



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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February 9, 2005

Report Number: A-09-03-01018

Mitchell H. Katz, M.D.
Director
San Francisco Department of Public Health
101 Grove Street, Room 308
San Francisco, California 94102

Dear Dr. Katz:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Ryan White Title I Funds Claimed by an Adult Day Health Care Contractor of the San Francisco Eligible Metropolitan Area for the Fiscal Year Ended February 28, 2002." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

The HHS action official will make final determination as to the actions taken on all matters reported. We request that you respond to the action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-09-03-01018 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori A. Ahlstrand".

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official:

Nancy J. McGinness
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RYAN WHITE TITLE I FUNDS
CLAIMED BY AN ADULT DAY
HEALTH CARE CONTRACTOR
OF THE SAN FRANCISCO
ELIGIBLE METROPOLITAN AREA
FOR THE FISCAL YEAR
ENDED FEBRUARY 28, 2002**



**FEBRUARY 2005
A-09-03-01018**

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The U.S. Senate Finance Committee requested that we examine the implementation of Ryan White Comprehensive AIDS Resources Emergency (CARE) Act Title I at the local level. Under CARE Act Title I, the Health Resources and Services Administration (HRSA) makes grants to eligible metropolitan areas (EMA). The CARE Act Title I program is the payer of last resort for people living with HIV/AIDS who have limited insurance coverage or no other source of health care.

The San Francisco EMA, the nation's second largest, received \$35.8 million during fiscal year (FY) 2001, the period of our review, to provide CARE Act Title I services.¹ On behalf of the Department of Public Health for the City and County of San Francisco, the AIDS Office acts as the CARE Act Title I grantee. In this role, the AIDS Office issued contracts totaling \$867,543 to Continuum HIV Day Services (Continuum) for three programs to provide services, such as case management, primary care, psychiatric consultations, peer advocacy, treatment advocacy, and food services, to underserved people with HIV/AIDS. The three programs were Integrative Services, Adult Day Health Care, and Case Management of Incarcerated Persons.

OBJECTIVES

In response to the U.S. Senate Finance Committee's request, we conducted audits nationwide, including one of the San Francisco AIDS Office to determine the following:

- Did the AIDS Office ensure that Continuum provided the expected **program services** to clients eligible for CARE Act Title I?
- Did the AIDS Office ensure that Continuum followed Federal requirements for claiming **program costs** under CARE Act Title I?

SUMMARY OF FINDINGS

For two of Continuum's three programs, the AIDS Office ensured that Continuum provided the expected program services and followed Federal requirements for claiming program costs under CARE Act Title I. However, for the remaining program (Integrative Services), Continuum did not have documentation to support that some program services were provided and did not follow Federal requirements for claiming costs.

Program Services. For the Integrative Services program, Continuum did not have documentation, as required by the contract, to support some program services, which included primary care services and food packs. For these services, Continuum could not provide either the required progress notes in clients' clinical charts or service slips used to support the monthly units of services billed. Continuum's lack of internal controls and the AIDS Office's inadequate program monitoring contributed to the problem of a lack of documentation for claimed services.

¹ For CARE Act Title I, HRSA defined FY 2001 as the period March 1, 2001, through February 28, 2002.

As a result, the AIDS Office reimbursed Continuum for program services with limited assurance that the services were provided to the HIV/AIDS community.

Program Costs. For the Integrative Services program, the AIDS Office reimbursed Continuum \$42,625 in excess of allowable program costs. Continuum's claiming of these costs did not comply with Federal cost principles, as stated in Office of Management and Budget (OMB) Circular A-122. The AIDS Office inappropriately reimbursed these costs because it did not provide adequate fiscal monitoring to ensure that Continuum performed a year-end reconciliation of program reimbursements to allowable program costs. These funds could have been used to provide additional services to people with HIV/AIDS.

RECOMMENDATIONS

We recommend that the AIDS Office:

1. refund \$42,625 to the Federal Government, the total amount reimbursed to Continuum in excess of allowable program costs;
2. require Continuum to implement adequate internal controls to ensure that it maintains documentary evidence to support all claimed program services;
3. improve its program monitoring to ensure that Continuum provides the expected program services; and
4. improve its fiscal monitoring to ensure that Continuum performs a year-end reconciliation of program reimbursements to allowable program costs.

