

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HEALTH'S
MANAGEMENT OF THE TICKET TO WORK
DEMONSTRATION WAIVER PROGRAM**



**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General



Inspector General

May 18, 2005

Gregg A. Pane, MD
Director
Department of Health
825 North Capitol Street, N.E., Suite 4400
Washington, D.C. 20002

Dear Dr. Pane:

Enclosed is the final report summarizing the results of the Office of the Inspector General's (OIG) *Audit of the District of Columbia Department of Health's Management of the Ticket to Work Demonstration Waiver Program* (OIG No. 04-1-18MA).

Our draft report contained five recommendations for necessary actions to correct the described deficiencies. We received a response to the draft report from the Department of Health (DOH) on May 11, 2005. We consider actions taken and or planned by DOH to be responsive to our recommendations with the exception of the residual amount of unpaid program costs for Fiscal Year (FY) 2003 provided for in Recommendation 3.

As discussed in our report, the District was liable for \$2.2 million of program costs incurred during the period September 2002 to September 2004. Prior to the completion of the audit, the Office of the Chief Financial Officer (OCFO) prepared an adjusting journal entry in the amount of \$1.8 million to pay for the District's share of program costs incurred during FY 2004. However, we believe \$400,000 (\$2.2 million less \$1.8 million) remains unpaid for FY 2003. Your response indicated that the OCFO recognized a non-payment amount of \$25,173. Accordingly, we ask that DOH reconsider its position on the residual amount of unfunded program costs for FY 2003 and provide us with an updated response within 60 days from the date of this report. The full text of DOH's response is at Exhibit B.

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We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions please contact William J. DiVello, Assistant Inspector General for audits, at (202) 727-2540.

Sincerely,



Austin A. Andersen
Interim Inspector General

Enclosure

AAA/ws

cc: See list attached

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**AUDIT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HEALTH'S
MANAGEMENT OF THE TICKET TO WORK
DEMONSTRATION WAIVER PROGRAM**

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EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the District of Columbia Department of Health's (DOH) Management of the Ticket to Work Demonstration Waiver Program (Program). The Program is jointly administered by the DOH Medical Assistance Administration (MAA) and the HIV/AIDS Administration (HAA). MAA is primarily responsible for oversight and management of the Program. The objective of the Program is to provide a full range of Medicaid services to residents of the District of Columbia that are living with the human immunodeficiency virus (HIV).

This audit is the second in a series of planned audits that will evaluate the District's management of the Medicaid Program. Upcoming audits will include a review and evaluation of the Medicaid billing process, Medicaid transportation, Medicaid documentation, Medicaid records management, Medicaid third-party liability, and the Medicaid Management Information System. The objectives of this audit were to determine whether the DOH achieved Program results in an efficient, effective, and economical manner; complied with requirements of applicable laws, regulations, policies, and procedures; and implemented adequate internal controls to prevent or detect material errors and irregularities.

CONCLUSIONS

The audit disclosed that DOH did not comply with the matching funds requirement provisions contained in the Centers for Medicare and Medicaid Services (CMS) Grant Solicitation CFDA No. 93.779 and 42 U.S.C.S. § 1396d(b)(3) (LEXIS through P.L. 109-2).¹ Specifically, DOH obligated the District to incur program costs projected at \$12.1 million for the period January 1, 2002, through December 31, 2007, without establishing an approved budget to fund the District's share of program costs. Our review of Program operations from September 2002 to September 2004 showed that the Program incurred approximately \$7.5 million in expenditures, none of which were paid for using District funds.

As of September 30, 2004, the District was liable for a proportionate share of Program costs totaling approximately \$2.2 million. Further, DOH's non-compliance with the matching funds requirement provisions of the Grant Solicitation has placed the District at an increased risk of forfeiting the remaining balance of grant funds, which are in excess of \$21 million.

¹ Title 42 U.S.C.S. § 1396d(b) defines the federal Medicaid assistance percentage (FMAP), the federal government share of costs associated with the program, as 100 percent less the State percentage. For the District, the FMAP is 70 percent. *Id.*

EXECUTIVE DIGEST

MANAGEMENT ACTIONS

We brought this matter to the attention of MAA senior officials, as well as other DOH officials, who informed us they were unaware of the matching funds requirement. After presenting District officials with the documentation to substantiate this requirement, the officials agreed with our determination that the District was liable for \$2.2 million of program costs incurred during the period September 2002 to September 2004.

