



FEB 27 2007

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

FROM: Daniel R. Levinson *Daniel R. Levinson*
Inspector General

SUBJECT: Review of the Management of Unobligated Funds Provided by Title I of the Ryan White Comprehensive AIDS Resources Emergency Act (A-02-03-02006)

Attached is our final report on the Health Resources and Services Administration's (HRSA) management of unobligated funds provided by Title I of the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act. The CARE Act funds health care and support services for people who have HIV/AIDS and who have no health insurance or are underinsured. Title I of the CARE Act, found in sections 2601-2607 of the Public Health Service Act, provides grants to eligible metropolitan areas (eligible areas), which are defined as jurisdictions that are disproportionately affected by HIV/AIDS. During our audit period (grant years 1999-2003), HRSA awarded almost \$2.8 billion in Title I grants to 51 eligible areas.

Our objective was to determine whether HRSA complied with departmental policy limiting the carryover of unobligated Title I funds to one budget period.

HRSA did not always comply with departmental policy that, during our audit period, limited the carryover of unobligated grant balances to the next budget period only. Specifically, for grant years 1999-2003, HRSA authorized 46 of the 51 eligible areas to carry over unobligated Title I funds totaling \$45,138,339 for periods ranging from 2 to 5 years beyond the original budget period. These funds, which were originally awarded to eligible areas to provide services during a specific budget period, were instead carried over for use in subsequent budget periods.

Departmental policy guidance issued after our audit period now permits the carryover of unobligated grant funds into either of the next two budget periods, but into no other subsequent period.

We recommend that HRSA comply with current departmental policy guidance related to the carryover of unobligated grant balances.

In written comments on our draft report, HRSA concurred with our recommendation and stated that it now follows current departmental policy regarding the approval of carryover requests from Title I grantees.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at Joe.Green@oig.hhs.gov or James P. Edert, Regional Inspector General for Audit Services, Region II, at (212) 264-4620 or through e-mail at James.Edert@oig.hhs.gov. Please refer to report number A-02-03-02006 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE MANAGEMENT
OF UNOBLIGATED FUNDS
PROVIDED BY TITLE I OF THE
RYAN WHITE COMPREHENSIVE
AIDS RESOURCES
EMERGENCY ACT**



Daniel R. Levinson
Inspector General

February 2007
A-02-03-02006

Office of Inspector General

<http://oig.hhs.gov>

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The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The Ryan White Comprehensive AIDS Resources Emergency (CARE) Act, Public Law 101-381, funds health care and support services for people who have HIV/AIDS and who have no health insurance or are underinsured. As the Federal Government's largest source of funding specifically for people with HIV/AIDS, the CARE Act assists more than 500,000 individuals each year. Within the Department of Health and Human Services, the Health Resources and Services Administration (HRSA) administers the CARE Act.

Title I of the CARE Act, found in sections 2601–2607 of the Public Health Service Act, provides grants to eligible metropolitan areas (eligible areas), which are defined as jurisdictions that are disproportionately affected by HIV/AIDS. During our audit period (grant years 1999–2003), HRSA awarded almost \$2.8 billion in Title I grants to 51 eligible areas.

OBJECTIVE

Our objective was to determine whether HRSA complied with departmental policy limiting the carryover of unobligated Title I funds to one budget period.

SUMMARY OF FINDING

HRSA did not always comply with departmental policy that, during our audit period, limited the carryover of unobligated grant balances to the next budget period only. Specifically, for grant years 1999–2003, HRSA authorized 46 of the 51 eligible areas to carry over unobligated Title I funds totaling \$45,138,339 for periods ranging from 2 to 5 years beyond the original budget period. These funds, which were originally awarded to eligible areas to provide services during a specific budget period, were instead carried over for use in subsequent budget periods.

Departmental policy guidance issued after our audit period now permits the carryover of unobligated grant funds into either of the next two budget periods, but into no other subsequent period.

RECOMMENDATION

We recommend that HRSA comply with current departmental policy guidance related to the carryover of unobligated grant balances.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA concurred with our recommendation and stated that it now follows current departmental policy regarding the approval of carryover requests from Title I grantees. The full text of HRSA's comments is included as Appendix B.

