



SEP 28 2005

TO: Elizabeth M. Duke, Ph.D.
Administrator
Health Resources and Services Administration

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of Ryan White Title II Funds at the Puerto Rico Health Department (A-02-03-02002)

Attached is an advance copy of our final report on Ryan White Title II funds at the Puerto Rico Health Department (the Health Department). We will issue this report to the Health Department within 5 business days. This audit is one of several that we have performed based on a request from the Senate Committee on Finance.

The Ryan White Comprehensive AIDS Resources Emergency Act, Title II (CARE Act Title II) program is aimed at people living with HIV/AIDS who have no other source of health care or who have limited coverage. The program is the payer of last resort, designed to fill gaps that are not covered by other resources, such as Medicaid and private insurance.

The Health Department administered the Nation's ninth largest CARE Act Title II program for the grant year ended March 31, 2002, with Health Resources and Services Administration (HRSA) funding totaling \$24,262,945. The Health Department entered into contracts with organizations throughout Puerto Rico to provide CARE Act Title II services.

Our objectives were to determine, for the period April 1, 2001, through March 31, 2002, whether the Health Department:

- claimed CARE Act Title II expenditures in accordance with Federal requirements and
- purchased prescription drugs at the lowest price available for the AIDS Drug Assistance Program as required by the conditions in the Notice of Grant Award.

The Health Department did not always claim CARE Act Title II expenditures in accordance with Federal requirements.

- The Health Department claimed \$1,567,993 to the CARE Act Title II grant for costs that were not allowable according to Office of Management and Budget

Circular A-87 and Federal program requirements. Contrary to Federal regulations that require obligations to be liquidated, the Health Department claimed costs for unpaid vendor invoices. The Health Department also claimed amounts budgeted by contractors rather than actual costs.

- The Health Department did not establish procedures to ensure that the CARE Act Title II program was the payer of last resort as required by the CARE Act. We will conduct further audit work in the near future to quantify the effect of this issue.

In addition, the Health Department did not always purchase drugs at the lowest price available. As a result, the Health Department overpaid \$1,117,831 for HIV drugs. This overpayment resulted from clerical errors. The Health Department also did not take advantage of \$338,765 in available prompt payment discounts.

We recommend that the Health Department:

1. refund to HRSA \$1,567,993 for unallowable costs,
2. ensure that expenses claimed on Financial Status Reports include only actual paid amounts,
3. ensure that amended Financial Status Reports are submitted when overcharges are discovered,
4. implement procedures to ensure that Title II is the payer of last resort for clients who have drug insurance coverage or are enrolled in other assistance programs,
5. refund to HRSA \$1,117,831 for medications that were not purchased at the lowest price available, and
6. establish procedures to ensure that invoices are paid within the discount periods offered by drug vendors.

In its reply to the draft report, the Health Department stated that it “will continue working strongly on the issues raised by this review and hopefully will succeed in implementing your recommendations.” The Health Department neither concurred nor nonconcurred with the recommendations. However, the Health Department offered specific comments on several of our findings. We reviewed those comments and, where appropriate, modified the language in our final report.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Donald L. Dille, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1176 or through e-mail at Donald.Dille@oig.hhs.gov. Please refer to report number A-02-03-02002.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

SEP 30 2005

Region II
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

Report Number: A-02-03-02002

Honorable Rosa Pérez Perdomo, MD, MPH, PhD
Secretary
Puerto Rico Health Department
P.O. Box 70184
San Juan, Puerto Rico 00936-8184

Dear Dr. Pérez:

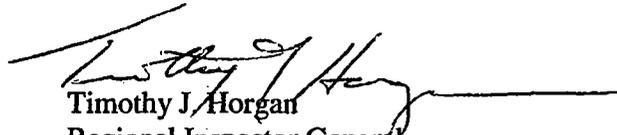
Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "*Review of Ryan White Title II Funds at the Puerto Rico Health Department*" for the program year ended March 31, 2002. A copy of this report will be forwarded to the action official noted below for review and any action deemed necessary.

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 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 contained therein 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-02-03-02002 in all correspondence.

Sincerely,


Timothy J. Horgan
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF RYAN WHITE TITLE II
FUNDS AT THE PUERTO RICO
HEALTH DEPARTMENT**



**Daniel R. Levinson
Inspector General**

**SEPTEMBER 2005
A-02-03-02002**

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout HHS.

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

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

Under Title II of the Ryan White Comprehensive AIDS Resources Emergency Act (CARE Act), the Health Resources and Services Administration (HRSA) makes grants to all States and territories to fund:

- comprehensive treatment services for people with HIV/AIDS, including outpatient care, home- and community-based care services, and case management, and
- drug therapies under the AIDS Drug Assistance Program (ADAP).

The CARE Act Title II program is aimed at people living with HIV/AIDS who have no other source of health care or who have limited coverage. As such, the program is the payer of last resort, designed to fill gaps that are not covered by other resources.

The Puerto Rico Health Department (the Health Department) administered the Nation's ninth largest CARE Act Title II program for the grant year ended March 31, 2002, with Federal funding totaling \$24,262,945. The Health Department entered into contracts with organizations throughout Puerto Rico to provide services.

OBJECTIVES

Our objectives were to determine, for the period April 1, 2001, through March 31, 2002, whether the Health Department:

- claimed CARE Act Title II expenditures in accordance with Federal requirements and
- purchased prescription drugs at the lowest price available for ADAP as required by the conditions in the Notice of Grant Award.

SUMMARY OF FINDINGS

The Health Department did not always claim CARE Act Title II expenditures in accordance with Federal requirements.

- The Health Department claimed \$1,567,993 to the CARE Act Title II grant for costs that were not allowable according to Office of Management and Budget Circular A-87 and Federal program requirements. Contrary to Federal regulations that require obligations to be liquidated, the Health Department claimed costs for unpaid vendor invoices. The Health Department also claimed amounts budgeted by contractors rather than actual costs.
- The Health Department did not establish procedures to ensure that the CARE Act Title II program was the payer of last resort as required by the CARE Act.

In addition, the Health Department did not always purchase drugs at the lowest price available. As a result, the Health Department overpaid \$1,117,831 for HIV drugs. This overpayment resulted from clerical errors. The Health Department also did not take advantage of \$338,765 in available prompt payment discounts.