We also discussed this issue with officials from the Office of the Chief Financial Officer (OCFO), which resulted in preparation of an adjusting journal entry in the amount of \$1.8 million to pay for the District's share of program costs incurred during fiscal year 2004. However, \$400,000 (\$2.2 less \$1.8 million) remains to be funded with local dollars for fiscal year 2003.

On January 24, 2005, we met with the DOH Director and members of his senior staff informing them that a budget had not been established to fund the Program since its inception on January 1, 2002. We also informed DOH officials that we were unable to obtain documentation to determine whether a budget had been established to fund the Program for fiscal years 2005, 2006, and 2007. The DOH officials told us that efforts were underway to obtain funding for the Program for the remainder of the grant period.

SUMMARY OF RECOMMENDATIONS

We directed five recommendations to the Director, Department of Health that we believe are necessary to address the concerns described above. The recommendations focus on:

- requiring that the funding sources are identified and budgeted for in advance of incurring Program expenditures;
- obtaining funding for fiscal years 2005, 2006, and 2007, and any years thereafter, to fund costs incurred for the Program;
- obtaining the remaining balance of funding to pay the District's share of Program expenditures incurred during fiscal year 2003 (\$400,000);
- obtaining and maintaining essential records relating to the Program; and
- developing organizational procedures to ensure better communication between MAA and HAA.

A summary of potential benefits resulting from audit is in Exhibit A.

EXECUTIVE DIGEST

MANAGEMENT RESPONSE AND OIG COMMENTS

The DOH Director responded positively to all five draft report recommendations. On Recommendation 3, the Director indicated the amount at issue for FY 2003 is a non-payment of \$25,173. This amount is inconsistent with the \$400,000 of FY 2003 unfunded program costs included in this report. We requests that the DOH Director reconsider his position on Recommendation 3 or provide additional clarification to establish how FY 2003 programs costs were/are to be funded. The complete text of DOH's response is in Exhibit B.

INTRODUCTION

BACKGROUND

The Ticket to Work Demonstration Waiver Program (Program) provides a full range of Medicaid services to residents of the District of Columbia who are living with the human immunodeficiency virus (HIV). The Program is jointly administered by the Department of Health (DOH) Medical Assistance Administration (MAA) and the HIV/AIDS Administration (HAA). MAA is primarily responsible for oversight and management of the Program.

Services provided to qualified recipients include physician appointments, inpatient and outpatient hospital care, clinic services, physical therapy, emergency care, prescription drugs, laboratory and x-ray services, medical transportation, and vision care. The Program extends Medicaid equivalent coverage to individuals who do not currently meet the Social Security Income disability test. To qualify for the Program, recipients must be: 1) living with HIV; 2) at least 16 but less than 65 years of age; 3) working more than 40 hours per month; and earning less than \$28,000 per year.² The Program was created to provide health-care benefits and services to support individuals who wish to maintain employment and self-sufficiency.

Medical Assistance Administration. The MAA is an administration within DOH and is the District's state agency responsible for administering Title XIX of the Social Security Act, the Medical Charities program, the District's Medicaid Program, and other health-care financing initiatives of the District. The MAA also develops eligibility, service coverage, service delivery, and reimbursement policies for the District's health-care financing program to ensure improved access and efficient delivery. Further, MAA ensures that the District's health-care programs take full advantage of federal funding for services for the indigent and uninsured, as well as manages the use of health-care services and the cost of care.

Center for Medical and Medicaid Services. Medicaid is a program that pays for medical assistance for qualified individuals and families with low incomes and limited resources who meet certain eligibility criteria. The Medicaid Program commenced in 1965 and is jointly funded by the federal and state governments (including the District of Columbia and U.S. territories). Medicaid is the largest source of funding for medical and health-related services for people with limited income.

The U.S. Department of Health and Human Services, Center for Medical and Medicaid Services (CMS)³ is the federal agency that oversees the Medicaid Program. The federal government provides broad national guidelines for the Medicaid Program that vary from state to state. However, each state: 1) establishes its own eligibility standards; 2) determines the

² Each participant in the Program may earn up to 300 percent of the federal government poverty level and must submit an affidavit signed by his/her employer stating that private insurance has not been offered that is affordable and comprehensive.

³ CMS is formerly known as the Health Care Financing Administration (HCFA).

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type, amount, duration, and scope of services; 3) sets the rate of payment for services; and 4) administers its own program.

