

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**The Ryan White CARE Act
Title I and Title II Grantees'
Monitoring of Subgrantees**



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OFFICE OF INSPECTOR GENERAL

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EXECUTIVE SUMMARY

OBJECTIVE

To assess the Ryan White CARE Act Title I and Title II grantees' monitoring of subgrantees.

BACKGROUND

The Senate Finance Committee asked the Office of Inspector General (OIG) to review the Health Resources and Services Administration's (HRSA) oversight of Ryan White Comprehensive AIDS Resources Emergency (CARE) Act Title I and Title II grantees and grantees' oversight of their subgrantees. Hereinafter these grantees are referred to as Title I and Title II grantees. As part of this request, the Committee asked OIG to also initiate audits of select grantees and subgrantees.

The CARE Act provides funding to develop, organize, coordinate, and operate effective and cost-efficient health care and support services to medically underserved individuals and families affected by HIV/AIDS. Title I and Title II are the largest programs and are the focus of this inspection. Title I provides emergency relief grants to eligible metropolitan areas for community-based HIV-related services, and Title II provides grants to States, the District of Columbia, and territories to improve the quality, availability, and organization of health care and support services. These services are provided directly through health department programs and through contracts with for-profit and non-profit subgrantees who apply for and receive funds directly from the grantees.

To assess Title I and Title II grantees' monitoring of subgrantees, we reviewed documents for fiscal year 2000 for 5 subgrantees from 20 Title I and Title II grantees, for a total of 100 subgrantees. We also interviewed the 17 project officers responsible for these grantees, HRSA program officials, and the 20 grantees that represent 38 percent of all Title I funds and 41 percent of all Title II funds. This report is a companion report to *Monitoring of Ryan White CARE Act Title I and Title II Grantees, OEI-02-01-00640*.

FINDINGS

Grantees' monitoring of subgrantees is limited

Fifteen of the 20 selected grantees did not have comprehensive documentation to demonstrate that they are monitoring their subgrantees systematically. These grantees did

not have each of the three key documents (a contract or formal agreement, a program report, and a fiscal report) needed to monitor for all 5 of their subgrantees in fiscal year (FY) 2000. Further, not all grantees had each of these documents for all five subgrantees. Twelve grantees had a program report, 9 grantees had a fiscal report, 13 grantees had a contract or formal agreement, and 4 grantees had a site visit report for all 5 of their subgrantees.

Nevertheless, grantees are aware of some subgrantee problems

Despite limited monitoring, grantees have identified some problems that their subgrantees are facing. Based on our document review, the 20 selected grantees had evidence of issues for 78 of the 100 subgrantees. Ten of these subgrantees had audits that included findings. A total of 19 subgrantees had corrective action plans that address a specific issue. Despite identifying subgrantee issues, grantees emphasize that they do not have serious concerns with any of their current subgrantees.

HRSA does not always require grantees to report how they monitor subgrantees, and HRSA does not systematically monitor grantee oversight of subgrantees

HRSA requires grantees to describe how they monitor their subgrantees in the grant application. However, HRSA does not require grantees to provide monitoring information in all instances. For example, HRSA does not require monitoring information for Title II grantees if the information has not changed since the last application. Further, HRSA does not appear to use the information that Title I or Title II grantees provide in order to monitor grantees' oversight of subgrantees. Further, one HRSA official notes that they do not see monitoring grantees' oversight of their subgrantees as part of HRSA's responsibility, and that relying on the signed assurances from grantees is adequate.

RECOMMENDATIONS

The findings are based on documents from 100 subgrantees from 20 grantees. These 20 grantees receive 38 percent of all Title I funds and 41 percent of all Title II funds. The inconsistencies in monitoring that we found with the grantees reviewed suggest that Title I and Title II grantees' monitoring of subgrantees needs to be strengthened. We are aware that since this inspection was conducted, HRSA has consolidated its grants management offices, relocated most Title II monitoring responsibilities from regional offices to headquarters, and redefined the Office of Field Operations as the Office of Performance Review. These changes may better position the agency to address the following recommendations. Specifically, we recommend that HRSA:

- Set standards for grantees' monitoring of subgrantees that, at a minimum, require a contract or formal agreement, a program report, and a fiscal report, and some consideration of regular site visits

- Require grantees to report how they monitor their subgrantees in accordance with these standards as part of every application
- Increase efforts to monitor grantees' oversight of subgrantees, including using information grantees report to HRSA regarding subgrantee activities

Agency Comments

We received comments on our draft report from HRSA. The full text of these comments can be found in Attachment D. HRSA concurs with all but one of our recommendations, and adds that significant administrative changes have occurred since this inspection was conducted. These changes may better position the agency to address the grantee monitoring activities discussed in this report.

HRSA did not fully concur with the original OIG recommendation as it appeared in our draft report and required grantees to report how they monitor their subgrantees as a part of every annual application. In its comments to the Inspector General, HRSA reports that starting with the fiscal year 2004 grant guidance, they will require Title II grantees to submit a comprehensive application every other year instead of annually. As such, we have reworded this recommendation to reflect this new policy, and now recommend that HRSA require grantees to report subgrantee monitoring information in every application.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
INTRODUCTION	1
FINDINGS	7
Grantees' monitoring of subgrantees is limited	7
Grantees are aware of some subgrantee problems	10
HRSA does not always require grantees to report how they monitor subgrantees, and HRSA does not systematically monitor grantee oversight of subgrantees	11
RECOMMENDATIONS	12
APPENDICES	13
Appendix A: HRSA/HAB Organizational Structure	13
Appendix B: OIG Grants Oversight Framework	14
Appendix C: Grantee Monitoring Documents Provided for Sampled Grantees	15
Appendix D: Agency Comments	18
ACKNOWLEDGMENTS	24

INTRODUCTION

OBJECTIVE

To assess the Ryan White CARE Act Title I and Title II grantees' monitoring of subgrantees.

