



NOV 19 2002

Peter Beilenson, M.D., M.P.H.
Commissioner of Health
Baltimore City Health Department
210 Guilford Avenue
Baltimore, Maryland 21202

Dear Dr. Beilenson:

The enclosed final report entitled, *Baltimore City Health Department's Administration of the Baltimore Eligible Metropolitan Area Ryan White Comprehensive AIDS Resources Act Grant Award for Fiscal Years 1998 through 2001*, provides the results of our audit.

The HHS action official named below will make final determination as to actions taken on all matters reported. We request that you respond to the HHS 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 United States Code Section 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 Code of Federal Regulations Part 5.) As such, within 10 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 report number A-15-02-20005 in all correspondence relating to this report.

Sincerely yours,

Donald L. Dille
Assistant Inspector General
for Grants and Internal Activities

Enclosure

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Direct Reply to HHS Action Official:

Mr. Albert Marra
Health Resources and Services Administration
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**BALTIMORE CITY HEALTH
DEPARTMENT'S ADMINISTRATION OF
THE BALTIMORE EMA RYAN WHITE
COMPREHENSIVE AIDS RESOURCES
ACT GRANT AWARD FOR FISCAL
YEARS 1998 THROUGH 2001**



**JANET REHNQUIST
Inspector General**

**November 2002
A-15-02-20005**



NOV 19 2002

Report Number: A-15-02-20005

Peter Beilenson, M.D., M.P.H.
Commissioner of Health
Baltimore City Health Department
210 Guilford Avenue
Baltimore, Maryland 21202

Dear Dr. Beilenson:

This final report presents the results of our review of the Baltimore City Health Department's (BCHD) administration of the Baltimore Eligible Metropolitan Area (EMA) Ryan White Comprehensive AIDS Resources (CARE) Act grant award for Fiscal Years (FY) 1998 through 2001. This review is a part of the Department of Health and Human Services, Office of Inspector General's (OIG) comprehensive review of federal HIV/AIDS funding, performed at the request of the U.S. Senate Committee on Finance. The objective of our review was to determine whether BCHD implemented Ryan White activities and spent its administrative funding in a manner consistent with the CARE Act and other federal guidelines. Overall, BCHD had implemented a comprehensive service delivery program for HIV/AIDS patients living in the Baltimore EMA; however, its administrative activities and processes have not been entirely effective to ensure that program results are achieved and federal funds awarded to contractors are used appropriately. We make recommendations for improvement in the areas of cash management, program monitoring, and fiscal monitoring. In written comments on a draft report, BCHD fully concurred with the recommendations and indicated that corrective actions were underway. The BCHD comments are summarized in the body of the report and included in their entirety in the appendix.

INTRODUCTION

BACKGROUND

The Health Resources and Services Administration's Ryan White CARE Act - Title I

Since 1990, the Health Resources and Services Administration (HRSA) has administered the Ryan White CARE Act¹ to provide services to people living with AIDS and HIV disease. The CARE Act developed a comprehensive framework for health care delivery, drug availability, and support and educational resources to address the needs of the AIDS community and its service providers. Through FY 2001, the federal government had dedicated almost \$9.8 billion specifically for the provision of health care and support services for the AIDS-affected

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

population. Title I, the subject of this report, provides emergency relief to metropolitan areas that are disproportionately affected by HIV/AIDS.

Baltimore EMA - Nation's 9th Largest

The Baltimore EMA has been awarded Ryan White Title I funding each year since 1992. The FY 2001 award was almost \$16.7 million. The Maryland AIDS Administration estimated that 12,098 adults and adolescents were living with HIV in Maryland on June 30, 2000.

The Baltimore EMA grant is awarded to the Mayor of the City of Baltimore and administered through the BCHD's Communicable Diseases and Epidemiology section. In compliance with the CARE Act, the Mayor appoints members to serve on *The Greater Baltimore HIV Health Services Planning Council (PC)*, ensuring that the AIDS community has an active and definitive role in the operation of Ryan White programs. The PC is responsible for establishing service priorities within the EMA, developing a plan for meeting those priorities, and performing or contracting for limited evaluation of these functions. The BCHD, as the grantee, has the overall responsibility for ensuring that the goals of the Ryan White program are met by monitoring service delivery and financial performance of the various vendors selected to be included in the program.

