



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

March 3, 2005

Report Number: A-03-03-00389

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 Eastern Virginia Medical School 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-03-03-00389 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky", with a 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 EASTERN VIRGINIA  
MEDICAL SCHOOL OF THE NORFOLK  
ELIGIBLE METROPOLITAN AREA  
DURING THE FISCAL YEAR ENDED  
FEBRUARY 28, 2002**



**MARCH 2005  
A-03-03-00389**

# *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 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. 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 contracts totaling \$1,151,468 to the Eastern Virginia Medical School (EVMS) to provide nine categories of service: primary care, case management, drug reimbursement, nutritional, dental, emergency financial assistance, mental health, housing assistance, and transportation. EVMS is a not-for-profit organization and a community based academic institution. Its Center for Comprehensive Care of Immune Deficiency (C3ID) was founded in 1994 to provide comprehensive continuity of care to persons living with HIV/AIDS in the Hampton Roads region.

### 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 EVMS, the subject of this report, our objectives were to determine:

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

### SUMMARY OF FINDINGS

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

EVMS billed the Office of City Manager for eight categories of services but did not always have adequate documentation, as required by CARE Act Title I and the contract, to support the units of service it claimed were provided or the eligibility of clients it served. In our audit tests of 7 categories of service, EVMS did not have documentation for 191 of the 441 units of service we reviewed in detail. Regarding eligibility, of 81 client files that we reviewed, 36 contained no

documentation to support verification of financial eligibility, and 10 contained no documentation to support verification of HIV status.

EVMS's method of 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 required reimbursement requests to be based on actual costs and established the scope of each service to be provided. Contrary to these requirements, EVMS charged a capitated rate for its primary care service without reconciling this amount to actual costs; and also charged for services that were either not provided or were provided outside the scope of the contract. We identified specific discrepancies in program charges totaling \$210,057 for the period we reviewed, as follows:

- Primary Care - \$206,489
- Emergency Financial Assistance - \$2,693
- Transportation - \$537
- Housing Assistance - \$338

The above conditions occurred because the Office of City Manager did not provide adequate program and fiscal monitoring of EVMS. The Office of City Manager did not take steps to verify that EVMS's reported service levels and clients' eligibility were consistently documented, and did not ensure that EVMS implemented appropriate procedures to ensure it followed Federal and contractual requirements in charging 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, or provided program services to ineligible clients; and inappropriately disbursed \$210,057 in Federal funds to EVMS, which reduced the funding available for needed services by the HIV/AIDS community in Norfolk.

## **RECOMMENDATIONS**

We recommend that the Office of City Manager:

1. ensure that EVMS routinely follows its policies and procedures for maintaining adequate documentation to support the units of services it claims and the eligibility of clients it serves,
2. refund \$210,057 to the Federal Government, the amount inappropriately paid to EVMS, and
3. require EVMS to implement the necessary procedures to identify and 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 separate comments from EVMS, which took exception to each of our findings. Regarding EVMS's inadequate documentation of client eligibility, EVMS did not believe we consulted the proper records or afforded its staff the opportunity to provide the information necessary for us to accurately assess EVMS's performance. Regarding costs improperly charged to the program, EVMS disputed our bases for disallowing the majority of charges. EVMS submitted supplementary documentation for our review to substantiate \$45,944 in costs that it claimed were paid after the contract period had closed, but should have been allowable.

## **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 EVMS's comments regarding how we performed our review of client eligibility. We reviewed the various sources that EVMS cited in its comments and consulted EVMS staff on multiple occasions in an attempt to locate missing documentation. To determine allowability of costs charged to the program, we applied relevant Federal and contractual requirements to the costs reviewed. Our evaluation of EVMS's supplementary documentation resulted in allowance of \$38,174 in previously questioned costs. Where appropriate, we made changes in the report to address EVMS'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, NC, 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.

## **EVMS**

EVMS opened in 1973 and is a not-for-profit, community based, academic institution. It provides comprehensive continuity of care to persons living with HIV/AIDS in the Hampton Roads region through C3ID and multiple satellite sites. The Office of City Manager issued nine contracts totaling \$1,151,468 to EVMS to provide primary care, case management, drug reimbursement, nutritional, dental, emergency financial assistance, mental health, housing assistance, and transportation services. EVMS 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 EVMS, the subject of this report, our objectives were to determine:

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

### **Scope**

We audited \$884,332 of reimbursements under eight CARE Act Title I contracts<sup>1</sup> between EVMS and the Office of City Manager for FY 2001. We selected EVMS for audit based on our evaluation of program files and the type of services provided to CARE Act Title I clients.

