

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

**AUDIT OF CASH MANAGEMENT OVER FEDERAL GRANTS
AT THE DEPARTMENT OF HEALTH (DOH)**

OFFICE OF INTEGRITY AND OVERSIGHT



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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

May 9, 2016

LaQuandra S. Nesbitt, MD, MPH, Director
Department of Health
899 North Capitol Street, NE, 5th Floor
Washington, DC 20002

Delicia Moore, Associate Chief Financial Officer
Human Support Services
64 New York Avenue, NE, 4th Floor
Washington, DC 20002

Dear Dr. Nesbitt and Ms. Moore:

The attached final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of Cash Management over the Federal Grants at the Department of Health (DOH). The objective of the audit was to determine whether DOH is in compliance with the OMB Circular A-133 and applicable cash management compliance requirements relating to selected major grant programs for fiscal year 2015.

OIO provided two recommendations to correct the described internal control weaknesses. DOH concurred with the recommendations and implemented the necessary corrective actions. The corrective actions taken were responsive and met the intent of the recommendations.

We appreciate the assistance and cooperation that you and your staff provided to OIO during this audit. Should you have questions, please contact me at (202) 442-6433.

Attachment

Sincerely,


Timothy Barry
Executive Director

cc: Jeffrey DeWitt, Chief Financial Officer, Government of the District of Columbia
Angell Jacobs, Deputy CFO and Chief of Staff, OCFO
Marshelle Richardson, Chief Risk Officer, OCFO
Baraka Ondiek, Chief Improvement Officer, OCFO
Adreana Dean, Interim Agency Fiscal Officer, DOH
Lawrence Frison, Deputy Director of Operations, HAHSTA, DOH

**AUDIT OF CASH MANAGEMENT OVER FEDERAL GRANTS AT THE
DEPARTMENT OF HEALTH (DOH)**

TABLE OF CONTENTS

EXECUTIVE SUMMARY

OVERVIEW	i
CONCLUSION	i
SUMMARY OF RECOMMENDATIONS	i
MANAGEMENT’S RESPONSE AND OIO’S COMMENTS	ii

INTRODUCTION

BACKGROUND	1
OBJECTIVES, SCOPE, AND METHODOLOGY	2

FINDINGS AND RECOMMENDATIONS

FINDING 1: DELAYS IN HRSA PRE-APPROVAL	3
FINDING 2: MISSING CASH DRAWDOWN SUPPORTING DOCUMENTATION	6
FINDING 3: NON-COMPLIANCE WITH THE CASH MANAGEMENT IMPROVEMENT ACT (CMIA)	8

EXHIBIT

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT	9
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APENDIX

APENDIX 1: MANAGEMENT’S RESPONSE	10
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**AUDIT OF CASH MANAGEMENT OVER FEDERAL GRANTS AT THE
DEPARTMENT OF HEALTH (DOH)**

ACRONYMS

ACFO	Associate Chief Financial Officer
ADAP	AIDS Drug Assistance Program
AFO	Agency Fiscal Officer
AIDS	Acquired Immune Deficiency Syndrome
CFDA#	Catalog of Federal Domestic Assistance Number
CMIA	Cash Management Improvement Act
DOH	Department of Health
FY	Fiscal Year
GMU	Grants Management Unit
HAB	HIV/AIDS Bureau
HAHSTA	HIV/AIDS, Hepatitis, STD, TB Administration
HHS	U.S. Department of Health and Human Services
HIV	Human Immunodeficiency Virus
HRSA	Health Resources and Services Administration
HSSC	Human Support Services Cluster
OCFO	Office of the Chief Financial Officer
OIO	Office of Integrity and Oversight
OFT	Office of Finance and Treasury
OMB	Office of Management and Budget
PMS	Payment Management System
RCR	Revenue Cash Receipt
SF-270	Standard Form-270

EXECUTIVE SUMMARY

OVERVIEW

The Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) conducted an audit of cash management over federal grants at the Department of Health (DOH). This audit was included in the OIO's Fiscal Year (FY) 2016 Audit and Integrity Plan due to cash management findings in the FY 2014 OMB Circular A-133 audit. The objective of our audit was to determine whether DOH is in compliance with the OMB Circular A-133 and applicable cash management compliance requirements relating to selected major grant programs for fiscal year 2015.

