REPORT BY THE

AUDITOR GENERAL

OF CALIFORNIA

A REVIEW OF THE STATE'S SPENDING RELATED TO THE ACQUIRED IMMUNE DEFICIENCY SYNDROME

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Thomas W. Hayes
Auditor General

April 8, 1987

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Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the State's spending related to the Acquired Immune Deficiency Syndrome by the Department of Health Services, the University of California, the Department of Corrections, and the Department of Mental Health.

Respectfully submitted,

THOMAS W. HAYES
Auditor General

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SUMMARY

RESULTS IN BRIEF

From fiscal year 1983-84 through fiscal year 1986-87, the State provided over $54.3 million to four agencies to deal with the Acquired Immune Deficiency Syndrome (AIDS). The Department of Health Services (DHS) received over $30.1 million to contract for services to help reduce the transmission of the disease, to educate the public, and to conduct testing to determine the presence of antibodies for the AIDS virus. The University of California (university) received over $23.1 million for research related to AIDS. The Department of Corrections (CDC) received $589,000 to provide staff for a housing unit for inmates with AIDS. The Department of Mental Health (DMH) received $600,000 to establish an AIDS mental health project. In general, these agencies have complied with statutory mandates in establishing programs related to AIDS. However, the DHS needs to improve some of its contracting practices.

BACKGROUND

The AIDS disease is an epidemic that has killed thousands of people. The causative agent has been identified as a virus that is transmitted by sexual contact or by the introduction of infected blood through the skin and into the bloodstream.

As of February 16, 1987, more than 30,800 persons with AIDS have been reported in the United States; of these persons, over one-half have died. California has about 22 percent of the national total of reported AIDS cases. As of January 31, 1987, 6,917 persons with AIDS have been reported in California; of these, 3,512 have died.

The DHS projects that there will be over 12,000 AIDS patients in California in 1990, requiring, in that year alone, over $1.2 billion in direct medical care expenditures.

PRINCIPAL FINDINGS

The Department of Health Services Implemented Programs To Control AIDS but Needs To Improve Some Contract Practices

The DHS issued 95 contracts totaling $8.7 million for education and prevention services to educate the public and to help reduce the transmission of AIDS. These services are intended to reach over 322,000 persons during fiscal year 1986-87. The DHS has also designated 31 local health departments as sites for the Alternative Test Site (ATS) program, which has already provided free and confidential tests to over 61,200 persons to determine the presence of antibodies to the AIDS virus. The DHS generally met mandates to conduct projects to deal with the AIDS epidemic and to establish the ATS program.

However, in its efforts to implement these programs to respond to the AIDS crisis, the DHS did not always contract in accordance with state requirements. The DHS did not always allow sufficient time to process contracts and allowed some contractors to work without valid contracts. In addition, the DHS did not effectively monitor contractors during fiscal years 1983-84 and 1984-85 to ensure that contractors provided the services for which they were contracted. For example, the DHS could not provide evidence of such monitoring in the form of interim and final reports from contractors funded during fiscal years 1983-84 and 1984-85.

The DHS also failed to use standard agreements to establish contracts with local health departments for testing services at the alternative testing sites. Consequently, the State Controller's Office did not consider the contracts valid and refused to make payments to contractors. As a result, payments to

contractors for services provided during a six-month period in fiscal year 1985-86 were delayed.

The University of California,
the Department of Corrections, and
the Department of Mental Health
Generally Complied With Statutory Mandates

The university objectively awarded research grants and monitored the results of the research.

The CDC used its state funding to fill 14 staff positions in the special housing unit for inmates with AIDS at the California Medical Facility.

The DMH generally complied with statutory requirements and issued a contract to provide education and training for mental health professionals, a contract to conduct a needs assessment, and a contract to provide a media services project.

RECOMMENDATIONS

To ensure that it contracts in accordance with state requirements, the Department of Health Services should take the following actions:

- Allow sufficient time to complete all processing requirements before contractors commence work; and

- Ensure that contractors do not begin work without a valid contract.

AGENCY COMMENTS

The Department of Health Services generally agreed with the results of the review of the department. The department, however, believed that the conclusion and recommendations sections of the report should be revised to highlight corrective actions that are reported elsewhere in the text of the report.

The Department of Mental Health and the University of California both concur with the results of our review.

The Department of Corrections provided additional information on the department's process for conducting AIDS blood testing, and additional reasons for segregating its special housing unit from the remainder of the California Medical Facility.

INTRODUCTION

The Surgeon General of the United States Public Health Service reported that Acquired Immune Deficiency Syndrome (AIDS) is an epidemic that has killed thousands of people. The first cases of the disease in the United States were identified in 1981, and, as of February 16, 1987, more than 30,800 persons with AIDS have been reported in the United States, 57 percent of whom are known to have died. According to a 1986 report entitled "Confronting AIDS: Directions for Public Health, Health Care, and Research," prepared by the Committee on a National Strategy for AIDS of the Institute of Medicine (committee), it is estimated that between one million and 1.5 million people in the United States probably are infected with the virus that causes AIDS. Worldwide, as many as 10 million people may be infected. According to the Surgeon General's report and the committee's report, there is presently neither a cure for AIDS nor a vaccine to prevent AIDS.

According to the committee's report, the causative agent of AIDS has been identified as a virus that attacks a person's immune system and damages the system's ability to fight other diseases. The AIDS virus spreads from infected persons by sexual contact or by the introduction of infected blood through the skin and into the bloodstream, which may occur through intravenous (IV) drug use, blood transfusion, or through blood products used, for example, in the treatment of hemophilia. The AIDS virus can also spread from an

infected mother to her infant during pregnancy or at the time of birth. There is no evidence that AIDS is transmitted in the air, by sneezing, by shaking hands, by sharing a drinking glass, by insect bites, or by living in the same household with an AIDS sufferer or a person infected with the AIDS virus.

Infection with the AIDS virus results in a wide range of clinical conditions, most of which, according to the committee's report, are the consequences of damage to the immune systems of infected persons and not a direct result of the AIDS infection itself. Thus, some infected persons may have AIDS, as defined by the Public Health Service's Centers for Disease Control, characterized by a lowered immunity and the presence of infections that take advantage of a lowered immunity. Others may show such symptoms as fevers, diarrhea, and swollen lymph nodes. Finally, others infected with the AIDS virus may not show any physically apparent symptoms for months or years. This long, often unrecognized period of asymptomatic infection, during which an infected person can infect others, complicates attempts to control the spread of the virus.

According to the committee's report, the risk of being infected with the AIDS virus is directly related to the frequency of exposure to the virus. Currently, groups with the highest risk of infection are homosexual men, IV drug users, persons likely to have heterosexual intercourse with an infected person, and the fetuses or newborn infants of infected mothers. The risk of infection to

recipients of blood or blood products is now greatly reduced because all donated blood is screened for the AIDS virus. However, persons in this group who may have been infected before the screening requirement took effect may still develop the disease.

The Public Health Service has estimated that, by the end of 1991, there will be a cumulative total of more than 270,000 persons with AIDS in the United States and a cumulative total of more than 179,000 deaths from AIDS. In addition, the Public Health Service has projected that the direct cost of care for the 174,000 AIDS patients estimated to be alive during 1991 will be $8 billion to $16 billion in that year alone.

The committee recommended that the nation confront the AIDS epidemic in two ways. First, undertake a massive media, education, and public health campaign to curb the spread of infection from the AIDS virus; second, begin substantial, long-term, and comprehensive research programs in the biomedical and social sciences to find a way to prevent infection from the AIDS virus and to treat the diseases caused by it.

AIDS in California

California has about 22 percent of the national total of reported AIDS cases. From 1981 to January 31, 1987, 6,917 persons with AIDS have been reported in California. Of these, 3,512 have died. Since 1981, the total number of AIDS cases has increased almost 100

times. (See Appendix A for a chart showing the total number of California AIDS cases from 1981 to 1986.)

In addition, in contrast to the national percentage of approximately 66 percent, approximately 82 percent of AIDS cases in California have occurred in homosexual or bisexual men. IV drug users account for over 2 percent of the State's cases whereas nationally approximately 17 percent of AIDS cases are IV drug users. Homosexual or bisexual IV drug users account for approximately 11 percent, and hemophiliacs and transfusion recipients account for over 2 percent. (See Appendix C for a table showing the distribution of California AIDS cases by risk groups as of January 31, 1987.) In addition, females account for less than 2 percent of the AIDS cases. Finally, the DHS estimated that, in California, at least 300,000 persons infected by the AIDS virus show no symptoms.

The Department of Health Services (DHS), in its March 1986 report entitled "Acquired Immune Deficiency Syndrome in California: A Prescription for Meeting the Needs of 1990," projected a cumulative total of approximately 30,000 AIDS cases in California by 1990. The DHS further estimated that there will be over 12,000 AIDS patients in California in 1990 and that they will require more than $1.2 billion in direct medical care expenditures in that year alone. The DHS noted that it is reasonable to conclude that the total public health and medical care expenditures related to AIDS in California will probably exceed $5 billion during the next five years.

In December 1986, the Centers for Disease Control (centers) projected that California will have approximately 37,000 cumulative AIDS cases by 1990. The DHS and the centers used different empirical models to project AIDS cases based on past trends. In addition, the centers used AIDS data up to December 1986 while the DHS' projection used AIDS data up to the middle of 1985.

However, according to the report by the committee, any projection of the future incidence of AIDS is uncertain because there are substantial uncertainties about the prevalence of virus infection, the rate of transmission of the virus among various population groups, and the risks of disease among those infected. In addition, the centers' data have limitations, according to the committee, because the centers' criteria for AIDS are too restrictive, cases may not be reported, and reports of cases may be delayed. The committee concluded that the centers' estimates are reasonable and supported their use for planning purposes. However, the committee noted that its acceptance of the projections does not mean the projections are precise.

From 1983 through 1986, the California Legislature enacted eight measures related to AIDS. Chapter 1257, Statutes of 1983, established an AIDS Advisory Committee to advise and assist the State in addressing public health issues associated with AIDS. In addition, Chapters 22 and 1519, Statutes of 1985, protect the privacy, employment, and insurance coverage of those who are the subjects of AIDS blood testing and research projects. Further, Chapter 23,

Statutes of 1985, requires that all donated blood be screened for the AIDS virus to protect the donated blood supply. This chapter also provides for the establishment of alternative test sites and for confidential information and referral services for individuals who seek testing. Furthermore, Chapter 767, Statutes of 1985, requires the DHS to administer various AIDS information and education projects, and it also requires the Department of Mental Health (DMH) to develop an AIDS mental health project. The statute also provided funds to the University of California (university) for clinical drug trials, as well as for viral cultures, and services necessary to conduct the trials. Also, Chapters 1462 and 1463, Statutes of 1986, provided, in part, for research and development grants to encourage AIDS vaccine research by the private sector and appropriated funds to conduct clinical trials in humans with an AIDS vaccine approved by a federal Food and Drug Administration protocol. Finally, Chapter 921, Statutes of 1986, authorizes the director of the Department of Corrections (CDC) to enter into contracts with public or private agencies inside or outside the State for the housing, care, and treatment of inmates afflicted with AIDS or the AIDS-related complex.

The university has the main responsibility for state-funded research on AIDS. This research is reviewed and evaluated by the Universitywide Task Force on AIDS. Meanwhile, the DHS has primary responsibility for coordinating all other state efforts on AIDS. The DMH and the CDC have also received funds for programs related to AIDS.

SCOPE AND METHODOLOGY

The purpose of this audit was to assess the compliance of the DHS, the university, the DMH, and the CDC with mandated requirements to conduct AIDS education, testing, research, and other activities to control AIDS. In addition, we assessed the promptness of these state agencies in implementing AIDS programs.

We examined accounting and other records for fiscal year 1983-84 through fiscal year 1986-87. To assess the contract administration practices of the DHS, the university, and the DMH, we evaluated the methods that these agencies used to solicit, award, and monitor contracts. We reviewed 43 of 132 contracts issued by the DHS for fiscal year 1983-84 through fiscal year 1986-87, 42 of 139 grants and contracts issued by the university for fiscal year 1983-84 through fiscal year 1985-86, and the 3 contracts issued by the DMH in fiscal years 1985-86 and 1986-87 for an AIDS mental health project.