HIV/AIDS Administration. The HAA is also an administration within DOH. Its mission is to assess the status of the HIV virus and promote harm-and risk-reduction initiatives that support behavior change. The HAA also formulates policies and plans that address the needs of the community and maximize the utilization of technological and other resources to assure that quality services are delivered. With respect to the Program, HAA's main responsibilities include enrollment, monitoring program performance, and preparing quarterly reports to be submitted by MAA to CMS.

DOH Office of the Chief Financial Officer Responsibilities. The DOH, Office of the Chief Financial Officer (OCFO) is responsible for establishing and accounting for the Program's financial operations in the District's computerized System of Accounting and Reporting (SOAR). The OCFO draws funds down from federal grants to replenish/reimburse excess District funds expended for program costs, and maintains supporting financial records. The OCFO also prepares annual reports covering financial operations of the Program, which are submitted by MAA to CMS.

Ticket to Work Federal Grant. The Ticket to Work and Work Improvement Incentives Act of 1999 (the Act) was signed into law on December 17, 1999. The legislation addresses many of the obstacles that people with disabilities face when seeking sustained employment. States requesting federal assistance must submit a project narrative and budget, including the maximum number of individuals that will receive treatment for each specific physical or mental impairment that the state chooses to cover. The legislation requires states to provide assurance at the time a project is approved that federal funds will be used to supplement, not supplant, state funds spent on workers with potentially severe disabilities. States are also required to submit an annual report on the use of funds provided.

In response to the Act, CMS sponsored Solicitation CFDA No. 93.779 (Solicitation), dated June 7, 2000, for the Program. The solicitation allows states to provide benefits equivalent to those provided through the Medicaid Program to workers who have physical or mental impairments that, without medical assistance, will result in disability. The Solicitation provides that the Program costs will be paid to the states (and the District of Columbia) with an approved project(s) in quarterly amounts equal to the Federal Medical Assistance Percentage (FMAP) rate.

Federal funds provided for the Program cover calendar years (CY) 2002 through 2007. If federal funding remains available after CY 2007, funding would continue until depleted or through fiscal year (FY) 2009. The Solicitation indicates that states whose proposals are approved must meet the key requirements of the timelines and benchmarks that were submitted in the proposal. The Solicitation also provides that CMS reserves the right to

INTRODUCTION

terminate a state's participation in the Program, if a state fails to keep up with agreed-upon timelines and benchmarks.

Matching Funds Requirements. The Social Security Act, 42 U.S.C.S. § 1396d(b)(3) (LEXIS through P.L. 109-2), establishes the FMAP for the 50 states and the District of Columbia. The FMAP is the percentage the federal government will reimburse the 50 states and the District of Columbia for every dollar spent for Medicaid programs. The FMAP rate for the District of Columbia is 70 percent. *Id.* Therefore, the costs of the Program must be shared between the District and federal governments – 70 percent federal funds and 30 percent District funds.

Grant Application Package. In response to the Solicitation, MAA submitted a grant application package, dated April 30, 2001, to obtain federal assistance to fund the Program in order to provide services for the maximum ceiling of 420 HIV-infected District of Columbia residents. The grant application indicated that the total program costs (the federal and District's share of cost) for the 6-year period of January 1, 2002, through December 31, 2007, would be \$39.6 million, as shown in Table I.

Grant Period	Federal Grant Funds	District Matching Funds	Total Program Funds
January 1 - December 31, 2002	\$3,980,308	\$1,798,756	\$5,779,064
January 1 - December 31, 2003	4,167,323	1,876,694	6,044,017
January 1 - December 31, 2004	4,451,391	1,979,731	6,431,122
January 1 - December 31, 2005	4,591,157	2,065,738	6,656,895
January 1 - December 31, 2006	4,830,667	2,178,977	7,009,644
January 1 - December 31, 2007	5,402,798	2,286,024	7,688,822
Totals	\$27,423,644	\$12,185,920	\$39,609,564

Notice of Grant Award. CMS approved MAA's grant application in a letter dated November 21, 2001. Federal funding was approved in the amount of \$27,423,644 as shown in Table 1. The letter indicated that MAA would receive a Notice of Grant Award (Form CMS 6-U6-PG (9-84)) as an official document authorizing the release of federal funds effective January 1, 2002.

