



DEPARTMENT OF HEALTH & HUMAN SERVICES  
OFFICE OF INSPECTOR GENERAL  
OFFICE OF AUDIT SERVICES  
150 S. INDEPENDENCE MALL WEST  
SUITE 316  
PHILADELPHIA, PENNSYLVANIA 19106-3499

December 21, 2004

Report Number: A-03-03-00388

Regina V. K. Williams  
City Manager  
Office of the City Manager  
1101 City Hall  
810 Union Street  
Norfolk, Virginia 23510

Dear Ms. Williams:

Enclosed are two copies of the Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Ryan White Title I Funds Claimed by the Norfolk Community Services Board of the Norfolk Eligible Metropolitan Area During the Fiscal Year Ended February 28, 2002." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

The action official will make final determination as to the 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 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-03-03-00388 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky", with a long horizontal line extending to the right.

Stephen Virbitsky  
Regional Inspector General  
for Audit Services

Enclosures – as stated

**Direct Reply to HHS Action Official:**

Nancy J. McGinness  
Director  
Office of Financial Policy and Oversight  
Health Resources and Services Administration  
Parklawn Building, Room 11A-55  
5600 Fishers Lane  
Rockville, Maryland 20857

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**RYAN WHITE TITLE I FUNDS  
CLAIMED BY THE NORFOLK  
COMMUNITY SERVICES BOARD OF  
THE NORFOLK ELIGIBLE  
METROPOLITAN AREA DURING THE  
FISCAL YEAR ENDED  
FEBRUARY 28, 2002**



**DECEMBER 2004  
A-03-03-00388**

# *Office of Inspector General*

<http://oig.hhs.gov>

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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 the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act, Title I, the Health Resources and Services Administration (HRSA) makes grants to eligible metropolitan areas (EMAs) for outpatient healthcare and related services to treat people living with HIV or AIDS. The CARE Act Title I program is the payor of last resort for persons who have limited insurance coverage or no other source of health care.

The City of Norfolk (Norfolk) EMA, established in 1999, received over \$4.7 million during fiscal year (FY) 2001 (March 1, 2001 through February 28, 2002), the period of our review, to provide CARE Act Title I services. On behalf of the Mayor of Norfolk, the Office of City Manager acts as the CARE Act Title I grantee. In this role, the Office of City Manager issued a contract totaling \$115,277 to the Norfolk Community Services Board (NCSB) to provide substance abuse services. NCSB, a Norfolk agency, provides mental health, mental retardation, and substance abuse services. As the primary substance abuse treatment facility in the Norfolk area, NCSB receives most of its Federal funding from the Substance Abuse and Mental Health Services Administration (SAMHSA).

### OBJECTIVES

In response to the U.S. Senate Committee on Finance's request that we examine the implementation of CARE Act Title I at the local level, we selectively conducted audits nationwide of EMAs and their contractors, including three in Norfolk. At NCSB, the subject of this report, our objectives were to determine:

- Did the Office of City Manager ensure that NCSB provided the expected **program services** to clients eligible for CARE Act Title I?
- Did the Office of City Manager ensure that NCSB followed Federal requirements for charging **program costs** to CARE Act Title I?

### SUMMARY OF FINDINGS

The Office of City Manager did not ensure that NCSB provided the expected level of program services to eligible CARE Act Title I clients or followed Federal requirements for charging program costs.

NCSB's quarterly progress reports and reimbursement forms did not accurately reflect actual services provided. The quarterly progress reports were not readily reconcilable from one quarter to the next; and the reimbursement forms overstated the units of service NCSB provided because they were based on enrolled clients receiving treatment on a daily basis rather than on actual services provided.

NCSB's method for charging costs to the CARE Act Title I program was not consistent with Federal requirements or the Office of City Manager's Request for Proposal (RFP), which limited administrative costs to 10 percent of program expenses and required reimbursement requests to be based on actual costs. Contrary to these requirements, NCSB charged administrative costs in excess of the 10 percent limit, and calculated program costs by charging \$10 per day for all enrolled clients, regardless of whether they received service, without reconciling this amount to actual costs. We identified specific discrepancies in cost charges totaling \$12,291 for the period we reviewed, as follows:

- \$9,741 for administrative costs that were already captured in the \$10 charge
- \$2,550 relating to 255 units of service that NCSB did not provide, but charged to the CARE Act Title I program

The above conditions occurred because the Office of City Manager did not provide adequate program and fiscal monitoring of NCSB. The Office of City Manager did not take steps to verify that NCSB's reported service levels were accurate, and did not ensure that NCSB properly charged costs to the CARE Act Title I program.

