

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RYAN WHITE TITLE I FUNDS CLAIMED
BY THE HEARTLAND AIDS RESOURCE
COUNCIL (HARC) DURING THE
THREE FISCAL YEARS ENDED
FEBRUARY 28, 2001**



**JANET REHNQUIST
INSPECTOR GENERAL**

**OCTOBER 2002
A-07-02-00147**

Office of Inspector General

<http://oig.hhs.gov/>

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Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

CIN: A-07-02-00147
October 11, 2002

Jana M. Stiles
Executive Director
Heartland AIDS Resource Council
2615 Holmes
Kansas City, MO 64108

Dear Ms. Stiles:

This final report presents the results of our review *Ryan White Title I funds claimed by the Heartland AIDS Resource Council (HARC.)* This review is a part of the HHS/OIG's comprehensive review of Federal HIV/AIDS funding, performed at the request of the Senate Finance Committee. The objective of our review was to determine whether HARC implemented its Ryan White program activities and claimed costs in accordance with Federal guidelines during the three fiscal years ended February 28, 2001. We found that HARC completed the Standard Annual Administrative Report (SAAR) by overstating the number of benefiting clients by up to 400 percent during the audit period. By over reporting the total clients benefiting from the program, the Health Resources and Services Administration (HRSA) and ultimately Congress based its funding decisions on inaccurate data. Overall, we found HARC's expenditures were appropriate, with the exception of \$15,000 of reimbursement that could not be justified by expenses recorded in the accounting records.

We are recommending that HARC (1) discontinue the practice of reporting eligible clients, and establish procedures to accurately account for and report on the SAAR the actual number of unduplicated clients served, (2) reimburse the Federal government \$15,000, and (3) strengthen controls to ensure expenditures submitted for reimbursement are supported in its accounting system. They concurred with all of our findings and recommendations. The HARC's response is included in its entirety as Appendix A.

BACKGROUND

The Ryan White Comprehensive AIDS Resources Emergency Act

In 1990, Congress enacted the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act "*...to help communities and States increase the availability of primary health care and support services, in order to reduce utilization of more costly inpatient care, increase access to care for underserved populations and improve the quality of life of those affected by the epidemic.*"

Under Title I of the CARE Act, HRSA provides emergency financial assistance to eligible metropolitan areas (EMA) to develop, organize, and operate health and support services for infected individuals and their caregivers.

Title I – Kansas City Health Department and HARC

The HRSA interacts with the Kansas City Health Department (KCHD), the grantee, to administer the Title I program. One of the grantee's responsibilities includes selecting contractors. During the audit period, the KCHD contracted with HARC to provide every eligible client with food, nutritional supplements, and personal care items.

As the provider, HARC is required to report services provided to eligible clients. The Ryan White CARE Act Title I Manual requires all Title I funded providers to submit an Annual Administrative Report (AAR). As cited in the manual, *"The purpose of the AAR is to collect data on all clients who receive at least one service during a calendar year..."*

Further, an April 1997 Fact Sheet developed by HRSA's Bureau of Health Resources Development and inserted in the Ryan White Manual, describes the necessity of the AAR, in that *"...the AAR generates information needed by planning bodies, State and local grantees, and the Federal government for program planning, administration, and review. The information generated by the AAR improves understanding of services, providers, and clients served, and enables HRSA to provide information needed by the Congress in legislative decisions about funding."* The type of AAR most providers complete is the SAAR.

During the three years ended February 28, 2001, HARC was initially awarded \$475,000¹ by the grantee and was the recipient of additional funding through reallocations totaling \$156,000. Thus, their overall award for this period was \$631,000. Of the amounts awarded, HARC claimed \$630,000 as Ryan White Title I expenditures.

Objective, Scope, and Methodology

The objective of our review was to determine whether HARC implemented its Ryan White program activities and claimed costs in accordance with Federal guidelines during the three fiscal years ended February 28, 2001. Our review was conducted in accordance with generally accepted government auditing standards.

The objective of this limited scope review did not require a complete understanding or assessment of the internal control structure. We obtained our understanding of the internal control structure during substantive testing of expenditures. We ascertained that HARC had policies and procedures to ensure that only Ryan White beneficiaries received the services; however, we did not conduct tests of these controls. Our audit was performed at HARC and at the OIG/OAS Regional Office in Kansas City, Missouri during March through May 2002.