In addition, we interviewed personnel from the four agencies and also interviewed some of the contractors who conducted work for the agencies. We did not conduct reviews of the university researchers and contractors funded by the state agencies, nor did we assess the effectiveness of the agencies' projects and programs.

AUDIT RESULTS

I

THE DEPARTMENT OF HEALTH SERVICES HAS IMPLEMENTED PROGRAMS TO CONTROL AIDS BUT NEEDS TO IMPROVE SOME CONTRACT PRACTICES

The Department of Health Services (DHS) generally met mandates to conduct AIDS programs and establish the Alternative Test Site (ATS) program. The DHS received over $30.1 million from fiscal year 1983-84 through fiscal year 1986-87 to fund various AIDS programs to control the AIDS epidemic. (See Appendix B for a table that summarizes the DHS' allotments and expenditures from the State's General Fund from fiscal year 1983-84 through fiscal year 1985-86.) The DHS issued 95 contracts totaling $8.7 million for services to educate the public and reduce the transmission of the disease. These services are intended to reach over 322,000 persons during fiscal year 1986-87. The DHS has also designated 31 local health departments as sites for the ATS program. Over 61,200 tests have been conducted through the ATS program between June 1985 and December 1986.

However, in its efforts to respond to the AIDS crisis, the DHS did not always contract for services in accordance with state requirements. Although the DHS complied with state requirements on competitive bidding and its contracts contained statements of compliance on nondiscrimination, the DHS did not allow sufficient time to process contracts and allowed some contractors to work without valid

contracts. In addition, during fiscal years 1983-84 and 1984-85, the DHS did not effectively monitor contractors to verify that they had provided the services for which they were contracted. Consequently, some services were not provided. The DHS also did not use standard agreement forms to establish contracts with local health departments for testing conducted through the ATS program. As a result, reimbursements to contractors for tests they conducted during a six-month period were delayed. Finally, the DHS was late in submitting to the Legislature required reports on a comprehensive plan for implementing AIDS services and indicating the comparative costs of home health, attendant, and hospice care for AIDS patients.

The DHS Has Implemented AIDS Programs for Education, Testing, and Pilot Projects

The DHS has emphasized community education as a key tool in controlling the spread of AIDS and so has contracted with counties and community organizations to provide education services. These services provide basic information about the ways AIDS is transmitted, the ways it can be prevented, and the myths related to AIDS that have caused anxiety. Table 1 shows the DHS' total number of contracts and the total funding for education and prevention services from fiscal year 1983-84 through fiscal year 1986-87.

TABLE 1

DEPARTMENT OF HEALTH SERVICES
EDUCATION AND PREVENTION CONTRACTS
FISCAL YEARS 1983-84 THROUGH 1986-87

Fiscal Year	Number of Contracts	Total Amount
1983-84	15	$ 437,770
1984-85	16	632,239
1985-86	28	3,712,500
1986-87	36	4,004,165
Total	95	$8,786,674

These education services are directed to the general public, health and service providers, and groups who are at high risk for contracting AIDS, including homosexual and bisexual men, intravenous (IV) drug users, heterosexual persons having multiple sex partners, and hemophiliacs. We reviewed the scope of services in each education and prevention contract from fiscal year 1986-87 to estimate the number of people to be served and to approximate the levels of contact to be established according to the goals of the contract. Since the numbers of people in the target groups were often difficult to quantify, we could only approximate the numbers in each of the groups. Table 2 shows the estimated number of people in each of these groups in fiscal year 1986-87.

TABLE 2

DEPARTMENT OF HEALTH SERVICES
EDUCATION AND PREVENTION CONTRACTS
TARGET POPULATIONS
FISCAL YEAR 1986-87

Target Population	Number	Percent of Total
General population	227,378	70.51
Homosexuals	28,573	8.86
Health providers	22,816	7.08
Service providers	19,549	6.06
Other	18,899	5.86
Intravenous drug users	4,005	1.24
Hemophiliacs	985	0.31
AIDS positive	275	0.09
Total	322,480	100.01*

*The total exceeds 100 percent due to rounding.

The contractors contact the target populations either directly or through intermediaries such as health providers. In addition, contractors estimate that they will contact an additional 13 million people through newspapers, radio, and television.

The DHS is also responsible for administering the ATS program, through which individuals can obtain free confidential testing to determine the presence of antibodies to the AIDS virus. Chapter 23, Statutes of 1985, requires counties designated by the director of the DHS to establish alternative test sites to provide confidential testing through the use of a "coded system with no linking of individual identity with the test request or results." In addition, the

alternative test sites are to provide information and referral services to individuals who have any known risk factor for AIDS. In April 1985, the director designated 31 local health departments in the State as sites for alternative testing. (See Appendix D for a complete list of the alternative test site locations.)

Chapter 23, Statutes of 1985, also appropriated $5 million to reimburse counties with the condition that the DHS and counties first use federal funds provided for the ATS program. In April 1985, the State received $1,453,518 from the federal government to establish the ATS program. Because of the availability of federal funds, the DHS spent approximately only $92,000 in state funds for the initial stages of the program while, as of December 31, 1986, it spent $1.1 million and encumbered over $419,000 in federal funds. Between June 1985 and December 1986, over 61,200 persons have been tested at the alternative test sites. Approximately 17 percent of the persons tested positive for the antibody to the AIDS virus.

The DHS also is responsible for other special projects required by legislation. Chapter 767, Statutes of 1985, required the DHS to implement pilot projects and conduct other studies. Table 3 lists these specific projects and studies and the amounts the Legislature appropriated for each.

TABLE 3

DEPARTMENT OF HEALTH SERVICES CONTRACTS AWARDED UNDER CHAPTER 767, STATUTES OF 1985

Required Activity	Amount Appropriated	Number of Contracts	Contract Amount	Contract Status
Cost of care study	$ 200,000 200,000*	1	$ 400,000	Awarded but not approved
Treatment of IV drug users	400,000	1	400,000	Approved August 1986
Health care worker education	250,000	1	250,000	Approved October 1986
Educational program evaluation	150,000	1	150,000	Approved August 1986
Home health, attendant, and hospice care	1,000,000	5	1,000,000	Approved June - September 1986
Computerized AIDS information network	60,000	-	-	Request for Proposal in process
Total	$2,260,000	9	$2,200,000	

*Supplemented by the fiscal year 1986-87 budget.

In addition, in fiscal year 1986-87, Chapter 1462, Statutes of 1986 appropriated $4 million for research and development grants for California manufacturers to develop an AIDS vaccine. In December 1986, the DHS released a request for proposal for the research and development of a vaccine. In addition, $3 million has been made available in fiscal year 1986-87 to subsidize clinical trials in humans should an AIDS vaccine be developed that has been approved by a federal Food and Drug Administration protocol. According to the chief of the Education and Support Services Section, because the Food and Drug Administration has not approved any AIDS vaccine, the DHS has not spent any of the funds available to subsidize clinical trials.

The DHS Complied With State Competitive Bidding and Nondiscrimination Requirements

The State Administrative Manual requires that each request for proposal include a description of the State's goals, a requirement that the contractor will describe how the goals are to be accomplished, a description of the DHS' method for evaluating proposals and awarding contracts, a description of the services to be performed, a description of the format for submission of proposals, the date on which proposals are due, and a timetable for when the DHS will review and evaluate proposals. The five requests for proposals issued by the DHS for education and prevention contracts fulfilled these requirements.

The DHS also used a competitive process to award contracts for some special projects, including a study of the medical costs of AIDS; a study of home health, attendant, and hospice care; and the counseling of minorities. Using the authority of Chapter 767, Statutes of 1985, the director of the DHS designated a local agency, the City and County of San Francisco's Department of Public Health, to implement a pilot program to educate and treat IV drug users with AIDS or conditions related to AIDS. In addition, the DHS used its authority under Chapter 767, Statutes of 1985, to augment a contract to demonstrate the cost effectiveness of providing home health, attendant, or hospice care for people suffering from AIDS.

We also reviewed all 95 of the education and prevention contracts the DHS issued from fiscal year 1983-84 through fiscal year 1986-87 and found that 94 of the contracts contained a statement of compliance with the nondiscrimination program requirements of the Government Code, Section 12990, and Title 2, the California Administrative Code, Section 8103.

The DHS Needs To Improve Some Contract Practices

Because the AIDS disease is an epidemic, the DHS needed to quickly implement programs to deal with AIDS. However, in its efforts to implement these programs, from fiscal year 1983-84 through fiscal year 1986-87, the DHS did not always contract in accordance with state requirements.

However, for fiscal year 1987-88, the DHS has started its award process for education and prevention contracts early enough to ensure that contracts will be fully approved before contractors start work, has increased its monitoring staff, and now requires formal site visits to monitor contractors.

Contractors Worked Without Valid Contracts

Section 10295 of the Public Contract Code states that a contract is not valid until approved by the Department of General

Services or signed by the contracting department if the contract is exempt from approval by the Department of General Services. Contract processing requires time to prepare a request for proposal, review proposals, select contractors, negotiate the contracts' scope of work, prepare contract documents, and obtain required approval. Because contracts are not valid until approved by the Department of General Services, programs must allow enough time for necessary approvals before the effective date of the contract.

We reviewed 43 of the 132 contracts the DHS issued from November 1, 1983 through August 1, 1986, to conduct education and prevention, pilot care projects, and the alternative test site program. In all 43 of the contracts, the DHS did not allow sufficient time to process the contracts. Thus, the DHS signed the contracts and received approval from the Department of General Services, on the average, almost five months after the beginning dates specified in the contracts. However, the DHS encouraged some of the contractors, by letter, to begin working before the Department of General Services approved their contracts. For example, on August 14, 1984, the DHS informed one contractor that "although contracts will not officially be in effect until the fully approved copy is returned by the State, it is desired, if possible, that program activities begin August 15, 1984." The Department of General Services did not approve this contract until October 19, 1984. In all 43 contracts, the contractor had commenced work before the DHS had obtained the required signatures of approval.

One contractor, for example, billed the DHS for more than $16,000, representing 79 percent of the total contract amount, before the DHS had approved the contract.

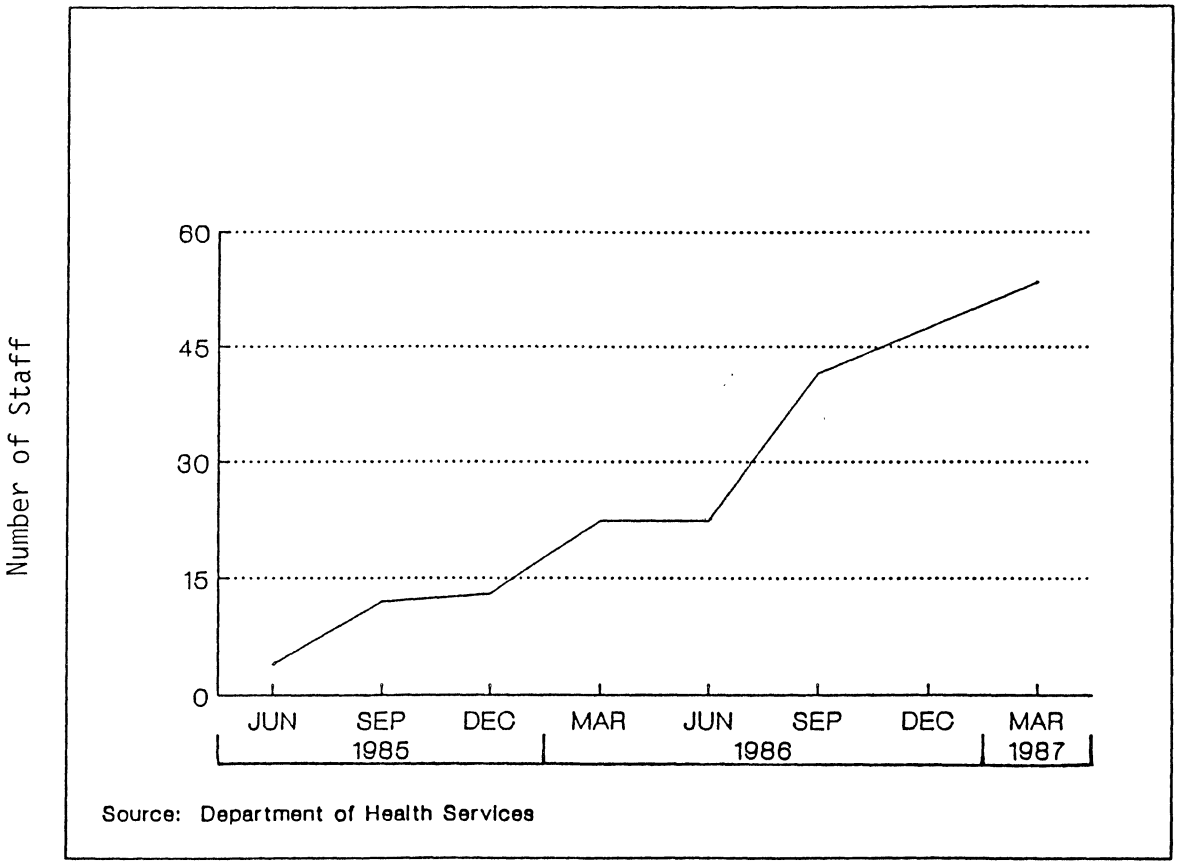
According to the chief of the Education and Support Services Section, the DHS prefers to start contracting at the beginning of each fiscal year. To do so, the DHS should begin the requests for proposals process early enough to complete the process before the beginning of the fiscal year. The DHS, however, was unable to start early enough in fiscal years 1983-84 and 1984-85 because the DHS did not learn of the availability of funding until just before the start of the fiscal year. In addition, although the DHS started processing contracts early enough for fiscal year 1985-86 to complete the process by the beginning of the fiscal year, according to the acting chief of the Office of AIDS, the director of the DHS delayed awarding contracts because members of the AIDS Advisory Committee anticipated the receipt of additional funding for AIDS education and prevention activities.