AIDS OFFICE COMMENTS

In written comments on the draft report, the AIDS Office stated that it did not concur with the findings and the recommendation to refund \$42,625. The AIDS Office believes that Continuum met its performance objectives and that the program costs were allowable. Also, the AIDS Office acknowledged that it did not have all the supporting documentation for primary care services and food packs at the time of our audit; however, the AIDS Office stated that it subsequently found the records for primary care services.

The AIDS Office agreed with all the procedural recommendations except the one requiring the AIDS Office to improve its program monitoring. The AIDS Office believes that it already has assurance that program services were provided.

The AIDS Office's comments are included in their entirety as an appendix to this report.

OFFICE OF INSPECTOR GENERAL RESPONSE

The AIDS Office should refund the \$42,625 because it reimbursed Continuum in excess of allowable program costs. In addition, during our review of program services, Continuum was

unable to provide documentation to support services claimed. Therefore, we concluded that the AIDS Office did not have adequate assurance that services were provided.

During our audit, Continuum was unable to provide documentation to support its claimed program services. Although Continuum told us that it found two boxes of documentation after receiving our draft report, it did not provide the documentation to us. Continuum should retain the documentation and provide it to the HRSA action official who will make the final determination of the audit.

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INTRODUCTION

BACKGROUND

Ryan White CARE Act Title I

Within the U.S. Department of Health and Human Services, HRSA administers the CARE Act, enacted in 1990 and reauthorized in 1996 and 2000. The objective of CARE Act Title I is to improve access to comprehensive, high-quality, community-based medical care and support services for the HIV/AIDS community. To deliver services, HRSA awards grants to EMAs, which are urban areas disproportionately affected by the incidence of HIV/AIDS. The CARE ACT Title I program is the payer of last resort for people with HIV/AIDS who have limited insurance coverage or no other source of health care.

HRSA makes grants to the local government's mayor or county executive, who, while remaining the steward of the Federal funding, usually gives the day-to-day program administration to the local health department, referred to by HRSA as the CARE Act grantee. Using service priorities established by the local CARE Act Title I planning council, the grantee contracts for health care and support services, including medical and dental care, prescription drugs, housing, transportation, counseling, home and hospice care, and case management.

The grantee is responsible for overseeing the service providers' performance and adherence to contractual obligations. The grantee is responsible for providing oversight through:

- **program monitoring**, to assess the quality and quantity of services provided; and
- **fiscal monitoring**, to ensure that contractors use the funds for approved purposes and pursuant to Federal, State, and local regulations and guidelines.

If monitoring reveals problems, HRSA advises the grantee to offer the contractor technical assistance, or in serious cases, a corrective action plan. The CARE Act Title I manual states:

In an era of managed care and shrinking resources, it is in the EMA's [grantee's] best interest to know how well agencies function in spending and managing service dollars.

For FY 2001, HRSA funded 51 EMAs for \$604 million. From the enactment of CARE Act Title I through FY 2003, total Federal funding was \$5 billion.

San Francisco EMA

The San Francisco EMA, the second largest in the nation, covers a 3-county area with over 22,000 individuals living with HIV/AIDS. For FY 2001, HRSA awarded a CARE Act Title I grant totaling \$35.8 million to the Department of Public Health for the City and County of San Francisco AIDS Office, which serves as the CARE Act Title I grantee for the EMA. In FY 2001, the AIDS Office worked with 69 agencies to provide program services.

Continuum

Continuum is a San Francisco-based nonprofit organization that provides mobile health care services, home care, case management, testing and prevention services, adult day health care, and transitional case management for people recently released from incarceration. For FY 2001, it entered into contracts with the AIDS Office to provide services under three programs to low-income people with HIV/AIDS. During FY 2001, Continuum provided services to 1,551 CARE Act Title I clients. Continuum submitted monthly invoices to the AIDS Office and was reimbursed based on these invoices.