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INTRODUCTION

BACKGROUND

The Ryan White Comprehensive AIDS Resources Emergency (CARE) Act, Public Law 101-381, funds health care and support services for people who have HIV/AIDS and who have no health insurance or are underinsured. As the Federal Government’s largest source of funding specifically for people with HIV/AIDS, the CARE Act assists more than 500,000 individuals each year. Within the Department of Health and Human Services (HHS), the Health Resources and Services Administration (HRSA) administers the CARE Act.

Title I of the CARE Act, found in sections 2601–2607 of the Public Health Service Act, provides grants to eligible metropolitan areas (eligible areas), which are defined as jurisdictions that are disproportionately affected by HIV/AIDS. These grants fund HIV/AIDS health and support services, such as substance abuse and mental health treatment, case management services, and outreach activities. HRSA awards half of the Title I funds based on a formula established by law and the remainder as supplemental grants. Supplemental grants are awarded competitively based on applications that are required to demonstrate, among other things, severe need and the capacity to use funds to meet community needs.

During our audit period (grant years 1999–2003), HRSA awarded almost \$2.8 billion in Title I grants to 51 eligible areas. (See Table 1.) HRSA notified the eligible areas of the award amounts by issuing Notices of Grant Award at the beginning of each grant year (March 1).

Table 1: Title I Funding for Grant Years 1999–2003

1999	2000	2001	2002	2003	Total
\$485,816,900	\$526,811,000	\$582,727,700	\$597,256,000	\$599,513,000	\$2,792,124,600

Federal regulations (45 CFR § 92.41(b)(4)) and the Public Health Service Grants Policy Statement, section 8, “Postaward Administration,” require eligible areas to submit final financial status reports to HRSA within 90 days after the end of the budget period (grant year). These reports include such information as the total Federal funds authorized for the budget period, the total Federal share of outlays and unliquidated obligations, and the unobligated balance of Federal funds.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether HRSA complied with departmental policy limiting the carryover of unobligated Title I funds to one budget period.

Scope

Our review covered the period March 1, 1999, through February 29, 2004 (grant years 1999–2003). Title I awards for this period totaled almost \$2.8 billion.

We did not review HRSA's overall internal control structure. Rather, we performed sufficient work to obtain an understanding of controls related to the authorization of unobligated Title I funds.

We did not evaluate the validity of data on the eligible areas' applications for supplemental grants, the eligible areas' financial status reports, or HRSA's Notices of Grant Award.

We performed our fieldwork at HRSA's offices in Rockville, Maryland.

Methodology

To accomplish our objective, we:

- reviewed Federal requirements regarding the carryover of unobligated Title I funds;
- interviewed HRSA officials regarding the identification and carryover of unobligated Title I funds;
- reviewed information made available to us as of November 2004, including (1) the eligible areas' financial status reports, which showed unobligated Title I funds for grant years 1999–2003; (2) reports from the HHS Payment Management System, which showed the balances of unobligated Title I funds, the funds carried over, and the budget periods when the carryover funds were originally awarded; and (3) HRSA's Notices of Grant Award, which showed the funds awarded to the eligible areas, the funds approved for carryover, and the budget periods when the carryover funds were originally awarded; and
- analyzed the total amount of unobligated Title I funds approved for carryover during grant years 1999–2003.

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

FINDING AND RECOMMENDATION

HRSA did not always comply with departmental policy that, during our audit period, limited the carryover of unobligated grant balances to the next budget period only. Specifically, for grant years 1999–2003, HRSA authorized the carryover of unobligated Title I funds totaling \$45,138,339 beyond one budget period.

CARRYOVER OF UNOBLIGATED FUNDS BEYOND 1 YEAR

The HHS Grants Policy Directive 2.04(H)(4), issued in November 1999, stipulates that “. . . carryover of unobligated balances by the grantee is authorized only from one budget period to the next.”