As a result, the Office of City Manager may not have provided the level of services needed by the HIV/AIDS community in Norfolk; and inappropriately disbursed \$12,291 in Federal funds to NCSB.

## **RECOMMENDATIONS**

We recommend that the Office of City Manager:

1. refund \$12,291 to the Federal Government, the amount inappropriately paid to NCSB
2. require NCSB to accurately report the allowable costs of providing CARE Act Title I services

## **OFFICE OF CITY MANAGER COMMENTS**

In a written response to the draft report, the Office of City Manager stated that it concurred with the findings and recommendations, and cited actions it planned to take, or has already taken, to implement the recommendations.

The Office of City Manager's written response included comments from NCSB, which took exception to our finding that 255 of 2,533 units of service were not supported by documentation. NCSB further stated that the report did not provide sufficient information to allow it to research and confirm these units.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

The Office of City Manager's planned and implemented corrective actions meet the intent of the recommendations. We have included the Office of City Manager's written response to our draft report in its entirety as an appendix to this report.

We disagree with NCSB's comment that our review results were inaccurate, as they were based on analysis of 3 months of treatment documentation for 30 clients. Where appropriate, we made changes in the report to address NCSB's comments.

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## INTRODUCTION

### BACKGROUND

#### Ryan White CARE Act, Title I

Within the Department of Health and Human Services, HRSA administers the CARE Act, enacted in 1990 and reauthorized in 1996 and 2000. The objective of CARE Act Title I is to improve access to comprehensive, high-quality, community-based medical care and support services for the HIV/AIDS community. To deliver services, HRSA awards grants to EMAs, which are urban areas disproportionately affected by the incidence of HIV/AIDS. The CARE Act Title I program is the payor of last resort for people with HIV/AIDS who have limited insurance coverage or no other source of health care.

HRSA makes grants to the local government's mayor or county executive, who, while remaining the steward of the Federal funding, usually gives the day-to-day program administration to the local health department, referred to by HRSA as the CARE Act grantee. Using service priorities established by the local CARE Act Title I planning council, the grantee contracts for health care and support services, including medical and dental care, prescription drugs, housing, transportation, counseling, home and hospice care, and case management.

The grantee is responsible for overseeing the service providers' performance and adherence to contractual obligations. The grantee is responsible for providing oversight through:

- **program monitoring**, to assess the quality and quantity of services provided
- **fiscal monitoring**, to ensure that contractors use the funds for approved purposes and in accordance with Federal, State, and local regulations and guidelines

If monitoring reveals problems, HRSA advises the grantee to offer the contractor technical assistance, or in serious cases, a corrective action plan. The CARE Act Title I manual states: "In an era of managed care and shrinking resources, it is in the EMA's [grantee's] best interest to know how well agencies function in spending and managing service dollars."

For FY 2001, HRSA funded 51 EMAs for \$604 million. From the enactment of CARE Act Title I through FY 2003, total Federal funding was \$5 billion.

#### Norfolk EMA

The Norfolk EMA comprises 15 city or county jurisdictions in the Greater Hampton Roads area of Virginia and the coastal county of Currituck, North Carolina, with 4,500 individuals living with HIV/AIDS. For FY 2001, HRSA awarded a CARE Act Title I grant totaling over \$4.7 million to the Office of City Manager, which serves as the CARE Act Title I grantee for the EMA. The Office of City Manager provided services to the Greater Hampton Roads area by contracting with a local network of health departments, community health centers, and other

social service organizations. In FY 2001, the Office of City Manager contracted with 28 agencies and institutions to provide program services.