Further, for fiscal year 1986-87, the DHS did not issue the requests for proposals until April and May 1986 because, according to the chief of the Education and Prevention Unit, the department did not have enough staff to start the process. The chief of the Education and Support Services Section noted that there were also not enough staff to process the contracts during the first three years of the program. However, as funding for AIDS increased from fiscal year 1983-84 through fiscal year 1986-87, the DHS assigned more staff to manage the AIDS

program activities. Although the DHS budgeted time for only 0.5 staff positions in fiscal year 1983-84, the number of staff has risen to more than 50 since then. Figure 1 shows the number of staff assigned to the AIDS program from June 1985 to March 1987. The number of staff assigned increased from 4 staff in June 1985 to 53.5 staff in March 1987. In July 1986, the DHS officially established the Office of AIDS to administer the AIDS program.

FIGURE 1

DEPARTMENT OF HEALTH SERVICES
STAFFING LEVELS FOR THE AIDS PROGRAM
JUNE 1985 TO MARCH 1987



Source: Department of Health Services

By allowing and encouraging contractors to start work without approved contracts, the DHS exposed the State and the contractors to potential liability involving disputes between the DHS and the contractors. In addition, delays in awarding contracts created financial problems for some contractors. In June 1985, one contractor expressed concern to the AIDS Advisory Committee that contractors would not be funded in time to continue employees from the previous year's contracts. Further, according to the chairpersons of the boards of directors for the Hemophilia Council of California and the Berkeley Pacific Center, delays in fiscal year 1985-86 nearly forced their programs to stop operating. The chairperson of the Hemophilia Council also stated that, because of the delays, the council did not have the resources to fully publicize the recall of clotting factor products, which hemophiliacs use, that were contaminated with the AIDS virus.

Contractors Were Not Always Monitored

We reviewed 34 contracts issued from November 1983 through January 1987 to assess the DHS' monitoring efforts. Although the DHS provided evidence that it had monitored reports for fiscal years 1985-86 and 1986-87, the DHS could not provide four interim progress reports and seven final reports for 9 contracts issued during fiscal years 1983-84 and 1984-85.

In one of the 9 contracts for which the DHS could not provide evidence of monitoring, the DHS subsequently concluded that the

contractor had not provided some of the contracted services. The DHS contracted with the San Diego County Department of Health Services (county) to educate IV drug users, alcohol abusers, homosexuals, and the general public about AIDS. The county was to provide the services from November 1, 1983, through June 30, 1984. Although the contract required the contractor to submit two program performance reports, DHS staff were unable to locate the reports. In January 1985, an educational service coordinator for the DHS' AIDS program reported that he could not find evidence that the county had provided five of the activities specified in the contract, including the development of information pamphlets for IV drug users and homosexuals and public service announcements to inform the general public about AIDS. The county subsequently provided these services from January through April 1985, and the DHS paid the county a second time for these services, which should have been provided the previous year. According to the DHS staff responsible for the AIDS program during this time, the DHS did not require the county to reimburse the State for the first payment because the scope of the services was too ambitious and not realistically attainable within the original contracting period.

According to the assistant chief of the Sexually Transmitted Disease Section, who was responsible for supervising contract monitors for the AIDS program during 1984, the DHS lacked staff to make site visits and, thus, had to monitor contract performance through telephone contacts until 1984. By not monitoring the county, the DHS could not take corrective action to ensure that the general public and high risk

groups in the San Diego area received information in fiscal year 1983-84 that could have helped prevent the spread of AIDS.

Despite these early problems, the DHS has now improved its monitoring efforts. In April 1986, the DHS increased its number of staff from one to four to monitor education and prevention contracts. According to the chief of the Education and Support Services Section, these staff members immediately visited all 28 of the contractors that were awarded contracts for fiscal year 1985-86. In addition, according to the chief of the Education and Support Services Section, in May 1986, the DHS initiated a comprehensive contract monitoring system that requires contractors to submit quarterly progress reports and requires the DHS staff to conduct at least one formal site visit within the term of the contract.

Standard Contract Forms Not Used

Although Section 1212.1 of the State Administrative Manual requires agencies to use a standard form in preparing contracts, the DHS used its own contract forms to enter into agreements with contractors to establish the Alternative Test Site (ATS) program. According to the chief of the Contract Management Section, in November 1985 the State Controller's Office refused to pay invoices for contracts that were not on the standard form and, thus, did not authorize payments on invoices from October 1985 through March 1986. In April 1986, the DHS executed new contract agreements on the required

standard forms; subsequently, the State Controller's Office authorized payment of past invoices from the ATS contractors.

The DHS failed to use a standard form because the DHS' former AIDS coordinator believed that the ATS reimbursement agreement was a standard DHS allotment that did not require a standard contract agreement. In addition, the DHS did not submit the contracts for review to its Contract Management Section. According to the chief of this section, such a review would have revealed that the contracts were not written on approved standard forms and would have been brought to the attention of the AIDS coordinator.

Most ATS contractors received an advance payment and received payment for invoices submitted before November 1985. We contacted 5 of the 31 ATS contractors and found that none of the 5 contractors stopped testing because they were not receiving payments for testing services between November 1985 and May 1986. However, the DHS did not issue advance payments to one of the contractors, the Shasta County Health Department, and it did not initially honor the contractor's invoices because the State Controller's Office objected to the DHS' nonstandard form at about the same time that the Shasta County Health Department signed the ATS contract. According to the Shasta County public health officer, the delay in payments did cause some concern because the county suffered a minor financial loss.

Some Reports Not Promptly Submitted

The Budget Act of 1985 required the DHS to develop a comprehensive plan to address state activities and projected needs related to AIDS. Although the act required the DHS to submit a plan by October 31, 1985, the DHS submitted it in March 1986, over four months late. According to the assistant deputy director of the DHS, the office of the DHS' director delayed the comprehensive AIDS plan to coordinate its submission with the DHS' budget to the Department of Finance. In addition, the assistant deputy director stated that the DHS required more time to coordinate report issues with other state agencies, and the DHS was responding to other urgent AIDS issues.

Further, as of March 10, 1987, the DHS had not submitted required reports from pilot projects to demonstrate the cost effectiveness of home health, attendant, or hospice care for people with AIDS and conditions related to AIDS. However, Section 199.74 of the Health and Safety Code requires contractors accepting block grants for pilot care projects to compile comparative cost reports and submit them to the DHS and the Legislature semiannually.

In 1986, the DHS contracted with five service organizations. In its own jurisdiction, each organization was to obtain cost information about home health, attendant, or hospice care. The DHS also contracted with one of the service organizations to receive and compare the cost information from the other four organizations for

submission to the DHS; the DHS would then develop a comparative cost report for the Legislature. Although the first reports should have been submitted to the Legislature by February 1987, the DHS has not sent any reports as of March 10, 1987.

According to the chief of the Pilot Care Projects Unit of the Office of AIDS, the development of the research design for data collection was delayed, and the pilot care projects are in the early stages of data collection so that it would be inappropriate to publish a cost report at this time. The chief stated that the DHS plans to continue collecting data throughout fiscal year 1987-88. The chief of the Education and Support Services Section anticipates that a preliminary cost report will be prepared in the near future.

Because the DHS submitted the comprehensive plan late, the Legislature was unable to promptly identify and resolve future fiscal and policy issues that the plan addressed. In addition, without the required reports, the Legislature is not assured that the pilot care projects are effective.

Corrective Action Taken

On January 16, 1987, the DHS issued requests for proposals for AIDS education and prevention projects. The time schedule specified in the requests shows that the DHS will award contracts in April and contracts will commence on July 1, 1987. According to the chief of the

Education and Support Services Section, because the DHS started the requests for proposals process in January, the DHS projects that all contractors will commence working on July 1, 1987, with fully executed contracts.

CONCLUSION

The Department of Health Services generally met mandates to establish the Alternative Test Site program and to conduct AIDS programs, and it complied with state requirements about competitive bidding for awarding contracts. In its efforts to respond to the AIDS crisis, however, the DHS did not always follow required contract practices. The DHS did not allow sufficient time to process contracts and encouraged some contractors to commence work without valid contracts. In addition, the DHS did not effectively monitor contractors to verify that they had provided the services for which they were contracted, and the DHS did not use standard agreement forms to establish contracts with local health departments for testing conducted in the ATS program.

The DHS, however, has made efforts to correct some of its deficiencies. It started its fiscal year 1987-88 award process six months before the starting dates to ensure that contracts will be fully approved before contractors start work. The DHS also has increased its monitoring staff and now requires formal site visits to each of its contractors.

RECOMMENDATIONS

The Department of Health Services should ensure that its staff allow sufficient time to complete all processing requirements before contractors commence work. Additionally, the DHS should ensure that contractors do not begin work without a valid contract.

II

THE UNIVERSITY OF CALIFORNIA, THE DEPARTMENT OF CORRECTIONS, AND THE DEPARTMENT OF MENTAL HEALTH HAVE GENERALLY COMPLIED WITH STATUTORY MANDATES

Generally, the University of California (university), the Department of Corrections (CDC), and the Department of Mental Health (DMH) complied with statutory mandates concerning AIDS research, staffing, and the establishment of a mental health project. From fiscal year 1983-84 through fiscal year 1986-87, the university received over $23.1 million from the State for AIDS research. The university objectively awarded research grants and monitored the results of the research. The CDC received $589,000 in fiscal year 1986-87 to fill 14 staff positions in a special housing unit for inmates with AIDS at the California Medical Facility. The CDC filled all 14 positions. Finally, the DMH generally complied with requirements to establish an AIDS mental health project. The DMH issued contracts for an education and training program, a media service project, and an assessment of the mental health needs of people with AIDS.

The University's Program to Research AIDS

The university is the main academic agency for research supported by the State. From fiscal year 1983-84 through fiscal year

1986-87, the State provided over $23.1 million to the university for AIDS research. This amount included unallocated, reserve, and returned funds.

In fiscal year 1983-84, the university established the Universitywide Task Force on AIDS to develop a process to award the state funds according to the scientific merit of research proposals received from faculty members of the university. The university focused its AIDS research program on funding individual researchers and funding clinical studies at the major medical centers in the State.

University Support of Individual Researchers

Since fiscal year 1983-84, over $13.3 million has been used to fund the research of individual researchers mainly within the university system. From fiscal year 1983-84 through fiscal year 1986-87, the university funded 212 research projects that addressed topics related to AIDS in virology, immunology, epidemiology, medicine, and social science. Table 4 shows the number of projects and the total dollar amounts awarded during fiscal years 1983-84 through 1986-87 to university researchers and other researchers outside the university system.

