



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General  
Office of Audit Services

OCT 7 2004

REGION IV  
61 Forsyth Street, S.W., Suite 3T41  
Atlanta, Georgia 30303

Report Number: A-04-03-01013

Ms. Jennifer Glazer-Moon  
Director Designate  
Office of Strategic Business Management  
111 N.W. 1<sup>st</sup> Street, Suite 2710  
Miami, Florida 33128-1992

Dear Ms. Glazer-Moon:

Enclosed are two copies of the Office of Inspector General report entitled *Ryan White Title I Funds Claimed by a Hospital Contracting with the Miami-Dade Eligible Metropolitan Area During the Fiscal Year Ended February 28, 2002*. A copy of this report will be forwarded to the action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the Department of Health and Human Services (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), Office of the Inspector General 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).

If you have any questions or comments about this report, please do not hesitate to call me at 404-562-7800. To facilitate identification, please refer to report number A-04-03-01013 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Charles J. Curtis".

Charles J. Curtis  
Regional Inspector General  
for Audit Services, Region IV

Enclosures – as stated

**Direct Reply to HHS Action Official**

Nancy J. McGinness, Director  
Office of Financial Policy and Oversight  
Health Resources and Services Administration  
Room 11A55, Parklawn Building  
5600 Fishers Lane  
Rockville, Maryland 20857

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**RYAN WHITE TITLE I FUNDS  
CLAIMED BY A HOSPITAL  
CONTRACTING WITH THE MIAMI-  
DADE ELIGIBLE METROPOLITAN  
AREA DURING THE FISCAL YEAR  
ENDED FEBRUARY 28, 2002**



**OCTOBER 2004  
A-04-03-01013**

# *Office of Inspector General*

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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 (EMA) for out-patient health care and related services to treat people living with human immunodeficiency virus (HIV) or acquired immune deficiency syndrome (AIDS). The CARE Act Title I program is the payor of last resort for persons who have limited coverage or no other source of health care.

The Miami-Dade County Office of Management and Budget hereafter referred to as the Budget Office, is the nation's fourth largest Title I grant recipient. It received \$27 million during fiscal year (FY) 2001<sup>1</sup> the period of our review, to provide CARE Act Title I services. The Budget Office awarded South Shore Hospital and Medical Center (South Shore), a not-for-profit community teaching hospital, \$1.4 million in contracts to provide outpatient medical care, case management service, psychosocial counseling, and transportation assistance services to persons living with HIV/AIDS.

### **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 two in Miami. At South Shore, the subject of this report, our objectives were to determine:

- Did the Budget Office ensure that South Shore provided the expected program services to CARE Act Title I eligible clients?
- Did the Budget Office ensure that South Shore followed Federal requirements for charging costs to the CARE Act Title I program?

### **SUMMARY OF FINDINGS**

South Shore met its contractual obligation to provide outpatient medical care, case management, transportation, and psychosocial services to the HIV/AIDS community. However, the Budget Office did not ensure that South Shore complied with Federal cost principles in managing its contract or that it reimbursed South Shore according to the final cost report.

In terms of services, our audit test indicated that South Shore provided the expected level of service to CARE Act Title I eligible clients. Of the 29,420 service units South Shore provided during our audit period, we sampled 270 and were able to support that all had been rendered. In the cost area, we identified serious issues related to both South Shore and the Budget Office, as follows:

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<sup>1</sup> For CARE Act Title I, HRSA defined FY 2001 as the period from March 1, 2001 through February 28, 2002.

- South Shore could not provide assurance that costs charged to the CARE Act Title I program --\$929,044--met applicable Federal cost requirements because its accounting records did not support the costs reported to the Budget Office. South Shore's management had not implemented an appropriate financial management system for CARE Act Title I.
- The Budget Office did not provide appropriate fiscal monitoring, as required by the CARE Act, to ensure that South Shore had an adequate accounting system to record and report program costs. Poor fiscal oversight was also evident in that the Budget Office, failing to follow its own reconciliation procedures, reimbursed South Shore \$8,300 more than the contractor reported as final costs.

Given these cost issues, the Budget Office had little assurance that the total amount reimbursed South Shore—\$936,285—was used as intended to serve HIV/AIDS clients.

## **RECOMMENDATIONS**

We recommend that the Budget Office improve its fiscal monitoring system to ensure that final reports submitted by contractors adequately support total reimbursements, and are reviewed and reconciled to supporting documentation provided by the contractor.

With respect to South Shore, we recommend that the Budget Office:

1. ensure South Shore implements policies and procedures to properly record CARE Act Title I costs and submits final cost reports to the Budget Office that are accurate and reconcilable to accounting records
2. work with South Shore to determine its actual costs for FY 2001 to the present and review these costs to determine if they are allowable, allocable, and reasonable
3. ensure that South Shore implements a time and effort reporting system to allocate personnel costs charged to CARE Act Title I program
4. request that South Shore refund the Budget Office \$8,300 in net reimbursements that were overstated based on the final cost report

## **BUDGET OFFICE AND SOUTH SHORE COMMENTS**

The Budget Office and South Shore generally concurred with our findings and recommendations and both are taking corrective actions to improve their CARE Act Title I programs. The complete text of the Budget Office's and South Shore's written comments are included as an appendix to this report.

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## INTRODUCTION

### BACKGROUND

#### Ryan White CARE ACT, Title I

Within the U.S. Department of Health and Human Services, HRSA, administers the CARE Act. 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 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 accord 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 best interest to know how well agencies function in spending and managing service dollars.”

