Strengthen Your Organization:
Understanding HRSA’s Top 5 Audit Findings

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Agenda

• Overview
• Data Gathering Audit Findings
• Top 5 Audit Findings
  • What is the key finding category?
  • What was the auditor evaluating and what findings occurred?
  • What are the best practices to prevent future findings?
• Questions and Answers
Overview
FY 2016 Audit Findings

• Share Information
• Raise Awareness
• Reduce and Eliminate Future HRSA Audit Findings
  • Prevent non-compliance
• Reduce Unallowable Costs Which May Need to be Returned to HRSA
• Provide Grantees with Tools and Tips for On-going Monitoring
• Provide Grantees with Information to Improve Grant Management Practices
A Look at HRSA Grants
FY 2016

• HRSA authorized 5,373 grants in FY 2016 totaling $9.03 Billion

FY 2016 FUNDING BY HRSA BUREAU/OFFICE

Primary Health Care $4.7B
Rural Health $135.4M
Healthcare Systems $23.7M
HIV/AIDS $2.1B
Maternal and Child Health $1.1B
Office of the Administrator $3.5M
Health Workforce $813.4M
Data Gathering
FY 2016 Audit Findings

• All HRSA Single Audit Findings in FY 2016
  • Assigned to HRSA for resolution from October 1, 2015 – September 30, 2016
  • 618 Findings

• What is Audit Resolution?
  • How and why HRSA is involved?
HEALTHY GRANTS REQUIRE ...
Knowledge of grant requirements
Special Tests and Provisions
FY 2016 #5 Audit Finding

• The specific requirements for Special Tests and Provisions are unique to each federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program.
Special Tests and Provisions – Examples
FY 2016 #5 Audit Finding

• Health Center Program Grant
  • Sliding-Fee Discounts
  • Governing Board / Board Composition
  • Board Members Served Through Health Center

• Other HRSA Grants
  • 10-percent limitation on costs associated with monitoring the grant
  • AIDS Drug Assistance Program receivables
  • Documentation contained in patient files
  • Healthy Start Program Enrollment
Special Tests and Provisions – Audit Objectives

FY 2016 #5 Audit Finding

• Reasonable procedures to identify such compliance requirements would be:
  • Inquiry of non-federal entity management; and
  • Review of the contract and grant agreements pertaining to the program.

• Any such requirements which may have a direct and material effect on compliance with the requirements of that major program must be included in the audit.

• Auditors will typically conduct an assessment of internal controls in conjunction with Special Tests and Provisions.
Special Tests and Provisions – Best Practices
FY 2016 #5 Audit Finding

• Know the grant requirements
  • Review the Notice of Funding Opportunity and Notice of Award.
  • Understand the grant requirements.
  • Request technical assistance from your Project Officer or Grants Management Specialist.

• Be able to explain the procedures your organization implements showing compliance with the grant requirements.
  • Auditors will often rely on information gathered from the grant recipients.
#4 Audit Finding – Allowable Costs and Cost Principles

HRSA’s Top 5 Audit Findings

HEALTHY GRANTS REQUIRE ...

Knowing what costs are ‘unallowable’
Allowable Costs / Cost Principles
FY 2016 #4 Audit Finding

• Allowable - To be allowable under federal awards, costs must meet the following general criteria:
  • Be necessary and **reasonable**.
  • Be consistent with policies, regulations, and procedures.
  • Be **allocable** to the grant.
  • Be accorded consistent treatment.
  • Be adequately documented.
Allowable Costs / Cost Principles – Audit Objectives and Findings
FY 2016 #4 Audit Finding

• **Audit Objectives and Procedures for Allowable Costs**
  - Determine whether federal awards were expended only for allowable activities.
  - Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

• **Examples of HRSA Audit Findings**
  - Lack of Supporting Documentation
    - No documentation
    - Inadequate documentation
  - Unallowable Costs per Code of Federal Regulations (CFR)
  - Non-budgeted Costs
Allowable Costs / Cost Principles
FY 2016 #4 Audit Finding

• Most Common Unallowable Cost Types
  • Budgeted Labor (vs. Actual Labor)
  • Meals and Food (Conference Fees)
  • Incentives
  • Promotional Items
  • Entertainment Costs
  • Contributions and Donations
  • Fundraising and Investment Management Costs
  • Goods or Services for Personal Use
  • Lobbying
  • Travel
• Follow the intended use / purpose of the grant.
• Stick to your budget.
• Have documented policies and procedures and follow them!
• The key is DOCUMENTATION.
  • Support, support, support!
  • Follow record retention policy.

