PERFORMANCE AUDIT
OF THE

DIVISION OF HIV/AIDS - STD

COMMUNITY PUBLIC HEALTH AGENCY
DEPARTMENT OF COMMUNITY HEALTH

June 2002

EXECUTIVE DIGEST

DIVISION OF HIV/AIDS - STD

INTRODUCTION

This report, issued in June 2002, contains the results of our performance audit* of the Division of HIV/AIDS - STD, Community Public Health Agency, Department of Community Health (DCH).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

Among the stated goals* of the Division is to be the State entity that ensures appropriate human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) and sexually transmitted disease (STD) prevention and care.

Article 5 of Act 368, P.A. 1978, as amended, provides for DCH's efforts to address diseases, including HIV/AIDS and STDs. In 1997, DCH combined its HIV/AIDS and STD entities to form the Division of HIV/AIDS - STD.

The Division focuses its prevention and care efforts on HIV/AIDS, syphilis, gonorrhea, and chlamydia. Organizationally, the Division consists of the HIV/AIDS

** See glossary at end of report for definition.*

Prevention and Intervention Section and the Sexually Transmitted Diseases Section.

For fiscal year 2000-01, the Division expended approximately $23.0 million on HIV/AIDS activities and $6.4 million on STD activities for a total of $29.4 million. As of November 2001, the Division had 36 employees and used contractual service providers to assist it in operating its programs.

AUDIT OBJECTIVES, CONCLUSIONS, AND NOTEWORTHY ACCOMPLISHMENTS

Audit Objective: To assess the Division's effectiveness in administering care and prevention activities for persons with, or at risk of acquiring, HIV and AIDS.

Conclusion: We concluded that the Division was generally effective in administering care and prevention activities for persons with, or at risk of acquiring, HIV and AIDS. However, we noted reportable conditions* related to its priority for adolescent HIV/AIDS prevention, education, and outreach services; AIDS Drug Assistance Program (ADAP) drug rebate program; ADAP drug and eligibility special request approval process; and quality assurance objective review process (Findings 1 through 4).

Noteworthy Accomplishments: The Division collaborated with the Department of Corrections to help ensure that inmates receive effective HIV/AIDS counseling and testing and continuity of care after their release from incarceration. In February 2001, the Association of State and Territorial Health Officials stated in its report entitled "Behind the Wall - Collaborative Responses in

** See glossary at end of report for definition.*

Massachusetts and Michigan to Address HIV/AIDS Among Incarcerated Populations":

> Through their collaborative efforts, the Massachusetts and Michigan programs reflect a new model for addressing HIV/AIDS among incarcerated populations. This model supercedes traditional barriers and blends together public health and public safety approaches, methodologies, cultures, and funding streams.

Audit Objective: To assess the Division's effectiveness in administering care and prevention activities for persons with, or at risk of acquiring, STDs.

Conclusion: We concluded that the Division was generally effective in administering care and prevention activities for persons with, or at risk of acquiring, STDs.

Audit Objective: To assess the effectiveness and efficiency of the administration of selected Divisionwide activities.

Conclusion: We concluded that the Division was generally effective and efficient in its administration of selected Divisionwide activities. However, we noted reportable conditions related to contract monitoring controls, care fiduciary and prevention planning activities, evaluation processes, efficiency of care and prevention activities, policies and procedures, controls over inventories of prescription STD drugs and HIV testing devices, counseling and testing funding, and conflict of interest (Findings 5 through 12).

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the Division of HIV/AIDS - STD. Our audit was

conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included examining the Division's records and activities for the period October 1, 1999 through November 30, 2001. To accomplish our first objective, we gained an understanding of how the Division provided HIV/AIDS prevention and direct care services and interacted with regional and local entities. To accomplish our second objective, we gained an understanding of how the Division used the efforts of local health departments to perform STD care and prevention activities. To accomplish our third objective, we considered the extent to which Divisionwide activities were controlled, directed, and coordinated to ensure that DCH's mission* and the Division's goals and objectives* could be effectively and efficiently accomplished.

AGENCY RESPONSES

Our audit report contains 12 findings and 13 corresponding recommendations. The agency preliminary response indicated that the Division has complied or will comply with all of the recommendations.

** See glossary at end of report for definition.*

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 14, 2002

Mr. James K. Haveman, Jr., Director
Department of Community Health
Lewis Cass Building
Lansing, Michigan

Dear Mr. Haveman:

This is our report on the performance audit of the Division of HIV/AIDS - STD, Community Public Health Agency, Department of Community Health.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

This page left intentionally blank.

TABLE OF CONTENTS

DIVISION OF HIV/AIDS - STD
COMMUNITY PUBLIC HEALTH AGENCY
DEPARTMENT OF COMMUNITY HEALTH

INTRODUCTION

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

GLOSSARY

Description of Agency

Among the stated goals of the Division of HIV/AIDS - STD, Community Public Health Agency, Department of Community Health (DCH), is to be the State entity that ensures appropriate human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) and sexually transmitted disease (STD) prevention and care.

Article 5 of Act 368, P.A. 1978, as amended, provides for DCH's efforts to address diseases, including HIV/AIDS and STDs. In 1997, DCH combined its HIV/AIDS and STD entities to form the Division of HIV/AIDS - STD.

The Division focuses its prevention and care efforts on HIV/AIDS, syphilis, gonorrhea, and chlamydia. The Division collaborates with numerous other State, federal, regional, and local entities and individuals to help prevent the spread of HIV and STDs and to care for and treat persons infected and affected. Organizationally, the Division consists of the HIV/AIDS Prevention and Intervention Section (HAPIS) and the Sexually Transmitted Diseases Section.