For FY 2001, HRSA funded 51 EMAs for \$582.7 million. From the enactment of CARE Act Title I through FY 2003, total Federal funding was \$5 billion.

#### **Miami-Dade County EMA – Fourth Largest in Nation**

For the time period audited, the Miami-Dade County EMA received the fourth largest HRSA grant award in the nation, covering Miami-Dade County, with a population of over two million people. Miami-Dade County ranks fourth in the nation in cumulative AIDS cases from 1981 through 1999 and has the second highest rate of AIDS at 72.5 per 100,000 residents, just after New York City.

For FY 2001, HRSA awarded a CARE Act Title I grant totaling \$25,385,904 to the Budget Office, which serves as the CARE Act Title I grantee. Using its 2001 awards and carry over funding, the Budget Office awarded contracts totaling \$27,683,727 to 31 organizations and two consultants to provide CARE Act Title I services. Of this amount, the Budget Office reimbursed \$26,907,791 to service providers or contractors.

A Budget Office contractor processed CARE Act Title I contractors' billings through an automated system known as the Service Delivery Information System (SDIS). Using the SDIS, service providers enter on a monthly basis the number of units provided by service category. Each contractor has a profile programmed into the SDIS identifying the services, unit rates, and award limits specified in its contract. Budget Office officials informed us they used information from the SDIS to calculate monthly reimbursement amounts and to ensure that monthly reimbursements do not exceed contract limits.

### **South Shore Hospital and Medical Center**

South Shore is a not-for-profit community teaching hospital that offers a clinic for HIV/AIDS patients as part of a complete Community AIDS Program. This clinic was founded to provide patients with HIV spectrum disease a comprehensive integrated continuum of care. South Shore contracted with the Budget Office to provide outpatient medical care, case management/peer education support network, psychosocial counseling, and transportation services.

During FY 2001, the Budget Office reimbursed South Shore \$936,285 for providing CARE Act Title I services. The following table illustrates the award activity under this CARE Act Title I contract:

<b>TABLE 1 - SUMMARY OF CARE ACT TITLE I FUNDING AT SOUTH SHORE – FY 2001</b>			
<b>Contracted Services</b>	<b>Original Contract</b>	<b>Adjustments</b>	<b>Final Reimbursement</b>
Outpatient Medical Care	\$1,264,434	(\$432,099)	\$832,335
Case Management/ Peer Education Support Network	123,040	(37,000)	86,040
Psychosocial Counseling	25,000	(19,960)	5,040
Transportation	36,352	(23,482)	12,870
<b>Total</b>	<b>\$1,448,826</b>	<b>(\$512, 541)</b>	<b>\$936,285</b>

## **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 two in Miami. At South Shore, the subject of this report, our objectives were to determine:

- Did the Budget Office ensure that South Shore provided the expected program services to CARE Act Title I eligible clients?
- Did the Budget Office ensure that South Shore followed Federal requirements for charging costs to the CARE Act Title I program?

### **Scope**

We audited the CARE Act Title I contract between South Shore and the Budget Office for a total of \$1,448,826 for FY 2001 (March 1, 2001 through February 28, 2002).

We did not conduct an evaluation of the Budget Office's internal control structure, nor did we randomly select South Shore for audit. Rather, we selected South Shore, the Budget Office's seventh largest service provider, based on our evaluation of program files and the type of services provided for CARE Act Title I clients. Specifically, South Shore provided outpatient medical care, case management service, psychosocial counseling, and transportation assistance services.

Our review of South Shore's internal controls was limited to reviewing its accounting system for claiming reimbursement from the Budget Office and preparing cost reports. The objective of this limited scope audit did not require a complete understanding or assessment of the internal control structure. Therefore, we did not evaluate the complete internal control structure at South Shore or the Budget Office. We performed our review from June 2003 through June 2004 at the Budget Office and South Shore in Miami, Florida.

### **Methodology**

To accomplish the audit objectives, we performed audit procedures at the Budget Office and South Shore. At the Budget Office, we:

- interviewed officials responsible for fiscal, program, and contract monitoring
- obtained a list of all contractors and amount of funding
- reviewed the independent auditor reports required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

- reviewed contracts, related invoices, and other available information for selected contractors

At South Shore, we:

- interviewed contractor officials
- reviewed the contract and budgets for the CARE Act Title I contract
- judgmentally selected 10 clients in each service category from the months identified with the highest level of activity for each service
- traced 270 service units reported in the SDIS system, related to 47 South Shore clients, to the client medical records and other utilization Documentation such as service receipts to support selected units of services
- attempted to trace selected costs from the final cost reports submitted to the Budget Office to South Shore' general ledger detail

We conducted our review in accordance with generally accepted government auditing standards. The Budget Office's and South Shore's responses to our draft report are appended to this report in full and summarized in the body of this report.

## **FINDINGS AND RECOMMENDATIONS**

South Shore met its contractual obligation to provide outpatient medical care, case management, transportation, and psychosocial services to the HIV/AIDS community. However, the Budget Office did not ensure that South Shore complied with Federal cost principles in managing its contract or that it reimbursed South Shore according to the final cost report.

In terms of services, our audit test indicated that South Shore provided the expected level of service to CARE Act Title I eligible clients. Of the 29,420 service units South Shore provided during our audit period, we sampled 270 and were able to support that all had been rendered.