BACKGROUND

In a letter dated August 2001, the Senate Finance Committee asked the Office of Inspector General (OIG) to review the Health Resources and Services Administration's (HRSA's) oversight of Ryan White Comprehensive AIDS Resources Emergency (CARE) Act grantees and grantees' oversight of their subgrantees. News accounts have highlighted several instances of questionable spending by grantees and subgrantees that are now subject to Federal and State investigations. As a result, the Committee is concerned that HRSA does not appear to exert clear and consistent oversight over its CARE Act grantees, nor require, or otherwise monitor, grantees' oversight of their subgrantees.

As part of this request, the Committee asked OIG to also initiate audits of select grantees and subgrantees. The purpose of these audits is to evaluate grantees' administration of Title I and Title II grant funds and their oversight of subgrantees, and to assess subgrantees' fiscal capability and performance.

The following report focuses on the Title I and Title II grantees' monitoring of subgrantees. It is a companion report to *Monitoring of Ryan White CARE Act Title I and Title II Grantees OEI-02-01-00640*, which focuses on how HRSA monitors Title I and Title II grantees' programmatic performance. We organized these reports in this way, as opposed to by Title, to better respond to the Senate Finance Committee's two-part request, and because the overall findings apply to both Title I and Title II.

The CARE Act

The CARE Act (Pub. L. 101-381) was passed in 1990, and reauthorized in 1996 (as Pub. L. 104-146) and in 2000 (as Pub. L. 106-345). The legislation provides funding to States and other public and nonprofit entities to develop, organize, coordinate, and operate effective and cost-efficient health care and support services to medically underserved individuals and families affected by HIV/AIDS. The CARE Act distributes resources to various entities under four Titles and Part F. Title I and Title II are the largest programs and are the focus of this inspection.

Title I

Title I provides emergency relief grants to eligible metropolitan areas disproportionately affected by the HIV/AIDS epidemic. The Title I grantee is the Mayor or chief elected official. This official typically designates administrative authority for the CARE Act to the city or county health department, which may also be called the grantee. The grantee designates a planning council that is responsible for prioritizing the allocation of funds and makes awards to subgrantees according to the planning council's decisions. Subgrantees may include hospitals, community-based organizations, hospices, ambulatory care facilities, community health centers, migrant health centers, homeless health centers, and substance abuse treatment and mental health programs.

Title I funding includes formula and supplemental components. Formula grants are awarded on the estimated number of people living with AIDS in the eligible metropolitan area over the most recent 10-year period. Supplemental grants are awarded competitively based on a demonstration of severe need and other criteria. In fiscal year (FY) 2001, 51 eligible metropolitan areas in 21 States, Puerto Rico, and the District of Columbia were awarded \$604 million in formula and supplemental funds.

Title II

Title II provides grants to States, the District of Columbia, and the territories to improve the quality, availability, and organization of health care and support services for individuals and families with HIV/AIDS. The grantee for Title II is the Governor, and the administrative agency is the State Department of Health, which may also be the grantee. States distribute Title II funds to subgrantees, which are typically public or non-profit providers and community-based organizations. The grantee distributes funds either directly or through consortia that are responsible for prioritizing Title II funds in their area. In FY 2001, the States, the District of Columbia, and the territories were awarded \$845 million in Title II grants.

A portion of each State's Title II funds must be used to establish an AIDS Drug Assistance Program (ADAP) to provide medications to low-income individuals with HIV/AIDS and their families. In FY 2001, the ADAP portion of the Title II award totaled \$571 million.

Federal Oversight

The HIV/AIDS Bureau in HRSA is responsible for implementing Title I and Title II. Prior to December 2002, these programs were managed differently. The Bureau's Division of Service Systems was responsible for monitoring and oversight of Title I grantees and ADAP. The Office of Field Operations, which included the 10 regional offices, was responsible for Title II grantees as well as other grants (see Figure 1 and Appendix A).

Figure 1: Monitoring Responsibilities
(Regional Responsibility Italicized)

	CARE Act Program		
Responsibility	Title I	Title II	Title II ADAP
Program Monitoring	Division of Service Systems - Project Officer	<i>Office of Field Operations - Project Officer</i>	Division of Service Systems - Representative
Fiscal Monitoring	Division of Service Systems - Grants Management Officer		

In January 2003, HRSA announced that the Bureau’s Division of Service Systems would be responsible for both Title I and Title II. The Office of Field Operations, which had responsibility for Title II grantees, became the Office of Performance Review, and now serves as the focal point for reviewing and enhancing performance of HRSA-supported programs.

Monitoring Requirements

Federal regulations and guidelines describe grantees’ responsibilities for overseeing the activities of their subgrantees. The OMB Circular A-133 sets forth responsibilities for pass-through entities, including grantees. Recipients of Federal grants funds are required to: “Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Program Monitoring. According to 45 CFR § 92.40, grantees must monitor grant and subgrant-supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Performance reports contain a comparison of actual accomplishments to the objectives established for the period, cost per unit, if helpful, and reasons for slippage if established goals are not met. Reports must also contain additional information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Fiscal Monitoring. According to 45 CFR § 92.20, grantees and subgrantees must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Federal regulations also require that accounting records be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, and contract and subcontract award documents. Also, the awarding agency may review the

adequacy of the financial management system of any applicant for financial assistance as part of a preaward review or at any time subsequent to the award.

