



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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July 12, 2018

Ryan King, Executive Director
Choice Family Health Care
217 East Stolley Park Road, Suite E
Grand Island, NE 68802

Dear Mr. King:

As you know, the Nebraska Auditor of Public Accounts (APA) has received a concern regarding appropriate spending of Title V Maternal and Child Health (MCH) funds provided to Choice Family Health Care (CFHC). As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA requested certain financial information from the Nebraska Department of Health and Human Services (DHHS) and CFHC regarding expenditures covered with MCH funds. Based upon the outcome of the preliminary planning work, the APA has determined that it is unnecessary for this office to perform a separate financial audit or attestation at this time.

During the course of the preliminary planning work, we noted certain internal control or compliance matters, or other operational matters, that are presented below. The following information is intended to improve internal controls or result in other operational efficiencies.

Background

Choice Family Health Care (formerly known as Central Health Center) is organized as a non-profit public health organization within the State of Nebraska. According to its website, the mission of CFHC is “to provide affordable, caring, quality healthcare and health education to women, men and children.”¹

In May 2017, CFHC received Title V Maternal and Child Health funds. According to Attachment 3 of the “Title X Family Planning Subaward” agreement with DHHS, that money was to be used to “increase awareness among youth of the education, counseling and clinical services available at the Nebraska network of Title X provider sites.”

Below are the funding details, per the State’s accounting system, reflecting the Federal dollars received.

G/L Date	Fund	Business Unit	Business Unit Description	Amount
5/15/17	40000	25931452	MCHBG FAMILY PLANNING FY16	\$46,601.00

¹ <http://choicefamilyhealthcare.org/mission.aspx>.

The following table breaks out the budget approved by DHHS on April 5, 2017.

Category	Amount
Personal	\$11,000.00
Fringe – FICA	\$601.00
Travel	\$2,500.00
Incentives	\$4,000.00
Marketing – Radio, TV, Social Media	\$11,500.00
Supplies to Print Material & Pamphlets	\$2,000.00
Mobile Medical Unit	\$15,000.00
Total	\$46,601.00

On January 29, 2018, the Executive Director was terminated by CFHC. On January 30, 2018, DHHS contacted CFHC to inquire about the \$15,000 allocated to outfit a mobile medical unit.

CFHC had placed the \$15,000 at issue in a saving account, setting the money aside so that it was not actually obligated by the June 30, 2017, deadline established by DHHS. Consequently, that entire amount, plus interest, was refunded to DHHS on February 9, 2018.

On February 20, 2018, the APA received information questioning the appropriate spending of MCH funds received by CFHC, resulting in the APA’s review of these funds received in May 2017.

Comments and Recommendations

1. Possible Disallowed Expenditures Covered by MCH Funds

During our analysis of expenditures covered by MCH funds, the APA identified \$21,552 in expenses that appear to be disallowed, as either no support was provided or the expenses were not obligated by June 30, 2017.

Category	Unsupported	Incurred After June 30th	Total Amount
Personal	\$739.86	\$5,386.81	\$6,126.67
Fringe – FICA	\$56.60	\$411.78	\$468.38
Travel		\$2,056.27	\$2,056.27
Incentives		\$3,491.73	\$3,491.73
Marketing – Radio, TV, Social Media	\$10.00	\$7,460.18	\$7,470.18
Supplies to Print Material & Pamphlets		\$1,939.18	\$1,939.18
Total Possible Disallowed	\$806.46	\$20,745.95	\$21,552.41

For the incentives budget category, MCH funds were used to cover the \$449.99 purchase of a Samsung Note 8 cellphone. In addition, 12 orders or purchases, totaling \$3,313.58, were incurred after the obligation date but within the last five days of when the MCH funds had to be spent in full, as required by the subaward.

Amendment One (May 2017) to Subaward 32353-Y3 contains the following language:

Central Health Center, Inc. [now known as Choice Family Health Care] has been awarded an additional \$46,601 (Forty-Six Thousand, Six Hundred One) in MCH pass through for the purchase of enhancing education and outreach to adolescents as outlined in the Request for Budgets sent on March 15, 2017 and the approved budget (attachment 3).

Attachment 3 to that same Amendment One provides the following requirements:

Before releasing funds to individual Title X sites Nebraska Reproductive Health is requiring a line item budget describing the planned use of the funds which must be obligated by June 30, 2017 and spent in full before September 30, 2017.

Moreover, MCH funds received by CFHC are under the Maternal and Child Health Services Block Grant to the States Program (CFDA 93.994). The Application Procedures under Program Information for CFDA 93.994 state the following:

2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards applies to this program.