## **NCSB**

NCSB was created in 1969 by legislation of the Virginia General Assembly to provide mental health, mental retardation, and substance abuse services at the local level. The NCSB was awarded a contract in the amount of \$115,277 from the Office of City Manager to provide substance abuse services. NCSB submitted monthly invoices to the Office of City Manager and was reimbursed based on these invoices.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

In response to the U.S. Senate Committee on Finance's request that we examine the implementation of CARE Act Title I at the local level, we selectively conducted audits nationwide of EMAs and their contractors, including three in Norfolk. At NCSB, the subject of this report, our objectives were to determine:

- Did the Office of City Manager ensure that NCSB provided the expected **program services** to clients eligible for CARE Act Title I?
- Did the Office of City Manager ensure that NCSB followed Federal requirements for charging **program costs** to CARE Act Title I?

### **Scope**

We audited \$107,153 of reimbursements under the CARE Act Title I substance abuse contract<sup>1</sup> between NCSB and the Office of City Manager for FY 2001. We selected NCSB for audit based on our evaluation of program files and the type of service provided to CARE Act Title I clients.

We limited our reviews of internal controls at the Office of City Manager and NCSB to the procedures needed to accomplish our audit objectives. Meeting the objectives did not require a complete understanding or assessment of the internal control structure of either the Office of City Manager or NCSB. We performed our review intermittently from April through December 2003 at the Office of City Manager and NCSB in Norfolk, VA.

### **Methodology**

To accomplish the audit objectives, we performed audit procedures at the Office of City Manager and at NCSB.

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<sup>1</sup> We conducted audit tests of only the methadone treatment provided at NCSB, as this represented over 90 percent of total program services for the contract year.

At the Office of City Manager, we:

- interviewed officials responsible for program and fiscal monitoring
- interviewed planning council members and reviewed their curriculum vitae
- obtained a list of all contractors and amounts of funding
- reviewed contracts, quarterly progress reports, monthly reimbursement forms and related documents, and site visit reports for selected contractors

At NCSB, we:

- interviewed contractor officials
- reviewed the substance abuse contract file and budget for CARE Act Title I
- compared quarterly progress reports to subsidiary records
- for the quarter with the highest reported level of service, traced from subsidiary records to client files
- reviewed the administrative costs claimed for the contract period
- reviewed the independent auditor reports for the years ending June 30, 2001 and 2002

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

## **FINDINGS AND RECOMMENDATIONS**

The Office of City Manager did not ensure that NCSB provided the expected level of services to eligible CARE Act Title I clients or followed Federal requirements for charging costs to the program. This occurred because the Office of City Manager did not provide adequate program and fiscal monitoring of NCSB. As a result, the Office of City Manager may not have provided the level of services needed by the HIV/AIDS community in Norfolk; and inappropriately disbursed \$12,291 in Federal funds to NCSB.

### **NCSB REPORTS WERE NOT BASED ON ACTUAL SERVICES PROVIDED**

NCSB's quarterly progress reports and reimbursement forms did not accurately reflect actual services provided. Its quarterly progress reports and reimbursement forms consistently overstated the actual level of service provided. The Office of City Manager did not take steps to verify that NCSB's reported service levels were accurate. As a result, the Office of City Manager may not have provided the level of services needed by the HIV/AIDS community in Norfolk.

### **Federal Requirements and The Contract Between NCSB and The Office of City Manager**

#### ***Federal Requirements***

The CARE Act, section 2604(f)(2) calls for grantees to monitor their contracts through, for example, telephone consultation, written documentation, or onsite visits. HRSA's CARE Act Title I Manual, section II advises grantees to monitor contractor program performance by assessing the quality and quantity of services being provided. Such monitoring can include reviewing program reports, making site visits, and conducting client satisfaction surveys.

#### ***NCSB's Contract with the Office of City Manager***

The Office of City Manager RFP states that documentation of other [non-salary] expenses shall be submitted sufficient to substantiate allowability for reimbursement. Further, NCSB's response to the RFP states that NCSB will submit monthly invoices for services provided in the previous month.

### **NCSB Reports Were Not Based on Actual Services Provided**

NCSB'S quarterly progress reports and reimbursement forms inaccurately stated the level of service provided. As shown in the table below, the quarterly progress reports reflected services provided to between 39 and 49 clients each quarter. However, we were not able to determine how NCSB derived its reported number of clients served, as the data reported from one quarter to the next was not reconcilable.