Awarding and Monitoring Subawards Under Federal Grants, a training manual used by Federal grants personnel, further suggests three documents that the grantee may use to monitor subgrantee progress: the contract (also called the subaward document), the progress report, and the financial report. Specifically, it states:

- The subaward document forms a baseline for assessing subrecipient performance and compliance (Chapter 5.1)
- The program report is the primary means of communication between the subrecipient and the pass-through entity program staff. The progress report's main function is to explain the subrecipient's progress (or lack thereof) toward achieving the goals established in the approved application (Chapter 6.3.1)
- The financial report should always be read in conjunction with progress reports covering the same period to ensure the two match up (Chapter 6.3.2)

This manual also includes site visits as a mechanism that agencies can use to monitor subrecipients. Specifically, site visits determine compliance or noncompliance with the terms and conditions of the grant award, verify information received in reports, and provide an opportunity to counsel the subrecipient in ways to remedy deficiencies (Chapter 6.2).

OIG Oversight Framework

As part of its focus on grants oversight, OIG has developed an oversight framework that establishes monitoring fundamentals for Federal grants (see Appendix B). This framework is based on the Grants Administration Manual and *Awarding and Monitoring Subawards Under Federal Grants*. The framework focuses on four areas: (1) requirements developed by the operating division that address program and financial progress; (2) reports generated by the grantee that are collected by the operating division; (3) review and verification of report information; and (4) enforcement authority used by the operating division to address identified issues. We used this framework to assess HRSA's oversight of the Title I and Title II grantees.

METHODOLOGY and ANALYSIS

To assess Title I and Title II grantees' monitoring of subgrantees, we compared how grantees are monitoring their subgrantees to the training manual guidelines, Federal requirements, and our oversight framework. We present our findings for Title I and Title II together, because grantees from both Titles are expected to monitor their subgrantees similarly, and because the general findings apply to both Titles. We highlight differences between Title I and Title II, when appropriate. Note that for the purposes of this report, we use the term subgrantees to refer to all sub-awardees of a grantee.

We collected information about how Title I and Title II grantees monitor subgrantees from several data sources: (1) a review of documents of 100 subgrantees from 20 grantees, (2) interviews with these 20 grantees, (3) interviews with the 17 project officers who are responsible for these grantees, and (4) interviews with HRSA program officials.

Selection of Grantees

This inspection is based on 10 Title I and 10 Title II grantees. We selected these grantees based on several factors. Specifically, we ranked each grantee according to funding level and grant longevity, and selected 5 grantees that were in the upper 10 and 5 in the lower 10 for each factor and from each Title. Further, we aimed to select at least one grantee from each area where HRSA has a regional office. We also included an eligible metropolitan area and its corresponding State for half of the grantees, and we made an effort to minimize our overlap with the grantees that were selected by the Office of Audit Services. We did not select the grantees based on their performance. In total, the 20 selected grantees represent 38 percent of Title I funds and 41 percent of Title II funds. They include the following:

Title I	Title II
Los Angeles, CA	California
Atlanta, GA	Georgia
Minneapolis, MN	Minnesota
Philadelphia, PA	Pennsylvania
New York, NY	New York
Kansas City, MO	Alabama
West Palm Beach, FL	Massachusetts
Norfolk, VA	New Mexico
Seattle, WA	South Carolina
Las Vegas, NV	Utah

To select the 100 subgrantees, we asked each grantee for a list of all of their subgrantees. We then selected 5 subgrantees from each grantee for a total of 100 subgrantees. When possible, we selected two subgrantees that had been identified by the grantee as having a concern or a corrective action plan in place. We also took into consideration that Title II grantees may rely on consortia to monitor subgrantees. In these cases, we selected two of the grantees' consortia and selected a total of five subgrantees from them.

Document Review

We reviewed key documents to assess grantees' monitoring of subgrantees. To do this, we requested documentation for FY 2000 from each grantee or consortium for the 5 selected subgrantees. We specifically requested copies of any contracts or formal agreements, program reports, fiscal reports, site visit reports, audits, and any other

documentation used to monitor subgrantees. We also asked for any existing corrective action plans. We reviewed these documents using a structured instrument and analyzed them using a statistical analysis software program (SAS).

Interviews

We conducted interviews with the 20 selected Title I and Title II grantees. We asked each grantee about how they monitor their subgrantees, and how they identify and address subgrantee issues. We conducted interviews with consortia when the grantee relied on them to monitor subgrantees. These interviews were completed between March and May 2002.

We also conducted interviews with the 17 project officers who were responsible for monitoring the 20 selected grantees. In total, at the time the inspection was conducted, there were 12 Title I project officers and 30 Title II project officers.¹ Eight of these project officers that we interviewed were from Title I, and nine were from Title II. These project officers were responsible for monitoring a total of 38 of all 51 Title I grantees and 21 of all 54 Title II grantees. In our interviews, we asked project officers how they monitor their grantees and subgrantees, and how they identify and address any issues. We conducted these interviews in April 2002.

Finally, we interviewed key program officials at the HIV/AIDS Bureau and at the former Office of Field Operations. These interviews provided mostly background information about Title I and Title II and how the programs are administered. We conducted these interviews in December 2001.

Standards

We conducted this inspection in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

¹ These numbers are based on the information provided by the HIV/AIDS Bureau as of November 2001.

FINDINGS

Grantees' monitoring of subgrantees is limited

We found that 15 of the 20 selected grantees did not have comprehensive documentation to demonstrate that they are monitoring their subgrantees systematically. We determined that three key documents, a contract or formal agreement, a program report, and a fiscal report would provide minimum monitoring information. These grantees did not have all three documents needed to monitor their five selected subgrantees, and two of these grantees did not have all three documents for any of their five subgrantees. Grantees did not have these 3 documents for a total of 41 of the 100 subgrantees that we reviewed (see Appendix C).

Program reports. Not all grantees had program reports for each of their subgrantees. Specifically, 2 of the 20 grantees did not have a program report for any of their 5 subgrantees that we reviewed (see Figure 2). Another six grantees did not have such documentation for between one and four of their subgrantees. In total, program reports were missing for 23 of the 100 subgrantees. Program reports commonly included goals and objectives, client demographics, client and service utilization data, and program narratives. Without a program report, the grantee cannot monitor the extent to which subgrantees have met program goals and objectives, nor can the grantee detect problems early.