We limited our reviews of internal controls at the Office of City Manager and EVMS 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 EVMS. We performed our review intermittently from April 2003 through May 2004 at the Office of City Manager and EVMS in Norfolk, VA.

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<sup>1</sup> EVMS's funding for mental health service was reduced significantly due to the resignation of its mental health clinician. Therefore, we excluded EVMS's contract for mental health service from detailed review.

## **Methodology**

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

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; and
- reviewed contracts, quarterly progress reports, monthly reimbursement forms and related documents, and site visit reports for selected contractors.

At EVMS, we:

- interviewed contractor officials;
- reviewed the 9 contract files and budgets 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;
- for cost categories within each contract, selected up to 4 months of the highest claimed charges on monthly reimbursement forms and traced to supporting documentation;
- for primary care service, reconciled fund balance recorded in accounting records as of June 30, 2002 back to February 28, 2002; and
- 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 EVMS 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 EVMS. 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 \$210,057 in Federal funds to EVMS.

### **EVMS DID NOT ALWAYS ADEQUATELY DOCUMENT SERVICE PROVISION AND CLIENT ELIGIBILITY**

EVMS did not always have adequate documentation, as required by CARE Act Title I and the contract, to support the units of service it claimed were provided or the eligibility of clients. The Office of City Manager did not take steps to verify that EVMS's reported services and clients' eligibility were consistently documented. As a result, the Office of City Manager may not have provided the level of services needed by the HIV/AIDS community in Norfolk, or provided services to ineligible clients.

### **Federal Requirements and The Contract Between EVMS 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.

In terms of eligibility, HRSA guidance, *Division of Service Systems Program Policy Guidance No. 1*, issued June 1, 2000, states that grantees are expected to establish and monitor procedures to ensure that all providers verify and document client eligibility.

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

In its contract with the Office of City Manager, EVMS agreed to maintain documentation supporting that clients have HIV spectrum disease and are economically eligible, the latter of which must be reviewed annually. The contract also required that EVMS's submissions for reimbursement include sufficient documentation to substantiate reimbursement allowability.

## EVMS Did Not Always Adequately Document Service Provision or Client Eligibility

EVMS billed the Office of City Manager for eight categories of services, but did not always have adequate documentation, as required by the CARE Act and contract, to support the units of service it claimed were provided or the eligibility of clients it served. In our audit tests of 7 categories of service<sup>2</sup>, EVMS did not have documentation for 191 of the 441 units of service we reviewed in detail.

### RESULTS OF OIG AUDIT TEST OF SERVICE DOCUMENTATION

Service Category	Units Reviewed	Units Unsupported	Percent Unsupported
Primary Care	117	19	16%
Dental Services	26	5	19%
Case Management (face-to-face)	102	79	77%
Emergency Financial Assistance	30	26	87%
Transportation	83	5	6%
Nutritional	33	12	36%
Drug Reimbursement	50	45	90%
<b>TOTALS</b>	<b>441</b>	<b>191</b>	<b>43%</b>

Regarding eligibility, of 81 client files that we reviewed:

- 10 clients, or 12 percent, did not have documentation to support HIV status
- 36 clients, or 44 percent, did not have documentation to support financial status

## Office of City Manager Program Monitoring Was Not Adequate

The Office of City Manager did not take steps to verify that EVMS's reported services and clients' eligibility were consistently documented; and EVMS did not always follow its internal policies and procedures for documenting services provided to clients or their eligibility to receive services. The Office of City Manager's monitoring report of EVMS did not indicate that its site visit included a review of client files or charts. Officials in the Office of City Manager's office confirmed that its site visit did not focus on client eligibility. EVMS's procedures manual included instructions and forms for its personnel to use to document pertinent client information in order to make determinations on client eligibility, in general and for specific services.

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

As a result, the Office of City Manager may not have provided the level of services needed by the HIV/AIDS community in Norfolk, or provided program services to ineligible clients.

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<sup>2</sup> EVMS's quarterly progress reports showed that it provided housing assistance to only 20 clients for the entire fiscal year, with a maximum of 7 clients in a single quarter. Therefore, we did not perform detailed review of EVMS's documentation to support its provision of housing assistance.

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

EVMS'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 EVMS to ensure that it followed Federal and contractual requirements in charging costs for program services. As a result, the Office of City Manager inappropriately disbursed \$210,057 in Federal funds to EVMS.

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

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

Attachment C of Office of Management and Budget Circular A-21 "Cost Principles for Educational Institutions," states that factors affecting allowability of costs include the costs' reasonableness, and their conformity to any limitations or exclusions set forth in the sponsored agreement as to types or amounts of cost items. Further, a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

HRSA's CARE Act Title I Manual, section II states that fiscal monitoring includes assessing whether funds are used for approved purposes.

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

The Office of City Manager's RFP required that reimbursement requests be based on actual costs and established the scope of each service to be provided. Specifically, the RFP cited \$500 caps that the Planning Council had separately set for the emergency financial assistance (for utilities) and housing assistance service categories. The RFP further stated that emergency financial assistance funds could not be used to fund housing referral, short term or emergency housing services.

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

EVMS's method of charging costs to the CARE Act Title I program was not consistent with Federal requirements or the Office of City Manager's RFP, which required reimbursement requests to be based on actual costs and established the scope of each service to be provided. Contrary to these requirements, EVMS charged a capitated rate for its primary care service without reconciling this amount to actual costs; and also charged for services that were either not provided or were provided outside the scope of the contract. We identified specific discrepancies in program charges totaling \$210,057 for the period we reviewed, as follows:

- Primary Care - \$206,489
- Emergency Financial Assistance - \$2,693
- Transportation - \$537
- Housing Assistance - \$338

### *Primary Care*

EVMS's accounting records reflected a \$206,489<sup>3</sup> fund balance as of February 28, 2002 as a result of EVMS using a capitated rate to calculate CARE Act Title I primary care costs-- basing charges on enrolled clients receiving scheduled services, regardless of whether they received service-- without reconciling this amount to its actual costs.

### *Emergency Financial Assistance*

EVMS used \$2,693 in emergency financial assistance funds to pay for services that were outside the scope of the contract: \$1,660 for housing expenses, \$783 for utility payments that exceeded the \$500 Planning Council limit, and \$250 for a non-eligible person's utility expenses.

### *Transportation*

EVMS charged \$537<sup>4</sup> in unallowable transportation costs: \$510 for services that were not provided at all, and \$28 for services provided to ineligible clients.

### *Housing Assistance*

EVMS used \$338 in housing assistance funds to pay for services that were outside the scope of the contract: \$188 for utility expenses, and \$150 that exceeded the \$500 Planning Council limit.

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

The Office of City Manager did not provide adequate fiscal monitoring of EVMS to ensure that EVMS implemented appropriate procedures to ensure it followed Federal and contractual requirements in charging costs to the CARE Act Title I program. The Office of City Manager's monitoring report of EVMS noted that C3ID was reimbursed on a capitation basis for its primary care service, but did not assess the dollar impact of EVMS's practice of charging a capitated rate versus actual costs for primary care. The monitoring report did not indicate that the site visit included a review of client files or charts.

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

As a result of EVMS's improper charges to the CARE Act Title I program, the Office of City Manager inappropriately disbursed \$210,057 in Federal funds to EVMS, thus reducing the funding available for needed services by the HIV/AIDS community in Norfolk.

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<sup>3</sup> The fund balance was actually \$244,663; however, we reduced this amount by \$38,174 to account for expenses incurred prior to the end of the contract period that were not recorded against the fund balance until the next contract period.

<sup>4</sup> Differences due to rounding.

## **RECOMMENDATIONS**

We recommend that the Office of City Manager:

1. ensure that EVMS routinely follows its policies and procedures for maintaining adequate documentation to support the units of services it claims and the eligibility of clients it serves,
2. refund \$210,057 to the Federal government, the amount inappropriately paid to EVMS, and
3. require EVMS to implement the necessary procedures to identify and 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 2, in accordance with its contract with EVMS, the Office of City Manager notified EVMS of its obligation to repay the \$248,231<sup>5</sup> that was improperly charged to the CARE Act Title I program. Regarding recommendations 1 and 3, 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.

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.