Contrary to this policy directive, HRSA authorized 46 of the 51 eligible areas to carry over unobligated Title I funds beyond 1 year. Specifically, for grant years 1999–2003, HRSA authorized eligible areas to carry over \$45,138,339 for periods ranging from 2 to 5 years beyond

the original budget period. HRSA authorized these carryovers based on the eligible areas' requests. These funds, which were originally awarded to eligible areas to provide services during a specific budget period, were instead carried over for use in subsequent budget periods.

Table 2 shows, based on information available as of November 2004, the amounts of unobligated funds that HRSA approved for carryover for grant years 1999–2003. Appendix A shows the amounts approved for carryover beyond 1 year for each of the 51 eligible areas.

Table 2: Unobligated Title I Funds Approved for Carryover

Grant Year	Total Amount Approved for Carryover	Less Carryover to the Next Grant Year	Carryover Beyond 1 Year
1999	\$21,085,586	\$15,409,273	\$5,676,313
2000	12,080,333	7,609,452	4,470,881
2001	35,026,031	20,178,284	14,847,747
2002	47,936,963	33,607,996	14,328,967
2003	23,617,424	17,802,993	5,814,431
Total	\$139,746,337	\$94,607,998	\$45,138,339

On July 22, 2004, after our audit period, the HHS Office of Grants Management and Policy issued “Interim Policy Guidance Concerning Carryover of Unobligated Balances.” This interim guidance permits the carryover of grantee unobligated balances into either of the next two immediately succeeding budget periods, but into no other subsequent budget period.

RECOMMENDATION

We recommend that HRSA comply with current departmental policy guidance related to the carryover of unobligated grant balances.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA concurred with our recommendation and stated that it now follows current departmental policy regarding the approval of carryover requests from Title I grantees. The full text of HRSA’s comments is included as Appendix B.

APPENDIXES

**UNOBLIGATED TITLE I FUNDS APPROVED FOR CARRYOVER BEYOND 1 YEAR:
1999–2003**

Eligible Metropolitan Area	1999	2000	2001	2002	2003	Total
1 Atlanta, GA	\$0	\$0	\$257,849	\$0	\$0	\$257,849
2 Austin, TX	0	0	0	0	0	0
3 Baltimore, MD	1,800,000	85,539	1,246,109	836,471	3,968	3,972,087
4 Bergen-Passaic-Paterson, NJ	0	0	0	0	1,271,177	1,271,177
5 Boston, MA	0	50,000	271,667	0	0	321,667
6 Caguas, PR	0	0	222,977	255,583	0	478,560
7 Chicago, IL	0	0	0	45	45	90
8 Cleveland, OH	85,338	0	0	668,191	0	753,529
9 Cumberland County, NJ	25,578	0	3,709	0	0	29,287
10 Dallas, TX	0	0	94,649	29,018	0	123,667
11 Denver, CO	0	8,589	0	0	0	8,589
12 Detroit, MI	0	0	0	42,611	0	42,611
13 Dutchess County, NY	56,652	0	6,706	0	0	63,358
14 Ft. Lauderdale, FL	1,548,224	54,263	0	54,324	61,674	1,718,485
15 Ft. Worth, TX	10,466	0	0	0	0	10,466
16 Hartford, CT	0	0	5,001	5,002	0	10,003
17 Houston, TX	0	136,008	136,008	136,008	0	408,024
18 Hudson County, NJ	1,012,795	588,489	593,028	593,080	325,712	3,113,104
19 Jacksonville, FL	0	0	0	21,866	0	21,866
20 Kansas City, KS	0	0	0	0	0	0
21 Las Vegas, NV	0	0	0	0	0	0
22 Los Angeles, CA	0	0	613,050	0	0	613,050
23 Miami, FL	0	594,425	1,787,692	0	0	2,382,117
24 Middlesex County, NJ	96,448	53,355	28,189	0	0	177,992
25 Minneapolis, MN	0	0	0	0	0	0
26 Nassau County, NY	223,540	261,349	150,514	682,560	44,780	1,362,743
27 Newark, NJ	0	0	0	478,198	0	478,198
28 New Haven, CT	134,405	30,000	436,660	0	0	601,065
29 New Orleans, LA	0	270,000	0	1,294,907	0	1,564,907
30 New York, NY	0	219,579	7,039,406	757,693	39,482	8,056,160
31 Norfolk, VA	0	0	696,129	516,481	0	1,212,610
32 Oakland, CA	0	0	0	3,837	0	3,837
33 Orange County, CA	0	0	0	0	0	0
34 Orlando, FL	0	0	0	0	1,318	1,318
35 Philadelphia, PA	293,866	275,717	0	22,868	0	592,451
36 Phoenix, AZ	0	0	0	0	14,296	14,296
37 Ponce, PR	0	133,003	0	493,873	0	626,876
38 Portland, OR	0	0	0	396	0	396
39 Sacramento, CA	0	160,001	125,517	0	0	285,518
40 St. Louis, MO	0	3,000	0	0	1,525	4,525
41 San Antonio, TX	0	0	100,000	1,745,395	1,745,087	3,590,482
42 San Bernardino, CA	0	44,356	0	0	0	44,356
43 San Diego, CA	0	17,887	0	109,197	0	127,084
44 San Francisco, CA	187,656	130,001	0	0	0	317,657
45 San Jose, CA	74,509	268,878	0	0	0	343,387
46 San Juan, PR	0	0	0	4,009,676	0	4,009,676
47 Santa Rosa, CA	16,813	0	0	0	0	16,813
48 Seattle, WA	0	0	120,000	379,611	0	499,611
49 Tampa, FL	39,273	44,509	0	207,251	9,291	300,324
50 Washington, DC	0	0	912,887	476,453	2,296,076	3,685,416
51 West Palm Beach, FL	70,750	1,041,933	0	508,372	0	1,621,055
	\$5,676,313	\$4,470,881	\$14,847,747	\$14,328,967	\$5,814,431	\$45,138,339



