Department of Health and Human Services

# OFFICE OF INSPECTOR GENERAL

# REVIEW OF THE KANSAS CITY HEALTH DEPARTMENT'S ADMINISTRATION OF THE KANSAS CITY ELIGIBLE METROPOLITAN AREA RYAN WHITE COMPREHENSIVE AIDS RESOURCES EMERGENCY ACT GRANT AWARD FROM THE HEALTH RESOURCES AND SERVICES ADMINISTRATION DURING THE THREE FISCAL YEARS ENDED FEBRUARY 28, 2001


**JANET REHNQUIST**
**INSPECTOR GENERAL**

**JANUARY 2003**
**A-07-02-00140**

# *Office of Inspector General*

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DEPARTMENT OF HEALTH & HUMAN SERVICES

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CIN: A-07-02-00140

JAN 9 2003

Rex Archer, M.D., M.P.H.
Director
Kansas City Health Department
2400 Troost Avenue
Kansas City, Missouri 64108

Dear Dr. Archer:

This final report presents the results of our review of the Kansas City Health Department's (KCHD) administration of the Kansas City Eligible Metropolitan Area (EMA) Ryan White Comprehensive AIDS Resources Emergency (CARE) Act grant award from the Health Resources and Services Administration (HRSA). This review is a part of the Office of Inspector General's (OIG) comprehensive review of the CARE Act, performed at the request of the Senate Finance Committee. The objective of our review was to determine whether Ryan White Title I funds awarded to the KCHD for fiscal years (FY) 1998, 1999, and 2000 were administered in accordance with federal guidelines.

The CARE Act requires funds and services to be allocated by the Planning Council and to be expended in specific areas, including case management, primary outpatient medical care, and mental health treatment. We determined that the KCHD disseminated federal funds to local vendors for the provision of Ryan White health and support services. However, during calendar year 2001, the KCHD encountered many significant issues, including a restriction of its ability to draw funds by the HRSA and a task force organized by the Mayor of Kansas City to rectify Ryan White Title I administration concerns.

Our review identified that the KCHD did not perform required programmatic reviews on certain service categories. As a result, the Kansas City EMA may not have been able to assess the quality of care administered by the contractors to the Ryan White beneficiaries, including such critical categories as primary and dental care. We also determined the KCHD provided inaccurate information on annual applications to HSRA, which may have resulted in an unfair advantage for the KCHD when competing with other EMAs for funding. In addition, KCHD did not always follow certain technical requirements in the operation of the program. Specifically, we found one instance where the KCHD had: (1) allocated and prioritized funding, which is a function required of the Planning Council and (2) charged administrative costs inappropriately to program cost categories.

We are recommending that the KCHD: (1) develop an effective assessment program for quality of care, (2) ensure that all information included in annual applications for federal funding is accurate, (3) ensure all funds are allocated and prioritized by the Planning Council, and (4) ensure that expenditures are classified to correct cost categories.

The KCHD generally concurred with all of our findings and recommendations. In addition, KCHD mentioned steps it has taken to ensure implementation of our findings. The KCHD's response is included in its entirety as Appendix B.