CONCLUSION

In FY 2015, there were 46 cash drawdown transactions submitted for reimbursement of grant expenditures related to the Ryan White Part A and B grants. OIO examined all of the grant cash drawdown transactions for FY 2015 and found the following exceptions:

- Errors in HRSA pre-approval submissions including expenditures charged to the incorrect grant CFDA # and incorrect grant period,
- Missing documentation in the cash drawdown packages, and
- Non-compliance with the Cash Management Improvement Act (CMIA) restricted draw provision.

SUMMARY OF RECOMMENDATIONS

We provided two recommendations to the Director, DOH and the Associate Chief Financial Officer, Human Support Services Cluster (HSSC) to improve the internal controls over cash drawdowns for the Ryan White Part A and B program examined. The recommendations focused on:

- Requiring DOH to formalize their new cash drawdown process in writing and communicating it to relevant personnel with responsibilities within the cash drawdown process.
- Directing the DOH Finance Office to develop and implement a quality control checklist for cash drawdown required supporting documentation.

EXECUTIVE SUMMARY

MANAGEMENT RESPONSES AND OIO COMMENTS

OIO received written responses from the Department of Health (DOH) on April 19, 2016. DOH management concurred with the report recommendations and provided corrective actions, taken and planned, to address the findings cited in the report.

As of May 4, 2016, the agency implemented the planned corrective actions. The actions taken were responsive and met the intent of the recommendations. The full text of the DOH response is provided at Appendix 1.

INTRODUCTION

BACKGROUND

The Ryan White (HIV/AIDS) Program began in 1990 for those with Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS). The Program is administered by the U.S. Department of Health and Human Services (HHS), Health Resources and Services Administration (HRSA), HIV/AIDS Bureau (HAB). The Ryan White Program consists of several “Parts”. The District’s Department of Health (DOH) has two grant awards for Part A and Part B.

Part A provides emergency medical and support services assistance to Eligible Metropolitan Areas with at least 2,000 AIDS cases and Transitional Grant Areas with 1,000 to 1,999 AIDS cases in the last five years with a population of at least 50,000. Examples of medical services are: outpatient and ambulatory medical care, AIDS drug assistance program, AIDS pharmaceutical assistance, oral health, early intervention services, health insurance premium and cost-sharing assistance for low-income individuals, medical nutrition therapy, hospice services, home and community-based health services, mental health services, substance abuse outpatient care, home health care and medical case management services.

Part B primarily provides medications as well as treatment, support and monitoring of drug treatments. It also provides health insurance coverage with prescription drug benefits. Examples of medical services include outpatient and ambulatory health services, AIDS Drug Assistance Program (ADAP), AIDS pharmaceutical assistance, oral health care, early intervention services, health insurance premium and cost-sharing assistance, home health care, medical nutrition therapy, hospice care, home and community-based health services, mental health, outpatient substance abuse care, medical case management, and treatment adherence services.

Both Parts A and B also provide for support services that are needed for people with HIV/AIDS. Examples of these services are: care for caregivers of people with HIV/AIDS, outreach services, medical transportation, linguistic services, and referrals for health care and support services.

The Cash Drawdown Process

To obtain reimbursement for services provided under Parts A and B of the Ryan White Program, the District must request a cash drawdown from the Federal administering agency. A cash drawdown is the process by which the District is reimbursed by the Federal government for District funds used to pay for grant-related expenditures. The FY 2014 Single Audit cited these grants for instances of non-compliance with the Compliance Supplement Requirements for Cash Management. As a result, the District was placed on restricted draw for these two grants by the

INTRODUCTION

grantor. Restricted draw requires HRSA to pre-approve all grant expenditures before the cash drawdown can be requested and processed. Three departmental sub-units are involved in the cash drawdown process: The District's DOH HIV/AIDS, Hepatitis, STD, TB Administration (HAHSTA); the District's DOH Finance Office; and the Office of Finance and Treasury (OFT) Grants Management Unit (GMU).