MAA received the Notice of Grant Award dated November 21, 2001, which released the federal share of funding for the first year in the amount of \$3,980,308 for the period January 1 through December 31, 2002. We noted that the Notice of Grant Award was not

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properly prepared, in that it did not indicate Required Grantee Participation (box 11 of the form) had been selected. Subsequently, CMS amended the Notice of Grant of Award, dated June 12, 2003, including selecting the Required Grantee Participation box at the established FMAP rate. As of September 30, 2004, MAA has received three Notice of Grant of Awards as shown in Table II:

Table II. Program Funding by Year		
Date	Period	Amount
November 21, 2001	January 1 - December 31, 2002	\$3,980,308
June 10, 2004	January 1 - December 31, 2003	4,167,323
June 10, 2004	January 1 - December 31, 2004	4,451,391
Totals		\$12,599,022

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether the DOH achieved Program results in an efficient, effective, and economical manner; complied with requirements of applicable laws, regulations, policies, and procedures; and implemented adequate internal controls to prevent or detect material errors and irregularities.

To accomplish our objectives, we held interviews and discussions with DOH officials, including representatives from the MAA, HAA, and CMS management and administrative staff to gain an understanding of the policies and procedures and other controls used to operate the Program. We also examined and analyzed Program records and reports maintained by MAA and HAA.

We relied on computer-processed data from SOAR to provide us with detailed information on vendor payments and drawdowns/reimbursements. We also relied on computer-processed data from the Medicaid Management Information System (MMIS) to obtain detailed information on expenditures. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that the hard copy documents that we reviewed generally agreed with the information in the computer-processed data. We did not find errors that would preclude use of the computer-processed data to meet the audit objectives or that would change the conclusions in this report.

Overall, the audit covered the period January 1, 2002, to September 30, 2004, was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary under the circumstances.

FINDING AND RECOMMENDATIONS

FINDING: COMPLIANCE WITH MATCHING FUNDS REQUIREMENTS

SYNOPSIS

The audit disclosed that DOH did not comply with the matching funds requirement provisions contained in CMS Grant Solicitation No. 93.779 and 42 U.S.C.S. § 1396d(b)(3) (LEXIS through P.L. 109-2). Specifically, DOH obligated the District to incur program costs projected at \$12.1 million for the period January 1, 2002, through December 31, 2007, without establishing an approved budget to fund the District's share of program costs. Our review of Program operations from September 2002 to September 2004 showed that the Program incurred approximately \$7.5 million in expenditures, none of which were paid for with District funds.

This condition occurred mainly because of a lack of management oversight over operations of the Program by MAA. Other contributing factors include MAA's and HAA's inadequate maintenance of vital program records. Neither MAA nor HAA maintained a complete or official copy of the two most essential program records, the Grant Application Package and the amended Notice of Grant Award. We also noted the need for a formal written and coordinated strategy between the two responsible DOH administrations to determine and assign areas of program responsibility.

As of September 30, 2004, the District was liable for a proportionate share of Program costs totaling approximately \$2.2 million. Further, DOH's non-compliance with the matching funds requirement provisions of the Solicitation and 42 U.S.C.S. § 1396d(b)(3) has placed the District at an increased risk of forfeiting the remaining balance of grant funds, which are in excess of \$21 million.

DISCUSSION

DOH did not comply with the matching funds requirement provision of the Solicitation and 42 U.S.C.S § 1396d(b)(3) by neither providing for funding nor establishing a budget to pay for the District's share of costs for the Program. Therefore, DOH has placed the District in a position that could result in termination of the Program.

Review of Program Expenditures. Based upon our calculations, as of September 30, 2004, 70 percent of program expenditures (\$5,274,322) should have been paid with federal grant funds and 30 percent (\$2,260,424) with District funds. However, at that time, all of the program expenditures had been paid using federal funds. Records provided by the OCFO indicate that program expenditures for the period October 2002 through September 30, 2004, totaled \$7,534,746 as shown in Table III.

