
**Follow-Up Audit of the STD/AIDS
Prevention Program in the
Department of Health**

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Report No. 96-14
October 1996

THE AUDITOR
STATE OF HAWAII

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Submitted by

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Foreword

This is a report of our follow-up audit of the Department of Health's STD/AIDS prevention program for the period of January 1994 to June 1996. The follow-up audit focused on the findings and recommendations contained in our 1993 Report No. 93-29, *Audit of the STD/AIDS Prevention Program in the Department of Health*. Our follow-up audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State.

We wish to express our appreciation for the cooperation and assistance extended by the officials and staff of the Department of Health and others who provided information.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

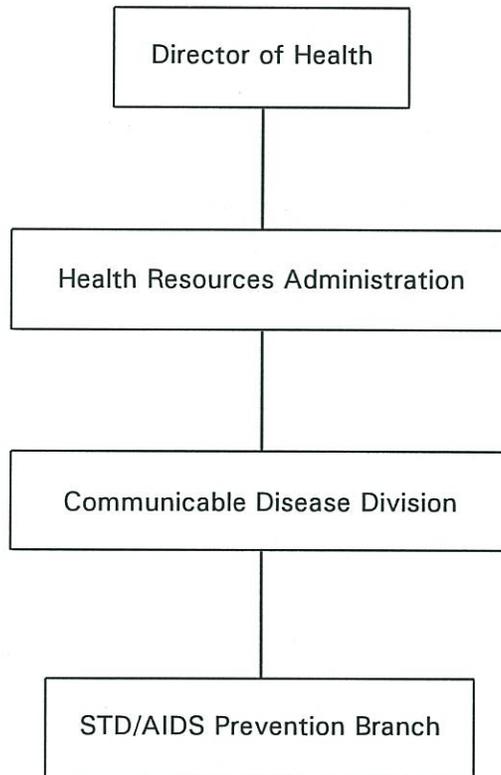
The purpose of this follow-up audit is to describe actions taken by the Department of Health with respect to the findings and recommendations in our December 1993 report, *Audit of the STD/AIDS Prevention Program in the Department of Health*, Report No. 93-29. Our previous report responded to Act 289 of the Regular Session of 1993, which directed the State Auditor to audit the department's STD/AIDS prevention services by reviewing pertinent background data and contractual records, and determining the adequacy of the reporting system used by the contracting parties. This follow-up audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all state agencies.

The STD/AIDS Prevention Branch operates within the department's Communicable Disease Division (see Exhibit 1.1). Its mission is to prevent and reduce the incidence and severity of sexually transmitted diseases, including the human immunodeficiency virus. Sexually transmitted diseases (STD), such as syphilis, gonorrhea, chlamydia, and genital herpes, can cause serious health problems ranging from sterility and blindness to heart problems and death.

Acquired immune deficiency syndrome (AIDS) is a communicable disease caused by the human immunodeficiency virus (HIV). HIV is usually spread through sexual contact, blood transfusions, or contaminated needles shared by intravenous drug users. No vaccine or cure has been found for AIDS.

Two key state statutes direct the work of the STD/AIDS Prevention Branch. Section 321-111, Hawaii Revised Statutes, requires the Department of Health to formulate, supervise, and coordinate a sexually transmitted disease prevention program. Chapter 325, HRS, addresses the prevention, control, treatment, and advancement of knowledge about communicable diseases in the state. Among other things, it requires the reporting of communicable diseases, informed consent for HIV testing and disclosure, and confidentiality of patient records.

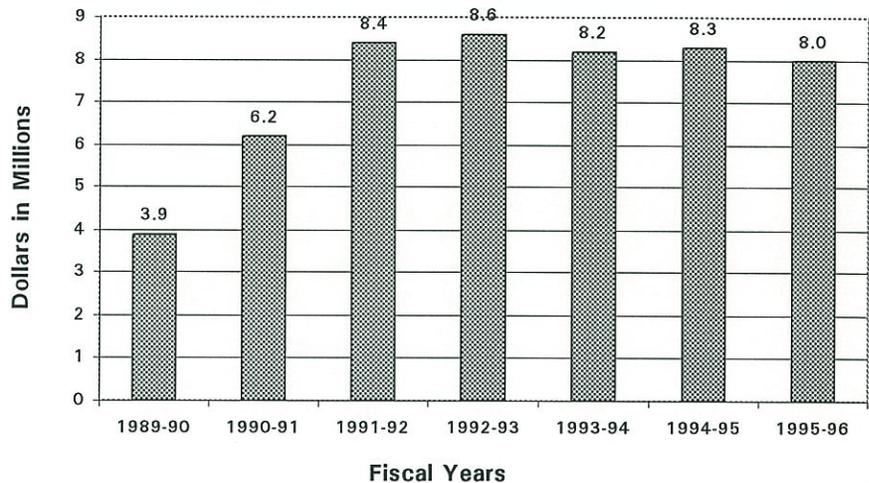
Exhibit 1.1
Placement of the STD/AIDS Prevention Branch in the
Department of Health



Background on the
STD/AIDS
Prevention Branch

In 1969, the Department of Health created the Venereal Disease Prevention Program to educate the public about detection and seeking early treatment. With the onset of the AIDS epidemic, the director of health elevated the program to branch status in 1989. The STD/AIDS Prevention Branch, funded through the HTH 121 program in the state budget, has received legislative appropriations ranging from \$3.9 to \$8.6 million per year since 1989 (see Exhibit 1.2). About 73 percent of the branch's \$8.0 million budget in FY1995-96 came from the State and about 27 percent came from the federal government.

Exhibit 1.2
Total Appropriations for STD/AIDS Prevention Branch
FY1989-90 through FY1995-96*



*Includes state and federal funds.

Organization and activities

The branch has five primary organizational units: AIDS Surveillance; the STD/HIV Clinic; STD/HIV Education and Risk Reduction; Hawaii Seropositivity and Medical Management (HSPAMM); and the Community Health Outreach Work (CHOW) Project. Through these units, the branch delivers a range of services that includes STD/HIV counseling and testing, partner notification, sterile needle exchange for drug users, HIV drug assistance (HDAP), and HIV insurance assistance (HCOBRA). Due to federal policy decisions, in December 1995 the branch lost a research unit funded by the federal Centers for Disease Control.

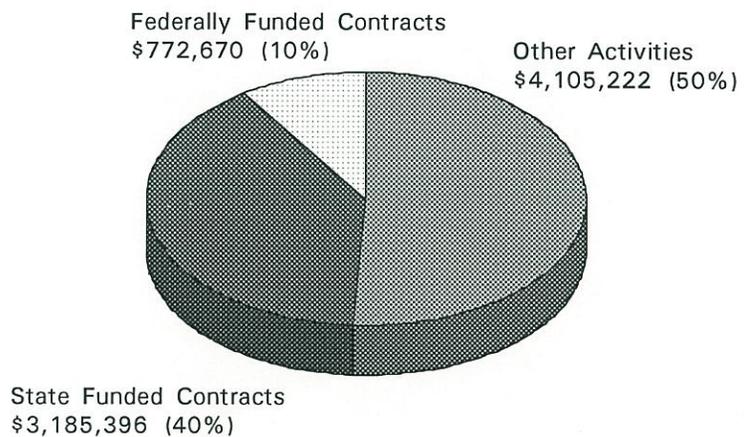
The branch's central administration is located on Kilauea Avenue in Honolulu. The STD/AIDS Clinic is across the street at the Diamond Head Health Center, and the Hawaii Seropositivity and Medical Management Office is at nearby Leahi Hospital. The Community Health Outreach Work Project is based in downtown Honolulu, and other contracted services are provided on behalf of the branch by many private organizations located throughout the islands.

Contracts for services

In addition to delivering direct services, the branch administers 39 contracts between the Department of Health and private providers. Those

providers receive an average total of \$4.4 million annually to deliver a variety of preventive, educational, and care-oriented services. These contracts, which are governed by Chapter 42D, Hawaii Revised Statutes (Grants, Subsidies, and Purchases of Services), or Chapter 103D, HRS (Hawaii Public Procurement Code), account for approximately one-half of the branch's total allocations and are funded by both state and federal funds (see Exhibit 1.3). A list of all contracts and their funding levels for FY1993-94 through FY1995-96 is provided in the Appendix to this report.

Exhibit 1.3
Contracts for Services Amounts in Proportion to Total Appropriations for FY1995-96



Note: Totals for state funded contracts include the Community Health Outreach Work (CHOW) Project.

Prior report findings and recommendations

Our 1993 report found that the STD/AIDS Prevention Branch was meeting its stated goals and objectives, but could carry out its mission more effectively if it had consistent leadership and direction. Turnover in the branch chief position hampered the branch's ability to deal with planning, coordination, organization, and management controls.

We recommended that the department make hiring a permanent branch chief a priority and that the new chief focus on developing a strategic plan, coordinating branch activities, ensuring that the branch is clearly and appropriately organized, and completing a policies and procedures manual.

We also found that the department was not properly administering its purchase of service contracts for STD/AIDS prevention services. Contracts were not executed on time and payments to providers were late. Contract monitoring and evaluation were inconsistent, and the branch needed to develop a manual to standardize these activities.

We recommended that the department ensure timely contract issuance and payments, analyze the reasons for poor contract management, and make needed corrections. In addition, we recommended that the department continue efforts to develop a monitoring and evaluation manual, develop standardized quarterly reporting forms for providers, and ensure that quarterly reports are submitted and secured at the branch.