• Record Retention – Must retain all records for three years after submitting the final Federal Financial Report (FFR) (including sub-recipient records)
  • To be safe – maintain documentation for at least 3 years from the date in which the final FFR is approved!
  • 45 CFR 75.361
Tip Sheet for HRSA Grantees


Each year, the Health Resources and Services Administration (HRSA) works with many of our federal recipients to return grant funds spent on allowable costs. This impacts the recipient’s ability to accomplish its important health mission. HRSA has prepared some simple tips to help recipients avoid misspending grant funds on unallowable expenditures or activities.

**Stick to your plan**
- Use the approved grant application and budget as your guide to spending your HRSA grant funds.
- If you do not need to spend the funds, contact your HRSA Project Officer or Grants Management Specialist as early as possible.
- Track your actual use of HRSA funds and reconcile that back to your approved plan. Reconciling frequency, such as quarterly or even monthly, will help you identify possible issues closer to when they occur, which makes them easier to address.

**Follow the flow**
- The flow of HRSA grant funds through your organization needs to be clear and well-documented. Ensure you can identify and provide accurate, current, and complete disclosure of each federal award you receive.
- Maintain written procedures for your accounting and financial management system practices.
- Separate employee responsibilities and, when possible, build in layers of review to assist in preventing issues from fraud, waste, or abuse.

**Keep your receipts**
- Expenses must clearly document the flow of the money from the approved grant budget, to accounting records, to receipts and other supporting documentation.
- For activities not within the scope of your HRSA grant, ensure that your financial procedures identify, segregate, and track all costs associated with those activities so that it is NOT charged to the HRSA grant.

**If you find a problem, fix it**
- Good planning and internal controls help you provide reasonable assurance that you are in compliance with the terms and regulations of each federal award agreement.
- You must maintain effective internal controls over your HRSA grant, including taking prompt action when instances of noncompliance are identified.
- Minor errors, such as unallowable costs accidentally charged to the federal award account, should be addressed as soon as they are identified. Consider having a pre-established procedure for addressing errors, such as writing a memorandum to a management official’s signature and date explaining the error and the corrective actions.
- For more significant errors, such as changes in the HRSA grant for something already paid for by another federal award or funding source, contact your HRSA Project Officer and Grants Management Specialist immediately for information on corrective actions and how to repay any misspent funds.

**Tools & Resources**
- Want more information on ways to effectively manage your HRSA grants? Check out HRSA’s Manage Your Grant webpage.
- For more information related to financial management, refer to Title 45 part 75 of the Code of Federal Regulations, HRSA Grants Policy Statements, and your Notice of Award terms and conditions.

Available in downloads
- **HRSA Manage Your Grants Webpage**

Developed to help avoid misspending of grant funds

**Reminder:**
- Follow approved grant budgets;
- Document the flow of grant funds to the accounting records;
- Maintain receipts and other supporting documentation; and
- Contact HRSA if you have any questions or need additional clarification.
#3 Audit Finding – Cash Management

HRSA’s Top 5 Audit Findings

HEALTHY GRANTS REQUIRE ... 
An effective financial management system
• Cash Management covers the actual management, or handling, of funds pertaining to a federal program, specifically on how federal assistance (or a grant) is distributed to recipients and how recipients manage the funds until disbursement.
  • Advanced Draw Down
  • Draw Down Reimbursement
  • Interest Earned
Cash Management – Audit Objectives
FY 2016 #3 Audit Finding

• Determine if advanced payments follow procedures to minimize the time elapsing from transfer to disbursement.
  • Determine if the pass-through entity imposes the same timing requirements on advanced payments to subrecipients.

• Determine whether interest earned on advanced payments were reported/remitted as required.

• Determine whether program costs are paid for with entity funds before reimbursement is requested from the Federal Government.
Cash Management – Common Findings
FY 2016 #3 Audit Finding

• **Examples of HRSA Cash Management Findings**
  • Not minimizing time elapsing – advanced draws
  • Drawdowns exceed need
  • Deferred revenue
  • Segregation of duties
  • Lack of / improper accounting reconciliations
  • Lack of controls over cash disbursements
Cash Management – Best Practices
FY 2016 #3 Audit Finding

• Internal controls are in place over cash receipts and cash disbursements, as well as, the safeguarding of assets.