In the cost area, we identified serious issues related to both South Shore and the Budget Office, as follows:

- South Shore could not provide assurance that costs charged to the CARE Act Title I program --\$929,044--met applicable Federal cost requirements because its accounting records did not support the costs reported to the Budget office. South Shore's management had not implemented an appropriate financial management system for CARE Act Title I.

- The Budget Office did not provide appropriate fiscal monitoring, as required by the CARE Act, to ensure that South Shore had an adequate accounting system to record and report program costs. Poor fiscal oversight was also evident in that the Budget Office, failing to follow its own reconciliation procedures, reimbursed South Shore \$8,300 more than the contractor reported as final costs.

Given these cost issues, the Budget Office had little assurance that the total amount reimbursed South Shore—\$936,285—was used as intended to serve HIV/AIDS clients.

**SOUTH SHORE PROVIDED THE EXPECTED LEVEL OF PROGRAM SERVICES**

South Shore met its contractual obligation to provide outpatient medical care, case management, transportation, and psychosocial services to the HIV/AIDS community.

Our audit test indicated that South Shore provided the expected level of service to CARE Act Title I eligible clients. Of the 29,420 service units South Shore provided during our audit period, we sampled 270 and were able to obtain documentation to support that all had been rendered.

The chart below illustrates the total number of services South Shore reported it provided on the SDIS, and the results of our review of supporting documentation verifying the actual delivery of 270 units of service.

<b>TABLE 2 – OIG’S REVIEW OF SOUTH SHORE’S SUPPORTING DOCUMENTATION FOR 270 UNITS OF SERVICE</b>			
<b>Service Category</b>	<b>Units Reported in SDIS</b>	<b>Units Reviewed</b>	<b>Units Unsupported</b>
Outpatient Medical	20,050	77	0
Case Management /Peer Education Support Network	7,520	101	0
Psychosocial	420	60	0
Transportation	1,430	32	0
<b>Total</b>	<b>29,420</b>	<b>270</b>	<b>0</b>

**BUDGET OFFICE DID NOT ENSURE THAT SOUTH SHORE FOLLOWED FEDERAL COST PRINCIPLES**

In the cost area, we identified serious issues related to both South Shore and the Budget Office, as follows:

- **South Shore** could not provide assurance that costs charged to the CARE Act Title I program—\$929,044—met Federal cost requirements in Title 45, CFR, Part 74, Appendix E, because its accounting records did not support the costs reported to the Budget Office. At the time of our audit, South Shore’s financial management staff could not reconcile the reported costs to accounting records, nor explain how most of the figures on the cost report were calculated. Further, we were not able to determine actual costs because South Shore: (1) had no time and effort reporting system to properly allocate personnel costs, (2) did not properly allocate sub-contractor’s costs that were not specific to the CARE Act Title I program, and (3) recorded some costs in our audit period for services delivered in prior periods. These problems occurred because South Shore’s management had not implemented an appropriate management system for CARE Act Title I.
- **The Budget Office** did not provide appropriate fiscal monitoring, as required by the CARE Act, to ensure that South Shore had an adequate accounting system to record and report program costs. Poor fiscal oversight was also evident in that the Budget Office, failing to follow its own reconciliation procedures, reimbursed South Shore \$8,300 more than the contractor reported as final costs.

Given these cost issues, the Budget Office had little assurance that the total amount reimbursed South Shore—\$936,285—was used as intended to serve HIV/AIDS clients.

### **Federal Requirements and the Budget Office’s Contract**

Requirements for South Shore’s claiming of costs under CARE Act Title I were specified in: Title 45, CFR, Part 74, Appendix E, and the Budget Office’s contract with South Shore.

#### **Federal Requirements**

Under 45 CFR 74, Appendix E, *Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Hospitals*, in order for costs to be allowable they must be reasonable and be accorded consistent treatment through application of generally accepted accounting principles. Claimed costs must also be allocable to a particular cost center. Regarding payroll charges, payroll distribution records should support charges for salaries and wages.

#### **Budget Office Contract With South Shore**

The Budget Office’s contract required South Shore to submit its actual costs incurred for each contract by service category at the end of the FY. Budget Office officials explained that its reimbursement system provides interim payments and, as necessary, year-end adjustments based on the contractor’s submission of actual costs, up to the award limit for each service category. Each contractor was required to bill for the services rendered on a monthly basis, and then the Budget Office calculated the monthly interim payment based on the number of service units billed and the established unit rate. Therefore, under this process, the Budget Office would need to reconcile the total interim payments to the contractor’s final report of actual costs to ensure reimbursements were no more than the allowable and actual costs incurred.

## **The Budget Office Did Not Ensure that South Shore Followed Federal Cost Principles and Did Not Perform Its Own Reconciliation Procedures**

The Budget Office did not ensure that South Shore followed Federal cost principles for the \$929,044 charged to the CARE Act Title I program. South Shore could not reconcile this amount to its accounting records, and it had a number of systemic problems in its financial management. Further, because the Budget Office did not perform a reconciliation of interim reimbursements to reported costs, it was not aware that it reimbursed South Shore \$8,300 more than the contractor claimed in costs.

### **The Budget Office Did Not Ensure That South Shore Followed Federal Cost Principles in Charging Costs to the CARE Act Title I Program**

In charging costs to the CARE Act Title I program, the Budget Office did not ensure that South Shore complied with Federal cost principles. While South Shore charged \$929,044 to the program, during FY 2001, its financial management staff could not reconcile the reported costs to accounting records, nor explain how most of the figures on the cost report were calculated. Further, we were not able to determine actual costs because South Shore: (1) had no time and effort reporting system to properly allocate personnel costs, (2) did not properly allocate sub-contractor's costs not specific to the CARE Act Title I program, and (3) recorded some costs in our audit period for services delivered in prior periods.