The Office of City Manager's written response included separate comments from EVMS, which took exception to each of our findings. EVMS's comments, and our response, are provided below:

### **Program Eligibility**

EVMS did not believe we consulted the proper records or afforded its staff the opportunity to provide the information necessary for us to accurately assess EVMS's performance in documenting client eligibility. EVMS stated that client information is kept in three distinct charts at C3ID and opined that we did not consult all three sources to obtain the data we needed. EVMS further stated that its staff could have provided the necessary information had we notified them of the deficiencies during the audit. EVMS performed its own review of client eligibility using data we had provided in December 2004 at EVMS's request; and reported that its results were substantially different from ours.

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<sup>5</sup> We reduced the \$248,231 in inappropriate payments that were reported in the draft report to \$210,057 based on review of documentation provided by EVMS in January 2005.

We disagree with EVMS's comments regarding how we performed our review of client eligibility. Our selection of client names for review came directly from EVMS data reports on CARE Act Title I clients who received services during our audit period. We described our review objectives to EVMS officials and relied on their expertise to pull the appropriate files to facilitate our review—these files came from the various sources EVMS cited in its comments. We continued to contact EVMS staff after completing on site fieldwork in an attempt to locate missing documentation. Our audit results reflect these efforts and we do not believe it is necessary to revisit EVMS's records for additional review, as their present condition may not be representative of what was available for our review at the time of our audit.

### **Program Costs**

EVMS disputed our bases for disallowing charges related to primary care, emergency financial assistance [used for housing expenses], and transportation:

#### *Primary Care*

EVMS stated that it appropriately used the capitation model to charge for primary care services because this model was clearly disclosed to, and accepted by, the City of Norfolk in EVMS's response to the RFP. EVMS did allow that HRSA informed it in March 2003 that the capitation model was not considered cost reimbursement and should not be used. EVMS believed \$45,944 of the \$244,663 in disallowed fund balance should be allowed because it represented costs incurred during the contract period that were paid from the fund balance after the contract period had closed. EVMS subsequently submitted documentation for our review in support of these expenses.

We disagree with EVMS's assertion that it was acceptable to use the capitation model to charge for primary care services. Regardless of the City of Norfolk's acceptance of EVMS's proposal, the RFP, which took precedence over EVMS's proposal, clearly stated that the award of funds was on a cost reimbursement basis and reimbursement requests were on the basis of actual cost. Our evaluation of EVMS's supplementary documentation resulted in allowance of \$38,174 in previously disallowed costs, thereby reducing the fund balance disallowance to \$206,489. Where appropriate, we made changes in the report to reflect this adjustment

#### *Emergency Financial Assistance*

EVMS stated that \$1,660 in Emergency Financial Assistance should be allowable because the Office of City Manager gave it permission to use this amount for emergency housing expenses.

We disagree that the use of Emergency Financial Assistance for housing expenses is allowable. The RFP specifically states that Emergency Financial Assistance cannot be used to fund short term or emergency housing services.

*Transportation*

EVMS stated that the transportation disallowance should not have included \$537 comprising a \$470 year-end accrual that it reversed in the subsequent period, and minimal [\$40] fees it had to pay for taxis that were dispatched for clients who did not show up.

We disagree with EVMS that \$537 in transportation costs is allowable. EVMS provided no evidence that it reversed the \$470 year-end accrual; and the \$40 in taxi charges provided no benefit to clients and, therefore, should not be charged to the program.



**City of  
Norfolk**

Office of the City Manager

January 3, 2005

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

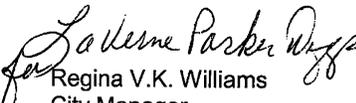
Re: Report Number A-03-03-00389

Dear Mr. Virbitsky:

We have reviewed the draft report regarding Ryan white Title I Funds claimed by the Eastern Virginia Medical School (EVMS); EVMS representatives also reviewed the draft report. Our response to this draft report is attached along with the response prepared by EVMS.

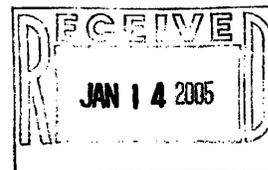
We are looking forward to receiving your final report on this matter and request that you contact Dr. La Verne Parker Diggs at (757) 664-4242 should you require additional information.

Sincerely,

  
Regina V.K. Williams  
City Manager

C: La Verne Parker Diggs, Ed.D.