Agency response to prior report

The Department of Health commented that our 1993 report and assessment accurately reflected the status of the STD/AIDS Prevention Branch. The department stated that our findings and recommendations corresponded closely with its view of the strengths and improvement needs of the branch, and indicated that it would do the following:

- select a permanent branch chief who would bring a more stable environment to the administrative office and the entire branch, and develop a strategic plan to establish a focus and direction for the branch;
- develop an organizational structure that adds appropriate sections to the approved chart and defines clear lines of responsibility for employees;
- assume leadership in the development of a State AIDS Plan; and
- develop division-wide and branch manuals of policies and procedures.

Furthermore, the department stated that the branch had developed a plan for contract monitoring to be incorporated into a contract monitoring and evaluation manual. The department also asserted that standardized monitoring tools were created to guide the administrative, programmatic, and fiscal components of contracting.

Objectives of the Follow-Up Audit

1. Review the extent to which findings and recommendations contained in our prior audit are being addressed.
2. Make recommendations as appropriate.

Scope and Methodology

We reviewed the STD/AIDS Prevention Branch's administration of its services, focusing our assessment on the branch's effectiveness in managing its resources since our 1993 audit. We reviewed the branch's mission statements, goals and objectives, and organizational structure. We examined the stability of the branch's leadership and reviewed its strategic planning efforts.

In addition, we reviewed the branch's policies, procedures, and position descriptions. We sampled relevant budget, expenditure, inventory, personnel, and correspondence files with a focus on management controls. We also reviewed a sample of the branch's contracts for services and related files for FY1993-94 and FY1994-95.

We examined one project of the branch in particular—the Community Health Outreach Work (CHOW) Project—to determine the effectiveness of the branch's management.

We interviewed appropriate personnel of the department, other state offices, and the federal Centers for Disease Control.

Our work was performed from January 1996 through June 1996 in accordance with generally accepted government auditing standards.

Chapter 2

Findings and Recommendations

This chapter presents the findings and recommendations of our follow-up audit of the STD/AIDS prevention program in the Department of Health.

Our 1993 audit found that the department's STD/AIDS Prevention Branch could carry out its mission more effectively if it had consistent leadership and direction. The department also needed to improve its administration of contracts with STD/AIDS service providers.

Our follow-up audit found some progress since our previous audit. However, further improvements are needed if the STD/AIDS prevention program is to meet public needs while protecting the State's interests. This is particularly important with budget constraints requiring more accountability in the use of public funds.

Summary of Findings

1. The STD/AIDS Prevention Branch of the Department of Health needs strategic planning and better coordination.
2. The management of the Community Health Outreach Work Project by the department and the branch should be strengthened.
3. While the department has upgraded its administration of contracts for STD/AIDS services, additional improvements are needed.
4. A special arrangement for compensating a top administrator in the Department of Health is questionable and is having a negative impact on the STD/AIDS Prevention Branch.

Stronger Planning and Coordination Would Benefit the Program and the Public

In our 1993 report, we observed that since 1989, the STD/AIDS Prevention Branch had been led by four chiefs, three of whom served in an "acting" capacity. Although the branch generally was meeting its objectives for controlling the incidence of sexually transmitted diseases, we felt that with consistent leadership and direction the branch could more effectively carry out its mission.

We recommended in 1993 that the Department of Health make it a priority to hire a permanent chief of the STD/AIDS Prevention Branch. We proposed that the new chief focus on developing a strategic plan,

coordinating branch activities, ensuring that the branch is clearly and appropriately organized, and completing a policies and procedures manual.

In this follow-up audit, we found that in February 1994 the department filled the branch chief position to help achieve these goals. The new branch chief has taken some actions to strengthen planning and coordination. However, we found that the branch still lacks comprehensive strategic planning. Better coordination including communication, policies and procedures, and a clearer branch structure is also needed.

A broad array of services is provided

Planning and coordination are crucial in an organization as diverse as the STD/AIDS Prevention Branch. The branch is involved in a variety of activities that include the following: coordination of services with other agencies; community planning for HIV prevention; grant writing; surveillance; contract administration; training for health care providers; counseling, testing, and partner notification for STD and HIV; and treatment services for STD.

The branch spent over \$600,000 in state funds for FY1994-95 for various outreach and research services including sterile needle exchange through the Community Health Outreach Work (CHOW) Project. Through the Hawaii Seropositivity and Medical Management Program, the branch expended \$535,000 in state funds for FY1994-95 to provide medication and medical insurance assistance to persons with HIV and AIDS.

Strategic planning needs more attention

Our 1993 report urged the branch to take a hard look at its entire program of services. Strategic planning would help the branch to assess where it is, where it should be going, and how it will get there. Strategic planning would also help the branch to determine how best to allocate its more limited resources.

In this follow-up audit, we found that the branch's need for strategic planning is growing. The branch chief has taken steps to begin the strategic planning process, but needs to continue his initial efforts.

Fiscal constraints highlight the need for strategic planning

In 1993, we pointed out that appropriations for the STD/AIDS Prevention Branch had recently declined. From a peak of approximately \$8.6 million for FY1992-93, appropriations had dropped to about \$8.2 million for FY1993-94. We observed that budget reductions would force the branch to reduce services and set priorities. Ensuring the survival of the most important and cost-effective services would require leadership and strategic planning.

Appropriations dropped to about \$8.0 million for FY1995-96. In December 1995, the branch lost its federally funded AIDS Research and Seroprevalence Program (ARSP) due to federal policy decisions. The branch may also face budget restrictions imposed by the executive branch.

State fiscal constraints emphasize the need for strategic planning. The branch, guided by the Department of Health, needs to closely examine its affairs to ensure a cost-effective program that fully justifies its funding requests to the Legislature.

Strategic planning has important benefits

A strategic plan can guide the branch's efforts to set major policies and make important decisions. Such a long-term plan outlines how resources will be allocated, establishes priorities, and identifies specific actions necessary to reach objectives.

A written strategic plan can be succinct—perhaps a dozen pages at most—and should be flexible and open to revision as circumstances change. It results from a strategic planning *process* in which senior managers—taking the concerns of their front line staff into account—think about, debate, and resolve key issues about the organization's future.¹ The potential benefits of strategic planning for public organizations include greater effectiveness in carrying out their mission, an improved ability to respond to changing circumstances, and increased efficiency in achieving results with fewer resources.²

Initial efforts should be pursued

The branch's one documented attempt at comprehensive strategic planning since 1993 apparently was abandoned in its early stages. The lack of strategic planning has impacted nearly every aspect of the branch's operations, making it reactive instead of proactive in the face of changing circumstances, limiting its ability to fully justify an \$8 million funding level, and hampering the development of a comprehensive program evaluation.

In an effort at strategic planning, the branch chief in writing directed section heads in 1995 to identify the following:

- conditions, situations, and funding likely to change over the coming years;
- services in the nongovernmental sector and changes in the epidemiology of STD/AIDS;
- the impact of these variables on the STD/AIDS program and staff;

- strategies to deal with the variables and improve effectiveness, efficiency, and integration; and
- priority issues requiring planning and action.

Unfortunately, the information apparently was never collected. The branch should reactivate the strategic planning process. This should include efforts to develop a sharper mission statement, update policy objectives as circumstances warrant, and conduct comprehensive operational planning.

Branch mission statement needs more focus

Crafting a mission statement is central to strategic planning. A mission statement identifies the fundamental, *unique* purpose distinguishing the organization from other related organizations, and describing the scope of its operations. We found that the mission statement of the STD/AIDS Prevention Branch could be better focused to guide program activities.

In 1989, the Department of Health recognized the importance of fighting STD/AIDS when it elevated the STD/AIDS Program to branch status. The branch's stated mission is to prevent and reduce the incidence and severity of sexually transmitted diseases, including HIV. The mission statement falls short of establishing the branch's *unique* purpose—how it sets itself apart from over 60 STD and HIV/AIDS services and organizations throughout the state.

The branch could benefit from a mission statement that defines its unique governmental role in this network. For example, the mission statement could clarify whether the branch is to be a direct provider of services, a facilitator, a coordinator, a contracting agency, or some combination of these roles. Rethinking the branch's mission statement would also lay the foundation for achieving a cost-effective allocation of resources.

Branch policy objectives could be updated

A key element in strategic planning involves setting objectives designed to put the organization's mission statement into effect. These objectives can be policy-oriented or operations-oriented. An example of a health agency's policy-oriented objective would be "reduce infant mortality." An operations-oriented objective might be "fund medical research."³

We found that the STD/AIDS Prevention Branch has set forth useful *policy* objectives. We noted in 1993 that within the overall objective of preventing and reducing the incidence of STD and AIDS, the branch had adopted quantitative objectives based on relevant national and state goals. These *policy* objectives, which focus appropriately on outcomes and results, provide guidance for the branch.

These policy objectives need to be updated as appropriate. For example, through the AIDS Research and Seroprevalence Program, the branch had been compiling information necessary to measure progress in controlling the total number of new HIV-positive newborns per 100,000 per year. However, in December 1995, federal policy decisions suspended this program, and its services in Hawaii will cease once the branch has completed final closing activities. With the loss of this program, the branch may need to reformulate an AIDS objective.

The branch also needs to examine the scope of its policy objectives. For example, the branch's mission statement includes reducing the *incidence* and *severity* of sexually transmitted diseases. However, the current policy objectives address only incidence but not severity.