RECOMMENDATIONS

We recommend that the Health Department:

1. refund to HRSA \$1,567,993 for unallowable costs,
2. ensure that expenses claimed on Financial Status Reports include only actual paid amounts,
3. ensure that amended Financial Status Reports are submitted when overcharges are discovered,
4. implement procedures to ensure that Title II is the payer of last resort for clients who have drug insurance coverage or are enrolled in other assistance programs,
5. refund to HRSA \$1,117,831 for medications that were not purchased at the lowest price available, and
6. establish procedures to ensure that invoices are paid within the discount periods offered by drug vendors.

HEALTH DEPARTMENT'S COMMENTS AND OFFICE OF INSPECTOR GENERAL'S RESPONSE

In its reply to the draft report, the Health Department stated that it “will continue working strongly on the issues raised by this review and hopefully will succeed in implementing your recommendations.” The Health Department neither concurred nor nonconcurred with the recommendations. However, the Health Department offered specific comments on several of our findings. We reviewed those comments and, where appropriate, modified the language in this final report.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

ADAP	AIDS Drug Assistance Program
AIDS	Acquired Immune Deficiency Syndrome
Health Department	Puerto Rico Health Department
HIV	Human Immunodeficiency Virus
HRSA	Health Resources and Services Administration
OMB	Office of Management and Budget
CARE Act	The Ryan White Comprehensive Acquired Immune Deficiency Syndrome (AIDS) Resources Emergency Act of 2000, found in the Public Health Services Act at § 2601, et seq., 42 U.S.C. § 300ff-11, et seq.

INTRODUCTION

BACKGROUND

The Senate Committee on Finance expressed interest in audits of programs funded by Title II of the Ryan White Comprehensive AIDS Resources Emergency Act (CARE Act). This audit is one of several that we have performed of grantees that received CARE Act Title II funding.

CARE Act Title II

Within the U.S. Department of Health and Human Services (HHS), the Health Resources and Services Administration (HRSA) administers the CARE Act, enacted in 1990 and reauthorized in 1996 and 2000. The objective of Title II of the CARE Act is to improve access to comprehensive, community-based primary medical care and support services. Aimed at people living with HIV/AIDS who have no other source of health care or who have limited coverage, the CARE Act Title II program is the payer of last resort, designed to fill gaps that are not covered by other resources, such as Medicaid and private insurance.

HRSA awards CARE Act Title II grants to all States and territories. States and territories are allowed program flexibility in ensuring a basic standard of care across their service areas. The majority of CARE Act Title II program funds, however, are earmarked for medications to treat HIV/AIDS through the AIDS Drug Assistance Program (ADAP). In Puerto Rico, for example, ADAP expenditures for the grant year ended March 31, 2002, accounted for about 87 percent of CARE Act Title II expenditures.

As a cost-saving measure, State ADAPs may purchase discounted drugs through a provision in section 340B of the Public Health Service Act. This law requires drug manufacturers to provide discounts to covered entities for covered drugs. Under the 340B Drug Discount program, manufacturers may not charge covered entities more than the 340B ceiling price, which is based on the Medicaid drug rebate amount.

HRSA and departmental guidance require grantees to submit an annual final Financial Status Report certifying the grant expenditures for that 1-year budget period. The Financial Status Report should contain only expenditures, not obligations. Grantees are required to submit amended reports whenever an overcharge is discovered, no matter how long the lapse of time since the original due date of the report.

Puerto Rico—Ninth Largest Funded Program

For the grant year April 1, 2001, through March 31, 2002, HRSA awarded the Puerto Rico Health Department (the Health Department) \$26,646,201 in CARE Act Title II funding, making Puerto Rico the ninth largest funded State or territory in the program. The Health Department had eight outpatient multidisciplinary public health clinics whose main Title II responsibility was dispensing ADAP medications to HIV/AIDS clients. The Health Department also contracted with 10 organizations throughout Puerto Rico to

deliver services. The contractors provided HIV-related services directly to eligible clients or contracted with other service providers to render these services.

In September 2002, the Health Department submitted to HRSA a Financial Status Report for the grant year ended March 2002, showing actual CARE Act Title II grant expenditures of \$24,262,945. As of July 6, 2005, the Health Department had not submitted any amendments to its report.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether the Health Department:

- claimed CARE Act Title II expenditures in accordance with Federal requirements and
- purchased prescription drugs at the lowest price available for ADAP as required by the conditions in the Notice of Grant Award.

Scope

We audited the CARE Act Title II grant year from April 1, 2001, through March 31, 2002, for which the Health Department claimed \$24,262,945 on its Financial Status Report. We focused our audit testing on the \$23,462,982 in expenditures related to direct service provision; thus, we did not perform a detailed audit of the \$799,963 reported as administrative, planning, or evaluation expenses.

We did not assess the overall internal controls at the Health Department for the CARE Act. Our review of internal controls was limited to gaining an understanding of those significant controls related to the claiming of costs by the Health Department and determining whether ADAP drugs were purchased at the lowest price available. We conducted our work at the Health Department's offices and at one of the eight multidisciplinary health clinics in San Juan, PR.

Methodology

To accomplish our objectives, we:

- analyzed applicable Federal laws, regulations, and guidance:
- interviewed HRSA, Centers for Medicare & Medicaid Services, and Health Department officials;
- reviewed documentation provided by HRSA and the Health Department, including:

- the Notice of Grant Award for grant years 2000 through 2002,
 - the final Financial Status Report and its supporting accounting records,
 - the CARE Act Title II grant application for grant years 2001 and 2002,
 - monitoring and program correspondence including the final progress report, and
 - the ADAP drug formulary, which is a list of drugs authorized for purchase by the program;
- analyzed the Health Department’s procedures for aggregating expenses for direct services claimed for reimbursement and judgmentally selected transactions for further audit testing;
- reviewed the Health Department’s procedures for ensuring that the Title II program was the payer of last resort and performed a limited review of a judgmental sample to test compliance with the CARE Act requirement relating to the payer of last resort;
- reviewed the Health Department’s documentation on its management and oversight of contractors, including:
 - audit reports prepared by contracted entities to comply with Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” for the period under review;
 - monitoring reports; and
 - yearend contract closeout reviews and the Health Department’s final resolutions on conditions found in those reviews; and
- identified the Health Department’s procurement procedures and policies for the acquisition of ADAP drugs and tested whether the Health Department had purchased medications at the lowest prices available by taking advantage of the 340B Drug Discount program, contract discount prices from manufacturers and wholesalers with the State agency, and discounts for prompt payment.