### **South Shore Could Not Reconcile Its Reported Costs to Its Accounting Records**

Focusing only on the costs related to medical personnel, South Shore could not reconcile the figure it reported to the Budget Office on its final cost report to amounts recorded in its accounting general ledger. While South Shore's final cost report indicated \$692,545 for primary and specialty doctors providing outpatient medical services, South Shore's financial staff could not provide a breakdown of each physician's costs that made up the \$692,545 to reconcile to individual entries recorded in the designated general ledger accounts labeled "personnel," "doctor's expense," and "professional services." South Shore's financial staff could not substantiate the actual costs for this major area of program costs.

### **South Shore's Financial Management System Had Weaknesses**

We were not able to determine South Shore's actual costs because of weaknesses in its financial management system, as follows:

- *No time and effort reporting system* – South Shore charged personnel costs based on unsupported estimates rather than employees' actual time worked. South Shore had a number of programs funded by various sources for which its staff worked, its time and effort reporting system did not require employees to allocate time to each program based on the actual effort, or hours worked.
- *Improper Cost Allocation* - South Shore did not properly allocate costs among its programs. For instance, South Shore charged \$300,000 to the CARE Act Title I program

for contracted psychiatric services although the contract was not specifically for services to CARE Act Title I clients.

- *Costs for Services Delivered in Prior Periods* - South Shore recorded some costs in our audit period for services delivered in prior periods, thus we could not determine actual CARE Act Title I costs incurred. For instance, we discovered payments made to specialty doctors in March 2001(Care Act FY 01) for services delivered in December 2000, January 2001, and February 2001 (Care Act FY 00).

**The Budget Office Did Not Follow Its Reconciliation Procedures to Ensure Reimbursements Were Supported by Reported Costs**

The Budget Office failed to follow its own reconciliation procedures between South Shore’s interim reimbursements and final cost reports. South Shore claimed cost of \$929,044 on its final cost reports; however, the Budget Office reimbursed the contractor \$8,300 more than the reported costs, as illustrated in the following table.

<b>TABLE 3 – COMPARISON OF INTERIM REIMBURSEMENTS TO COSTS ON FINAL REPORT</b>			
<b>Contracted Services</b>	<b>Budget Office Interim Reimbursements</b>	<b>South Shore Reported Costs</b>	<b>Budget Office Overpayments*</b>
Outpatient Medical Care	\$832,335	\$832,434	-
Case Management/Peer Education Support Network	86,040	78,110	7,930
Psychosocial Counseling	5,040	6,000	-
Transportation	12,870	12,500	370
<b>Total</b>	<b>\$936,285</b>	<b>\$929,044</b>	<b>\$8,300</b>

\*The Budget Office’s policy was to reimburse providers based on units of services provided and billed. South Shore billed only \$832,335 and \$5,040 for outpatient and psychosocial services, thus would not receive additional reimbursements for reported costs in excess of units of services billed.

**Both the Budget Office and South Shore Were Accountable for Cost Issues**

Both South Shore and the Budget Office were accountable for South Shore’s inability to determine whether reimbursements were based on allowable costs incurred. South Shore’s management had not implemented an appropriate financial management system for CARE Act Title I. As the grantee the Budget Office is responsible for ensuring that costs are appropriately claimed; but it failed to adequately monitor South Shore’ fiscal performance, as required by the CARE Act.

**Weaknesses in South Shore’s Financial Management System** - South Shore’s management had not implemented an appropriate financial management system for CARE Act Title I. There was

no evidence to explain how South Shore's officials developed the costs reported as Care Act Title I expenditures. In addition, South Shore did not have an adequate time-and-effort reporting system to distribute personnel costs to programs nor did its accounting system properly allocate and track the actual costs of providing CARE Act Title I services.

***Budget Office Performed Ineffective Monitoring*** – The Budget Office did not conduct productive site visits at South Shore or make the necessary year-end adjustments to the total reimbursements. According to Budget Office officials, they conducted site visits at various contractors during FY 2001, but did not document them. Budget Office officials also stated that during a site visit, it would not have reviewed the contractor's fiscal operation. Therefore, even if the Budget Office had conducted a site visit at South Shore, it most likely would not have known about the issue of cost reports not being reconciled to the accounting system. Through its fiscal monitoring, which involved tracking interim reimbursements to ensure they did not exceed contract limits, the Budget Office had not detected that South Shore was unable to reconcile its reported costs to its accounting records, or that it had costs submitted that were less than total reimbursements. There was no other evidence that the Budget Office attempted to reconcile reimbursements to reported costs. Such reconciliation would have alerted the Budget Office to fiscal issues.

#### **The Budget Office Did Not Know if Reimbursements for CARE Act Title I Services Were Used to Serve HIV/AIDS Clients**

Given these cost issues, the Budget Office reimbursed South Shore \$8,300 more than South Shore reported as final costs, and it had little assurance that the total amount reimbursed South Shore—\$936,285—was used as intended to serve HIV/AIDS clients.

#### **RECOMMENDATIONS**

We recommend that the Budget Office improve its fiscal monitoring system to ensure that final reports submitted by contractors adequately support total reimbursements, and are reviewed and reconciled to supporting documentation provided by the contractor.