Currently, the cash drawdown process is initiated when the DOH Finance Office provides the listing of grant expenditures for reimbursement to HAHSTA. HAHSTA then ensures that there is proper supporting documentation required by HRSA for grant expenditures incurred; such as, invoices, CFO\$olve reports and payroll reports. The DOH Finance Office receives the supporting documentation from HAHSTA and sends the cash drawdown request to HRSA for pre-approval. Once the DOH Finance Office obtains the HRSA pre-approval, the request is submitted using the Payment Management System (PMS). PMS is the HHS system through which the District collects federal revenue for the Ryan White grants. The cash drawdown process is completed when the GMU verifies that the cash drawdown is received in the District's bank account and recorded in the District's System of Accounting and Reporting (SOAR).

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of our audit was to determine whether DOH is in compliance with the OMB Circular A-133 and applicable cash management compliance requirements relating to selected major grant programs for fiscal year 2015.

In order to achieve these objectives, we conducted a walkthrough of the cash drawdown process and reviewed the cash drawdown policies and procedures to gain an understanding of the process. We also reviewed grant awards and the Cash Management Improvement Act (CMIA) agreement for the compliance requirements. Additionally, we examined all 46 Ryan White Part A and Part B cash drawdown transactions for FY 2015. The audit covered the period from October 1, 2014, to September 30, 2015.

We relied on computer-processed data from the SOAR. We did not perform a formal reliability assessment of the computer-processed data since independent auditors conducted a review of SOAR in the District's Comprehensive Annual Financial Report Audit for FY 2014.

This performance audit was conducted 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.

FINDINGS AND RECOMMENDATIONS

FINDING 1: DELAYS IN HRSA PRE-APPROVAL

SYNOPSIS:

During our examination of the cash drawdown transactions and underlying supporting documentation, we saw communication from HRSA which indicated that there were missing invoices, expenditures charged to the incorrect grant CFDA #, and incorrect grant periods. Whenever there were instances of incorrect information and missing documents, HRSA denied the pre-approval and required the agency to resubmit the drawdown request. These exceptions occurred because HAHSTA personnel did not review and certify the supporting documents prior to the DOH/OCFO personnel's submission of the request for HRSA pre-approval. As a result of the incorrect or missing documentation, the reimbursement of expenditures was delayed.

DISCUSSION

In FY 2015, there were 46 cash drawdown transactions submitted for reimbursement of grant expenditures. OIO examined all of the cash drawdown transactions and supporting documents to verify that each drawdown was properly supported, authorized, accurately recorded and timely.

The grant award terms and conditions require each HRSA cash drawdown pre-approval request be submitted with the correct and complete supporting documentation, under the appropriate CFDA # and correct grant award period. Such documentation includes an original signed Standard Form-270 which is the request for advance/reimbursement (SF-270), and documentation supporting the expenditures which included: invoices, CFO\$olve reports and payroll reports.

According to DOH/OCFO officials, whenever missing or incorrect information or documentation is sent to HRSA, it requests that corrections be made before the request can be resubmitted. This caused a delay in the cash drawdown processing as well as the need for both HAHSTA and DOH/OCFO personnel to perform additional work in order to rectify the problem with the initial submission.

We identified the following exceptions in our audit of the cash drawdown supporting documentation. Table 1 details the number of exceptions identified in our examination of the 46 cash drawdown requests and the additional steps related to each condition.

FINDINGS AND RECOMMENDATIONS

Table 1:
Testing Exceptions and Additional Steps Required

Exceptions Noted	No of Instances	Additional Steps Required
Missing Invoices	6	<ul style="list-style-type: none"> a. OCFO personnel requests and obtains the missing invoices from the HAHSTA personnel, b. OCFO reviews the invoices provided by HAHSTA personnel, c. OCFO resubmits the request with the missing invoices to HRSA for Pre-approval.
Expenditures Were Included Under the Incorrect CFDA #	2	<ul style="list-style-type: none"> a. HAHSTA personnel researches and excludes the incorrect expenditures charged and includes the correct expenditures, b. OCFO reviews the corrected expenditures, c. OCFO resubmits the request with expenditures under the correct CFDA # to HRSA for Pre-approval.
Expenditures Charged to the Incorrect Grant Period	2	<ul style="list-style-type: none"> a. HAHSTA personnel make the appropriate corrections so that expenditures are charged to the correct grant period, b. OCFO reviews the corrected expenditures, c. OCFO makes the necessary accounting adjustments for the correct grant period, d. OCFO resubmits the request with expenditures in the correct grant period to HRSA for Pre-approval.