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

FINDINGS AND RECOMMENDATIONS

The Health Department did not always claim CARE Act Title II expenditures in accordance with Federal requirements, did not establish procedures to ensure the CARE Act Title II program was the payer of last resort, and did not always purchase drugs at the lowest price available.

COMPLIANCE WITH FEDERAL COST REQUIREMENTS

In claiming certain costs to the Title II program, the Health Department did not comply with Federal cost requirements. It claimed \$1,567,993 to the CARE Act Title II grant for

costs that were not allowable according to OMB Circular A-87 and Federal program requirements. The Health Department claimed costs that were based on unpaid vendor invoices rather than actual paid invoices and amounts budgeted by contractors rather than actual costs.

In addition, the Health Department did not establish procedures to ensure that the CARE Act Title II program was the payer of last resort as required by the CARE Act. The Health Department's billing system was designed to use only Title II funds to pay for drugs, even if the clients were eligible for other assistance programs or had insurance that could have paid for the drugs.

Federal Requirements for Claiming Costs

The CARE Act Title II Manual requires that grantees' Financial Status Reports include only claims for items or services that the program paid during the year.

Pursuant to 45 CFR § 92.23(b), obligations must be liquidated within 90 days of the end of the grant period, to coincide with the submission of the Financial Status Report.

The PHS Grants Policy Statement, section 8, "Post Award Administration" requires that balances due the Federal Government be submitted whenever an overcharge is discovered, and OMB Circular A-87 requires that costs be reasonable.

The CARE Act (42 U.S.C. § 300ff(27)(b)(6)(F)(i)) requires States to ensure that Title II grant funds are not used for any item or service to the extent that payment has been made, or can reasonably be expected to be made, by any State compensation program under an insurance policy or under any Federal or State health benefits program. This provision is known as the payer-of-last-resort requirement.

Instances of Noncompliance With Federal Requirements

The Health Department did not always follow Federal requirements when claiming costs on its Financial Status Report.

Unallowable Costs

We identified three areas in which the Health Department claimed unallowable costs totaling \$1,567,993 to the CARE Act Title II grant:

- Contrary to the Federal regulations (45 CFR § 92.23(b)) that require obligations to be liquidated within 90 days of the end of the grant period, the Health Department claimed \$1,130,972 for unpaid vendor invoices on the Financial Status Report. As late as July 2004, in meetings with Health Department officials, we found that the Health Department's accounts payable unit still had not paid for medication invoices totaling \$1,130,972 that were included on the Financial Status Report for the period April 1, 2001, through March 31, 2002.

- The Health Department claimed \$414,878 that exceeded the contractors’ actual incurred costs. Because the Health Department’s Financial Status Report used amounts budgeted by contractors rather than actual costs, it overstated 6 of its 10 contractors’ expenditures. During its closeout reviews, performed 3 to 25 months after the Financial Status Report was issued to HRSA, the Health Department learned of the \$414,878 net overstatement. The overstatements for the six contractors occurred as follows:

Total costs claimed	\$2,010,580
Total costs incurred	<u>1,595,702</u>
Overstatement	<u>\$414,878</u>

The Health Department did not submit a revised final Financial Status Report to HRSA when it learned of these discrepancies. The PHS Grants Policy Statement, section 8 requires that balances due the Federal Government be submitted whenever the overcharge is discovered, no matter how long the lapse of time since the original due date of the report.

- The Health Department submitted duplicate claims for \$22,143 for a medication invoice. The Health Department attributed this duplication to a clerical oversight. Duplicate payments do not comply with the reasonableness requirement of OMB Circular A-87 C.1.a.

Payer of Last Resort

The Health Department did not establish procedures to ensure that the CARE Act Title II program was the payer of last resort as required by the CARE Act. The Health Department designed its clinic billing system to use CARE Act Title II funds to pay for all drugs used by Title II clients even if those clients had insurance or were eligible for other assistance programs that could have paid for the drug costs.

To gain an understanding of the potential impact of not billing all potential payers, we selected a judgmental sample of 100 clients who received medications covered by CARE Act Title II funds. We reviewed the current health insurance status of the 100 clients. Using the Health Department’s billing database, we determined that 19 clients had no health insurance or assistance program coverage, while 54 clients were covered by the Puerto Rico Health Reform program,¹ 18 clients had private health insurance, and 9 clients had Medicare coverage. Accordingly, between 54 and 81 of the clients tested may have had medical coverage that may have covered the medications claimed by the Health Department.

We also identified 54 drugs that were included in the benefits offered by both CARE Act Title II and Health Reform. During the grant year, the Health Department used

¹In 1994, Puerto Rico implemented a reform of the public health system through the Puerto Rico Health Insurance Administration (the Agency). The Agency operates Medicaid, the State Children’s Health Insurance Program, and various other State health programs. Collectively, the Agency’s programs are commonly known as Health Reform.

\$10,346,750 in CARE Act Title II funds to purchase the 54 drugs. Our sample results and analysis of expenditures show that the Health Department may not have used the CARE Act Title II program as the payer of last resort.

PRESCRIPTION DRUG PRICES

The Health Department overpaid \$1,117,831 for HIV drugs by not purchasing them at the lowest possible price as required by the grant year 2001 Notice of Grant Award. Further, the Health Department could have saved an additional \$338,765 by taking advantage of prompt payment discounts.

Federal Cost Requirements and Program Policies

Federal cost requirements and HRSA policy require States to ensure that purchases of drugs for the CARE Act Title II program are reasonable and made at the lowest prices available.

OMB Circular A-87, Attachment A, section C, “Basic Guidelines” requires that costs charged to Federal programs be reasonable and consistent with sound business practices. It further indicates that to be allowable, costs must be net of all applicable credits. When defining “applicable credits,” it states that:

Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

The conditions of award section of the Title II grant year 2001 Notice of Grant Award requires States to assess whether their drug acquisition practices are cost-effective and reasonable. If a State participates in the 340B Drug Discount program of the Public Health Service Act, the State must demonstrate that it has used the most economical and reasonable manner of purchasing drugs. The Notice of Grant Award states that the consequences of failing to participate in the 340B Drug Discount program may include offsets of grant funding, cost disallowances, or negative audit findings. The Notice of Grant Award also points out that both HHS and Congress expect States to use every means possible to secure the best price available for the products on its ADAP formularies to achieve maximum results with the funds.