We reconciled the revenues and expenses reported to KCHD to the audited financial statements. The reconciliation did not disclose any significant discrepancies except as noted

¹ Amounts rounded to nearest thousand

in the findings of this report. To obtain reimbursement, HARC generally submitted invoices in arrears on a monthly basis to KCHD. These invoices separated costs according to food, rent, payroll, and utilities. We judgmentally selected portions of the monthly expenditures based upon the type of expense. To accomplish our objective, we reviewed:

- ✓ all salaries charged to the contract
- ✓ all rent related expenses charged to the contract
- ✓ food expenditures that exceeded \$10,000 during any one month
- ✓ fringe benefit expenditures that exceeded \$1,000 during any one month
- ✓ utility expenditures that exceeded \$1,000 during any one month

Our review tested \$487,000 of the \$630,000 expenditures claimed for reimbursement by HARC during the audit period.

FINDINGS AND RECOMMENDATIONS

We found that HARC completed the SAARs by overstating the number of benefiting clients by up to 400 percent during the audit period. Therefore, HRSA and ultimately Congress based its funding decisions on inaccurate data. We also found that HARC's expenditures were appropriate, with the exception of \$15,000 of reimbursement that could not be justified by expenses recorded in the accounting records. Consequently, HARC received an additional \$15,000 in Federal funding.

Finding #1: Overstated Performance Reporting

The HARC significantly overstated the number of clients served by completing the required SAARs with the total number of eligible clients instead of the lesser number of clients who receive at least one service during a calendar year. Specifically, in calendar year 2000, HARC reported to the KCHD and ultimately HRSA that it served 1,500 unduplicated clients. We estimated that 300 unduplicated clients were served during March 2002. According to HARC officials, the number 300 is a representative count of clients served on an annual basis (during November and December, the number of clients served increases slightly). As a result, HARC over reported by up to 1,200, or by 400 percent, the number of clients it served during our audit period.

As shown in the Ryan White manual, the SAAR collects aggregate service count data on all CARE-funded providers. A HRSA Fact Sheet clarifies the importance of the information generated from the report in that the AAR "improves understanding of services, providers, and clients served, and enables HRSA to provide information needed by the Congress in legislative decisions about funding." By overstating the number of clients served, decisions may have been made on inaccurate information.

The HARC officials agreed that the SAAR reports were inaccurate and should have reflected the number of people actually receiving services rather than the number of people eligible.

***Finding #2: Majority of Claimed Costs Were Appropriate;
Identified one Incident of an Unsupported Cost***

While the majority of costs we reviewed appeared to be in accordance with Federal guidelines, we determined that HARC received \$15,000 of reimbursement (three percent of the \$487,000 reviewed) that was unsupported by expenses in the accounting records, and is therefore unallowable. This reimbursement was for food costs during February 1999. To justify the reimbursement of \$15,000, HARC only provided us an invoice for goods of the same amount from an insolvent contractor. However, the expenditure relating to this invoice was not recorded in HARC's accounting system nor in its audited financial statement. In addition, HARC did not provide records from its banking institution documenting that the invoice was actually paid. Because of the insolvency of the contractor, we could not validate that these items were actually shipped to HARC. An official of HARC indicated that the food had been received, but we could not verify this statement.

RECOMMENDATIONS

We recommend that HARC:

- Discontinue the practice of reporting eligible clients, and establish procedures to accurately account for and report on the SAAR the actual number of unduplicated clients served.
- Reimburse the Federal government \$15,000 for the unsupported food costs.
- Strengthen controls to ensure expenditures submitted for reimbursement are supported its accounting system.

HARC's RESPONSE

The HARC concurred with our findings. They stated that they followed instructions provided by the Kansas City Health Department to complete the SAAR reports, but will ensure that future reports address the number of unduplicated clients served. The HARC attributed the \$15,000 overpayment to an accounting oversight. They will reimburse the Federal government for the unsupported costs and continue the effective billing procedures implemented after February 1999. The HARC's response is included in its entirety as Appendix A.

OIG RESPONSE

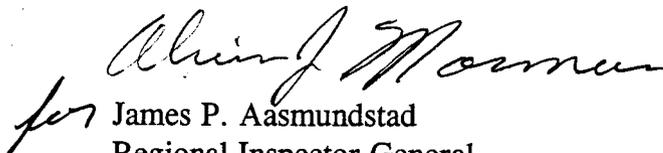
We commend HARC for agreeing to use an unduplicated count for SAAR reporting. In addition, we commend them for agreeing to reimburse \$15,000 of overpayments to the Federal government and to ensure that similar overpayments do not occur.

Final determinations as to actions to be taken on all matters reported will be made by the HHS action official identified below. We request that you respond to the recommendations in this report within 30 days from the date of this report to the HHS action official, presenting any comments or additional information that you believe may have a bearing on final determination.