Baltimore City Health Department Served as Administrative Agent During the Period of our Audit; HRSA Concerns Prompt Switch to Contract these Functions to a Community-Based Organization

During the period of our review, BCHD served as the "administrative agent," which required that it solicit vendors, review applications, execute contract awards, and monitor vendor performance--utilizing up to 5 percent of the total funds awarded to EMA. However, during the course of our fieldwork, BCHD, in consultation with HRSA, awarded a contract to out-source most administrative agent functions to the community-based organization, Associated Black Charities (ABC) of Maryland. This change was the result of concerns shared by HRSA and the PC about BCHD's ability to correct problems it had experienced in past years with full and timely implementation of administrative agent duties. With the hiring of an experienced program manager and other staffing changes and additions during FY 2000, BCHD was addressing its staff turnover and contract execution delays; nevertheless, HRSA supported the use of an external administrative agent to ensure that future staff turnover would not again hamper the Baltimore EMA's program operations. Even with the change in administrative agent, BCHD, as the grantee, will continue to be responsible for the Ryan White program in the Baltimore EMA.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine whether BCHD implemented Ryan White activities and spent its administrative funding in a manner consistent with the CARE Act and other federal guidelines.

We separated our review into four cyclical areas of EMA functions including pre-award, award determination and funding distribution, post-award, and fiscal administration. Our review focused on BCHD activities as the grantee and administrative agent, as well as evaluating the operations and functions of the PC. Specifically, our review examined the PC's membership and representation; BCHD's award determination and funding distribution processes; post-award monitoring activities; and BCHD's administrative charges relating to the Ryan White program for the 3 years ended February 28, 2001.

To accomplish our objectives, we:

- ▶ Interviewed HRSA and BCHD officials, representatives of the PC (including the Chair and Co-Chair), and management officials of the new administrative agent;
- ▶ Attended a PC meeting to observe its operation and composition of its membership, reviewed minutes from past planning council meetings, and analyzed membership representation as of September 1, 2001, relative to the requirements of the CARE Act;
- ▶ Assessed BCHD's solicitation of bidders for Ryan White contracts, and the FY 2000 and 2001 process used to evaluate applicants;
- ▶ Evaluated the basis and documentation supporting FY 2000 and 2001 award decisions or denials, and reviewed a judgmental selection of BCHD FY 2000 and 2001 contractual agreements with vendors;
- ▶ Traced administrative costs charged to the Ryan White program to BCHD accounting records and actual source documents for FYs 1998 through 2000;
- ▶ Reviewed the internal control process and traced funds disbursements for FYs 1998 through 2001; and
- ▶ Examined a judgmental selection of vendor files from FYs 2000 and 2001 to assess documentation evidencing program results and fiscal monitoring.

Our assessment of internal controls was limited to those necessary to achieve our audit objectives. We conducted our review in accordance with generally accepted government auditing standards from November 2001 through May 2002 at BCHD offices in Baltimore, Maryland and our offices in Rockville, Maryland. We provided a draft report to BCHD on August 29, 2002, and BCHD provided written comments on October 7, 2002.

FINDINGS AND RECOMMENDATIONS

Overall, BCHD had implemented a comprehensive service delivery program for AIDS and HIV patients living in the Baltimore EMA; however, its administrative activities and processes have not been entirely effective to ensure that program results are achieved and federal funds awarded to contractors are used appropriately. The BCHD officials have indicated that the problems

noted, particularly the management of cash advances, were related to delays in processing contracts and invoices through the City of Baltimore. We are concerned that the large amounts of advanced funds, coupled with the lapses noted in program and fiscal monitoring, created an environment where Ryan White program results and federal funds were at risk. We are offering recommendations for improving the areas of cash management and program and fiscal monitoring, recognizing that many administrative functions will be performed by ABC of Maryland at the direction of BCHD.

The Baltimore EMA had Implemented a Comprehensive Service Delivery System

In accordance with the CARE Act, the Baltimore EMA had established a delivery system offering comprehensive services to local AIDS patients, using a broad mix of 60 local vendors. Fifteen providers offered primary medical care, including two renowned university-based medical centers at Johns Hopkins University and the University of Maryland. Many primary care sites have co-located auxiliary and support services, such as substance abuse treatment, mental health, and case management to provide a convenient and accessible continuum of care. The BCHD also awarded contracts to some of the surrounding county health departments for transportation to access primary care services and other services such as case management and housing assistance. Further, nonprofit entities and small community-based organizations provided a variety of services including client advocacy, food and nutritional supplements, and emergency financial assistance.