**REVIEW OF NCSB QUARTERLY PROGRESS REPORTS**

<b>QUARTERLY PROGRESS REPORTS</b>	<b>1<sup>st</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>4<sup>th</sup> Quarter</b>
<b>People Served this Quarter</b>	<b>40</b>	<b>39</b>	<b>42</b>	<b>49</b>
<b>New People Served</b>	<b>13</b>	<b>13</b>	<b>3</b>	<b>6</b>
<b>People Who Stopped Service</b>	<b>12</b>	<b>3</b>	<b>3</b>	<b>5</b>

NCSB’s reimbursement forms overstated services provided because they were based on enrolled clients receiving treatment on a daily basis regardless of whether they received service. In our tests of 2,533 units of service, NCSB did not have documentation to support 255 units, or approximately 10 percent of the units of service tested.

**Office of City Manager Program Monitoring Was Not Adequate**

The Office of City Manager did not take steps to verify that NCSB’s reported services were accurate and adequately supported. The Office of City Manager’s monitoring report cited NCSB for improperly billing the Ryan White CARE Act Title I program for services that were not provided. However, the report did not quantify the programmatic impact of NCSB’s overbilling in terms of clients served and units of service provided.

**Office of City Manager May Not Have Provided Needed Services**

As a result of NCSB’s overstatement of the services it provided, the Office of City Manager may not have provided the level of services needed by the HIV/AIDS community in Norfolk.

**NCSB IMPROPERLY CHARGED COSTS TO CARE ACT TITLE I**

NCSB’s method for charging costs to the CARE Act Title I program was not consistent with Federal requirements or the Office of City Manager’s RFP. The Office of City Manager did not provide adequate fiscal monitoring of NCSB to ensure that NCSB used actual costs as the basis of its charges to the CARE Act Title I program. As a result, the Office of City Manager inappropriately disbursed \$12,291 in Federal funds to NCSB.

**Federal Requirements and The Contract Between NCSB and The Office of City Manager**

*Federal Requirements*

Office of Management and Budget (OMB) Circular A-87, Cost Principles for State and Local Governments, states that, to be allowable, costs must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

### ***NCSB's Contract with the Office of City Manager***

The Office of City Manager's RFP states that reimbursement requests shall be on the basis of actual cost; and administrative expenses are allowable up to 10 percent of service expenditures and must be included in the cost per unit.

### **NCSB Improperly Charged Costs to CARE Act Title I**

NCSB calculated its CARE Act Title I costs by charging \$10 per day for all enrolled clients, regardless of whether they received service, without reconciling this amount to its actual costs. NCSB officials justified charging based on enrollment because, once a client was enrolled, they had to hold a slot for that client. In our tests of 2,533 units of service, NCSB overcharged \$2,550 to the CARE Act Title I Program for 255 units of service that it did not provide.

#### **REVIEW OF NCSB CLAIMS VS. CLIENT FILES**

	<b>September</b>	<b>October</b>	<b>November</b>	<b>Totals</b>
<b>Units Claimed</b>	<b>774</b>	<b>895</b>	<b>864<sup>2</sup></b>	<b>2533</b>
<b>Units Verified</b>	<b>693</b>	<b>817</b>	<b>768</b>	<b>2278</b>
<b>Difference</b>	<b>81</b>	<b>78</b>	<b>96</b>	<b>255</b>

NCSB separately charged \$9,741 to the CARE Act Title I program for administrative costs, 10 percent of its direct program charges, when these costs were already captured in the \$10 per unit of service charge assessed to enrolled clients. While NCSB officials could not provide us with the basis for the \$10 charge proposed in NCSB's response to the Office of City Manager's RFP, they stated that it did include both direct and administrative expenses.

### **Office of City Manager Fiscal Monitoring Was Not Adequate**

The Office of City Manager did not ensure that NCSB properly charged costs to the CARE Act Title I program. The Office of City Manager's monitoring report cited NCSB for improperly billing the Ryan White CARE Act Title I program for services that were not provided. The report contained a recommendation that NCSB determine whether a patient received service before billing for reimbursement. However, the report did not quantify the dollar impact of NCSB's practice of improperly charging costs to the Ryan White CARE Act Title I program for services it had not provided.

### **CARE Act Title I Funds Were Not Available for HIV/AIDS Services**

As a result of NCSB's improper charges to the CARE Act Title I program, the Office of City Manager inappropriately disbursed \$12,291 in Federal funds to NCSB, thus reducing the funding available for needed services by the HIV/AIDS community in Norfolk.