The following table summarizes the amount awarded and reimbursed for each CARE Act Title I program:

Program	Contract Amount	Reimbursed Amount
Integrative Services ²	\$478,045	\$442,877
Adult Day Health Care	253,942	253,942
Case Management of Incarcerated Persons	135,556	124,048
Total	<u>\$867,543</u>	<u>\$820,867</u>

Integrative Services. This program provided integrative services, such as primary care, psychiatric consultation, case management, peer advocacy, treatment advocacy, and nutritional supplements, as part of a collaborative effort of Continuum and two other San Francisco-based nonprofit organizations. Continuum was the fiscal agent for one of these nonprofit organizations and worked closely with the second nonprofit organization to provide services. In addition to providing services to established clients at its facility, Continuum used a mobile outreach team to provide services to clients on the streets of San Francisco.

Adult Day Health Care. This program provided adult day health care services, such as nursing, attendant care, occupational and physical therapy, psychological services, nutritional counseling and meals, therapeutic recreation, outings, creative art activities, transportation, massage therapy, acupuncture, and comprehensive substance abuse counseling.

Case Management of Incarcerated Persons. This program provided transitional case management services to people recently released from incarceration. It also offered health education support group and peer advocacy to Latinos and African-Americans in California State prisons.

² For the grant year, this program had two contracts: one for \$197,526 covering the period March 1 through June 30, 2001, and another for \$280,519 covering the period July 1, 2001, through February 28, 2002.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

In response to the U.S. Senate Finance Committee's request, we conducted audits nationwide, including one of the San Francisco AIDS Office to determine the following:

- Did the AIDS Office ensure that Continuum provided the expected **program services** to clients eligible for CARE Act Title I?
- Did the AIDS Office ensure that Continuum followed Federal requirements for claiming **program costs** under CARE Act Title I?

Scope

We audited \$820,867 of reimbursements under the CARE Act Title I contracts between Continuum and the AIDS Office for FY 2001 (March 1, 2001, through February 28, 2002).

We selected Continuum, the AIDS Office's 12th largest contractor, for audit based on our evaluation of program files and the type of services provided to CARE Act Title I clients. Specifically, Continuum provided various integrative services and was the only known contractor in California to provide adult day health care to people with HIV/AIDS.

For the Integrative Services program, Continuum indicated that integrative services were provided. However, Continuum stated that its supporting documentation was lost or misplaced. Because we were unable to obtain sufficient documentary evidence to evaluate the claimed services, we do not render an opinion on \$400,252 of the \$442,877 reimbursed by the AIDS Office.

We limited our reviews of internal controls at the AIDS Office and Continuum to the procedures needed to accomplish our audit objectives. Meeting the objectives did not require a complete understanding or assessment of the internal control structure of either the AIDS Office or Continuum. We performed our fieldwork from July 2003 to August 2004, which included visits to the AIDS Office and Continuum in San Francisco, CA.

Methodology

To accomplish our objectives, we performed audit procedures at the AIDS Office and at Continuum.

At the AIDS Office, we:

- interviewed officials responsible for program and fiscal monitoring;
- obtained a list of all contractors and amounts of funding;
- reviewed the independent auditor reports for selected contractors;

- reviewed contracts and related invoices for selected contractors; and
- researched general background material, such as local health commission minutes and newspaper articles, for selected contractors.

At Continuum, we:

- interviewed contractor officials;
- reviewed the contracts and budgets for CARE Act Title I programs;
- traced selected costs from the final voucher submitted to the AIDS Office to the general ledger detail;
- reviewed the supporting documentation for costs claimed for at least 1 month from each program;
- reconciled units of services from the monthly invoices submitted to the AIDS Office to Continuum's tracking reports;
- analyzed Continuum's units-of-service tracking reports;
- reviewed clients' clinical charts for at least five clients at each program; and
- reviewed the audited financial statement for Continuum for the year ended June 30, 2002.

We conducted our review in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

For two of Continuum's three programs, the AIDS Office ensured that Continuum provided the expected program services and followed Federal requirements for claiming program costs under CARE Act Title I. However, for the remaining program (Integrative Services), Continuum did not have documentation to support that some program services were provided and did not follow Federal requirements for claiming costs. These conditions occurred because Continuum lacked internal controls and the AIDS Office did not provide adequate program and fiscal monitoring. As a result, the AIDS Office reimbursed Continuum for program services with limited assurance that the services were provided to the HIV/AIDS community. Also, the AIDS Office reimbursed Continuum \$42,625 in excess of allowable program costs. These funds could have been used to provide additional services to people with HIV/AIDS.

