



**Ritter Center  
Single Audit Report  
Year Ended June 30, 2019  
with Report of Independent Auditors**

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*with Report of Independent Auditors***

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**Report of Independent Auditors on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**To the Board of Directors  
Ritter Center  
San Rafael, California**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ritter Center (the Center), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaguez &amp; Company LLP".

**Glendale, California  
January 8, 2020**

**Report of Independent Auditors on Compliance for Each Major Federal Program,  
on Internal Control Over Compliance, and on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

**To the Board of Directors  
Ritter Center  
San Rafael, California**

**Report on Compliance for Each Major Federal Program**

We have audited Ritter Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2019. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.



## **Opinion on Each Major Federal Program**

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2019-001. Our opinion on the Center's major federal program is not modified with respect to this matter.

The Center's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.





## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Center as of and for the year ended June 30, 2019, and have issued our report thereon dated January 8, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Vaughan & Company LLP*

**Glendale, California  
January 8, 2020**



**Ritter Center**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2019**

Federal Grantor/ Program or Cluster Title	Grant Period	Agency or Pass-through Number	Federal CFDA Number	Federal Award Amount	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Health and Human Services, Public Health Service (HHS-PHS)</b>						
<b>Health Center Program Cluster:</b>						
<b>Direct Programs:</b>						
Community Health Centers Program, Section 330 (ACA) - MAIN & ADJ	01/01/18 - 12/31/18	H80CS26609	93.224	\$ 1,021,719	\$ -	\$ 501,700
Community Health Centers Program, Section 330 (ACA) - AIMS Carryover	01/01/18 - 12/31/18	H80CS26609	93.224	175,700	-	56,115
Community Health Centers Program, Section 330 (ACA) - QI Carryover	01/01/18 - 12/31/18	H80CS26609	93.224	37,159	-	9,971
Community Health Centers Program, Section 330 (ACA) - QI	01/01/18 - 12/31/18	H80CS26609	93.224	45,358	-	-
Community Health Centers Program, Section 330 (ACA) - SUDMH	01/01/18 - 12/31/18	H80CS26609	93.224	185,000	-	9,751
Community Health Centers Program, Section 330 (ACA) - MAIN	01/01/19 - 12/31/19	H80CS26609	93.224	1,070,670	-	535,337
Community Health Centers Program, Section 330 (ACA) - QI Carryover	01/01/19 - 12/31/19	H80CS26609	93.224	45,358	-	5,930
Community Health Centers Program, Section 330 (ACA) - SUDMH Carryover	01/01/19 - 12/31/19	H80CS26609	93.224	175,249	-	82,365
Community Health Centers Program, Section 330 (ACA) - SUDMH Year 2	01/01/19 - 12/31/19	H80CS26609	93.224	110,000	-	-
Community Health Centers Program, Section 330 (ACA) - IBHS	01/01/19 - 12/31/19	H80CS26609	93.224	167,000	-	-
Community Health Centers Program, Section 330 (ACA) - QI	01/01/19 - 12/31/19	H80CS26609	93.224	34,000	-	-
<b>Total Health Center Program Cluster (1)</b>				<b>3,067,213</b>	<b>-</b>	<b>1,201,169</b>
<b>Total Department of Health and Human Services</b>				<b>3,067,213</b>	<b>-</b>	<b>1,201,169</b>
<b>Department of Housing and Urban Development</b>						
<b>Direct Programs:</b>						
Homeless Emergency Assistance and Rapid Transition to Housing - Continuum of Care	01/01/18 - 12/31/18	CA 1309L9T071602	14.267	153,738	-	89,172
Housing - Continuum of Care	01/01/19 - 12/31/19	CA 1309L9T071703	14.267	189,558	-	100,612
				<b>343,296</b>	<b>-</b>	<b>189,784</b>
<i>Passed through the California Department of Housing and Community Development:</i>						
Emergency Solutions Grants Program	04/13/18 - 07/31/19	13-ESG-9665		181,586	-	133,106
				<b>181,586</b>	<b>-</b>	<b>133,106</b>
<b>Total Department of Housing and Urban Development</b>				<b>524,882</b>	<b>-</b>	<b>322,890</b>
<b>Total Federal Financial Assistance</b>				<b>\$ 3,592,095</b>	<b>\$ -</b>	<b>\$ 1,524,059</b>

(1) Denotes major program.