TABLE 4

UNIVERSITY OF CALIFORNIA
AWARDS FOR INDIVIDUAL RESEARCHERS OF AIDS

University of California	Fiscal Year 1983-84 Amount	Number	Fiscal Year 1984-85 Amount	Number	Fiscal Year 1985-86 Amount	Number	Fiscal Year 1986-87 Amount	Number
Berkeley	$ 3,000	1	$ 90,400	2	$ 92,206	1	$ 172,663	2
Davis	183,224	2	334,082	7	452,345	7	474,139	7
Irvine	65,000	1	109,560	3	39,055	1	175,821	3
Los Angeles	495,000	11	442,494	13	913,797	17	1,103,606	18
San Diego	247,000	2	223,042	4	636,398	7	537,458	8
San Francisco	827,000	14	873,588	17	1,934,053	25	2,106,507	24
Santa Barbara	26,000	1	27,720	1	N/A	—	N/A	—
Subtotal	1,846,224	32	2,100,886	47	4,067,854	58	4,570,194	62
Other Institutions								
California Institute of Technology							50,284	1
Scripps Clinic and Research Foundation					31,700	1	147,553	3
Stanford University					55,400	1	314,514	5
University of Southern California						—	120,653	2
Subtotal					87,100	2	633,004	11
Total	$1,846,224	32	$2,100,886	47	$4,154,954	60	$5,203,198	73
Number of Proposals Submitted	67		82		115		150*	

*Twenty of the 150 proposals were submitted by researchers from institutions outside the University of California's system.

Before fiscal year 1985-86, grants were available only to researchers within the university. However, the State specified in the Budget Act of 1985 that $1 million of a $2 million budget augmentation should be made available for research on AIDS to institutions outside the university. However, according to the Universitywide AIDS Research Program Coordinator (coordinator), the university interpreted the Budget Act to mean that the university should consider proposals from institutions other than the university and base awards on the merit of

proposals, not necessarily award the entire $1 million to other institutions. Institutions other than those within the university system submitted nine proposals in fiscal year 1985-86, and the university eventually awarded two grants totaling $87,100 to other institutions. In addition, according to the coordinator, the university considered all project proposals on an equal basis in fiscal year 1986-87, regardless of whether the application was from the university or from an institution outside the university system. The university awarded grants totaling $633,004 to 11 of the 20 researchers from other institutions who submitted proposals.

We assessed the contract and grant administration practices used by the university to solicit research proposals and award and monitor grants to individual researchers and found that the university generally followed standard competitive award practices used by the State. The university solicited proposals by notifying university campuses of the availability of funding for AIDS research and used a peer review system to make the awards, judging the proposals according to their scientific merit.

In addition, university researchers promptly used the awards. We examined accounting records for each university campus receiving AIDS grant awards for fiscal year 1985-86 and found that researchers spent between 83 and 115 percent of funds during the year of the award. The University of California at San Francisco (UCSF) overspent its allocation, but, according to the assistant accounting officer of the

UCSF accounting office, other sources of funds, such as federal research grants, will be used to make up the difference.

Further, the university properly monitored grants to individual researchers by requiring them to submit the results of their research in the form of progress or final reports. We reviewed 42 projects out of 139 funded from fiscal year 1983-84 through fiscal year 1985-86. The university provided evidence that 38 (90 percent) of the researchers had submitted the results of their research. Of the remaining 4, the university had asked 2 of the researchers to submit their reports. The third researcher left the university and never submitted the progress report. The fourth researcher never submitted the progress report for work done in fiscal year 1983-84, and in that year, there were no systems to enforce the submission of progress reports. According to the coordinator, researchers will not receive additional funding if they have not submitted the results of their previously funded research. In addition, as of fiscal year 1986-87, the university will also require researchers to submit cost reports for their projects.

University Support of Clinical Studies

As well as supporting individual researchers, the AIDS research program has supported broad clinical studies, including trials of new treatments at the major medical centers in the State. The university funded the development of two clinical research centers

during fiscal year 1983-84 at the University of California at San Francisco and the University of California at Los Angeles. Both centers were to acquire and store tissue and serum samples from AIDS patients at various stages of the disease and to make the specimens readily available to local, national, and international investigators.

In September 1985, the Legislature provided $2.3 million to the university for clinical drug trials, as well as for viral cultures and administrative and laboratory support services necessary to conduct the trials. Next, the university developed clinical trial centers at the University of California at San Francisco and the University of California at San Diego where researchers can have appropriate scientific assistance to investigate drug or vaccine efficacy in the treatment of AIDS or disorders related to AIDS. The clinical trial center at the University of California at San Diego is a collaborative effort with the University of California at Irvine, the University of Southern California, and Stanford University. The clinical trial centers ensure that trials are cost effective and are not duplicated. These centers also minimize competition, provide statistical expertise, and ensure that researchers are better able to rapidly implement trials. The university also established a virus diagnostic laboratory at the University of California at Davis in fiscal year 1985-86 to supply diagnostic serological and virological services for AIDS researchers from the university and other institutions.

In fiscal year 1986-87, the university decided to phase out the clinical research centers at the University of California at San Francisco and the University of California at Los Angeles since the acquisition and storage of tissue and serum samples from AIDS patients had been largely fulfilled. The university consolidated the research centers with the clinical trial centers to focus on clinical trials of drug or vaccine efficacy in the treatment or prevention of AIDS. Table 5 shows the funding from fiscal year 1983-84 through fiscal year 1986-87 for the clinical research centers, clinical trial centers, and the virus diagnostic laboratory.

TABLE 5

UNIVERSITY OF CALIFORNIA
AWARDS FOR CLINICAL STUDIES OF AIDS
FISCAL YEARS 1983-84 THROUGH 1986-87

Types of Awards	Fiscal Year 1983-84	Fiscal Year 1984-85	Fiscal Year 1985-86	Fiscal Year 1986-87
Clinical Research				
University of California at San Francisco	$494,000	$410,469	$ 317,038	$ 111,666
University of California at Los Angeles	493,744	429,919	298,031	100,000
Subtotal	987,744	840,388	615,069	211,666*
Clinical Trials				
University of California at San Francisco			925,372	711,718
University of California at Los Angeles				466,667
University of California at San Diego			749,507	325,515
University of California at Irvine			61,509	134,620
University of Southern California			67,783	148,423
Stanford University			63,008	137,918
Subtotal	**	**	1,867,179	1,924,861
Virus Diagnostic Laboratory				
University of California at Davis			421,080	350,000
Total	$987,744	$840,388	$2,903,328	$2,486,527

*The university is phasing out the clinical research centers and merging their activities with the clinical trial centers.

**The clinical trial and virus diagnostic laboratory program was not established until fiscal year 1985-86.

The university also generally complied with standard practices in awarding grants to establish the clinical research centers, trial centers, and the diagnostic laboratory. The university solicited proposals by notifying university campuses and other institutions of the availability of funding and used a competitive system that was based on the merit of the proposals to make the awards.

Further, the institutions promptly used the awards. We examined accounting records for each university campus receiving an award for clinical centers and found that the institutions spent most of the funds during the year of the award. Table 6 shows the amounts awarded to individual campuses and the amounts spent for fiscal year 1985-86. The institutions spent $2,391,251 of the $2,903,328 awarded for clinical studies. Funds not used during the fiscal year may be carried forward for use during the next year.

TABLE 6

UNIVERSITY OF CALIFORNIA
ALLOCATIONS AND EXPENDITURES FOR CLINICAL STUDIES OF AIDS
FISCAL YEAR 1985-86

Types of Awards	Allocations	Expenditures
Clinical Research		
University of California at San Francisco	$ 317,038	$ 317,038
University of California at Los Angeles	298,031	301,627*
Subtotal	615,069	618,665
Clinical Trials		
University of California at San Francisco	925,372	660,822
University of California at San Diego	749,507	553,664**
University of Southern California	67,783	
Stanford University	63,008	
University of California at Irvine	61,509	82,856*
Subtotal	1,867,179	1,297,342
Virus Diagnostic Laboratory		
University of California at Davis	421,080	475,244***
Total	$2,903,328	$2,391,251

*Overexpenditures will be covered by unused funds.

**San Diego heads the Clinical Trials Consortia with the University of Southern California, Stanford University, and Irvine, and its expenditures consist of payments to Stanford University and the University of Southern California.

***Expenditures include charges for laboratory services to other research programs at Davis.

Finally, the university properly monitored the awards by requiring centers to submit progress reports and by conducting periodic site visits to the centers.

The Department of Corrections' Special Housing Unit

The California Department of Corrections (CDC) is responsible for the confinement, care, treatment, and training of over 60,000 men and women whom the courts have convicted of committing serious crimes. The director of the CDC administers the CDC, which operates a central office in Sacramento, 12 major prisons, and 30 conservation camps throughout the State.

The CDC began AIDS education and training in early 1983 when doctors from the University of California at San Francisco and from San Francisco General Hospital conducted medical seminars on AIDS at the California Medical Facility at Vacaville. The CDC made videotapes of these seminars and distributed them to all its facilities. According to the chief of Health Services for the CDC, the CDC currently conducts orientations on the dangers of AIDS for all incoming inmates. The CDC also provides ongoing education and training concerning AIDS to both inmates and CDC staff.

State law forbids the testing of a person for evidence of AIDS antibodies without that individual's written consent. According to the chief physician and surgeon of the California Medical Facility, this law also applies to inmates in California's correctional facilities. However, he further stated that the CDC has no general program for testing inmates suspected of having AIDS. He noted that, if an inmate asks to be tested for AIDS, the CDC may or may not provide the test depending on whether the inmate exhibits symptoms of AIDS. If the inmate exhibits symptoms, the CDC will test him. If the inmate does not show symptoms, he will be kept under observation. The chief physician and surgeon also stated that the CDC will ask an inmate who exhibits symptoms to be tested for the disease; however, the inmate has the option to refuse.

CDC policy dictates that all male inmates who test positive for the AIDS virus or who have been diagnosed as having AIDS-related complex or AIDS will be transferred to the California Medical Facility at Vacaville. According to the chief of Health Services, the CDC has no central corrections facility that treats female inmates with AIDS. However, he further stated that the CDC maintains contracts with hospitals to provide medical care to female inmates with AIDS.

The California Medical Facility designated the ground floor of a three-story building as its "special housing unit" to house inmates with AIDS. This special housing unit has a maximum occupancy of 67--30 cells hold two inmates each, and 7 "administrative segregation cells"

hold one inmate each. The CDC uses the segregation cells to isolate inmates who present problems to other inmates or to CDC staff. Also, the California Medical Facility segregates the special housing unit from the remainder of the facility because, according to the chief of Health Services, other inmates perceive inmates with AIDS as threats. As of February 3, 1987, according to the chief physician and surgeon of the facility, this unit housed 54 inmates with AIDS.

According to California Medical Facility policy, the special housing unit will provide, as much as possible, services and privileges afforded to other inmates. For example, inmates in the special housing unit have a television room and a day room with a piano. Inmates also have access to the facility's gymnasium for one hour each evening and to its exercise yard each day. They also have access to prison library books.

Additionally, for inmates with AIDS who require skilled nursing care, the California Medical Facility has set aside one room with ten beds in its hospital wing. According to the chief of Health Services, the CDC also maintains contracts with area hospitals to provide certain kinds of medical care and treatment that the facility's hospital is unable to provide for inmates with severe symptoms of AIDS.

In fiscal year 1986-87, the CDC received $589,000 to fill 14 staff positions for the special housing unit. The California Medical Facility filled 12 positions, consisting of sergeants, corrections

officers, and medical technical assistants, for regular duty shifts in the special housing unit. According to the personnel assignment lieutenant, the facility filled the remaining positions with existing personnel who work during the days off of the regular staff.

The AIDS Mental Health Project of the Department of Mental Health

The Department of Mental Health (DMH) directs and coordinates statewide efforts to treat and prevent mental disabilities, oversees mental health programs that counties develop, distributes state funds to counties, and provides direct services to mental health clients in state hospitals.

Chapter 767, Statutes of 1985, appropriated $600,000 to the DMH to establish an AIDS mental health project that would include a statewide needs assessment, an education and training program for mental health professionals throughout the State, and a media campaign on such issues as the use of support groups, the relationship between stress and the immune system, and dealing with grief. In addition, this legislation allowed the director of the DMH, if he determined that it would be in the best interest of the State to do so, to enter into sole source contracts without competitive bids.

Further, Chapter 767, Statutes of 1985, allowed the director to appoint advisory groups for this project. The director appointed an AIDS mental health advisory committee both to provide advice and ideas

on how to implement the legislation and also to assist in formulating the criteria by which the DMH would select contractors to carry out the mental health project.