PROGRAM SERVICES NOT DOCUMENTED

Continuum did not have documentation to support some program services, including primary care services and food packs, as required by the contract. Continuum's lack of internal controls and the AIDS Office's inadequate program monitoring contributed to the problem of a lack of documentation for claimed services. As a result, the AIDS Office reimbursed Continuum for program services with limited assurance that the services were provided to the HIV/AIDS community.

Contract Requirements

The contract with the AIDS Office required Continuum to use a comprehensive client charting system, which included information on all categories of services provided to clients. Clinical charts were updated daily with progress notes. Using a service slip system, staff working in the field recorded information about their encounters with clients on triplicate forms. The first copy of the form was kept in the client's master charts, the second copy was given to the nurse practitioner to keep, and the third copy was forwarded to Continuum's contracts administrator to tabulate monthly units of services.

For clients contacted through mobile outreach who did not subsequently meet the admission requirements, Continuum told us that it maintained a log to track services provided to clients. In addition, the contract required Continuum to keep a progress note for each client explaining the nature of the contact, client's needs, and reason for referral.

Services Claimed Without Supporting Documentation

Continuum claimed that various integrative services, such as primary care and food packs, were provided but did not maintain adequate supporting documentation. Continuum indicated that it did not always record services in clients' clinical charts and lost supporting documentation for some of the services provided. For example, Continuum had no supporting documentation for 973 of 1,081 units of primary care services reviewed:

- For clients contacted through mobile outreach, all 582 units reviewed lacked documentation. Continuum indicated that the nurse practitioner used a log to track these units of services. However, Continuum lost the log needed to support these services.
- For established clients, 391 of 499 units reviewed lacked documentation. Continuum did not enter the required progress notes in the clients' clinical charts or maintain the required service slips to document these services.

Continuum also had no supporting documentation for any of 9,578 units of food packs it claimed were provided. The food packs included nonperishable protein, high-calorie carbohydrates, fruit, vitamins, and juices. According to the contract, these food packs were available for distribution onsite and delivered to homebound clients. However, none of the food packs were documented in the clients' charts. Continuum indicated that it tracked the distribution of food packs, but could not provide a log or other supporting documentation during our fieldwork.

Because we were unable to obtain sufficient documentary evidence to evaluate the claimed services, we do not render an opinion on \$400,252 of the \$442,877 reimbursed by the AIDS Office for the Integrative Services program.

Internal Controls and Program Monitoring Inadequate

Both Continuum and the AIDS Office contributed to the problem of a lack of documentation for claimed services. Continuum could not provide documentation because it did not have internal controls to ensure that documentary evidence was maintained. Continuum indicated that supporting documentation existed but could not be found. Further, the AIDS Office did not identify the weaknesses in Continuum's internal controls because the AIDS Office did not provide adequate program monitoring. For example, the AIDS Office did not adequately monitor that Continuum followed the required charting procedures.

Limited Assurance That Program Services Were Provided

Without ensuring that Continuum had internal controls to maintain documentary evidence, the AIDS Office had limited assurance that required program services were provided to the HIV/AIDS community. The AIDS Office reimbursed Continuum for services that did not comply with contractual requirements.

FEDERAL COST REQUIREMENTS NOT FOLLOWED

The AIDS Office reimbursed Continuum \$42,625 for program costs that did not comply with Federal cost principles, as stated in OMB Circular A-122. The AIDS Office inappropriately reimbursed these costs because it did not provide adequate fiscal monitoring. The AIDS Office could have used these funds to provide additional services to people with HIV/AIDS.

Federal Cost Requirements for Grantees and Contractors

To ensure that grantees use program funds appropriately, HRSA's CARE Act Title I Manual requires grantees to perform fiscal monitoring of its contractors. The contractors must comply with Federal cost principles and contract requirements. Federal cost requirements for nonprofit organizations are listed in OMB Circular A-122, which states that claimed costs must be allowable, reasonable, and allocable.