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<sup>2</sup> Excludes 5 units claimed for one client whose documentation we could not locate

## **Recommendations**

We recommend that the Office of City Manager:

1. refund \$12,291 to the Federal Government, the amount inappropriately paid to NCSB
2. require NCSB to accurately report the allowable costs of providing CARE Act Title I services

## **OFFICE OF CITY MANAGER COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In a written response to the draft report, the Office of City Manager stated that it concurred with the findings and recommendations. Regarding recommendation 1, in accordance with its contract with NCSB, the Office of City Manager has notified NCSB of its obligation to repay the \$12,291 that was improperly charged to the CARE Act Title I program. Regarding recommendation 2, the Office of City Manager cited actions it has already taken, as well as future actions it plans to take to further improve program performance.

The Office of City Manager's written response included comments from NCSB, which took exception to our finding that 255 of 2,533 units of service were not supported by documentation. NCSB stated that its practice of charging for non-compliant clients was limited to a maximum of 3 days per month and, therefore, opined that our review could not have resulted in 255 disputed units. NCSB further stated that the report did not provide sufficient information to allow it to research and confirm these units.

We believe the Office of City Manager's planned and implemented corrective actions meet the intent of the recommendations. We have included the Office of City Manager's written response to our draft report in its entirety as an appendix to this report.

We disagree with NCSB's comment that our review results were inaccurate, as they were based on analysis of 3 months of treatment documentation for 30 clients. NCSB staff members assisted us in pulling and verifying the documentation. The billing practice NCSB cited in its comments was not conveyed to us during the audit; and our audit results did not substantiate that such a billing practice was in place. We do not include personal information, such as client names, in our reports, but would have made such information available to NCSB officials had they requested it. Where appropriate, we made changes in the report to address NCSB's comments.

# **APPENDIX**



**City of  
Norfolk**

Office of the City Manager

December 6, 2004

Mr. Stephen Virbitsky  
Regional Inspector General for Audit Services  
Office of Inspector General  
Office of Audit Services  
150 S. Independence Mall West, Suite 316  
Philadelphia, PA 19106-3499

Re: Report Number A-03-03-00388

Dear Mr. Virbitsky:

We have reviewed the draft report regarding Ryan white Title I Funds claimed by the Norfolk Community Services Board. Our response to this draft report is attached.

Dr. George W. Pratt, Executive Director, was afforded the opportunity to review the report and to provide comments; many of his comments have been incorporated in our response.

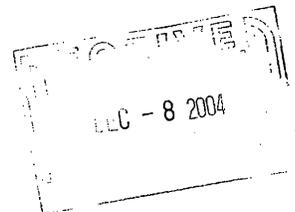
We are looking forward to receiving your final report on this matter and request that you contact Dr. La Verne Parker Diggs at (757) 664-4242 should you require additional information.

Sincerely,

  
Regina V.K. Williams  
City Manager

C: La Verne Parker Diggs, Ed.D.

Attachment



1101 City Hall Building, 810 Union Street • Norfolk, Virginia 23510  
(757) 664-4242 • Fax: (757) 664-4239

**City of Norfolk Response to  
Department of Health and Human Services  
Office of Inspector General  
Report Number: A-03-03-00388**

The Office of the City Manager forwarded a copy of the draft report to the Executive Director of the Norfolk Community Services Board for response and comment. In the text below, each summary finding and recommendation is restated and our comments follow.

**EXECUTIVE SUMMARY**

**Background page i, 2<sup>nd</sup> paragraph, last sentence:** As the primary substance abuse treatment facility in the Norfolk area, NCSB receives most of its funding from the Federal Government's Substance Abuse and Mental Health Services Administration (SAMHSA).

Comments: Clarification

The Norfolk Community Services Board does not receive most of its funding from SMHSA; they receive most of their funding from the Virginia Department of Mental Health, Mental Retardation, and Substance Abuse Services.

**FINDINGS**

**NCSB REPORTS WERE NOT BASED ON ACTUAL SERVICES PROVIDED**

Comments: The Office of the City Manager concurs with this finding.

