

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

## **INTERNAL AUDIT REPORT**

**CARES COMMUNITY HEALTH  
dba ONE COMMUNITY HEALTH  
FISCAL MONITORING  
AGREED-UPON PROCEDURES**

**DEPARTMENT OF HEALTH SERVICES**



**Audit Committee Submittal Date: 03/18/2022**

## **SUMMARY**

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### **Background**

This fiscal monitoring Agreed-Upon Procedures was requested by Department of Health Services (DHS) as Cares Community Health dba One Community Health (OCH) was assessed as one of the high risk subrecipients based on DHS' subrecipient risk assessment.

OCH began in 1989 and is a Federally Qualified Health Center located in mid-town Sacramento. OCH contracted with DHS for Ryan White Care Program to provide services to HIV+ individuals who reside in the Sacramento Transitional Grant Area. Internal Audit Unit performed this Agreed-Upon Procedures engagement for three (3) Ryan White Care Program contacts for the period March 1, 2018 to June 30, 2020.

### **Audit Objective**

To assist DHS in assessing OCH's financial condition and compliance with the agreements between DHS and OCH and to verify that monthly invoices submitted by OCH are accurate and reasonable.

### **Summary**

Based on our agreed-upon procedures performed, we noted concerns regarding internal controls, implementation of an audit recommendation, insufficient supporting documentation for claimed expenditures, and cost allocations.

Department of Finance  
Ben Lamera  
Director



Auditor-Controller Division  
Joyce Renison  
Assistant Auditor-Controller

## County of Sacramento

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February 15, 2022

Chevon Kothari, Director  
Department of Health Services  
County of Sacramento  
7001 A East Parkway Suite 1000  
Sacramento, CA 95823

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

Dear Ms. Kothari:

We have performed the procedures, enumerated below, which were requested and agreed to by you regarding Cares Community Health dba One Community Health (OCH)'s fiscal compliance as outlined in the Contractual Agreements (Agreements) listed below:

- Ryan White CARE Program
  - 7207500-13/20-704 for the period March 1, 2018 to March 31, 2020
  - 7207500-13/20-133 for the period March 1, 2018 to March 31, 2020
  - 7207500-20/23-133 for the period April 1, 2020 to June 30, 2020

This agreed-upon procedure engagement was conducted to assist the Department of Health Services (DHS) to a) assess OCH's financial condition and compliance with the above Agreements and b) verify that monthly invoice claims submitted by OCH are accurate and reasonable.

DHS' management is responsible for monitoring OCH's compliance with the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of DHS' management. Consequently, we make no representation regarding the sufficiency of the procedures as follows either for the purpose for which this report has been requested or for any other purposes. This report is applicable solely to the Agreements referred above and is not intended to pertain to any other agreements of DHS or OCH.

The procedures we performed and our findings were as follows:

1. Internal Controls - We inspected OCH's written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation. We also inspected OCH's written procedures for clients' admission and release, program eligibility verification, and services provided for its programs listed in the Agreements.

Finding: We noted an exception concerning OCH's internal control over monthly financial close and reporting process. See ATT 3 – *Current Findings and Recommendations*.

2. Financial Statements - We inspected OCH's audit reports for years ended December 31, 2018 and 2019 to identify any concerns or issues that require your attention.

Finding: We noted an exception concerning OCH's implementation of its independent auditor's recommendation. See ATT 3 – *Current Findings and Recommendations*.

3. Claim Submissions - We inspected OCH's monthly invoice claims for June 2018, November 2018, March 2019, June 2019, March 2020, and June 2020. We haphazardly selected and tested total 30 expense claimed and 30 client files from the selected months.

Finding: We noted that several transactions we tested did not have adequate supporting documentation. See ATT 2 – *Schedule of Questioned Costs* and ATT 3 – *Current Findings and Recommendations*.

4. General Ledger - We traced OCH's invoice claims for June 2018, November 2018, March 2019, June 2019, March 2020, and June 2020 to its general ledger.

Finding: We noted differences between OCH's general ledger amounts and the invoice claim payments. See ATT 2 – *Schedule of Questioned Costs* and ATT 3 – *Current Findings and Recommendations*.

5. Cost Allocations - We inspected OCH's cost allocation policies and procedures and tested the transactions noted in Item #3 above to identify any issues related to cost allocations.

Finding: We noted exceptions from our review of CAPC's cost allocation procedures. See ATT 3 – *Current Findings and Recommendations*.