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services Administration

DEC 15 2006

Rockville, Maryland 20857

TO: Daniel R. Levinson
Inspector General

FROM: Administrator

SUBJECT: Office of Inspector General Draft Report: "Review of the Management of Unobligated Funds Provided by Title I of the Ryan White Comprehensive AIDS Resources Emergency Act" (A-02-03-02006)

Thank you for the opportunity to provide comments on the above subject draft report. Attached for your review are our comments.

Questions may be referred to Gail Lipton in HRSA's Office of Federal Assistance Management at (301) 443 -6509.


Betty James Duke

Attachment

The Health Resources and Services Administration (HRSA) Response to the Office of Inspector General (OIG) Report; Review of the Management of Unobligated Funds Provided By Title I of the Ryan White Comprehensive AIDS Resources Emergency Act, A-02-03-02006

OIG Finding:

HRSA did not always comply with departmental policy that, during our audit period, limited the carryover of unobligated grant balances to the next budget period only. Specifically, for the grant years 1999-2003, HRSA authorized 46 of the 51 eligible areas to carry over unobligated Title I funds totaling \$45,138,339 for periods ranging from 2 to 5 years beyond the original budget period. These funds, which were originally awarded to eligible areas to provide services during a specific budget period, were instead carried over for use in subsequent budget periods.

Departmental policy guidance issued after our audit period now permits the carryover of unobligated grant funds into either of the next two budget periods, but into no other subsequent period.

HRSA Response:

During the period reviewed by the OIG, the HIV/AIDS Bureau's (HAB) implementation of HRSA grant policy with regard to the use of carryover did not follow HHS grants procedures. The practice in HRSA for the Title I funds had been to maximize the use of these funds in serving the HIV patients under the respective grant awards. To that end, HRSA permitted the grantees to use the carryover funds beyond the next year if a grantee presented a strong and supportable proposal for the use of the funds. This approach appeared to be the best practice for serving the HIV patients, since the alternative would have been to return the funds to Treasury. Though this practice was not in accordance with the new HHS policy, it should be noted that it was not in violation of appropriation law. Because this was the longstanding practice and grantees had come to rely on it, HRSA allowed a grace period to States and cities in which to adhere to the new policy. HRSA is now following the current Departmental policy with regard to the approval of carryover requests from Title I grantees.

ACKNOWLEDGMENTS

This report was prepared under the direction of James P. Edert, Regional Inspector General for Audit Services, Region II. Other principal Office of Audit Services staff who contributed include:

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