FINDING AND RECOMMENDATIONS

Table III. Schedule of Monthly Expenditures		
Dates	Monthly Expenditures	Cumulative Expenditures
October 2002	\$2,189	\$2,189
November 2002	\$14,709	\$16,898
December 2002	\$22,549	\$39,447
January 2003	\$66,859	\$106,306
February 2003	\$66,922	\$173,228
March 2003	\$92,037	\$265,265
April 2003	\$138,809	\$404,074
May 2003	\$157,103	\$561,177
June 2003	\$147,267	\$708,444
July 2003	\$216,199	\$924,643
August 2003	\$198,538	\$1,123,181
September 2003	\$278,798	\$1,401,979
October 2003	\$463,008	\$1,864,987
November 2003	\$289,235	\$2,154,222
December 2003	\$369,748	\$2,523,970
January 2004	\$466,555	\$2,990,525
February 2004	\$424,095	\$3,414,620
March 2004	\$484,117	\$3,898,737
April 2004	\$610,227	\$4,508,964
May 2004	\$529,360	\$5,038,324
June 2004	\$475,369	\$5,513,693
July 2004	\$711,657	\$6,225,350
August 2004	\$667,156	\$6,892,506
September 2004	\$642,240	\$7,534,746

Grant Application Certification. Standard Form (SF) 424B, Assurances-Non-Construction Programs, of the grant application package states that the Grantee “has the legal authority to apply for federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-federal share of the project cost), to ensure proper planning, management and completion of the project described in the application.” Further, Section 4, SF 424B states that the Grantee “will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.”

Solicitation CFDA No. 93.779. The Solicitation Section III, Demonstration Projects, requires that states choosing to participate in the Program “provide assurances that Federal funds will be used to supplement, not supplant, State funds spent on workers with potentially severe disabilities at the time the demonstration project is approved. . . .”

FINDING AND RECOMMENDATIONS

The Solicitation Section I page 6 states, in part, “costs will be paid to the States with approved demonstration projects quarterly in an amount equal to the federal medical assistance percentage (FMAP) of expenditures. . . .” Further, Section IV, page 14, provides, “[s]tates that submit proposals that are approved for participation in a demonstration must meet the key requirements of the timeline that is submitted by the State. If a State fails to keep up with its timeline and benchmarks agreed to in the approved proposal, HCFA reserves the right to terminate the State’s participation in the demonstration.”

Because DOH did not comply with the matching funds requirement provision of both the grant application package and the Solicitation, DOH has placed the District in a position that could result in termination of the Program. We believe that unless DOH establishes a permanent funding arrangement for the Program, the District could forfeit the remaining balance of grant funds (in excess of \$21 million as of September 30, 2004).

Management Oversight. As part of the audit process, we interviewed the MAA official assigned overall responsibility for managing operations of the Program. When requested, the official could not provide us with a complete copy of the grant application or the Notice of Grant Award. The MAA official also was unable to provide us with the correct FMAP rate established for the Program. The official believed that the Program was totally funded (100 percent) by federal funds.

In order to obtain a complete copy of MAA’s grant application and the amended Notice of Grant Award, we interviewed a CMS official. Additionally, in order to determine the established FMAP rate for the Program, we conducted research, reviewed the Solicitation and grant application, and reviewed applicable federal regulations.

Accounting for Federal Funds. We held discussions with an OCFO official to obtain an explanation for using only federal funds to pay for program costs. We were informed that an accounting entry was established in SOAR that charged all program costs (100 percent) against federal funds because the November 21, 2001, Notice of Grant Award did not include the established FMAP rate. We informed that official that the Notice of Grant Award was amended on June 12, 2003, to include the FMAP rate. According to the OCFO official, MAA did not forward the amended Notice of Grant Award to the OCFO, which was necessary for making an adjustment.

Program Budget. We determined that a budget had not been established to fund the Program since its inception on January 1, 2002. Although many requests were made by OIG auditors, MAA and HAA senior officials were unable to provide documentation for us to determine whether a budget had been established to fund the Program for FYs 2005, 2006, and 2007. Further, documentation obtained during the audit indicated that one senior DOH official had considered shutting the program down for FY 2005 because funding had not been approved by D.C. City Council.

FINDING AND RECOMMENDATIONS

Organizational Structure. We reviewed DOH's organizational structure and noted that MAA and HAA were equivalent on the organizational chart. Further, during interviews with a MAA official, we were told that MAA could not *direct* HAA to perform any specific tasks (although MAA is the District's state agency with respect to the Medicaid Program). Although this issue does not specifically relate to the matching funds requirements, we believe that the Medicaid Program would operate more effectively if organizational procedures were developed to ensure better communication between MAA and HAA.

MANAGEMENT ACTIONS

We brought these issues to the attention of MAA senior officials. The officials agreed with our determination that the District was liable for \$2.2 million of program costs incurred during the period September 2002 to September 2004. We also discussed this issue with officials of OCFO, which resulted in an adjusting journal entry being prepared in the amount of \$1.8 million to pay for the District's share of program costs incurred during FY 2004. However, \$400,000 (\$2.2 million less \$1.8 million) remains unpaid for FY 2003.