Contracts for an Education and Training Program and a Needs Assessment

Although the 1985 legislation allowed the director to enter into sole source contracts, the DMH used a competitive bidding process to award the contract to conduct education and training for mental health professionals and also to award the contract for the needs assessment. The DMH developed requests for proposals and advertised the availability of the contracts in the California State Contracts Register.

The DMH received three responses to its request for proposals to conduct education and training for mental health professionals. The DMH reviewed the three proposals and awarded a $194,987 contract to the Regents of the University of California for the University of California at San Francisco (UCSF). The term of the contract was from June 16, 1986, through January 31, 1987. This contract required the UCSF to conduct conferences for mental health professionals in six cities throughout the State.

According to the project coordinator for this contract, the UCSF conducted the training and education conferences for over 1,500 participants in Santa Barbara, Los Angeles, San Diego, San Jose,

Berkeley, and Davis. In addition, the UCSF requested an extension of the contract's termination date from January 31, 1987, to March 31, 1987, to allow the UCSF to finish production of a manual and videotape on the materials discussed in the workshops.

Although the DMH also advertised the contract for the needs assessment and sent the request for proposals to 91 individuals or firms, the DMH received only one proposal. According to a DMH memorandum, the DMH rejected this proposal because it was "generally weak and too small an effort to meet the scope of work." The DMH learned of a proposal that had been prepared but never submitted by AIDS Project Los Angeles, a nonprofit, scientific research and educational organization. The DMH requested AIDS Project Los Angeles to submit its proposal for review, and a review committee preferred it to the proposal submitted by the other bidder.

The DMH subsequently awarded AIDS Project Los Angeles a $75,988 contract for the needs assessment. The original term of the contract was from June 16, 1986, through November 14, 1986. The DMH later approved an extension of the contract's termination date to February 28, 1987, to allow AIDS Project Los Angeles to complete the remaining contract requirements. As of January 31, 1987, AIDS Project Los Angeles delivered a directory of statewide mental health service providers, and, according to the project coordinator, submitted draft copies of the needs assessment. The remaining requirements include a final version of the needs assessment, an executive summary of planning

information for mental health services, and information on populations significantly affected by AIDS.

Contract for Media Services

The DMH used a different method of contracting for media services than it used for its other services related to AIDS. Instead of using requests for proposals, the director, on the recommendation of the AIDS mental health advisory committee, approved the issuance of a sole source contract to Adair Films of San Francisco. On February 20, 1986, the DMH sent a $292,000 contract to Adair Films for signature. The contract included a clause that states that the contract does not become effective until approved by the Department of General Services. The company signed and returned the contract to the DMH. The term of the contract was from March 15, 1986, through October 31, 1986, and required Adair Films to design and implement an AIDS media program aimed at reducing mental disorders among groups affected by AIDS. On March 21, 1986, before the Department of General Services gave its approval, DMH officials contacted Adair Films and told them to stop work on the project. The DMH then invited Adair Films to participate in a new procedure to select the contractor for this portion of the mental health project. According to the director, he determined, after consultation with the acting secretary of the Health and Welfare Agency, that the DMH would use a new process because the contract was for a large amount of money and the selection process for a contractor should involve competition. He also learned that the

Department of Health Services recently issued requests for proposals to 39 organizations for an AIDS film for high school students, indicating that there was a pool of potential contractors available.

In accordance with the new process, the DMH sent requests to 40 potential bidders. Representatives of 26 organizations then made oral presentations before a review panel that finally recommended 4 organizations, including Adair Films, to the director. It was the judgement of the review panel that any of the 4 organizations would be an excellent choice. According to the assistant director for Public Affairs, representatives of the 4 organizations made additional presentations before the director, who awarded the contract to the Landsburg Company of Los Angeles, one of the 4 organizations. According to the DMH director, he selected the Landsburg Company because the company had an outstanding record in producing films of a sensitive nature, appeared to have the best contacts with the media, and could better distribute the final product.

On May 23, 1986, the Department of General Services approved a $292,000 contract with the Landsburg Company to conduct an AIDS media program. The term of the contract was from May 15, 1986, through March 31, 1987. This contract required the Landsburg Company to develop a series of news segments to be aired on television in both northern and southern California. The Landsburg Company was also to

develop public service announcements and provide the DMH with a documentary, approximately one hour long, that would deal with the mental health issues of AIDS.

According to the project coordinator for the media program, as of December 18, 1986, the Landsburg Company had completed the news segments and was in the process of editing the footage. The DMH approved an extension of the contract to May 15, 1987, to allow the company to finish editing the film.

Additionally, Adair Films filed protests with the DMH and the Department of General Services, claiming that its company had been unfairly denied the media services contract. The DMH refused to consider the protest, and the Department of General Services refused to hear the protest because Chapter 767, Statutes of 1985, authorized the DMH director to enter into a sole source contract.

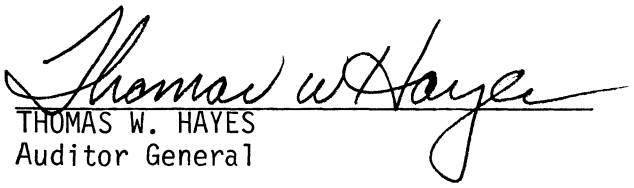
Adair Films then filed a $475,000 claim with the Board of Control seeking payment for work completed, lost profits, missed business opportunities, and violations of civil rights. The Board of Control rejected Adair Films' claim. According to the partners of Adair Films, the company is planning to file a legal suit seeking damages from the State for breach of contract, violations of constitutional and civil rights, and violation of statute.

CONCLUSION

The University of California, the Department of Corrections, and the Department of Mental Health generally complied with statutory mandates concerning AIDS research, staffing, and the establishment of a mental health project. The university received over $23.1 million for AIDS research from fiscal year 1983-84 through fiscal year 1986-87. It objectively awarded research grants and monitored the results of the research. In fiscal year 1986-87, the CDC received $589,000 to fill 14 staff positions in a special housing unit for inmates with AIDS at the California Medical Facility. The CDC filled all 14 positions. Finally, the DMH received $600,000 in fiscal year 1985-86 to conduct an AIDS mental health project. The DMH generally complied with this requirement.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



THOMAS W. HAYES
Auditor General

Date: April 6, 1987

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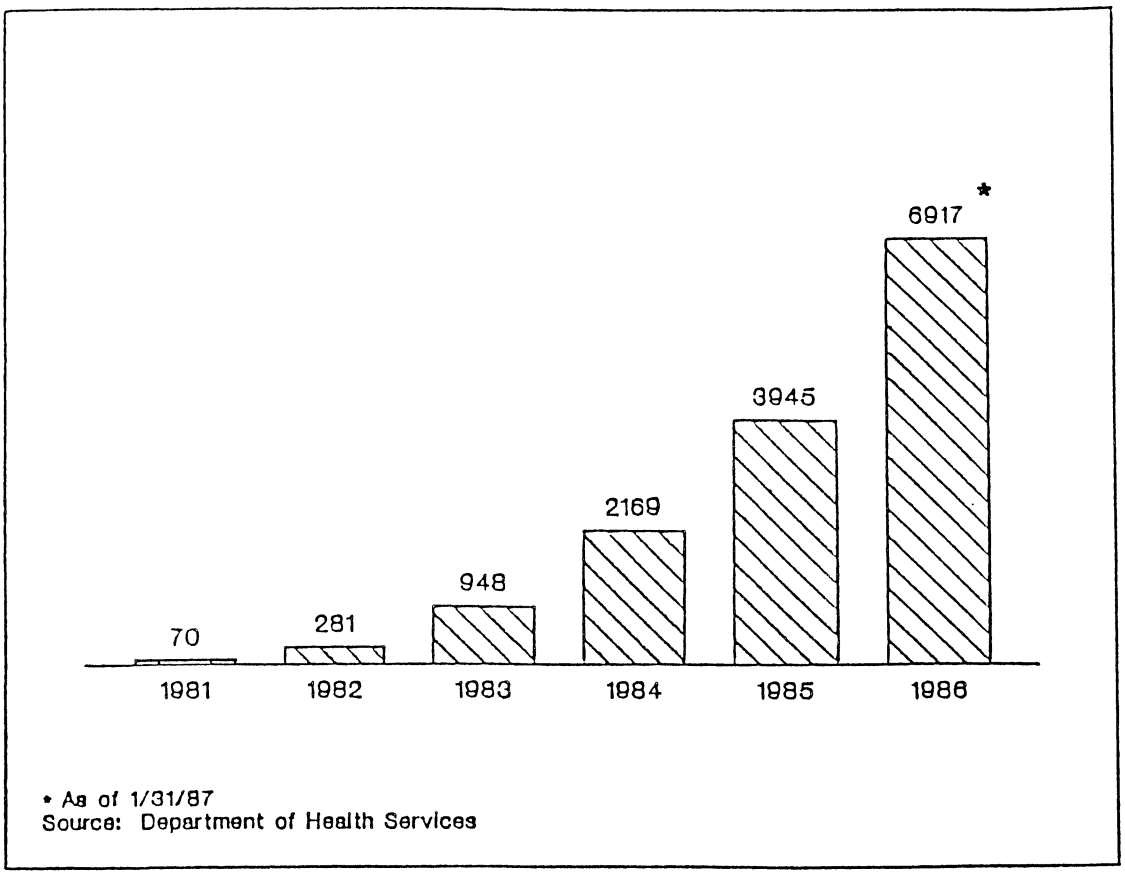
APPENDIX A

AIDS CASES IN CALIFORNIA
TOTAL NUMBER REPORTED FROM 1981 TO 1986



APPENDIX B

DEPARTMENT OF HEALTH SERVICES' BUDGET AND EXPENDITURES FROM THE STATE'S GENERAL FUND FOR AIDS PROGRAM ACTIVITIES FISCAL YEARS 1983-84 THROUGH 1985-86

	Fiscal Year 1983-84	Fiscal Year 1984-85	Fiscal Year 1985-86
Budget	$505,752	$1,000,000	$5,051,325
Expenditures	(446,906)	(917,180)	(4,891,957)
Balance	$ 58,846*	$ 82,820**	$ 159,368**

*As of June 30, 1986

**As of December 31, 1986

APPENDIX C

DISTRIBUTION OF AIDS CASES IN CALIFORNIA BY RISK GROUPS AS OF JANUARY 31, 1987

Risk Groups	Number of Cases	Percentage
Homosexual or bisexual men	5,666	81.9
Homosexual or bisexual IV drug users	747	10.8
Intravenous drug users	155	2.3
Other	146	2.1
Transfusion with blood/products	112	1.6
Heterosexual contacts	47	0.7
Hemophiliacs	44	0.6
Total	6,917	100.0%

Source: Department of Health Services

ALTERNATIVE TEST SITE LOCATIONS

Location	Test Site Address
Alameda	Eastern Health Center 2449 88th Avenue Oakland, CA 94605 415/577-1700
	Central Health Center 470 27th Street Oakland, CA 94612 415/874-7196
	Fremont Health Center 39439 Paseo Padre Parkway Fremont, CA 94538 415/791-4611
	Fairmont Hospital 15400 Foothill Blvd. San Leandro, CA 94578 415/577-1620
Butte	Butte County Health Dept. 695 Oleander Chico, CA 95926 916/891-2731
Contra Costa	STD Clinic 2355 Stanwell Concord, CA 94520 415/671-4275
	STD Clinic 100 37th Street Richmond, CA 94805 415/231-3144
Fresno	Fresno Co. Health Dept. 1221 Fulton Mall Fresno, CA 93721 209/445-3200
Humboldt- Del Norte	Humboldt Co. Health Dept. 529 I Street Eureka, CA 95501 707/445-6200
	STD Clinic 727 Cedar Avenue Garberville, CA 95440 707/923-2779
	STD Clinic 909 No. Highway 101 Crescent City, CA 95531 707/464-7227
Imperial	Imperial Co. Health Dept. 935 Broadway El Centro, CA 92243 619/339-4429
Inyo	Inyo Co. Health Dept. 207 A West South Street Bishop, CA 93514 619/873-5891
	Inyo Co. Health Dept. 155 East Market Independence, CA 93526 619/878-2411
	Inyo Co. Health Dept. 380 N. Mt. Whitney Dr. Lone Pine, CA 93545 619/876-5545
	Inyo Co. Health Dept. 44 Highway 127 Tecopa, CA 92389 619/852-4404
Kern	Kern Co. Health Dept. 1700 Flower Street Bakersfield, CA 93305 805/861-3651
	Kern Co. Health Dept. 250 Ridgecrest Blvd. Ridgecrest, CA 93555 619/375-5157
Long Beach	Long Beach Health Dept. 2655 Pine Avenue Long Beach, CA 90806 213/427-7421
	Unified Community Service Center 2025 East 10th St. Long Beach, CA 90804 213/434-3089
Los Angeles	Gay & Lesbian Community Service Center 1213 No. Highland Ave. Los Angeles, CA 90038 213/464-7400
Marin	Marin Co. Health Dept. Special Medical Clinic Marin Co. Civic Center San Rafael, CA 94903 415/499-6900
Merced	Merced Co. Health Dept. 240 East 15th Street Merced, CA 95340 209/385-7451