Comprehensive operational planning is needed

We found that the branch has not developed comprehensive *operational* planning. This requires a systematic analysis of how the branch's entire program of services can be shaped to achieve its policy objectives in the most cost-effective manner. Without this analysis, the branch faces difficulties in managing its complex activities and protecting its most important services.

Stronger operational objectives should include demonstrating a clearer link between the branch's programs and its health policy objectives. Operational planning should also determine the proper amount and mix of direct and contracted services. This includes identifying priority needs, how and by whom they will be met, how much will be spent for what results, and how both inhouse programs and contracted providers will be held accountable. Presently, we believe that the STD/AIDS program as a whole is not analyzing these issues sufficiently. Resource development and allocation decisions tend to be driven largely by providers and federal funding, not by a systematic assessment of overall priorities.

As evidence that stronger analysis is possible, we point to the 1996 report *Needle Exchange Services in Hawaii*, prepared on behalf of the Department of Health by researchers at the Community Health Outreach Work Project of the Research Corporation of the University of Hawaii. As explained in more detail below, the health outreach project, under a contract with the Department of Health, conducts sterile needle exchange and other activities designed to reduce risks of HIV among injection drug users. As required by Section 325-116, HRS, the annual report includes assessments of the program's impact on HIV transmission and the program's cost-effectiveness. The 1996 report persuasively supports, in dollar amounts, the cost-effectiveness of needle exchange services in preventing deaths and containing the high costs of care for persons who might contract HIV in the absence of the needle exchange program.⁴ The

Legislature may wish to require the branch to submit an annual report containing information similar to that required of the needle exchange program.

In response to events, the branch has had to set priorities. In July 1995, the department told the branch to cut 20 percent from its state-funded purchase of service contracts. The branch created a formula to apply cuts that grouped state funded contracts into three levels of funding cuts (about 17 percent, 26 percent, and 41 percent) based on the degree to which the services were basic, essential, and not provided by others. The branch should build on such efforts by analyzing and prioritizing *all* of its activities.

Departmental support is crucial

Strategic planning for the branch will require the involvement of the branch chief and his key staff, the chief of the Communicable Disease Division of the Department of Health (who oversees the branch), and higher levels of the department as appropriate. The branch chief will need the support, guidance, and participation of the department in allocating the necessary time and resources to strategic planning because of its long-range benefits.

Coordination could be improved

Effective coordination helps an agency focus on its mission and achieve its objectives. Coordination includes such diverse activities as building clear communication networks; ensuring proper planning and implementing of subprograms; establishing policies and procedures; and clearly defining an organizational structure.

We found that the branch chief has had mixed results in coordinating branch activities. He has tried to build communication and support, but has not always been successful. Furthermore, the State AIDS Plan is being formed but is not yet complete. In addition, the branch still lacks a policies and procedures manual, and the branch's organization is not completely clear.

Efforts to improve communication have begun

The branch chief has begun working to improve communication among his managers. His monthly "round table" meetings have allowed section heads to share information about their programs. Many of the supervisors see these meetings as a step in the right direction.

Some attempts at feedback have faltered

Certain other efforts by the branch chief to improve communication and support have faltered. The chief surveyed his supervisors to gather feedback about his job performance, but received only one response.

One obstacle was the supervisors' discomfort with the format of the survey and concern about anonymity. We could find no documentation that the branch chief followed up on the lack of responses and on other problems created by the survey. Had he done so, he might have gained useful management information.

Similarly, as discussed earlier in this report, the branch chief in writing sought the supervisors' input on strategic planning. But we found no record of responses to this questionnaire or of follow-up on the lack of responses.

State AIDS Plan is unfinished

Coordination includes ensuring that subprogram plans are complete. A federal HIV prevention grant requires the branch to establish a community planning process to determine service needs and priorities. We found in 1993 that disruptions in the branch's leadership hindered the development of the plan.

The branch's new chief began a statewide community planning process in April 1994, resulting in a written plan that identifies and prioritizes HIV prevention needs, strategies, and interventions. This document is the first component of the State AIDS Plan, and is a positive achievement. However, the planning process does not address AIDS case management and care.

In November 1994, the department informed us that the branch would be involved in completing the second component of the State AIDS Plan to encompass care and case management of patients diagnosed with HIV/AIDS. In March 1995, the branch reported that it had performed a preliminary assessment to lay the foundation for a more comprehensive needs assessment for community-based HIV/AIDS care. The comprehensive needs assessment would satisfy federal grant requirements and serve as the second component of the State AIDS Plan. Despite these benefits, it is unclear whether the branch intends to proceed with the assessment.

Branch lacks policies and procedures manual

Policies and procedures are key management controls. Establishing them is a coordination task. Our previous report recommended that the STD/AIDS Prevention Branch complete its draft manual of policies and procedures to provide guidance to its various sections.

In its comments on our 1993 report and in subsequent correspondence, the Department of Health informed us that the Communicable Disease Division, which oversees the branch, was developing a division-wide

procedures manual. The department also expected the new branch chief to develop procedures unique to the branch, to be incorporated into a branch manual.

Our follow-up found that division and branch manuals do not yet exist.

Branch organization needs clarification

Establishing a clear organizational structure is another important element of coordination. In 1993, we found that the branch's organizational chart approved by the Office of the Governor did not reflect the branch's actual structure. In response, the department informed us that one of the initial assignments of the new branch chief would be to develop an organizational structure accurately reflecting the branch's operations.

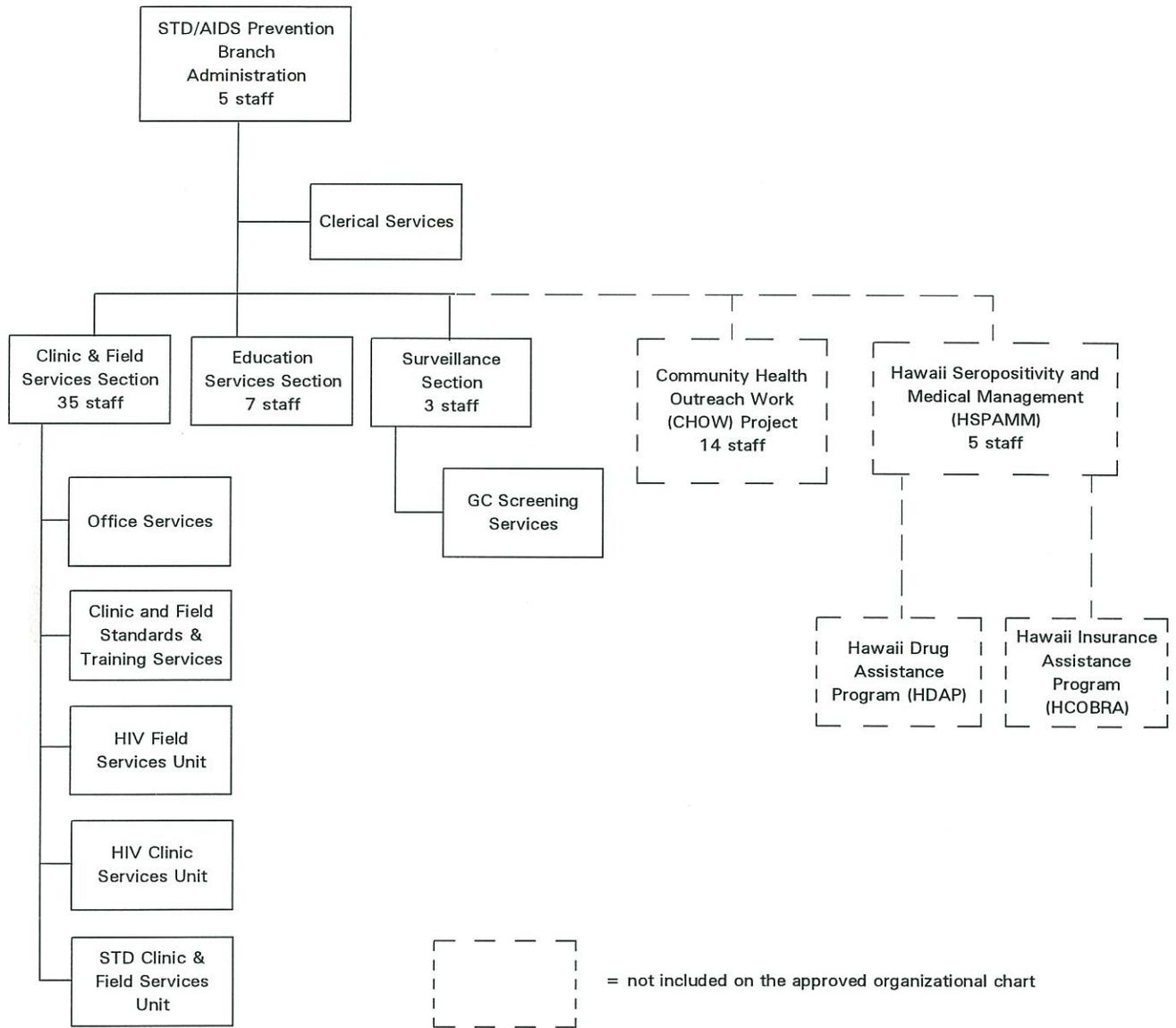
During our follow-up audit, we found that this task has not yet been accomplished. Exhibit 2.1 illustrates the branch's actual structure and total staffing of 69. The Hawaii Seropositivity and Medical Management Program (HSPAMM) and the Community Health Outreach Work (CHOW) Project are existing branch programs that do not appear on the branch's approved organization chart.