## INTRODUCTION

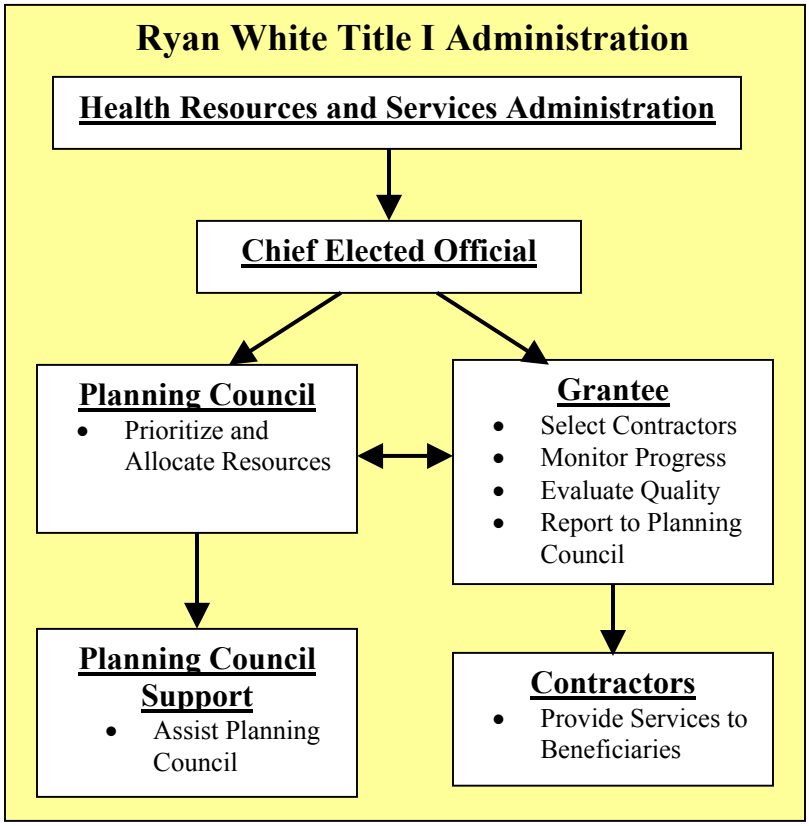
### BACKGROUND

#### *HRSA's Ryan White CARE Act - Title I*

Since 1990, HRSA has administered the CARE Act[1] to provide services to people living with AIDS and HIV disease. Section 2 of the CARE Act states: *"It is the purpose of this Act to provide emergency assistance to localities that are disproportionately affected by the Human Immunodeficiency Virus epidemic and to make financial assistance available to States and other public or private non-profit entities to provide for the development, organization, coordination and operation of more effective and cost efficient systems for the delivery of essential services to individuals and families with HIV disease."* Through FY 2001, the federal government has dedicated almost $9.8 billion nationwide specifically for the provision of health care and support services for the HIV affected population.

#### *Kansas City Eligible Metropolitan Area*

To implement the CARE Act, HRSA interacts with the Chief Elected Official (CEO), the Mayor of Kansas City. The Mayor appoints a Planning Council to prioritize and allocate funds within the eligible area. The CARE Act requires the Planning Council to consider the *"(i) documented needs of the HIV-infected population, (ii) cost and outcome effectiveness of proposed strategies and interventions…(iii) priorities of the HIV-infected communities for whom the services are intended, and (iv) availability of other governmental and non-governmental resources."*




[1]The most recent reauthorization of the CARE Act was on October 20, 2000, as Public Law 106-345.

The KCHD assigned two or three individuals as Planning Council support. These support staff helped the Planning Council communicate its priorities and allocations to the grantee.

The Mayor is also responsible for the selection and appointment of the grantee. As the recipient of the Title I funds, the KCHD's HIV Services Program was chosen to fill the role of grantee and to be responsible for the day-to-day operations. According to the Ryan White Manual issued by HRSA, "*The grantee must distribute grant funds according to the priorities established by the Planning Council."* The KCHD used a request for proposal (RFP) process to distribute grant funds. This process generally entailed designing applications, placing advertisements in various local newspapers, seeking bids for specific categories, and organizing teams to rate the submitted applications.

The grantee is also required to monitor the contractors' programmatic and fiscal performance. According to the Ryan White Manual, program monitoring includes "*assessing the quality and quantity of the services being provided by a particular contractor."* Fiscal monitoring includes "*assessing how quickly and efficiently a contractor uses the CARE Act funding it receives and whether funds are used for approved purposes*." Finally, the grantee is required to report its progress of implementing the allocations and prioritizations back to the Planning Council.