Location	Test Site Address
Monterey	Monterey Co. Health Dept. 1292 Olympia Avenue Seaside, CA 93955 408/757-1061
Orange	Orange Co. Health Dept. 1725 W. 17th Street Santa Ana, CA 92706 714/834-3816
Riverside	Riverside Health Center 1520 Linden Street Riverside, CA 92507
	Community Counseling Ctr. 610 South Belardo Palm Springs, CA 92262 619/323-2118
Sacramento	Primary Care Chest Clinic 2921 Stockton Boulevard Sacramento, CA 96817
San Bernardino	San Bernardino Co. Health Dept. 351 No. Mountain View San Bernardino, CA 93907 714/383-2357
San Diego	San Diego Co. Health Dept. 1700 Pacific Hwy. San Diego, CA 92101 619/236-2264
	East San Diego Health Ctr. 5202 University San Diego, CA 92103 619/582-6433
	Oceanside Health Center 104 S. Barnes Street Oceanside, CA 92054 619/439-4650
	South Bay Health Center 263 Fig Chula Vista, CA 92010 619/691-4750
San Francisco	Health Center Clinic 3850 17th Street San Francisco, CA 94114 415/621-4858
	District Health Clinic #5 1351 24th Avenue San Francisco, CA 94122 415/621-4858
San Joaquin	San Joaquin Co. Health Dept. 1601 East Hazelton Stockton, CA 95205 209/466-6781
San Luis Obispo	San Luis Obispo Co. Health Department 2191 Johnson Avenue San Luis Obispo, CA 93401 805/964-8848

Location	Test Site Address
San Mateo	San Mateo Co. Health Dept. 225 - 37th Avenue San Mateo, CA 94403
Santa Barbara	Santa Barbara Co. Health Services 315 Camino Del Remedio Santa Barbara, CA 93110 805/964-8848
	Gay & Lesbian Health Ctr. 232 E. Montecito Santa Barbara, CA 93101 805/963-3636
	Westside Community Clinic 628 Micheltorena Santa Barbara, CA 93101 805/937-6365
	Health Care Services 500 W. Foster Road Santa Maria, CA 93445 805/937-6365
	Isla Vista Community Clinic 970 Embarcadero Del Mar Isla Vista, CA 93117 805/968-1511
Santa Clara	Santa Clara County Health Dept. 645 South Bascom San Jose, CA 95128 408/299-5913
Santa Cruz	Santa Cruz County Health Dept. 1080 Imeline St. Santa Cruz, CA 95060 408/425-2561
	Watsonville Health Ctr. 9 Crescent Drive Watsonville, CA 95076 408/722-2751
Shasta	Shasta Co. Health Dept. 2650 Hospital Lane Redding, CA 96001 916/225-5591
Solano	Solano Co. Health Dept. 355 Tuolumne Street Vallejo, CA 94590 707/553-5481
Sonoma	Sonoma Co. Health Dept. 3313 Chanate Road Santa Rosa, CA 95404 707/527-2671
Stanislaus	Stanislaus Co. Health Department 820 Scenic Drive Modesto, CA 95350 209/688-0653

Location	Test Site Address
Tulare	Hillman Health Center 1062 South K Street Tulare, CA 93274 209/686-3461
Ventura	STD Clinic 3147 Loma Vista Road Ventura, CA 93003 805/652-5928
	Oxnard Center Clinic 1500 Cobrial Road Oxnard, CA 93030 805/984-8647

DEPARTMENT OF HEALTH SERVICES
714/744 P STREET
SACRAMENTO, CA 95814
(916) 445-1248

April 1, 1987

Mr. Thomas W. Hayes
Auditor General
State of California
Office of the Attorney General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

Mr. Clifford L. Allenby, Secretary of the Health and Welfare Agency, has asked me to thank you for and to respond to your letter of March 26, 1987, and the enclosed draft report entitled "A Review of the State's Spending Related to the Acquired Immune Deficiency Syndrome." I am pleased to be able to provide you with some comments regarding the draft report.

While I generally agree with your critique, I believe your "Conclusion" and "Recommendations" sections should be revised.

Prior to setting forth the grounds for revision of the above referenced sections of the report, I would like to call your attention to items which we believe should be modified in order to more accurately reflect actual events. The items are the following:

1. Page S-2. The statement with reference to the Alternative Test Site contracts that "...the State Controller's Office did not consider the contracts valid and refused to make payments to contractors" is incorrect.

   The result of the use of non-standard contract forms, and the reasons stated therefore, was that such contracts were not provided to control agencies, including the State Controller's Office (SCO). While some invoices were paid by the SCO via an "informal" arrangement between staff of the DHS and the SCO, a change in the SCO staff as assigned to review these contract invoices netted a different result. The grounds for the refusal of the SCO to pay such invoices was that, due to the non-standard forms and lack of routing fully executed contracts, the SCO did not have any evidence of either authority to pay such contractor or appropriate encumbrance information to charge to a DHS appropriation.

   As you noted, however, these deficiencies were corrected by providing copies of each such contract to the SCO with appropriate fund code information. Please refer to Attachment 1, which incorporates a DHS legal opinion on the subject at issue. Subsequent invoices were then paid under the authority of the contracts at issue and having encumbrance documentation attached to them.

Accordingly, reference to invalid contracts as the basis for the SCO non-payment are not accurate, as are subsequent comments stating that the use of non-standard forms was a basis of non-payment.(1)*

2. Page 17. The last sentence in the first paragraph states that a particular contractor was selected by the DHS via "its authority under Chapter 767, Statutes of 1985...". This is not entirely true. The contractor originally was selected via a competitive Request for Proposal process and merely allocated funds provided by Chapter 767, Statutes of 1985. The Fiscal Year 1986-87 augmentation to this same contractor (85-87107 A-1, A-2) was accomplished by following State Contracting requirements, which in this case involved a sole source exemption request to accomplish the provision of additional funds by contract amendment.(2)

3. Page 25. The reference to non-standard Alternative Test Site contract forms has already been answered in item number (1) above.(1)

The reasons for stating that the "Conclusion" and "Recommendations" sections require revision are the following:

1. Conclusion

While the narrative throughout states corrective action taken for certain past practices, and the "Corrective Action Taken" section highlights one such particular activity, the "Conclusion" does not identify the noted deficiencies as having occurred in the past, having been since corrected, and having been due largely to the need to utilize state resources to address the epidemic as quickly as possible (although you make tangential reference to this latter point on Page 17 and allude to it elsewhere).

Specifically, the following should be noted in the "Conclusion":

a) DHS has affirmatively been closely monitoring contractor's since April 1986 (see first full paragraph on Page 24 of the report), and

b) the use of a non-standard form was in fact corrected in April 1986, and the incidence cited by the Auditor General was the only occurrence of such a problem.

Similarly, in the "Recommendations" the statement referring to contract processing time and contractor work commencement date seemingly ignores corrective action previously cited in your report. For example, on Page 18 the report acknowledges that for FY 1986-87 DHS started its award process "early enough to ensure that contracts will be fully approved before contractors start work." In spite of this acknowledgment, the "Recommendations" section states that DHS should ensure that staff undertake what has already been done, namely administrative effort necessary to result in timely contract processing. Acknowledgment of

*The Auditor General's comments on specific points contained in the department's response appear on page 79.

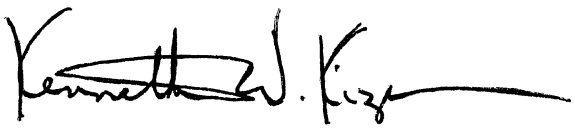
the corrective action should be made by at least stating that DHS should continue to implement the procedures initiated in FY 1985-86. (3)

In addition, I believe on Page 3, you should change "...82 percent of California's AIDS cases have occurred in homosexual or bisexual men..." to "...93 percent...," since it is widely believed that the approximately 11 percent of AIDS cases involving gay or bisexual men who are also intravenous drug users most likely acquired their HIV infection from sexual activity. If this is not done, then you should at least refer to this component of California's cases so as to minimize reader confusion that might occur when reading the text as it is currently written. (4)

Likewise, I am attaching comments that I gave to the Assembly Education Committee on January 21, 1987, which I believe should be included in the final report because they are useful in augmenting and clarifying some of the points you make in the "Introduction" and "AIDS in California" sections on pages 1-6 of your draft report (attachment 2).

On behalf of Secretary Allenby and the Department, I thank you and your staff for your review and critique of our AIDS program and for the opportunity to review and comment on your draft report.

Sincerely,



Kenneth W. Kizer, M.D., M.P.H.
Director

Enclosure

State of California

Department of Health Services

ATTACHMENT I

Memorandum

To : Betty Baxter
Principal Claim Auditor
Office of State Controller
Claim Audits
1227 "O" Street, Room 502

Date : January 23, 1986

Subject: HTLV-III Alternate Test Site Agreements

Via: Bill Dougherty, Manager
Fund Accounting
Department of Health Services
Accounting Office
8/1076

Everett Uldall, Chief
Contract Consultation and
Records Management Unit
9/308

From: AIDS Section
1812 - 14th St., Rm. 200
5-0553

This letter is in response to the Notice of Claim Correction from the Office of the Controller dated December 4, 1985, regarding Claim Schedule No. 00026391. This claim schedule was returned at the request of Everett Uldall of this Department as a result of his conversation with Francis Digardi of your office.

The rejection of the claims appears to be based on lack of required appropriation information, lack of Department of General Services (DGS) approval, and on the State Administrative Manual (SAM) Section 1207, which specifies that General Services' approval must be obtained for contracts containing provisions calling for payment for services in advance.

Attached please find a copy of an opinion from the Department of Health Services Legal Office concerning this issue. This legal opinion states in part that "The statutes requiring the establishment of Alternate Test Sites and a mechanism for reimbursement do not require procurement contracts. They deal exclusively with funding of services which counties are required to provide. As such, DGS approval of contracts to establish this reimbursement process is not required under Public Contract Code Section 10295." (Emphasis added)

In regards to the reference to SAM 1207, the attached opinion states in part that, "It is our opinion that DGS has no authority to approve or disapprove contracts which are not otherwise subject to its review." Additionally, the opinion also states that".., we find no statute which prohibits the Department from advancing funds under its

general contracting authority." Since this is not a service contract, and the Department has authority to advance funds of this type, we conclude that such advance payments are appropriate and necessary.

Accordingly, we are sending to you the Standard Agreement for HTLV-III Antibody Testing for each of the participating county health jurisdictions. Affixed to each contract is the stamped exemption from Department of General Services review, with the proper appropriation information.

Unless we hear otherwise, we will assume that this matter has been taken care of, and that timely payments will be forwarded to the proper health jurisdictions.

Juan Chacon, Manager
AIDS Program

Attachment

cc: Robert E. Anderson, M.D., Chief
AIDS Section

Memorandum

To : Juan Chacon
AIDS Section
1812 - 14th Street, Room 200
Sacramento, CA 95814

Date : December 11, 1985

Subject: General Services Review of Agreements to Reimburse Counties for Antibody Testing

From : Sharon Mosley
Office of Legal Services
714 P Street, Room 1216
Sacramento, CA 95814
2-1186

You requested an opinion from this office on whether the Department of General Services (DGS) is required to review contracts with counties to provide reimbursement pursuant to Health and Safety Code Section 1632. Section 1632 requires counties designated by the Director to establish alternative sites for HTLV III Antibody Testing and requires the Department to establish a reimbursement process.