Overpayments for HIV Drugs

The Health Department overpaid \$1,456,596 of the \$21,021,517 in grant year 2001 drug purchases:

- The Health Department paid \$1,117,831 for drug purchases exceeding the 340B cost. By not always using the Federal discount drug program to which it was entitled, the Health Department did not follow Federal cost requirements in OMB Circular A-87 or CARE Act Title II policy. While the Health Department mostly used the 340B Drug Discount program to purchase medications, it did not do so for 3 of the 14 drug vendors. For these three vendors, it used previously negotiated prices rather than the lower 340B prices. This occurred because the purchasing staff used the incorrect price list when preparing the purchase orders for these three drug vendors.
- The Health Department did not take advantage of available prompt payment discounts totaling \$338,765 when purchasing drugs. The vendors of these drugs offered a 2-percent discount if payment was made within either 30 or 45 days. However, the Health Department's manually operated financial system generally did not process invoice payments within the timeframes needed to qualify for the discount.

We consider the \$1,117,831 to be unallowable because the claims were associated with purchasing practices that were inconsistent with the reasonableness requirement of OMB Circular A-87 and HRSA's policy on ensuring that drugs are purchased at or below the 340B discount price. The \$338,765 attributable to lost prompt payment discounts should serve as an incentive to improve the Health Department's payment system. In total, \$1,456,596 was not available to provide services to people living with HIV/AIDS.

RECOMMENDATIONS

We recommend that the Health Department:

1. refund to HRSA \$1,567,993 for unallowable costs,
2. ensure that expenses claimed on Financial Status Reports include only actual paid amounts,
3. ensure that amended Financial Status Reports are submitted when overcharges are discovered,
4. implement procedures to ensure that Title II is the payer of last resort for clients who have drug insurance coverage or are enrolled in other assistance programs,
5. refund to HRSA \$1,117,831 for medications that were not purchased at the lowest price available, and
6. establish procedures to ensure that invoices are paid within the discount periods offered by drug vendors.

HEALTH DEPARTMENT'S COMMENTS AND OFFICE OF INSPECTOR GENERAL'S RESPONSE

In its reply to the draft report, the Health Department stated that it “will continue working strongly on the issues raised by this review and hopefully will succeed in implementing your recommendations.” The Health Department neither concurred nor nonconcurred with the recommendations. However, the Health Department offered specific comments on several of our findings.

We reviewed those comments and, where appropriate, modified the language in this final report. The Health Department's comments are included in their entirety as Appendix B. We have summarized and responded to some of those comments below.

Refund Amount

Health Department's Comments

With respect to our first recommendation, the Health Department indicated that the \$1,567,993 refund should be reduced because:

- Of the \$1,130,972 identified by our audit as medication expenses not paid, only \$89,088 remained unpaid.
- Of the \$414,878 for costs that were not based on actual expenditures, \$351,319 was waiting to be collected from contractors. The Health Department acknowledged that these costs overstated contractor expenditures and said it was seeking reimbursement from the contractors.
- For the \$22,143 in duplicate payments, the Health Department said that it needed only to submit a corrected Financial Status Report.

Office of Inspector General's Response

We have considered the information presented by the Health Department, but it did not cause us to revise the reported findings. We do not agree that the unallowable costs totaling \$1,567,993 should be reduced.

For the \$1,130,972 in unpaid invoices, the schedules that the Health Department provided did not present any new information. We had already considered the invoices listed and determined that they did not match the invoices in our finding.

Although the Health Department acknowledged that it overstated contractor expenditures by \$414,878, it has not revised its Financial Status Report to reduce the costs claimed. As the Federal grantee, the Health Department must make the refund.

Payer of Last Resort

Health Department's Comments

The Health Department indicated that it believed it could not bill any other potential payer for ADAP drugs. The Health Department specifically said, "The concept of billing for reimbursement of lent funds was not considered possible."

Office of Inspector General's Response

We disagree with the Health Department's belief that it could not bill other potential payers for ADAP drugs. To comply with the CARE Act Title II requirement that funds not be used for any item or service that could be paid by an insurance policy or another Federal or State health benefit program, the Health Department must bill all potential payers.

APPENDIXES

APPENDIX A

SUMMARY OF THE RESULTS OF OUR REVIEW

The following schedule summarizes the results of our review for grant year April 1, 2001, to March 31, 2002:

Condition	Costs	
	Questioned	Savings*
ADAP costs for invoices not paid	\$1,130,972	\$0
Contractors' costs	414,878	0
ADAP costs for duplicated medication invoices	22,143	0
ADAP drugs not purchased at the lowest price	1,117,831	338,765
Total	\$2,685,824	\$338,765

*These amounts represent potential cost savings if the Health Department had taken advantage of prompt payment discounts offered by drug vendors.



Estado Libre Asociado de Puerto Rico
Departamento de Salud

Oficina del Secretario de Salud

August 17, 2004

Timothy J. Horgan
Regional Inspector General
for Audit Services
Department of Health & Human Services
Office of Inspector General
Office of Audit Services
Region II
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

REPORT # A-02-03-02002

Dear Mr. Horgan:

This is in regard to the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services' draft report entitled "Review of Ryan White Title II funds at the Puerto Rico Health Department" for the period April 1, 2001 through March 31, 2002, received in our office in May 19, 2004.

Enclosed you will find the Puerto Rico Department of Health (PRDOH) formal response to the above-mentioned Review.

The PRDOH wants to express its deepest gratitude for the reasonable extension of time that was granted by your office in order to submit a responsible, adequate and evidence based response to this report.

As you may notice, it took a lot of time and effort to analyze the evidence submitted by the auditors of your office in Puerto Rico. As said to you in the past letter, the Finance, External Resources offices, and Accounts Payable Unit had to work hands on the review due the fact that the findings were strictly in the fiscal area.

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Mr. Timothy J. Horgan

The PRDOH will continue working strongly on the issues raised by this review and hopefully will succeed in implementing your recommendations to comply with the federal regulations established by the Ryan White CARE Act and the Office of Management and Budget (OMB). This continuous effort will improve the efficiency and effectiveness of the health and support services provided to the HIV/AIDS Puerto Rican population.

Again, please be reassured that the personnel from the PRDOH Ryan White Title II program, OCASET's Accounts Payable Unit, and offices of Finance, and External Resources, will be in the best disposition to work these findings with the action official that will be named from HRSA.