On January 24, 2005, we met with the DOH Director and members of his senior staff. We informed them that a budget had not been established to fund the Program since its inception on January 1, 2002. We also informed the DOH officials that we were unable to obtain documentation to determine whether a budget had been established to fund the Program for FYs 2005, 2006, and 2007. DOH officials told us that efforts were underway to obtain funding for the Program for the remainder of the grant period.

Conclusion

We believe that unless DOH establishes a permanent funding arrangement for the Program, the District risks forfeiting the remaining balance of grant funds. If the Program shuts down, the related health-care costs for the program recipients would shift to other health-care systems – some for which the District would have to pay as much as 100 percent of the costs (versus 30 percent). Because DOH did not establish funding to pay the District's share of costs for the Program as agreed, DOH did not comply with matching funds requirement provision of both the CMS Grant Solicitation and 42 U.S.C.S. § 1396d(b)(3). As a result, DOH has placed the District in a position that could result in termination of the Program and loss of the use of the remaining \$21 million in federal funds.

FINDING AND RECOMMENDATIONS

RECOMMENDATIONS

We recommended that the Department of Health Director:

1. Require that funding sources are identified and budgeted for in advance of incurring Program expenditures to comply with applicable provisions of the CMS Solicitation CFDA No. 93.779 and 42 U.S.C.S. § 1396d(b)(3).
2. Obtain funding for fiscal years 2005, 2006, and 2007, and any years thereafter, to fund Program costs.
3. Obtain funding to pay the District's share of Program expenditures incurred during fiscal year 2003 (\$400,000).
4. Obtain and maintain all essential records relating to the Program, such as the Grant Application Package and Amended Notice of Grant Award.
5. Develop organizational procedures to ensure better communication between MAA and HAA.

DOH RESPONSE (Recommendation 1)

DOH stated that DOH and HAA are requesting supplemental funding from the District for fiscal year 2005. Funding for fiscal 2006 will be a part of the HAA budget request.

OIG COMMENT

DOH's corrective actions are responsive and meet the intent of the recommendation.

DOH RESPONSE (Recommendation 2)

DOH stated that funding for both fiscal years 2005 and 2006 has been requested. Funding for fiscal year 2007 and beyond will be requested through the normal HAA budget request.

OIG COMMENTS

DOH's corrective actions are responsive and meet the intent of the recommendation.

FINDING AND RECOMMENDATIONS

DOH RESPONSE (Recommendation 3)

DOH stated that the OCFO reports that they have communicated with the CMS regarding the non-payment of \$25,173 in local funding from Fiscal Year 2003 funds.

OIG COMMENTS

We consider actions take and or planned by DOH to be responsive to our recommendation with the exception of the amount provided for in Recommendation 3. As explained in our report, the District was liable for \$2.2 million of program costs incurred during the period September 2002 to September 2004. Although corrective action was taken by the Office of the Chief Financial Officer to prepare an adjusting journal entry in the amount of \$1.8 million to pay for the District's share of program costs incurred during FY 2004, \$400,000 (\$2.2 million less \$1.8 million) remains unpaid for FY 2003. Accordingly, we ask that DOH reconsider its position on the amount provided for in Recommendation 3 and/or provide additional clarification to establish how FY 2003 program costs were/are to be funded.

DOH RESPONSE (Recommendation 4)

DOH stated that the operational protocol has been revised and updated to reflect the responsibilities of both HAA and MAA.

OIG COMMENTS

DOH's corrective actions are responsive and meet the intent of the recommendation.

DOH RESPONSE (Recommendation 5)

DOH stated that a Memorandum of Understanding (MOU) has been proposed and is in the process of being signed by all parties. This MOU outlines responsibilities and mechanism for sharing information.

OIG COMMENTS

DOH's corrective actions are responsive and meet the intent of the recommendation.