Attachment



**City of Norfolk Response to  
Department of Health and Human Services  
Office of Inspector General  
Report Number: A-03-03-00389**

Ryan White Unit of the City forwarded a copy of the draft report to the Director of the Center for Comprehensive Care of Immune Deficiency (C3ID) of the Eastern Virginia Medical School for response and comment. The agency's response is attached. In the text that follows, each summary finding and recommendation is restated and our comments follow.

**FINDINGS**

**EVMS DID NOT ADEQUATELY DOCUMENT SERVICE PROVISION AND CLIENT ELIGIBILITY.**

**Comments: The Ryan White Unit of the City concurs with this finding**

As part of the procurement and contract processes EVMS agreed to maintain documentation of client eligibility. It is an expectation of the Ryan White Title I program that client records be organized in a manner that will permit ready access to information. To assess the level of compliance with documentation requirements the Ryan White Unit of the City provided EMA wide chart reviews of Case Management and Primary Care services for FY02. The Ryan White Unit of the City provided EMA wide training to all providers in the area of documentation of services and eligibility in FY02. As part of the ongoing Quality Management process, training needs are assessed annually and is determined by individual provider request and monitoring trends. Additional provider training in the area of documentation is scheduled to occur in January 2005.

**The Ryan White Unit of the City Monitoring Was Not Adequate:**

Additional background is needed to provide a historical perspective of the monitoring activities during the FY01 period of review. As indicated in the OIG report, the Norfolk EMA was established in 1999. During this period of growth and development, lapses in monitoring can be attributed primarily to the lack of personnel needed to perform the required functions. During the period of review, an appropriate change in the daily administration of the program was mandated by HRSA. Consequently, this required the rehiring of staff, the establishment of facilities to locate the personnel, and building the infrastructure needed to administer the program. Due to the competing demands listed above, the program remained understaffed through most of the grant year. It should be noted that during this period, program monitoring was provided but not to the extent required by the CARE Act.

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

**Comments: The Ryan White Unit of the City concurs with this finding.**

As part of the procurement and contract processes, EVMS agreed that costs incurred in the Ryan White Title I program would be on the basis of cost reimbursement for actual costs incurred. In January 2003, as part of the monitoring process, it became apparent to the Ryan White Unit of the City that costs were being paid in excess of actual costs incurred. A plan to require a cost reconciliation and refund of excess funds was contemplated but subsequently preempted by the review of the OIG. During contract negotiations for FY 2003, the EVMS was advised that the capitation reimbursement model would no longer be accepted.

**RECOMMENDATIONS:**

**The OIG Report recommends that the Ryan White Unit of the City:**

*1. ensure that EVMS routinely follows its policies and procedures for maintaining adequate documentation to support the units of services it claims and the eligibility of clients it serves.*

**Comment: The Ryan White Unit of the City concurs with this recommendation.**

*2. require a refund of \$248,231 be paid to the federal government, the amount inappropriately paid to EVMS.*

**Comment: The Ryan White Unit of the City concurs with this recommendation.**

OMB Circular A-21 and A-110 provide authority on cost principles for the proper allocation of costs and administrative requirements for federally funded programs. The major point to be extracted from this area of the OIG report is that the CARE Act Title I program is a reimbursement grant. Payments in excess of actual costs must be returned to the program. All providers agree to abide by the applicable OMB circulars and other federal guidelines 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, EVMS has been notified of its obligation to repay the amount listed above.

*3. require EVMS to implement the necessary procedures to identify and accurately report allowable costs of providing CARE Act Title I services.*

**Comment: The Ryan White Unit of the City concurs with this recommendation.** During the month of December, 2004, the Ryan White Unit of the City provided fiscal training to Non-profit and Governmental providers. The subject matter covered the

proper allocation and reporting of costs under Ryan White Title I and the relevant OMB circulars. EVMS participated in this training.

