

Health Center Program Site Visit Protocol:

Financial Management and Accounting Systems

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FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEMS

Primary Reviewer: Fiscal Expert

Secondary Reviewer: Governance/Administrative Expert

Authority: Sections 330(e)(5)(D), 330(k)(3)(D), 330(k)(3)(N), and 330(q) of the Public Health Service (PHS) Act; 42 CFR 51c.113, 42 CFR 56.114, 42 CFR 51c.303(d), and 42 CFR 56.303(d); and 45 CFR Part 75 Subparts D, E and F

Document Checklist for Health Center Staff

Documents Provided Prior to Site Visit:

- Financial management and internal control procedures (may also be in the form of financial/accounting policies, manuals, or other related documents)
- Procedures for drawdown, disbursement, and expenditure of federal award funds (may be included in the financial management and internal control procedures or may be separate)
- Policies and/or procedures that govern and track the use of non-grant funds (if applicable)
- Two most recent annual audits and management letters

Documents Provided at the Start of the Site Visit:

- Manuals or documentation of the financial management system(s) used by the health center (for example, financial accounting software, practice management system)
Note: Some or all of the financial management system(s) may be contracted out or carried out via a Health Center Controlled Network
- Sample of periodic financial reports provided to the board and key management staff (selected from the past 6 months) including the most recent interim financial statements
- Sample of source documentation (for example, financial records, receipts, invoices) to support expenditures made under the federal Health Center Program award for the last quarter
- Aged Accounts Receivable (as of most recent interim financial statements)
- Aged Accounts Payable (as of most recent interim financial statements)

Demonstrating Compliance

Is this a Look-Alike Site Visit?

- YES NO

NOTE: Because look-alikes do not receive federal funding under section 330 of the PHS Act, any aspects of a requirement that relate to the use of Health Center Program federal award funds are not applicable to look-alikes.

Element a: Financial Management and Internal Control Systems

The health center has and utilizes a financial management and internal control system that reflects Generally Accepted Accounting Principles (GAAP) for private non-profit health centers or Government Accounting Standards Board (GASB) principles for public agency health centers¹ and that ensures at a minimum:

- Health center expenditures are consistent with the HRSA-approved total budget² and with any additional applicable HRSA approvals that have been requested and received;³
- Effective control over, and accountability for, all funds, property, and other assets associated with the Health Center Program project;
- The safeguarding of all assets to assure they are used solely for authorized purposes in accordance with the terms and conditions of the Health Center Program award/designation;⁴ and
- The capacity to track the financial performance of the health center, including identification of trends or conditions that may warrant action by the organization to maintain financial stability.

Site Visit Team Methodology

- Interview health center's CFO and/or other relevant staff and, if applicable, contractors who have responsibility for the health center's financial management systems.
- Review the two most recent audits and management letters.
- Review financial management, accounting, and internal control procedures and systems.
- Review sample of periodic financial reports provided to the board and key management staff including the most recent interim financial statements.
- Review Aged Accounts Receivable and Aged Accounts Payable.

¹ GAAP and GASB are used as defined in 45 CFR Part 75.

² A health center's "total budget" includes the Health Center Program [federal award](#) funds and all other sources of revenue in support of the HRSA-approved Health Center Program [scope of project](#). For additional detail, see [Health Center Program Compliance Manual] [Chapter 17: Budget](#).

³ Per 45 CFR 75.308, post-award, [federal award recipients](#) are required to report significant deviations from budget or project scope or objective, and are required to request prior approvals from HHS awarding agencies for budget and program plan revisions (re-budgeting). "Re-budgeting, or moving funds between direct cost budget categories in an approved budget, is considered significant when cumulative transfers for a single budget period exceeds 25 percent of the total approved budget (inclusive of direct and indirect costs and federal funds and required matching or cost sharing). The base used for determining significant re-budgeting excludes carryover balances but includes any amounts awarded as supplements."

⁴ The requirement to safeguard federal assets as described in this bullet substantially reflects the requirement to have written policies and procedures in place to ensure the appropriate use of federal funds in compliance with applicable federal statutes, regulations, and the terms and conditions of the federal award. See Section 330(k)(3)(N) of the PHS Act.

Site Visit Findings

1. Does the health center's financial management and internal control system reflect GAAP or GASB principles?
 YES NO

If No, an explanation is required:

2. Is the health center able to track actual expenditures in comparison to the Health Center Program project budget?
 YES NO

If No, an explanation is required:

3. Do the health center's financial management and internal control systems have the capacity to account for the expenditure of Health Center Program project funds (for example, segregation of funds) and safeguard the use of associated assets and property (for example, procedures for inventory management, maintaining property records)?
 YES NO

If No, an explanation is required regarding the health center's inability to account for expenditures and/or safeguard assets:

4. Was the health center able to demonstrate a capacity to track its financial performance for the purposes of monitoring financial stability?
 YES NO

If No, an explanation is required:

Element b: Documenting Use of Federal Funds

NOT APPLICABLE FOR LOOK-ALIKES

The health center's financial management system is able to account for all federal award(s) (including the federal award made under the Health Center Program) in order to identify the source⁵ (receipt) and application (expenditure) of funds for federally-funded activities in whole or in part. Specifically, the health center's financial records contain information and related source documentation pertaining to authorizations, obligations, unobligated balances, assets, expenditures, income, and interest under the federal award(s).

⁵ Federal program and federal award identification would include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, federal award identification number and year, name of the HHS awarding agency, and name of the [pass-through entity](#), if any.

Site Visit Team Methodology

- Have CFO or other financial staff walk through the health center's use of the last quarter of federal Health Center Program award funds, starting from drawdown through obligation and payment of such funds for authorized expenditure.
- Review sample of source documentation to support expenditures made under the federal Health Center Program award for the last quarter.

Site Visit Findings

5. Based on the sample, does the health center have a financial management system that is able to account for the Health Center Program federal award and related expenditures (for example, in chart of accounts) made under the award? Specifically, do the health center's financial records contain relevant information and related source documentation?

YES NO NOT APPLICABLE

If No, an explanation is required:

Element c: Drawdown, Disbursement and Expenditure Procedures

NOT APPLICABLE FOR LOOK-ALIKES

The health center has written procedures for:

- Drawing down federal award funds in a manner that minimizes the time elapsing between the transfer of the federal award funds from HRSA and the disbursement of these funds by the health center; and
- Assuring that expenditures of federal award funds are allowable in accordance with the terms and conditions of the federal award and with the federal cost principles⁶ in 45 CFR Part 75 Subpart E.

Site Visit Team Methodology

- Review health center's procedures for drawdown, disbursement, and expenditure of federal award funds utilizing the federal Payment Management System (PMS).
- Interview CFO or other health center individuals authorized to draw down and expend federal award funds.

Site Visit Findings

6. Does the health center have written procedures for drawing down federal funds?
- YES NO NOT APPLICABLE
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⁶ The cost principles are set forth in 45 CFR Part 75, Subpart E.

If No was selected, an explanation is required:

7. Does the health center have written procedures with provisions or steps that:
- Limit the drawdown to minimum amounts needed to cover allowable project costs?
 YES NO NOT APPLICABLE
 - Time drawdowns in a manner that minimizes the time elapsing between the transfer of the federal award funds from HRSA and the disbursement of these funds by the health center?
 YES NO NOT APPLICABLE

If No was selected for any of the above, an explanation is required:

8. Does the health center have written procedures with specific provisions or steps that ensure all expenditures utilizing federal award funds are allowable in accordance with:
- The terms and conditions of the federal award, including those that limit the use of federal award funds?
 YES NO NOT APPLICABLE
 - The federal cost principles in 45 CFR Part 75 Subpart E?
 YES NO NOT APPLICABLE

If No was selected for any of the above, an explanation is required:

Element d: Submitting Audits and Responding to Findings

If a health center expends **\$750,000 or more in award funds from all federal sources** during its fiscal year, the health center ensures a single or program-specific audit is conducted and submitted for that year in accordance with the provisions of 45 CFR Part 75, Subpart F: Audit Requirements and ensures that subsequent audits demonstrate corrective actions have been taken to address all findings, questioned costs, reportable conditions, and material weaknesses cited in the previous audit report, if applicable.

Site Visit Team Methodology

- Review most recent audit and management letter.
- If there are any audit findings, questioned or unallowable costs, reportable conditions, material weaknesses, or significant deficiencies noted, interview the health center's CFO and/or other relevant health center individuals regarding status of corrective actions.

Site Visit Findings

9. Did the health center expend \$750,000 or more in federal award funds during its last complete fiscal year?
 YES NO
10. **If Yes:** Has (i.e., audit is complete at the time of site visit) or will (i.e., audit is in progress at the time of site visit) the health center ensure an audit is conducted in accordance with federal audit requirements?
 YES NO NOT APPLICABLE

If No, an explanation is required:

11. Based on review of the most recent audit and management letter, were there any findings, questioned or unallowable costs, reportable conditions, material weaknesses, or significant deficiencies, including any cited in the previous audit report?
 YES NO NOT APPLICABLE
12. **If Yes:** Has the health center either completed corrective actions to address the finding(s) or was the health center able to document steps it is currently taking to address the finding(s)?
 YES NO NOT APPLICABLE

If No, an explanation is required:

Element e: Documenting Use of Non-Grant Funds

The health center can document that any non-grant funds generated from Health Center Program project activities, in excess of what is necessary to support the HRSA-approved total Health Center Program project budget, were utilized to further the objectives of the project by benefiting the current or proposed patient population and were not utilized for purposes that are specifically prohibited by the Health Center Program.

Site Visit Team Methodology

- Interview the health center's CFO and/or Project Director/CEO or other relevant health center individuals.
- Review policies, procedures, or systems that govern and track the use of non-grant funds (if applicable).

Site Visit Findings

13. In the last complete fiscal year, did the health center generate revenue from health center activities that was then utilized for activities outside the scope of the project?
 YES NO

14. **If Yes:** Was the health center able to document that these funds were used:

- To support activities that benefit the current patient population?
 YES NO NOT APPLICABLE

- For purposes that are not specifically prohibited by the Health Center Program?
 YES NO NOT APPLICABLE

If No was selected for any of the above, an explanation is required:
