July 21, 2004

Report Number: A-02-03-02008

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner
New York State Department of Health
Corning Tower Building
Empire State Plaza
Albany, New York 12237

Dear Dr. Novello:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled “Review Of The New York State Ryan White Comprehensive AIDS Resources Emergency Act Title II Grant For The Period April 1, 2001 To May 31, 2002.” Since our review disclosed no findings, we are issuing just a final report. A copy of this report will be forwarded to the action official note below for his/her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. 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 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 information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)
To facilitate identification, please refer to report number A-02-03-02008 in all correspondence relating to this report.

Sincerely,

Timothy J. Horgan
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:
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Health Resources and Services Administration
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Rockville, Maryland 20857
Department of Health and Human Services
OFFICE OF
INSPECTOR GENERAL

REVIEW OF THE NEW YORK STATE
RYAN WHITE COMPREHENSIVE
AIDS RESOURCES EMERGENCY ACT
TITLE II GRANT FOR THE PERIOD
APRIL 1, 2001 TO MAY 31, 2002

July 2004
A-02-03-02008
NOTICES

THIS REPORT IS AVAILABLE TO THE PUBLIC
at http://oig.hhs.gov

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.
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 OIG's 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 the department.

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The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the department, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs. The OEI also oversees State Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

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The OIG's Office of Investigations (O1) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of O1 lead to criminal convictions, administrative sanctions, or civil monetary penalties.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops model compliance plans, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.
EXECUTIVE SUMMARY

BACKGROUND

Under the Ryan White Comprehensive AIDS Resources Emergency Act, Title II (CARE Act Title II), the Health Resources and Services Administration (HRSA) makes grants to all U.S. States and Territories for Human Immunodeficiency Virus (HIV) programs to fund:

- comprehensive treatment services including outpatient care, home and hospice care, and case management
- drug therapies under the AIDS Drug Assistance Program (ADAP)

Aimed at people living with HIV or Acquired Immune Deficiency Syndrome (AIDS) who have no other source of healthcare or have limited coverage, CARE Act Title II funded programs are the “payor of last resort” and are to fill gaps that are not covered by other resources.

New York’s Department of Health (health department) has primary responsibility for and oversight of the CARE Act Title II grant. Within the health department, day-to-day responsibilities for program direction are delegated to the AIDS Institute, which serves to ensure that the CARE Act Title II funding is used to implement a continuum of HIV services throughout the State. The health department further delegated fiscal and administrative oversight to Health Research, Incorporated (fiscal intermediary), a not-for-profit corporation operated by the health department. For the period April 1, 2001 through March 31, 2002, New York received CARE Act Title II grant award funding of $158,334,600.

OBJECTIVE

Stemming from a request from the U. S. Senate Committee on Finance to review CARE Act Title II program activities and use of funds, we conducted audits at a number of states, including New York, the nation’s largest funded program. Our objective was to determine if the health department met key service delivery performance goals and complied with program requirements governing non-Federal matching funds, previous year’s State expenditures for HIV-related activities, caps established for administrative, planning, and evaluation activities, involvement of the public in the CARE Act Title II planning process, and monitoring of sub-recipients.

Our audit covered the period from April 1, 2001 through March 31, 2002.

SUMMARY OF FINDINGS

The health department substantially met its service delivery performance goals in terms of the number of clients served and prescriptions provided; and complied with program requirements that we tested, including non-Federal matching funds, previous year’s expenditures, spending caps, public involvement; and the monitoring of sub-recipients. Accordingly, we have no recommendations.
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INTRODUCTION

BACKGROUND

Ryan White CARE Act Title II

Within the U.S. Department of Health and Human Services (HHS), HRSA administers the CARE Act, enacted in 1990 and reauthorized in 1996 and 2000. The objective of CARE Act Title II, the focus of this report, is to improve access to a comprehensive continuum of high-quality community-based primary medical care and support services. Aimed at people living with HIV/AIDS who have no other source of healthcare or have limited coverage, CARE Act Title II funded programs are the “payor of last resort” and are 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 U.S. States and Territories. States are allowed program flexibility to ensure a basic standard of care across their diverse service areas.

New York—The Nation’s Largest Funded Program

For the grant year April 1, 2001-March 31, 2002, HRSA awarded the health department $158,334,600 in CARE Act Title II funding, making New York the largest State in the CARE Act Title II program. The health department has primary responsibility and oversight of the CARE Act Title II grant but delegates day-to-day responsibility to the AIDS Institute and fiscal intermediary. The AIDS Institute acts to ensure that the CARE Act Title II funding is used to implement a continuum of HIV services throughout the State, while the fiscal intermediary is responsible for administering the CARE Act Title II.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Stemming from a request from the U. S. Senate Committee on Finance to review CARE Act Title II program activities and use of funds, we conducted audits at a number of states, including New York, the nation’s largest funded program. Our objective was to determine if the health department met key service delivery performance goals and complied with program requirements governing non-Federal matching funds, previous year’s State expenditures for HIV-related activities, caps established for administrative, planning, and evaluation activities, involvement of the public in the CARE Act Title II planning process, and monitoring of sub-recipients.