HAPIS helps ensure that persons can be tested for HIV, counseled regarding test results, and have an opportunity to provide information (e.g., names) about persons who may also be infected so that they also may be found, tested, and counseled. Also, HAPIS helps the State's eight HIV/AIDS planning regions develop a strategy and plan for preventing the spread of HIV. In addition, HAPIS serves as a continual source of information, education, and training for care services providers' and prevention services providers' employees and administrators. Further, HAPIS administers programs to help improve the quality of care for persons infected and affected by HIV through the AIDS Drug Assistance Program, the Dental Demonstration Project, and the administration of care services provider contracts.

As of December 1999, DCH reported that approximately 440,000 U.S. residents had died of AIDS since 1980 and that approximately 850,000 U.S. residents had HIV/AIDS. Michigan ranked 15th in the nation with its estimated 13,500 HIV/AIDS cases. In addition, DCH reported that, in 1999, approximately 825 State residents were newly diagnosed with HIV and approximately 230 State residents died of AIDS.

The Sexually Transmitted Diseases Section helps local heath departments in all three regions in the State screen for STDs; diagnose and treat STDs; and find sex partners of those infected so that they can also be diagnosed, treated, and counseled.

The Centers for Disease Control and Prevention, U.S. Department of Health and Human Services, reported in 1999 that 15 million people per year are diagnosed with any of approximately 20 types of STDs. DCH reported that, in 1999, there were more than 39,000 cases of syphilis, gonorrhea, and chlamydia reported in Michigan. Undiagnosed and untreated, STDs can lead to cancer; infertility; premature births; eye disease and pneumonia in infected infants; and a 200% to 500% increased risk of acquiring and spreading HIV. For example, according to the National Cervical Cancer Public Education Campaign, undiagnosed and untreated HPV (human papillomavirus), the most rapidly spreading STD, is the likely cause of 99% of cervical cancer cases, of which approximately 5,000 of the 15,000 persons diagnosed nationally die each year.

As of 1999, the National Institutes of Health, U.S. Department of Health and Human Services, stated that HIV/AIDS and STDs and their complications cost the nation well in excess of $10 billion annually. Based on the number of reported HIV/AIDS and STD cases, Michigan's prorated share of those annual costs exceeded $250 million.

For fiscal year 2000-01, the Division expended approximately $23.0 million on HIV/AIDS activities and $6.4 million on STD activities for a total of $29.4 million. As of November 2001, the Division had 36 employees and used contractual service providers to assist it in operating its programs.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of the Division of HIV/AIDS - STD, Community Public Health Agency, Department of Community Health (DCH), had the following objectives:

1. To assess the Division's effectiveness in administering care and prevention activities for persons with, or at risk of acquiring, human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS).

2. To assess the Division's effectiveness in administering care and prevention activities for persons with, or at risk of acquiring, sexually transmitted diseases (STDs).

3. To assess the effectiveness and efficiency of the administration of selected Divisionwide activities.

Audit Scope

Our audit scope was to examine the program and other records of the Division of HIV/AIDS - STD. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, conducted during April through November 2001, included examining the Division's records and activities for the period October 1, 1999 through November 30, 2001.

Our methodology included reviewing statutes and appropriations act boilerplate, gaining an understanding of DCH's mission, interviewing Division employees to determine its goals and objectives related to HIV/AIDS and STD care and prevention, and reviewing Division policies and procedures. We determined that the Division used agreements with contractors, subcontractors, and local health departments (LHDs) for prevention and care activities and provided direct HIV/AIDS care to clients with the AIDS Drug Assistance Program (ADAP) and Dental Demonstration Project.

To accomplish our first objective, we gained an understanding of how various regional and local entities interacted to provide HIV/AIDS prevention and direct care services, how the entities advised and planned for future HIV/AIDS prevention and care services, and how the Division monitored, directed, controlled, and assisted the regional and local entities. We reviewed prevention contractors' services proposals to determine their focus, goals, and objectives. We also reviewed ADAP and Dental Demonstration Project financial and program records.

To accomplish our second objective, we gained an understanding of how the Division used the efforts of LHDs to perform STD care and prevention activities while considering direction provided by the federal government. Also, we visited selected LHDs and reviewed STD counseling and testing records and STD drug inventory practices.

To accomplish our third objective, we considered the extent to which Divisionwide activities were controlled, directed, and coordinated to ensure that DCH's mission and the Division's goals and objectives could be effectively and efficiently accomplished. We reviewed selected administrative efforts, such as the accuracy of funding calculations, contract monitoring, compilation and sharing of best practices, controls over selected inventories, maintenance of adequate policies and procedures, the necessity of efforts requiring Division resources, program evaluation processes, and conflict of interest policies.

Agency Responses

Our audit report contains 12 findings and 13 corresponding recommendations. The agency preliminary response indicated that the Division has complied or will comply with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DCH to develop a formal response to our audit findings and recommendations within 60 days after release of the report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF HIV/AIDS CARE AND PREVENTION ACTIVITIES

COMMENT

Audit Objective: To assess the effectiveness of the Division of HIV/AIDS - STD, Community Public Health Agency, Department of Community Health (DCH), in administering care and prevention activities for persons with, or at risk of acquiring, human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS).

Conclusion: We concluded that the Division was generally effective in administering care and prevention activities for persons with, or at risk of acquiring, HIV and AIDS. However, we noted reportable conditions related to its priority for adolescent HIV/AIDS prevention, education, and outreach services; AIDS Drug Assistance Program (ADAP) drug rebate program; ADAP drug and eligibility special request approval process; and quality assurance objective review process.

Noteworthy Accomplishments: The Division collaborated with the Department of Corrections to help ensure that inmates receive effective HIV/AIDS counseling and testing and continuity of care after their release from incarceration. In February 2001, the Association of State and Territorial Health Officials stated in its report entitled "Behind the Wall - Collaborative Responses in Massachusetts and Michigan to Address HIV/AIDS Among Incarcerated Populations":

> Through their collaborative efforts, the Massachusetts and Michigan programs reflect a new model for addressing HIV/AIDS among incarcerated populations. This model supercedes traditional barriers and blends together public health and public safety approaches, methodologies, cultures, and funding streams.