Figure 2: Grantees that Did Not Have Program Reports

	Number of Subgrantees Missing Reports				
	Five	Four	Three	Two	One
Number of grantees that did not have all program reports (n=20)	2	1	1	2	2

Source: OEI Documentation Review, 2002

Even though not all had program reports for their subgrantees, all 20 selected grantees report that they require their subgrantees or consortia to submit program reports at least quarterly. Grantees commonly report that they use program reports to track subgrantees' progress toward meeting goals and objectives. They also reconcile program reports with the subgrantees' fiscal reports and assess whether the subgrantee is performing at the level stated in their contract. Three mention using program reports to assess technical assistance needs, and one adds that they use them to gather information on barriers and accomplishments.

In addition, grantees report that they require subgrantees to submit data on client characteristics and services rendered. Grantees then compile the data for the Annual

Administrative Report that they are required to submit to HRSA. Not all grantees report using the data to monitor subgrantees. Fifteen of 20 grantees use the data to help make funding decisions or to track clients and services. Grantees do not typically provide the data to their subgrantees to help them gauge their own performance.

Fiscal reports. Not all grantees had fiscal reports for each of their subgrantees (see Figure 3). Eleven grantees did not have a fiscal report, invoices, or vouchers for between one and four of their subgrantees. In total, fiscal reports were missing for 20 of the 100 subgrantees. Fiscal reports most commonly included spreadsheets that matched expenditures with proposed budgets as well as invoices and vouchers. Without the subgrantee fiscal reports, the grantee cannot track whether expenditures are consistent with performance and correspond to the approved agreement.

Figure 3: Grantees that Did Not Have Fiscal Reports

	Number of Subgrantees Missing Reports				
	Five	Four	Three	Two	One
Number of grantees that did not have all fiscal reports (n=20)	0	1	1	4	5

Source: OEI Documentation Review, 2002

Even though grantees could not supply fiscal reports for each of their subgrantees, all 20 of the grantees report that they require their subgrantees to submit fiscal reports and/or invoices. Sixteen of the 20 grantees require subgrantees to submit fiscal reports along with the accompanying invoices. The remaining four grantees require subgrantees to submit either invoices or a fiscal report. Most grantees (16) require fiscal reports on a monthly basis or quarterly basis. They use these reports to track subgrantees' fiscal performance by matching their expenditures to the proposed budgets that they submit at the start of the grant cycle. Grantees also use fiscal reports to monitor overspending and underspending, and whether funds are being distributed in a timely manner.

Formal agreements. Not all grantees had a contract or formal agreement for each of their five subgrantees that we reviewed (see Figure 4). Seven grantees did not have a contract or agreement for between one and four of their subgrantees. In total, grantees did not have such documentation for 14 of the 100 subgrantees. Of the grantees with documentation, 80 of the 100 subgrantees had a contract, contract renewal, or contract amendment, and 6 had a notice of award or memo of understanding. Without a contract or formal agreement, the grantee cannot ensure that the subgrantee is meeting program requirements.

Figure 4: Grantees that Did Not Have Contracts or Formal Agreements

	Number of Subgrantees Missing Reports				
	Five	Four	Three	Two	One
Number of grantees that did not have all contracts (n=20)	0	1	1	2	3

Source: OEI Documentation Review, 2002

Even though not all grantees had a contract or formal agreement for all five of their subgrantees, grantees commonly report that they use the contract to monitor subgrantees’ program and fiscal performance. They mention matching expenditures to proposed budgets included in the contract agreement. They also report using the contract to ensure that subgrantees are adhering to the required administrative caps, that subgrantees are serving only eligible clients, and that subgrantees are meeting the payer of last resort requirements.

Site visits. In addition to three key documents necessary for subgrantee monitoring, we also determined whether grantees conducted site visits of subgrantees. We found that not all grantees had site visit reports for each of the five subgrantees that we reviewed (see Figure 5). Three of the 20 grantees did not have a site visit report documenting that they visited any of their 5 subgrantees. Another 13 grantees could not document site visits for between 1 and 4 of their subgrantees. In total, grantees did not have site visit reports for 42 of the 100 subgrantees. Without a routine site visit and the accompanying documentation, the grantee cannot verify the program and fiscal information submitted by the subgrantee during the grant cycle.

Further, our review of the site visit reports that grantees submitted shows that grantees conduct a wide range of activities on-site. Grantees may review subgrantees’ records, including financial statements and program objectives, conduct chart reviews and/or desk audits, meet with directors and program staff and/or clients, hold discussions with grantees about barriers and accomplishments, or assess technical assistance needs.

Figure 5: Grantees that Did Not Have Site Visit Reports

	Number of Subgrantees Missing Reports				
	Five	Four	Three	Two	One
Number of grantees that did not have all site visit reports (n=20)	3	3	1	3	6

Source: OEI Documentation Review, 2002

When questioned about site visits of subgrantees, 15 of the 20 selected grantees report that they conduct site visits at least annually. Several note that they aim to do this, but that it is difficult. As one grantee notes, they were only able to visit agencies with problems last year, not the “great job” agencies. Thirteen of the 20 grantees report that they review client records and fiscal records on-site to monitor subgrantees. Additionally, 17 grantees report that they conduct non-routine site visits of grantees. They use these visits to attend meetings, assess technical assistance needs, respond to grantees’ concerns, and follow up on any issues.

Close Contact. We found that all 20 grantees believe that their monitoring of subgrantees is effective. They attribute their effectiveness to having strong relationships and close contact with their subgrantees. Ten grantees report meeting with subgrantees and/or consumers at least quarterly. One grantee noted that the community is relatively small, and subgrantees do not hesitate to call. Another two grantees commented that they are very involved and consult with their subgrantees on a daily basis.