The Planning Council Fulfilled its Responsibilities with Appropriate and Systematic Procedures, and its Membership Representation Complied with Ryan White Legislation

The CARE Act requires a planning council to establish priorities, develop a comprehensive plan for the organization and delivery of services, assess the administrative mechanism, and obtain community input on the program. We found that the PC fulfilled its responsibilities with appropriate and systematic procedures. Further, its membership representation complied with Ryan White legislation in that it had members in each of the categories mandated in the legislation, including a large number from affected communities who are people with HIV disease.

The BCHD's Contractor Selection Process was Sound

We found that BCHD's contractor selection process used sound methods for determining its Ryan White awards. The methods used incorporated the following favorable characteristics: consideration of PC priorities; control for conflicts-of-interest; provision of appropriate procedural guidance for vendor applications; and consideration of a vendor's past performance.

The BCHD Administrative Cost Charges Complied with the CARE Act

The costs charged by BCHD for administration of the grant during FYs 1998 through 2000, totaling nearly \$2 million for the 3 years, were allowable in accordance with the CARE Act, and within the 5 percent CARE Act limitation. Further, the budget and narrative justifications in BCHD's administrative cost files were within the administrative budget and adequately supported the objectives of the program.

The BCHD Inappropriately Advanced Federal Funds to Contractors in Excess of Immediate Cash Needs

Contrary to federal rules and guidelines on cash management under federal grants, BCHD advanced excessive amounts of funds to its Ryan White contractors. The BCHD officials explained that this practice was implemented because BCHD was not able to provide timely advances; but, we determined that federal guidelines prohibit advances for this reason. Officials also claimed that small organizations need the advanced cash to provide sufficient working capital to implement the contracted services; however, we determined that advances were provided to all contractors, regardless of size. We are concerned that the large cash advances created an unnecessary risk of improper use of these federal funds and resulting potential losses to Ryan White program activities and results.

Federal Rules and Guidelines Limit the Timing and Amount of Cash Advances

Federal regulations (31 Code of Federal Regulations (CFR) 205.20) issued by the Department of Treasury, and referenced in the HRSA grant award, require that cash advances be limited to the minimum amounts needed and be timed to be in accord only with the actual, immediate cash requirements in carrying out a program or project. The regulations further state that the timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay for program costs.

The BCHD Advanced Several Months Worth of Federal Funds to Its Ryan White Contractors

We found that, at the beginning of each project period, BCHD provided its Ryan White contractors with federal cash advances covering the first 4 months for FY 1998 and subsequently reduced to a 3-month advance for FYs 1999-2001. We also found that BCHD allowed its contractors to maintain some level of advanced federal funds throughout most of the project period. Using FY 2001 as an example of the amount of advanced funds, the 3-month advance totaled \$3.8 million, or 22 percent, of the total award for that year. We concluded that these large advances were in excess of the regulatory limitation of advancing funds only for a contractor's immediate cash needs.

The BCHD Explanations for the Advances were not Satisfactory

The explanation given by BCHD fiscal officials to justify the excessive cash advances, namely BCHD's inability to provide timely cash disbursements, is specifically cited by federal regulations as a reason prohibiting the issuance of cash advances. The BCHD fiscal officials informed us that the City of Baltimore's approval processes and cash disbursement system it must use can take as long as 6 to 9 months for contract approvals and about 30 days for vendor reimbursement. The regulation prohibiting the issuance of cash advances in these circumstances states: "the working capital advance method of payment shall not be used by grantees or subgrantees if the reason for using such method is the unwillingness or inability of the grantee to provide timely advances to the subgrantee to meet the subgrantee's actual cash disbursements."

The BCHD officials also claimed that some Ryan White contractors are small budgeted organizations that would not have enough cash on hand to provide contracted services for the initial project period and contended that the cash advances are generally used to assist small contractors to start providing services. Our review of the BCHD accounting records showed that cash advances were issued to all contractors, regardless of size.

Advanced Funds are Vulnerable

While we did not find evidence of fraud, advances of large amounts of cash at the contractor level may lead to fraud, waste, or abuse. For example, some contractors may decide not to continue with their obligation to provide services and retain advanced cash for other purposes. Additionally, the federal government loses interest on advanced federal funds.