FINDING

1. Priority for Adolescent HIV/AIDS Prevention, Education, and Outreach Services

The Division needs to more specifically address adolescents in its procedures for providing HIV/AIDS prevention, education, and outreach services.

According to the Centers for Disease Control and Prevention, 45% of Michigan's high school aged youth (14 to 18 years) had experienced sexual activity and approximately 31% were sexually active. Consequently, Division procedures need to specifically address HIV/AIDS prevention, education, and outreach services to adolescents while considering high-risk behaviors to reduce the number of persons who later become infected with HIV.

The procedures used by the Division to provide prevention, education, and outreach services have been based on the Statewide Comprehensive Plan for HIV Prevention, which is prepared for and submitted to the Centers for Disease Control and Prevention. Some services and activities have focused on youth, which is a population of individuals that includes adolescents and other young persons up to age 24. For example, health, education, and risk reduction services have been provided directly by contractors, to varying degrees, across the eight regions of the State.

In our review of contractor agreement provisions, we noted that 15 of 35 of the agreements for fiscal year 2000-01 included provisions to service youths. We estimate that expenditures for prevention, education, and outreach services by these 15 prevention contractors were $677,000 (25%) of the $2.7 million in funding that the Division provided for services to all age groups. In 2 of the State's 8 regions, the prevention contractors' agreements did not include provisions to service adolescents, although 3% and 13% of the each contractor's services, respectively, were directed at adolescents from January through June 2001 as a by-product of providing services to all ages.

Other activities of the Division have included working with the Department of Education to train persons with HIV/AIDS to speak to youth about prevention, conducting a seminar that included youth HIV/AIDS issues, and holding occasional peer-to-peer networking meetings regarding HIV/AIDS for persons who work with youth and adolescents.

The Division and the Statewide Community Planning Group for HIV Prevention created the Plan based on Statewide epidemiological data and extensive input by the eight regional community planning groups. The Plan addresses behaviors of persons, regardless of age, who increase the risk of acquiring or spreading HIV/AIDS, such as men having sex with men, intravenous drug use, and engaging in high-risk heterosexual activity. However, the Plan does not specifically include adolescents or youths as a priority within the context of at-risk behaviors. State appropriations acts for fiscal years 1999-2000 and 2000-01 stated that DCH and its subcontractors shall ensure that adolescents receive priority for prevention, education, and outreach services funded by the State.

RECOMMENDATION

We recommend that the Division more specifically address adolescents in its procedures for providing HIV/AIDS prevention, education, and outreach services.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. While believing that the services provided to adolescents were generally appropriate, the Division agreed that adolescent services were not documented as a priority and that it needs to develop procedures that more specifically address HIV/AIDS - STD prevention, education, and outreach services for adolescents. The Division stated that under its existing prioritization process, adolescents received 25% of HIV prevention, education, and outreach services, significantly above their representation in the epidemic. Nevertheless, in addition to this process, the Division will examine existing services and prioritize future services targeted to adolescents. Also, the Division will continue to collaborate with other organizational units within DCH and the Department of Education regarding the planning and implementation of services targeted to adolescents and young adults. In addition, the Division will continue to provide technical expertise relevant to HIV/AIDS services targeted to adolescents and young adults to other organizational units within DCH and the Department of Education. In the context of compilation of a community resource inventory, the Division will specifically examine resources dedicated to serving adolescents and young adults at increased behavioral risk for HIV/AIDS. These activities will begin in fiscal year 2001-02.

FINDING

2. ADAP Drug Rebate Program

The Division needs to evaluate the effectiveness and efficiency of the administration of its ADAP drug rebate program to help ensure that it maximizes ADAP financial resources available to serve HIV/AIDS clientele.

The Division operated its ADAP using a voluntary drug rebate program and opted to not participate in an available federal drug purchase program. For both the voluntary and federal programs, the net cost of drugs to ADAP is reduced. Under the voluntary program, a drug rebate is earned when ADAP pays for certain approved prescription drugs. After receiving quarterly ADAP drug utilization and expenditure summary invoices, the applicable pharmaceutical company rebates a portion of the drug purchase price to DCH. Under the federal program, pharmaceutical companies would be required to sell drugs to the Division for specified low prices. While either program would result in reduced costs of ADAP and increase the funds available for future ADAP drug purchases, the financial effects vary between the voluntary and federal programs.

As of September 30, 2001, ADAP paid for select prescription drugs for 900 HIV/AIDS clientele who met eligibility criteria. For fiscal years 1999-2000 and 2000-01, the Division spent ADAP funds totaling $5.8 million and $6.3 million, respectively.

For evaluation purposes, we compared ADAP prescription drugs after-rebate costs using the voluntary program in April 2001 with what the costs would have been under the federal program. We determined that the use by the Division of the voluntary program instead of the federal program reduced ADAP financial resources by $12,210 for April 2001.

Also, we determined that, for rebates for the quarters ended December 31, 2000 through September 30, 2001, the Division invoiced pharmaceutical companies an average of 73 days after the end of a quarter. As a result, we estimate that related interest revenue of $21,000 was forgone. In addition, we noted that the Division needs to improve its controls to ensure that it reconciles rebate invoices with rebate payments to determine whether the appropriate drug rebates were received.

