	0	0	87	
I certify that the distribution of effort shown represents the actual work performed by me during the period covered by this report.																		
Employee Signature	_____					Date:	_____		Supervisor Signature	_____					Date:	_____		

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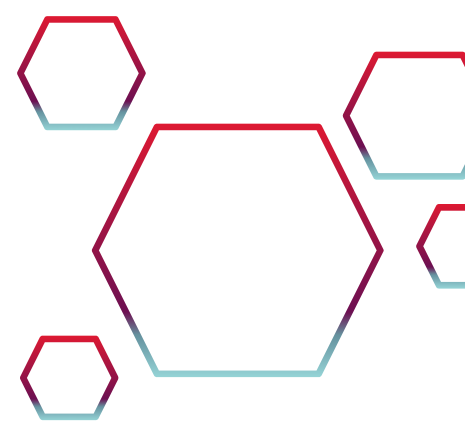


**8.** Please provide a schedule of purchases that were allocated to COVID-19 supplemental grants, including a brief description of use. For each purchase, please provide all relevant copies of supporting documents such as purchase order, invoice, and proof of payment (i.e. cancelled check, bank statement showing the payment amount or other documents that clearly show a payment was made for said purchase and the payment date). Also, if applicable please provide the following:

- a.** Bidding documents.
- b.** A copy of the fully executed contract with detailed terms and conditions.
- c.** For tangible items costing \$5,000 or more, please provide a photograph of the item in service.

**9.** Please provide all relevant supporting documentations for any other expenditures that were charged to COVID-19 supplemental grants, including the following:

- a.** Description and justification of the activity.
- b.** Date, cost and the grant the cost was allocated to (H8C, H8D or H8E).
- c.** Invoice/copy of executed service contract.
- d.** Proof of payment (i.e. cancelled check, bank statement showing the payment amount or other documents that clearly show a payment was made for said purchase/service including the payment date).
- e.** Training materials/brochures/Sign-in-sheets, call-logs and training certificates, if applicable.



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# Procurement Standards Thresholds



**Micro-purchase updated: typically less than \$10,000**



**Simplified acquisition threshold updated \$250,000**



**Small purchases would be between thresholds**



**Grantees should not use this threshold as a lower limit for allowing competition**

- Your policy should: consider your size, processes, needs
- Goal of policy is not to avoid procurement work

# Procurement Methods

## Methods of Procurement:

	Micro Purchases	Small Purchases	Sealed Bids	Competitive Proposals	Sole Source
<b>Qualifications</b>	Up to \$10,000*	Up to \$250,000**	> \$250,000**	> \$250,000**	All dollar amounts
<b>Price Quotes</b>	Not required	Written, verbal, vendor price listing, internet search acceptable	Firm fixed price contract	Fixed price or cost reimbursement	Item is only available from a single source
<b>Cost / Price Analysis</b>	Not required	Not required	Required	Required	Public emergency does not permit delay
<b>Equitable Distribution</b>	Distribute purchases equitably amount suppliers	Quotes from an adequate number of sources (2 or more)	Bids are publicly solicited (2 or more bidders)	Solicit proposals from and adequate number of sources (2 or more)	Competition inadequate – solicitation from one source
<b>Selection</b>	Dictated by HC policy	Dictated by HC policy	Conform to HC terms & conditions at lowest price	Firm whose proposal is most advantageous based on price & written evaluation factors	Authorized by agency or PTE
<b>Other</b>	Threshold applies to aggregate purchase cost per purchase	Relatively simple and informal	Preferred for construction contracts	Used when conditions are not appropriate for sealed bids	May use if written request to HHS or pass-through entity is approved

\*See micro-purchase threshold at FAR 2.101 - \$10,000 as of 06/2018    \*\*See Simplified Acquisition Threshold at FAR 2.101 - \$250,000 as of 06/2018

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# Procurement Support (Practical Example)

A. Describe the goods and/or services being procured:

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B. Quotes Received on Procurements in Excess of the Micro Purchase Threshold \*\$10,000:

<u>Supplier/ Name</u>	<u>Items/Services Price plus lot/other charges</u>	<u>Shipping Cost &amp;/ FOB Point *</u>	<u>Total Order Price</u>	<u>Preferred (Standard) Vendor</u>
1. _____	\$ _____	\$ _____	\$ _____	_____
2. _____	\$ _____	\$ _____	\$ _____	_____
3. _____	\$ _____	\$ _____	\$ _____	_____

Circle or mark the number indicating the chosen supplier. All quotes for purchases in excess of \$10,000 need to be maintained supporting procurement transaction.

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# Procurement Support (Practical Example)

## C. Justification of Supplier/Consultant Selected on Procurements in Excess of the Simplified Acquisition Threshold \*\*\$250,000:

---

- Supplier was the low bidder / provider.
- Supplier provided the best evaluated responsible offer (other than low bidder) – provide evaluation criteria \*
- Supplier establishes or maintains an essential engineering, research, or development capability (single source) \*
- An unusual and compelling urgency precludes full and open competition – provide rationale (single source). \*
- Compatibility with other components of a system already in operation – identify existing items (single source). \*
- Only supplier that meets pre-established performance characteristics – provide listing (single source). \*
- Supplier specifically identified within award documentation – provide verification (single source). \*
- Supplier/consultant is the only manufacturer/provider of this good or service (sole source). \*
- Other. \*

\*Provide further explanation: \_\_\_\_\_

---

Justification of supplier / consultant selection is required for all purchases in excess of the Simplified Acquisition Threshold (\$250,000 as of 6/2018) and should be maintained as support for the procurement.

# Procurement Support (Practical Example)

## D. Price/Cost Analysis Based on Procurements over Simplified Acquisition Threshold \*\*\$250,000:

- |  |  |
|--|--|
| <input type="checkbox"/> Adequate price competition        | <input type="checkbox"/> Comparable to Price Sold to Fed. Gov't. *   |
| <input type="checkbox"/> Catalog/Market pricing *          | <input type="checkbox"/> Historical pricing (* Provide previous PO#) |
| <input type="checkbox"/> Comparison to in-house estimate * | <input type="checkbox"/> Comparison to similar items *               |
| <input type="checkbox"/> Lease / Purchase Evaluation *     | <input type="checkbox"/> Cost analysis *                             |

\*Provide further explanation: \_\_\_\_\_

A documented cost or price analysis is required for all purchases in excess of the Simplified Acquisition Threshold (\$250,000 as of 6/2018) and should be maintained as support for the procurement.

## E. General Procurement Requirements on Procurements over Simplified Acquisition Threshold \*\*\$250,000:

- Contractor selected is responsible and qualified \*
- Contractor selected did not develop or draft grant or bid related materials \*
- Geographical preferences were not considered in evaluation of the bid\*
- Appropriate steps were taken to ensure free and open competition\*
- The item(s) being procured are not unnecessary or duplicative
- Consideration was given to consolidating or breaking out procurements to obtain a more economical purchase
- Consideration was given to the use of Federal resources to further foster economy and efficiency\*
- The procuring instrument was carefully selected to meet the specific needs of the procurement\*

\*Provide further explanation: \_\_\_\_\_

All of the general procurement requirements listed above should be met for purchases in excess of the Simplified Acquisition Threshold (\$250,000 as of 6/2018) and should be maintained as support for the procurement.

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# COVID-19 Impact to Procurement

- Were procurement principles waived for COVID-19 grant funds?

**HRSA has adopted the flexibility provided for in OMB Memo M-20-17 to allow recipients to waive the procurement requirements contained in 45 CFR 75.328(b)**

**Geographic preference**

**Small & minority businesses**

**Women's business enterprises**



# Equipment Records

- Property management standards for equipment include all of the following:
  - i. Description
  - ii. Serial # or identification #
  - iii. **Source including award #**
  - iv. Whether title vests in recipient or feds
  - v. Acquisition date
  - vi. **Federal share percentage (cost of item)**
  - vii. Physical location & condition & date of update
  - viii. Acquisition cost
  - ix. Ultimate disposition data including date of disposal, sale price or method used to determine current FMV where recipient compensates HHS for its share
- Notice of Federal Interest – HC Requirement to file – What is this?



# Notice of Federal Interest

## Reporting Requirement(s)

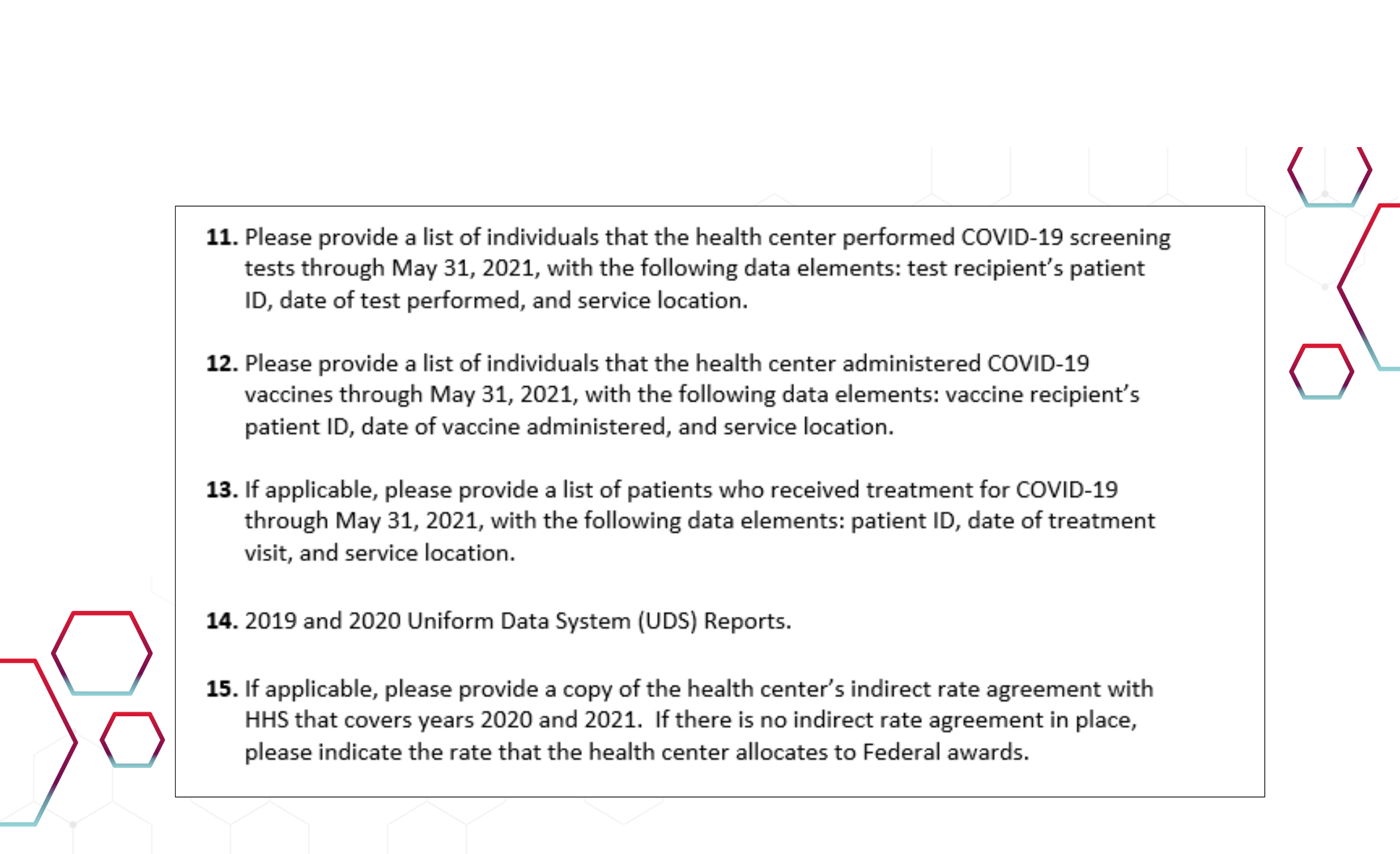
### 1. Due Date: Within 90 Days of Project End Date

Within 90 days after the project end date, submit the SF-428 (Tangible Personal Property Report) with the SF-428B (Final Report Attachment) and, if applicable, the SF-428S (Supplemental Sheet). These documents must be completed using the HRSA Electronic Handbooks (EHBs). You must report federally-owned property, acquired equipment with an acquisition cost of \$5,000 or more for which HRSA has reserved the right to transfer title, and residual unused supplies with total aggregate fair market value exceeding \$5,000. Records for equipment acquired with federal funds shall be retained for three years after final disposal.

**10.** General ledger transactions and/or journal entries for draw downs and expenditures of COVID-19 grant funds including bank statements that contained COVID-19 grant funding drawdowns and expenditures through May 31, 2021, please highlight the relevant amount.

➤ **Subpart D: Payment (200.305)**

- Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity & the disbursement by the non-Federal entity
- In the past = within three days, but not rule
- Document expenditures (time & effort / procurement requirements discussed later)
- Review timing of payments made by grantee

- 
- 11.** Please provide a list of individuals that the health center performed COVID-19 screening tests through May 31, 2021, with the following data elements: test recipient's patient ID, date of test performed, and service location.
  - 12.** Please provide a list of individuals that the health center administered COVID-19 vaccines through May 31, 2021, with the following data elements: vaccine recipient's patient ID, date of vaccine administered, and service location.
  - 13.** If applicable, please provide a list of patients who received treatment for COVID-19 through May 31, 2021, with the following data elements: patient ID, date of treatment visit, and service location.
  - 14.** 2019 and 2020 Uniform Data System (UDS) Reports.
  - 15.** If applicable, please provide a copy of the health center's indirect rate agreement with HHS that covers years 2020 and 2021. If there is no indirect rate agreement in place, please indicate the rate that the health center allocates to Federal awards.

A photograph of medical professionals in white coats, some with stethoscopes, gathered around a tablet computer. The image is partially obscured by a large, stylized arrow graphic pointing from the left towards the right. The arrow is composed of overlapping translucent shapes in shades of orange, yellow, and teal. In the background, there is a faint pattern of hexagons, suggesting a molecular or network structure.

# Questions?

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# Thank You!

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