See accompanying Notes to Schedule of Expenditures of Federal Awards and  
Report of Independent Auditors on Compliance for Each Major Federal Program,  
on Internal Control over Compliance, and on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance.

**NOTE 1           BASIS FOR PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal award activity of Ritter Center (the Center) for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Center.

**NOTE 2           BASIS OF ACCOUNTING**

The accompanying schedule, which is prepared on the accrual basis of accounting, presents the activity of all federal award programs of the Center. For the purpose of this schedule, financial awards include federal awards received directly from a federal agency and federal funds received indirectly by the Center from a nonfederal agency or other organization. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other nonfederal funds are excluded from the accompanying schedule.

The Center has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3           RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS**

Consistent with management's policy, federal awards are recorded in various revenue categories. As a result, the amount of total federal awards expended on the Schedule does not agree to total grant revenue on the Statement of Activities as presented in the Center's financial statements for the year ended June 30, 2019.

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**Section I – Summary of Auditors’ Results**

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Financial Statements

Type of auditors’ report on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes – Finding No. 2019 - 001

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Program Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**Ritter Center**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2019**

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**Section II – Financial Statement Findings**

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There were no financial statement findings noted for the year ended June 30, 2019.

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**Section III – Federal Award Findings**

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**Finding # 2019-001: Inaccurate Application of Sliding Fee Discounts**

Federal Catalog Number:	93.224
Federal Program Name:	Health Center Program Cluster
Federal Agency:	Department of Health and Human Services (HHS)
Passed Through Entity	Not applicable
Federal Award Number	H80CS26609
Federal Award Year	July 1, 2018 – June 30, 2019
Compliance Requirement	Special Tests and Provisions – Sliding Fee Discounts

***Criteria or Specific Requirement***

Health centers must have a schedule of fees or payments for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs of operation. They are also required to have a corresponding schedule of discounts applied and adjusted based on the patient's ability to pay. The patient's ability to pay is determined based on the official poverty guidelines, as revised annually by HHS. The poverty guidelines are issued each year in the Federal Register and HHS maintains a web page that provides the poverty guidelines.

Non-grant funds (State, local, and other operational funding and fees, premiums, and third-party reimbursements which the project may reasonably be expected to receive, including any such funds in excess of those originally expected), shall be used as permitted under the law and may be used for such other purposes as are not specifically prohibited under the law if such use furthers the objectives of the project.

***Condition***

The Center determines the amount of fees to be charged to a patient based on the patient's income, expense and number of dependents in conjunction with the sliding fee schedule. Of the 25 patients selected for teswork, we noted the following:

- 2 patients that had no proof of income declaration and sliding fee application form on file
- 2 patients that were charged the incorrect sliding fee amount, which resulted in the Center overcharging 1 patient by \$10, while 1 patient was undercharged by \$5.

***Questioned Costs***

\$5 in net overcharges for sliding fee patients sampled.

***Causes and Effect***

The potential causes for the above errors are as follows:

- Error by staff in determining the patient's ability to pay.
- Patients did not complete the required form necessary to determine patient's ability to pay.

As a result, the determination of patients fees are not consistent with the sliding fee schedule.

***Recommendation***

We recommend that the Center's procedures for determination of sliding fees be strengthened to ensure 1) income is properly verified and adequately documented and 2) the sliding fee discount is properly determined and applied. The Center should also provide additional training to staff involved in the sliding fee process and ensure that appropriate individuals are properly monitoring and reviewing the Center's compliance with program requirements. This will help ensure that the proper sliding fee is charged to patients and that program goals and objectives are being met.

***Views of Responsible Officials and Planned Corrective Actions***

1. It is noted that 3 of the 4 claims were handled by a former employee, who clearly was not sufficiently trained to process the sliding fee discount application appropriately.
2. We will re-train staff in the sliding fee discount application process and review the sliding fee discount applications in the future at the management level.
3. Management will ensure that a Spanish language version of the sliding fee discount application will be available to staff and patients at all times.

Responsible person: Samson Mael, Director of Clinic Operations

Expected Implementation Date: January 31, 2020



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655 N Central Avenue, Suite 1550 • Glendale, California 91203-1437 • Ph. (213) 873-1700 • Fax (213) 873-1777