RECOMMENDATION

We recommend that the Division evaluate the effectiveness and efficiency of the administration of its ADAP drug rebate program to help ensure that it maximizes ADAP financial resources available to serve HIV/AIDS clientele.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the recommendation that it needs to periodically evaluate the effectiveness of its drug rebate program to ensure that it maximizes ADAP financial resources available to serve HIV/AIDS clientele. While agreeing with the recommendation, the Division did not necessarily agree with the comparison between the two programs referenced in the report. The Division stated that the comparison did not take into account other additional one-time or recurring expenses that potentially would be incurred under the federal program, such as storage, staffing, and drug distribution costs. The Division will also evaluate the rebate billing process to determine if the billing cycle can be expedited. The Division intends to continue to explore the 340B rebate option and will also develop a manual that outlines the established policies and procedures for processing rebate checks by January 2003.

FINDING

3. ADAP Drug and Eligibility Special Request Approval Process

The Division needs to continue to develop policies and procedures for its ADAP drug and eligibility special request approval process.

Special requests are submitted to the Division when a drug prescribed for the client is not on the ADAP formulary or when the client does not meet ADAP eligibility requirements.

Although the Division did not have formal special request approval process procedures, it had developed a special request form. The form must be completed so that the Division has sufficient information to determine whether to approve the request. Division management signifies its approval or denial of the request by completing a portion of the form.

For fiscal year 1999-2000, the Division spent approximately $131,000 on 154 drug and eligibility special requests. For fiscal year 2000-01, the Division spent approximately $228,000 on 236 drug and eligibility special requests.

We reviewed 29 of 266 drug and eligibility special requests granted from October 1, 1999 through June 30, 2001 for completeness. We found that 10 (34%) forms, totaling $2,704, of 29 forms, totaling $40,277, were not fully completed. The forms lacked information such as social security numbers, physician names, and continuum of care unit recommendations for approval or denial. The Division should acquire all information and approvals it needs to ensure that expenditures from special requests for drugs or eligibility waivers are appropriate.

RECOMMENDATION

We recommend that the Division continue to develop policies and procedures for its ADAP drug and eligibility special request approval process.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. The Division stated that at the February 2002 meeting, the ADAP Formulary Committee recommended that the special request process be discontinued. To replace this process, the Division stated that the Formulary Committee approved an additional list of 55 (previously special request) drugs (effective April 1, 2002) to be covered under the ADAP formulary for all clients.

FINDING

4. Quality Assurance Objective Review Process

The Division needs to improve its quality assurance objective review process policies and procedures to ensure that the process promotes and supports the standardization of case management services quality.

The State contracts with regional fiduciaries, which contract with subcontractors, to provide case management services to HIV/AIDS clients. The Division established the *Principles and Standards of Services for HIV/AIDS Case Management in Michigan* in 1995, and periodically updated the principles and standards through 1999, to help it guide and motivate subcontractors to provide standard service quality Statewide.

Based on these standards, the Division conducts annual quality assurance objective reviews of case management subcontractors. The client contact scores from the Division's most recent objective review process for 3 subcontractors that we visited were 8.6, 9.1, and 9.3 of 10 possible points. However, our subsequent review of 25 active case files for these 3 case management subcontractors showed that 16 (64%) active case files were not in compliance with a one-time-per-month client contact requirement. The time elapsed since the last case manager contacts with these 16 clients ranged from 36 days to one year.

Also, the Division did not have procedures to compile and assess the results of its quality assurance objective reviews at the State level. As a result, the Division could not demonstrate that it had successfully standardized the quality of case management services. Although the Division could demonstrate that nearly all subcontractors met the minimum standards of case management, the range of overall passing scores for fiscal year 2000-01 reviews was from 78% to 96%, a 23% difference. Compilation of results could provide the Division with information to assess Statewide client services trends, strengths, and weaknesses so that it can continuously revise and refine the standards.

In analyzing the review differences, we noted that staff attention and training can affect review outcomes. We noted during a visit to a subcontractor that a case manager who had received minimal training was responsible for serving a case load of 50 HIV/AIDS clients. Quality assurance objective review process procedures need to help ensure that subcontractor staff are adequately trained to ensure consistent client contacts. The absence of procedures made it difficult for the Division to assess the effectiveness of case manager efforts.

RECOMMENDATION

We recommend that the Division improve its quality assurance objective review process policies and procedures to ensure that the process promotes and supports the standardization of case management services quality.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. The Division stated that the HIV/AIDS case management objective review process has been, and will continue to be, modified and refined in accordance with prevailing technologies, resources, and service priorities. The Division also stated that it is currently in the

process of its fourth revision of the *Principles and Standards of Services for HIV/AIDS Case Management in Michigan*.

EFFECTIVENESS OF STD CARE AND PREVENTION ACTIVITIES

COMMENT

Audit Objective: To assess the Division's effectiveness in administering care and prevention activities for persons with, or at risk of acquiring, sexually transmitted diseases (STDs).

Conclusion: We concluded that the Division was generally effective in administering care and prevention activities for persons with, or at risk of acquiring, STDs.

EFFECTIVENESS AND EFFICIENCY OF SELECTED DIVISIONWIDE ACTIVITIES

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the administration of selected Divisionwide activities.

Conclusion: We concluded that the Division was generally effective and efficient in its administration of selected Divisionwide activities. However, we noted reportable conditions related to contract monitoring controls, care fiduciary and prevention planning activities, evaluation processes, efficiency of care and prevention activities, policies and procedures, controls over inventories of prescription STD drugs and HIV testing devices, counseling and testing funding, and conflict of interest.

FINDING

5. Contract Monitoring Controls

The Division needs to continue to improve its contractor monitoring controls to help ensure that contractors fulfill their programmatic and fiscal obligations.

In fiscal year 2000-01, the Division contracted with 8 regional HIV/AIDS care fiduciaries, 42 prevention services contractors, 2 prevention contractor consultants, and 45 local health departments (LHDs) that provide HIV/AIDS and STD counseling, testing, and care services. Expenditures for these contracts approximated $13 million for fiscal year 2000-01.

Monitoring can include regular, periodic communications and visits with contractors to observe their efforts and analysis of timely, periodic activity reports by contractors. Monitoring policies and procedures, if developed and implemented, would help the Division ensure that the entities with which it contracts comply with program and financial requirements.

The Division did not document that it monitored its prevention contractor consultants regarding the effectiveness of their efforts or the status of their projects. Also, Division procedures did not ensure that the Division recorded the receipt of periodic reports from its other contractors. For example, the Division's logs for the three-month periods ended March 31, 2001 and June 30, 2001 showed that 12 of 32 and 26 of 32 prevention services contractors, respectively, did not document the receipt of the contractors' data. By obtaining and logging necessary reports for its use, the Division will be better able to advise, guide, and evaluate the contractors based on current information.

In addition, procedures did not require Division staff to compile or analyze key outcome* and output* data included in the contractors' reports. With such a procedure, the Division could improve its ability to demonstrate that it analyzed contractors' reports for program requirements.

Improved contract monitoring controls would help the Division ensure that contractors adhered to and effectively administered contractual provisions.

RECOMMENDATION

We recommend that the Division continue to improve its contractor monitoring controls to help ensure that contractors fulfill their programmatic and fiscal obligations.

** See glossary at end of report for definition.*

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. Specific procedures related to the Division's contract monitoring, including "logging" required reports and guidelines for review/analysis of statistical data, will be developed for staff and integrated into established contract monitoring and quality assurance procedures and protocol for HIV prevention services. Specific procedures related to the Division's care contract monitoring will also be developed, including "logging" of required reports and other documents; site visit protocols; guidelines for review and approval of administrative cost requirements; and guidelines for staff review of work plans, reports, budgets, and other key contractor documents. Policies and procedures will be developed on a time line compatible with the outcome of the current evaluation of prevention and care processes described in the response to Finding 6. With respect to monitoring the work of contracted consultants, the Division stated that it has developed and implemented an "assignment log" to facilitate documentation of the status of contractor efforts, including the receipt of agreed upon deliverables.

FINDING

6. Care Fiduciary and Prevention Planning Activities

The Division should consider whether some administrative expenditures for HIV/AIDS care fiduciary and HIV prevention planning activities are necessary.

The Division contracts with fiduciaries and HIV prevention regional community planning groups (RCPGs) to conduct numerous activities. For fiscal year 2000-01, the Division reimbursed fiduciaries for administrative costs of up to 10% of $3.2 million awarded. The Division also reimbursed RCPGs for administrative costs of approximately $440,000. In addition to administrative cost reimbursements, the Division expends its resources to provide technical assistance to fiduciaries and RCPGs.

Fiduciaries directly provide or use subcontractors to provide care services to persons with HIV/AIDS. Also, fiduciaries monitor their subcontractors, report subcontractor performance and financial information to the Division, provide technical assistance to subcontractors, and collaborate with their respective regional care consortia to help ensure that the HIV/AIDS care needs of the region are addressed.

For their respective regions, RCPGs conduct comprehensive HIV prevention needs assessments, identify prevention priorities, develop a plan by which to address identified needs and priorities, monitor HIV prevention programs supported under contract with the Division, and provide recommendations to the Division regarding the allocation of prevention resources to the region.

We noted:

a. Some Division expenditures for care fiduciaries' administrative activities may not have been necessary.

   For example, fiduciaries were responsible to monitor subcontractor compliance. However, one fiduciary we visited relied on the Division's case management objective review process to meet many of its monitoring requirements.

   The Division already receives program activity and financial information by contractor. By adding compliance with performance and financial outcome requirements to the scope of the Division's case management objective reviews, fiduciary expenditures for compliance monitoring may be unnecessary.

   Also, subcontractors noted that they regularly contacted the Division, rather than their fiduciaries, for answers to technical questions. Further, the Division provides assistance to the regional care consortia to assist them in acquiring and interpreting data on regional care needs. Therefore, fiduciary efforts to collaborate with regional care consortia might instead be performed by the Division.

   The Division has some elements of a structure in place to award and monitor its prevention contracts, provide technical assistance, and report performance and financial information. The Division would likely be able to use its resources and experiences relative to the existing prevention structure to administer care activities currently addressed by fiduciaries.

b. Some Division expenditures for HIV prevention planning administrative activities may not have been necessary, and the prevention activities, as structured, have led to inconsistent and incomparable regional information.

RCPGs and the Michigan HIV/AIDS Council perform redundant and overlapping activities to develop the triennial State plan for submission to the federal government. For example, each of the eight RCPGs and the Michigan HIV/AIDS Council spend time and resources to convene planning groups, identify needs, and prioritize at-risk populations.

In addition, methodologies and assumptions to identify at-risk populations or service needs and priorities varied across the regions, depending on a number of factors, including the experience and ability of the applicable researchers.

By considering whether some administrative expenditures for care fiduciary and prevention planning activities are necessary, it might be possible for the Division to reduce administrative costs and increase the amount of funding available for services to persons infected and affected by HIV/AIDS.

RECOMMENDATION

We recommend that the Division consider whether some administrative expenditures for HIV/AIDS care fiduciary and HIV prevention planning activities are necessary.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. The Division stated that it is currently evaluating regional HIV/AIDS care and prevention planning, allocation, procurement, and contract monitoring processes to identify ways in which greater efficiency and effectiveness may be achieved. The Division stated that this evaluation process was completed on April 1, 2002. Implementation decisions based on those evaluation findings will be effective October 1, 2002. Care planning will be centralized beginning October 1, 2002 and prevention planning will be centralized beginning January 1, 2003, resulting in significant cost savings.

FINDING

7. Evaluation Processes

The Division should continue to improve its processes to evaluate the overall effectiveness of its efforts to accomplish DCH's mission and the Division's stated objectives.