The Hawaii Seropositivity and Medical Management Program is a direct service provider assisting HIV-infected individuals in obtaining confidential medical care. The program has two subprograms providing medication (the Hawaii HIV Drug Assistance Program, or HDAP) and insurance coverage (Hawaii COBRA) to qualified HIV-infected individuals. The program began in 1989 as a contracted service provided by the Research Corporation of the University of Hawaii. When the program was no longer a research project, the Department of Health moved it from the research corporation to the STD/AIDS Prevention Branch.

The Community Health Outreach Work Project also is not included on the official organizational chart although nearly half of the branch's administrators view the project as within the branch's organizational structure. The outreach project is discussed in more detail below.

These omissions contribute to uncertainty and confusion about branch activities and services, even among the branch's own personnel.

**Exhibit 2.1
STD/AIDS Prevention Branch Organization**



The Department Should Tighten its Management of the Community Health Outreach Work Project

In our follow-up audit, we examined the Community Health Outreach Work (CHOW) Project in particular, to determine the effectiveness of the branch's management.

We found that the management of the outreach project by the department and the branch could be improved to help ensure that the project reduces the transmission of HIV. Areas needing attention include controls over needle exchange, staffing, and fiscal monitoring.

Background on project

The Community Health Outreach Work Project is administered by the Research Corporation of the University of Hawaii under contract with the Department of Health. The project targets injection drug users to prevent the spread of HIV into the general population and provides such services as condom distribution, sterile needle exchange, AIDS education, and research. For FY1993-94 and FY1995-96, the Legislature appropriated \$495,000 each year for the project, plus \$150,000 set aside specifically for needle exchange and related activities.

Under a master agreement governing relationships between the research corporation and any state agency, and the specific agreement for the project, the state agency (the Department of Health in this case) is responsible for designating a principal liaison or investigator, who handles programmatic issues involving program policy and monitoring. The chief of the STD/AIDS Prevention Branch is designated as the principal liaison representing the department. The director of the health outreach project reports directly to the branch chief regarding all programmatic issues.

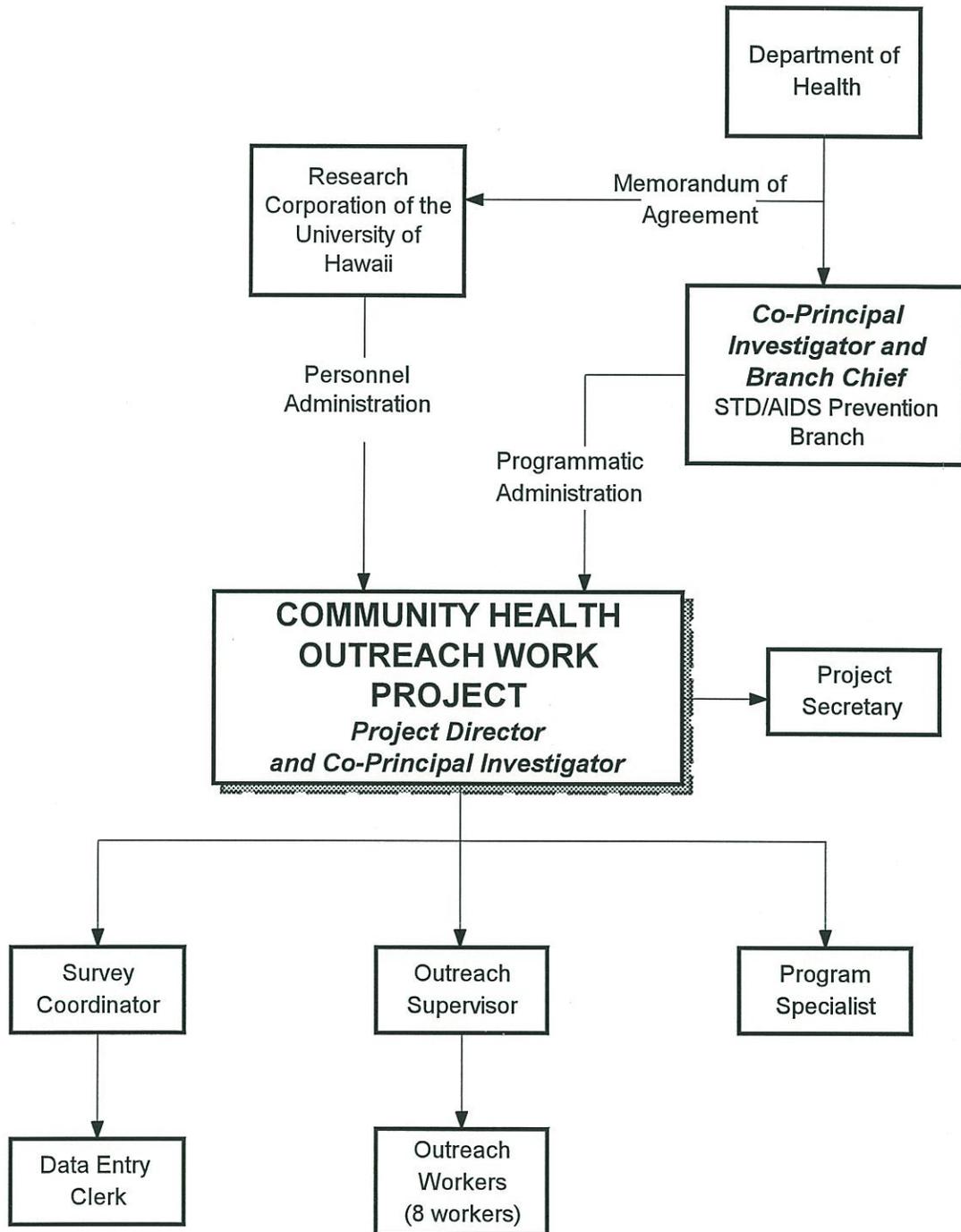
The department must supervise the project and is ultimately responsible for its management and conduct, including its compliance with applicable laws. Staff hired or contracted by the research corporation work under the administrative and technical control and supervision of the department. The research corporation must provide necessary administrative and fiscal support including payroll accounting.

Exhibit 2.2 shows the structure of the arrangement between the department and the research corporation for the health outreach project.

Needle exchange program

The Department of Health's needle exchange program began as a two-year pilot program in 1990 with Act 280 and is now codified in Sections 325-111 through 325-117, Hawaii Revised Statutes.

Exhibit 2.2
Community Health Outreach Work Project Organization



Act 152 of 1992 authorized the department to establish a permanent sterile needle and exchange program for the purpose of (1) preventing the transmission of HIV, the hepatitis B virus, and other blood borne diseases; and (2) providing injection drug users with referrals to appropriate health and social services.

At first, the department contracted only with the Life Foundation to operate the needle exchange program and to evaluate its effectiveness. In 1993, the department contracted with the Research Corporation of the University of Hawaii to augment and expand needle exchange services through the Community Health Outreach Work Project. For FY1993-94 and FY1994-95, the department contracted with both providers but consolidated its needle exchange services for FY1995-96 through a single contract with the research corporation.

Under the applicable laws and contracts, the Department of Health bears final responsibility for the needle exchange program.

Controls over needle exchange need strengthening

The Department of Health through the STD/AIDS Prevention Branch has worked to establish appropriate controls over needle exchange. We found that the department could further improve these controls.

A 1994 report on the Community Health Outreach Work Project recommended that it develop a policies and procedures manual to standardize needle exchange activities. A manual was developed that has improved the consistency of needle exchange services. But the existing controls are not adequate to ensure that the project is complying with state needle exchange laws.

Section 325-113, HRS, requires the needle exchange program to provide for maximum security of exchange sites and equipment, including a full accounting of the number of needles in use and the number in storage. The law also requires the program to provide for a one-to-one needle exchange, that is, the drug user receives one sterile needle and syringe unit in exchange for each used one.

The outreach project is unable to fully account for the total number of needles in use and assure one-for-one exchanges. The stated balance of needles prior to April 1995 is unverifiable because the project cannot find the inventory records kept at that time.

In addition, the project does not have a system to compare its inventory records against records kept at needle exchange sites (fixed sites or mobile vans) to ensure that one-for-one needle exchanges are in fact taking place.

We found that during the nine-month period from April to December 1995, the project distributed 89,300 needles to outreach workers for needle exchanges. However, workers reported exchanging 105,722 needles. The project was not aware of or able to account for the 16,422 disparity in needle counts.

The project's current inventory methods do not provide an adequate audit trail to assess control over the amount of needles for which it is responsible. Tightened needle exchange inventory control and a system of checks and balances would enable the project to account for each needle in its base inventory, each needle distributed to outreach workers, and each needle exchanged at the various exchange sites.

Substitute staffing poses a risk to the department

At the time of this follow-up audit, one branch employee was substituting for an outreach project worker expected to be on leave for four to six months. The outreach worker on leave performed needle exchange services on a neighbor island.

The substitute's position is funded by federal funds that cannot be used for needle exchange services. Therefore, the substitute is performing needle exchange services on a voluntary basis, after regular working hours.

We believe that the department is placing itself at risk by this arrangement. The substitute's place in the chain of command and the department's authority over her actions are unclear. Policies and procedures are needed to establish the proper approach for substitutions.