Costs Claimed in Excess of Allowable Program Costs

Under the Integrative Services program, Continuum claimed \$42,625 in excess of allowable program costs. For the purposes of our audit, Continuum reconciled its program reimbursements to program costs for the year ended February 28, 2002. The reconciliation indicated that program reimbursements exceeded program costs by \$42,625. There were no cost justifications in the accounting records for this amount.

Fiscal Monitoring Inadequate

The AIDS Office did not provide adequate fiscal monitoring of Continuum to ensure that its claims were limited to allowable program costs. To make interim program payments, the AIDS Office relied on invoices submitted by Continuum. At the end of the program year, the AIDS Office did not require Continuum to reconcile interim reimbursements to the allowable costs of providing the services.

More Services Could Have Been Provided

The AIDS Office inappropriately reimbursed Continuum \$42,625 for costs that did not comply with Federal cost principles. The AIDS Office could have used these funds to provide additional services to people with HIV/AIDS. Without ensuring that Continuum appropriately claimed reimbursements for FY 2001, the AIDS Office may have used inaccurate cost data to make subsequent budget decisions.

RECOMMENDATIONS

We recommend that the AIDS Office:

1. refund \$42,625 to the Federal Government, the total amount reimbursed to Continuum in excess of allowable program costs;
2. require Continuum to implement adequate internal controls to ensure that it maintains documentary evidence to support all claimed program services;
3. improve its program monitoring to ensure that Continuum provides the expected program services; and
4. improve its fiscal monitoring to ensure that Continuum performs a year-end reconciliation of program reimbursements to allowable program costs.

AIDS OFFICE COMMENTS ON THE DRAFT REPORT AND OFFICE OF INSPECTOR GENERAL RESPONSE

We summarized and responded to the AIDS Office's comments relating to the concerns raised in our draft report as follows: summary, program services, and program costs. We included the AIDS Office's comments in their entirety as an appendix to this report.

Summary

AIDS Office Comments

In written comments on the draft report, the AIDS Office stated that it did not concur with the findings and the recommendation to refund \$42,625. The AIDS Office believes that Continuum met its performance objectives and that the program costs were allowable. Also, the AIDS Office acknowledged that it did not have all the supporting documentation for primary care

services and food packs at the time of our audit; however, it subsequently found the records for primary care services.

The AIDS Office agreed with all the procedural recommendations except the one requiring the AIDS Office to improve its program monitoring. The AIDS Office believes that it already has assurance that program services were provided.

Office of Inspector General Response

The AIDS Office should refund the \$42,625 because it reimbursed Continuum in excess of allowable program costs. In addition, during our review of program services, Continuum was unable to provide documentation to support services claimed. Therefore, we concluded that the AIDS Office did not have adequate assurance that services were provided.

During our audit, Continuum was unable to provide documentation to support its claimed program services. Although Continuum told us that it found two boxes of documentation after receiving our draft report, it did not provide the documentation to us. Continuum should retain the documentation and provide it to the HRSA action official who will make the final determination of the audit.

Program Services

AIDS Office Comments

The AIDS Office disagreed with our finding that program services were claimed without supporting documentation because:

- Continuum found documentation for primary care services that was not available during the audit.
- The annual independent audit for fiscal year ended June 30, 2002, did not find any material weaknesses in Continuum's internal controls or accounting systems. The original documents for these services were available and reviewed by the independent auditor.
- The AIDS Office staff tested the source documents for compliance during their comprehensive program monitoring.
- Continuum entered the units of service into the Reggie Data System, a database maintained by the AIDS Office.

The AIDS Office agreed with the recommendation that requires Continuum to implement internal controls to ensure that it maintains documentary evidence to support all claimed program services.

Office of Inspector General Response

We disagree with the AIDS Office's assertion that Continuum had adequate support for the services provided because:

- During the audit, Continuum was unable to provide documentation to support 973 of 1,081 units of primary care services and 9,578 units of food packs.
- In a management letter related to fiscal year ended June 30, 2002, Continuum's independent auditor also expressed concerns regarding the reporting of the units of service billed to the AIDS Office.
- The files maintained by the AIDS Office did not show a detailed review of supporting documentation for primary care services or distributed food packs.
- Without supporting documentation, neither the AIDS Office nor Continuum could substantiate the accuracy of the Reggie Data System.