For each fiscal year, the KCHD, in conjunction with the Planning Council, submits an application to HRSA, outlining the planned implementation of the Title I program. The application details, among other things, the needs of the community, results of prior work, and future expectations. The HRSA evaluates applications to determine the funding levels. For the 3 years ended February 2001, HRSA awarded $8,840,000[1] to the Kansas City EMA, of which the KCHD paid contractors $8,690,000. The remaining $150,000[2] was rolled over into FY 2001 funds.

***Significant Changes Have Restructured the Administration of the Title I Program in Kansas City Subsequent to the Audit Period***

During 2001, several unprecedented events reshaped the administration of the Ryan White Title I Funds in the Kansas City EMA:

- The HRSA sent two letters to the Mayor delineating several problems. As a result of these problems, HRSA restricted KCHD's ability to draw funds effective July 23, 2001.

- The Mayor appointed a task force to propose recommendations on measures that would enable the Planning Council and grantee to operate more effectively. The task force recommended 14 actions relating to virtually every interaction between the Planning Council and the grantee.

[1] Amounts rounded to nearest ten thousand.
[2] The actual amount rolled over was $143,000; however, due to rounding of other numbers, we present the amount as $150,000 for reporting purposes.

- The KCHD transferred the managers of the Planning Council support staff and the grantee's office into non-Ryan White positions.

- The Mayor dismissed the Planning Council on December 18, 2001.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our review was to determine if the KCHD administered Ryan White Title I program and expended associated funds in accordance with federal guidelines for the 3 years ended February 28, 2001. We performed our audit in accordance with generally accepted government auditing standards. The objectives of this limited scope audit did not require a complete understanding or assessment of the internal control structure. Therefore, we did not evaluate the internal control structure of the KCHD and accepted the expenditure amounts and general ledger posted dates with limited verification. Further, we did not review the Planning Council's decisions in prioritizing and allocating funds. We conducted our review at the KCHD and in the Regional Office of the OIG Office of Audit Services in Kansas City, Missouri during November 2001 through June 2002. We provided a draft report to KCHD on October 18, 2002, and KCHD provided written comments on November 15, 2002.

The HRSA provided us with copies of correspondence between the KCHD and HRSA as well as schedules of federal payments to the KCHD. From the KCHD, we obtained copies of Planning Council and Finance Committee meeting minutes, various correspondences, RFP applications, scoring sheets for the RFPs, financial and performance monitoring reports, and schedules showing the allocations of administrative costs. In reviewing the KCHD's Ryan White expenditures, we examined the grantee and Planning Council administrative costs totaling $730,000 for the 3 fiscal years ended February 28, 2001. We did not perform reviews to determine if the amounts expended by sub-contractors were allowable. Appendix A outlines these amounts by category, according to contracts administered by the KCHD and by external contractors.

## FINDINGS AND RECOMMENDATIONS

We determined that the KCHD disseminated federal funds to local vendors for the provision of Ryan White health and support services. However, during calendar year 2001, the KCHD encountered several significant issues, including a restriction of its ability to draw funds by the HRSA and a task force organized by the Mayor of Kansas City to rectify Ryan White Title I administration concerns.

Our review identified that the KCHD did not perform required programmatic reviews on certain service categories. As a result, the Kansas City EMA may not have been able to assess the quality of care administered by the contractors to the Ryan White beneficiaries, including such critical categories as primary and dental care. We also determined the KCHD provided inaccurate information on annual applications to HSRA, which may have resulted in an unfair advantage for the KCHD when competing with other EMAs for funding. In addition, KCHD did not always follow certain technical requirements in the operation of the program. Specifically, we found one instance where the KCHD had: (1) allocated and

prioritized funding, which is a function required of the Planning Council and (2) charged administrative costs inappropriately to program cost categories.

***The KCHD Did Not Effectively Monitor the Quality of Services Provided by Contractors***

The KCHD did not always perform programmatic reviews of contractors during our audit period. As a result, the KCHD may not have been able to assess the quality of care administered by the contractors to the Ryan White beneficiaries.