With respect to South Shore, we recommend that the Budget Office:

1. ensure South Shore implements policies and procedures to properly record CARE Act Title I costs and submits final cost reports to the Budget Office that are accurate and reconcilable to accounting records
2. work with South Shore to determine its actual costs for FY 2001 to the present and review these costs to determine if they are allowable, allocable, and reasonable
3. ensure that South Shore implements a time and effort reporting system to allocate personnel costs charged to CARE Act Title I program
4. request that South Shore refund the Budget Office \$8,300 in net reimbursements that were overstated based on the final cost report

## **BUDGET OFFICE AND SOUTH SHORE COMMENTS**

The Budget Office and South Shore generally concurred with our findings and recommendations and both organizations indicated in their comments that they are taking corrective actions to improve their CARE Act Title I programs.

In response to our recommendations to improve the Budget Office's fiscal monitoring system, the Budget Office stated it is in the process of: (1) restructuring the organization of its Ryan White Division; (2) hiring a Senior Auditor; (3) revising monitoring policies, monitoring instruments, and contract requirements; and (4) adopting procedural changes to enhance contract officer's documentation and ensure timely follow-up on matters of concern. In addition, the Budget Office conducted a review of FY 2003 final budgets and will also reconcile FYs 2001 and 2002 final budgets to payment records. To ensure South Shore properly records CARE Act Title I costs, the Budget Office is closely monitoring the hospital's restructuring of its fiscal operations, including on-site visits by the Senior Auditor and other Budget Office auditing staff. The Budget Office will require South Shore to submit time and effort reports on a quarterly basis and refund \$8,300 that were overstated.

Regarding fiscal operations, South Shore stated that it is in the process of developing and implementing accounting policies and procedures, adopting internal controls to properly record revenues and costs, and training staff to record costs appropriately. In addition, South Shore is working closely with the Budget office to document final costs, resolve FY 2001 matters, and has implemented a time and effort reporting system.

MIAMI-DADE COUNTY, FLORIDA



STEPHEN P. CLARK CENTER

OFFICE OF STRATEGIC BUSINESS MANAGEMENT  
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September 16, 2004

Mr. Charles J. Curtis  
Regional Inspector General  
for Audit Services, Region IV  
Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services  
61 Forsyth Street, S. W., Suite 3T41  
Atlanta, Georgia 30303

Dear Mr. Curtis:

RE: Office of Inspector General Draft Report Number A-04-03-01013: "Ryan White Title I Funds Claimed by a Hospital Contracting with the Miami-Dade Eligible Metropolitan Area During the Fiscal Year Ended February 28, 2002"

Thank you for the opportunity to review and comment on the above referenced draft report. We request that you consider the enclosed comments during your preparation of the final document. The draft report was shared with representatives of South Shore Hospital and Medical Center and their views on the findings and recommendations presented by the OIG appear following this office response.

Please contact Yocasta Juliao, Project Director, Ryan White Title I Program, at 305-375-4742 should you have any questions on the enclosed information.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Jennifer Glazer-Moon'.

Jennifer Glazer-Moon  
Director Designate

Enclosure

cc: Corinne Brody, Special Assistant, Strategic Management Initiatives  
Yocasta Juliao, Project Director, Ryan White Title I Program  
William Zubkoff, Chief Executive Officer, South Shore Hospital  
Julie Capote, Community AIDS Program Director, South Shore Hospital

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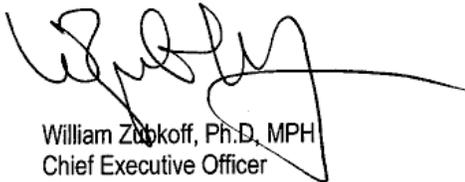
September 14, 2004

Charles J. Curtis  
Regional Inspector General  
For Audit Services, Region IV  
Office of Inspector General  
Office of Audit Services Region IV  
61 Forsyth Street S.W. Suite 3T41  
Atlanta, Georgia 30303

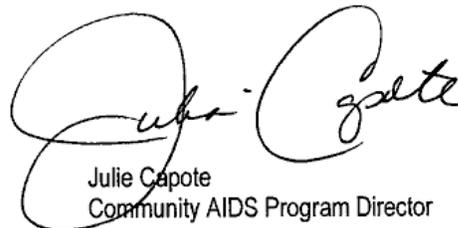
Dear Mr. Curtis:

Enclosed is South Shore Hospital's response to the Office of Inspector General draft-report entitled Ryan White Title I Funds claimed by Hospital Contracting with the Miami-Dade Eligible Metropolitan Area during the Fiscal year ending February 28, 2002.

If you have any questions or wish to discuss this further, please feel free to contact us.



William Zupkoff, Ph.D. MPH  
Chief Executive Officer



Julie Capote  
Community AIDS Program Director

**MIAMI-DADE COUNTY  
OFFICE OF STRATEGIC BUSINESS MANAGEMENT  
(FORMERLY KNOWN AS THE  
OFFICE OF MANAGEMENT AND BUDGET  
OR THE BUDGET OFFICE)**

**Response to the Office of Inspector General  
Draft Report Number A-04-03-01013:**

*“Ryan White Title I Funds Claimed by a Hospital Contracting with the Miami-Dade Eligible  
Metropolitan Area During the Fiscal Year Ended February 28, 2002”*

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**BACKGROUND**

The Miami-Dade County Office of Strategic Business Management (OSBM) (known at the time of the OIG review as the Office of Management and Budget or the Budget Office) is responsible for the administration of Miami-Dade County’s Ryan White Title I Program through the Ryan White Division. Among the Division’s principal responsibilities is the procurement of HIV/AIDS services, contract development, program and fiscal monitoring, processing of reimbursements to service providers, planning and coordination of services with other local, state, and federal programs, and community relations.