The PRDOH looks forward for a positive consideration of the response that has been enclosed with this letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "John V. Rullán".

John V. Rullán, MD, FACPM
Secretary

/Enclosures

As follows, you will find the answer to the review conducted by the Office of Inspector General (OIG) for the Ryan White Title II program based at the Puerto Rico Department of Health (PRDOH) for the period comprise between April 1, 2001 through March 31, 2002.

FINDING # 2: HEALTH DEPARTMENT DID NOT ALWAYS FOLLOW FEDERAL COST REQUIREMENTS FOR CHARGES TO CARE ACT TITLE II PROGRAM

Criteria: States Must Follow Certain Federal Requirements In Charging Costs to the Title II Program

Condition: Health Department Did Not Always Follow Federal Cost Requirements

In charging certain costs to the Title II program, the Health Department did not always follow Federal cost requirements in two ways. It:

- Charged \$1,567,993 to the CARE Act Title II grant for costs that were not allowable according to OMB Federal cost requirements.

OIG Recommendation

1) Refund HRSA a total of \$1,567,993 for costs that were not allowed.

1: Unallowable Charges

a. \$1,130,972 for medications not paid for.

PRDOH Answer

The Finance Office of the Puerto Rico Department of Health (PRDOH) reviewed thoroughly "Exhibit A" utilized by the Office of the Inspector General (OIG) to base its conclusions and recommendations for this finding that was included in the auditing draft report submitted in May 2004. "Exhibit A" was provided in a July 2nd meeting held between representatives of the OIG, and the PRDOH.

The Finance Office produced a table (Please see ATTACHMENT A) where it provides information regarding Drug vendors' purchase orders that were claimed not paid and questioned by the OIG, and its status of payment, as of the date of this report. Under the Amount questioned (Paid/Not paid) column you will see the purchases orders that the PRDOH have already paid with the exact payment information, i.e. document and checks numbers, and check dates, in subsequent columns.

Also, under the Commentaries column you will find an explanation concerning each transaction. Valuable information will be found too in the notes included at the foot of the table.

*In summary, the OIG questioned the payment of ***\$474,623.34*** in medications for ADAP and ***\$456,735.74*** in medications for formula after reviewing drugs vendors' purchase orders for FY 2001 that were billed to the PRDOH.*

*After the Finance Office analysis, it found that the real balance pending for payment in ADAP medications is only ***\$65,173.54*** compared to the \$474,623.34 reported by the OIG, excluding the purchase order in favor of Borshow Hospital for the amount of ***\$4,227.60***. The PRDOH is respectfully requesting the OIG to reconsider this purchase order until the Finance Office finishes evaluating an aging report that was requested to this drug vendor, so it can certify any balance pending for payment for FY 2001.*

*The Finance Office also found that the real balance pending for payment in formula medications is only ***\$23,914.80*** compared to the ***\$456,735.74*** reported by the OIG, excluding too the purchase order in favor of Borshow for the amount of ***\$247,848.48***. The PRDOH is also respectfully requesting the OIG to reconsider this purchase order after the Finance Office evaluates the above-mentioned aging report to certify any balance pending for payment for FY 2001.*

*Regarding the purchase orders in favor of BorshowHospital, the Finance Office also found that a check # 00752363 issued to this company in March 21, 2002 for the amount of ***\$235,000.72*** with FY 2001 Ryan White money, was indeed returned by this drug vendor due to a wrong payment made by the PRDOH.*

*Regarding the amount of ***\$199,612.22*** identified by the OIG as money that could not be matched with purchase orders for ADAP and formula medications, the Finance Office understands that this amount is included in the purchases orders already paid and in the balance pending to be paid by the PRDOH. Please see ATTACHMENT B for a more detail explanation of this statement.*

- b. \$414,878 for costs that were based on budgeted amounts for contractors, rather than actual expenditures.

PRDOH Answer

The Finance Office of the Puerto Rico Department of Health (PRDOH) reviewed thoroughly "Exhibit B" utilized by the Office of the Inspector General (OIG) to base its conclusions and recommendations for this finding that was included in the auditing draft report submitted in May 2004. "Exhibit B" was also provided in a July 2nd meeting held between representatives of the OIG, and the PRDOH.

Regarding this finding, the Finance Office also produced a table (Please see ATTACHMENT C) where it provides a comparison of the payments made to consortia with FY 2001 Ryan White Title II funds. You will find on this table a comparison between information reviewed by the OIG and information provided by the Finance Office regarding payments made to consortia, allowed amounts per contract close-outs, and a balance pending to be repaid to the PRDOH. The Finance Office added an Adjustments column where it provides the difference between the Amount claimed column in "Exhibit B" and the amount paid as per the Puerto Rico Information and Accounting System (PRIFAS), the Commonwealth of Puerto Rico Computerized Accounting System.

Again, under the Commentaries column you will find an explanation concerning each transaction, and also, additional valuable information will be found too in the notes included at the foot of the table.

*In summary, of the ***\$414,878.09*** questioned by the OIG as costs that were based on budgeted amounts for Contracted Entities, rather than actual expenditures, the Finance Office identified that ***\$351,319.46*** are pending to be repaid to the PRDOH from the listed contractors.*

*A note has to be pointed out regarding the list of contractors identified by the OIG. The OIG did not included in its assessment Hogar Agua y Vida en el Desierto, another organization that the PRDOH granted a contract for ***\$31,025.00*** to provide services in FY 2001. This organization was added to the list provided by the Finance Office. Please see item # 11.*

- c. \$22,143 for a medication invoice that the Health Department charged twice to the CARE Title II program.

PRDOH Answer

The External Resources Office (formerly Federal Affairs) is the PRDOH division responsible for preparing the Financial Status Reports (FSR) for the federal programs, including the Ryan White Title II. After a meeting with the OIG auditors, where this point was amply explained to officials from that Office, the PRDOH acknowledges this finding. An inadvertently

erroneous mathematical operation made by its personnel considered twice expenditures understating the final amount reported as unobligated balance in the FY 2001 Final Financial Status Report (FSR).

The PRDOH External Resources Office understands that this amount could be corrected by simply amending the FY 2001 Final FSR.

OIG recommendation

- 2) Strengthen procedures to ensure that only allowable costs are charged to the CARE Act Title II program

PRDOH Answer

The PRDOH Auxiliary Secretariat for Prevention and Disease Control has an Accounts Payable Unit that is in charged of processing all payments for the Ryan White Title II, including the purchase of medications. Although procedures are in place to oversee that federal regulations are complied with, due to lack of personnel and a heavy workload, the Special Projects Program initiated efforts to create an accounts payable division under its own structure.