Our audit covered the period from April 1, 2001 through March 31, 2002.
Scope

The scope of our audit was limited to addressing the objectives. During the period April 1, 2001 through March 31, 2002 the health department claimed $141,609,824 in reimbursement from HRSA for CARE Act Title II grant expenditures. Our limited testing was not sufficient to render an opinion on the reasonableness, allowability or allocability of those expenditures.

We did not review the overall internal control structure of the health department, AIDS Institute or fiscal intermediary. However, we documented key controls related to client eligibility and the dispensing of drugs.

Methodology

To accomplish our objective, we:

- compared key grant performance goals established by the health department in its grant application to actual performance results reported to HRSA, and traced selected performance measures back to supporting documentation
- interviewed cognizant officials, reviewed policies and procedures, and tested selected transactions charged to the CARE Act Title II program for compliance with program requirements governing non-Federal matching, previous year’s expenditures, spending caps, and public involvement
- reviewed sub-recipient monitoring activities performed by the AIDS Institute and the fiscal intermediary

We performed our review in accordance with generally accepted government auditing standards, during the period June through October 2003. Since our findings were positive and we are making no recommendations, we did not issue a draft audit report and obtain comments.

RESULTS OF REVIEW

The health department substantially met its service delivery performance goals in terms of the number of clients served and prescriptions provided; and complied with program requirements that we tested, including non-Federal matching funds, previous year’s expenditures, spending caps, public involvement; and the monitoring of sub-recipients. Accordingly, we have no recommendations.

HEALTH DEPARTMENT SUBSTANTIALLY MET SERVICE PERFORMANCE GOALS AND PROGRAM REQUIREMENTS

The health department substantially met its service delivery performance goals and program requirements regarding non-Federal matching funds, previous year’s expenditures, spending caps, public involvement and the monitoring of sub-recipients.
Criteria: CARE Act Title II Grantees Required to Establish Service Performance Goals and Meet Program Requirements

CARE Act Title II grantees are required to establish service performance goals and meet program requirements, as follows:

- **Performance Goals:** Section 2617 of the CARE Act requires Title II grantees to state in their funding applications performance goals for the number of eligible HIV clients to be served. These goals are based on historical and actuarial data.

- **Program Requirements:** Sections 2617 and 2618 of the CARE Act require States to comply with certain program requirements. Specifically, States are to: provide non-Federal matching funds; meet or exceed previous year’s State expenditures for HIV-related activities; spend within the cap established for administrative, planning, and evaluation activities; and adequately include the public in the planning process. HRSA incorporates each State’s requirements into the Notice of Grant Award each year.

In addition, as part of its responsibilities as the grantee, the health department must ensure that its sub-recipients meet program objectives and properly spend project funds.

**Condition: Goals and Requirements Met**

The health department uses the Progress Report to document its performance in achieving various services measures. For the 2001 grant year, we judgmentally traced seven service measures from the Final Progress Report to supporting documentation. We found that the health department either exceeded or substantially met the seven key service performance goals as shown in the table below:

<table>
<thead>
<tr>
<th>Service Objective</th>
<th>Service Measure</th>
<th>Goal (per Grant Application)</th>
<th>Actual (per April 30, 2002 Progress Report)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enroll New Applicants</td>
<td>New Enrollment</td>
<td>4,300</td>
<td>4,051</td>
</tr>
<tr>
<td>Provide Access to ADAP Drugs</td>
<td>Total Enrollment</td>
<td>20,500</td>
<td>21,923</td>
</tr>
<tr>
<td>Reimburse Covered ADAP Drugs</td>
<td>Clients/Prescriptions</td>
<td>Clients - 16,000 Prescriptions - 700,000</td>
<td>Clients - 18,375 Prescriptions- 647,282</td>
</tr>
<tr>
<td>Provide Continuation of Health Insurance</td>
<td>New Clients Enrolled</td>
<td>360</td>
<td>445</td>
</tr>
<tr>
<td></td>
<td>Total Clients Enrolled</td>
<td>700</td>
<td>755</td>
</tr>
<tr>
<td></td>
<td># of Premiums Paid By Health Department</td>
<td>4,500</td>
<td>5,396</td>
</tr>
</tbody>
</table>
The health department also complied with program requirements. It:

- matched Federal funds with non-Federal funds in accordance with the final Notice of Grant Award
- matched the previous year’s State expenditures for HIV-related activities
- limited combined administrative, planning, and evaluation costs to approximately $6.1 million, or 4 percent of the award amount—well below the cap of 15 percent
- included persons living with HIV and representatives of grantees, providers, and public agencies in the CARE Act Title II planning process

Finally, we determined that the health department established effective procedures to monitor the fiscal and programmatic activities of its 142 CARE Act Title II sub-recipients.
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:

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Glenn H. Richter, Senior Auditor
Kristen C. Culnan, Auditor
William A. Younglove, Auditor
William F. Steinbach, Auditor