FINDING AND RECOMMENDATIONS

OTHER MATTER OF INTEREST

On April 15, 2004, DOH submitted to the District of Columbia Council Committee on Human Services (D.C. Council) a follow-up response to questions asked during the FY 2005 Budget Hearings. The questions raised by the D.C. Council focused on the following DOH divisions and administrations:

- General Department of Health
- Addiction Prevention and Recovery Administration
- Medical Assistance Administration
- Health Care Safety Net Administration
- Environmental Health Science and Regulation
- Health Promotion – Public Health Services
- HIV/AIDS Administration
- Medical Affairs – Communicable and Chronic Disease Prevention and Control
- Office of Emergency Health and Medical Services
- Policy, Planning, and Research

We noted that a response submitted by DOH relative to the Program budget was not accurate. DOH officials indicated in their response that *no local funds were needed* to cover FY 2004 and 2005 Program costs. However, during the audit, we determined that the District was liable for 30 percent of program costs for the entire duration of the grant (FYs 2002 to 2007).

In our opinion, DOH should ensure that the D.C. Council is provided with accurate information, which is necessary for making sound decisions on financial matters pertaining to the District. Accordingly, we believe that DOH should take appropriate action, to correct the D.C. Council record.

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS
 RESULTING FROM AUDIT**

Recommendation	Description of Benefit	Amount and Type of Benefit	Status⁴
1	Economy and Efficiency and Internal Control. Ensure grant funding and cost avoidance for the District of Columbia.	Cost avoidance in excess of \$21 million through the use of matching District funds	Open
2	Compliance and Internal Control. Obtain Program funding for fiscal years 2005, 2006, and 2007.	Same as above	Open
3	Compliance and Internal Control. Obtain funding for expenditures incurred during fiscal year 2003.	Nonmonetary	Open
4	Program Results. Obtain and maintain essential Program records.	Nonmonetary	Closed
5	Program Results. Ensure that MAA has proper authority to operate with regard to Medicaid projects.	Nonmonetary	Open

⁴ This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means Management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B. DOH'S RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health



Office of the Director

May 11, 2005

Austin A. Andersen
Interim Inspector General
Office of the Inspector General
717 – 14th Street, N.W.
Washington, DC 20005

Dear Mr. Andersen:

This letter is in response to your audit comments regarding the HIV/Ticket to Work Program, OIG No. 04-1-18MA, dated May 6, 2005.

The HIV Ticket to Work Program is a joint HIV/AIDS Administration/Medical Assistance Administration (HAA/MAA) program as you indicated in your report. HAA has the operational and fiscal responsibility for the program and MAA has the oversight of the program since it is a program that falls under an MAA grant.

It was the understanding of MAA that HAA had fiscal responsibility for the program, based on a letter of understanding between HAA and MAA.

MAA brought it to the attention of the Office of the Chief Financial Officer (OCFO) and HAA that the local share of the program was not being funded by HAA. This requirement to pay the local share was reiterated by the Office of the Inspector General (OIG). At the end of FY04, since HAA did not have the needed funding, MAA offered to pay the needed local share for FY03 and FY04 to ensure DOH compliance with federal requirements. This share was paid by MAA even though it was a HAA responsibility. Funding for FY05 has been requested for the HAA budget as a supplemental budget request.

With regard to the five OIG recommendations, we provide you with the following information:

Recommendation 1: DOH and HAA are requesting supplemental funding from the District for FY05. Funding for FY06 is part of the HAA budget request.

Recommendation 2: As stated above, funding for FY05 and FY06 has been requested. Funding for FY07 and beyond will be requested through the normal HAA budget request.

EXHIBIT B. DOH'S RESPONSE TO DRAFT REPORT

Austin A. Andersen – OIG No. 04-1-18-MA
May 11, 2005
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Recommendation 3: The OCFO reports that they have communicated with the Centers for Medicare and Medicaid Services (CMS) regarding the non-payment of \$25,173 in local funding from FY03 funds. OCFO has assured as that they will work through this issue with CMS.

Recommendation 4: The operational protocol has been revised and updated to reflect responsibilities of both HAA and MAA.

Recommendation 5: A Memorandum of Understanding (MOU) has been proposed and is in the process of being signed by all parties. This MOU outlines responsibilities and mechanism for sharing information.

Thank you for bringing these matters to our attention. I am pleased to report that activities to enhance the HIV Ticket to Work program were underway prior to, during and subsequent to your audit. Additionally, CMS made a site visit to DOH on Monday, May 2, 2005, and commented that this program was the only one in the country that was fully operational and at full capacity.

Sincerely,



Gregg A. Pane, MD, MPA
Director

cc: Robert C. Bobb, City Administrator
Neil O. Albert, Deputy Mayor
Natwar M. Gandhi, Chief Financial Officer
Lidia Watts, HAA
Robert T. Maruca, MAA