Program Costs

AIDS Office Comments

The AIDS Office disagreed with our finding that Continuum claimed \$42,625 of unallowable costs. The AIDS Office stated that only \$3,685 exceeded program costs. The remaining \$38,940 consisted of \$25,055 for allowable personnel costs and \$13,885 for vouchers.

Also, the AIDS Office stated that because Continuum provided adequate services for CARE Act Title I clients and met the performance objectives, costs incurred and recorded in the general ledger of the organization should be allowable.

The AIDS Office agreed with the recommendation to improve its fiscal monitoring and require Continuum to perform a year-end reconciliation of program reimbursements to allowable program costs.

Office of Inspector General Response

The entire \$42,625 should be refunded to the Federal Government. Specifically:

- The \$3,685 is unallowable because it represents payments made to Continuum in excess of claimed costs.
- The \$25,055 represents incurred personnel costs for the finance director, who did not work directly on the CARE Act Title I program. Continuum's timesheets and payroll allocation schedules showed that 100 percent of the director's time was charged to administration, which is not supported by CARE Act Title I funding. Since the documented effort of the finance

director did not benefit CARE Act Title I directly, the AIDS Office should not have reimbursed Continuum for the director's personnel cost.

- The \$13,885 for vouchers is unallowable because it represents in-kind services that were donated to Continuum by professionals (e.g., doctors who donated their time) and could not be claimed for Federal reimbursement. Since these services were not a cost to Continuum, the AIDS Office should not have reimbursed them.

The AIDS Office's assertion that all claimed costs were allowable because adequate services were provided is contrary to federal cost principals. Federal cost principals for nonprofit organizations are listed in OMB Circular A-122, which states that claimed costs must be allowable, reasonable, and allocable. HRSA reimburses the grantees for the allowable cost of providing services; it does not pay a predetermined amount because the contractor claimed services were provided.

APPENDIX

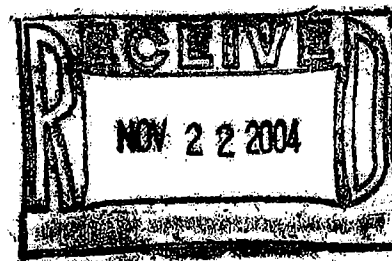
City and County of San Francisco



Department of Public Health

Mitchell H. Katz, MD
Director of Health

November 15, 2004



Report Number A-09-03-01018

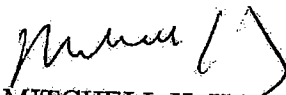
Lori A. Ahlstrand
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General, Region IX
Office of Audit Services
50, United Nations Plaza, Rm. 171
San Francisco, CA 94102-4912

Dear Ms. Ahlstrand:

Attached is the City and County of San Francisco, Department of Public Health and the San Francisco EMA response to the U.S. Department of Health and Human Services, Office of Inspector General draft report entitled *"Ryan White Title I Funds Claimed by an Adult Day Health Care Contractor of the San Francisco Eligible Metropolitan Area For the Fiscal year Ended February 28, 2002."*

In summary, the City and County of San Francisco, Department of Public Health and the San Francisco EMA does not concur with the findings. However, we are dedicated to improving the delivery of program services and improving the compliance with the Ryan White CARE Title I Act and other regulations.

Sincerely,



MITCHELL H. KATZ, MD
Director of Health

cc: James Loyce, Jr.
Brenda Walker

“DRAFT”**San Francisco EMA Response to the Department of Health
and Human Services Office of Inspector General
Audit Findings
(Continuum HIV Day Services)****BACKGROUND**

The San Francisco, California Eligible Metropolitan Area (SFEMA) consists of three counties: Marin, San Francisco, and San Mateo. The San Francisco Department of Public Health AIDS Office serves as the grantee for the Ryan White Care Title I Grant. The SFEMA has a population of 1,731,183 and an estimated 22,000 people living with HIV/AIDS with the vast majority located in San Francisco County.

