

**AGREED-UPON PROCEDURES REPORT
OF THE
NEBRASKA DEPARTMENT OF HEALTH
AND HUMAN SERVICES
SUBRECIPIENT MONITORING
REPRODUCTIVE HEALTH PROGRAM
JULY 1, 2017, THROUGH JUNE 30, 2018**

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Issued on October 4, 2018

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
SUBRECIPIENT MONITORING
REPRODUCTIVE HEALTH PROGRAM

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
SUBRECIPIENT MONITORING
REPRODUCTIVE HEALTH PROGRAM

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

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Reproductive Health Program**

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
SUBRECIPIENT MONITORING
REPRODUCTIVE HEALTH PROGRAM

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Department of Health and Human Services
Division of Public Health
Lincoln, Nebraska

We have performed the procedures enumerated below, which were agreed to by the engaging party, the program management of the Nebraska Department of Health and Human Services (DHHS), on the subrecipients' (responsible party) financial reports (subject matter) and whether they were accurate and in compliance (assertion) with Federal cost principles (criteria) during the period July 1, 2017, through June 30, 2018. Management of DHHS is responsible for ensuring the criteria used is applicable. The responsible party, each subrecipient, is responsible for ensuring the accuracy of the reports and compliance with Federal cost principles. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Procedures Performed and Results

1. Complete Internal Control Questionnaire

The APA found that two of the three subrecipients tested lack proper internal controls in one or more areas reviewed. Those subrecipients lacked written procedures documenting the methods used to allocate costs to Federal programs, an adequate segregation of duties, a documented review of budgeted to actual expenses, a documented review of income calculations, adequate support for payroll allocations, and a documented cost analysis of fees charged. The APA also noted DHHS did not have adequate procedures to review the monthly reports submitted by its subrecipients or the annual cost analysis subrecipients are required to submit to DHHS.

For more detailed information regarding the subrecipients' lack of adequate internal controls, see **Attachments 1 and 2**.

DHHS Response: DHHS has reached out to subrecipients regarding the concerns around internal controls, and will review responses for completeness and adequacy. DHHS will consider the note regarding procedures to review monthly financial reports and annual cost analysis submission to determine next steps, while noting that these items have been reviewed by a financial reviewer during both on site and desk reviews in the past. Since there has been a vacancy in that role, the Reproductive Health Program has recognized a need for additional staff to build capacity around financial tasks, and has requested to create a position to fill this purpose.

2. Obtain prior audit or monitoring findings and determine if weaknesses have been corrected.

The APA noted that all three subrecipients had audit findings documented in a prior audit report – either the agency’s financial audit or as part of the testing performed on the State’s Federal funds. The APA performed follow-up procedures on each of those, as necessary.

3. Document the accounting software used by the entity and obtain a back up or general ledger of the FY 2018 transactions

The APA obtained financial information for a month selected for testing for all of the subrecipients tested.

4. Obtain a list of employees paid during the period tested

The APA obtained a list of employees paid during the period tested for all three of the subrecipients tested.

5. Perform a detailed test of employee payroll

The APA performed detailed employee payroll testing for all three subrecipients tested, which consisted of numerous steps for each employee selected for testing. In addition to the inadequate procedures to allocate personnel costs noted previously, the APA identified several other concerns, including issues with income tax withholdings, inadequate support for approved rates of pay, and a lack of written procedures related to employee bonus payments.

For more detailed information regarding each of the subrecipients’ payroll testing findings, see **Attachments 1-3**.

DHHS Response: DHHS has reached out to subrecipients regarding the concerns around employee payroll testing, and will review responses for completeness and adequacy.

6. Review journal entries to determine the entry and classification of transactions are reasonable and proper

The APA reviewed journal entries for each of the three subrecipients, and no additional procedures were deemed necessary.

7. Review negative expenditures to determine if transactions were reasonable and proper

The APA reviewed negative expenditures for each of the three subrecipients, and no additional procedures were deemed necessary.

8. *Perform a detailed test of agency expenditures*

The APA performed detailed expenditure testing for each of the three subrecipients, which consisted of numerous steps for each expenditure selected for testing. The APA identified several concerns, including lack of adequate documentation to support the expenses, the use of multiple methods to allocate non-payroll costs to the program, and significant administrative costs charged to the program that were not part of the approved budget. Additionally, it was noted that DHHS does not appear to have an adequate understanding of all methods used by subrecipients to charge costs to the program.

For more detailed information regarding each of the subrecipients' expenditure findings, see **Attachments 1-3**.

DHHS Response: DHHS has reached out to subrecipients regarding the concerns around expenses charged to the program, and will review responses for completeness and adequacy. In terms of staff understanding of subrecipient methods of charging costs, it should be noted that the Reproductive Health Program hired a new Program Manager in December 2017, and who therefore had only been in the position for approximately three months when these reviews were conducted. Grants management and subrecipient monitoring training is an ongoing part of the Program Manager's onboarding process.

9. *Determine if the agency has significant contracts. If testing deemed necessary, determine the extent and necessary procedures. The entity followed the same policies and procedures it uses for procurements from its non-Federal funds.*

The APA reviewed significant contracts during the testing noted above. No additional testing was deemed necessary.

10. *Ascertain the procedures to ensure the time elapsing between the receipt of the Federal awards and the disbursement of funds is minimal. (45 CFR 75.309)*

The APA found no issues related to the time elapsing between the receipt of Federal awards and the disbursement of funds.

11. *Determine whether program income and matching is correctly determined, recorded, and used in accordance with applicable requirements.*

The APA reviewed program income for each of the three subrecipients tested. In addition to the lack of a documented review of income calculations noted above, the APA noted several instances in which subrecipients' clients were charged incorrectly for the services provided. The APA also noted concerns with the calculation of the clients' annual income for one of the subrecipients tested.

For more detailed information regarding each of the subrecipients' program income findings, see **Attachments 1-3**.

DHHS Response: DHHS has reached out to subrecipients regarding the concerns around program income, and will review responses for completeness and adequacy.

12. *Determine whether the required reports include all activity of the reporting period, are supported by adequate records and are presented in accordance with requirements. (Compare financial information obtained to selected reports.)*

The APA reviewed the required reports for the three subrecipients tested and noted a number of issues for one subrecipient, including a mathematically inaccurate report, an inadequately documented, hand-written list of no fees charged, and a receipt that was not included in the report to DHHS. Additionally, DHHS appears to lack procedures for adequately reviewing reports submitted by subrecipients.

For more detailed information regarding the subrecipients' report findings, see **Attachment 1**.

DHHS Response: DHHS has reached out to subrecipients regarding the concerns around financial reporting, and will review responses for completeness and adequacy. DHHS will consider the note regarding procedures to review monthly financial reports to determine next steps, while noting that these items have been reviewed by a financial reviewer during both on site and desk reviews in the past. Since there has been a vacancy in that role, the Reproductive Health Program has recognized a need for additional staff to build capacity around financial tasks, and has requested to create a position to fill this purpose.

13. Determine whether charges to clients are based on a cost analysis of all services provided

The APA reviewed the cost analysis for the three subrecipients tested and found various concerns, such as one subrecipient who failed to complete a cost analysis. Other issues included sliding fee scales that contained fees or donation amounts for individuals who fall within 0 – 100 percent of the Federal poverty guidelines, rates for a drug tested that did not conform with the entities' own price setting methodology, outdated schedules used in calculating costs, lack of a timely update to fee schedules, incorrect rates included in price lists, failure to include Current Procedural Terminology (CPT) codes in the cost analysis, the use of subjective methods to determine the cost of services, and failing to include drug pricing in the cost analysis.

Additionally, the APA noted DHHS did not have a formal process to review the cost analysis and provide feedback to the entities or determine the analysis was reasonable.

For more detailed information regarding findings related to cost analysis, see **Attachments 1-3**.

DHHS Response: DHHS has reached out to subrecipients regarding the concerns around the cost analysis, and will review responses for completeness and adequacy. DHHS will consider the note regarding a process to review the cost analysis to determine next steps, while noting that the sliding fee scale has been looked at by a financial reviewer during both on site and desk reviews in the past. Since there has been a vacancy in that role, the Reproductive Health Program has recognized a need for additional staff to build capacity around financial tasks, and has requested to create a position to fill this purpose.

14. Determine whether services are provided to clients whose documented income is at or below 100% of the current Federal Poverty Level (FPL) and fees are waived

See number 13 above.

DHHS Response: See response to number 13 above.

15. Determine whether a schedule of discounts, based on ability to pay, is applied for individuals with family incomes between 101% and 250% of the most current FPL, and the sliding fee schedule is accurately developed and uniformly implemented

See number 13 above.

DHHS Response: See response to number 13 above.

16. Determine whether charges to persons whose family income exceeds 250% of the current FPL is made in accordance with a schedule of fees designed to recover the reasonable cost of providing services

See number 13 above.

DHHS Response: See response to number 13 above.

* * * * *

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to determine whether the subrecipient financial reports were accurate and in compliance with Federal cost principles. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'C. J. Janssen', with a long horizontal flourish extending to the right.

September 11, 2018

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

Family Health Services, Inc.
Summary of Results – Subrecipient Monitoring
September 2017 Reimbursement from DHHS
FYE 6/30/2018

Attachment 1

Complete Internal Control Questionnaire
<p><i>The APA documented the Family Health Services Inc. internal controls over its financial processes and noted the following issues:</i></p> <ul style="list-style-type: none"> <i>The FHSI lacked an adequate segregation of duties over its financial processes. The Executive Director is the only one with access to the QuickBooks accounting software. Therefore, she has total control over all financial transactions from beginning to end. Any independent reviews performed are not documented. The Executive Director also has access to the client billing software used by FHSI. Furthermore, the Executive Director applies receipts to the account receivable reports, receives cash from the clinics and prepares deposits. She can also process write offs and voids in the system.</i> <i>The FHSI also lacked written policies documenting the method used to allocate its costs to its various programs.</i> <i>The FHSI lacked a documented comparison of budgeted expenses to actual expenses.</i> <i>The FHSI has failed to conduct a cost analysis on its fees charges since 2012.</i> <i>The FHSI lacked a documented review of the income calculations to verify the accuracy of the amounts charged to clients based on the Sliding Fee Scale.</i> <p><i>We recommend the FHSI implement procedures to ensure an adequate segregation of duties over its financial processes, which may include documented reviews of detailed transactions processed by the Executive Director. The FHSI should ensure a Board member review detailed monthly transaction reports and supporting documentation and should also review the payroll registers to ensure the Executive Director's amounts paid and hours worked are accurate. The Board should also review the bank statements to ensure the financial activity in the accounting system agrees to the bank records. The FHSI should consider additional controls over the cash receipts process to ensure all cash received is appropriately deposited. This may include additional reviews of voided receipts, amounts written off, accounts receivable reports, etc to ensure all amounts received are deposited.</i></p> <p><i>It has also been noted that the DHHS did not have adequate procedures to review the monthly reports submitted by its subrecipients or the annual cost analysis that is required to be submitted to DHHS.</i></p> <p><i>We recommend DHHS implement procedures to the monthly financial reports and cost analysis received from the subrecipients are appropriately reviewed and that DHHS has an understanding of the processes used to accumulate the financial information for the monthly reports.</i></p>
Obtain prior audit or monitoring findings and determine if weaknesses have been corrected.
<i>The fiscal year end June 30, 2017, audit noted the agency did not have sufficient expertise in the selection and application of accounting principles to ensure the financial statements conformed to generally accepted accounting principles. Additionally, the audit noted a lack of segregation of duties.</i>
Document the accounting software used by the entity and obtain a backup or general ledger of the FY 2018 transactions
<i>FHSI uses a billing software called Ahlers and QuickBooks for its financial accounting.</i>
Obtain a list of employees paid during the period tested
<i>No issues noted.</i>
Perform a detailed test of employee payroll
<i>For the month of September 2017, the FHSI charged a total of \$22,978 in salary and fringe benefit costs to the program, either directly or through its generated program income. The APA performed a detailed payroll test of four of the employee and also traced the pay rates to supporting documentation for all other employees charged to the Title X program for September 2017. The APA noted the following issues:</i>

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- *The FHSI lacked documentation to support the approved rates of pay for its employees. Per discussion with the Executive Director, the salary rates were increased for the last September 2017 pay check after an internal discussion. In most cases individuals received a \$.25 per hour increase, but one employee tested received more. Documentation of the approved rates of pay for the employees was not maintained.*
- *The FHSI included in its salary costs charged to the Title X program, bonuses paid to employees. Each of the four employees tested received bonuses in the following amount on the pay period selected for testing: \$111, \$522.34, \$91.75, \$96.31. The FHSI lacked a formal, written policy regarding bonus payments, and the bonus payments lacked documented approval. Therefore, they payments do not comply with the Uniform Grant Guidance. 2 CFR 200.430(a) states, in part, the following:*
 - a) **General.** Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation - fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable. . .
- *Not only did the bonus payment lack approval, but the FHSI failed to properly allocate the bonus payment of one of the four employees to the correct programs based on the actual hours worked. Instead, FHSI simply allocated the bonus payment equally to all programs. The other three employees worked solely on family planning so there bonus was properly allocated to family planning.*
- *For two of the four employees tested, the amount of the state income tax withheld did not agree to the employees IRS Form W-4. For one employee, an additional \$5 was withheld from pay without supporting documentation. For the second employee, the employee had elected the married, but withhold at the higher single rate election on the IRS Form W-4. The FHSI withheld income taxes at the married rate, resulting in a \$22.28 variance for the pay period tested.*

We recommend FHSI implement procedures to ensure all rates of pay are adequately documented and maintained. Any changes in pay should be documented in writing and approved, provided to the employee, and maintained in the personnel files. We also recommend FHSI establish written policies to ensure all compensation amounts, including bonuses are supported by adequate written policies. Once a written policy for bonuses is approved, we recommend FHSI implement procedures to allocate the bonus payments based on the actual hours worked. We recommend FHSI implement procedures to ensure the income tax withholding amounts agree to the employees' IRS Form W-4. Finally, we recommend FHSI work with DHHS to determine the amounts to be repaid or adjusted from future requests as a result of the unallowable bonus costs.

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Review journal entries to determine the entry and classification of transactions are reasonable and proper
<i>The journal entries included on the general ledger were not significant.</i>
Review negative expenditures to determine if transactions were reasonable and proper
<i>No other negative records were noted.</i>
Perform a detailed test of agency expenditures
<i>The FHSI recorded \$1,234 in expenses other than payroll for the month of September 2017. The APA did not perform detailed testing over these expenses.</i>
Determine if the agency has significant contracts. If testing deemed necessary, determine the extent and necessary procedures. The entity followed the same policies and procedures it uses for procurements from its non-Federal funds.
<i>Significant contracts would be tested above.</i>
Ascertain the procedures to ensure the time elapsing between the receipt of the Federal awards and the disbursement of funds is minimal. (2014 45 CFR 92.36)
<i>No issues noted. FHSI appears to be using what it received in Title X funding and program income each month.</i>
Determine whether program income and matching is correctly determined, recorded and used in accordance with applicable requirements.
<p><i>FHSI recorded \$10,393 in program income during September 2017. This income is generated from fees charged to patients for services provided.</i></p> <p><i>The APA selected 12 receipt amounts, totaling \$4,607.40 for testing and noted the following:</i></p> <p><i>FHSI incorrectly billed two clients for reduced priced services, as follows:</i></p> <ul style="list-style-type: none"> <i>The first client provided two weekly pay stubs to support the income – one for \$1,129.99 and the other for \$1,169.21 – which equated to an average weekly income of \$1,149.60. According to its sliding fee scale, for a household size of four, the client should have been placed in level 2, or 201% to 250% of the poverty level, and should have received a 22% discount. However, FHSI incorrectly calculated both wages as if they were for a biweekly pay period and included the client in level 4, receiving a 66% discount. So for the two services provided, the FHSI underbilled the client by \$112.</i> <i>The second client provided a pay stub showing \$1,520 as the biweekly gross pay, which would be \$39,520 annual gross income. The client reported 6 individuals in the household and should have been placed in level 4, 101% to 150% of the poverty level, and should have received a 66% discount. Instead, the FHSI incorrectly included them in level 5 – 100% poverty – which qualified the client for a 100% discount on services. For the services provided, the client did not make any payments but should have paid \$82.</i> <p><i>We recommend the FHSI implement procedures to ensure the amounts billed agree to the amounts approved in its Sliding Fee Scale.</i></p>
Determine whether the required reports include all activity of the reporting period, are supported by adequate records and are presented in accordance with requirements. (Compare financial information obtained to selected reports.) Determine if matching amounts are supported.
<i>The September 2017 Family Planning Expenditure/Revenue Report submitted to DHHS and initially provided to the APA was mathematically inaccurate. Columns A and B of the report appeared to be accurate, but column C was not accurate, making the total column inaccurate as well. The APA also noted that DHHS lacked procedures to adequately review the reports provided by the subrecipients.</i>

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We recommend the FHSI implement procedures to ensure the reports submitted to DHHS are mathematically accurate and that DHHS properly reviews the reports to ensure their accuracy.

The APA also noted the following information related to the supporting documentation provided by the FHSI:

- *The list of no fees charged to clients for September 2017 was a hand-written list of clients. It is unusual that this information is not available through the billing system in an electronic format. The manual list increases the risk that not all clients are included.*
- *The Payment Allocation Report received from FHSI for September 2017 had an entry for a \$59 payment that was not included in the amount reported to DHHS for client fees. FHSI was unable to explain why the entry was on the list provided but not included in the report to DHHS.*

We recommend the FHSI ensure its billing system or other records properly accumulates a list of clients served for which no payment was received. We also recommend FHSI implement procedures to ensure all amount received from clients are properly reported in the month collected.

Determine whether charges to clients are based on a cost analysis of all services provided

The FHSI did not complete a cost analysis. It appears the last cost analysis was done in 2012. Additionally, the Board does not review or approve the fees charged by FHSI.

2 CFR 59.5 lists the requirements of a family planning project. Section (a)(8) states:

Provide that charges will be made for services to persons other than those from low-income families in accordance with a schedule of discounts based on ability to pay, except that charges to persons from families whose annual income exceeds 250 percent of the levels set forth in the most recent Poverty Guidelines issued pursuant to 42 U.S.C. 9902(2) will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services.

Without a cost analysis, the FHSI cannot ensure its compliance with the aforementioned requirements from the Uniform Grant Guidance.

We recommend FHSI implement procedures to ensure a cost analysis is completed in order to document that the reasonable costs of providing services are recovered by the fees charged and that the costs are approved by the Board.

Furthermore, the FHSI Fee Schedule includes amounts under certain CPT codes for individuals who fall within the 0-100% of the Federal Poverty Guidelines. Because there is an amount listed for that income level, it doesn't appear the requirements of the UGG are met.

Low-income family is defined as one whose income does not exceed 100% of the most recent Poverty Guidelines.

We recommend the FHSI review its Sliding Fee Scale to ensure compliance with Federal requirements.

The APA determined that the DHHS process to review the entities' cost analysis was inadequate. Each entity is required to provide its cost analysis to DHHS annually. DHHS appeared not to have a formal process to review the cost analysis and provide feedback to the entities or to determine whether the cost analysis was reasonable.

Family Health Services, Inc.
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<i>We recommend DHHS implement procedures to ensure the cost analysis submitted by each subawardee is properly reviewed and provides a reasonable basis for its costs.</i>
Determine whether services are provided to clients whose documented income is at or below 100% of the current Federal Poverty Level (FPL) and fees are waived
<i>Tested during income testing above. See finding noted above.</i>
Determine whether a schedule of discounts, based on ability to pay, is applied for individuals with family incomes between 101% and 250% of the most current Federal poverty level, and the sliding fee schedule is accurately developed and uniformly implemented
<i>Tested during income testing above.</i>
Determine whether charges to persons whose family income exceeds 250% of the current FPL is made in accordance with a schedule of fees designed to recover the reasonable cost of providing services
<i>Tested during income testing above.</i>

OneWorld Community Health Centers, Inc.
Summary of Results – Subrecipient Monitoring
December 2017 Reimbursement from DHHS
FYE 6/30/2018

Attachment 2

Complete Internal Control Questionnaire							
<i>OneWorld lacked written procedures documenting the methods used to allocate costs to its various Federal programs.</i>							
<i>Additionally, OneWorld did not have adequate support for the payroll allocation of its administrative staff. The budgeted percentages were used to allocate payroll.</i>							
<i>We recommend OneWorld implement procedures to ensure it has a documented allocation method to charge expenses to its programs. We also recommend OneWorld ensure all payroll charges are in accordance with the Uniform Grant Guidance and based upon supported time records.</i>							
Obtain prior audit or monitoring findings and determine if weaknesses have been corrected.							
<i>APA reviewed our own prior Single audit testing of OneWorld Community Health Centers, Inc. (OneWorld) for FYE 6/30/2016 and the financial audit as of 2/28/2017. No issues were noted in the financial audit. Previous Single audit findings were considered in testing below.</i>							
Document the accounting software used by the entity and obtain a backup or general ledger of the FY 2018 transactions							
<i>Obtained financial information for December 2017. OneWorld does not separately track Title X activity in its accounting software. Therefore, most of the expenses are charged to the Title X program based on an allocation of total expenses. DHHS should ensure it has a proper understanding of the methods used by OneWorld to allocate expenses to the Title X program to ensure the method is reasonable..</i>							
Obtain a list of employees paid during the period tested							
<i>No issues noted.</i>							
Perform a detailed test of employee payroll							
<i>For the month of December 2017, OneWorld charged a total of \$16,597 in salary and fringe benefit costs to the program, either directly or through its generated program income. The APA performed a detailed payroll test of two of the employee and also traced the pay rates to supporting documentation for all other employees charged to the Title X program for December 2017.</i>							
<i>It appears OneWorld is charging salaries based on the budgeted FTE rather than the actual time worked. For the period tested, OneWorld charged either all or a portion of seven employees' salaries and benefits to the subaward. The APA compared the time worked according to the timesheets for each of these employees. The following differences were determined:</i>							
Employee	Total Monthly Salary	Budgeted FTE	Salary Charged to Subaward	Allocable Title X Hours (Includes Leave)	Total Hours Paid	Allocable Wages	Variance
Employee 1	\$ 5,781.38	0.65	\$ 3,757.90	160.00	160.00	\$ 5,781.38	\$ 2,023.48
Employee 2	\$ 3,374.42	0.05	\$ 168.72	8.00	88.00	\$ 306.77	\$ 138.05
Employee 3	\$ 7,537.17	0.1	\$ 753.72	20.69	160.00	\$ 974.80	\$ 221.08
Employee 4	\$ 8,463.21	0.1	\$ 846.32	17.80	160.00	\$ 941.68	\$ 95.36
Employee 5	\$ 12,801.01	0.075	\$ 960.08	14.15	160.00	\$ 1,132.40	\$ 172.32
Employee 6	\$ 3,037.08	1	\$ 3,037.08	164.42	164.41	\$ 3,037.17	\$.09
Employee 7	\$ 2,373.21	1	\$ 2,373.21	162.00	162.00	\$ 2,373.25	\$.04
Totals			\$ 11,897.03			\$ 14,547.45	\$2,650.42

OneWorld Community Health Centers, Inc.
Summary of Results – Subrecipient Monitoring
December 2017 Reimbursement from DHHS
FYE 6/30/2018

Attachment 2

As noted in the table above, the employees all appear to be working more hours than are actually charged to the subaward. The APA felt DHHS should be aware of this method to charge payroll costs to the subaward.

Furthermore, OneWorld charges a percentage of administrative staff salaries to the Title X subaward based on a budgeted FTE amount, which is not in compliance with the Uniform Grant Guidance. The table below shows the administrative salaries charged to the subaward for December 2017.

Employee	Total Monthly Salary	Budgeted FTE	Salary Charged to Subaward
Employee 9	\$ 19,536.74	0.05	\$ 976.84
Employee 10	\$ 4,436.94	0.05	\$ 221.85
Employee 11	\$ 4,387.05	0.05	\$ 219.35
Totals			\$ 1,418.04

The APA also determined that the monthly salaries used by OneWorld in its spreadsheet used to calculate the amounts charged to the Title X program did not agree to the actual amounts paid for Employees 2 and 9. Employee 2 was actually paid \$3,774.42 and employee 9 was actually paid \$19,836.74.

The APA also determined that three of the above employees' budgeted FTE charged did not agree to the original budget provided to the APA, and two of the above employees were not included in the approved budget at all.

Therefore, we recommend OneWorld implement procedures to ensure salaries charged to the subaward are based on actual time worked and not on budgeted or estimated FTE. We also recommend that OneWorld submit revised budgets when employees charged to the program change. Finally, we recommend DHHS obtain a proper understanding of the method used to charge payroll costs to the Title X program to ensure compliance with the Uniform Grant Guidance.

Review journal entries to determine the entry and classification of transactions are reasonable and proper

No journal entries were provided as OneWorld does not separately track the Title X monies in its accounting system, but rather allocates its expenses to Title X.

Review negative expenditures to determine if transactions were reasonable and proper

See above.

Perform a detailed test of agency expenditures

OneWorld recorded \$7,893 in expenses other than payroll for the month of December 2017. The APA selected five expense items to test, which totaled \$5,175.97 and noted the following:

OneWorld had three different methods to allocate its non-payroll expenses to the Title X program. The first method was based on square footage of its buildings. OneWorld allocated a total of \$972.81 using this methodology. The APA determined that from its 2016 Single Audit testing to the current fiscal year end 2018, OneWorld had nearly doubled the percentage charged to its Title X funds under this methodology by changing the square footage used as follows:

Year	Square Feet Allocated	Total Square Feet Used	Percent Allocated to Title X
FYE 6/30/2016	170	39,843	0.4267%

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FYE 6/30/2018	678	79,630	0.8514%
<p><i>According to an email from OneWorld:</i></p> <p>We reassessed the best allocation method for the square footage allocation after the Single audit. As multiple locations see Title X patients (not just at our LSX campus) and exam rooms are not dedicated solely to seeing Title X patients we decided to use as the numerator one exam room per location divided by the total square footage at all locations.</p> <p><i>OneWorld also allocates certain expenses using a salary percentage. This method takes the total salaries charged to the Title X program and divides it by the total medical clinic salaries and wages expense for the month. OneWorld allocated \$4,127.54 using this method during December 2017.</i></p> <p><i>The third method to allocate its expenses is based on the number of medical encounters. Medical supplies expenses are allocated using this methodology. OneWorld calculates a cost per encounter for medical, laboratory, and pharmacy supplies and multiplies that figure by the number of Title X encounters during the month. OneWorld allocated \$2,792.76 in December 2017 based on this methodology.</i></p> <p><i>We recommend DHHS ensure it has an adequate understanding of OneWorld's processes to allocate its non-payroll expenses and determine whether the current methods are reasonable and supported.</i></p> <p><i>The APA tested the documentation to support the \$680.55 charged to the Title X program for building costs. The total building costs for the month were \$79,928.92 and were allocated based upon the square footage used for Title X purposes, as described previously.</i></p> <p><i>The APA selected two of the larger rental agreements, to NuStyle Holding (\$32,419.23) and Keystone Landing (\$10,680.94), and requested documentation to support the rental payments. The NuStyle Holdings payment included \$4,300 per month for common area maintenance rental payments or CAMS. OneWorld lacked adequate documentation to support the CAMS amount. The original lease agreement included \$6585 per month for the expense. A March 2014 letter identified the CAMS expense as \$3300 per month. Other than the invoice showing the \$12,900 payment for the quarter, OneWorld lacked documentation to support the amount of the agreed-upon CAMS expense.</i></p> <p><i>We recommend OneWorld ensure all payments are supported by adequate documentation that agrees to the amounts paid to its vendors.</i></p>			
<p>Determine if the agency has significant contracts. If testing deemed necessary, determine the extent and necessary procedures. The entity followed the same policies and procedures it uses for procurements from its non-Federal funds.</p>			
<p><i>Significant contracts would be tested above.</i></p>			
<p>Ascertain the procedures to ensure the time elapsing between the receipt of the Federal awards and the disbursement of funds is minimal. (2014 45 CFR 92.36)</p>			
<p><i>No issues noted.</i></p>			
<p>Determine whether program income and matching is correctly determined, recorded and used in accordance with applicable requirements.</p>			
<p><i>OneWorld recorded \$7,175 in program income during December 2017. This income is generated from fees charged to patients for services provided.</i></p> <p><i>The APA selected 7 receipt amounts, totaling \$757.98 for testing and noted the following:</i></p>			

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One amount paid by a patient did not agree to the sliding fee policy. Based upon the documented income and household size, the client should have paid \$50. However, OneWorld only collected \$45 from the patient.

We recommend OneWorld implement procedures to ensure the amounts collected from clients agrees to the amounts approved in its Sliding Fee Policy.

Determine whether the required reports include all activity of the reporting period, are supported by adequate records and are presented in accordance with requirements. (Compare financial information obtained to selected reports.) Determine if matching amounts are supported.

No Issues Noted

Determine whether charges to clients are based on a cost analysis of all services provided

The APA reviewed OneWorld's cost analysis – the method used to determine the cost of services and noted the following:

OneWorld has an approved Sliding Fee Discount Policy that may not conform to the provisions of the Uniform Grant Guidance. 42 CFR 59.5(7) states the following:

Provide that no charge will be made for services provided to any persons from a low-income family except to the extent that payment will be made by a third party (including a government agency) which is authorized to or is under legal obligation to pay this charge.

Low-income family is defined as one whose income does not exceed 100% of the most recent Poverty Guidelines.

OneWorld's Sliding Fee Schedule lists a donation as the rate for individuals who fall within the 0-100% of the Federal Poverty Guidelines. Because there is a donation listed for that income level, it doesn't appear the requirements of the UGG are met. We recommend OneWorld review its Sliding Fee Discount Policy to ensure compliance with Federal requirements.

One drug tested was not priced according to OneWorld's documented fee-setting methodology. OneWorld contracts with a firm to provide a cost analysis for the fees charged for services provided. The recommended methodology uses a specific pricing data source for the geographical area. The current rates are increased by 4% and then compared to the 50th and 75th percentiles of the specific data source used. If the 4% increase falls in between the 50th and 75th percentile, the firm believes the revised rate is priced at market and should be the recommended rate.

If the revised rate is below the 50th percentile, the rate at the 50th percentile is increased by 4% and that amount is the new rate.

For the drug tested, the revised rate (the 4% increase from the current rate) was \$965.12 and fell within the 50th and 75th percentile. However, instead of setting the rate at \$965, OneWorld increased the rate to \$1003, which is 4% above the 50th percentile rate.

We recommend OneWorld use its documented methodology for setting its fees or have documented exceptions to the policy.

The APA determined that DHHS process to review the entities' cost analysis was inadequate. Each entity is required to provide its cost analysis to DHHS annually. DHHS appeared not to have a formal process to review the cost analysis and provide feedback to the entities or to determine whether the cost analysis was reasonable.

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We recommend DHHS implement procedures to ensure the cost analysis submitted by each subawardee is properly reviewed and provides a reasonable basis for its costs.

Determine whether services are provided to clients whose documented income is at or below 100% of the current Federal Poverty Level (FPL) and fees are waived

Tested during income testing above. See finding noted above.

Determine whether a schedule of discounts, based on ability to pay, is applied for individuals with family incomes between 101% and 250% of the most current Federal poverty level, and the sliding fee schedule is accurately developed and uniformly implemented

Tested during income testing above – no issues noted.

Determine whether charges to persons whose family income exceeds 250% of the current FPL is made in accordance with a schedule of fees designed to recover the reasonable cost of providing services

Tested during income testing above – no issues noted.

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Complete Internal Control Questionnaire																		
<i>No issues noted.</i>																		
Obtain prior audit or monitoring findings and determine if weaknesses have been corrected.																		
<i>APA reviewed the prior Single audit testing of Planned Parenthood for FYE 6/30/2017. Many of the same issues still exist and are documented below.</i>																		
Document the accounting software used by the entity and obtain a back up or general ledger of the FY 2018 transactions																		
<i>Obtained financial information for February 2018.</i>																		
Obtain a list of employees paid during the period tested																		
<i>No issues noted.</i>																		
Perform a detailed test of employee payroll																		
<p><i>For the month of February 2018, PP charged a total of \$70,721 in salary and fringe benefit costs to the program, either directly or through its generated program income.</i></p> <p><i>The APA performed a detailed test of four employees. The following table shows the total amounts paid for the period tested and the amount charged to the subaward for each employee tested.</i></p> <table border="1" style="margin: 10px auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="text-align: left;">Employee</th> <th style="text-align: right;">Total Paid</th> <th style="text-align: right;">Charged to Subaward</th> </tr> </thead> <tbody> <tr> <td>Employee 1</td> <td style="text-align: right;">\$ 3,606.07</td> <td style="text-align: right;">\$ 3,593.57</td> </tr> <tr> <td>Employee 2</td> <td style="text-align: right;">\$ 2,046.01</td> <td style="text-align: right;">\$ 1,994.92</td> </tr> <tr> <td>Employee 3</td> <td style="text-align: right;">\$ 1,182.14</td> <td style="text-align: right;">\$ 511.35</td> </tr> <tr> <td>Employee 4</td> <td style="text-align: right;">\$ 3,319.57</td> <td style="text-align: right;">\$ 2,521.24</td> </tr> <tr> <td>Totals</td> <td style="text-align: right;">\$ 10,153.79</td> <td style="text-align: right;">\$ 8,621.08</td> </tr> </tbody> </table> <p><i>Additionally, the APA traced the hours worked and the pay rates to supporting documentation for all other employees charged to the Title X program for February 2018.</i></p> <p><i>The APA noted the following:</i></p> <p><i>For one of four employees tested the income taxes withheld were not accurate because the number of exemptions withheld did not agree to the IRS Form W-4 on file for the employee. The employee had requested 2 allowances to be withheld, but there were actually three allowances withheld.</i></p> <p><i>The APA also noted that one employee had work hours originally coded to Title X, but a notation on the timesheet indicated that time was miscoded and the charges should have been coded to abortion services. A total of 18 hours and 1 hour of shift differential on the February timesheet was miscoded. The employee's pay rate was \$12 per hour, with \$.50 for shift differential. Therefore, a total of \$216.50 was miscoded. The APA also determined that PP discovered the miscoding and on February 28, 2018, made a journal entry to correct the original error and change the coding of the hours worked from Title X funds to an abortion account code.</i></p> <p><i>We recommend the PP implement procedures to ensure the proper amount of income tax withholdings are entered and that time worked is properly charged on employee timesheets.</i></p>	Employee	Total Paid	Charged to Subaward	Employee 1	\$ 3,606.07	\$ 3,593.57	Employee 2	\$ 2,046.01	\$ 1,994.92	Employee 3	\$ 1,182.14	\$ 511.35	Employee 4	\$ 3,319.57	\$ 2,521.24	Totals	\$ 10,153.79	\$ 8,621.08
Employee	Total Paid	Charged to Subaward																
Employee 1	\$ 3,606.07	\$ 3,593.57																
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Employee 3	\$ 1,182.14	\$ 511.35																
Employee 4	\$ 3,319.57	\$ 2,521.24																
Totals	\$ 10,153.79	\$ 8,621.08																
Review journal entries to determine the entry and classification of transactions are reasonable and proper																		
<i>PP processes a number of journal entries each month, from allocating certain costs to each program, to correcting payroll entries. The APA reviewed the journal entries provided and did not have any concerns.</i>																		