DCH's mission is to help State residents be healthier by promoting access to the broadest possible range of quality services and supports; taking steps to prevent disease, promote wellness, and improve quality of life; and striving for the delivery of those services and supports in a fiscally prudent manner. Likewise, the Division stated that its objectives included reducing morbidity and mortality related to HIV/AIDS and STDs, coordinating the approach to the provision of HIV/AIDS and STD services, and seeking and gaining resources to continue and expand needed HIV/AIDS and STD program services.

Executive Directive No. 2001-3 states that it is the policy of the administration to ensure excellence and continuous improvement in the quality of services that State government provides to Michigan citizens. To this end, we conclude that the Division needs to continue to improve the processes it uses to evaluate its efforts.

The Division acquires and maintains significant amounts of data and information related to outputs for many of its activities, such as surveys of persons with HIV/AIDS and the number of persons testing positive for HIV, the number of persons receiving partner counseling and referral services (PCRS), the number of at-risk partners identified and located, and the number of at-risk persons also provided with PCRS. The Division also acquires and maintains data related to the number of persons treated for STDs, the number of persons with HIV/AIDS who receive care case management services through funding from the Division, the number of persons with HIV/AIDS who receive ADAP and Dental Demonstration Project (DDP) services, and objective review process scores given by the Division to the case management agencies.

An example of how the Division has used its data includes its comparison of care services provided with surveillance data to identify and work to eliminate gaps in care services provided to regions or populations.

However, considering the volume of other data and information available to it, the evaluation processes used by the Division could be improved to better enable it to determine the extent to which it was meeting DCH's mission or the Division's own goals. For example, the Division could measure the changes in rates at which at-risk partners are found and counseled and the changes in time taken to contact at-risk partners to determine whether PCRS prevention efforts were improving.

As another example, the Division compiles, analyzes, and reports information on only three STDs (syphilis, gonorrhea, and chlamydia). However, in accordance with guidance from the federal government that some surveillance systems are inefficient, the Division did not compile, analyze, and report information on any other STDs that continue to infect and spread throughout the State (HPV [human papillomavirus], which is the most common STD in the nation; herpes; chancroid; etc.).

The goal of reducing morbidity and mortality of STDs cannot be assessed through prevention or treatment if the underlying status and trend data and information is not compiled and analyzed. For example, the Division of Chronic Disease and Injury Control and one LHD have established a pilot project in the LHD's STD clinic to test for cervical cancer, which is nearly always caused by HPV. Without compilation and analysis of the prevalence of HPV, the Division or LHDs may not be able to estimate with relative accuracy the resources needed to test for and treat cervical cancer in each county or Statewide.

RECOMMENDATION

We recommend that the Division continue to improve its processes to evaluate the overall effectiveness of its efforts to accomplish DCH's mission and the Division's stated objectives.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. The Division will continue to improve its processes to evaluate overall effectiveness of efforts in order to meet the Division's objectives and accomplish DCH's mission. More specifically, as the result of a strategic planning process, the Division will, by the end of the fourth quarter of fiscal year 2001-02, develop an integrated Division evaluation plan and implement that plan by the first quarter of fiscal year 2002-03. Specifically, by the end of the third quarter of fiscal year 2001-02, the Division will

analyze PCRS to determine whether the length of time in locating and notifying at-risk partners is a suitable measure of effectiveness. Additionally, data collection procedures for PCRS will be reviewed and modified by the beginning of fiscal year 2002-03 to implement changes in the process, with an overall goal of improving efficiency. The Division stated that its senior managers have been meeting since fall 2001, discussing this and other issues related to PCRS.

The Division will also conduct an analysis in the fourth quarter of fiscal year 2001-02 to determine the need, usefulness, and cost to expand surveillance systems for other STDs. If determined to be beneficial, design and implementation of such systems will be initiated in the first quarter of fiscal year 2002-03, subject to available funding.

FINDING

8. Efficiency of Care and Prevention Activities

The Division should improve its efforts to analyze and enhance the efficiency of its HIV/AIDS and STD care and prevention activities.

DCH's mission includes that it will strive for the delivery of quality services in a fiscally prudent manner. Also, for Ryan White Comprehensive AIDS Resources Emergency (CARE) Act funds, the federal government has emphasized program efficiency and imposed administrative cost limits. Therefore, Division administrators have a responsibility to manage HIV/AIDS and STD activities efficiently and ensure that administrative costs are minimized.

The 8 regional care fiduciaries and their 9 case management contractors and 42 prevention services contractors that received HIV/AIDS funding and the 15 LHDs that received STD funding maintain accounting and cost reporting systems to help them report program costs in a financial status report (FSR). The FSR was developed and required by DCH. The existence of fiduciaries, contractors, and LHDs resulted in the funding of multiple levels of administration.

The number of service providers and multiple levels of administration make it essential that Division management analyze program efficiency and administrative costs. FSRs were not designed to provide the level and type of information that the Division would need to enable it to analyze fiduciary, contractor, and LHD

efficiency. Each type of service provided by an entity (e.g., case management, counseling and testing, client advocacy, and health education risk reduction) could benefit from an efficiency analysis by the Division. However, the Division did not require contractors to provide expense information that would enable the Division to assess the efficiency of the fiduciaries, contractors, and LHDs.

Also, FSRs did not allow meaningful analysis of administrative costs. Fiduciary and contractor FSRs did not show administrative costs. Instead, the Division required fiduciaries to certify that administrative costs included as part of reported direct service costs did not exceed administrative cost limits. However, the Division did not verify the certifications. Also, the level of detail in FSRs for LHDs was too broad to allow for meaningful analysis.

By obtaining and analyzing sufficiently detailed information, the Division can help ensure the efficiency of HIV/AIDS and STD activities that it funds and ensure that administrative costs are minimized.