This division will be under the direct supervision of its director, thus improving the efficiency and effectiveness of the payment procedures of the Ryan White Title II program. The division is currently being recruiting personnel, and will end this quest after the legal prohibition of recruiting personnel due to Puerto Rico's general elections, ends next January 2005.

- 3) Ensure that year-end closeouts of contractors are performed in a timely manner so that Federal claims can be adjusted to reflect actual expenditures rather than budgeted amounts.

PRDOH Answer

The year-end closeouts of contractors were a responsibility of the Accounts Payable Unit during the auditing period subject of this report. A severe lack of personnel added to an increase in the workload of that unit cause an unfortunate delay that had its repercussions in the amounts claimed as expenses from this budget category in the FY 2001 FSR.

The Ryan White Title II program took control of this task in November 2003, thus providing more personnel, time, and effort to hasten the process. A significantly improvement has been registered in this area and the program is facilitating recruiting more human resources to strengthen this procedure.

- Did not ensure that the Title II program was the payor of last resort for clients whose ADAP drugs totaled \$10,346,750 million.

2: Did not ensure that CARE Act Title II was the Payor of Last Resort

The Health Department had no assurance that the Title II program was the payor of last resort for clients whose ADAP drug costs totaled \$10,346,750.

OIG recommendations

- 4) Work with HRSA to resolve the allowability of \$10,346,750 in costs associated with the purchase of HIV drugs for clients who may have had insurance or other assistance to cover the costs.
- 5) Ensure that Title II is the payor of last resort for those medications covered by other health insurance.

PRDOH Answer

The Constitution of Puerto Rico has given to the Puerto Rico Department of Health (PRDOH) the important function to watch and guard for the good health of our country. The place that has been designated to the Department, by the intention of the beginners of our Constitution, imposed the errands of audit, regulate and provide health services.

With the approval of Law number 72 of September 7, 1993, the Government gave the Health Insurance Administration the responsibility to implement, manage, and negotiate a health insurance system for the Health Reform beneficiaries.

Before the Health Reform of Puerto Rico, the State was the principal provider of health services for most of the people in the Island. Now the government has given this function to the private sector through the insurance entities, which assume the risk through contract in exchange for monthly co-payments for individuals of family participants.

The PRDOH, in it's obligation to comply with law, has been identifying limitations to the access of available treatment to grant the patient availability and continuity of care to every patient with HIV/AIDS.

Some limitations to the availability and continuity of services to the HIV infected patient are furtherly described:

When the Health Care Services Administration's (ASES) was established it was determined that high cost protease inhibitors would be supplied by the PRDOH. We have been covering protease inhibitors for this limitation.

ASES Drug Formulary for antiretroviral is limited for the real need of treatment options for HIV/AIDS patients. We have been covering antiretroviral for this limitation.

Only the primary health physician (gatekeeper) had the capacity to certify a patient as special (catastrophic) coverage. If this physician would not do so and refuse to authorize antiretroviral, we would have to cover antiretroviral for this limitation.

ASES announces all health insurances that AIDS as well as non-AIDS HIV positives will be served under catastrophic coverage; however certification for catastrophic coverage of non-AIDS HIV positives by the primary health physician is still erratic and not uniform. We have been covering with antiretroviral for this limitation.

It was well described, still including the audit period, that some primary physicians from health insurances under ASES removed AIDS patients from catastrophic coverage after disease indicators improved substantially. This patients were shifted to the basic coverage healthcare which was managed and administered by the gatekeeper. This shift again established limitations to access antiretroviral from ASSES Drug Formulary. We have been covering antiretroviral for this limitation.

The prescribed medicine under the Health Care Services Administration's (ASES) Drug Formulary is not always available at the community within the PMB (MC21). Which means that drugs included in ASES Formulary are not available to the patient? We have been covering antiretroviral for this limitation.

The complete dose of the prescribed medicine under ASES Drug Formulary is not always available at the community pharmacy within MC21, which means that prescriptions of drugs included in ASES Drug Formulary are not dispatched complete to the patient. The PRDOH has been covering antiretroviral for this limitation.

Due to stigma and discrimination, frequently the patient refuses going to the community health center and private pharmacy; instead they attend the Immunology Clinics and government pharmacies for treatment and prescriptions. We have been covering antiretroviral for this limitation.

Patients fail to re-certify each year promptly after the end of previous government health care plan certification. We have been covering with antiretroviral for this limitation.

Other private health insurances for patients not qualifying to the government health care plan may not cover or partially cover antiretroviral. We have been covering with antiretroviral for this limitation.

Other private health insurances for patients not qualifying to the government health care plan require high co-payments, which may limit access to antiretroviral treatment. We have been covering with antiretroviral for this limitation.

The patient has the right to withdraw and register, from and to, any given HIPPA to receive health care services. This capacity, limited for periods of 30 days, imposes a technical waiting period, which usually breaks the continuity to obtain uninterrupted service and medicines. We have been covering antiretroviral for this limitation.

Due to the elimination of the Office of Health and Services Administration (AFASS), the Department of Health lost its infrastructure capacity for billing health care insurances in order to reimburse ADAP paid antiretroviral.

Until recently it was believed that PRDOH could not bill (any organization, including ASES) for drugs brought with federal ADAP money. The concept of billing for reimbursement of lent funds was not considered possible.

During the audit period, health insurances under the government health plan certified as special (catastrophic) coverage only patients diagnosed as AIDS. This excluded non-AIDS HIV positives in treatment. Thus non-AIDS HIV positives were not under catastrophic coverage, control of capitation was in hands of a not always cooperative medical gatekeeper and antiretroviral drug prescriptions were not authorized. We have been covering antiretroviral for this limitation.

Established mechanisms to correct the mentioned limitations:

- 1. Infectious Disease Specialists at the Immunology Clinics are qualified to directly certify HIV/AIDS patients under catastrophic coverage without requiring the primary physician approval.*
- 2. Automatic registering of the physician providing HIV/AIDS care at the Immunology Clinic to the pharmacies under MC21 under all health*

care insurances if he/she is provider at least to one. This allows prescription and dispensing of antiretroviral without requiring primary physician approval.