**FUTURE ACTIONS:**

1. As part of the EMA's quality management activities, EMA wide Primary Care and Case Management chart audits are scheduled to be completed by December 31, 2004. These audits will focus on quality of care, clinical outcomes, and trends across service categories and documentation requirements. EVMS will participate in these reviews.
2. In addition to monthly programmatic and fiscal monitoring by the Ryan White Unit of the City, the semi-annual monitoring visits will be required for EVMS to verify documentation to support the units of service reported and eligibility of clients served. The first of these site visits will occur in March 2005 for fiscal year 2004 and the second will occur six months later.
3. As part of its ongoing fiscal monitoring, the Ryan White Unit of the City will require EVMS to perform a periodic reconciliation of costs. The results will be provided to the Ryan White Unit of the City and subject to verification. Any payments in excess of actual costs will be refunded to the Ryan White Title I program. EVMS will be required to monitor the Unit cost rate at which services are being charged to the Ryan White program and to make adjustments in the rate to minimize excess cost being charged.
4. The Ryan White Unit of the City may offer additional technical assistance to EVMS as necessary or required.
5. The Ryan White Unit of the City will continue to monitor the overall performance of EVMS as a Ryan White Title I provider and recommend corrective actions as necessary.

The Ryan White Unit of the City acknowledges the contributions of EVMS to the continuum of care for the Norfolk EMA. In previous monitoring activities, consumers have indicated a high degree of satisfaction with the services being provided. Significant administrative enhancements by both the Ryan White Unit of the City and EVMS were implemented prior to receipt of the Health and Human Services Office of Inspector General report A-03-03-00389. Since the period of this review, additional staff was hired to assist in the performance of the daily administration of the Ryan White Title I program. 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.

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OIG Finding

EVMS did not always have adequate documentation to support units of service claimed and eligibility of clients served. Specifically, 36 of 81 client files reviewed contained no documentation to support verification of financial eligibility, and 10 contained no documentation verifying HIV status.

EVMS Response

Ryan White eligibility:

EVMS does not agree with this finding. It must be noted that the staff person responsible for Ryan White Title I eligibility determination at the time of this audit is no longer an employee of EVMS. In addition, client information is kept in three distinct charts at the EVMS Center for the Comprehensive Care of Immune Deficiency (C3ID): a Ryan White eligibility chart, a Case Management chart and Primary Care/Medical chart. Each chart contains information specific to each service. For example, verification of HIV seropositivity is maintained in the patient's Primary Care/Medical record. Verification of Ryan White eligibility is maintained in the patient's Eligibility chart. It is possible that the individuals performing the audit did not consult all three sources of information in order to obtain the data they needed. If the EVMS staff had been notified of the deficiencies at the time of the audit, they could have provided the information contained in the other patient records maintained at the EVMS C3ID clinic. For example, from the audit report ten patients' records "contained no documentation to support verification of HIV status". All of these patients have confirmation of their HIV serostatus in their Primary Care/Medical charts. However, that information is not maintained in the Case Management &/or Eligibility record.

Of the 81 client files that were reviewed, 5 of the clients were deceased. Of the remaining 76 clients:

- 39 were seen at the EVMS clinic on campus
- 24 were seen at local Health Departments
- 5 were seen in community health centers
- 6 were patients that were never seen or could not be matched in our database
- 2 were not Ryan White Title I patients, they were Ryan White Title II patients
- 76 total

Twenty-four of these clients were seen in local Health Department (HD) clinics by EVMS providers. However, the client's medical chart is maintained by each Health Department. Therefore, eligibility information is collected and maintained in the patient's HD chart. Each Health Department requires that patients be screened for financial eligibility at each visit. Health Department staff complete a CHS-1 form determining eligibility. This form is forwarded to EVMS as a courtesy and is maintained in the patient's "shadow chart" at EVMS. In the above mentioned cases, a CHS-1 form was in the EVMS chart but there was no supportive documentation attached. The supportive documentation (e.g. pay stubs, SSI verification) is collected by the Health Department staff and was not forwarded to EVMS with the CHS-1 form.

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EVMS requires some proof of income due at intake, so the financial eligibility should not be a problem with C3ID charts. It should be noted that of the 35 records cited for lack of eligibility, 7 patients had documented proof of income and 10 had completed CHS-1 forms in their record. Additionally, three patients were not seen by EVMS providers at the time of the audit.

EVMS staff are willing to review these patient records with members of the audit team &/or representatives of the City of Norfolk (grantee for the Norfolk EMA).