In accordance with the principles of the Freedom on Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services reports are made available to the public to the extent information contained therein is not subject to exemptions in the Act (See 45 CFR Part 5). As such, within ten business days after the final report is issued, it will be posted on the world-wide-web at <http://oig.hhs.gov>.

To facilitate identification, please refer to Common Identification Number A-07-02-00147 in all correspondence relating to this report.

Sincerely,


for James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosures

HHS Action Official:

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

heartland AIDS resource council

August 23, 2002

2615 Holmes Kansas City, Missouri 64108

Mr, James Aasmundstad
Regional Inspector General For Audit Services
OIG - OAS
U.S. Dept. of Health & Human Services
601 E. 12th Street, Room 284A
Kansas City, Missouri 64106

Heartland AIDS

Resource Council

is a not-for-profit

corporation

formed in 1989

to provide direct

assistance to

persons who are

HIV-challenged or

have Acquired

Immune Deficiency

Syndrome (AIDS)

by meeting

nutritional needs

through its

food market,

HARCMart.

RE: Auditee response to CIN A-07-02-00147

Dear Mr. Aasmundstad:

Heartland AIDS Resource Council (HARC) is pleased to respond to your draft report entitled *Ryan White Title I Funds claimed by the Heartland AIDS Resource Council* dated June 17, 2002. The report details two findings and three recommendations, each of which is addressed below.

Summarized Finding

HARC significantly overstated the number of clients served by completing the required SAAR's with the total number of eligible clients instead of the lesser number of clients who receive at least one service during a calendar year.

Auditee Response:

As noted in the report, HARC concurs that the instructions governing SAAR preparation indicate that client counts should be number served rather than the number eligible. HARC used eligibility counts based on instructions received from program administrators at the Kansas City Health Department (KCHD). As prime recipient of Ryan White CARE Act Title I funds, the KCHD received SAAR reports from HARC and other service providers, then prepared a SAAR for HRSA covering the entire Kansas City EMA. Furthermore, the KCHD has performed annual program reviews of HARC to comply with federal subrecipient monitoring obligations. In none of these reviews has HARC's SAAR reporting method been questioned by the KCHD.

HARC will ensure that future SAAR reports the number of unduplicated clients served, as the draft report recommends.

Summarized Finding

HARC received \$15,000 of reimbursement that was unsupported by expenses in the accounting records.

Auditee Response:

The invoice from the food vendor (now insolvent, as noted in the draft report) states that HARC's former Administrative Assistant signed for receipt of the product. Certain items were unique in that they were not regularly part of HARC's inventory and were received in large quantities. As such, these products were on hand at HARC's warehouse for many months until fully distributed. HARC's Board of Directors' inquiry into this issue revealed that the agency's Executive Director, Administrative Assistant, volunteers and a Board member verified that at least certain items from the invoice in question were in fact present in HARC's warehouse at that time and were distributed to clients.

heartland AIDS resource council

Mr. James Aasmundstad
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2615 Holmes Kansas City, Missouri 64108

Normally, HARC pays for food invoices at the time of delivery. However, only the Executive Director is authorized to issue checks, thus payment would not have been rendered upon presentation of the invoice in her absence. The vendor ceased operations soon after this delivery and apparently never followed up to collect (HARC began using its current food vendor in October 1999). An oversight occurred among HARC staff in that the invoice was incorrectly assumed to have been paid when in fact it hadn't. It was erroneously included in billing to the KCHD for Title I reimbursement.

HARC has made the following changes to its billing process since February 1999:

- The fee accountant prepares a monthly report entitled "Ryan White Grant Expenses". This report documents all grant-eligible expenses recorded in the financial statements.
- Invoices to KCHD for grant reimbursements are prepared using this accounting report, with supporting documentation retained.

This reporting method has been in place since 2000, and thus was within the scope of the OIG audit. The audit team found no material discrepancies in periods where the current billing procedure was used, nor were any problems noted with HARC's current food supplier.

HARC will reimburse the government for \$15,000 in unsupported expenses upon further direction from HRSA. HARC will also work to strengthen internal controls in addition to the improvements described above.

We wish to express our appreciation to the OIG audit team for their consideration during the audit process. If you have any questions or concerns, please contact Jana Stiles, Executive Director, at (816) 474-4272 or Nick Nocita, Board Vice President & Treasurer at (816) 983-1844.

Sincerely,



- cc:
- Chris Bresette, HHS-OIG
 - Dan Bittner, HHS-OIG
 - Hollis Hanover, HARC
 - Nick Nocita, HARC
 - Sam Paul, HARC
 - Ross Haynes, HARC
 - Mark Seely, HARC
 - Jana Stiles, HARC

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