Section 10295 of the Public Contract Code (formerly Government Code Section 14780) provides:

> "All contracts entered into by any state agency for (a) the hiring or purchase of equipment, supplies, materials, or elementary school textbooks, (b) services, whether or not the services involve the furnishing or use of equipment, materials or supplies or are performed by an independent contractor, (c) the construction, alteration, improvement, repair or maintenance of property, real or personal, or (d) the performance of work or services by the state agency for or in cooperation with any person, or public body, are void unless and until approved by (DGS)..."

In opinions based on Government Code Section 14780, the Attorney General concluded that this language provides for DGS review of procurement contracts but not contracts for funding assistance. Sec. 64 Ops. Cal. Atty. Gen. 290 (1980). Cf. 58 Ops. Cal. Atty. Gen. 586 (1976). Although Section 14780 has now been relocated, the language of the statute has not been substantively changed. Thus, the Attorney General's conclusion is applicable to the quoted Public Contract Code provision.

The statutes requiring the establishment of Alternative Test Sites and a mechanism for reimbursement do not require procurement contracts. They deal exclusively with funding of

services which counties are required to provide. As such, DGS approval of contracts to establish this reimbursement process is not required under Public Contract Code Section 10295.

The Office of the Controller has referred to State Administrative Manual (SAM) Section 1207 as requiring DGS approval when a contract contains a provision calling for payment of services in advance. It is our opinion that DGS has no authority to approve or disapprove contracts which are not otherwise subject to its review. The advance payment provided for in this contract is not a payment for services (procurement) as used in Public Contract Code Section 10295.

Although payment in advance is not specifically authorized related to funding for antibody testing, we find no statute which prohibits the Department from advancing funds under its general contracting authority. We do not believe an advance of funds would constitute a gift of public funds when it is made to carry out a statutory obligation and pursuant to an agreement with the Department to carry out that obligation.

We conclude that these contracts with advance payment provisions are exempt from DGS review.

SM:th

COMMENTS TO THE ASSEMBLY EDUCATION COMMITTEE REGARDING THE STATUS OF AIDS IN CALIFORNIA

Kenneth W. Kizer, M.D., M.P.H.
Director, California Department of Health Services
January 21, 1987

Good morning Madame Chair and Members of the Committee. I am Dr. Kenneth W. Kizer, Director of the California Department of Health Services, and I am here this morning in response to your request for a brief overview of the AIDS situation in California.

Throughout the AIDS epidemic, California has accounted for about 25% of the AIDS cases reported in the U.S., being second to New York in total number of cases. That trend continues today.

As of the end of December 1986 - that is, the end of the first five years of the epidemic in California - there were a total of 6,795 reported cases of AIDS and 3,316 deaths (49% of cases) known to be due to AIDS in California. As you may know from previously published reports by the Department, though, the reported number of cases may actually understate the actual number of cases by as much as 15 to 20%.

Over the next five years - that is, by the end of 1991 - we project that the cumulative number of AIDS cases in California will rise to over 50,000, with there being 34,000 deaths. Indeed, by the end of this decade, we project that AIDS will become one of the top ten causes of death in California, and probably about number seven, depending on what happens with certain other diseases. (Heart disease, cancer, stroke, trauma, chronic lung disease and diabetes will probably remain at the top of the list.)

In addition to a marked increase in the total number of cases, the geographic distribution of AIDS throughout the state will also change over the next five years. At present, about 80% of all AIDS cases in California

come from San Francisco and Los Angeles, with Los Angeles reporting somewhat more cases than San Francisco in the past year. Over the next few years we expect this distribution to change, with about a third of cases coming from outside Los Angeles and San Francisco. That is, AIDS will become an even more statewide issue than it is now.

Exemplative of the above, in the past year the number of AIDS cases from San Diego has nearly tripled, with San Diego now accounting for about 5% of the reported cases. Similarly, in the past year the number of counties that have reported cases of AIDS has risen from thirty-seven to forty-five.

Turning now to the epidemiology of AIDS, I should note that the current epidemiology of the disease in California differs somewhat from national figures, and especially from recent trends in New York and New Jersey.

In our most recent analysis, 91% of AIDS cases have been reported as occurring among gay and bisexual men, with about 2% coming from intravenous drug users and 2% resulting from blood transfusions. Less than one percent have occurred among hemophiliacs, and less than 1% are known to have resulted from heterosexual contact.

Some changes in these figures has been observed, however. For example, in the past year the number of cases occurring in gay and bisexual men has dropped to 90%, compared to 93% before then. There has also been a slight increase in the number of cases attributed to intravenous drug use, and the percentage of cases resulting from heterosexual contact rose from 0.4% before September 1985, to 1.1% in the past year. Although these changes are quite small, we are watching them closely and are concerned about even small changes in view of the long incubation period of this disease.

In addition to the above figures on recognized risk groups, the epidemiology of AIDS in California also differs from national trends with regard to its distribution among ethnic groups. Unlike national statistics

which indicate that AIDS disproportionately affects minorities, in California it is disproportionately a disease of caucasions. Seventy-nine percent of reported cases have been among whites, while they represent 67% of the state's population. Nine percent have been reported from Blacks, and 10% from Hispanics. These groups represent 8% and 19%, respectively, of our population. One percent of cases have been reported among Asians or Pacific Islanders, while they represent about 5% of California's population.

Some changes have been noted recently in this regard also. Specifically, there has been some increase in the proportion of cases reported from Blacks and Hispanics - e.g., in the past year the number of cases among Hispanics rose from 8% to 12%. The increase seen among these groups appears to be greater than what can be attributed to intravenous drug abuse.

Lastly in this regard, I should note that 85% of California's cases have occurred among persons aged 20 to 49 years old. Twenty-seven cases are known to have affected children aged 13 or younger, with 21 of those cases in children less than 5 years old. Almost all of these cases are known to have been children born to intravenous drug using prostitutes. Of note, there is reason to believe that the degree of underreporting of AIDS cases among children is greater than for adults.

Turning now to the cost of providing health care for AIDS patients, as of September 1986, the cost of care for AIDS in California is estimated to have been at least $152 million, with $21 million coming from Medi-Cal and $131 million from private health insurance of one kind or another. In reality, however, the actual cost probably has been considerably greater, with the figures reported here being those for which we can identify through available data bases.

In the past year the proportion of AIDS patients requiring Medi-Cal funding has increased from 12% to 20%.

As the Department has previously reported, there are some significant differences in the cost of providing care for AIDS patients in different areas of California, and there have been some recent changes in this regard. Hospital in-patient expenses now account for 87% of costs, down from 91% a year ago. Physician services account for about 6%.

Statewide, the average cost per month of health care for AIDS patients is now about $2400, ranging from a high of $3600 in San Diego to a low of $2100 in San Francisco. This variability largely reflects differences in use of in-patient services. For example, the average length of stay (LOS) in the hospital for an AIDS patient in San Diego is 18 days, while in San Francisco it is just over 11 days. In Los Angeles, the average LOS has decreased in the past year from 18 to 16 days. Statewide, the average LOS is 13.6 days. Again, this variability generally reflects the different availability of community support services such as home health and hospice care.

Consistent with the above, the cumulative lifetime cost of care in California seems to be decreasing as the availability of out of hospital services for AIDS patients increases. The most recent estimate of the lifetime cost of care for an AIDS patient in California is $70,000 for private insurance and $44,000 for Medi-Cal. These figures have decreased from $91,000 and $59,000, respectively, in the past year. Again, though, there is statewide variability, with a high of $102,000 in San Diego ($64,000 Medi-Cal) and a low of $61,000 in San Francisco ($38,000 Medi-Cal). In Los Angeles, the figures are $88,000 for private insurance and $55,000 for Medi-Cal.

To conclude these comments, let me note that there is relatively little that can be done to change the projected AIDS caseload in California in the

next few years because of the number of people already infected with the causative virus and because of the long incubation period of the disease. Further, in the absence of a cure or vaccine for probably at least five years, and perhaps significantly longer, education remains our most potent weapon for combatting this disease.

We need to continue our education efforts directed at the known risk groups, but, given the magnitude of the problem, we also have to now consider what other groups should be specifically targetted for educational efforts, with the understanding that we will not see the benefit of those efforts for several years.

In the Department's assessment, some specific groups that should be considered for directed educational efforts include teenagers and college students, employees, and individuals seeing health care practitioners, especially at settings such as family planning and sexually transmitted disease clinics. The opportunity to effectively intervene and positively impact the long term prognosis of the AIDS epidemic by directed education to these groups, especially adolescents, should not be underestimated. The potential benefit would appear to be substantial.

In addition to the above, research efforts directed at developing more effective clinical treatments and a vaccine need to be continued, and we are encouraged by recent proposed changes in federal support for AIDS research.

Finally, I should note that from the beginning California has been a leader in the fight against AIDS in terms of innovations in health care, research and support for AIDS prevention. Indeed, one out of every two state general fund dollars spent on AIDS in the U.S. comes from California, with state funding increasing from an initial $3.4 million in FY 1983-84 to $31.5 million in the current year. We are the only state to have put up state

monies to develop an AIDS vaccine, and our commitment to research is unmatched by the other forty-nine states combined. Likewise, funding for AIDS prevention exceeds that which has been allocated for the prevention of heart disease, cancer, cerebrovascular disease, trauma and diabetes combined.

Despite the magnitude and impressive nature of California's commitment to fighting AIDS to date, this is not to say that more may not need to be done in the future. Obviously, however, such increased efforts will have to be evaluated in the context of available state resources and competing priorities, in addition to the very great seriousness of the AIDS problem.

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF MENTAL HEALTH
1600 – 9th STREET
SACRAMENTO, CA 95814
(916) 323-8173

March 31, 1987

Thomas W. Hayes, Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

Mr. Clifford L. Allenby, Secretary of the Health and Welfare Agency, has asked me to respond to those portions of your report, No. P-658, entitled "A Review of the State's Spending Related to the Acquired Immune Deficiency Syndrome," that pertain to the Department of Mental Health (DMH). I would like to thank you for sharing your findings concerning the review of DMH's AIDS program activities. We believe your staff has presented a factual and balanced picture of the Department's AIDS program and that no changes to the analysis or conclusions are needed. I would like to compliment your staff for their thoroughness and professionalism in conducting this review.

Thank you again for the chance to review this draft report.

Sincerely,

D. MICHAEL O'CONNOR, M.D.
Director

UNIVERSITY OF CALIFORNIA

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DAVID PIERPONT GARDNER
President

OFFICE OF THE PRESIDENT
BERKELEY, CALIFORNIA 94720
(415) 642-1441

March 31, 1987

Mr. Thomas Hayes
Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Hayes:

Thank you for your letter of March 26, 1987, and for providing us the opportunity to review the draft report, "A Review of the State's Spending Related to the Acquired Immune Deficiency Syndrome." The portion of Section II which pertains to the University of California is consistent with our records, and we concur with the findings therein.

With best wishes, I am,

Sincerely,

David Pierpont Gardner

cc: Senior Vice President Brady
Vice President Baker
Vice President Hopper
Associate Vice President Pastrone

State of California

Memorandum

Date : April 2, 1987

Telephone: ATSS ( )
( )

To : Mr. Thomas W. Hayes
Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

From : **Youth and Adult Correctional Agency**
Office of the Secretary

Subject: REPONSE TO "A REVIEW OF THE STATE'S SPENDING RELATED TO ACQUIRED IMMUNE DEFICIENCY SYNDROME," DATED MARCH 26, 1987

Attached is the response to your draft report, "A Review of the State's Spending Related to Acquired Immune Deficiency Syndrome," prepared by the Department of Corrections. The response has been reviewed and approved by this office.

If you have any questions, please direct them to Mr. R. R. Bayquen, Deputy Director, Administrative Services, California Department of Corrections, at 323-4185.

N. A. CHADERJIAN
Agency Secretary

Attachment

State of California

Memorandum

Date : April 2, 1987

To : MR. THOMAS W. HAYES
Auditor General
660 J Street, Suite 300
Sacramento, California 95814

From : **Department of Corrections**

Subject: RESPONSE TO "A REVIEW OF THE STATE'S SPENDING RELATED TO ACQUIRED IMMUNE DEFICIENCY SYNDROME," DATED MARCH 26, 1987

The purpose of this memorandum is to provide your office with this Department's written response to the above referenced report.