**OIG Finding**

EVMS Improperly Charged Costs to CARE Act Title I

**EVMS Response**

**Primary Care (\$244,663):**

EVMS does not agree with this finding. EVMS proposed and used a capitated rate because based on the information available at the time the program was developed, EVMS determined the capitation model would allow the highest flexibility to achieve its objective of a seamless continuum of care or "one stop shopping". The EVMS proposed unit of service model was based on the number of patients enrolled on a per month basis. The patients were reviewed each month and the capitated expense reimbursement was submitted for payment on a monthly basis. Further, the capitation model was clearly disclosed in the EVMS response to the City of Norfolk's request for proposal that was accepted by the City. In March 2003, the City of Norfolk and EVMS were informed by HRSA that the capitation model was not considered cost reimbursement and therefore should not be used. Once advised of HRSA's position, EVMS developed and proposed a unit cost based on the recommended model and will continue to use this model going forward.

In 1999 when EVMS was developing the proposal for the Ryan White program, there was not a recommended model available. EVMS researched several different types of cost models available for the HIV patient population and consulted the HRSA: Cost and Performance Based Contracting, A guide for Ryan White CARE Act Grantees. The guide describes many different types of cost models, including a capitated model in New Mexico. The guide summarizes that there is not one specific model that works best for each provider because circumstances of each region are different<sup>1</sup>. EVMS was experienced with HIV patients in the southeastern region of Virginia. Therefore, EVMS developed the capitated model based on its years of experience and with EVMS at risk for all outpatient expenses for each patient enrolled in the Ryan White program. EVMS proposed the capitated rate as the unit cost to be reimbursed monthly based on per patient per month expense.

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<sup>1</sup> HRSA: Cost and Performance Based Contracting, A guide for Ryan White CARE Act Grantees, U.S. Department of Health and Human Services, Health Resources & Service Administration, October 1998

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The EVMS capitated rate was based on the cost per month for the utilization EVMS anticipated based on the number of patient visits for the standard of care recommended for HIV patients. At that time, Medicaid programs handled at the State level were based on a prepaid "managed care organization (MCO) for the care of Medicaid enrollees".<sup>2</sup> The issue with this program was the more experienced, better providers were reluctant to accept the Medicaid patients because the reimbursement rate was not adequate to cover the assumed risk of patient expenses. As a result, HRSA began researching whether there truly was a revenue shortfall for reimbursement. The results reported that reimbursements were between \$36- \$721 per month yet the actual expenses average close to \$1,500, \$1,000 for patients at the beginning of the disease and \$4,500 during the last six months of the disease.<sup>3</sup> The EVMS reimbursement proposed to and accepted by the City of Norfolk was well below the average expense at a rate of \$244.58 per patient per month.

In addition, we believe the finding amount per the report is overstated. The amount was based on the balance of the account at February 28, 2002, the end of the contract year. However, there were expenses that were incurred for services prior to February 28<sup>th</sup> but not recorded until subsequent periods. The total amount of the expenses was \$45,944.60. A schedule of the expenses is attached to this report. Copies of the payments are available upon request.

Emergency Financial Assistance (\$2,693):

Housing Expenses (\$1,600):

EVMS disagrees with this finding. Due to lack of Housing Assistance funds, the Grantee gave permission to the sub-grantees to use the Emergency Financial Assistance for emergency housing issues to keep enrolled patients from being evicted from their homes.

Utility Payments (\$783):

EVMS agrees with this finding. The payments over \$500 were made in error.

Non-Eligible Clients (\$250):

EVMS agrees with this finding. The payments to non-eligible clients were made in error due to the transient nature of clients in and out of the Ryan White program. The clients were at one point eligible for the service, but at the time of the utility service reimbursement and/or payment was made they were not eligible.

Transportation (\$537):

EVMS disagrees with this finding. Services not provided include an accounting accrual for \$470. This is a year end accrual as required by the Financial Accounting Standards Board for EVMS financial statements to be in compliance with Generally Accepted Accounting Principles at its year end dated June 30, 2001. The accrual was reversed the following period and the respective invoice for that period was reduced.

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<sup>2</sup> Access to and Quality of HIV/AIDS Care in Medicaid Managed Care Programs U.S. Department of Health and Human Services, Health Resources & Service Administration, 2001

<sup>3</sup> Access to and Quality of HIV/AIDS Care in Medicaid Managed Care Programs U.S. Department of Health and Human Services, Health Resources & Service Administration, 2001

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The remainder of this finding relates to minimal taxi fees (\$3 and \$5) required to be paid for taxi service that was dispatched but the client did not show up. EVMS is required to pay this fee to the taxi company and should not have to incur the expense from its general fund due to Ryan White patients not showing up for the service.

*Housing Assistance (\$338):*

EVMS agrees with this finding. The utility expense and the amount over \$500 were paid in error.