3. *Develop PRDOH capacity to bill healthcare insurances to recover and reimburse spent money for antiretroviral dispatched under ADAP fund. This strategy is in negotiation to be implemented gradually to all (8) immunology clinics.*
4. *Granting State money (previously assigned to ASES) to the ADAP fund to benefit from 340B prices and become PRDOH antiretroviral drug provider for all uncovered ADAP eligible patients. This strategy is in negotiation to be considered for next State money assignment.*
5. *Availability of HIV/AIDS drugs throughout a selected group of pharmacies around the Island.*

FINDING # 3: HEALTH DEPARTMENT DID NOT ALWAYS PURCHASE PRESCRIPTION DRUGS AT THE LOWEST PRICE AVAILABLE FOR ADAP

Criteria: Federal Costs Requirements and HRSA Policy Require HIV Drugs to be Purchased at the Lowest Price Available

Condition: Health Department Overpaid For HIV Drugs

OIG recommendations

- 6) Refund HRSA \$1,456,596 for medication expenses that were not reasonable.
- 7) Establish policies and procedures to ensure that medications are purchased at the lowest price
 - a. \$1,117,831 for drug purchases exceeding the 340B cost.

PRDOH Answer

Auditors from the OIG found that the PRDOH purchase medications from three out of fourteen drug vendors exceeding the federal price discount provided by the 340B program.

The PRDOH obtained information regarding this issue for the first time when the OIG auditors shared it with PRDOH officials during the auditing process, and made it official in the final draft report submitted to the PRDOH in May 2004.

The PRDOH acknowledges this finding. There are at least three reasons to explain why the PRDOH purchased medications at prices over the federal discount provided by the 340B program. 1) Drug vendors that do business in Puerto Rico acknowledged that they knew of the existence of the 340B federal drug price discount to purchase drug medications with Ryan White money, but understood that it applied exclusively for mainland business operations and not for international operations, as Puerto Rico was considered; 2) Drug vendors also understood that because of the existence of a locally negotiated drug price discount structure, it prevailed over the 340B program; and 3) the PRDOH was unable to purchase medications at the price discounts negotiated between the federal government and drug companies because it did not have at hand the information necessary to check if medications were being purchased at 340B prices, due to information restraints established by the federal regulations of the 340B program.

The PRDOH has already initiated efforts with the three drug companies that the OIG had identified as a result of the auditing process. Talks, and meetings have been already held with their representatives, including sharing with them information regarding the amount of money that each drug vendor sold in medications over the 340B program price discounts to the PRDOH. The PRDOH has information that the three drug vendors have also shared this issue with their headquarters, and have expressed a deep interest, and willingness to help the PRDOH solve this finding with HRSA.

- b. \$338,765 for drugs purchased at prices where available discounts were not taken.

PRDOH Answer

The OIG established that this problem occurred because the PRDOH manually operated financial system did not process invoice payments in a timely manner – within 30 or 45 days - , so as to obtain a 2 per cent price discount offered by most drugs vendors.

As said before, the PRDOH Auxiliary Secretariat for Prevention and Disease Control has an Accounts Payable Unit that is in charged of processing all payments for the Ryan White Title II, including the purchase of medications. The OIG observation of a manual operated financial system is a fact that hinders the timely and efficient operation of financial operations not only in that Unit, but also at the PRDOH's Purchasing and Finance offices.

The PRDOH began in 2002 an auto examination of all administrative processes in order to gain exact information as to why administrative

processes - including accounts payable - took more time than it was expected. An external and private firm was contracted to conduct this study.

As a result, recommendations have been made to improve dramatically the performance of administrative operations and procedures that will impact directly state and federal programs. One of the recommendations forwarded to the PRDOH was to contract for the installation of a grants management system for federal programs. This grants management system includes, among others, accounts payable, purchase, and administration modules, and the structure to communicate with the Puerto Rico Information Financial and Accounting System (PRIFAS). PRIFAS is the current accounting system that is based at the Puerto Rico Treasury Department, the Puerto Rican government agency responsible of managing the financial transactions of the Commonwealth of Puerto Rico.

After a request for proposals was set, two proposals were evaluated and the PRDOH has already selected the company that will be in charge to install, train personnel, and provide maintenance to the grants management system. This system will be first install to manage the operations of only three federal programs, being the Ryan White Title II program one of them. The PRDOH is expecting that this system will be operating within a six months period frame. With this system in place, administrative operations like processing invoices for payment will significantly improve so as to qualify for the 2 per cent discount offered by drug vendors when purchasing medications.

Moreover, the PRDOH is in the process of implementing too the recommendations forwarded by the above-mentioned study, including the establishment of a procedure to ensure that invoices are paid timely to take advantage of the discount periods suggested by the drug vendors.

Attachment A

Purchase Orders questioned by the OIG paid with FY 2001 Ryan White Title II funds



ADAP

Drug Vendor	Purchase Order No.	Purchase Order Amount	Amount billed as per OIG	Invoice Number	Amount questioned		Document Number	Check Number	Check date	Commentaries
					Paid	Not Paid				
Glaxo Wellcome	02102067	900,306.90	\$ 67,173.54	11018		\$ 65,173.54				Invoice #11018 was for \$67,958.90, and was adjusted for the sum of \$65,173.54 *****
Dupont / Bristol	02102019	218,097.60	218,097.60	3D569108	\$ 218,097.60		02027438	00754793	3/26/02	
Dupont / Bristol	02101931	185,124.60	185,124.60	30559058	185,124.60		02027437	00754793	3/26/02	
Borschow			4,227.60							Could not be checked because neither a purchase order nor an invoice could be matched.
* Total			\$ 474,623.34		\$ 403,222.20	\$ 65,173.54				