Source: OIO Testwork

The issues identified above were eventually resolved through the additional steps taken to obtain pre-approval, however, this delayed the receipt of the reimbursement for expenditures. We understand from HAHSTA and DOH/OCFO personnel that a new process was put in place in September 2015 to address the issues cited in this finding. The new process includes three key procedures that is intended to correct the issues: (1) HAHSTA personnel are responsible for gathering all the supporting documentation for the cash drawdown requests; (2) HAHSTA

FINDINGS AND RECOMMENDATIONS

officials perform a review of the supporting documents to be submitted to HRSA and certifies that said support is complete, accurate and timely; and (3) DOH/OCFO personnel submits cash drawdown request for pre-approval only after verifying that all of the supporting documentation is included in the cash drawdown request package. However, we noted that a formal written process to capture this change has not been finalized at the conclusion of our audit.

RECOMMENDATION:

We recommend the Director, DOH:

1. Develop a standard operating procedure to formalize the new process in writing and communicate it to the relevant HAHSTA and DOH/OCFO personnel.

MANAGEMENT RESPONSES

Management Response (Recommendation 1)

Revised policy and procedure relative to drawdown of Restricted HRSA grants has been drafted by OCFO and is to be reviewed by HAHSTA. The estimated completion date is April 29, 2016.

OIO COMMENT

OIO confirmed the corrective action was completed as of May 4, 2016; therefore, no further action is required.

FINDINGS AND RECOMMENDATIONS

FINDING 2: MISSING CASH DRAWDOWN SUPPORTING DOCUMENTATION
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SYNOPSIS:

During our examination of the 46 cash drawdown transactions and underlying supporting documentation, we found several instances of missing supporting documentation, documents missing required signatures and supporting documents provided by DOH/OCFO personnel which did not match the Revenue Cash Receipts (RCRs). These exceptions occurred because there was no quality review procedure in place. As a result of the lack of quality review, all of the required documents supporting the cash drawdown transactions were not scanned and filed and were not provided upon request.

DISCUSSION

After the HRSA pre-approval is received and the DOH/OCFO processes the cash drawdown request, supporting documentation should be maintained. Required supporting documentation includes: SF-270s, CFO\$olve Reports, PMS Screens, RCRs, Payroll reports and grantor pre-approvals.

We noted the following exceptions in our review of the cash drawdown supporting documentation:

- Two instances where the supporting documentation provided by DOH/OCFO personnel did not match the Revenue Cash Receipts;
- Two instances where the SF-270 was not signed by the AFO; and
- Eight instances of missing support documentation, such as: SF-270, PMS screen prints, CFO\$olve and Payroll reports, grantor pre-approval.

DOH/OCFO standard operating procedures require the supporting documentation for each cash drawdown transaction be scanned and filed. All cash drawdown transactions are subject to audits; therefore, missing documentation could result in findings.

RECOMMENDATION:

We recommend the Associate Chief Financial Officer, HSSC:

2. Develop and implement a quality checklist for the required supporting documentation package for each of the Federal Major Grant Programs' cash drawdown request transactions.

FINDINGS AND RECOMMENDATIONS

Management Response (Recommendation 2)

The agency stated a Quality Checklist for supporting documentation has been developed and is being reviewed by OCFO and OIO. The estimated completion date is April 22, 2016.

OIO COMMENT

OIO confirmed the corrective action was completed as of May 4, 2016; therefore, no further action is required.

FINDINGS AND RECOMMENDATIONS

**FINDING 3: NON-COMPLIANCE WITH THE CASH MANAGEMENT
IMPROVEMENT ACT (CMIA)**

SYNOPSIS:

In our examination of the 46 FY 2015 cash drawdown transactions, we found one instance of non-compliance with the CMIA restricted draw requirements. DOH/OCFO finance officials indicated that the non-compliance was due to the fact that the individual responsible for requesting and processing cash drawdowns was out of the office at the time the grantor pre-approval was received. As a result, DOH/OCFO was non-compliant with the CMIA restricted draw requirement.