Fiscal monitoring is insufficient

The nature of some outreach project expenditures heightens the need for tight fiscal controls. Outreach workers receive petty cash funds to spend on individuals within the drug-using population. Workers purchase lunches, cigarettes, and other incentive items to develop a relationship of trust with these individuals. These activities are difficult to monitor. However, the department should develop and implement strict standards governing the use of these funds and not rely solely on the research corporation for controls.

We found that the department does not monitor the project's expenditures sufficiently. The research corporation produces monthly itemized and summary expenditure reports for the project. However, the department's Administrative Services Office receives only the summary report. The office relies on the research corporation to monitor the appropriateness of project purchases.

Furthermore, individuals responsible for contract monitoring at the STD/AIDS Prevention Branch do not receive either the summary reports or the itemized expenditure reports regularly. As a result, the branch is unable to form a cumulative picture of the outreach project's expenditures. Although the branch chief is required to approve large purchases and payments from research incentive funds, the branch does not keep copies of these documents on file.

In both cases, policies and procedures to strengthen fiscal monitoring are needed.

Additional Progress Is Needed in Contract Administration

The branch administers 39 contracts for STD/AIDS services, accounting for nearly half of its annual appropriations. Some of the major service providers include The Life Foundation, Hoo' mana'olana, and the Big Island AIDS Project (see the Appendix to this report).

In 1993, we found that the department needed to improve its administration of these contracts. We described delays in contract execution and payments to providers, which were placing the State and the providers at legal and financial risk. We also described inconsistent contract monitoring and evaluation, which were leading to insufficient information for decision making about contract services.

Our follow-up audit found that the department has recently made some progress in its administration of STD/AIDS contracts. However, monitoring and evaluation need further improvement.

Contracts and payments are more timely

In our 1993 audit, we found that STD/AIDS contracts were not being executed until well after the contract period had begun and payments to providers were also late, sometimes by months.

In our follow-up audit, we found that the timeliness of contract execution has improved. While some delays still occurred in the contracts we reviewed, only 10 percent of these delays were attributable to the department. Many delays apparently are caused by providers. We also found in our sample that all payments to providers were made within a month of the invoiced date.

Monitoring and evaluation could still be improved

Monitoring is the routine, ongoing review of the contractor's performance. It should compare performance against the contracted scope of services, review expenditures, and ensure compliance with contract requirements. Evaluation at the conclusion of the contract period allows management to measure contract outcomes. Outcome measures should assess some aspect of the effect, result, or quality of the service.

Our 1993 audit found that the STD/AIDS Prevention Branch lacked sufficient documentation to show whether contracts were in compliance and the extent to which the contracted services were performed. We recommended that the Department of Health expedite its efforts to develop a contract monitoring and evaluation manual, develop standardized quarterly report forms for providers, and ensure that these forms are submitted and secured at the STD/AIDS Prevention Branch.

Our follow-up audit found that the branch has developed and implemented quarterly and annual monitoring instruments. The branch now conditions payments to providers on their submission of quarterly reports. In addition, the branch conducts annual on-site monitoring and completes site monitoring summaries.

The department and the branch need to build on these improvements. Key issues to address are standardized policies and procedures, quarterly monitoring forms, follow-up on questionable reports, and quality assessment.

No complete manual exists

Standardized policies and procedures for monitoring and evaluating contracts help to ensure that all contracts are fairly and completely reviewed. However, the department still has not developed a complete manual to guide contract monitoring and evaluation as we recommended in 1993.

The department's Administrative Services Office has issued a manual on fiscal monitoring, but leaves it up to the individual programs within the department to develop their own program monitoring and evaluation procedures. The Administrative Services Office believes that standardizing program monitoring and evaluation among different programs is unfeasible.

Furthermore, the department's Communicable Disease Division, which directly oversees the STD/AIDS Prevention Branch, has developed no standardized procedures for contract monitoring and evaluation. Consequently, the branch received incomplete guidance from higher levels within the department on this issue. The limited departmental support may help explain why problems in monitoring and evaluation remain.

We continue to believe that a department-wide manual to guide all aspects of contract monitoring and evaluation is needed. This manual should cover all aspects of contracting, including the scoping of services and the selection of contract providers. Without clear standards, the department and the branch are vulnerable to questions of how providers will be held accountable for performance and whether the selection of providers is fair.

In the selection area, for example, the branch should have clear, standard criteria for awarding contracts, applied consistently to all proposals to avoid questions of unfair practices. We found no documentation of such rationale or criteria in our review of the branch's contract files.

Monitoring forms are limited

The branch could improve its quarterly contract monitoring of STD/AIDS service providers. It has implemented two quarterly reporting forms for this purpose, one for performance outcome measurement and one for fiscal monitoring.

The form for performance reporting is not an adequate instrument. The form asks the provider to report only on quantifiable objectives—numbers of services rendered or individuals served—as identified in the contract's scope of services. The form does not provide for narrative summaries and does not require the provider to specify the types of services being delivered. For example, in one contract that we reviewed, little in the scope of services can be measured quantifiably. Because the form is limited to quantifiable measures, using it to monitor this contract will be almost meaningless.

The fiscal monitoring form is also inadequate because expenditure data are simply lumped into four general categories: personnel, operating, equipment, and other. The branch can use the information only to determine how fast the provider is expending funds. The form does not enable the branch to determine the exact *nature* of the expenditure.

Monitoring reports need follow-up

The branch could also improve its follow-up on the monitoring information collected. We found weaknesses in how the scope of services is defined and how program expenditures are reported. We believe better follow-up would correct these deficiencies.

In our contract sample for FY1994-95, we found at least one instance for each available contract where the service provider reported achievements—for example, the number of outreach services provided to high-risk individuals—that exceeded the contracted scope of services. The rates of exceeding the scope averaged over 100 percent. One contractor reported exceeding at least six objectives at an average rate of 1,117 percent; five of these objectives were met and exceeded within the first quarter of the contracted period. The same provider continued to report exceeded objectives—at rates averaging 1,826 percent for the following contract year.

Reports of this kind indicate either that the contracted scopes of services need to be reassessed or that a problem with the reporting form exists. Branch officials stated that during the course of the contract period, they do follow up on monitoring reports with providers. However, we found no documentation of this in the contract files.

Evaluation of quality has just begun

Since 1991, the branch has been conducting annual on-site visits to each provider. During these visits, the branch monitoring officer reviews provider activities ranging from the establishment of policies and procedures to planning and evaluation efforts, and follows up on recommendations from the previous year. The branch transmits to the provider a report of the visit.

These annual visits have contributed much to the monitoring process. However, the branch has not yet begun to evaluate the quality of provider services. The branch does plan to tackle the quality of provider services and has included a new provider requirement to use client satisfaction surveys. This is the branch's initial step in assessing service quality. We encourage the branch to continue these efforts to ensure that providers are delivering the quality of service expected.

A realistic approach to contracting is needed

In 1994, the Department of Health informed us that the task of monitoring over 25 STD/AIDS contracts without specific contract monitoring personnel was placing a considerable strain on the branch's staff resources.

At the time of this follow-up audit, two officials of the STD/AIDS Prevention Branch—the public health planner and the public health administrative officer—were, in addition to other duties, assuming most of the monitoring and evaluation responsibilities covering over 39 contracts. Department officials maintain that the branch lacks the necessary resources to effectively administer contracts.

The branch has failed to fully address this issue. It has yet to clearly show how many contracts and what types are essential to achieving its mission and ensure that no duplication exists. Also, the branch has yet to systematically assess its overall management approach to contracts in light of its available resources and the State's fiscal climate.

A Questionable Compensation Arrangement Has Undermined the Branch

The STD/AIDS Prevention Branch falls under the Communicable Disease Division of the Department of Health. The chief of the branch reports to the chief of the division, who is expected to provide guidance and direction. During our follow-up audit, we found that a special arrangement to increase the compensation of the division chief is artificial and has undermined the branch.

To prevent any possible misunderstanding, we emphasize here that the compensation in question is that of the *division* chief—not the *branch* chief.

Arrangement involves several agencies and grants

The Communicable Disease Division receives federal funding from the Centers for Disease Control through several grants to Hawaii's programs addressing immunization, tuberculosis control, and STD/AIDS prevention.

Since 1992, the department has been using funds from these federal grants to supplement the "base" salary that the chief of the Communicable Disease Division receives as a civil service employee. State public information laws prevent us from publishing his exact salary as a division chief. However, we are permitted to reveal that the salary *range* for the position is currently \$64,752 to \$88,620. In addition, the division chief receives three "shortage differential" supplements. Finally, he receives supplemental compensation derived from federal grants. The federal grants have varied over the years; the most recent grants for 1996 totalled \$35,825.

Federal funds from the STD/AIDS Prevention Grants used for the additional compensation are being earmarked as salary provisions for a "project director" under the Department of Health, namely, the division chief. However, the additional compensation is not provided directly to the division chief by the department. From October 1992 through September 1994, the department used federal grant funds to contract for services with the Rehabilitation Hospital of the Pacific. In turn, the hospital contracted with the division chief for work with the Governor's Pacific Health Promotion and Development Center—a state initiative developed by the Rehabilitation Hospital for the department.

From December 1994 to the present, the department used the designated federal grant funds to contract with the School of Public Health of the University of Hawaii. The contract requires the school to create a faculty position "to support the provision of experiential guidance" in the field of public health and preventive medicine. This is to include helping the school arrange practical assignments for students; developing curricula relating to communicable diseases; and assisting with lectures and

workshops for students. A department memo clearly identifies the federal grants, and the dollar amounts from each, that are funding the new faculty position.