During the period reviewed by the OIG (March 1, 2001 through February 28, 2002), the contract management staff of the Ryan White Division was composed of a Program Administrator and two Contracts Officers. These staff members were tasked with contract negotiations, contract development, monitoring of contracted organizations, implementation and enforcement of program policies and procedures, and with providing technical assistance to Title I funded organizations. Forty-five (45) service agreements and 68 amendments were executed during the 12-month period. A total of 34 agencies and 135 service programs were monitored. Every effort was made to comply with the requirements of the Ryan White CARE Act §2604(f)(2) with the staff resources available to perform all of these functions. Staff conducted site visits throughout the year, however, for the most part these were not to carryout thorough monitoring reviews. The majority of the site visits were classified as technical assistance and/or routine follow-up. As such, documentation of these visits was not consistently maintained. Monitoring of service delivery and provider expenditures, on the other hand, was conducted regularly through extensive reviews of monthly service reports. Staff also maintained frequent verbal and written communication with contracted agencies to address fiscal and programmatic issues pertaining to Title I. Additionally, independent contractors were hired to conduct on-site programmatic record reviews for specific services, including medical care and case management. Fiscal reviews conducted on site were generally a function of independent auditors charged with preparation of certified audits in accordance with applicable OMB Circulars. Certified audit reports are required

from of all providers six months after the end of their fiscal year. The reports include a review of compliance with required internal controls and Federal cost principles.

Recognizing that monitoring of funded agencies could be further enhanced, the Ryan White Division is being restructured. The new table of organization includes a monitoring arm led by a Senior Auditor. This new position has already being advertised and hiring will be completed by December 2004, if not sooner. A staff of five Contracts Officers will work closely with the Program Administrator, the Fiscal Director and the Senior Auditor to ensure comprehensive oversight of all contracted providers. Additionally, monitoring policies, monitoring instruments, and contract requirements are being revised placing greater emphasis on service providers' fiscal operations and internal controls. Furthermore, office procedures are being revised to enhance documentation of monitoring efforts, and insure staff's timely follow-up on matters of concern identified through monitoring activities.

#### **OIG FINDING #1**

**The Budget Office did not provide appropriate fiscal monitoring, as required by the CARE Act, to ensure that South Shore had an adequate accounting system to record and report program costs.**

#### **OSBM RESPONSE**

Due to staff shortages, OSBM has relied on the expertise of external independent auditors to identify any concerns related to the fiscal operations of contracted organizations. The Ryan White Title I Service Agreement requires Title I providers to submit annually a certified audit conducted by an independent auditor in accordance with applicable OMB Circulars (i.e., A-133, etc.). This independent assessment includes a review of the service provider's accounting records and its compliance with Federal cost principles. When pertinent, OSBM requires the provider to submit a corrective action plan with a specific timeline to address each finding. The corrective action plan is reviewed and discussed with the provider to confirm the feasibility of what is being proposed and the organization's commitment to resolve any weaknesses identified in the audit. Follow-up is conducted by OSBM to assess the provider's progress in implementing the correction action plan.

In the case of South Shore Hospital and Medical Center, audit reports were received for FY 2001 and FY 2002 and OSBM has followed-up with the Hospital to discuss the findings identified by the independent auditing firm. In January of 2003, a meeting was held with the Hospital's Chief Executive Officer, Chief Operating Officer, Assistant Chief Financial Officer, and Community AIDS Program Director to address the Hospital's financial operations, corrective actions to address weaknesses identified by auditors prior to FY 2001 and other concerns that had been brought to the attention of OSBM. The future of the Hospital's Title I funding was also addressed. Partially in response to the concerns raised at this meeting, the Hospital has restructured its Accounting Department placing greater emphasis on internal controls and compliance with grant requirements. In addition, a qualified and experienced Chief Financial Officer was recently hired to implement the changes needed in the Hospital's fiscal operations. Accounting policies and procedures are being developed and implemented, including timely and

appropriate recording of expenditures and accruals; proper categorization of costs; and, regular reviews of departmental budgets and expenditures to prevent cost overruns. Nevertheless, the Hospital's financial management continues to require frequent oversight to insure proper reconciliation of actual costs with reimbursements received, and timely confirmation that claimed costs are allocable to the Title I program. OSBM maintains frequent communication with Hospital representatives to assess their progress in enhancing fiscal accountability. In addition, within the current fiscal year the Title I Senior Auditor and other County auditing staff will initiate a reassessment of the Hospital's financial operations to confirm that the concerns raised by the external independent auditors, OSBM and the OIG are being systematically addressed.

**OIG FINDING #2**

**Poor fiscal oversight was evident in that the Budget Office, failing to follow its own reconciliation procedures, reimbursed South Shore \$8,300 more than the contractor reported as final costs.**

**OSBM RESPONSE**

In addition to monthly reports on service utilization and program expenditures, providers are required to submit at the end of each fiscal year a final line item budget for each funded service documenting actual costs incurred during the year. Monthly payments are issued throughout the contract period based on service utilization data and client level information reported to OSBM. Reconciliation of payments to actual costs incurred by the provider is done at the end of the grant period. The final line item budgets are used by OSBM to assess compliance with Federal cost principles and to monitor providers' fiscal accountability.