6. Funding Sources - We made inquiries to OCH's management to identify any funding sources other than DHS for its programs. We inspected OCH's general ledger and invoice claims for June 2018, November 2018, March 2019, June 2019, March 2020, and June 2020 to identify any inappropriate or duplicated charges.
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Finding: We did not note any exceptions as a result of this procedure.

Total amounts budgeted and total amounts claimed are summarized at ATT 1 – *Schedule of Budget vs Claimed*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards* issued by the Controller General of the United States. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on DHS' financial statements or schedules, or internal controls, or compliance with the Agreements, or the results of the agreed-upon procedures. 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. This report relates only to the Agreements and does not extend to any other program administered by DHS.

DHS' management responses to the findings identified during our engagement are described in ATT 3 – *Findings and Recommendations*. We did not perform procedures to validate DHS' management responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, and DHS' management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA  
Audit Manager

Enclosures:

ATT 1 – *Schedule of Budget vs Claimed*  
ATT 2 – *Schedule of Questioned Costs*  
ATT 3 – *Current Findings and Recommendations*

Fiscal Monitoring Agreed-Upon Procedures  
Schedule of Budget vs Claimed  
For the Periods from March 1, 2018 to June 30, 2020

<u>Contract/Budget Period</u>	<u>Current Budget</u>	<u>Amount Claimed &amp; Paid<sup>(1)</sup></u>	<u>Over/Under Budget</u>
<b>7207500-13/20-704</b>			
From March 1 2018 to February 28, 2019	\$ 1,717,387.00	1,716,561.32	(825.68)
From March 1 2019 to March 31, 2020	1,038,948.00	1,027,702.02	(11,245.98)
<b>Total</b>	<b><u>\$ 2,756,335.00</u></b>	<b><u>2,744,263.34</u></b>	<b><u>(12,071.66)</u></b>
<b>7207500-13/20-133</b>			
From March 1 2018 to February 28, 2019	\$ 2,237,940.00	2,238,666.24	726.24 <sup>(2)</sup>
From March 1 2019 to March 31, 2020	2,235,642.00	2,128,332.07	(107,309.93)
<b>Total</b>	<b><u>\$ 4,473,582.00</u></b>	<b><u>4,366,998.31</u></b>	<b><u>(106,583.69)</u></b>
<b>7207500-20/23-133</b>			
From April 1, 2020 to June 30, 2020	<b><u>\$ 2,105,695.61</u></b>	<b><u>504,508.16</u></b>	<b><u>(1,601,187.45)</u></b>

(1) Represent amount claimed by OCH and paid by DHS

(2) The over budget amount was approved by DHS as funding was available for payment.

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 Cares Community Health dba One Community Health (OCH)  
 Fiscal Monitoring Agreed-Upon Procedures  
 Schedule of Questioned Costs  
 For the Periods from March 1, 2018 to June 30, 2020

Contract/Period	A Amount Claimed & Paid <sup>1</sup>	B Amount Per GL <sup>2</sup>	C = A - B Amount Unsubstantiated per GL <sup>3</sup>	Amount Tested	D Amount Unsubstantiated per Testing <sup>4</sup>	C + D Total Questioned Cost
<b>7207500-13/20-704</b>						
June 2018	\$ 174,258.54	174,258.54				
November 2018	137,105.10	137,105.10		13,329.41	11,110.58	11,110.58
March 2019	83,651.86	82,756.90	894.96			894.96
June 2019	102,622.39	102,622.39		7,035.07	853.03	853.03
March 2020	29,925.00	29,925.00				
<b>Subtotal</b>	<b>\$ 527,562.89</b>	<b>526,667.93</b>	<b>894.96</b>	<b>20,364.48</b>	<b>11,963.61</b>	<b>12,858.57</b>
<b>7207500-13/20-133</b>						
June 2018	\$ 159,833.14	159,833.14				
November 2018	194,834.69	186,185.94	8,648.75	14,739.53		8,648.75
March 2019	208,896.45	208,896.45		26,430.94	22,399.56	22,399.56
June 2019	140,434.02	140,434.02		6,735.68	6,735.68	6,735.68
March 2020	170,519.51	170,519.51		9,385.79	8,294.07	8,294.07
<b>Subtotal</b>	<b>\$ 874,517.81</b>	<b>865,869.06</b>	<b>8,648.75</b>	<b>57,291.94</b>	<b>37,429.31</b>	<b>46,078.06</b>
<b>7207500-20/23-133</b>						
June 2020	\$ 186,102.51	181,943.35	4,159.16	21,279.73	386.00	4,545.16
<b>Total</b>	<b>\$ 1,588,183.21</b>	<b>1,574,480.34</b>	<b>13,702.87</b>	<b>98,936.15</b>	<b>49,778.92</b>	<b>63,481.79</b>

<sup>1</sup> Represent amount claimed by OCH and paid by DHS.