The School of Public Health created the faculty position and appointed the chief of the Communicable Disease Division to fill it. Initially, the position was for a 75 percent-time instructor, but recently the position was reduced to about 50 percent-time. He holds this appointment in addition to his 100 percent-time position with the Communicable Disease Division of the Department of Health.

Initially in 1992, the funds to support the contract with the Rehabilitation Hospital came only from the federal immunization grant. For the time period of December 1995 to November 1996, the funds for the University of Hawaii contract came from five separate federal grants, three of which were grants for the STD/AIDS Prevention Branch.

Arrangement is questionable

The Department of Health has maintained that this arrangement was necessary to generate the additional compensation required to recruit and retain a qualified person for the position of chief of the Communicable Disease Division. Without the arrangement, the department has contended, recruitment for this position would be a problem.

We acknowledge the department's interest in being competitive in its hiring practices and we do not question its intentions in making the special arrangement described above. However, we find that the arrangement itself is questionable.

In our view, the arrangement is artificial, circuitous, and misleading. Currently, the funds in question travel a sinuous road from five different federal grants, to the Department of Health, to the University of Hawaii, back to a division chief in the Department of Health. Simply to supplement the salary of its division chief, the department has negotiated with the University of Hawaii to create an entirely new faculty position. Therefore, federal funds designated for the support of various Department of Health programs are being used to support University of Hawaii programs.

The federal grant documents and related materials that we reviewed indicate that the federal moneys were intended to support a "project director" for the STD/AIDS program and other programs of the Department of Health. The department has justified this grant provision and its use for additional compensation because the chief of the Communicable Disease Division serves as project director by providing general oversight of the programs receiving the grants. Furthermore, it

has been suggested that federal grant officials have in effect approved the arrangement involving the contract with the University of Hawaii because the grant documents note that the moneys are for “contractual” purposes.

We find this reasoning strained. First, the work under the contract is performed for the university through its School of Public Health, so it is the university, not the Department of Health, that appears to receive the most direct benefits from the grant funds. The specific services that the division chief performs in his capacity as the grants’ project director remain vague. We also question how an individual can adequately meet the workload requirements of both a full-time civil service position as a division chief and a 50 percent-time position as a university instructor.

Second, we found no evidence that federal grant officials specifically approved the precise arrangement to channel funds designated for the Department of Health to the University of Hawaii for a new faculty position. Federal officials apparently do not object to the use of grant funds to support contractual arrangements to increase a state official’s compensation, and the department is correct in saying that the grant documents in question identify the use of the moneys as contractual. But we found no sign-off on the specifics of the arrangement. The Centers for Disease Control allow states to charge a portion or percentage of an employee’s salary to a grant, but the arrangement in question is not of this nature, and the centers do not pay supplemental salaries or bonuses as such.

Negative impact of arrangement outweighs benefits

The department has argued that the compensation arrangement benefits the STD/AIDS Prevention Branch. It is true that the current chief of the Communicable Disease Division might choose not to remain in the position without supplemental compensation. However, we find that the negative impact of the arrangement on the STD/AIDS Prevention Branch outweighs the benefits and could jeopardize future federal funds.

While certain top health department officials support the arrangement, others within the department and the STD/AIDS Prevention Branch are troubled by it. Some are not sure what activities the division chief performs for the department to justify his added compensation. Others are concerned at what they see as the department’s inappropriate use of federal grant funds. In short, the arrangement appears to have hurt morale at the STD/AIDS Prevention Branch.

The dollar impact on the STD/AIDS Prevention Branch may seem relatively small in light of the program’s more than \$8 million annual budget. However, the amounts are not insignificant. A total of \$39,495 in STD/AIDS funds have been applied to the special compensation arrangement since FY1994-95. Furthermore, although the total dollar amounts applied from STD/AIDS funds decreased for FY1995-96, the

individual amounts, and percentage of the total dollars for the arrangement, applied from STD/AIDS grants have increased. This intensifies the issue of just how much the arrangement is benefiting the branch.

In light of the above, we recommend that the Department of Health terminate the arrangement for additional compensation for the chief of its Communicable Disease Division.

We also recommend that the Legislature consider amending Section 76-106, HRS, which prohibits civil service employees from engaging in any “outside employment” that is inconsistent or incompatible with, or interferes with, the proper discharge of the employee’s duties to the State or the county. Formal opinions of the state attorney general indicate that this law does not necessarily prohibit an individual from holding two *state* positions that are inconsistent or incompatible.

The law could be revised to include such a prohibition. Existing or proposed arrangements of the nature described above—in which an individual is both a full-time civil service employee in one department and a 50 percent of full-time employee at the University of Hawaii, which has its own personnel system—could then be more closely scrutinized. Such arrangements raise serious questions of how one individual can realistically be expected to perform two substantial state jobs without doing an injustice to one or both obligations.

Conclusion

The STD/AIDS Prevention Branch has faced management challenges since its inception in 1989, and although it has resolved some issues, it continues to encounter difficulty. The branch lacks an overall strategic plan and a needs assessment to identify its purpose, guide its activities, determine its priorities, and justify its expenditures.

To accomplish this, the branch administration and other managers must work together as a team and communicate a cooperative spirit throughout the entire branch. Once this is done, the branch can concentrate its efforts on monitoring and evaluating its activities to ensure that it is operating in the State’s best interests.

Recommendations

1. The Legislature should consider requiring the STD/AIDS Prevention Branch to submit an annual report that includes such information as assessment of program impact and the cost-effectiveness of branch programs.

2. The chief of the branch should work with the Department of Health to develop a strategic plan for the branch. Part of this process should include developing a sharper mission statement, updated policy objectives, and comprehensive operational planning that contains the following:
 - a. An assessment of community needs;
 - b. Overall branch priorities;
 - c. Action steps to be taken;
 - d. Allocation of the branch's resources; and
 - e. An evaluation of the program's specific impact on public health.
3. The branch chief should work to improve coordination of the branch through the following:
 - a. Better communication and follow-up with his managers concerning challenges facing the branch;
 - b. Completing the State AIDS Plan;
 - c. Completing a policies and procedures manual; and
 - d. Clarifying the branch's organizational structure.
4. The department and the branch should improve their oversight of the Community Health Outreach Work Project through the following actions:
 - a. Ensure that the project tightens its needle exchange inventory control and develops a system of checks and balances that allows it to account for each needle in its base inventory, each needle distributed to outreach workers, and each needle exchanged at the various exchange sites;
 - b. Establish clear personnel policies and procedures to ensure the appropriate use of human resources on the project; and
 - c. Ensure adequate fiscal monitoring including internal controls over project expenditures.
5. The department should improve its administration of its contracts for STD/AIDS prevention services through the following measures:

- a. The department's Administrative Services Office should work closely with the Communicable Disease Division and the STD/AIDS Prevention Branch to develop a manual of policies and procedures for administration of the contracts. This manual should systematize the entire contracting process, including monitoring and evaluation.
 - b. The branch should continue to improve its contract monitoring and evaluation process by improving its quarterly reporting forms, following up on questionable figures reported by contractors, and evaluating service quality.
 - c. The branch should more systematically analyze the number and nature of STD/AIDS service contracts needed to carry out its mission and realistically assess its ability to administer contracts before it seeks to acquire additional contracts that may be more than it can handle.
6. The department should end the artificial arrangement through which the chief of the department's Communicable Disease Division receives additional compensation from the department's federal disease control funds for work that he performs as a faculty member of the University of Hawaii.

APPENDIX

Total Contracts and Amounts Administered through the STD/AIDS Prevention Branch

State Funded Contracts

Provider	FY1993-94	FY1994-95	FY1995-96
Pacific Home and Community Care	\$ 118,905	\$ 118,905	\$ 88,179
Life Foundation	688,790	688,790	571,858
Maui AIDS Foundation	353,373	353,373	293,462
Big Island AIDS Project	500,285	420,285	207,781
West Hawaii AIDS Foundation	-	-	207,780
Malama Pono (Kauai AIDS Foundation)	227,723	227,723	189,172
Drug Addiction Services Hawaii (DASH)	202,121	202,121	150,591
Drug Addiction Services Hawaii (DASH)	31,500	31,500	19,239
Waikiki Health Center	71,069	71,069	41,812
Life Foundation	85,888	85,888	63,416
Life Foundation	-	-	59,000
American Red Cross	58,235	72,794	53,596
AIDS Project Hawaii	80,000	80,000	-
Kapiolani Medical Center	90,000	90,000	66,500
Hoo'mana'olana	446,678	446,678	375,553
Maui AIDS Foundation	81,000	81,000	59,750
University of Hawaii	61,357	61,357	41,812
University of Hawaii	93,083	93,083	70,295
Research Corporation of the University of Hawaii (CHOW)	645,000	645,000	625,600
Research Corporation of the University of Hawaii	180,000	180,000	-
Life Foundation	60,000	60,000	-
TOTAL STATE FUNDS	\$ 4,075,007	\$ 4,009,566	\$ 3,185,396