San Francisco was one of the first epicenters of the epidemic and continues to be one of the hardest hit areas of the country. The HIV/AIDS epidemic is still predominantly among MSM at 83%, including those who inject drugs, and the number of new cases among MSM is increasing again. Both whites and African-Americans are disproportionately affected by HIV/AIDS. African Americans and Native Americans have the highest HIV prevalence rates. Increasing numbers of people with HIV/AIDS are homeless or diagnosed with co-morbidities such as substance abuse, mental health problems, or hepatitis C.

The regional economy is suffering, due mostly to the decline in the computer and Internet industries. State and Local governments are seeing decreased revenues. Specifically, the San Francisco public health system is faced with financial challenges caused by the increased numbers of uninsured patients and inadequate reimbursement for health care by federal and state agencies. *The SFEMA is in the midst of a severe housing crisis, with the least affordable housing market in the nation.* Rates of homelessness, mental illness, and drug use are very high, especially in San Francisco. Methamphetamine and heroin use is increasing. *Today, homelessness and active substance use are the most significant barriers and challenges facing the SFEMA and its contractor in providing services for people with HIV/AIDS.*

OBJECTIVES

The SF AIDS Office received conflicting information regarding the intent, purpose, and objective of this audit from the San Francisco Regional OIG representatives (herein referred to as “local OIG representatives) and the Department of Health and Human Services Office of Inspection General letter dated January 17, 2003. At the entrance conference, the San Francisco Regional Office OIG representatives expressed the intent of the visit was to merely conduct a survey of the SFEMA and not an audit of the

SFEMA and the information provided by the AIDS Office would only be used to select a local contractor to be audited. The local OIG representatives also stated that the audit report would be issued to the Contractor and not to the SFEMA. The letter dated January 17, 2003 stated that the objective of the review is to gain an understanding of Ryan White Title I operations at the San Francisco Department of Public Health and determine whether its contractors have spent the funds in accordance with federal regulations. After several months into the survey/audit/review, the local OIG representative notified the AIDS Office of a legal opinion that was issued by the OIG Counsel to clarify the intent of the review and it was determined, that the survey was truly an audit of the SFEMA and any reports as a result of this audit would be addressed to the SFEMA.

CONTRACT ISSUES

In FY 2001 -2002, the period of this audit, the SFEMA received approximately \$35.8 million in Ryan White CARE Title I funds. In an effort to expeditiously award Ryan White CARE Title I funds to contractors and to meet the needs of the client, the SFEMA used the request for proposal, competitive bid, and alternative solicitation procurement process to award approximately 70 contracts during FY 2001-2002. The SFEMA created new and innovative integrated service models to deliver complex services to multi-diagnosed clients in accordance with the 2002 Client Needs Assessment Report.

During this period, the SFEMA issued a contract for \$867,543 to Continuum for services as follows:

- a. **Integrated Services Tenderloin Care (TLC)** (\$478,045): Provides primary care, psychiatric consultation, case management, peer advocacy, treatment advocacy and nutritional supplements as part of a collaboration consisting primarily of Continuum HIV Day Services, Asian Pacific Islander Wellness Center, Tom Waddell Health Center, Forensic AIDS project, and University of California San Francisco AIDS program.
- b. **Adult Day Health Care** (\$253,942): Adult day health (Intake and assessment, nursing, psychosocial and rehabilitation services, activities/art program) and substance abuse services (groups, outings, individual counseling, and case management)
- c. **Case Management of Incarcerated Persons:** (\$135,556). Provide transitional case management services to Latino and African-Americans recently released from the California State prisons. Other services include education support and peer advocacy.

Continuum HIV Day Services

In 1990, Continuum is licensed as an Adult Day Health Center (ADHC) program for people with HIV/AIDS. Continuum's Adult Day Health Care program is a state-licensed adult day health care center, providing a coordinated program of health and social services for people who are disabled by HIV/AIDS, mental health, substance abuse and other physical disabilities. Continuum is a therapeutic community of professional staff and volunteers whom provide services and caring support to individuals with HIV/AIDS whose lives are adversely affected by a disabling condition. The programs and services offered are guided by a "client-centered" philosophy. Many services include Skilled Nursing/Medical Services, physical therapy, occupational therapy, speech therapy, meals and nutritional counseling, psychosocial support, mental health services, recovery support program services, therapeutic recreation and social activities, creative arts, and transportation.