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Review negative expenditures to determine if transactions were reasonable and proper

See journal entries above.

Perform a detailed test of agency expenditures

PP recorded \$52,475 in direct expenses other than payroll for the month of February 2018. The APA selected 9 documents to test, which totaled \$25,483.06 and noted the following:

One of nine documents tested did not have a contract or signed agreement documenting the terms and conditions of services. The payment was for grounds maintenance to remove snow and salt the lots at the Omaha location. The payment tested was \$1,053. The invoice provided contained varying rates for different services; however, the PP lacked a written agreement to support the rates paid for each service.

We recommend the PP implement procedures to ensure the amounts charged to the grant are supported by adequate documentation, including written agreements documenting the terms and conditions of the services provided.

For the PP clinics that also house administrative offices, all shared service invoices, including building maintenance, grounds, utilities, etc. are allocated to all functions of that location. PP charges 35% of these expenses to administration, as opposed to Title X clinic charges. The percentage is based upon the square footage of the Omaha location – 35% of the building square footage is charged to administration. The Lincoln location also uses the 35% charge to administration, even though the administrative square footage of the Lincoln location is closer to 26% of its building. As a result, the amount of these occupancy-related expenses charged to the grant for the Lincoln location is lower than it could be.

We recommend DHHS ensure it has an adequate understanding of the processes and calculations used to charge expenses to the grant, to ensure the methods are reasonable and supported.

PP also charged a total of \$52,900 in administrative costs for the month tested, which does not appear to be part of the budget requests. The amount was included with the program income column of the monthly report and was not part of the direct costs charged to the subaward. The administrative costs for February 2018 are detailed below:

Admin Cost Category	Admin Cost	% to Omaha	\$ to Omaha	% to Lincoln	\$ to Lincoln	Total NE
Personnel	\$ 122,387.93					
Patient Care	\$ 83,212.00					
Equipment	\$ 15,440.59					
Other	\$ 4,304.88					
Totals	\$ 225,345.40	11.7576%	\$ 26,495.27	11.7175%	\$ 26,404.84	\$ 52,900.11

DHHS staff did not appear to have adequate knowledge of the PP process to charge administrative costs to the subaward, as DHHS program personnel experienced some turnover.

We recommend DHHS and PP work together to determine whether the administrative costs should be included in the budget and whether they are appropriately reflected as direct or indirect costs in accordance with the Uniform Grant Guidance.

The APA selected requested documentation to support charges in the personnel, patient care, and equipment categories noted the following:

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PP included in the personnel costs shown above, bonus payments of \$10,000 each to two of its employees. The retention bonuses were paid to the employees and required them to continue employment with PP for one year or to repay the bonus. Although the bonus payment was documented by a signed agreement, PP lacked a formal written policy regarding payments of bonuses to its employees.

2 CFR 200.430(a) states, in part, the following:

- a) **General.** Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation - fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:
- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable. . .

Because PP lacks a written policy for its bonus payments, it appears those payments are not allowable under the Uniform Grant Guidance. We recommend PP establish written policies to ensure compensation amounts included in costs of the subaward are supported by adequate written policies. We further recommend PP work with DHHS to determine the amounts to be repaid or adjusted from future requests as a result of the unallowable costs.

PP also included a portion of a \$47,347.02 invoice in its administrative expenses. The invoice was coded to equipment and was payable to Marco, Inc. for telecommunications equipment and services. PP included a monthly total of \$3,945.59 in its total administrative costs each month. The invoice included the following information; however, the total invoice amount did not agree to the original contract amount and PP could not adequately explain what specific amounts from the contract were charged or explain the difference in the invoice amount to the contract amount.

INCLUDES COVERAGE FOR:
(12) MITEL CONTROLLERS (OMAHA, DES MOINES, COUNCIL BLUFFS, IOWA CITY, CEDAR RAPIDS, AMES, URBANDALE, SUASAN KNAPP, LINCOLN, CEDAR FALLS, ROSENFELD, DES MOINES DATA CTR)
DESIGNATED LICENSE MANAGER SOFTWARE ASSURANCE - DES MOINES
MIVoice BUSINESS SOFTWARE ASSURANCE (OMAHA, DES MOINES, COUNCIL BLUFFS, IOWA CITY, CEDAR RAPIDS, AMES, URBANDALE, SUASAN KNAPP, LINCOLN, CEDAR FALLS, ROSENFELD, DES MOINES DATA CTR)
ULM AGGREGATE ENTERPRISE SOFTWARE ASSURANCE -DES MOINES
MICOLLAB SOFTWARE ASSURANCE - DES MOINES
OASYS SUPPORT & SOFTWARE ASSURANCE - DE MOINES

Summary:

Contract base rate charge for the 12/06/2017 to 12/05/2018 billing period	\$44,667.00
	<u>\$44,667.00</u>

Therefore, the documentation provided was inadequate.