<sup>2</sup> Represent amount per OCH's general ledger.

<sup>3</sup> Questioned Costs. See Finding #4 at ATT 3.

<sup>4</sup> Questioned Costs. See Finding #3 at ATT 3.

<sup>5</sup> There were multiple claims with different functions and different line items each month for both contracts listed above; therefore, it was impractical to extrapolate the questioned costs in logical manner to the entire period. As such we did not extrapolate the questioned costs.

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Current Findings and Recommendations  
For the Periods from March 1, 2018 to June 30, 2020

## 1. Internal Controls

### Controls Over Monthly Financial Close and Reporting Process

#### Condition

Based on our review of Cares Community Health dba One Community Health (OCH)'s audited financial statements for the years ended December 31, 2018 and 2019, we noted OCH did not fully implement its external auditor's recommendations concerning updating and strengthening its internal control policies and procedures over monthly financial close and reporting process. OCH's external auditor proposed several adjustments to OCH's financial statements for both 2018 and 2019 audits. In addition, during our testing of invoice claim expenses and review of general ledger, we noted numerous errors such as unexplained discrepancies, lack of supporting documentation, and inadequate documentation of cost allocation.

#### Criteria

OCH should maintain sufficient policies and procedures to ensure significant accounts are reconciled to supporting documentation consistently and timely and invoice claims are prepared accurately.

#### Effect

Inadequate policies and procedures resulted in numerous errors concerning invoice claiming as described in the Condition section above.

#### Recommendation

We recommend OCH formally update and implement its policies and procedures over its monthly financial close, reporting, and invoice claiming process in written format to ensure financial reports and invoice claims are prepared accurately, consistently and timely.

#### DHS Management Responses

OCH independent auditors noted significant deficiency identified in the Internal Control over financial reporting for years ended 2018 and 2019. For year ended 2020, another independent auditors had reported no such significant deficiency. OCH has updated their organizational internal control policies and procedures and was issued a clean 2020 financial audit, which included a review of their internal control policies. Copy of FIN-026 Policy – Internal Controls is provided to DHS by OCH They are currently working on updating their Finance Internal



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Control Policy and Procedures and should be able to complete by the end of first quarter of 2022. OCH was requested to provide DHS a copy of the Finance Internal Control Policy and Procedures.

## 2. Financial Statements

### Implementation of Independent Auditor's Recommendation

#### Condition

OCH did not fully implement its independent auditor's recommendation. This recommendation was repeated two consecutive years by OCH's independent auditor. See Finding #1 for the detailed condition, criteria, effect, and our recommendation.

#### DHS Management Responses

Effective 2020, OCH claimed to have implemented all recommendations that were outlined in their Independent Financial Audit Report which resulted to a clean audit for 2020. OCH created a detailed Revenue Analysis Schedule which had been implemented as part of their Month End financial processes.

## 3. Claim Submissions

### Insufficient Supporting Documentation

#### Condition

- 1) **Unsubstantiated Expenses Claimed:** We noted 19 exceptions out of 30 sample expense transactions we tested as follows:
  - i. We tested 10 employees whose salaries were charged to multiple programs. For all 10 salary expenses (total amount of \$25,687.40), actual hours spent by the individual employees were not supported by an activity report or time study. The expenses were claimed based on the budget. Therefore, we were not able to determine these expenses were allowable or reasonable.
  - ii. Benefit expenses were claimed based on the budgeted percentage (25% of total salary expenses claimed). However, no basis for such allocation

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was documented. In addition, as noted above, we were unable to determine salary expenses claimed were reasonable or allowable, therefore, we were unable to determine if benefit expenses claimed were allowable or reasonable. Total claimed benefit amount we tested was \$21,627.30.

- iii. Two client food expenses claimed under supplies line item (total amount of \$731.33) were not supported by sufficient documentation including vendor invoices/receipts, meeting date and attendees.
- iv. For three bus pass expenses (total amount of \$386.00), OCH did not maintain a reconciliation showing the beginning balance, purchases supported by payment receipts, distributions and ending balance of bus passes. Therefore, we were not able to determine whether the amount claimed for the bus passes was accurate.
- v. For two lab fee expenses (total amount of \$287.47), OCH did not provide sufficient supporting documentation, such as, invoices and cost allocation methodology.
- vi. Malpractice insurance expenses were claimed based on contract budget. Although the insurance expenses claimed did not exceed budget, sufficient supporting documentation was not provided, such as, vendor invoices, insurance declarations, and cost allocation methodology. Total claimed benefit amount tested was \$1,059.42.