Page 42, paragraph 1, describes the process under which this Department conducts AIDS blood testing. The existing process for AIDS blood testing is explained in the Department of Corrections' Administrative Manual, Section 6107 (g)(1-2) which I have attached for your review.

Page 43, paragraph 1, states there is only one reason the Department segregates the special housing unit from the remainder of the facility; specifically, because other inmates perceive inmates with AIDS as threats. There are several other practical as well as logistical reasons for this separation:

1. This grouping allows for the consistent delivery of specialized medical, nursing and psychosocial services needed by this group.

2. This grouping promotes the delivery of program services such as library, religious and recreational programs.

3. The grouping of these cases in a unit with enriched staffing provides for close observation of the known sources of infection to control the spread of the disease.

If you have any questions relative to this issue, please contact Mr. R. R. Bayquen, Deputy Director, Administrative Services at 323-4185.

DANIEL J. McCARTHY
Director of Corrections

Attachment

may be referred to an outside hospital for specialized care.

(4) The period of hospital isolation is an individual clinical judgment. This involves a period of multi-drug treatment and at least two negative sputum smears, which generally entails a minimum period of three to four weeks. Outpatient anti-tuberculosis therapy should continue for as long as clinically required, preferably at the hospital-based institution that initiated treatment.

(c) Staff screening.

(1) All new employees should be given a skin test and chest x-ray at the time of employment. The skin testing may be deferred until the time of their week of orientation to facilitate the reading of the result. The results of both should be included in the employee's personnel record and be given to the employee.

(2) All employees who regularly work in the hospital or other medical inpatient services which are subject to health facility licensing must have an annual examination to assure freedom from communicable diseases. This should include a repeat skin test for those employees with a previous negative test and a chest x-ray for those positive.

(3) No employee with a reasonable medical suspicion of having a communicable disease can continue work in the institution until said employee is treated and cleared by his own physician as well as cleared by the institution's chief medical officer for return to work.

6107. AIDS and the AIDS Related Complex (ARC).

(a) Definitions:

(1) AIDS: A disease at least moderately predictive of a defect in cell mediated immunity, occurring in a person with no known cause of diminished resistance to that disease. Such diseases include Pneumocystis Carinii Pneumonia, Kaposi's Sarcoma and other serious opportunistic infections.

(2) AIDS Related Complex (ARC): AIDS Related Complex or ARC is a recently created definition to include those patients

with less severe disease (prodromal period). ARC criteria are any two clinical and two laboratory abnormalities from the following lists:

CLINICAL (3 months or more in the absence of other identifiable cause.)

Fever 100°.
Lymphadenopathy.
Diarrhea.
Nightsweats.
Fatigue.
Weight loss - 10% or more than 15 pounds.

LABORATORY

(A) Depressed helper T cell.
(B) Depressed helper/suppressor ratio.
(C) One of the following; leukopenia, thrombocytopenia, absolute lymphopenia, or anemia.
(D) Elevated serum globulin.
(E) Depressed blastogenesis (pokeweed and PRA).
(F) Abnormal skin tests (using multitest or the equivalent).

(3) Infection Control: Patients meeting the Center for Disease Control definition of AIDS or AIDS Related Complex (ARC) definition, or any patient being evaluated for possible AIDS should be handled according to the "Guidelines of Infection Control for AIDS."

The patient should be admitted to the infirmary for evaluation of his having a possible communicable disease. The local institutional physician must perform laboratory procedures B, C, and D listed above, including a platelet count, before contacting CMF or any other consulting source.

Once the patient has satisfied the criteria in the above definition of AIDS, or has satisfied the above criteria for the diagnosis of AIDS Related Complex, arrangements are to be made for the immediate transfer of the inmate to the California Medical Facility at Vacaville. The institution is designated as the California Department of Corrections' center for the treatment of AIDS and/or the AIDS Related Complex patients.

(b) Reporting. AIDS is reportable to the California Health Department and the Center for Disease Control.

(c) Transmission. AIDS is spread only by very intimate (sexual) contact or by blood or blood product transfusion. There has been no evidence of person-to-person transmission through ordinary social or occupational contact or by airborne or foodborne methods or transmission to medical personnel.

(d) Isolation Technique. In accordance with American Hospital Association and Center for Disease Control guidelines:

(1) All suspected or known AIDS or ARC patients require blood/body fluid precautions (a single room is preferred).

(2) AIDS or ARC patients with suspect tuberculosis or other airborne disease should be placed on respiratory isolation until ruled out. Those with diarrheal disease should be placed on enteric precautions as well as blood and body fluid precautions.

(3) In the ambulatory care setting, suspect or known AIDS or ARC patients may use the same waiting areas and bathrooms as other patients unless the presence of other infections require special precautions.

(e) Laboratory Specimens. All specimens from known or suspect AIDS or ARC patients should be labelled to alert for blood precautions and placed in an impervious bag. In handling specimens, use gloves and good handwashing technique and take care to prevent needle-sticks and cuts.

(f) Guidelines for Patient Care. The following guidelines have been adopted by the Infection Control Committee of the University of California, San Francisco, and are consistent with the recommendation of the U.C. Task Force on AIDS, dated June 2, 1983. These guidelines have been adopted by the Department of Corrections, State of California.

(1) The definition of an AIDS patient is as outlined by the Center for Disease Control in their Category A designation, that is, "a disease at least moderately predictive of a defect in cell mediated immunity, occurring in a person with no known cause of diminished resistance to that disease. Such diseases included Pneumocystis Carinii Pneumonia, Kaposi's Sarcoma and other serious opportunistic infections." It is recommended that patients with the AIDS Related Complex or those being evaluated for the possibility of AIDS should be included for infection control purposes.

(2) The responsibility for identification of the patient in the above categories should rest with the attending physician. It is also the responsibility of the physician to report the diagnosis to the Public Health Department since Category A AIDS is now a reportable disease. The attending physician should also have the responsibility in consultation with the Infection Control Unit, of determining when appropriate precautions and/or isolation measures can be discontinued.

(3) Evidence to date indicates that the transmission of the AIDS virus is similar to that of the hepatitis B virus; that is, it requires direct contact with blood or body secretions. There is no evidence of airborne transmissions, and therefore infection control policies and procedures appropriate for patients with hepatitis B should be applied to patients with AIDS.

(4) The patients conforming to the definitions above should be placed on Blood and Excretion precautions. Specimens from the patients should be labelled "H/A Precautions" and placed in an impervious bag or container for transport.

(5) Since there is no evidence of airborne transmission of an AIDS virus, mask precautions should only be applied as appropriate for patients with possible respiratory infections. Masks are necessary for visitors and personnel if the patient is suspected to have or has confirmed tuberculosis. Personnel and visitors may wear masks for direct sustained contact with AIDS patients who are actively coughing and in whom the diagnosis of tuberculosis has been ruled out; however, there is no data to support respiratory transmission of Pneumocystis Carinii or cylomeglovirus to visitors or staff. These same guidelines apply for the wearing of masks by AIDS patients when they are outside their rooms; it is not recommended that patients wear masks when inside their rooms.

(6) For the purposes of infection control, a single room is not necessary for the care of a patient with AIDS unless he has additional illnesses which would customarily require a single room. However, a patient with AIDS must not be placed, under any circumstances, in a room with another immunocompromised or infected patient. Individuals may want or need a single room for reasons other than infection control and those other factors may be considered during patient placement.

(7) Procedures for cleaning and waste disposal:

(A) All contaminated (visibly soiled with potentially infectious material) disposable items are to be considered infectious waste and must be red-bagged.

(B) Contaminated linen is to be double-bagged and identified and tagged as "infectious".

(C) Needles and syringes should be disposed of in rigid wall, puncture resistant containers and red-bagged.

(D) Environmental surfaces contaminated with blood or other body fluid should be immediately cleansed with a disinfectant. Sodium hypochlorite (Clorox bleach diluted 1:10) is recommended if available.

(E) Patients' rooms do not routinely need to be high-cleaned unless grossly contaminated with blood or excretions. Questions concerning exceptions should be directed to the nearest infection control committee for the region.

(8) Procedures for equipment used for AIDS patients should be as follows:

(A) Lensed instruments should be sterilized as recommended by the Center for Disease Control.

(B) Central Supply should continue to pasteurize respiratory therapy tubing as it is presently doing.

(C) Any instrument which comes in contact with blood, secretions or excretions must be sterilized before reuse. This includes anesthesia instruments, such as a laryngoscope and endotracheal tubes.

(9) Isolation dietary trays are not necessary. Utensils will be cleaned in the regular way.

(10) The general guidelines for hospitalized patients, based on hepatitis B, should also be applied to the outpatient and emergency settings. Efforts should be made, however, to minimize direct contact to other severely immunocompromised patients. Specimen labelling, equipment sterilization, and disposition of equipment will be handled as for hospitalized patients. An outpatient with AIDS may use common waiting areas and bathroom facilities unless he has a symptomatic infection which would otherwise require isolation.

(11) Employees who have needle-stick injuries associated with a case of AIDS should be reported and ongoing records maintained. The injured employee should then be treated according to the protocol for needle-stick exposure for potential hepatitis. At the present time the task force does not recommend follow-up lymphocyte studies since numerous intercurrent illnesses have been shown to reverse the helper/suppressor ratio. Thus, information so devised has a potential for producing untoward anxiety, while not accurately predicting or identifying the disease.

(12) It is the policy of the Department of Corrections, that personnel should not be excused on their own request from working with or delivering care to AIDS patients. Employees who believe they are high risk for infection because of their own immune status should be encouraged to discuss their work responsibilities with their personal physician. If the physician determines that there are certain assignments the employee should not accept, this should be communicated in writing to the employing department for appropriate action, according to the institution's policies and procedures. Pregnant employees, medical and non-medical, should not be allowed to have any assignment involving intimate and close supervision or caring of a diagnosed AIDS case. These recommendations are in spite of the fact that there is no discernable risk to any employee who does not directly handle, tend, draw blood from or clean up waste products from AIDS patients.

ADD from AM/243

(g) Administration of Blood Test for AIDS Antibodies. Blood test for the detection of AIDS antibodies may be performed ONLY upon written orders of a licensed departmental physician and, withstanding provisions in law, ONLY with the written consent of the individual being tested.

(1) Disclosure of the results of such tests may, withstanding provisions in law, be made ONLY with the specific written consent of the individual tested, and a separate consent shall be obtained for each disclosure.

(2) Inmates requesting a blood test for the detection of AIDS antibodies must first consult with a physician who will evaluate and quantify the inmate's risk of having been exposed to the AIDS virus. If it is determined by the physician that the risk is present, the test will be conducted

ONLY as part of the complete clinical evaluation. If the physician determines the inmate is not at risk, and the inmate insists on being tested, the test shall be performed.

6108-6112. (Reserved).

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AUDITOR GENERAL'S COMMENTS ON THE DEPARTMENT OF HEALTH SERVICES' RESPONSE

(1) In its response, the Department of Health Services asserts that the Auditor General's references to invalid contracts and nonstandard forms as a basis of nonpayment were inaccurate. The department in its response, however, states that "the refusal of the SCO [State Controller's Office] to pay such invoices was that, due to the non-standard forms and lack of routing fully executed contracts, the SCO did not have any evidence of either authority to pay such contractor or appropriate encumbrance information to charge to a DHS appropriation." The department also notes that the deficiencies were corrected by providing copies of contracts with appropriate fund code information. The department's response fails to recognize that the deficiencies it cited would not have occurred if it had used the standard contract forms. These forms require the information which the department admits were deficient. As we note in our report on pages 23 and 24, the department subsequently corrected the deficiencies by using the required standard forms.

(2) Text changed.

(3) The department asserts that the Auditor General should acknowledge that the department continued to implement procedures initiated in fiscal year 1985-86 for contract processing. However, the department incorrectly cites the results in our report. On page 18, the report acknowledges that in fiscal year 1985-86, (not in fiscal year 1986-87 as the department's response states) the department started its process early enough to complete the process by the beginning of the fiscal year. Further, the report states on page 18 that for fiscal year 1986-87, the department did not start the process until April and May 1986. The department therefore did not continue to implement those procedures it initiated in fiscal year 1985-86 into the following fiscal year. However, we acknowledge on pages 16 and 26 that the department has started the process early for awarding contracts in fiscal year 1987-88.

(4) Text changed.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps