



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Region IX
Office of Audit Services
50 United Nations Plaza, Rm. 171
San Francisco, CA 94102-4912

MAR 16 2005

Report Number: A-09-03-01019

Dr. Donald Kwalick
Chief Health Officer
Clark County Health District
P.O. Box 3902
Las Vegas, Nevada 89127-3902

Dear Dr. Kwalick:

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 a Contractor of the Las Vegas 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-09-03-01019 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 A CONTRACTOR OF
THE LAS VEGAS ELIGIBLE
METROPOLITAN AREA
FOR THE FISCAL YEAR
ENDED FEBRUARY 28, 2002**



**MARCH 2005
A-09-03-01019**

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 local eligible metropolitan areas (EMA) that have been hit hardest by the HIV/AIDS epidemic. 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 Las Vegas EMA received about \$4.7 million during fiscal year (FY) 2001, the period of our review, to provide CARE Act Title I services.¹ On behalf of the chairman of the Clark County Commission, the Clark County Health District (Health District) acts as the CARE Act Title I grantee. In this role, the Health District issued a contract totaling \$756,989 to Aid for AIDS of Nevada, Inc. (AFAN) to provide case management services, transportation, food, direct emergency financial assistance, and alternative therapy to low-income people with HIV/AIDS. AFAN spent \$725,146 of the \$756,989 it was awarded.

OBJECTIVES

In response to the U.S. Senate Finance Committee's request, we conducted audits nationwide, including an audit of the Health District to determine the following:

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

SUMMARY OF FINDINGS

The Health District did not specify and, therefore, could not ensure that AFAN provided an expected level of **program services** with the \$756,989 it was awarded. Further, the Health District did not ensure that AFAN followed Federal requirements for claiming **program costs** under CARE Act Title I.

Program Services. Contrary to CARE Act Title I requirements, the Health District did not establish an expected level of **program services** in its contract with AFAN to guide program performance. Without knowing the level of services that AFAN should have provided to eligible clients, the Health District could not ensure that AFAN met the service needs of people with HIV/AIDS in the Las Vegas EMA.

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

Program Costs. The Health District did not ensure that AFAN followed Federal requirements for claiming **program costs** under CARE Act Title I. Specifically, AFAN claimed \$24,355 of unallowable and unsupported costs:

- \$20,634 for unallowable costs and
- \$3,721 for unsupported costs.²

Both the Health District and AFAN contributed to these problems. At the grantee level, the Health District did not provide adequate fiscal and program monitoring to ensure that AFAN claimed only allowable and supported costs to provide services to eligible clients and complied with Federal requirements for CARE Act Title I. At the contractor level, AFAN did not have adequate controls to prevent or detect unallowable and unsupported costs, and did not always document the reason for providing emergency financial assistance. As a result, the Health District did not know the actual costs that AFAN incurred to provide services and, thus, could not measure program efficiency. For the unallowable and unsupported costs, the Health District reimbursed AFAN at least \$24,355, which could have been used to provide additional program services to eligible people in the Las Vegas EMA.

RECOMMENDATIONS

We recommend that the Health District:

1. refund \$20,634 to the Federal Government, the total amount overpaid to AFAN for unallowable costs;
2. work with AFAN and HRSA to determine what portion of the \$3,721 of unsupported costs is associated with allowable CARE Act Title I activities, and recover the portion that AFAN is unable to support;
3. include in its contract with AFAN a specified level of program services it expects AFAN to provide;
4. ensure that AFAN develops adequate controls to prevent and detect unallowable and unsupported costs; and
5. ensure that AFAN develops adequate controls to document the reason for providing emergency financial assistance.

² The draft report stated that AFAN improperly claimed \$31,802, consisting of \$26,314 of unallowable costs and \$5,488 of unsupported costs, including \$1,767 for program services provided to ineligible clients. Based on additional documents provided by the Health District, we reduced the amounts.

HEALTH DISTRICT COMMENTS

In its written comments on the draft report, the Health District agreed with all the recommendations except recommendation 1. The Health District disagreed with certain conclusions presented in the findings.

The Health District disagreed with recommendation 1 to refund \$20,634. The Health District believed that almost all of these costs were allowable; for the unallowable portion, the Health District stated that these costs could be offset by an underclaim for fringe benefits. Therefore, the Health District believed that no refund is due.

Where appropriate, we made changes in the report to reflect the Health District's written comments. We also included the full text of the Health District's written comments as an appendix to this report.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Health District should refund the \$20,634. We do not know if the Health District incurred allowable costs that it did not claim, because we limited our audit to the costs that AFAN claimed for reimbursement under CARE Act Title I and found that \$20,634 was unallowable for Federal reimbursement. AFAN did not provide documentation related to costs that may have been allowable but were not claimed; however, if such documentation is available, it should be provided to the HRSA action official for consideration.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Ryan White CARE Act Title I.....	1
Las Vegas EMA.....	1
Aid for AIDS of Nevada, Inc.....	2
OBJECTIVES, SCOPE, AND METHODOLOGY	2
Objectives	2
Scope.....	2
Methodology.....	2
FINDINGS AND RECOMMENDATIONS	3
EXPECTED LEVEL OF PROGRAM SERVICES	3
CARE Act Title I Manual Requirements.....	3
Expected Level of Program Services Not Established	4
UNALLOWABLE AND UNSUPPORTED PROGRAM COSTS	4
Unallowable Costs Claimed.....	4
Non-Emergency Costs	5
Terminated Employee’s Salary.....	5
Costs That Should Have Been Claimed Under Another Program.....	5
Unsupported Costs Claimed	5
Costs Incorrectly Allocated Solely to CARE Act Title I.....	6
Non-Emergency Costs	6
RECOMMENDATIONS	6
HEALTH DISTRICT COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	7
APPENDIX	
HEALTH DISTRICT’S WRITTEN COMMENTS ON THE DRAFT REPORT	

INTRODUCTION

BACKGROUND

Ryan White CARE Act Title I

The U.S. Senate Finance Committee requested that we examine the implementation of CARE Act Title I at the local level. 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 Title I 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 about \$604 million. From the enactment of CARE Act Title I through FY 2003, total Federal funding was about \$5 billion.

Las Vegas EMA

The Las Vegas EMA covers a 3-county area with close to 7,000 individuals living with HIV/AIDS. For FY 2001, HRSA awarded a CARE Act Title I grant totaling about \$4.7 million to the Health District, which serves as the CARE Act Title I grantee for the EMA. The Health District contracted with external agencies to provide services in the Las Vegas EMA. In FY 2001, the Health District worked with 24 agencies to provide program services.

Aid for AIDS of Nevada, Inc.

AFAN is a not-for-profit community-based organization in Las Vegas that provides social assistance to people with AIDS and risk reduction education to people at risk for HIV infection. AFAN entered into a contract with the Health District to provide case management, transportation, food, direct emergency financial assistance, and alternative therapy to low-income people with HIV/AIDS. AFAN continues to provide these services. During FY 2001, AFAN reported total CARE Act Title I expenditures of \$725,146, which was less than the \$756,989 awarded by the Health District. AFAN was reimbursed based on monthly invoices submitted to the Health District.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

In response to the U.S. Senate Finance Committee's request, we conducted audits nationwide, including an audit of the Health District to determine the following:

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

Scope

We audited the FY 2001 CARE Act Title I contract between AFAN and the Health District for \$756,989. We selected AFAN, the Health District's third largest contractor, for audit based on our evaluation of program files and the type of services provided to CARE Act Title I clients.

We limited our reviews of internal controls at the Health District and AFAN 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 Health District or AFAN. We performed our fieldwork at the Health District and AFAN in Las Vegas, NV.

Methodology

To accomplish our objectives, we performed audit procedures at the Health District and AFAN. At the Health District we:

- interviewed officials responsible for program and fiscal monitoring;
- obtained a list of all contractors and amounts of funding;
- reviewed independent auditor reports required by Office of Management and Budget (OMB) Circular A-133;

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

At AFAN, we:

- interviewed contractor officials;
- traced costs from the reimbursement voucher and Financial Status Reports to the check registers, reimbursement breakdown schedules, and purchase and check requests;
- reviewed the supporting documentation for costs claimed on the check registers, reimbursement breakdown schedules, and purchase and check requests; and
- reviewed AFAN's monthly program reports for services provided to CARE Act Title I clients.

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

FINDINGS AND RECOMMENDATIONS

The Health District did not specify and, therefore, could not ensure that AFAN provided an expected level of **program services** with the \$756,989 it was awarded. Further, the Health District did not ensure that AFAN followed Federal requirements for claiming **program costs** under CARE Act Title I.

EXPECTED LEVEL OF PROGRAM SERVICES

Contrary to CARE Act Title I requirements, the Health District did not establish an expected level of program services in its contract with AFAN to guide program performance. Without knowing the level of services that AFAN should have provided to eligible clients, the Health District could not ensure that AFAN met the service needs of people with HIV/AIDS in the Las Vegas EMA.

CARE Act Title I Manual Requirements

The 1996 CARE Act Title I Manual required grantees to document progress toward specific, measurable objectives or goals. Section III of the manual required all providers that received funds from CARE Act Title I grantees to submit a completed Annual Administrative Report. This report can be used to meet the requirements of the Government Performance and Results Act of 1993 to document progress toward specific, measurable objectives or goals by providing aggregate client and service counts.

Expected Level of Program Services Not Established

The Health District did not establish a specific level of program services that AFAN was expected to provide. Although the CARE Act Title I Manual required grantees to document progress toward specific, measurable program service objectives or goals that would guide program performance, the Health District did not include these requirements in the contract with AFAN. The contract limited AFAN's expenditures to a specific amount for each category of service. By specifying only the dollar amount of services to be provided, the Health District could not ensure that AFAN met the local service needs of people with HIV/AIDS.

UNALLOWABLE AND UNSUPPORTED PROGRAM COSTS

The Health District did not ensure that AFAN followed Federal requirements for claiming program costs under CARE Act Title I. Specifically, AFAN claimed \$24,355 of unallowable and unsupported costs:

- \$20,634 for unallowable costs and
- \$3,721 for unsupported costs.³

Both the Health District and AFAN contributed to these problems. At the grantee level, the Health District did not provide adequate fiscal and program monitoring to ensure that AFAN claimed only allowable and supported costs to provide services to eligible clients and complied with Federal requirements for CARE Act Title I. At the contractor level, AFAN did not have adequate controls to prevent or detect unallowable and unsupported costs, and did not always document the reason for providing emergency financial assistance. As a result, the Health District did not know the actual costs that AFAN incurred to provide services and, thus, could not measure program efficiency. For the unallowable and unsupported costs, the Health District reimbursed AFAN at least \$24,355, which could have been used to provide additional program services to eligible people in the Las Vegas EMA.

Unallowable Costs Claimed

AFAN claimed \$20,634 of costs that were not allowable based on the cost principles of the CARE Act Title I Manual and OMB Circular A-122. Specifically, AFAN claimed:

- \$18,225 for non-emergency costs,
- \$1,186⁴ for a terminated employee's salary, and
- \$1,223 for costs that should have been charged to another program.

³ The draft report stated that AFAN improperly claimed \$31,802, consisting of \$26,314 of unallowable costs and \$5,488 of unsupported costs, including \$1,767 for program services provided to ineligible clients. Based on additional documents provided by the Health District, we reduced the amounts.

⁴ The draft report stated that AFAN improperly claimed \$2,120 for salaries and fringe benefits of terminated employees. Based on the documentation provided by the Health District, we reduced this amount to \$1,186 to reflect the allowability of \$934 of fringe benefits for a terminated employee.

The unallowable costs were not detected because AFAN did not have adequate controls to prevent or detect unallowable claims. The Health District did not provide adequate monitoring to ensure that AFAN claimed only allowable costs. As a result, AFAN received \$20,634 that could have been used to provide additional program services to eligible people in the Las Vegas EMA.

Non-Emergency Costs

For one month, AFAN incorrectly claimed \$18,225 for long-term housing assistance under the CARE Act Title I program as direct emergency financial assistance. Pursuant to allocation rules in OMB Circular A-122, AFAN should have claimed these housing assistance payments under the program that benefited. Specifically, the U.S. Housing and Urban Development's Housing Opportunities for People With AIDS program offers long-term rental assistance to clients.

Terminated Employee's Salary

AFAN inadvertently claimed \$1,186 under the CARE Act Title I program for a terminated employee's salary. Federal cost requirements for nonprofit organizations listed in OMB Circular A-122 stated that claimed costs must be allowable, reasonable, and allocable.

Costs That Should Have Been Claimed Under Another Program

AFAN claimed \$1,223 for costs that should have been claimed under another program. Of this amount, AFAN claimed \$780 for cash registers that benefited a fund-raising activity and \$443 for advertising that benefited the Prevention and Education Services program, not the CARE Act Title I program. According to OMB Circular A-122, "...costs shall be treated as direct costs wherever identifiable to a particular program."