We consider the total unsubstantiated expenses in the amount of \$49,778.92 (\$25,687.40 + \$21,627.30 + \$731.33 + \$386.00 + \$287.47 + \$1,059.42) noted above as questioned costs.

- 2) **Missing documents in Client Files:** Of the 30 client files we tested, we noted the following exceptions in regard to client eligibility and services provided:
  - i. Proof of HIV positivity was not documented in five client files
  - ii. Proof of residency was not documented in nine client files

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- iii. Proof that clients' modified adjusted gross income did not exceed 500% of federal poverty level was not documented in two client files.
- iv. Evidence of service performed was not documented in eight client files.

**Criteria**

According to Exhibit D, Section VII of the Agreements between OCH and DHS (Agreement), OCH is required to maintain complete financial records that clearly reflect the actual cost and related fees and reimbursement received for each type of service for which payment is claimed. The client eligibility determination and the fees charged to and collected from clients should also be reflected. Any apportionment of costs should be made in accordance with generally accepted accounting principles.

In addition, OCH should maintain adequate client records on each individual client that includes diagnostic studies, records of client interviews, progress notes, and records of services provided by the various professional and paraprofessional personnel in sufficient detail to permit an evaluation of services.

**Effect**

OCH is not compliant with the terms and conditions of the Agreement. Without maintaining adequate financial and/or client records, the propriety of use of funds by OCH cannot be verified.

**Recommendation**

We recommend OCH maintain adequate supporting documentation (financial and non-financial) as required per the Agreements. We also recommend that OCH contact DHS to resolve the questioned costs noted above.

**DHS Management Responses**

OCH has gone through multiple turn-over both on executive and support staff level including the financial staff.

During the period under review, actual hours spent and benefit expenses were not supported by an activity or time study and OCH did not maintain adequate supporting documentation. OCH has reported that time study showing actual hours spent by individual employees to be in progress with a target date of completion by the first of 2022. Allocated employees will complete time study activity. Attestations and analysis of benefit expenses incurred by allocated

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employees will be tracked and reported in conjunction with salary allocations. DHS will require that OCH submits time study and allocation reports in support of its invoices effective April 2022.

On the matter of insufficient vendor documentation regarding client food expenses - OCH is currently in discussion with their banking vendor to create a monthly download of receipts, which will include supporting documentation for purchases that can be retained according to record retention guidelines. Target completion date is the first quarter of 2022. Effective April 2022, DHS will require supporting documents reported under "Supplies". Supporting documents will include vendor invoices, names and signature by attendees, date, location of the event.

For bus pass expenses – OCH has completed their updated procedure in Fiscal Year 2021. This monthly process generates a report from EPIC which include the amounts of bus passes distributed to patients. The information is recorded on the internal EFA sheet which will show the award balance amount of bus passes distributed from the report and the remaining balance of unexpended bus passes. The updated procedures were implemented after the periods covered by the monitoring project. Effective April 2022, transportation charges will be supported with periodic bus passes log applicable to the period being invoiced. Such log will show beginning balance, purchases, distribution and ending balance.

Relating to lab fee expenses – OCH is currently in discussions with their banking vendor to create a monthly download of receipts which will include supporting documentation for these type of purchases that can be retained according to record retention guidelines. Target date of completion is the first quarter of 2022. Effective April 2022, Lab Fee invoices will be supported with receipts and allocation methodology in support of the amount being charged to DHS.

On malpractice insurance - OCH has changed their review process of the malpractice insurance expenses in accordance with the auditor's condition. OCH will ensure that all supporting documentation relating to the health center's malpractice coverage under the Federal Torts Claim Act, including the coverage's Notice of Deeming Action, is maintained and available for review during an audit. OCH also carries secondary Malpractice coverage under their Commercial Insurance for which they will be able to provide vendor invoices and provider listing. OCH will base cost allocation methodology for Malpractice

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insurance coverage on the number of providers enacting Ryan White services as well as the unduplicated patient count to arrive at an average cost per provider. Effective April 2022, Malpractice insurance charges shall be supported by allocation support justifying the cost of insurance being claimed.