Federally Funded Contracts

Provider	FY1993-94	FY1994-95	FY1995-96
AIDS Community Care Team	\$ 168,927	\$ 168,927	\$ 224,583
Big Island AIDS Project	-	-	29,000
Ke Ola Mamo	-	-	40,000
Life Foundation	-	-	88,000
Life Foundation	-	-	12,000
Malama Pono	-	-	51,000
Maui AIDS Foundation	-	-	12,000
Maui AIDS Foundation	-	-	32,000
West Hawaii AIDS Foundation	-	-	12,000
Waikiki Health Center	-	-	18,000
Malama Pono	-	-	9,000
Gay and Lesbian Community Center	-	-	9,000
Pacificare	-	-	9,000
Roman Catholic Church	-	-	18,000
Maui AIDS Foundation	-	-	27,000
Drug Addiction Services Hawaii (DASH)	63,000	73,000	37,500
Salvation Army	35,000	40,000	37,500
Waikiki Health Center	33,000	43,000	40,000
Feto Ao	23,900	24,000	20,000
Kokua Kalihi Valley	24,000	34,000	30,000
Research Corporation of the University of Hawaii	274,140	228,918	17,087
TOTAL FEDERAL FUNDS	\$ 621,967	\$ 611,845	\$ 772,670

GRAND TOTALS	\$ 4,696,974	\$ 4,621,411	\$ 3,958,006
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Notes

Chapter 2

1. Tom Peters, *Thriving on Chaos: Handbook for a Management Revolution*, New York, Harper Perennial, 1991, pp. 616-17.
2. John M. Bryson and Farnum K. Alston, *Creating and Implementing Your Strategic Plan: A Workbook for Public and Non-Profit Organizations*, San Francisco, Jossey-Bass, Inc. Publishers, 1996, p. 4.
3. U.S. Department of the Treasury, *Performance Measurement Guide*, Financial Management Service, Washington, November 1996, p. 7.
4. Hawaii, Department of Health, *Needle Exchange Services in Hawaii: A Report to the Needle Exchange Oversight Committee*, Honolulu, January 1996, p. 16.

Response of the Affected Agency

Comments on Agency Response

We transmitted a draft of this report to the Department of Health on September 12, 1996. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2.

Concerning the finding of our draft report that strategic planning for the STD/AIDS Prevention Branch needs more attention, the department responds that initial strategic planning efforts for the STD/AIDS Prevention Branch were suspended in late 1995. The department explains that senior branch staff felt that strategic planning was not useful because major parts of the program were being cut by the governor regardless of any branch strategic planning. However, as our report makes clear, we believe that budget reductions and changing circumstances are reasons for, not against, strategic planning.

The department also claims that our report fails to mention the communication and collaborative planning efforts the branch has undertaken with the HIV/AIDS community. In fact, our report praises the branch chief for initiating a statewide community planning process for HIV prevention leading to the first component of a State AIDS Plan.

The department also claims that our report suggests that branch policy objectives are not reviewed and updated annually. Actually, our report says that the branch has developed useful policy objectives that need to be updated as appropriate, for example by expanding them to include reducing the severity of sexually transmitted disease.

Our report recommends that the Legislature consider requiring the branch to submit an annual report including such information as an assessment of program impact and the cost-effectiveness of branch programs. The department responds that the costs and benefits of such an evaluation should be carefully weighed because such evaluations are laborious, costly, and impossible without additional resources. We agree that the costs and benefits should be carefully weighed. But we stand by our recommendation because we believe that the STD/AIDS program needs to more fully explain to the Legislature the results of its \$8 million budget. We encourage the branch to make use of its existing resources in preparing such a report. The department's federal grant applications contain a good deal of information on the cost-effectiveness of various health interventions that might serve as the groundwork for an annual report to the Legislature.

The department supports, with details, our report's conclusion that efforts to improve communication within the branch have begun. The department also says it will complete the State AIDS Plan, as our report recommended.

Our report finds that two branch programs, the Hawaii Seropositivity and Medical Management Program (HSPAMM) and the Community Health Outreach Work Project, were omitted from the branch's official organizational chart. The department responds that these are not "omissions"; HSPAMM does not yet appear on the chart because the reorganization procedure has not yet been carried out, and the health outreach project does not appear on the chart because it is contracted through the Research Corporation of the University of Hawaii. The department says that a proposed reorganization plan for the branch has been submitted to the department for review and that the reorganization should clarify the organizational issues raised in the audit. We hope that HSPAMM will now be included on the chart. We also stand by our finding that the health outreach project should be on the chart, because the relevant contracts give the department full responsibility for programmatic issues and supervision of the project.

Our report also finds that the management of the health outreach project by the department and the branch should be strengthened. In its response, the department states that monitoring and control over the numbers of needles exchanged have been strengthened since our audit. The department also says the branch is strengthening fiscal monitoring of the project as we recommended.

The department agrees with our report's finding that it has no complete contract monitoring manual and says that it will examine this issue. It also indicates that it is working on developing clearer classifications of prevention interventions in order to address some of the contract monitoring problems we identified. The department disagrees with our finding that its contract performance monitoring forms do not provide for narrative summaries. However, we believe that the evidence supports our finding.

The department also questions our findings that the branch has yet to clearly show how many contracts and what types are essential to achieving its mission and assure that no duplication exists, and has not systematically assessed its overall approach to contracts. We stand by our findings. For example, we do not think the branch has demonstrated how it ensures that no duplication in services exists, given the large number of contracts that it administers with limited staff resources. As our report observes, department officials have indicated that the branch lacks the necessary resources to effectively administer its contracts.

In defense of its arrangement to supplement the compensation of the chief of the Communicable Disease Division by channeling funds designated for the Department of Health to the University of Hawaii for a new faculty position, the department makes several points. First, it says that the published salary range for the chief's position is not competitive nationally. While this may be so, we disagree with the method the department uses to supplement his salary.

Second, the department disagrees with our finding that the salary arrangement in question could jeopardize future federal funds. In support of its position, the department quotes our report's statement that the grant officials (at the federal Centers for Disease Control) "apparently do not object to the use of federal funds to support contractual arrangements to increase a state official's compensation, and the department is correct in saying that the grant documents in question identify the use of the moneys as contractual."

The department has quoted us out of context. We note that our report indicates that we found no evidence that the Centers for Disease Control had specifically approved of the compensation arrangement in question. Furthermore, our report says that while the Centers for Disease Control does allow states to charge a portion or percentage of an employee's salary to a grant, the arrangement in question is not of this nature. It is our understanding that the Centers for Disease Control does not approve of using federal funds for arrangements that supplement an individual's salary *beyond* the maximum range allowed by a state for that position.

Third, the department says our report provides no documentation for our statement that the compensation arrangement appears to have hurt morale at the STD/AIDS Prevention Branch. The department states: "Determining and measuring 'employee morale' and 'negative impact' is extremely difficult in any work place setting." We acknowledge the difficulty of measuring these factors but believe that our fieldwork at the branch supports our conclusion.

Appendices that accompanied the department's letter of response are on file at our office.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

September 12, 1996

COPY

The Honorable Lawrence H. Miike
Director of Health
Department of Health
Kinau Hale
1250 Punchbowl Street
Honolulu, Hawaii 96813

Dear Dr. Miike:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Follow-Up Audit of the STD/AIDS Prevention Program in the Department of Health*. We ask that you telephone us by Monday, September 16, 1996, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, September 23, 1996.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures

BENJAMIN J. CAYETANO
GOVERNOR OF HAWAII



LAWRENCE MIIKE
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH

P.O. BOX 3378
HONOLULU, HAWAII 96801

In reply, please refer to:
File:

September 24, 1996

CDD

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813

RECEIVED
SEP 25 1 34 PM '96
OFFICE OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

I would like to thank you for the copy of the Follow-Up Audit of the STD/AIDS Prevention Program in the Department of Health, and for the opportunity to comment on the findings and recommendations. These are presented below:

1. **The STD/AIDS Prevention Branch of the Department of Health needs strategic planning and better coordination.**

Strategic Planning Needs More Attention.

The STD/AIDS Prevention Branch (SAPB) currently has a mission statement and clear functional statements for each of its component sections. Initial strategic planning efforts within SAPB were suspended in late 1995 when the Governor directed that all individuals in Limited Term Appointment (LTA) positions were to be terminated. Senior SAPB staff felt that strategic planning under such circumstances was not useful as major parts of the program were being arbitrarily cut regardless of any branch strategic planning. However, major strategic planning efforts were initiated by SAPB which focused on the priority components of the program rather than on the branch.

Strategic Program Planning

Human Immunodeficiency Virus (HIV) prevention and care services are the two major program components that have been the focus of strategic planning efforts. These two components receive the majority of SAPB funds, account for all the contracts, and are by nature the most complex and challenging. They were selected as the SAPB components requiring priority attention.

- i. Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) prevention services are provided through a contractual and a collaborative relationship between DOH, services providers and the HIV/AIDS community. The HIV prevention planning process is equally collaborative. SAPB has established and coordinates a community planning process for HIV prevention that is successful in both its process and product. The days of state agencies making service delivery decisions in isolation on Oahu, without statewide and community participation, are over. The fact that the audit failed to even mention the communications and collaborative activities undertaken with the HIV/AIDS community suggests a very narrow understanding of how public health planning should be carried out. The SAPB coordinated community planning process has developed a statewide HIV Prevention Plan (Appendix I) and program recommendations that are used for federal and state program and funding allocation decisions. This is an ongoing planning process that updates the plan and makes new recommendations as needed. This is a particularly dynamic, innovative and participatory planning process. It is unlikely that any other state department has a more ambitious strategic planning process than this.
- ii. The first meeting of the State HIV Care Services Planning Group will take place September 26, 1996. This planning group will develop an HIV Care Services Plan as described in section i. for prevention services. The initiation of this planning process was delayed by one year because of the delay in the federal reauthorization of the Ryan White Care Act. This Act provides funding for planning, stipulates planning criteria, and currently gives Hawaii \$1.2 million for HIV care services. SAPB decided HIV care planning would wait until critical Ryan White information was in place. This planning process will also involve statewide care service providers from the public and private sector, with over one half of the total members being HIV positive individuals (Appendix II).
- iii. Sexually Transmitted Disease (STD) prevention, STD infertility and AIDS surveillance strategic planning is done in a more traditional in-house manner. Plans are clearly laid out in the federal grant applications (Appendices III - V).