RESPONSE TO SUMMARY OF FINDINGS

The SF AIDS Office does not concur with the findings of the OIG report. However, we do acknowledge that the not all of the original primary care services and food packs records were available for review at the time of the audit, Continuum has located the primary care services records and such records are available for review. These records were misplaced during an internal move within the organization.

In addition, Continuum received an annual Independent audit conducted by an accounting firm which did not indicate any material weaknesses in this organization's internal controls or its accounting systems. The records were available and reviewed by the independent auditor during the organization's FY 01-02 single audit. These records were also available in FY 01-02 during the program monitoring by SF AIDS Office staff. The unit of services data for both the food packs and primary care services were entered into the SF AIDS Office's Reggie Data System and the has been maintained by the AIDS Office for the last three (3) years. **Therefore, even though the original documentation was not available during the audit, this information could have been verified through other means such as the SF AIDS Office Reggie Data System.**

The SF AIDS Office does not concur that it inappropriately disbursed \$42,625 in Federal funds to Continuum reducing the funding available for needed services for the HIV/AIDS community in San Francisco, based upon the following reasons:

Program Services Not Documented

To date, Continuum has located the primary care services records and such records are available for review. These records were misplaced during an internal move within the organization. Even though some of the original documents for food packs were not available for review during the OIG's visit, the OIG could have used the data entered into the SF AIDS Office Reggie System to verify the unit of services provided during this

period. The Reggie system is maintained by the SF AIDS Office staff and is used to track the monthly unit of services and client data information.

Continuum received an annual Independent audit conducted by an accounting firm which did not indicate any material weaknesses in this organization's internal controls or its accounting systems. The original documents for these services were available and reviewed by the independent auditor during FY 01-02.

Also, the documentation to support the program services were available in FY 01-02 during the program monitoring by SF AIDS Office staff. During the comprehensive program monitoring, the staff tested the source documents for compliance.

In FY 01-02, the unit of services data for both the primary care services and food pack services were entered into the SF AIDS Office's Reggie Data System based upon the original source document which assures the SF AIDS Office that the program services were provided during this period. The unit of service data information located in the SF AIDS Office Reggie Data system has been maintained by the SF AIDS Office for the last three (3) years and supports the invoices submitted by Continuum for reimbursement of the services provided. **Therefore, even though the original document was not available during the audit, this information could have been verified through the SF AIDS Office Reggie Data System.**

Federal Cost Requirements Not Followed

During FY 2001-2002, SF AIDS Office issued Continuum a contract for \$478,045 by which SF AIDS Office reimbursed Continuum \$442,877 of the contract amount. During this audit, Continuum performed a reconciliation indicating that their actual expenditures were \$439,192. However, the OIG has disallowed \$42,625 of these costs which consists of \$25,056 in personnel and \$13,885 in vouchers, and the \$3,685.

RESPONSE TO RECOMMENDATIONS

1. We do not agree with the recommendation that the SF AIDS Office refund \$42,625 to the Federal Government due to an overpayment to Continuum. Clearly, Continuum provided adequate services for Ryan White CARE clients who benefited from the services and Continuum met the performance objectives for providing Adult Day Health services within the intent of the Ryan White CARE Act. The personnel expenditure of \$25,056 for the program coordination services is an allowable cost and was recorded within the general ledgers of the organizations and incurred during FY 01-02.
2. We agree with the recommendation that the SF AIDS Office require Continuum to implement adequate internal controls to ensure that it maintains documentary evidence to support all claimed program services. Even though most of the

documents were available, Continuum should implement measures to track and safeguard documents during moving

3. We agree that the SF AIDS Office should improve its program monitoring to ensure that Continuum provides the expected program services. However, the SF AIDS Office has adequate assurance that such services were provided during FY 01-02 by relying on other systems which can substantiate that supporting documentation existed and services were provided.
4. We agree that SF AIDS should improve its fiscal monitoring and ensure that Continuum performs a year-end reconciliation of shared program reimbursements to allowable program costs.