For missing documents on client files - OCH has reported to have entered the requisite patient data in the electronic health records in accordance with Ryan White standards. They shall continue to maintain and update the client files with pertinent information according to Ryan White grant guidelines. Furthermore, In accordance with HRSA reporting requirements, OCH completes the Ryan White Services Report on an annual basis for submission to HRSA. This report is an internal audit of Ryan White health record data, service provision, and data retention. Any missing documentation is flagged for follow-up to ensure client files are complete and accurate for Ryan White service provision. OCH reviews the RSR validation report on a weekly basis to ensure patient data is accurate and complete. Additionally, DHS Ryan White Program Staff utilize a client level database called SHARE (Sacramento HIV/AIDS Reporting Engine) to which OCH must upload client data. This data includes gender, race, date-of-birth, HIV/AIDS status, and modes of HIV transmission. It also required the upload the clients CD4 County as well as Viral Load levels, which are labs used to monitor the client's HIV infection progression and/or whether prescribed HIV medications are working to lower the client HIV viral levels. Clients are not eligible for the Sacramento Ryan White CARE program unless at a minimum they have a documented HIV diagnosis and meet the residential and income eligibility criteria. Invoices are only approved by the program for payment if the information OCH uploads into SHARE meets eligibility requirements. Because of this program is satisfied that the clients invoiced meet eligibility requirements based on information provided in SHARE. DHS Program staff will spot check for compliance, 10 client files per month either during a site visit or virtually on line. Onsite program/fiscal monitoring activities are currently on hold (with Ryan White program's concurrence), due to the pandemic emergency but can resume April 2022.

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#### 4. General Ledger

##### **Discrepancy Between General Ledger and Invoice Claim**

###### **Condition**

We haphazardly selected June 2018, November 2018, March 2019, June 2019, March 2020, and June 2020 and compared the amounts per OCH's General Ledger (GL) to the claim payments made to OCH by DHS.

Based on our procedures performed, we noted discrepancies between OCH's GL amounts and the claim payments for November 2018, March 2019, and June 2020 in the amount of \$8,648.75, \$894.96, and \$4,159.16, respectively. OCH did not explain discrepancies nor provide supporting documentation.

We consider the total discrepancy in the amount of \$13,702.87 (\$8,648.75 + \$894.96 + \$4,159.16) noted above as questioned costs.

###### **Criteria**

OCH should maintain adequate supporting documentation, including a reconciliation between general ledger and invoice claims, as prescribed in the Agreements. See criteria at Finding #3.

###### **Effect**

OCH is not compliant with the terms and condition of the Agreements. Without maintaining adequate financial records, the propriety of use of funds by OCH cannot be verified.

###### **Recommendation**

We recommend OCH maintain adequate supporting documentation as required per the Agreements. OCH should reconcile its invoice claims to its GL prior to invoice claiming. Any adjustments made subsequently due to denials or additional claiming should be adequately documented in an easily traceable way. We also recommend OCH contact DHS to resolve the questioned costs noted above.

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**DHS Management Responses**

As of FY 2021, OCH reconciles all invoices to the General Ledger and CAR Report from the county. All back-up is scanned with the monthly invoices and are reviewed prior to the invoice being posted in their accounting software.

Effective April, 2022, DHS is requiring all claims submitted to have their corresponding general ledger accompany each claim when submitted to DHS. DHS staff will be reviewing all claims and general ledger reports to ensure the amounts claimed for reimbursement agrees to expenses on OCH general ledger. Any discrepancies will be questioned and resolved prior to DHS approving the invoice and issuing payment.

**5. Cost Allocations**

**Lack of or Insufficient Cost Allocation Methodology and Calculation**

**Condition**

As described in Finding #3-1, during our testing of sample expenditures, we could not verify cost allocation methodology and calculation for salaries, benefits, and some allocated operating costs such as lab fees and insurance expenses due to lack of or insufficient supporting documentation.

**Criteria**

OCH should maintain adequate supporting documentation as prescribed in the Agreement. See criteria at Finding #3.

**Effect**

OCH is not compliant with the terms and condition of the Agreements. Without maintaining adequate financial records, the propriety of use of funds by OCH cannot be verified.

**Recommendation**

We recommend OCH maintain adequate supporting documentation for its cost allocation methodology and calculation, and the basis for the cost allocation as required per the Agreements.

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**DHS Management Responses**

OCH has developed a policy and procedure based on cost allocations in the grant agreements and documentation of time and effort serving as the basis for cost allocation will be filed accordingly. OCH target date of completion of this policy and procedure is the first quarter of 2022 and will provide DHS a copy.

Effective April 2022, calculations showing allocations of applicable expenses will be required by DHS as supporting documents to OCH claim submissions. These will be reviewed by DHS personnel prior to approval and payment of invoices.