• Reimbursements, or claimed expenditures, are properly supported by adequate documentation.

• Interest earned on advanced payments are inconsequential (minimal).

• Advanced payments are properly managed.
HEALTHY GRANTS REQUIRE ...

Knowledge of how your organization generates program income
• What is Program Income?
  • Gross income—earned by a recipient, subrecipient, or a contractor under a grant—directly generated by the grant-supported activity or earned as a result of the award.
    • Income from fees for services performed;
    • Charges for the use or rental of real property, equipment, or supplies acquired under the grant;
    • The sale of commodities or items fabricated under an award;
    • Charges for research resources; and
    • License fees and royalties on patents and copyrights.
Program Income – Regulations
FY 2016 #2 Audit Finding

• Policy
  • 45 CFR 75.307
  • Section 330(e)(5)(D)
  • HHS Grants Policy Statement

• Program Income Alternatives
  • A – Additive
  • B – Deductive
  • C – CostSharing/Matching
  • D – Combination (Other)

• Must be reported on SF-425 (FFR)
• Only used for allowable costs in accordance with the cost principles and terms and conditions of the award.
  • Must further the purpose of the award
  • Must benefit the patient population
• Program Income Audit Objectives
  • Was it properly calculated, typically by sliding fee schedule – income based?
  • Did the non-federal entity demonstrate that all program income that should have been received was received?
  • Were proper alternatives used?

• Examples of HRSA Program Income Findings
  • Not properly recorded
  • Sliding Fee causing improper calculation of program income generated
  • Improper use of program income
• **Program Income Best Practices**
  
  • Reviewing the sliding-fee scale and procedures
  
  • Follow HHS Grants Policy Statement Guidance to revise FFR (II-87)
    
    • One year after FFR due date
  
  • Follow the program income alternative listed on the NOA.
  
  • Regardless of the alternative(s) used, program income may be used only for eligible costs, in accordance with the governing statute, program regulations, cost principles, and the terms and conditions of the award.
#1 Audit Finding – Reporting

HRSA’s Top 5 Audit Findings

**HEALTHY GRANTS REQUIRE ...**
Knowledge of federal reporting requirements
Reporting
FY 2016 #1 Audit Finding

• **45 CFR Part 75 – Subpart F**
  • *Audit required annually for* a non-federal entity that expends $750,000 or more during entity's fiscal year.

• **Auditees Responsibilities**
  • Hire an independent accounting firm to conduct the audit.
  • Ensure the audit is submitted timely.
  • Follow-up and take corrective actions on audit findings.
  • Provide auditor access to all the books and records needed to comply with the audit requirements.

• **Specific Agency Required Forms**
  • Annual FFR (SF-425)
  • Progress / Performance Reports
Reporting– Audit Objectives and Findings
FY 2016 #1 Audit Finding

• Reporting Audit Objectives
  • Determine whether required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

• Examples of HRSA Reporting Findings
  • Untimely filing
  • Inaccurate Financial information
  • Lack of Controls over financial reporting
  • Audit Requirements not met
Reporting – Best Practices
FY 2016 #1 Audit Finding

• Ensure audits are performed and submitted in a timely manner.

• Implement policies and procedures to ensure all grant funds are properly reported on the Schedule of Expenditures for Federal Awards.

• Establish policies and procedures to ensure compliance and timely submissions of federal agency required reports.
Recapping Objectives

• **Train Your Brain:**
  • Understanding HRSA Top 5 Audit Findings.
  • How to reduce and eliminate future audit findings.

• **Endurance:**
  • Tools to effectively and efficiently manage HRSA grants.

• **Wellness Check-up:**
  • Reassess the internal controls of your organization to incorporate best practices.
Questions?
Resources

• 45 CFR Part 75
  https://www.ecfr.gov/cgi-bin/text-idx?SID=fe0b41c4580a28aab0c2f6ce73ef1179&node=pt45.1.75&rgn=div5

• HHS Grants Policy Statement

• HRSA Manage Your Grant
  http://www.hrsa.gov/grants/manage/index.html

• Tip Sheet for HRSA Grantees
Contact Information

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