**Contract Monitoring Efforts Need Strengthening
for Improved Programmatic and Fiscal Oversight**

The BCHD did not adequately monitor the program and fiscal efforts of its Ryan White contractors during FYs 2000 and 2001. Our review of BCHD's contractor files found little evidence of ongoing programmatic and fiscal oversight, although we did note that increased efforts were implemented during FY 2001. In many cases the files reviewed did not contain documents essential to the contract award. Further, periodic fiscal reports from contractors were present in only a small percentage of the files. Because monitoring activities are designed to provide early identification of potential problems, we are concerned that the Baltimore EMA's efforts were not effective to ensure the quality, quantity, and veracity of costs associated with Ryan White services. We identified HHS instructions on the content of grant files, and are recommending several steps to strengthen program and fiscal monitoring activities.

***Program Monitoring Efforts were not Effective to Ensure
the Quality and Quantity of Ryan White Services***

As part of administering the Ryan White program, the CARE Act requires that grantees perform activities associated with contract award procedures, including ". . . monitoring of contracts through telephone consultation, written documentation or onsite visits. . . ." Our review of

BCHD Ryan White contract files revealed that documents essential to contract monitoring were not always present in vendor files. The 74 program folders for 10 vendors we reviewed for FYs 2000 and 2001 contained very little evidence of monitoring activities; and in many instances, BCHD did not readily maintain documents essential to the contract award. With only limited information in the contractor files reviewed, we are concerned that the quantity and quality of Ryan White services provided by these service providers were not effectively reviewed and monitored. The BCHD officials acknowledged that its Ryan White document management system maintained files according to BCHD procedural or functional contracting step, rather than centrally by vendor, which limited oversight activities.

To address the need for centralized, accessible and adequate documentation in vendor files, we consulted the HHS Grants Policy Directive 3.06 to determine the documents recommended for inclusion in federal grant award files. The HHS Policy contained a list of items that should be incorporated into the grant monitoring files, including: notices of award; approved deviations; site visit reports; records of telephone calls including post-award technical assistance; required financial and performance reports and evidence of review and acceptability; and closeout documentation. To facilitate an increased level of oversight, BCHD should incorporate the HHS Policy items into its file assembly and contractor monitoring efforts.

***Fiscal Monitoring Hampered by Lack of Reporting;
Improvements Noted in FY 2001***

The BCHD's fiscal monitoring efforts were hampered by the lack of organization and management of BCHD's FYs 2000 and 2001 contract files (discussed above); however, we did note efforts were underway to improve the process during FY 2001.

The HRSA Ryan White Title I guide allows grantees to require contractors to submit monthly and/or quarterly reports. The BCHD had implemented a "near-monthly" (10 reports a year) reporting requirement, using standard forms issued by the Maryland AIDS Administration. The required reports related to fiscal monitoring are the Request for Payment - Vendor Invoice (Form 437) and Interim Report of Actual Expenses, Receipts, and Performance Measures (Form 438).

Our review of BCHD's use of these forms for fiscal monitoring involved a judgmental selection of 74 file folders, representing various service category contracts with 10 vendors. We found the required reports were present in vendor files in only 15 percent of the contract folders reviewed. These low results limit our ability to provide reasonable assurance that BCHD's fiscal monitoring efforts were effective for these contracts during FY 2000, and to a lesser degree for FY 2001. In FY 2001, BCHD's three newly-hired Ryan White public health analysts began tracking the fiscal status of each contract with the aid of a computer spreadsheet designed to highlight budget problems as early as possible. We encourage BCHD, through its administrative contractor, ABC of Maryland, to continue these initiatives to strengthen and enhance contractor monitoring. Further, we believe that implementing a quarterly assessment of monitoring activities will help BCHD ensure that progress is sustained throughout the program year.

RECOMMENDATIONS

We recommend that BCHD take the following actions to:

1. Improve federal cash management by:
 - a. Ensuring that cash advances are timed as close as administratively feasible to the actual cash expenditures incurred for program costs;
 - b. Reimbursing contractors for actual incurred costs; and
 - c. Implementing controls and procedures to reimburse its Ryan White contractors in a timely manner (within 7 days from receipt of an invoice).
2. Strengthen program and fiscal monitoring by:
 - a. Adopting and implementing procedures for maintaining updated and complete contract files that incorporate evidence of monitoring efforts (this could be aided by the development of a filing checklist incorporating items suggested in HHS Policy Directive 3.06);
 - b. Comparatively analyzing each contract's near-monthly program reports to determine if sufficient progress is being made to meet the contracted-level of program services;
 - c. Continuing and expanding fiscal monitoring procedures adopted in FY 2001, particularly the frequent evaluation of each contractor's budgetary compliance; and
 - d. Implementing a quarterly assessment of monitoring activities.