EVMS  
Ryan White Title I  
Expenses to Working Account after 2-28-02  
Services Provided Prior to Contract YE

CODE OBJ DESC	TRANS_DESC *	CHECK #	INVOICE	DATE	AMOUNT	PD	DATE OF SERVICE
7487 CONSULT-DIAGNOSTIC &		398038	204246MA02	5-15-2002	221.00	11	12-21-01
7487 CONSULT-DIAGNOSTIC &		398621	11358801	5-22-2002	312.05	11	02-20-02
7487 CONSULT-DIAGNOSTIC &	*Data containing personal	399358	1397846	5-22-2002	48.23	11	01-09-02
7487 CONSULT-DIAGNOSTIC &	identifying information	399974	MY1302	5-23-2002	66.20	11	1/10/02 - 1/28/02
7487 CONSULT-DIAGNOSTIC &		400293	386363	6-12-2002	96.94	12	02-04-02
7487 CONSULT-DIAGNOSTIC &		400293	386364	6-12-2002	82.55	12	02-04-02
7487 CONSULT-DIAGNOSTIC &		400293	389317	6-12-2002	124.04	12	01-23-02
7487 CONSULT-DIAGNOSTIC &	deleted by OIG	400293	389449	6-12-2002	43.01	12	11-15-01
7487 CONSULT-DIAGNOSTIC &		401040	358283MY02	6-20-2002	150.55	12	02-07-02
7487 CONSULT-DIAGNOSTIC &		JE 59424		4-24-2002	285.00	10	
7589 OTHER GENERAL EXPENS		JE59431		4-29-2002	1,520.00	10	
7487 CONSULT-DIAGNOSTIC &		JE 59433		4-29-2002	296.01	10	
7487 CONSULT-DIAGNOSTIC &		JE 59434		4-29-2002	2,470.00	10	3/18/01 - 2/19/04
7487 CONSULT-DIAGNOSTIC &		JE 59435		4-29-2002	6,753.70	10	7/17/01 - 2/15/02
7487 CONSULT-DIAGNOSTIC &		JE59430		4-24-2002	5,224.30	10	
7487 CONSULT-DIAGNOSTIC &		JE 59426		4-24-2002	586.58	10	7/12/01 - 2/28/02
7487 CONSULT-DIAGNOSTIC &		JE 59427		4-24-2002	112.88	10	
7487 CONSULT-DIAGNOSTIC &		JE 59428		4-24-2002	161.56	10	8/14/01, 10/20/11
7487 CONSULT-DIAGNOSTIC &		JE 59692		4-24-2002	95.00	10	02-21-02
7487 CONSULT-DIAGNOSTIC &		JE 59903		4-24-2002	41.00	10	1/10/02, 2/13/02
7487 CONSULT-DIAGNOSTIC &		JE 60066		4-24-2002	2,123.60	10	2/28/02, 2/25/02, 9/17/01, 1/8/02, 1/9/02
7487 CONSULT-DIAGNOSTIC &		JE 59891		4-24-2002	24.50	10	01-08-02
7487 CONSULT-DIAGNOSTIC &		JE 59890		4-24-2002	190.00	10	4/23/01, 5/22/01, 11/14/01, 6/1/01
7487 CONSULT-DIAGNOSTIC &		JE 59893		4-24-2002	27.00	10	02-20-02
7487 CONSULT-DIAGNOSTIC &		394880		7-17-2002	900.00	12	02-27-02
7487 CONSULT-DIAGNOSTIC &		394787		7-17-2002	87.00	12	02-22-02
7487 CONSULT-DIAGNOSTIC &		394787		7-17-2002	80.00	12	02-22-02
7487 CONSULT-DIAGNOSTIC &		394787		7-17-2002	52.00	12	02-22-02
7487 CONSULT-DIAGNOSTIC &		JE61333		6-10-2002	65.80	11	02-12-02
					<u>45,944.60</u>		

# ACKNOWLEDGMENTS

This report was prepared under the direction of Stephen Virbitsky, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed includes:

Christine Allen, *Audit Manager*

Dan Spears, *Senior Auditor/Auditor-In-Charge*

Nasr Fahmy, *Senior Auditor/Auditor-In-Charge*

Lisa Blake, *Senior Auditor*

Zhichu Charles Yao, *Auditor*