While the KCHD provided copies of annual performance reports assessing the quality of services in case management in 1999 and 2001, it did not perform quality programmatic reviews in four categories, including primary and dental care, during each year of our audit period. Additionally, mental health therapy was not reviewed for 2 of the 3 years, and food and permanency planning were not reviewed during 1 of the 3 years of the audit period. The KCHD also stated that program monitoring was performed for some contractors; however, written reports of the assessments were not produced. Finally, except for case management, the contracts administered by KCHD were not monitored because internal mechanisms designed to review the contracts were not followed. Without these program reviews the KCHD cannot ensure that the contractors are providing quality services to the community.

The KCHD officials stated they were aware that these reviews were deficient, but they attributed these deficiencies to lack of guidance from HRSA on how to implement the various reviews. Additionally, they informed us that they have taken strides to improve monitoring oversight and their satisfaction surveys did provide some assessment concerning the quality of care.

***Applications to HRSA Contained Inaccurate Information***

The KCHD's Title I applications to HRSA contained inaccurate information. This inaccurate information made the applications misleading and may have resulted in an unfair advantage for the KCHD when competing with other organizations for funding.

We identified several instances where the KCHD did not provide accurate information on the annual applications. For example:

- ✓ The KCHD's applications for FYs 1999, 2000, and 2001 stated that programmatic reviews comparing the goals and objectives of the programs to actual results had been conducted. As discussed in the prior finding, these reviews were not always performed.

- ✓ The FY 1999 application stated that the KCHD had performed administrative reviews for each of the contractors. However, a KCHD letter to its contractors in 1999 stated, "*...many agencies did not receive an Administrative site review."* The KCHD stated it did not perform 8 of the 14 administrative site reviews.

- ✓ In the FY 2000 and 2001 applications, the KCHD relied upon the Continuous Quality Improvement (CQI) work of the Ryan White Title III grantee. This program was designed to provide the education, support, and monitoring necessary to ensure that all patients receive quality care. However, the CQI program as described in the Title I Application did not reflect the work actually performed by the Title III grantee for the 2 years ended February 2001. The KCHD officials stated that the information relating to the CQI was, at the time, believed to be accurate.

The EMAs submit applications to HRSA on an annual basis to determine funding levels. The applications contain two distinct sections: one for formula funding and the other for supplemental funding. The supplemental portion includes a section in which grantees detail their monitoring activities, which is scored as 5 percent of the total supplemental score. Because EMAs nationwide compete for various funding levels based on what is described in these applications, we believe that the inclusion of inaccurate information may have given the KCHD an unfair advantage when competing with all other applicants.

***The KCHD Inappropriately Allocated and Prioritized Funding -- A Function the CARE Act Requires the Planning Council to Perform***

The KCHD, in one instance, allocated and prioritized part of the funds expended for the beneficiaries of the Ryan White program, a function that the CARE Act requires the Planning Council to perform. This requirement is important because the Planning Council is constituted to ensure that it understands the needs of people living with HIV. The Ryan White Manual instructions state, *"The grantee must distribute grant funds according to the priorities established by the Planning Council."* In December 1999, the Planning Council allowed the grantee to reallocate unexpended funds from service categories into four areas *"...with reports to the Finance Committee and Planning Council on said reallocations."* Over the next 3 months, the grantee reallocated $117,000 in and out of various categories.

The reports to the Planning Council and its Finance Committee were not submitted until 4 to 7 months after the initial reallocations. Because charts referred to in Planning Council minutes could not be located and because the Planning Council did not ratify monies moved, we are concerned that the Planning Council was not aware of the final reallocation details. Having the Planning Council set funding priorities is an important part of the Ryan White program. According to a HRSA fact sheet, people living with HIV, as a consumer of CARE Act services, have *"...a unique understanding of CARE Act service needs. It is essential that they take an active role in planning, reviewing and evaluating services."* The Planning Council has this "*unique understanding*" because, as required by the Kansas City EMA bylaws, at least 37 percent of the voting members are HIV-positive.