The BCHD Comments and OIG Response

In its October 7, 2002 written comments, BCHD concurred with the report's findings and recommendations, and provided a summary of the corrective actions that are being implemented. For all aspects of Recommendation 1, BCHD reported that its administrative contractor, ABC of Maryland, has implemented cash advance policies that comply with federal cash management requirements.

The BCHD agreed with all aspects of Recommendation 2 to strengthen program and fiscal monitoring, and provided details of its corrective actions, as summarized below. In its comments on our finding that fiscal monitoring was hampered by a lack of complete Ryan White vendor files, BCHD indicated that its fiscal office maintained complete contract files, including contracts, expenditure reports, and requests for payments. While we are aware that the fiscal

office had such information, our understanding was that it used the documentation primarily to schedule payments to the vendors and to track the percentage of contract expenditures. The focus of Recommendation 2.a. is on developing a comprehensive vendor file that includes *evidence of BCHD's programmatic and fiscal monitoring efforts.*

The BCHD stated that the following corrective actions to address Recommendation 2 had been implemented:

- a. To ensure that there are updated and complete vendor files incorporating evidence of monitoring efforts, the administrative agent, ABC of Maryland, has implemented a centrally located, standardized filing system for both programmatic and fiscal documentation. The BCHD believes such a system complies with requirements stated in HHS Policy Directive 3.06.
- b. To improve programmatic oversight, BCHD stated that the public health analysts serve as the principal monitors for every Ryan White service contract, and will examine vendor performance on a monthly basis. This is an increase in the frequency of such oversight, as previous oversight efforts only required vendors to submit quarterly reports.
- c. To augment the efforts of the public health analysts and provide fiscal expertise to its monitoring effort, BCHD and its administrative agent added staff accountants to the vendor monitoring team. The accountants perform analysis of vendor spending patterns, charges submitted for reimbursement, and overall service category financial monitoring.
- d. The BCHD and ABC of Maryland conduct monthly status briefings to review program and fiscal issues.

We are encouraged by corrective actions described by BCHD and believe they will provide the needed improvements in cash management and program and fiscal monitoring that are necessary to better ensure that Ryan White funds are used appropriately and program goals are being achieved.

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We appreciate the cooperation and consideration shown by your staff during the course of this review. To facilitate identification, please refer to report number A-15-02-20005 in all correspondence relating to this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald L. Dille". The signature is written in a cursive style with a large initial "D".

Donald Dille
Assistant Inspector General
for Grants and Internal Activities

APPENDIX

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



HEALTH DEPARTMENT

PETER BEILENSON, M.D., M.P.H., Commissioner
210 Guilford Avenue
Baltimore, Maryland 21202

October 7, 2002

Donald L. Dille
Assistant Inspector General
For Grants and Internal Activities
330 Independence Avenue, S.W. Room 5760
Washington, D.C. 20201

Dear Mr. Dille:

Enclosed is the Baltimore City Health Department's response to accompany the Office of Inspector General, Office of Audit Services report for the "Baltimore City Health Department's (BCHD) Administration of the Baltimore Eligible Metropolitan Area Ryan White Comprehensive AIDS Resources (CARE) Act Grant Award for Fiscal Years 1998 through 2001".

It is understood that in accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, this report and BCHD's response will be made available to the public to the extent information contained therein is not subject to exemptions in the Act. Further, BCHD understands that within 5 business days after the final report is issued, it will be posted on the World Wide Web at <http://oig.hhs.gov>.

Should you require additional information, please contact Dr. Pierre Vigilance, Assistant Commissioner, Division of Health Promotion and Disease Prevention who oversees the Ryan White Title I Office. He can be reached at (410) 396-4438.