PP also included a \$27,294 invoice in its administrative expenses. The invoice was coded to Patient Care and was payable to Bridge Healthcare Partners, IT hosting and other services. The invoice provided included 5 services that were not part of the original contract. The cost of those 5 services was \$3,360. According to PP, the services were agreed to verbally. Therefore, the documentation for those services was not adequate.

We recommend PP implement procedures to ensure the its invoices and contracts contain documentation that is adequate and agrees to the amounts paid.

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Determine if the agency has significant contracts. If testing deemed necessary, determine the extent and necessary procedures. The entity followed the same policies and procedures it uses for procurements from its non-Federal funds.

Significant contracts would be tested above.

Ascertain the procedures to ensure the time elapsing between the receipt of the Federal awards and the disbursement of funds is minimal. (2014 45 CFR 92.36)

No issues noted.

Determine whether program income and matching is correctly determined, recorded and used in accordance with applicable requirements.

PP received \$50,189 in program income during February 2018. This income is generated from fees charged to patients for services provided.

The APA selected 10 receipt amounts, totaling \$5,292.05, and two zero-fee receipts for testing and noted the following:

One rate charged did not agree to the PP price list. The outpatient service was billed at \$101; however, the price list had the price of the service listed at \$110.

The APA also noted that PP's calculation of annual income used the monthly income reported by its clients, less a 20% income disregard, divided by 4 weeks each month. PP then multiplies that "weekly" amount by 52 weeks to get an annual income amount. This calculation method results in a higher annual income than using the monthly income reported, less the 20% disregard, multiplied by 12 months. The annual income amount is used to determine how much clients must pay for services using the PP sliding fee scale. See an example in the table below:

	APA Calculation	PP Calculation
Reported Monthly Income	\$2,800	\$2,800
20% disregard		(\$560)
Adjusted Monthly Income		\$2,240
Divided by 4 weeks		\$560
Annual Amount	\$33,600	\$29,120
20% disregard	(\$6,720)	
Adjusted Annual Income	\$26,880	\$29,120

We recommend PP implement procedures to ensure the amounts charged to clients agrees to its approved price lists. We also recommend PP review its method to calculate annual income to ensure the 20% disregard is documented in its written policies and that the calculation results in an accurate amount to be used to determine the amount paid by clients for services provided.

Determine whether the required reports include all activity of the reporting period, are supported by adequate records and are presented in accordance with requirements. (Compare financial information obtained to selected reports.) Determine if matching amounts are supported.

No Issues Noted

Determine whether charges to clients are based on a cost analysis of all services provided

The APA reviewed PP's cost analysis – the method used to determine the cost of services and noted the following:

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PP used the relative value units (RVU) provided by the Centers for Medicare and Medicaid Services (CMS) to calculate the cost of providing services. In its calculation of costs, PP used the 2015 Physician Fee Schedule from CMS, which is not the most updated RVU schedule. Additionally, PP used the 2016 Physician Fee Schedule to obtain the CMS conversion factor used in its calculation. This is neither the most current schedule, nor is it consistent with the schedule used to obtain the RVU's. The APA also determined that PP input an incorrect Geographic Practice Cost Indices (GPCI) rate in its 2017 price list. PP's current policies indicated that the current RVU tables are to be used in the cost analysis.

A few of the PP's Current Procedural Terminology (CPT) codes were not included on its cost analysis report and PP lacked documentation to support the cost of those services. The CPT codes were 36415, 81025, and 87210.

PP's calculated cost of performing the service is also compared to costs provided by several 3rd party insurers. One of the insurers used in the comparison was Aetna; however, PP did not have the rates provided by Aetna. Instead, PP provided the rates for another insurer, who they claimed had the same rates.

The Sliding Fee Scale used by PP to determine poverty levels and costs for services, was not updated timely. The Federal poverty rates for 2018 were updated in January 2018. PP updated its sliding fee scale in April 2018.

PP's method to ultimately determine the cost of services provided is subjective. In general, PP attempts to charge slightly more than the highest 3rd party rate used in its comparison. However, the APA noted that some rates are below the highest 3rd party rate, some are slightly above the 3rd party rate, and others are well above the 3rd party rate as documented below:

CPT Code	Highest 3 rd Party	PP Rate
Example 1	\$ 304.70	\$ 285.00
Example 2	\$ 190.62	\$ 183.00
Example 3	\$ 48.70	\$ 49.00
Example 4	\$ 178.45	\$ 225.00

Additionally, PP did not include drug pricing in its cost analysis. Rather, it used the cost of the drugs to set the fees. The following drugs were tested during the program income test:

Drug	PP Cost per Invoice	PP Price
Drug 1	\$28.77	\$150.00
Drug 2	\$50.00	\$1,000.00
Drug 3	\$399.00	\$900.00

We recommend PP implement procedures to improve its cost analysis process, including using the most current Physician Fee Schedules, having a second person verify figures were input correctly into the cost analysis spreadsheet, maintaining documentation to support the cost of all services provided and 3rd party rates used in its comparison, updating the Sliding Fee Scale more timely, and ensuring the costs charged for services are based on a valid, structured costing methodology.

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The APA also determined that DHHS process to review the entities' cost analysis was inadequate. Each entity is required to provide its cost analysis to DHHS annually. DHHS appeared not to have a formal process to review the cost analysis and provide feedback to the entities or to determine whether the cost analysis was reasonable.

We recommend DHHS implement procedures to ensure the cost analysis submitted by each subawardee is properly reviewed and provides a reasonable basis for its costs.

Determine whether services are provided to clients whose documented income is at or below 100% of the current Federal Poverty Level (FPL) and fees are waived

Tested during income testing above – no issues noted.

Determine whether a schedule of discounts, based on ability to pay, is applied for individuals with family incomes between 101% and 250% of the most current Federal poverty level, and the sliding fee schedule is accurately developed and uniformly implemented

Tested during income testing above – no issues noted.

Determine whether charges to persons whose family income exceeds 250% of the current FPL is made in accordance with a schedule of fees designed to recover the reasonable cost of providing services

Tested during income testing above – no issues noted.