At the end of FY 2001, as in prior years, final line item budgets were reviewed and discussed with individual service providers. In some cases this review was not extensive primarily due to staff shortages. Some of the review was conducted in preparation for follow-up visits or to provide technical assistance to resolve specific provider concerns. In South Shore's submission, a discrepancy of \$8,300 that had been paid during the year for Peer Education and Support Network services was not properly documented and researched. Staff's efforts to reconcile the report were not committed to writing in the agency's file. This again was caused by staff unavailability and an overwhelming workload. To prevent this from reoccurring, a new process has been established that assures provider accountability as well as enhanced OSBM oversight. A Senior Auditor is being hired and additional Contracts Officers are already on board. In addition, all reports are being tracked and reviewed for completeness immediately upon receipt from contracted providers. Within 48 hours, Contracts Officers follow-up with each agency to request any outstanding information. Once provider submissions are determined to be complete, an in-depth review is conducted and the results are discussed with the Program Administrator and individual providers for further action, if needed. Provider deadlines for submission of pending documentation and/or responses to issues identified by OSBM are being strictly enforced. The review of cost reports continue to include verification that reported expenditures are in accordance with reimbursements made by OSBM and that the service provider adhered to

the approved budget for each funded service. Monitoring visits include reconciliation of reported expenditures against service providers' accounting records. In addition, supporting documentation (i.e., actual invoices from vendors, suppliers, and payroll records, etc.) for reported expenses is being requested, as appropriate. This process was applied to South Shore Hospital's report of actual costs for FY 2003 and will continue to be followed in order to closely monitor the Hospital's accountability to the Title I program.

**OIG RECOMMENDATION**

**The Budget Office should improve its fiscal monitoring system to ensure that final reports submitted by contractors adequately support total reimbursements and are reviewed and reconciled to supporting documentation provided by the contractor.**

**OSBM RESPONSE**

This recommendation is accepted. Year-end final line item budgets are being reviewed in detail and reconciled with payment records for the corresponding fiscal year. The Title I Program Director dedicated staff resources this past summer to conduct a thorough review of FY 2003 final budgets; submissions for FY 2001 and 2002 will also be reexamined and questioned if needed. The results of this review are being documented in detail to serve as valuable information for subsequent on-site visits and will assist in OSBM staff closer examination of service providers' financial records.

**OIG RECOMMENDATION**

**Ensure South Shore implements policies and procedures to properly record CARE Act Title I costs and submits final cost reports to the Budget Office that are accurate and reconcilable to accounting records.**

**OSBM RESPONSE**

South Shore Hospital is in the process of revising its accounting policies and procedures to rectify the recording of expenditures and accruals, to implement proper categorization of costs, and to conduct regular reviews of departmental budgets and expenditures to prevent cost overruns. OSBM is closely monitoring the Hospital's progress in restructuring its fiscal operations to ensure compliance with CARE Act requirements. The objectives are to ensure proper reconciliation of accounting records and to confirm that claimed costs for current and prior years are allocable to Title I. Frequent communication is being maintained with Hospital representatives to assess their progress. In addition, the Title I Senior Auditor and other County auditing staff will conduct on-site visits semi-annually, or more frequently if necessary, to assess the Hospital's on-going financial operations and confirm that the concerns raised by the independent auditors, OSBM and the OIG are being effectively addressed.

**OIG RECOMMENDATION**

**Work with South Shore to determine its actual costs for FY 2001 to the present and review these costs to determine if they are allowable, allocable, and reasonable.**

**OSBM RESPONSE**

OSBM concurs with this recommendation. The Title I Senior Auditor and other County auditing staff will be responsible for conducting on-site visits to reconcile costs by South Shore Hospital for FY 2001 and FY 2002. Actual costs for FY 2003, the most recently completed fiscal year, are currently being reviewed. An examination of supporting documents submitted by the Hospital for each reported cost is being currently being conducted. The results of this review will be used to reconcile the information with the Hospital's accounting records.

**OIG RECOMMENDATION**

**Ensure that South Shore implements a time and effort reporting system to allocate personnel costs charged to CARE Act Title I program.**

**OSBM RESPONSE**

OSBM agrees with this recommendation. South Shore Hospital has already adopted monthly time and effort reports to record the percentage of time dedicated by staff to Title I funded activities. OSBM will require South Shore to submit this information on a quarterly basis as part of our evaluation of the Hospital's compliance with program requirements.

**OIG RECOMMENDATION**

**Request that South Shore refund the Budge Office \$8,300 in net reimbursements that were overstated based on the final cost report.**

**OSBM RESPONSE**

OSBM concurs with this recommendation. South Shore Hospital will be required to return to the County \$8,300 as specified in the OIG report. Additionally, the Hospital's financial records will be reviewed to verify if reported costs for FY 2001 through present are allowable, allocable, and reasonable. Further actions will be taken, including recapture of additional funds, if the result of this reconciliation warrants it.

**PROPOSED CORRECTION TO DRAFT OIG REPORT**

The draft report (page 2) states that in FY 2001 OSBM contracted with 3 consultants to provide CARE Act Title I services. This statement is not accurate. Only two consultants were under contract during the 2001-2002 fiscal year. These contractors assisted OSBM with program planning, with the review of service providers' compliance with Title I policies and limitations, with data collection and data management, and with reporting of information to the community. We request that this correction be reflected in the final report.