Unsupported Costs Claimed

AFAN claimed \$3,721 of costs that were not supported:

- \$2,131 for costs that should have been allocated to other programs and
- \$1,590 for non-emergency costs.⁵

Both the Health District and AFAN did not provide adequate fiscal monitoring to ensure that only fully supported costs were claimed. At the contractor level, AFAN did not have adequate controls to prevent or detect unsupported claims, and did not provide documentation supporting its claims. As a result, AFAN received \$3,721 that could have been used to provide additional program services to eligible people in the Las Vegas EMA. We recognize that some portion of the \$3,721 may have been related to CARE Act Title I and may have been allowable if properly supported.

⁵ The draft report stated that AFAN claimed \$1,767 for services to clients without providing documentation of their eligibility. However, in its comments on the draft report, the Health District provided support for those clients' eligibility. Therefore, we removed the client eligibility finding and related recommendation from the final report.

Costs Incorrectly Allocated Solely to CARE Act Title I

AFAN did not properly allocate \$2,131 of general office costs among the programs that benefited. Contrary to OMB Circular A-122, which required indirect costs to be allocated to programs based on benefits received, AFAN allocated this entire amount to the CARE Act Title I program. The \$2,131 claim included leased computers for \$1,427, a fax machine for \$319, and other office supplies for \$385. AFAN provided no supporting documentation to allow us to determine the equitable allocation of costs to the CARE Act Title I program.

Non-Emergency Costs

AFAN claimed \$1,590 for scheduled medical appointments as direct emergency financial assistance when there was no documented need for emergency transportation, as required by CARE Act Title I. For example, one individual received 30 rides to medical appointments in the same month. Supporting documentation did not include an explanation of why the trips were emergencies. AFAN claimed other emergency transportation that was properly documented and was allowable.

RECOMMENDATIONS

We recommend that the Health District:

1. refund \$20,634 to the Federal Government, the total amount overpaid to AFAN for unallowable costs;
2. work with AFAN and HRSA to determine what portion of the \$3,721 of unsupported costs is associated with allowable CARE Act Title I activities, and recover the portion that AFAN is unable to support;
3. include in its contract with AFAN a specified level of program services it expects AFAN to provide;
4. ensure that AFAN develops adequate controls to prevent and detect unallowable and unsupported costs; and
5. ensure that AFAN develops adequate controls to document the reason for providing emergency financial assistance.

HEALTH DISTRICT COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its written comments on the draft report, the Health District agreed with all the recommendations except recommendation 1. The Health District disagreed with certain conclusions presented in the findings.

In the following sections, we summarized the Health District's comments on each recommendation and the related finding, and responded to the Health District's comments. Where appropriate, we made changes in the report to reflect those comments. We also included the Health District's written response to our draft report in its entirety as an appendix to this report.

Recommendation 1 – Refund \$20,634 to the Federal Government

Health District Comments

The Health District disagreed with the recommendation to refund the \$20,634 of unallowable costs. It believed that \$18,225 was allowable because this amount was associated with another federally funded program and was appropriately claimed as emergency financial assistance under CARE Act Title I. The Health District stated that it periodically evaluates all funding sources to ensure a continuum of care. The Health District also stated that supplementing the expected funding shortfall in the housing program with surplus CARE Act Title I funds was appropriate to ensure that clients were not evicted.

The Health District agreed that it incorrectly claimed \$2,409, consisting of \$1,223 for costs that should have been claimed under another program and \$1,186 for unallowable salary costs. However, the Health District did not agree to make a refund. It stated that the unallowable costs were less than \$3,679 AFAN underclaimed for fringe benefits.

Office of Inspector General Response

The Health District should refund the \$20,634. We do not know if the Health District incurred allowable costs that it did not claim, because we limited our audit to the costs that AFAN claimed for reimbursement under CARE Act Title I and found that \$20,634 was unallowable for Federal reimbursement. AFAN did not provide documentation related to costs that may have been allowable but were not claimed; however, if such documentation is available, it should be provided to the HRSA action official for consideration.

Regarding the \$18,225 of unallowable costs, CARE Act Title I required that direct emergency financial assistance be used only for emergencies. Although the Health District believed there was a potential funding shortfall in a housing program, the shortfall did not occur. In addition, because CARE Act Title I was required to be the payer of last resort, CARE Act Title I funds should not have been used when AFAN had funds available for the housing program.

Regarding the \$2,409 of unallowable costs, OMB Circular A-122 stated that “costs shall be treated as direct costs wherever identifiable to a particular program.” Although AFAN's records

showed these costs were incurred for other programs, the costs were claimed under the CARE Act Title I program.