Although funds were allocated into previous approved categories in this one instance, we do not believe that allowing the KCHD to determine funding levels through reallocation is in accordance with the intent of the CARE Act. Because the $117,000 was allocated and prioritized without ratification of the Planning Council, the Kansas City EMA was not assured that these funds were distributed in a manner consistent with the Planning Council's interpretation of the needs of the HIV/AIDS community at the time of the allocations.

***The KCHD Inappropriately Charged Administrative Costs as Program Costs***

The KCHD incorrectly charged supervision and administration costs of $60,800 as program costs. This resulted in the KCHD exceeding the five percent limitation on administrative costs by $22,400. This was the only material exception noted in our review of $730,000 of the KCHD's administrative expenditures for the 3-year audit period.

In a letter to the KCHD in May 1999, a HRSA official stated, *"Costs associated with supervision must be included in the grantee's administrative budget."* Further, section 2604(e)(1) of the Ryan White CARE Act of 1996 states, *"The chief elected official of an eligible area shall not use in excess of 5 percent of amounts received under a grant awarded under this part for administration."*

The grantee charged $60,800 of administrative costs to case management in 1998 and 1999. If the costs had been charged to the correct account, the grantee would have exceeded the 5 percent limit on administration costs by $22,400. The KCHD officials stated that the $60,800 charge to case management was merely an accounting error. Because the City made payments for HIV-related services beyond $22,400 that can be used to replace disallowed expenditures, we are not recommending an adjustment of $22,400.

**RECOMMENDATIONS**

We are recommending that the KCHD:

- Develop an effective assessment program for quality of care in all service categories. This effort would include conferring with HRSA to develop a plan of action to address this weakness;

- Ensure that all information included in annual application to HRSA for federal funding is accurate;

- Ensure all funds are allocated and prioritized by the Planning Council; and

- Ensure that expenditures are charged to correct cost categories.

**KCHD's RESPONSE**

In its November 15, 2002 written comments on our draft report, the KCHD concurred with our findings and recommendations, and provided a summary of the corrective actions being implemented. To assess quality of care, the KCHD noted improvements including joining a pilot project with four other EMAs selected by HRSA for the purpose of establishing *"…a framework for improved client outcomes and improvement in funded service categories such as case management and primary care*." To ensure the accuracy of its annual applications to HRSA are accurate, the KCHD stated that it had completely overhauled the process. The KCHD also indicated that the Planning Council participates in all allocations and

reallocations of Ryan White funding. Finally, the KCHD acknowledged that an accounting error caused funds to be charged to the wrong category. The KCHD's response is included in its entirety as Appendix B.

**OIG RESPONSE**

We commend the KCHD for identifying appropriate corrective actions and incorporating improvements into its Ryan White program.

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Final determinations as to actions to be taken on all matters reported will be made by the HHS action official identified below. We request that you respond to the recommendations in this report within 30 days from the date of this report to the HHS action official, presenting any comments or additional information that you believe may have a bearing on 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, Office of Inspector General, Office of Audit Services reports are made available to the public to the extent information contained therein is not subject to the exemptions in the Act (See 45 CFR Part 5). As such, within ten business days after the final report is issued, it will be posted on the world-wide-web at http://oig.hhs.gov.

To facilitate identification, please refer to Common Identification Number A-07-02-00140 in all correspondence relating to this report.

Sincerely,

James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosures

HHS Action Official:

Albert Marra
Health Resources and Services Administration
Director, Division of Grants and Procurement Management
Room 13A03, Parklawn Building
5600 Fishers Lane
Rockville, Maryland 20857