Branch Policy Objectives Update

Branch policy objectives are reviewed and updated annually. The report is incorrect to suggest otherwise.

Operational Planning Needed

SAPB has developed a sound process for strengthening the linkage between needs and resource allocation. First, needs must be clearly defined. SAPB has made major efforts to appropriately evaluate needs. SAPB developed an Epidemiologic Profile of HIV/AIDS and has carried out needs surveys of consumers and providers so that needs are based on the most applicable data. Secondly, planners review current services, funding allocations and carry out analysis. Recommendations are then made for program and allocation changes.

It is agreed that evaluation of impact on HIV transmission and program cost effectiveness need to be strengthened in all programs both in Hawaii and nationally. The Centers for Disease Control and other major health agencies are struggling for better ways to collect and measure information on "transmissions prevented." It is appreciated that the auditor noted the strength of the Community Health Outreach Workers (CHOW) Project evaluation impact and cost effectiveness. The report failed to mention that there are both a full-time staff and a major research budget devoted to the preparation of this evaluation.

As for the auditor's suggestion that a similar evaluation report be submitted annually to the legislature, it is suggested that the costs and benefits of such an evaluation be carefully weighed. Such evaluations are laborious, costly and impossible to undertake without additional resources.

Improved Communications

As stated, communications within SAPB, with staff in four locations on Oahu and in different locations on each of the Neighbor Islands, can be a challenge. SAPB holds regular monthly expanded senior staff meetings that focus primarily on information sharing between all parts of the branch. Following this meeting all line level staff attend various section meetings where they receive information from the branch meeting and provide input for the next meeting. Separate HIV prevention and HIV care services meetings are held with relevant staff from across the branch.

The Branch Chief attends a bi-weekly meeting of senior clinic based staff which focuses on clinic related issues. HIV Educators and HIV counselor/testers statewide meet and receive training on Oahu several times a year. Recently a meeting of all Oahu based branch staff was held. This will become a quarterly meeting. A statewide branch meeting has been proposed and will be held in conjunction with other staff travel to Oahu.

Communications depend on the desire to communicate as well as the occasion to do so. Much effort has gone into pulling together staff from different sections who were used to years of relative autonomy and limited communications.

State AIDS Plan

As stated above in the section entitled Strategic Program Planning, the State HIV Prevention Plan was first completed in 1994 and has been updated three years since. The needs assessment for the HIV Care Services Plan has been carried out and the planning process commences in September, 1996. This process will produce an HIV Care Services Plan which combined with the prevention plan will comprise the State HIV/AIDS Plan. However, in a field changing as dynamically as HIV/AIDS, planning will be ongoing to review and update the plan.

Need for Policies and Procedures Manual

Discussions with senior branch staff indicate little enthusiasm or need for such a manual except in a very limited form. It is recommended that it contain a record of policy decisions on issues raised within SAPB where there was a lack of clarity. It should not be a comprehensive "what to do and how to do it" manual that will be little used. As stated in the Auditor's Report, SAPB will follow the division's lead on this matter.

Branch Organization Needs Clarification

The CHOW Project does not appear on the SAPB organizational chart because it is a project contracted through the Research Corporation of the University of Hawaii (RCUH). The Hawaii Seropositivity and Medical Management Program (HSPAMM) does not yet appear on the organizational chart because the reorganization procedure has not been carried out. As such, neither can appear on the organization chart. The Audit Report incorrectly referred to these as "omissions".

A proposed reorganization plan of SAPB has been submitted to the Department of Health for review. This reorganization should clarify the organizational issues raised in the audit but will likely result in major program and service delivery problems.

2. The Management of the Community Health Outreach Work Project by the Department and Branch Should be Strengthened.

It is appreciated that the report recognized that the CHOW Project has developed a policies and procedures manual as recommended. Systems to monitor and control the numbers of needles exchanged have been reviewed and strengthened since the audit. SAPB is strengthening fiscal monitoring as recommended and is now receiving the necessary fiscal reports. It is noted that no fiscal problems were identified in the audit report.

3. While the Department Has Upgraded Its Administration of Contracts for STD/AIDS Services, Additional Improvements Are Needed.

No Complete Monitoring Manual Exists

This is a correct finding. The issue will be examined at the departmental, division and branch level.

Monitoring Forms are Limited and Reports Need Follow-up

Monitoring forms are limited, however, since July 1995 they do include a narrative requirement for providers to describe activities, discrepancies or staff changes. The audit report incorrectly stated that there is no narrative summary. One of the areas needing attention is the development of clearer classifications of what constitutes different types of prevention interventions. This is not easy given the very wide variety of possible prevention activities. This classification issue has led to many of the quantification problems mentioned in the report. SAPB is working with the consortium of AIDS service providers AIDS Community Care Team (ACCT) to develop better and clearer terminology. Each year when new scopes of services are prepared for Request for Proposals (RFP's), the quantitative objectives and the achievements of previous contracts are reviewed and the scopes changed as appropriate.

Evaluation of Quality

The requirement that each Purchase of Service (POS) contract carry out an annual client satisfaction survey is an important tool. The models developed to date have been comprehensive and detailed. In addition, the large numbers of consumers and community members involved with the prevention and care series planning groups give very direct input and information on the services provided throughout the state. These planning groups will give even more input into evaluation in the future.

Realistic Approach to Contracting

The report states that "the branch has failed to show how many contracts and what types are essential to achieving its mission and ensuring that no duplication exists." SAPB staff have spent much time and effort considering the proper mix of SAPB and contract provided services, the mix of contracts for smaller specific populations versus large statewide contracts, and potentially better services through more contracts versus limitations in SAPB contract administration resources. The SAPB Branch has also requested and received input on this issue from providers and consumers.

As the report recommends, SAPB does review and identify essential services, as well as determines how they can be best provided. These annual reviews have resulted in the increased prioritization and focus of prevention contracts. These annual reviews are necessary as both state and federal funding levels can change rapidly as can approaches for providing HIV services.

A relatively large number of contracts are needed to provide a variety of services in ten different geographic community areas to different cultural/ethnic groups and for different at-risk populations. Current public health research clearly indicates the need for targeted interventions through providers who can work effectively with and have contacts with the target population. Contracts with smaller organizations that reach specific target groups often lead to HIV prevention awareness and efforts much greater than those contracted by the Department of Health.

In some cases there are more contracts because there are different contracts for both federal and state funding. Regardless of the source, the services are needed.

Contracts are reviewed and duplication identified and eliminated wherever possible. Contracts or services that are not considered essential are not renewed. Contrary to the audit report, the branch has assessed its management approach to contracts, and changes were described to the auditor. These include the greater involvement of HIV prevention staff in the development of scope of services, providing technical support, follow-up in problem areas and improvement of evaluation. Support for contract management is now provided by more existing staff with coordination through the branch chief. The branch chief personally has carried out a number of on-site monitoring visits, and with the planner, developed a new narrative evaluation format for the site visits.

4. **A special arrangement for compensating a top administrator in the Department of Health is questionable and is having a negative impact on the STD/AIDS Branch.**

Arrangement involves several agencies and grants

The report neglects to mention that the Chief of the Communicable Disease Division is a physician administrator position, requiring a Hawaii medical license. The published state salary range is low and non-competitive compared with other comparable positions in the United States. It should be noted that physicians frequently spend in excess of 40 hours per week in their employment. Reimbursement for time in excess of a 40-hour week is not uncommon.

Negative impact of arrangement outweighs benefits

- i. The report states: "However, we find that the negative impact of the (salary) arrangement on the STD/AIDS Prevention Branch outweighs the benefits and could jeopardize future federal funds." In contrast, the report also notes that: "Federal officials apparently do not object to the use of grant funds to support contractual arrangements to increase a state official's compensation, and the department is correct in saying that the grant documents in question identify the use of the moneys as contractual." Since the Centers for Disease Control and Prevention does not object to these arrangements, there is no jeopardy for future federal funding.

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- ii. The report states: "In short, the arrangement appears to have hurt morale at the STD/AIDS Prevention Branch." In addition, the summary states: "A special arrangement for compensating a top administrator in the Department of Health is questionable and is having a negative impact on the STD/AIDS Prevention Branch." The report provides no documentation to warrant these statements. Determining and measuring "employee morale" and "negative impact" is extremely difficult in any work place setting. Statements such as these that do not have adequate documentation provide a disservice to the Department of Health and to the administrator.

In conclusion, I would like to thank you for the audit report and recommendations provided for the STD/AIDS Prevention Program and for the opportunity to provide a departmental response. The Department of Health would be pleased to provide any additional information as requested.

Sincerely,



LAWRENCE MIIKE
Director of Health

Enclosures

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