Nevertheless, grantees are aware of some subgrantee problems

Despite limited monitoring, grantees have identified some problems that their subgrantees are facing. Based on our review of the documents, the 20 selected grantees had evidence of issues for 78 of the 100 subgrantees. We are not able to determine whether grantees had evidence of all problems that subgrantees were facing, but we do know that when grantees were monitoring they were aware of and documented some issues.

Specifically, grantees had corrective action plans that address specific issues for 19 of the 100 selected subgrantees. Grantees had audits that included findings for 10 of the 100 subgrantees. Grantees had program, fiscal, and site visit reports that highlighted issues for other subgrantees. Examples of the issues that were identified include inadequate staffing, late submission of required documents, failure to maintain accounting records on a current basis, and failure to tag fixed assets with a unique identification number that allows them to be tracked by auditors. Issues that generated a corrective action plan included reallocation of funds following client complaints, missing signatures, and triple-billing for services.

Despite identifying subgrantee issues, grantees emphasize that they do not have serious concerns with any of their current subgrantees. When asked about whether they have had any serious issues with any of their subgrantees, grantees note that only eight of *all* their current subgrantees have ever had a serious issue. Additionally, four grantees report *ever* having suspected *any* of their subgrantees of misuse. This misuse includes insufficient documentation, payment for inappropriate services, poorly tracking personnel time, and a double set of books. All four took action in response, and two resulted in funds being reimbursed.

Grantees also appear to rarely have taken action against subgrantees that are not meeting program requirements. Our document review shows that 1 grantee terminated a subcontract with only 1 of the 100 selected subgrantees in FY 2000 for failing to submit required documentation. When asked if they had *ever* taken any enforcement actions

against a grantee, five grantees report terminating subgrantee contracts for failing to meet contract goals. Three grantees report having drawn down the amount a subgrantee can expend each month as a means of corrective action. Six have withheld payment or disallowed payment as a means of ensuring compliance. Other actions that have been taken include terminating the executive director, increasing the frequency of site visits, and moving a subgrantee from unit-cost payment to reimbursement.

HRSA does not always require grantees to report how they monitor subgrantees, and HRSA does not systematically monitor grantee oversight of subgrantees

HRSA allows Title I and Title II grantees to establish their own standards for how they monitor their subgrantees, provided they adhere to Federal requirements. Grantees are required to describe how they monitor their subgrantees in the Title-specific grant application. Grantees are also required to submit signed assurances as part of the application, and HRSA relies on these assurances to ensure grantees are adhering to application guidelines.

However, HRSA does not require grantees to provide monitoring information in all instances. In FY 2002 Title I guidance, HRSA required grantees to describe their monitoring of subgrantees in order to apply for the *supplemental portion* of the grant only. In FY 2002 Title II guidance, HRSA required grantees to describe their fiscal and program monitoring *only if the information has changed since their last submission*.

HRSA requires different information from Title I and Title II grantees on their monitoring of subgrantees. In the FY 2002 Title I application, HRSA asked grantees to describe the frequency of and protocols for site visits, reporting, and corrective actions for both the program and fiscal monitoring of their subgrantees. In the Title II application, HRSA asked grantees to describe the frequency of required fiscal reports and their contents, and the frequency of site visits. Grantees were also asked to provide information describing the process of initiating corrective actions and addressing audit findings. Regarding their program monitoring, the guidance asked grantees to “describe the State’s/territory’s requirements for reporting and monitoring rates of utilization of funds by contractor/subcontractors, including how the State/territory takes action if contractors or consortia are in noncompliance with programmatic and fiscal reporting.”

Further, HRSA does not appear to use the information that Title I or Title II grantees provide in order to monitor grantees’ oversight of subgrantees. As detailed in the companion report, *Monitoring of Ryan White CARE Act Title I and Title II Grantees, OEI-02-01-00640*, project officers report that they do not typically focus on grantees’ monitoring of subgrantees. This is also confirmed by the grantees that we interviewed. Further, one HRSA official notes that they do not see monitoring grantees’ oversight of their subgrantees as part of HRSA’s responsibility, and that relying on the signed assurances from grantees is adequate.

RECOMMENDATIONS

The findings are based on documents from 100 subgrantees from 20 grantees. These 20 grantees receive 38 percent of all Title I funds and 41 percent of all Title II funds. The inconsistencies in monitoring that we found with the grantees reviewed suggest that Title I and Title II grantees' monitoring of subgrantees needs to be strengthened. We are aware that since this inspection was conducted, HRSA has consolidated its grants management offices, relocated most Title II monitoring responsibilities from regional offices to headquarters, and redefined the Office of Field Operations as the Office of Performance Review. These changes may better position the agency to address the following recommendations. Specifically, we recommend that HRSA:

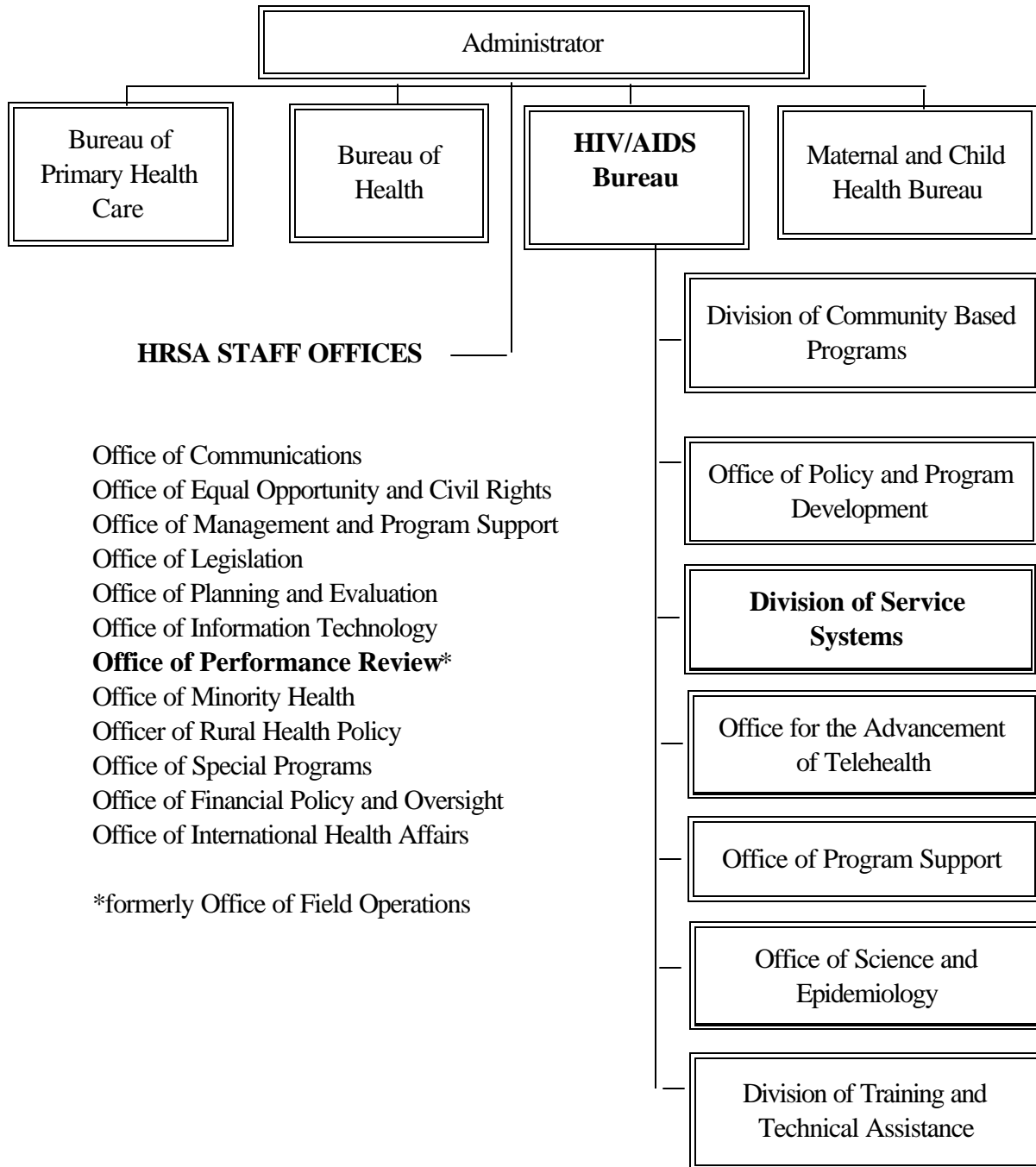
- Set standards for grantees' monitoring of subgrantees that, at a minimum, require a contract or formal agreement, a program report, and a fiscal report, and some consideration of regular site visits
- Require grantees to report how they monitor their subgrantees in accordance with these standards as part of every application
- Increase efforts to monitor grantees' oversight of subgrantees, including using information grantees report to HRSA regarding subgrantee activities

Agency Comments

We received comments on our draft report from HRSA. The full text of these comments can be found in Attachment D. HRSA concurs with all but one of our recommendations, and adds that significant administrative changes have occurred since this inspection was conducted. These changes may better position the agency to address the grantee monitoring activities discussed in this report.

HRSA did not fully concur with the original OIG recommendation as it appeared in our draft report and required grantees to report how they monitor their subgrantees as a part of every annual application. In its comments to the Inspector General, HRSA reports that starting with the fiscal year 2004 grant guidance, they will require Title II grantees to submit a comprehensive application every other year instead of annually. As such, we have reworded this recommendation to reflect this new policy, and now OIG recommends that HRSA require grantees to report subgrantee monitoring information in every application.

HRSA/HAB ORGANIZATIONAL STRUCTURE



OIG Grants Oversight Framework

Requirements

- What performance and financial requirements have the Operating Division developed for the grantee?
- Do grantees receive the performance and financial requirements?
- Do grantees fully understand the performance and financial requirements?

Reports

- Are performance and financial reports received in a timely manner?
- Are performance and financial reports clearly presented and complete?
- Are audits completed in a timely fashion?
- Is the Operating Division sharing reports, as appropriate, with the Department and Office of Audit Services?

Reviews

- Has the Operating Division designated responsibilities for the grants management and program officers?
- Are performance and financial reports reviewed in a timely fashion?
- Are there criteria for evaluating performance and financial reports?
- How is information in performance and financial reports verified?
- Are site visits conducted on schedule, with standard guidelines?
- What other contact/ communication is there between grantee and Operating Division?

Enforcement

- What enforcement authority does the Operating Division have?
- Are there standards for addressing identified problems?
- What actions has the Operating Division taken to address problems with grantees?

Appendix C

Grantee Monitoring Documents Provided for Sampled Subgrantees

X= Documents contained in the subgrantee file maintained by the grantee.

ID	Subgrantee Number	Program Report	Fiscal Report	Contract/ Agreement	
Grantee 1	1	X	X		X
	2	X	X	X	
	3	X	X	X	
	4	X	X	X	X
	5	X	X	X	X
Grantee 2	1		X		
	2		X		
	3		X		
	4		X		
	5	X	X	X	
Grantee 3	1	X		X	X
	2	X		X	X
	3	X	X	X	X
	4	X	X	X	X
	5	X	X	X	
Grantee 4	1	X	X	X	
	2	X	X	X	
	3	X	X	X	
	4	X	X	X	
	5	X	X	X	
Grantee 5	1	X	X	X	X
	2	X	X	X	X
	3	X	X	X	X
	4		X	X	X
	5	X	X	X	X
Grantee 6	1	X	X	X	
	2	X	X	X	
	3	X	X	X	
	4	X	X	X	

ID	Subgrantee Number	Program Report	Fiscal Report	Contract/ Agreement	
Grantee 7	1	X	X	X	
	2	X	X	X	
	3	X	X	X	
	4	X	X	X	
	5	X	X	X	
Grantee 8	1	X	X	X	
	2	X		X	
	3	X	X	X	
	4	X	X	X	
	5	X	X	X	
Grantee 9	1	X		X	
	2	X	X	X	
	3	X		X	
	4	X		X	
	5	X		X	
Grantee 10	1	X	X	X	
	2	X	X	X	
	3	X	X	X	
	4		X	X	
	5	X	X	X	
Grantee 11	1		X	X	
	2		X	X	X
	3		X	X	X
	4				
	5				
Grantee 12	1	X	X	X	
	2	X	X	X	
	3	X	X	X	
	4	X	X	X	
	5	X	X	X	
Grantee 13	1			X	
	2		X	X	
	3		X	X	
	4	X	X	X	
	5	X	X		
Grantee 14	1	X		X	
	2	X	X	X	
	3	X	X	X	
	4	X		X	

ID	Subgrantee Number	Program Report	Fiscal Report	Contract/ Agreement	Site Visit Report
Grantee 15	1	X	X	X	X
	2	X	X	X	X
	3		X	X	X
	4	X	X	X	X
	5			X	
Grantee 16	1	X	X	X	X
	2	X		X	X
	3	X	X	X	X
	4	X	X	X	X
	5	X	X	X	X
Grantee 17	1	X	X	X	X
	2	X	X	X	X
	3	X	X	X	X
	4	X	X	X	
	5	X	X	X	
Grantee 18	1			X	X
	2				X
	3	X	X	X	X
	4	X	X	X	X
	5	X	X		X
Grantee 19	1	X	X	X	X
	2	X	X		X
	3	X		X	
	4	X	X		X
	5	X			X
Grantee 20	1			X	X
	2		X	X	
	3		X		X
	4		X	X	X
	5		X	X	
Subgrantees that had these documents		77	80	86	58

Agency Comment

In this appendix, we present the full text of comments from the Health Resources and Services Administration (HRSA).



FEB 27 2004

TO: Dara A. Corrigan
Acting Principal Deputy Inspector General
Office of Inspector General

FROM: Administrator

SUBJECT: Office of Inspector General's Draft Report: "The Ryan White Comprehensive AIDS Resources Emergency (CARE) Act Title I and Title II Grantees Monitoring of Subgrantees" (OEI-02-01-00641)

Thank you for the opportunity to provide comments on the above subject draft report. Attached please find our response.

Questions may be referred to Gail Lipton in HRSA's Office of Financial Policy and Oversight at (301) 443-6509.

IG _____
EAG _____
PDIG _____
DIG-AS _____
DIG-ES _____
DIG-CA _____
DIG-MP _____
OIGIS _____
HHS/Sec _____
Dara Stern 3-19

Betty James Duke
Betty James Duke

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Attachment

**Health Resources and Services Administration's Comments on the Office of Inspector
General's Working Draft Report: "The Ryan White Comprehensive
AIDS Resources Emergency (CARE) Act Title I and Title II Grantees
Monitoring of Subgrantees" (OEI-02-01-00641)**

Health Resources and Services Administration appreciates the opportunity to respond to the above subject draft report. The HIV/AIDS Bureau's comments regarding the Office of Inspector General findings and recommendations are as follows:

OIG Finding:

- **Grantees' Monitoring of Subgrantee is limited.**

HRSA Response:

Grants awarded under Part A (Title I) and Part B (Title II) of the Ryan White CARE Act are awarded to the Chief Elected Official (CEO) of the jurisdiction.

For Title I the CEO is usually the Mayor of the jurisdiction with the greatest number of AIDS cases within the eligible metropolitan areas (EMA). In some cases the CEO can also be the County Executive, a Judge or a County Commissioner. In the case of Title II, the CEO is usually a Governor.

In both cases the CEO signs an assurance with the application indicating that they will follow Public Health Service (PHS) grant policies with regard to monitoring all subgrantees awarded funds under the CARE Act. Moreover, we have asked grantees to pay special attention to subgrantee monitoring. Application guidances for FY 2001, 2002, and 2003 for both Title I and Title II requested information regarding grantee monitoring processes. The information is used by Project Officers for their monitoring activities. Actions to rectify failure on the part of the grantee are restricted to those in the PHS grant policies.

In a review of the Title I programs for the 2002 A-133 audit, of the cities assessed, this program was a major one in 5 of the 10 cities. Sub-recipient monitoring was an issue in only 2 (MN & CA) of those audits. Regarding Title II programs, in a review of the 2002 A-133 audits for the studied States, the programs were a major program in 5 of the 10 States. Sub-recipient monitoring was an issue in only 3 (GA, NM, CA) of those audits. In one other instance where this was not a major program, sub-recipient monitoring was an issue.

OIG Finding:

- **Nevertheless, grantees are aware of some subgrantee problems.**

HRSA Response:

As indicated in the Office of Inspector General (OIG) Report, several of the sampled grantees “have identified some problems that their subgrantees are facing.” As indicated by the OIG report, grantees had corrective action plans that addressed specific issues for 19 of 100 selected subgrantees. This statement could be interpreted to reflect grantees’ opinions that the majority of subgrantees are indeed performing up to standard. The OIG report also stated “despite identifying subgrantee issues, grantees emphasized that they do not have serious concerns with their current subgrantees.” Unless we are able to identify the specific grantee or grantees that made this statement, it is difficult for the Health Resources and Services Administration, HIV/AIDS Bureau, (HRSA/HAB) to take direct action with any specific grantee. Nevertheless, during fiscal year 2003, HRSA contracted with an organization to provide consultation to identify technical assistance needs for Title I and Title II grantees under the Ryan White CARE Act so that they may better monitor their subgrantees’ performance. The first phase of this effort has been completed by the contractor, and HRSA is currently reviewing the contractor’s recommendations.

OIG Finding:

- **HRSA does not always require grantees to report how they monitor subgrantees, and HRSA does systematically monitor grantee oversight of subgrantees**

HRSA Response:

Within the application guidance for both Title I and Title II grantees, fiscal and program monitoring requirements for subgrantees is fully described. Information on allowable administrative and program costs, definitions of fundable services, and PHS budgetary guidelines are also included. Additionally, the guidance requires grantees to fully describe processes for fiscal and programmatic monitoring of subgrantees. This includes procedures for identifying subgrantee fiscal problems, (such as improper use of funds and billing procedures) and corrective actions when required. To ensure that subgrantees are not receiving payment for Medicaid reimbursable services, grantees must fully describe procedures for Medicaid certification of subgrantees.

Grantees are monitored through phone calls on a monthly basis. During these calls grantees are asked about program progress and administrative issues. Also included are discussions about any administrative or fiscal problems that grantees may be experiencing with subgrantees. Fiscal and monitoring procedures and controls are also reviewed on a periodic basis.

During site visits, program staff meet with the grantee to discuss administration and oversight of the grant. Assessments are performed on grantee administrative structures and procedures, procurement processes, grantee fiscal and program monitoring procedures, fiscal and budgetary controls, contractor reporting requirements, and enforcement of legislative requirements. Grantees are questioned about procedures for contractor reimbursement and payments. Samples of subgrantee contractors are also reviewed.

In fiscal year 2004, for Title I Eligible Metropolitan Areas (EMA), HRSA/HAB revised its supplemental application process by adding a section to the narrative application on Grantee Administration and Accountability. Ten points out of a maximum of seventy four points were assigned to this narrative response in the application review. In both the Title I and Title II fiscal year 2004 guidance applications, grantees were also required to provide additional information regarding the number of sites visits to subgrantees for both programmatic and fiscal monitoring, and other related activities. The Division of Service Systems, HIV/AIDS Bureau (DSS/HAB) will use this information to enhance its monitoring of grantees in during fiscal year 2004.

OIG Recommendation:

- **Set standards for grantees' monitoring of subgrantees that, at a minimum, require a contract or formal agreement, a program report, and a fiscal report, and some consideration of regular site visits.**

HRSA Response:

HRSA concurs with this recommendation and plans to incorporate this requirement in its Grantee Performance Review Protocol and Guidance to Grantees. HRSA will require that all grantees have a file for inspection and a copy of the procurement document for review by HRSA staff or other Federal oversight authorities. HRSA has taken additional appropriate steps to communicate to Title I and Title II grantees the necessity of having, in addition to contracts with its subgrantees, the most recent fiscal report, program report, and site visit report for review during site visits.

In addition, in 2003, HRSA restructured its program and grants management functions to make more efficient use of its organizational resources while improving the overall quality of the services provided by its grantees. Under the new structure, the Office of Performance Review (OPR) will serve as the agency's focal point for reviewing and enhancing the performance of HRSA-supported programs within communities and States.

It is expected that every HRSA grantee will be comprehensively reviewed by a team of experts from one of OPR's ten regional divisions. When an organization is funded by more than one HRSA grant, all of the HRSA funded programs within that organization will be reviewed during the same review cycle. As currently projected, OPR will be conducting approximately 500 grantee performance reviews annually. The primary purpose of OPR performance reviews is to analyze the key factors associated with the successful performance

of HRSA programs and assist grantees in their efforts to perform successfully and achieve the best possible results.

At the completion of the performance review, grantees can expect to receive a thorough, comprehensive analysis in six essential performance areas (results and outcomes; organizational structure and capacity; outreach and consumer satisfaction; business and financial management; leadership and strategic planning; and partnerships). Grantees will also be provided with a report of key findings, including strengths and areas for improvement, and a set of recommendations for performance enhancement; and receive HRSA supported technical assistance, when necessary, to improve performance.

OIG Recommendation:

- **Require grantees to report how they monitor their subgrantees in accordance with these standards as a part of every annual application.**

HRSA Response:

With regard to the Title I program HRSA concurs with this recommendation.

With regard to Title II program, HRSA cannot fully concur with the OIG recommendation for the following reason. As a result of other administrative actions stemming from a study mandated by Congress in the reauthorized CARE Act of 2000 (PL 1-6-345), the program will be moving to require a comprehensive application from Title II applicants every other year, commencing with the fiscal year 2004 guidance. During the off year, HAB/DSS will seek information from its grantees through the semi-annual progress report format.

HAB/DSS Project Officers will stress the importance of subgrantees accountability through ongoing monitoring calls and site visits.

OIG Recommendation:

- **Increase efforts to monitor grantees' oversight of subgrantees, including using information grantees report to HRSA regarding subgrantees activities.**

HRSA Response:

As a result of a number of activities which have been described in this response to the OIG report, "The Ryan White CARE Act, Title I and Title II, Grantees Monitoring of Subgrantees" Code # OEI 00-01-00641, HRSA believes that it is taking appropriate actions to increase its efforts to monitor grantees oversight of subgrantees."

ACKNOWLEDGMENTS

This report was prepared under the direction of John I. Molnar, Regional Inspector General for Evaluation and Inspections in New York, and Jodi D. Nudelman, Assistant Regional Inspector General. Other principal Office of Evaluation and Inspections staff who contributed include:

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