# Kansas City Eligible Metropolitan Area
# Payments According to Sub-Contract Administrator
# Fiscal Years 1998, 1999, and 2000

| Sub-Contractor Administrator | Amount[1] | Totals[1] |
|---|---|---|
| **Kansas City Health Department** | | |
| --Administration - Grantee | $390,000 | |
| --Administration - Planning Council | 340,000 | |
| --Case Management | 200,000 | |
| --Health Insurance Continuation | 180,000 | |
| --Home Health Care | 170,000 | |
| --Medications | 1,770,000 | |
| --Vendor Participation | 60,000 | |
| **Kansas City Health Department Totals** | | $3,110,000 |
| | | |
| **External Vendors** | | |
| --Capacity Building | 20,000 | |
| --Case Management | 1,880,000 | |
| --Counseling | 10,000 | |
| --Dental | 230,000 | |
| --Direct Emergency Financial Services | 130,000 | |
| --Food | 780,000 | |
| --Housing | 740,000 | |
| --Marketing | 20,000 | |
| --Medications | 160,000 | |
| --Mental Health Therapy/Counseling | 250,000 | |
| --Outreach/Marketing | 50,000 | |
| --Permanency Planning | 50,000 | |
| --Primary Care | 920,000 | |
| --Transportation | 340,000 | |
| **External Vendors Totals** | | 5,580,000 |
| **Total Expenditures** | | $8,690,000 |

[1] Numbers rounded to nearest ten thousand

CITY OF FOUNTAINS
HEART OF THE NATION

KANSAS CITY
MISSOURI

**Health Department**

**Division of Maternal, Child and Family Health**

**HIV Services**

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November 15, 2002

Office of Inspector General
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Region VII
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Kansas City, Missouri 64106

Re: Findings of Audit Kansas City Eligible Metropolitan Area (EMA) Ryan White Title I Program.

**Issue #1 – The KCHD Did Not Effectively Monitor the Quality of Services Provided by Contractors.**

Until fiscal year 2000, there had been a level of ambiguity regarding assessment of quality service delivery, especially for primary health care services. The Grantee had and continues to have mechanisms in place that substantiate services were being provided and that fiscal/contractual obligations are being met.

The KCHD leadership and Grantee administration has established new procedures for program monitoring and quality assurance. In addition, effective in November 2002, the KCHD has a qualified full-time quality assurance supervisor. Also, beginning in November 2002, the KCEMA joined a pilot project to establish a quality improvement structure across the entire EMA. The IHI Project, a collaborative that includes four other EMAs selected by HRSA, is intended to establish a framework for improved client outcomes and improvement in funded service categories such as case management and primary care

**Issue #2 – Application to HRSA Contained Inaccurate Information.**

The documentation and documents sited have been reviewed and steps have been taken to assure the accuracy of HRSA applications.

KCHD leadership views this issue as vital and of the highest priority. The grant development process for FY 2003 was completely overhauled, including information gathering, review and final editing. This new process has been institutionalized by the CEO and the KCHD.

**Issue #3 – The KCHD Inappropriately Allocated and Prioritized Funding – A Function the CARE Act Requires the Planning Council to Perform.**

This finding is based on the CARE Act requirement that establishes the authority and responsibility of the EMA's Planning Council to determine and establish funding priorities. This practice is now being executed in the correct manner and according to the Ryan White CARE Act. The Finance Committee and Planning Council initiate any and all changes in priorities and allocations/reallocations.

Improved communications and operational procedures were implemented when the change in management and organizational structure occurred in August 2001.

With the assignment of new staff and leadership to manage the Ryan White Title I Grant, new administrative guidelines and data control mechanisms (i.e. management team that includes Ryan White Planning Council chair, committee chairs, review of minutes, pre-committee meeting with Finance Committee chair and administrative staff) have effectively corrected this finding.

**Issue #4 – The KCHD Inappropriately Charged Administrative Costs as Program Costs.**

The inappropriate charge of Administrative costs as program costs was an accounting error. We, therefore, accept the audit's recommendation that it be classified as such and that no adjustment be enforced.

Sincerely,

Nkosi Halim, LMSW, QCSW
HIV Services Program Manager

NH:gn
Cc: Hilda Fuentes
Donovan Mouton
Dr. Rex Archer
Thomas Maddox
Vickie Steinly
Dan Grandcolas