**RECOMMENDATION:**

**The OIG Report recommends that the Office of the City Manager:**

Require NSCB to accurately report the allowable costs of providing CARE Act Title I services

The contract period reviewed by the OIG predates the use of the CAREWARE database and providers were not required to submit client information by Unique Record Number (URN) until November of 2001. During this period, NCSB staff was responsible for monitoring internal clients as well as those being served by outside agencies (i.e.: Hampton/Newport News CSB and Serenity House, etc). The intake documents and processes developed by the NCSB to monitor Ryan White client activity were in their infancy and it was difficult to monitor the activity without the use of a database and unique identifiers. The implementation of CAREWARE, the use of URN's and the enhancements to the NCSB's internal documents and processes have significantly improved the reporting of services provided.

The Norfolk CSB takes exception to the following statement:

NCSB reimbursement forms overstated the units of service provided because they were based on enrolled clients receiving treatment on a daily basis regardless of whether they received service. In our tests, of 2,533 units of service, NCSB did not have documentation to support 255 units, or approximately 10 percent of the units tested.

The OIG draft report does not provide sufficient information (i.e. dates of service, client name, etc.) to allow for research and confirmation of the 255 units of service being disputed. The OIG expressed concern with a few of the NCSB's billing practices; some of the issues were programmatic in nature and discussed at length but were never quantified into units of service.

The Norfolk CSB does acknowledge that the Office of the City Manager had identified a specific issue related to our billing practices during a monitoring review and the same issue was raised by the OIG. The issue related to the NCSB's practice in which all clients were charged for a daily service even if they were not medicated. The NCSB changed its billing practice for the Ryan White contract immediately following notification from the Office of the City Manager. The OIG's review period was the same as the Office of the City Manager and therefore the NCSB's change in practice would not have been evident. The NCSB staff advised the OIG that this change had been implemented prior to this audit. The number of services charged under this scenario was limited to a maximum of 3 days per month for only non-compliant clients. Therefore in the opinion of the NCSB, this practice could not have amounted to the 255 disputed units.

It was confirmed with the OIG that the NCSB did not bill for any client who was reported in the quarterly progress reports but did not actually receive a service. The number of clients billed was always less than the number of clients reported as being served.

#### **NCSB IMPROPERLY CHARGED COSTS TO CARE ACT TITLE I**

Comments: The Office of the City Manager concurs with this finding

#### **RECOMMENDATION:**

##### **The OIG Report recommends:**

**A refund of \$12,291 to the federal Government, the amount inappropriately paid to NCSB**

**Comments: The Office of the City Manager concurs with this recommendation.**

OMB Circular A-122 and A-110 provide authority on cost principles for the proper allocations of costs and administrative requirements for federally funded programs. All providers agree to abide by the applicable OMB circulars upon certification of contract agreements. Additionally, contract agreements with the City of Norfolk provide

authority as to the actions required of the provider in the event of disallowance by an outside auditor. Accordingly, NCSB has been notified of its obligation to repay the amount listed above.

The NCSB states that the basis for the \$10 rate was provided to the OIG and was based on their unit cost at the time. The rate was accepted by the Office of the City Manager as documented in the response to the RFP and on the monthly invoices. The separate administrative charge was also documented in the response to the RFP. Additional information regarding this administrative cost was provided to the Ryan White Office when requested, and was detailed on the monthly invoices. Acting as a "third party billing agent" for outside agencies was not part of the rate and the NCSB requested reimbursement for this function. It was later determined that this practice was unacceptable.

**Future Actions:**

1. In addition to monthly programmatic and fiscal monitoring by the Office of the City Manager, the Norfolk CSB will participate in semi-annual site visits to verify documentation to support the units of service reported and eligibility of clients served. The first of these site visits will occur prior to the end of fiscal year 2004 and the second will occur six months later.
2. The Office of the City Manager may offer additional technical assistance as necessary or required.
3. The Office of the City Manager will continue to monitor the overall performance of the Norfolk CSB as a Ryan White Title I provider and recommend corrective actions as necessary.

Significant administrative enhancements by both the Office of the City Manager and the Norfolk CSB were implemented prior to receipt of the Health and Human Services Office of Inspector General report A-03-03-00388. Given this information, it is anticipated that the additional actions outlined in our response will serve as a catalyst to improve our performance as a Ryan White Title I EMA.

# ACKNOWLEDGMENTS

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