Sincerely,

Peter L. Beilenson, M.D., M.P.H.
Commissioner of Health

Cc: Pierre Vigilance, M.D., M.P.H.
Bhupendra Thakkar

Enclosure



General Finding

Baltimore City Health Department (BCHD) concurs with the overall findings of the report. The Baltimore EMA has a highly comprehensive network of medical institutions and community-based organizations funded in part with CARE Act dollars, providing critically needed HIV/AIDS related services to those least able to pay. BCHD further concurs with the finding of this report that there were two principal areas that affected the overall success of the administrative mechanism, (a) the management of cash advances, and (b) programmatic and fiscal monitoring of service contracts.

Findings and Recommendation

Improve federal cash management by:

1a. Ensuring that cash advances are timed as close as administratively feasible to the actual cash expenditures incurred for the program costs,

BCHD concurs with the stated recommendation. Starting in FY 2002, the administrative contractor (Associated Black Charities of Maryland, Inc.) has implemented advance cash payment policies that are in compliance with federal cash management requirements.

1b. Reimbursing contractors for actual incurred costs; and

To improve the functions related to federal cash management, BCHD has adopted and implemented the recommendation stated in item 1a.

1c. Implementing controls and procedures to reimburse its Ryan White contractors in a timely manner (within 7-days from receipt of an invoice).

To improve the functions related to federal cash management, BCHD has adopted and implemented the recommendation stated in item 1a

Strengthen program and fiscal monitoring by:

2a. Adopting and implementing procedures for maintaining updated and complete contract files that incorporate evidence on monitoring efforts (this could be aided by the development of a filing checklist incorporating items suggested in HHS Policy Directive 3.06),

BCHD concurs with the stated recommendation. The deficiencies noted in the review regarding the lack of fiscal documentation were incorrect. BCHD's fiscal office maintained complete contract files, inclusive of all contracts, expenditure

reports, and request for payment. These files were maintained in another area, and not inspected during the review.

The Administrative Agent has implemented a standardized filing system that is in compliance with requirements stated in HHS Policy Directive 3.06. The files are centrally located, and inclusive of both programmatic and fiscal documentations associated with each respective service contract.

2b. Comparatively analyzing each contractor's near-monthly program reports to determine if sufficient progress is being made to meet the contracted-level of program services;

BCHD concurs with the stated recommendation. Beginning in FY 2001, the organizational structure of the Grantees office was changed to add the position of Public Health Analyst as a component of the program staff. This position serves as the principal monitor for every Title I service contract issued. The frequency of programmatic reports from vendors documenting service performance was changed from a quarterly basis, to monthly reporting. This will provided the Administrative Agent a more timely perspective and review of the Title I vendor's performance.

Implementing the Public Health Analyst position enabled the Administrative Agent to conduct an in-depth review of the scopes of work, and supporting budget documentation to ensure the services contracted for could be provided through the life of the contract. Annual performance measures were projected for the program year. Vendors submit monthly reports, and their progress in meeting service objectives are monitored for compliance, and if necessary; corrective action is taken immediately. This could involve or result in the Administrative Agent providing technical assistance, developing a service contract modification, or finally a reduction or cancellation of the award.

2c. Continuing and expanding fiscal monitoring procedures adopted in FY 2001, particularly the frequent evaluation of each contractor's budgetary compliance; and

BCHD concurs with the stated recommendation. In FY 2001, the Administrative Agent incorporated the Public Health Analyst position. Expanding of the success in monitoring of service contracts, in FY 2002 the staff was augmented with additional staff accountants, who are co-located with the programmatic staff. This configuration allows for even more in-depth reviews and monitoring. Both fiscal and program staff have access to the same file, and are much easier able to follow up on discrepancies noted in contract performance.

All vendors will undergo an annual site visit, participation in quarterly vendor meetings, attend technical workshops sponsored by the Administrative Agent, and if needed; placed on a corrective action plan. Monthly analysis of spending pattern and charges submitted for reimbursement will be conducted. Periodically during

the program year, the Administrative Agent will review expenditures by service category, and as needed reallocate funds identified as potential unspent funds. The annual objective is to ensure annual unspent funds do not exceed 5% of the service dollars allocated.

2d. Implementing a quarterly assessment of monitoring activities.

BCHD concurs with the stated recommendation. The Administrative Agent has implemented monthly status briefings with the Grantee office to review programmatic and fiscal issues. These meetings are inclusive of programmatic and fiscal staff. Other activities include: formulating recommendations to address potential reallocation of funds within categories, development of technical assistance forums and workshops to address system-wide needs, and identify the need for capacity building to expand and/or improve actual services provided in the Baltimore EMA.