Formula

Drug Vendor	Purchase Order No.	Purchase Order Amount	Amount billed as per OIG	Invoice Number	Amount questioned		Document Number	Check Number	Check date	Commentaries
					Paid	Not Paid				
Rhone	02102221	2,721.12	2,721.12	025611	2,721.12		03025103	00872498	9/24/02	
John International	02102204	17,784.00	10,966.80	105019		10,966.80				A payment has not been made. Medications were delivered. *****
				95914	2,667.60					
				92999	16,665.60		03025105	00872181	9/24/02	
				93062	592.80					
John International	01068606	19,926.00	19,926.00							
John International	02102201	13,095.36	13,095.36	103989	13,095.36		03025104	00872181	9/24/02	
Bristol	02102147	15,120.00	8,850.00	649294	8,730.00		04ET3508	01236936	4/12/04	\$120.00 were not delivered.
Bristol	01068614	43,912.00	2,430.38							\$2,430.38 were not delivered.
Rhone	02102175	12,036.00	** 12,031.20	026148	12,031.20		03025422	00291605	10/21/02	The drug vendor billed only \$12,031.20
Pfizer	02102211	72,761.40	72,761.40	9005801	72,761.40		03025150	00873830	9/25/02	
Rhone	02102130	12,036.00	***			12,036.00				A payment has not been made. *****
Bristol	02102230	2,432.00	2,432.00	647808	1,520.00		03025464	00893918	10/23/02	
				647805		912.00				Medications were delivered. Payment is pending. *****
Bristol	02101910	53,112.00	53,112.00	626895M	50,359.68		04ET3509	01236936	4/12/04	\$2,752.32 were not delivered.
Bristol	02102085	10,560.00	10,560.00	642558M	10,560.00		04AP38AA	01075332	7/31/03	
Borschow			247,849.48							Could not be checked because neither a purchase order nor an invoice could be matched.
****Total			\$ 456,735.74		\$ 191,704.76	\$ 23,914.80				

* \$474,623.34 was the total amount questioned by the OIG for ADAP. \$403,222.20 of that total amount has been paid. \$65,173.54 are going to be paid by the PRDOH.

** The amount of \$12,031.20 questioned by the OIG was not included in "Exhibit A-1. Nonetheless, was taken into consideration in the total amount not paid.

*** Was included in "Exhibit A-2" without an amount. Was not taken into consideration when calculating the total amount not paid..

**** \$456,735.74 was the total amount questioned by the OIG for Formula. \$191,704.76 of that total amount has been paid. \$23,914.80 are going to be paid by the PRDOH.

***** The PRDOH will proceed with this payment.

Fecha: 8/18/2004

Preparado por: Alexandra Made
Miriam E. Pérez

Oficina de Finanzas

*****ATTACHMENT B*****

Medications Expenses with FY 2001 Ryan Title II Funds

Finance Office Accounting Books	\$ 21,655,711.45
Check returned by Borshow	(235,000.72)
Amount of money in payment process	<u>89,088.34</u>
Total	\$ 21,509,799.07

Note: After the Finance Office reviewed all expenditures that were accounted for all purchases orders issued and received for FY 2001, medication expenses increased to \$21,509,799.07 compared to \$20,999,373.56 that were reported in the Final FY 2001 Financial Status Report. This resulted in an understatement of expenditures for medications that amounted to \$510,425.51. The Finance Office understands that the \$199,612.22 identified by the OIG are included in the purchases orders that have been already paid and in the balance pending to be paid by the PRDOH. This report was reconciled with the Puerto Rico Information and Accounting System (PRIFAS), the computerized accounting system for the government of Puerto Rico.

Attachment C

Payments made to Consortia with FY 2001 Ryan White Title II Funds



Consortia	Allocation	Quantities as reported by OIG			Amount paid Verified with PRIFAS	Expenses reported in Year-End Close Outs	Balance Pending to be Repay to the PRDOH	Commentaries
		Paid	Obligated	Adjustments				
1 Fundacion Social Refugio Eterno	\$ 368,167.00	\$ 368,167.00	\$ -	\$ -	\$ 368,167.00	\$ 365,570.74	\$ 2,596.26	A check for \$2,596.26 was issued in favor of the PRDOH. This check has already been redeemed.
2 Inst. Prevocacional e Industrial de P.R.	440,545.00	440,545.00	-	-	440,545.00	427,183.49	13,361.51	A check for \$13,361.51 was issued in favor of the PRDOH. This check has already been redeemed.
3 Asoc. Puertorriqueña de Ayuda y Serv. al Paciente con SIDA (APSAPS)	379,859.00	379,859.00	-	-	379,859.00	379,859.00	-	
4 Consorcio Reg. Agdilla - Mayagüez	491,622.00	603,577.64	-	(111,955.64)	491,622.00	*188,404.00	303,218.00	Voucher # 02027083 for \$111,955.64 belonged to the FY 2000 "grant".
5 Consorcio Región Sur - Ponce	380,872.00	190,436.00	190,436.00	(89,931.13)	290,940.87	237,105.72	53,835.15	A payment of \$100,504.87 was made to the consortium after the OIG issued the draft report. (Voucher #MET1636)
6 Consorcio Inmologico Metro - Este	316,126.00		158,063.00	**158,063.00	316,126.00	229,577.87	86,548.13	A check for \$85,345.32 was issued in favor of the PRDOH. The difference of \$1,202.81 will be billed to the consortium.
7 Bill Kitchen	31,991.79	31,991.79	-	-	31,991.79	31,991.79	-	
8 Iniciativa Comunitaria	43,644.00	25,871.89	-	-	25,871.89	25,871.89	-	
9 Hogar de Ayuda el Refugio	79,871.69	53,455.00	5,900.00	(16,155.00)	43,200.00	43,200.00	-	Vouchers #02027717 & #02A27236 that summed \$18,955.00 were paid erroneously to this organization. They belonged to Hogar Agua y Vida Desierto.
10 Asoc. de Familiares y Amigos del Paciente con SIDA (AFAPS)	89,169.00	41,973.13	47,195.86	(6,936.50)	82,232.49	89,168.99	(6,936.50)	\$6,936.50 was billed but not paid. A payment will be made to this agency.
11 Hogar Agua y Vida en el Desierto	31,025.00	-	-	-	23,545.00	-	-	
Total	\$ 2,652,892.48	\$ 2,135,876.45	\$ 401,594.86	\$ (224,978.27)	\$ 2,494,101.04	***\$ 1,829,529.49	****\$ 452,622.55	

* The quantity presented by the OIG for the year-end close out was \$293,063.73. This amount was revised by the program and changed to \$188,404.00, as per preliminary year-end close out.
 **A payment of \$158,063.00 [Voucher #03025109] was made after the OIG draft report.
 *** This quantity represents expenses reviewed and adjusted.
 ****Of this amount \$101,303.09 have been already repaid to the PRDOH, leaving a difference of \$351,319.46.

ACKNOWLEDGMENTS

This report was prepared under the direction of Timothy J. Horgan, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

James C. Cox, Audit Manager
Margie Colón, Senior Auditor
Ramón M. Serrano, Auditor
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