Additionally, 2 CFR 200 § 200.71 (January 1, 2017) of the Uniform Guidance defines “obligations” as follows:

When used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

Seeking further clarification on the terms “obligated” and “obligations,” the APA contacted DHHS and was informed that funds are usually obligated when the work is performed or when the order is placed.

Furthermore, a good internal control plan requires that procedures be in place to ensure expenditures are obligated and liquated in compliance with the subaward, the Uniform Guidance, and any applicable DHHS requirements/instructions. Without such procedures, there is an increased risk of misuse or loss of taxpayer funds.

We recommend CFHC implement procedures to ensure all expenditures are obligated and liquated in compliance with the subaward, the Uniform Guidance, and any applicable DHHS requirements/instructions. We also recommend CFHC work with DHHS to resolve any concerns regarding the possible disallowed expenditures covered with MCH funds. Because the present comment points to possible noncompliance with the subaward and the Uniform Guidance, we are forwarding this information to DHHS.

2. Questionable Expenditures Covered by MCH Funds

The APA tested other expenditures for reasonableness under the MCH funds. Using the budget descriptions approved by DHHS on April 5, 2017, the APA questions \$4,454 in expenses covered by MCH funding, as shown below.

Category	Amount
Marketing – Radio, TV, Social Media	\$4,047.00
Travel	\$292.68
Supplies to Print Material & Pamphlets	\$114.05
Total Questionable	\$4,453.73

For the marketing budget category, the APA identified two payments for radio advertisements that had inadequate supporting documentation.

One of these advertisements, totaling \$3,672, was for 30 second on-air radio commercial advertisements from October 2017 through mid-March 2018; however, the invoice paid did not provide details of what the commercials would include. As a result, the APA questions whether 100 percent of this payment should have been covered with MCH funds.

For the supplies budget category, CFHC purchased medical supplies, such as bandages, gauze, and medical table paper, that were covered with MCH funds. However, the APA questions these costs, as the supplies budget description states that the MCH funds are for printing handouts and pamphlets for presentations.

For the travel budget category, the APA identified nine trips for which: 1) the reasons provided indicate an apparently inappropriate use of MCH funds; or 2) insufficient details were included on the mileage logs to allow for a determination as to whether the trips constituted an appropriate use of MCH funds.

To illustrate, one CFHC employee’s travel and expense claim, as shown below, indicates the employee traveled to JR Liquor to “get wine for go big give.”

INDIVIDUAL TRAVEL & EXPENSE CLAIM									
Name: [REDACTED]		Date: 5-1-17							
Location: Grand Island NE									
Date	Destination	Details	Miles	@	Amount	Meals	Lodging	Misc.	TOTAL
5-1-17	JR Liquor	Get wine for go big give.	5		.54				2.70
5-31	Work	Confer. tractor supply	14		5.8				7.51

Although the General Terms and Assurances of Subaward 32353-Y3 and the budget descriptions do not specifically address expenses for alcoholic beverages, 2 CFR § 200.423 of the Uniform Guidance states, “Costs of alcoholic beverages are unallowable.”

The actual purchase of the wine, which is clearly disallowed under the Uniform Guidance, was not covered with MCH funds. However, the travel cost associated with that proscribed purchase, which are similarly prohibited by the Uniform Guidance, were paid with MCH funds.

The definition for “disallowed costs” under the Uniform Guidance is found at 2 CFR § 200.31, as follows:

Disallowed costs means those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.

In addition, a good internal control plan requires that procedures be in place to ensure all expenditures are allowable and in compliance with the subaward, the Uniform Guidance, and any applicable DHHS requirements/instructions. Without such procedures, there is an increased risk for the misuse or loss of taxpayer funds.

We recommend CFHC implement procedures to ensure expenditures are allowable and in compliance with the subaward, the Uniform Guidance, and any applicable DHHS requirements/instructions. Because the present comment points to possible noncompliance with the subaward and the Uniform Guidance, we are forwarding this information to DHHS.

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The preliminary planning work that resulted in this letter was designed primarily on a test basis; therefore, it may not bring to light all existing weaknesses in the entity's policies or procedures. Nevertheless, our objective is to use the knowledge gained during that process to make comments and recommendations that we hope will prove useful to the entity.

Draft copies of this letter were furnished to the entity to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. The entity declined to respond.

This communication is intended solely for the information and use of the entity and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Sincerely,



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Special Audits and Finance Manager
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cc: Nebraska Department of Health and Human Services