RECOMMENDATION

We recommend that the Division improve its efforts to analyze and enhance the efficiency of its HIV/AIDS and STD care and prevention activities.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. In addition to the detailed analysis performed of the budgets that are required to be submitted and approved of its HIV care and prevention services grantees (community based organizations, AIDS service organizations, and nongovernmental organizations), the Division will consider requesting additional expenditure information from its contractors. The Division will seek advice and consultation from DCH's Budget and Finance Administration to assist with any necessary revisions to FSRs. The Division expects to complete the analysis by January 2003.

The Division also agreed that it needs to develop a system to verify care contractor certifications of compliance with administrative cost caps. The Division will investigate the feasibility of obtaining additional expenditure data to conduct this analysis. The possibility of developing more detailed guidelines for staff and contractors to follow will also be explored, including ways to verify compliance through site visits. This assessment will be completed by January 2003.

FINDING

9. Policies and Procedures

The Division needs to continue to develop written policies and procedures to ensure that activities necessary for the success of its mission, goals, and objectives are effectively and efficiently performed.

Written policies and procedures help ensure that employees have detailed knowledge of their responsibilities and can consistently and properly conduct program operations. Also, written policies and procedures minimize the disruptive impact and training costs associated with replacing existing employees. Written policies and procedures are especially critical in HIV/AIDS case management and prevention activities because, according to the Division and other entities we visited, the employee turnover rates in care and prevention activities are extraordinarily high.

Our review of Division policies and procedures and our site visits to 3 regional care fiduciaries, 4 case management subcontractors, 5 prevention contractors, and 5 LHDs disclosed numerous areas in which policies or procedures did not exist, were incomplete, or were out of date.

For example, the Division could improve its policies and procedures to help ensure that care case management and prevention services contractors address various aspects of service delivery to HIV/AIDS or STD clients. Improved policies and procedures could help ensure that contractors have clear expectations regarding case management files and risk reduction plans, whether to use counselor checklists, how prevention services contractors should maintain support for health education and risk reduction reports submitted to the Division, and how to use quality control reviews to ensure that HIV testing forms are properly prepared. A formalized process to identify and compile the best practices of the approximately 120 entities that are involved in care or prevention activities could help the Division develop detailed policies and procedures.

Also, Division policies and procedures did not require retention of incomplete or denied DDP applications or specify the client information to maintain in client case files. As a result, the Division could not document that it appropriately denied DDP services to applicants. Our review of 10 DDP client case files noted that, in 3

instances, the Division did not complete and retain the patient intake forms, patient oral health forms, and authorization for release of information forms.

In addition, the Division could continue to improve its procedures to help fiduciaries and their case management subcontractors comply with its *Principles and Standards of Services for HIV/AIDS Case Management in Michigan*. Some of the subcontractors we visited had not developed or were using outdated case management policies and procedures, needed direction on how to assess and assist with clients' prescription drug adherence issues and how to properly conduct and assess client satisfaction surveys, were unclear on the definitions of case management services versus client advocacy services, and did not require supervisory testing or reviews of client case files.

We recognize that detailed Division policies and procedures may not apply to all fiduciaries, contractors, and LHDs. However, many entities we visited were able to share with us examples of best practices that they had developed, and every entity we visited stated that the Division should provide more detailed policies and procedures so that the entities could be better prepared and able to provide effective and efficient services.

RECOMMENDATION

We recommend that the Division continue to develop written policies and procedures to ensure that activities necessary for the success of its mission, goals, and objectives are effectively and efficiently performed.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation and will continue to draft policies and procedures to its internal and external partners to better translate its goals and objectives into practice. During April 2002, the Division stated that it completed first drafts of policies for Ryan White CARE-funded agencies related to supervision, staff orientation, agency closure, staff training and certification requirements, agency capacity, etc. Contract monitoring policies and procedures were described in the response to Finding 5. These policies and procedures are expected to be completed by January 2003.

The Division stated that specific requirements and expectations related to documentation of operating policies and procedures have been incorporated into

quality assurance standards for HIV prevention services grantees. Compliance will be monitored through routine quality assurance activities. The Division stated that tools associated with quality assurance of HIV prevention services have been modified to incorporate routine assessment of best practices.

FINDING

10. Controls Over Inventories of Prescription STD Drugs and HIV Testing Devices

The Division needs to continue to establish controls to ensure timely and accurate accounting for inventories of prescription STD drugs and HIV testing devices.

Controls over STD drugs and HIV testing devices should include periodic inventories conducted by LHDs and testing sites and maintenance of an accurate record of acquisitions, use, and disposals by the Division. These controls would help ensure that STD drugs and HIV testing devices are accounted for.

The Division purchases and distributes STD drugs to LHDs and pays for HIV testing devices that the pharmaceutical company delivers to LHDs and HIV counseling and testing sites. For fiscal year 1999-2000, the Division paid approximately $500,000 for STD drugs (e.g., antibiotics) used by the 45 LHDs to treat approximately 27,000 STD cases. Also, the Division paid $53,922 for 15,150 HIV testing devices requested by testing sites.

For the fiscal year 1999-2000 National HIV Test Day, testing sites received 3,500 HIV testing devices and used 1,000 testing devices. Of the approximately 2,500 unused testing devices, the Division stated that testing sites returned 500 devices. The Division reported that the remaining 2,000 testing devices were kept by the testing sites.

However, because the Division did not require that LHDs and prevention contractors periodically conduct and report on inventories for STD drugs and HIV testing devices, the Division had no assurance that the testing devices were actually on hand at the testing sites. Also, the Division generally did not record the actual number of STD drugs and HIV testing devices that were used by each LHD and testing site.