DISCUSSION

Restricted draw requires the Federal grantor (HRSA) to pre-approve all grant expenditures before the cash drawdown can be requested and processed. The CMIA agreement between the District and the U.S. Department of Treasury requires DOH/OCFO to request the cash drawdown within five days after the grantor pre-approved the expenditures. In 1 of the 46 cash drawdown transactions, we noted that DOH/OCFO requested the cash drawdown on November 21, 2014, nine days after the grantor pre-approval obtained on November 12, 2014, which was four days over the restricted draw requirement.

Non-compliance with the CMIA was also noted in the District's FY 2014 Single Audit. To address this issue, DOH/OCFO officials designated two individuals as backup to the primary employee in March 2015. The primary employee's email settings were also updated which allows the primary and backup personnel to be notified when pre-approval is granted. We did not find any other instances of non-compliance during the audit period examined; therefore, we do not recommend any further action be taken.

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Number	Recommendation	Type of Benefit	Agency Reported Completion Date	Status ¹
1	HAHSTA to develop a standard operating procedure to formalize the new process in writing and communicate it to the relevant grant program and DOH/OCFO personnel.	Internal Control and Program Efficiency	April 29, 2016	Closed
2	DOH/OCFO to develop and implement a quality checklist for the required supporting documentation package for each of the Federal Major Grant Programs' cash drawdown request transactions.	Internal Control and Program Efficiency	April 22, 2016	Closed

¹ This column provides the status of the recommendation as of the report date. For final reports “Open” means management and OIO are in agreement on the action to be taken, but the action is not complete. “Closed” means that management advised OIO that they took the action needed to correct the condition and that action is complete. If a completion date was not provided the date of management’s response was used. “Unresolved” means that management has neither agreed to the recommended action nor proposed a satisfactory alternative action to address the condition.

APENDIX 1: MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Department of Health



MEMORANDUM

TO: Timothy Barry
Executive Director
Office of Integrity and Oversight

THRU: LaQuandra S. Nesbitt, MD MPH
Director
Department of Health

THRU: Delicia Moore
Associate Chief Financial Officer
Human Support Services Cluster

FROM: Adreana Deane *Adreana A. Deane*
Interim Agency Fiscal Officer

DATE: April 19, 2016

SUBJECT: Response to Audit of Cash Management over Federal Grants at the Department of Health

This memorandum is in response to your draft report submitted on March 29, 2016 summarizing the results of determining whether DOH is in compliance with the OMB Circular A-133 and applicable cash management compliance requirements relating to selected major grant programs for fiscal year 2015.

Please find below the response for each finding.

1. Finding – Delays in HRSA Pre-Approval

Recommendation – Develop a standard operating procedure to formalize the new process in writing and communicate it to the relevant HAHSTA and DOH-OCFO personnel.

Corrective Actions Taken or Plan to Take - Revised policy and procedure relative to drawdown of Restricted HRSA grants has been drafted by OCFO and is to be reviewed by HAHSTA.

Projected Completion Date – April 29, 2016

APENDIX 1: MANAGEMENT RESPONSE

Official Responsible for the Implementation – Adreana Deane, Agency Fiscal Officer

2. Finding – Missing Cash Drawdown Supporting Documentation

Recommendation – Develop and implement a quality checklist for the required supporting documentation package for each of the Federal Major Grant Programs' cash drawdown request transactions.

Corrective Actions Taken or Plan to Take - A Quality Checklist for supporting documentation has been developed and is being reviewed by OCFO and OIO.

Projected Completion Date – April 22, 2016

Official Responsible for the Implementation – Adreana Deane, Agency Fiscal Officer

3. Finding – Non-Compliance with the Cash Management Improvement Act (CMIA)

Recommendation – No further action recommended since, the issue has been addressed by DOH/OCFO.

Corrective Actions Taken or Plan to Take – No response required

Projected Completion Date – No response required

Official Responsible for the Implementation – No response required

Please feel free to contact me at 202-442-9222 should you require additional information.

cc: Lawrence Frison, Deputy Director of Operations, HAHSTA, DOH