## **SOUTH SHORE HOSPITAL AND MEDICAL CENTER**

**Response to the Office of Inspector General  
Draft Report Number A-04-03-01013:**

*“Ryan White Title I Funds Claimed by a Hospital Contracting with the Miami-Dade  
Eligible Metropolitan Area during the Fiscal year Ended February 28, 2002”*

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### **OIG FINDING #1**

South Shore Hospital could not provide assurance that costs charged to the CARE Act Title I program -- \$929,044 -- met applicable Federal cost requirements because its accounting records did not support the costs reported to the Budget Office. South Shore's management had not implemented an appropriate financial management system for CARE Act Title I.

### **SOUTH SHORE HOSPITAL RESPONSE**

South Shore Hospital's new Chief Financial Officer has established accounting policies, procedures and controls that are being monitored on an on going basis to ensure the following:

1. Expenses are properly expended in the period they are incurred
2. Accruals are made to ensure accountability of unrecorded expenses
3. Review of expense coding to ensure correct department expense categorization
4. Analytical review of departmental expenses.

### **OIG FINDING #2**

South Shore Hospital has no time and effort reporting system to properly allocate personnel costs.

### **SOUTH SHORE HOSPITAL RESPONSE**

South Shore Hospital's Director of Community AIDS Program (CAP) has instituted time and effort reports for employees in order to determine percentage of time spent with Ryan White Title I Clients. Reports are turned in to CAP Director on a monthly basis. And a copy of the format has been shared with OSBM.

**OIG FINDING #3**

**South Shore Hospital did not properly allocate subcontractor's costs that were not specific to the CARE Act Title I Program.**

**SOUTH SHORE HOSPITAL RESPONSE**

South Shore is in the process of implementing a new system of internal controls and accounting procedures, including proper allocation of subcontractors' costs. These controls are being frequently monitored by the Hospital's Chief Financial Officer to insure compliance.

**OIG FINDING #4**

**South Shore Hospital recorded some costs during the audit period reviewed by the OIG for services delivered in prior periods.**

**SOUTH SHORE HOSPITAL RESPONSE**

South Shore is in the process of implementing a new system of internal controls and accounting procedures, including timely and accurate recording and categorization of costs. These controls are being frequently monitored by the Hospital's Chief Financial Officer to insure compliance.

**OIG FINDING #5**

**The Budget Office reimbursed South Shore Hospital \$8,300 more than South Shore reported as final costs.**

**SOUTH SHORE HOSPITAL RESPONSE**

The Budget Office reimbursed South Shore Hospital \$8,300 more than the amount reported on the final line item budget. This was due to the fact that South Shore neglected to report services provided under the Peer Education and Support Network (PESN) program. In order to ensure accuracy of final line item budgets, the CAP Director is working closely with the Budget Office to reconcile reimbursed figures and with South Shore's accounting office to verify reported costs. Additionally, supporting documentation for actual expenses (i.e., copies of invoices, checks, payroll records, etc.) are now submitted to the Budget Office along with the final line item budgets to document final costs.

**OIG RECOMMENDATION#1**

**Ensure South Shore implements policies and procedures to properly record CARE Act Title I costs and submits final cost reports to the Budget Office that are accurate and reconcilable to accounting records.**

**SOUTH SHORE HOSPITAL RESPONSE**

South Shore is in the process of developing and implementing accounting policies and procedures. In addition a new system of internal controls is being adopted to properly record revenues and costs. These controls are being frequently monitored by the Hospital's Chief Financial Officer to insure compliance with Federal cost principles and reporting requirements.

**OIG RECOMMENDATION #2**

**Work with South Shore to determine its actual costs for FY 2001 to the present and review these costs to determine if they are allowable, allocable, and reasonable.**

**SOUTH SHORE HOSPITAL RESPONSE**

A follow-up audit of South Shore Hospital's accounting records for FY 2001 through May 2004 will most likely yield the same results gathered by the OIG because the reclasses for costs incurred during that time period have not been adjusted. However, the Hospital is work closely with the Budget Office to resolve this matter. Currently Hospital staff is being trained to record actual expenses during the contract period and to account for costs as these are incurred.

**OIG RECOMMENDATION #3**

**Ensure that South Shore implements a time and effort reporting system to allocate personnel costs charged to CARE Act Title I Program.**

**SOUTH SHORE HOSPITAL RESPONSE**

Time and effort reports have already been implemented in order to properly allocate personnel costs charged to the CARE Act Title I program. The reports are collected by the CAP Director on a monthly basis. A copy of the time and effort report format has been submitted to the Budget Office for review and approval.

**OIG RECOMMENDATION #4**

**Request that South Shore refund the Budget Office \$8,300 in net reimbursements that were overstated based on the final cost report.**

**SOUTH SHORE HOSPITAL RESPONSE**

An oversight occurred in the reporting of FY 2001 final costs in that expenses associated with the provision of PESN services (\$8,300 in total) were not reported. However, South Shore did ensure that all services billed to the Budget Office were provided to eligible Ryan White Title I clients and these services were properly documented.

Jgm04004a

# ACKNOWLEDGMENTS

This report was prepared under the direction of Charles Curtis. Other principal Office of Audit Services staff who contributed include:

Donald Czyzewski, *Audit Manager*

Yesenia Ramirez, *Senior Auditor*

Antonio Feliz, *Auditor*

Charlene Roomes, *Auditor*

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.