RECOMMENDATION

We recommend that the Division continue to establish controls to ensure timely and accurate accounting for inventories of prescription STD drugs and HIV testing devices.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. The Division stated that it is currently in the process of revising the testing devices inventory process. Beginning in May 2002, an inventory status sheet will be distributed to all counseling, testing, and referral agencies on a quarterly basis to ascertain how many testing devices are currently in stock at the agency and how many are nearing expiration. The Division stated that an internal status sheet has also been developed that is updated every time there is activity related to testing devices at a counseling, testing, and referral agency. In addition to the internal status sheet, the Division stated that a tracking sheet has been implemented to monitor purchases of testing devices.

In addition, the DCH drug warehouse will produce a report, quarterly, beginning with the fourth quarter of fiscal year 2001-02, detailing acquisitions, shipments to LHDs and disposal of STD drugs. The report will be sent to and reviewed by STD program management staff. Beginning in fiscal year 2002-03, minimum program requirements for STD programs will be modified to require LHDs to maintain, according to good pharmacy practice, records of drug acquisition, use, and disposal. A biologics inventory report will be required to be submitted quarterly, beginning in fiscal year 2002-03, and will be reconciled with the previously mentioned report from the drug warehouse.

FINDING

11. Counseling and Testing Funding

The Division should improve its controls to ensure that it accurately uses its funding formula to calculate prevention counseling and testing funding awards to LHDs. Also, the Division did not maintain documentation to support the propriety of the amount of LHD counseling and testing funding that it awarded.

The fiscal year 2000-01 funding formula, used by the Division to calculate awards of $3.1 million to 45 LHDs, included Statewide statistics, such as cumulative AIDS case counts, Statewide population estimates, etc.

Division controls did not ensure that the Division accurately calculated the funding awards using the formula. As a result, the Division incorrectly used estimated HIV prevalence data instead of cumulative AIDS case count data, which affected funding. The Division overfunded 20 of the 45 LHDs and underfunded the other 25 LHDs by $75,860. This included overfunding one LHD by $25,109 and underfunding another LHD by $12,293.

The Division stated that it found the inaccuracy while calculating the funding awards for fiscal year 2001-02. The Division stated that it reported the inaccuracy to the DCH area that was responsible and was informed that it was unlikely that the inaccurate awards would be corrected.

Also, the Division did not maintain documentation to support that $3.1 million per year was the appropriate amount to distribute to LHDs to ensure the effectiveness of the Division's counseling and testing efforts. The Division stated that it has continued to distribute $3.1 million per year to LHDs since 1995 to ensure funding stability for the whole prevention community; however, the Division could improve its documentation to support how stable funding made the program more effective.

RECOMMENDATIONS

We recommend that the Division improve its controls to ensure that it accurately uses its funding formula to calculate prevention counseling and testing funding awards to LHDs.

We also recommend that the Division maintain documentation to support the propriety of the amount of LHD counseling and testing funding that it awards.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and both recommendations. The Division stated that it has established internal controls to prevent errors in calculating formula funding for LHDs. Data associated with each variable included in the formula will undergo multiple checks to verify accuracy. In fiscal year 2002-03, the Division will investigate the feasibility of a cost-analysis of funding for counseling,

testing, and referral/PCRS efforts in order to support the propriety of the amount of funding it awards to LHDs for these services.

FINDING

12. Conflict of Interest

The Division needs to continue to improve its controls to reduce the risk of conflicts of interest in providing care and prevention services.

A conflict of interest is a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties, such as awarding a contract to or providing advice benefiting a related party. Controls over conflicts of interest should include specific definitions and descriptions of conflicts of interest and improper activities and decisions, procedures needed to assess the propriety of decisions and activities, and requirements that minutes of meetings of decision-making entities specifically state how and whether each member voted.

Although the Division implemented a conflict of interest policy in August 2001, we noted that its controls over conflicts of interest needed improvements. For example, the policy states, "each consortium shall be responsible for monitoring its own ongoing compliance with [the policy] . . . ." However, neither the August 2001 policy nor the care consortium bylaws required meeting minutes to specifically state how and whether each consortium member voted. Bylaws for 1 of 8 care consortia allowed persons with conflicts of interest to vote regarding subcontractor funding awards. If consortium minutes do not specifically state how and whether the members voted, consortia do not have the information needed to monitor compliance with the policy and the risk of inappropriate decisions or actions is increased.

The policy states that each consortium is to keep the Division informed of its activities to enact and enforce the policy. The policy also states that ". . . HAPIS [HIV/AIDS Prevention and Interaction Section] liaisons shall not be responsible for monitoring or enforcement [of the policy]." However, because the Division is responsible for its contracting practices and service outcomes to Michigan's citizenry, the Division is accountable for conflicts of interest affecting its programs and, therefore, needs to ensure that it monitors compliance with the policy.

RECOMMENDATION

We recommend that the Division continue to improve its controls to reduce the risk of conflicts of interest in providing care and prevention services.

AGENCY PRELIMINARY RESPONSE

The Division agreed with the finding and recommendation. The Division stated that it has evaluated the cost-effectiveness and efficiency of the process and decided to eliminate the care consortia effective October 1, 2002.

Glossary of Acronyms and Terms

ADAP	AIDS Drug Assistance Program.
AIDS	acquired immune deficiency syndrome.
CARE	Comprehensive AIDS Resources Emergency.
DCH	Department of Community Health.
DDP	Dental Demonstration Project.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
FSR	financial status report.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
HAPIS	HIV/AIDS Prevention and Intervention Section, Department of Community Health.
HIV	human immunodeficiency virus.
HPV	human papillomavirus.
LHD	local health department.
mission	The agency's main purpose or the reason that the agency was established.
objectives	Specific outcomes that a program seeks to achieve its goals.

outcomes	The actual impacts of a program.
outputs	The products or services produced by the program.
PCRS	partner counseling and referral services.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
RCPG	regional community planning group.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
STD	sexually transmitted disease.