Recommendation 2 - Determine What Portion of the \$3,721 of Unsupported Costs Is Allowable

Health District Comments

Although the Health District agreed with the recommendation to work with AFAN and HRSA to determine what portion of the \$3,721 of unsupported costs is allowable, the Health District believed that this amount was fully supported and allowable:

- The Health District stated that \$2,131 of general office costs were claimed appropriately under CARE Act Title I. Of the \$2,131, \$1,427 was the appropriate cost allocation for a computer lease, \$385 for office supplies was less than the appropriate cost allocation, and \$319 was the appropriate cost allocation for a fax machine that was purchased to provide confidentiality to CARE Act Title I clients.
- The Health District stated that \$1,590 of emergency transportation costs for scheduled medical appointments were adequately documented as emergency needs. It asserted that these services were identified as “other critical needs” pursuant to the definition of direct emergency financial assistance in the 1996 CARE Act Title I Manual. The Health District stated that there were no guidelines that specified what constituted an emergency for the use of direct emergency financial assistance.

Office of Inspector General Response

The \$3,721 was not fully supported:

- For the \$2,131 of general office costs and office supplies, the Health District provided no additional documentation to support its assertion that these costs were allocable to CARE Act Title I.
- The \$1,590 of emergency transportation costs were unsupported as emergencies. AFAN could have claimed emergency transportation services as “other critical needs”; however, AFAN is required to document the emergency need. The Health District is incorrect that no guidelines specified what constitutes an emergency for the use of direct emergency financial assistance. According to the 1996 CARE Act Title I Manual, “Direct Emergency Financial Assistance is the provision of short-term payments to agencies, or establishment of voucher programs, to assist with *emergency* [emphasis added] expenses....” Scheduled medical appointments were not emergencies.

The Health District did not provide documentation to support these costs; however, if such documentation is available, it should be provided to the HRSA action official for consideration.

Recommendation 3 – Include in the Contract With AFAN a Specified Level of Program Services

Health District Comments

The Health District agreed with the recommendation to specify a level of program services in its contract with AFAN and stated that it already implemented a new contract template. However, the Health District disagreed with the finding that led to the recommendation. Specifically, the Health District disagreed that the CARE Act Title I Manual in effect when the contract was negotiated required grantees to specify measurable goals or objectives. The Health District also stated that the contract with AFAN included the “Nevada Standards of Practice and Administrative Guideline for HIV-Related Case Management,” which thoroughly outlined the level of services that AFAN was expected to provide to clients.

Office of Inspector General Response

The Health District’s new contract template should enable better measurement of contractor performance. However, we disagree that there was no requirement when the contract was negotiated to specify measurable goals or objectives. Additionally, although the contract with AFAN included the “Nevada Standards of Practice and Administrative Guideline for HIV-Related Case Management,” these standards do not replace the Federal requirements of CARE Act Title I to specify measurable goals or objectives.

The Health District is incorrect that there was no requirement in the 1996 CARE Act Title I Manual to document progress toward measurable goals or objectives. In the draft report, we inadvertently referred to section III, chapter 3 of the 2002 CARE Act Title I Manual; however, section III of the 1996 Manual in effect when the contract was negotiated also included the requirement to document progress towards measurable goals. We corrected the reference to the manual in this report to reflect the reporting requirement in effect during the period of the contract.

Section III of the 1996 Manual stated that all CARE Act Title I providers were required to complete an Annual Administrative Report. This report collects aggregate client and service counts and can be used to meet the requirements of the Government Performance and Results Act of 1993 to document progress toward measurable goals or objectives. Although the Health District completed the Annual Administrative Report for the audit period, it could not evaluate performance against a standard because there were no specified goals in the contract with AFAN.

We agree that the document “Nevada Standards of Practice and Administrative Guideline for HIV-Related Case Management” has State guidelines for gathering and reporting data. However, these guidelines do not specify a level of program services that HIV/AIDS providers were expected to deliver, which is the requirement we recommend that the Health District follow. As such, the guidelines do not replace CARE Act Title I requirements to specify measurable goals or objectives.

Recommendation 4 – Ensure That AFAN Develops Adequate Controls To Prevent and Detect Unallowable and Unsupported Costs

Health District Comments

The Health District agreed with the recommendation to ensure that AFAN develops adequate controls to prevent and detect unallowable and unsupported costs. The Health District also stated that it had implemented a web-based fiscal monitoring program that will help identify and prevent inappropriate costs.

Office of Inspector General Response

The Health District’s action should help it identify duplication of services and improve oversight of its CARE Act Title I contractors.

Recommendation 5 – Ensure That AFAN Develops Adequate Controls To Document the Reason for Providing Emergency Financial Assistance

Health District Comments

The Health District agreed with the recommendation to ensure that AFAN develops adequate controls to document the reasons for providing emergency financial services. The Health District stated that it implemented a new contract template, which requires documentation to justify direct emergency financial assistance, and that its claim for \$18,225 of rent was an allowable use of direct emergency financial assistance. In addition, the Health District stated that its quarterly site and chart reviews include random verification of documentation for direct emergency financial assistance.

Office of Inspector General Response

The Health District’s new contract template should enable AFAN to document the appropriate use of direct emergency financial assistance. However, we disagree that the \$18,225 of rent was an allowable use of direct emergency financial assistance because AFAN’s Housing Opportunities for People With AIDS program had funds available and CARE Act Title I was required to be the payer of last resort.

APPENDIX



CLARK COUNTY
HEALTH DISTRICT

Mission: To protect and promote the health, the environment and the well-being of Clark County residents and visitors.

December 16, 2004

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

Re: Report A-09-03-01019

Dear Ms. Ahlstrand:

In response to the OIG November 2004 Draft Report on the Las Vegas EMA Contractor for the period March 2001 to February 2002 we are furnishing the following information for each of the OIG findings and recommendations.

None of the current AFAN management and administrative employees were employed during the audit period or during the conduct of the audit. In addition, the Draft Report was furnished without an exit conference and even though the audit was concluded in August 2003, the Draft Report was not received until fifteen months later. This lengthy delay and complete staff turnover that occurred between the audit and the release of the report has made it difficult to research and retrieve pertinent information to thoroughly respond to the findings.

Finding: The Clark County Health District (District) did not establish a specific level of service required by the CARE Act Manual.

We do not concur with this finding. On page 4 of the report, reference is made to Section III, Chapter 3 of the CARE Act Title I Manual requiring specific measurable objectives or goals. The CARE Act Manual in effect in early 2001 when the contract between AFAN and the District was negotiated and signed had no such chapter or requirement (See Table of Contents of the manual in effect at that time – Attachment A). Current manual requirements were not in effect at the time contracts were entered into over three years ago.

Included in the AFAN contract for fiscal year 2001 was the Nevada Standards of Practice and Administrative Guideline for HIV-Related Case Management which thoroughly outlined the level of services that were expected to be provided to clients (See Attachment B).

Finding: The District did not ensure that AFAN followed requirements for claiming costs under the CARE Act. Specifically, \$18,225 was charged for non-emergency costs.

We do not concur with this finding. According to the glossary of HIV-Related Service Categories on page I-27 of the CARE Act Manual in effect at the time the contract between AFAN and the District was negotiated and signed, Direct Emergency Financial Assistance included and allowed costs associated with housing, rent, and utilities (See Attachment C). The \$18,225, indicated in the findings, was inclusive of housing costs for eligible clients in December 2001. During December a review of current funds was conducted for HOPWA and Title I. Funds were available in the Direct Emergency Financial Assistance line item for Title I while a potential shortfall was expected for HOWPA. In order to efficiently spend funds and ensure continued housing for these clients, Title I was charged for short term housing costs as allowable under Direct Emergency Financial Assistance. Check registers from months prior to and following December were reviewed and do not have multiple housing charges for the clients, indicating that these costs were only charged to Title I for the month in question when insufficient HOPWA funds were anticipated (See Attachment D). These charges were thus valid and appropriately charged to the Title I program.

Finding: The District did not ensure that AFAN followed requirements for claiming costs under the CARE Act. Specifically, \$2,543 was charged for excess indirect costs.

We concur with this finding. The excess indirect costs charged were inadvertent. However, the total aggregate amount expended for indirect costs for all subrecipients in fiscal year 2001 did not exceed 10% and therefore conforms to CARE Act requirements (See Attachment E).

Finding: The District did not ensure that AFAN followed requirements for claiming costs under the CARE Act. Specifically, \$2,203 was charged for excess fringe benefits.

We do not concur with this finding. Fringe benefits were unintentionally miscalculated on an individual employee basis. However, the aggregate total amount charged to Title I, based on the Health Plan of Nevada Insurance Premium calculation and the Berkeley Risk Administrator Employee Determination Schedule, was \$891 and \$2,788 less than the total amount for each plan, respectively. Title I was actually undercharged by \$891 and \$2,788 respectively or a total of \$3,679 (See Attachment F).

Finding: The District did not ensure that AFAN followed requirements for claiming costs under the CARE Act. Specifically, \$2,120 was charged for a terminated employee's salary and fringe benefits.

We concur with this finding. The employee took advanced sick and vacation time during her tenure at AFAN. This was considered in the calculation of her final pay. It was determined that the vacation and sick leave totaled the amount she would have received in her final pay check. As a result she was not issued a final check. AFAN should have deducted this amount from its reimbursement request.

Finding: The District did not ensure that AFAN followed requirements for claiming costs under the CARE Act. Specifically, \$1,223 should have been charged to another program.

We concur with this finding. Sufficient documentation to address this claim could not be retrieved. However, given the fact that none of the current management or administrative staff were employed in 2001 or during the audit period, additional time to research these claims may yield the necessary documentation. The District's new client and fiscal tracking system, WebCIM, has been established to identify incorrect charges. The system will help ensure that program costs are claimed accurately.

Finding: The District did not ensure that AFAN followed requirements for claiming costs under the CARE Act. Specifically, \$5,488 in unsupported costs were claimed and paid.

We do not concur with this finding. The OIG report indicates the \$1,767 was charged for undocumented clients. HRSA's eligibility requirements at the time the contract between AFAN and the District was negotiated and signed only mandated that proof of diagnosis and low income status be verified for clients to receive services. An AFAN document for Emergency Assistance outlines five requirements for eligibility. Each client must be registered with AFAN and have the following: proof of diagnosis, proof of income status, residency verification, and local photo identification. Based on the eligibility requirements of both HRSA and AFAN, the eligibility of all clients in question has been documented. The \$1,767 was expended for services to eligible clients (See Attachment G).

The OIG report indicates that \$2,131 in general office costs was charged completely to Title I but should have been divided among all of AFAN's programs. The documentation provided shows that the total costs for office supplies were not charged solely to Title I. The total amount for leased computers during a portion of the grant cycle (July 2001-January 2002) was \$7,324. The cost for these computers was split among five programs. Therefore, the \$1,427 charged to Title I was appropriate as a prorata allocation to Title I (See Attachment H). The \$319 for a fax machine was also appropriately billed. The fax machine was used exclusively for faxing confidential client information for the case management program and is located in a locked room. A general office fax was used for all other program services. Costs associated with the general purpose fax were not charged to Title I. Finally, invoices from Office Depot indicate that total office supplies for July 2001-February 2002 totaled \$5,492 with only \$385 being charged to Title I (See Attachment I). Office supply costs were divided among the five programs. The \$385 in office supplies is less than the prorata cost allocation.

The OIG report indicates that \$1,590 was for undocumented emergency transportation. According to the CARE Act manual at the time the contract was negotiated and signed between AFAN and the District, there were no guidelines that specified what constitutes an emergency for the use of Direct Emergency Financial Assistance (See Attachment C). Transportation services were identified as "other critical needs" warranting use of Direct

* Office of Inspector General Note: As discussed in footnote 5, the client eligibility finding and related recommendation in the draft report were removed from the final report. We have shaded the Health District's comments to indicate that they are not relevant to the final report.

Emergency Financial Assistance. Requirements for documenting an explanation as to why transportation services were provided to clients using these funds was not included in the CARE Act manual. An AFAN document entitled "AFAN Emergency Assistance" was used as the basis for the claims made by the OIG that there was no documented need for emergency transportation. However, this document was not the basis for determining the need for transportation services by AFAN. This document outlined the need for services related to housing and utilities only. The service summary provided by AFAN does outline the requirements for receiving transportation services (See Attachment J). Medical necessity, disability, and assistance to ensure client's received medical and support services through Title I constituted the documented reasons for providing transportation to the clients in question. Documentation of clients' eligibility for transportation was included in client files. Therefore, we do not concur with the recommendation to refund \$1,590 for transportation services.

Finding: Both the District and AFAN did not provide adequate fiscal monitoring to ensure only fully supported costs were claimed.

We do not concur with this finding. Monitoring is conducted to the extent possible given the fact that the CARE Act only allows the District 5% to administer this highly complex program consisting of over 13 providers. The District is already spending more than double this amount to administer the program, relying on local subsidies. More comprehensive monitoring of the large number of disparate agencies with varying levels of internal controls will necessitate even greater subsidies from the District. It is unreasonable for the federal government to expect such intense monitoring and yet allow such little funding for that purpose. In addition, an independent audit was conducted by Sanford & Company for AFAN's fiscal year ending June 30, 2001. The auditor's report states the following, "...information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respect, in relation to the basic financial statements taken as a whole" (See Attachment K). The District does utilize audit reports as a component of its fiscal compliance monitoring. The auditor's findings suggest that AFAN was in compliance and prompted the District to assign a higher priority to the fiscal monitoring of other subrecipients. The same conclusion was reached by the independent audit for AFAN's Fiscal year ending June 30, 2002 (See Attachment K).

Recommendations

1. That the District refund \$26,314 to the federal government as the total amount overpaid to AFAN.

We do not concur with this recommendation. In order to ensure that clients receive a continuum of care all funding sources are evaluated periodically. If there is an expected shortfall in one funding source but an excess in another, specifically Title I the payer of last resort, it is appropriate to charge eligible costs to Title I. In this case, housing costs for one month were charged to Title I to ensure that clients were not evicted. Hence, we do not concur with the recommendation to refund \$18,225.

We also do not concur with the recommendation to refund the remaining \$8,089 referenced in this report. A total of \$2,543 was charged for indirect costs exceeded the 10% maximum. However, the aggregate amount of indirect cost charged was only 4.19% of the total grant award for fiscal year 2001. The District was in compliance with CARE Act requirements in regards to aggregate indirect costs.

A total of \$2,120 was improperly charged for a terminated employee in June 2001. An excess of \$2,203 in fringe benefits was erroneously charged to Title I for several employees; however, in aggregate less than the allowable amount was charged to Title I. In individual employee fringe benefits was identified. Additional charges, in the amount of \$1,223, did lack proper documentation. Yet, the improper and unsupported charges totaled \$3,343 which is less than the \$3,679 in undercharged fringe benefits. Therefore, no refund is due.

2. That the District work with AFAN and HRSA to determine what portion of the \$5,488 of unsupported costs is allowable.

We concur with this recommendation. The required documentation for \$5,488 in claimed costs was located and verified as described above.

3. That the District specifies a level of program services in the contract.

We concur with this recommendation. The District has implemented a new contract template to ensure all program services, including AFAN services, include the following:

- A description of the type and level of services to be provided
- The minimum number of clients to be served for each service category
- The minimum number of total clients to be served during the project period
- A client file must be maintained for each client
- Proper documentation of all services rendered must be maintained in each file
- Proper documentation of eligibility status for every client must be maintained in each client file
- Appropriate signed release of information must be maintained in each client file
- Documentation of services rendered and eligibility must be tracked in the Ryan White Title I web-based client tracking system (WebCIM)

4. That the District ensures that AFAN develops adequate controls to prevent and detect unallowable and unsupported costs.

We concur with this recommendation. The District conducts at least semiannual reviews of providers, which includes fiscal evaluation to detect unallowable costs. The District has also implemented the web-based client tracking system, WebCIM. WebCIM is also the fiscal monitoring program for Ryan White Title I. However, other grant programs including HOPWA and CDBG can also be tracked through WebCIM. WebCIM can also identify duplication of service among all Title I

providers. This system has been implemented as a control to prevent and/or identify inappropriate charges.

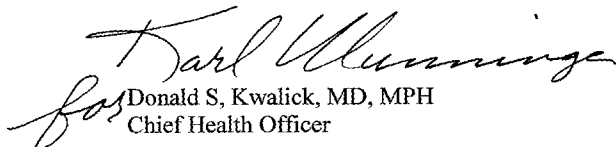
5. That the District require AFAN and its subcontractors to follow client eligibility policies to ensure that costs are claimed for eligible clients. *

We concur with this recommendation. The District has implemented a new contract template to ensure all service providers, including AFAN and subcontractors, have clearly defined eligibility requirements and policies. A full time District eligibility specialist also verifies client eligibility. In addition, eligibility is renewed annually for Title I clients to coincide with the grant funding cycle. Furthermore, quarterly site and chart reviews include random verification of eligibility documentation to ensure that service providers are maintaining verification of eligibility in client files.

6. That the District ensures that AFAN develops adequate controls to document the reasons for providing emergency financial assistance.

We concur with this recommendation. The District has implemented a new contract template which requires that documentation be included in client files and/or WebCIM files to appropriately justify provision of emergency financial services. In addition, quarterly site reviews include random verification of documentation to ensure that providers are appropriately justifying service provided in each client's file.

Sincerely,


Donald S. Kwalick, MD, MPH
Chief Health Officer

DSK/tcj

Attachments

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