



September 9, 2010

TO: Thomas R. Frieden, M.D., M.P.H.
Director
Centers for Disease Control and Prevention

FROM: /Joe J. Green/ for
George M. Reeb
Acting Deputy Inspector General for Audit Services

SUBJECT: Review of Louisiana's Bioterrorism and Emergency Preparedness Program
(A-06-08-00064)

Attached, for your information, is an advance copy of our final report on Louisiana's bioterrorism and emergency preparedness program. We will issue this report to the Louisiana Department of Health and Hospitals within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov or Patricia Wheeler, Regional Inspector General for Audit Services, Region VI, at (214) 767-6325 or through email at Patricia.Wheeler@oig.hhs.gov. Please refer to report number A-06-08-00064.

Attachment



September 13, 2010

Report Number: A-06-08-00064

Ms. Doris G. Brown
Public Health Executive Director
Center for Community Preparedness
8919 World Ministry Avenue, Suite B
Baton Rouge, LA 70810

Dear Ms. Brown:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Louisiana's Bioterrorism and Emergency Preparedness Program*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Mark Ables, Audit Manager, at (214) 767-9203 or through email at Mark.Ables@oig.hhs.gov. Please refer to report number A-06-08-00064 in all correspondence.

Sincerely,

/Antonio Wilkinson/ for
Patricia Wheeler
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Alan Kotch
Director
Procurement and Grants Office (MS E-14)
Centers for Disease Control and Prevention
1600 Clifton Road
Atlanta, GA 30333

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF LOUISIANA'S
BIOTERRORISM AND EMERGENCY
PREPAREDNESS PROGRAM**



Daniel R. Levinson
Inspector General

September 2010
A-06-08-00064

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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THIS REPORT IS AVAILABLE TO THE PUBLIC
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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Under sections 301, 317, and 319 of the Public Health Service Act, the Centers for Disease Control and Prevention (CDC) provides funds to State and major local health departments to improve preparedness and response capabilities for bioterrorism and other public health emergencies. From August 31, 1999, to August 30, 2005, CDC provided this funding through the Public Health Preparedness and Response for Bioterrorism Program. Since August 31, 2005, CDC has provided funding through the Public Health Emergency Preparedness Program. We refer to these two programs collectively as “the program.”

In Louisiana, the Department of Health and Hospitals (the State agency) administers the program. For the period August 31, 2004, through August 30, 2006, the State agency claimed program reimbursement totaling \$27.7 million.

OBJECTIVE

Our objective was to determine whether the costs that the State agency claimed for reimbursement under the program for the period August 31, 2004, through August 30, 2006, were allowable, allocable, and reasonable.

SUMMARY OF FINDINGS

Of the \$8,926,740 in program expenditures that we reviewed for the period August 31, 2004, through August 30, 2006, \$7,910,456 was allowable, allocable, and reasonable. However, the State agency claimed \$10,892 in unallowable costs: \$6,850 for technical training that was paid for but not taken and \$4,042 related to payroll errors. These deficiencies occurred because the State agency (1) did not have controls in place to ensure that a prepaid technical training coupon package was fully used and (2) made clerical errors. In addition, we are setting aside \$1,005,392 of contract costs because we were unable to determine whether the amount allocated to the program accurately reflected the relative benefits received.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$10,892 for costs that were improperly charged to the program,
- work with CDC to determine what portion of the \$1,005,392 in set-aside expenditures is allocable to the program and refund the unallowable portion to CDC, and
- develop a policy for allocating contract costs and document its allocation methodology.

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency concurred with our first recommendation. However, the State agency requested that we reconsider the recommended refund of \$6,850 related to prepaid technical training that was not taken because Hurricanes Katrina and Rita disrupted the State agency's operations and made completion of the contract impossible. With respect to the second and third recommendations, the State agency provided information on actions that it had taken or planned to take. The State agency's comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

The invoice for the prepaid training was dated April 13, 2006, more than 6 months after Hurricane Rita, the second of the two hurricanes, hit the gulf coast. In addition, the training coupons did not expire until April 30, 2007, more than 18 months after Hurricane Rita. Accordingly, we continue to recommend that the State agency refund the \$6,850 to CDC.

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INTRODUCTION

BACKGROUND

Preparedness for Bioterrorism and Other Public Health Emergencies

The Centers for Disease Control and Prevention (CDC) provides funds to State and major local health departments to improve preparedness and response capabilities for bioterrorism and other public health emergencies. From August 31, 1999, to August 30, 2005, CDC provided this funding through the Public Health Preparedness and Response for Bioterrorism Program. Since August 31, 2005, CDC has provided funding through the Public Health Emergency Preparedness Program.

The Public Health Preparedness and Response for Bioterrorism Program was authorized under sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service Act (42 U.S.C. §§ 241(a), 247b(k)(1)(2), and 247(d)); the Public Health Emergency Preparedness Program was authorized by section 319C of the Public Health Service Act (42 U.S.C. § 247(d)(3)). We refer to these two programs collectively as “the program.”

CDC issues Notices of Cooperative Agreement to awardees to set forth the approved budget, as well as the terms and conditions of the individual awards. To monitor the expenditure of these funds, CDC requires awardees to submit financial status reports (FSR) showing the amounts that were expended, obligated, and unobligated.

Louisiana Program Funding

In Louisiana, the Department of Health and Hospitals (the State agency) administers the program. For budget years 2004–2005 and 2005–2006 (August 31, 2004, through August 30, 2006), the State agency was awarded a total of \$34.4 million and expended \$27.7 million. (See Appendix A.)

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the costs that the State agency claimed for reimbursement under the program for the period August 31, 2004, through August 30, 2006, were allowable, allocable, and reasonable.

Scope

The State agency claimed \$27.7 million in direct and indirect costs for program activities during the 2-year period August 31, 2004, through August 30, 2006. We limited our review to nonstatistical samples of direct costs totaling \$8.9 million. The table on the next page summarizes the total expenditures from which we selected samples and the samples selected.

Total and Sampled Expenditures

Type of Expenditure	Total Dollar Value	Dollar Value of Sample
Payroll	\$12,676,326	\$108,937
Nonpayroll	11,167,930	3,884,224
Contracts	5,230,392	4,933,579
Adjustments ¹	(1,393,646)	
Total	\$27,681,002	\$8,926,740

We did not review the State agency's overall internal control structure. We limited our review of internal controls to obtaining an understanding of the procedures that the State agency used to account for program funds.

We conducted our fieldwork at State agency offices in Baton Rouge and New Orleans, Louisiana, from May 2008 through April 2009.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and program guidance;
- reviewed the State agency's accounting procedures;
- tested FSRs for completeness and accuracy and reconciled the amounts reported on FSRs to the accounting records and Notices of Cooperative Agreement;
- verified that the State agency claimed indirect costs using the cost allocation plan approved by the Department of Health & Human Services, Division of Cost Allocation;²
- interviewed officials and employees from the State agency;
- reviewed several positions funded by the program for evidence of supplanting;³

¹ The State agency adjusted expenditures for the 2-year period that ended August 30, 2006, to reflect expenditures that were made but not accounted for during the period.

² The Office of Management and Budget (OMB) has designated the Division of Cost Allocation as the cognizant Federal agency for reviewing and negotiating facility and administrative (indirect) cost rates that grantee institutions use to charge indirect costs associated with conducting Federal programs.

³ Sections 319(c) and 319C(e) of the Public Health Service Act (42 U.S.C. §§ 247d(c) and 247d-3(e)) state that program funds are meant to augment current funding and not to replace or supplant any other Federal, State, or local funds provided for these activities.

- reviewed timesheets to verify time charged to the program and invoices for nonpayroll and contract expenditures to determine whether the State agency expended program funds for allowable, allocable, and reasonable costs; and
- selected the following 3 nonstatistical samples to determine whether the State agency expended program funds for allowable, allocable, and reasonable costs:
 - 50 payroll expenditures,
 - 176 nonpayroll expenditures, and
 - 15 contracts awarded by the State agency.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

Of the \$8,926,740 in program expenditures that we reviewed for the period August 31, 2004, through August 30, 2006, \$7,910,456 was allowable, allocable, and reasonable. However, the State agency claimed \$10,892 in unallowable costs: \$6,850 for technical training that was paid for but not taken and \$4,042 related to payroll errors. These deficiencies occurred because the State agency (1) did not have controls in place to ensure that a prepaid technical training coupon package was fully used and (2) made clerical errors. In addition, we are setting aside \$1,005,392 of contract costs because we were unable to determine whether the amount allocated to the program accurately reflected the relative benefits received.

UNALLOWABLE PROGRAM COSTS

Prepaid Training Not Taken

Pursuant to OMB Circular A-87, Attachment A, section C.3.a (2 CFR part 225, Appendix A, section C.3.a): “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.”

The State agency charged the program \$6,850 in unallowable costs for prepaid technical training that was never taken. The State agency had purchased a training package for \$50,000. The package contained coupons available for redemption, each one good for a training class for one person. Coupons totaling \$43,150 were redeemed; the remaining coupons expired. According to a State agency official, the State agency’s information technology offices were undergoing reorganization during our audit period, and there was a change in leadership. During that time, the State agency did not have controls in place to ensure that the prepaid technical training coupon package was fully used.

Payroll Expenditures

OMB Circular A-87, Attachment B, section 8.h(4) (2 CFR part 225, Appendix B, section 8.h(4)), states: “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation” Also, OMB Circular A-87, Attachment B, section 8.b, states: “Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit.”

Our review of timesheets found that the State agency had incorrectly charged the program \$4,042 for two employees’ payroll costs. One employee’s time was erroneously charged to a bioterrorism cost reporting category. The other employee’s recorded time exceeded 24 hours in 1 day and included an incorrect number of hours worked during another day. A State official said that both situations could have resulted from timekeeper errors.

POTENTIALLY UNALLOCABLE CONTRACT COSTS

OMB Circular A-87, Attachment A, section C.3.a (2 CFR part 225, Appendix A, section C.3.a), states: “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.”

We were unable to determine whether certain contract costs were allocable to the program. Specifically, two contractors submitted invoices for information technology support services, and the State agency allocated a portion of each invoice amount to the program based on percentages that it had calculated for allocating program funding. The State employees who had monitored the two contracts were not employed by the State agency at the time of our audit, and documentation regarding the calculation methodology and the percentages was unavailable. A State agency official was able to explain the methodology used to determine the percentage applied to the invoices for only one of the two contracts. However, we could not reproduce that percentage. In addition, a State agency official said that the State agency had no written policy regarding the methodology used to allocate costs to the program during the review period.

Because the State agency could not explain the methodology used to allocate costs for one contract and because we could not reproduce the percentage that the State agency used for the other contract, we were unable to determine whether the amount allocated to the program accurately reflected the relative benefits received. Therefore, we are setting aside \$1,005,392 for further review.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$10,892 for costs that were improperly charged to the program,

- work with CDC to determine what portion of the \$1,005,392 in set-aside expenditures is allocable to the program and refund the unallowable portion to CDC, and
- develop a policy for allocating contract costs and document its allocation methodology.

STATE AGENCY COMMENTS

In its comments on our draft report, the State agency concurred with our first recommendation. However, the State agency requested that we reconsider the recommended refund of \$6,850 related to prepaid technical training that was not taken because Hurricanes Katrina and Rita disrupted the State agency's operations and made completion of the contract impossible. With respect to the second and third recommendations, the State agency provided information on actions that it had taken or planned to take. The State agency's comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL RESPONSE

The invoice for the prepaid training was dated April 13, 2006, more than 6 months after Hurricane Rita, the second of the two hurricanes, hit the gulf coast. In addition, the training coupons did not expire until April 30, 2007, more than 18 months after Hurricane Rita. Accordingly, we continue to recommend that the State agency refund the \$6,850 to CDC.

APPENDIXES

**APPENDIX A: STATE AGENCY AMOUNTS
AWARDED, EXPENDED, AND CARRIED FORWARD**

Budget Year 2004–2005	Amount
Amount awarded	\$12,913,581
Amount that the Centers for Disease Control and Prevention (CDC) approved to be carried forward	7,322,371
Total 2004–2005 funding available	20,235,952
Amount expended	(15,550,667)
Amount unobligated in budget year 2004–2005	\$4,685,285¹
Budget Year 2005–2006	Amount
Amount awarded	\$14,198,596
Amount that CDC approved to be carried forward	4,225,467
Total 2005–2006 funding available	18,424,063
Amount expended	(12,130,335)
Amount unobligated in budget year 2005–2006	6,293,728²
Total amount available for 2004–2006	34,434,548³
Total amount expended	(\$27,681,002)

¹ CDC authorized \$4,225,467 of this amount to be carried forward to budget year 2005–2006; of the \$459,818 difference, the State agency did not request that \$309,380 be carried forward, and CDC did not approve \$150,438 to be carried forward.

² The State agency requested that \$6,175,985 of this amount be carried forward to budget year 2006–2007; however, CDC authorized the State agency to carry forward only \$5,988,969.

³ The total amount available for 2004–2006 does not include \$4,225,467 carried forward from budget year 2005–2006 because it was included in both the total 2004–2005 and 2005–2006 available funding amounts.

APPENDIX B: STATE AGENCY COMMENTS

Bobby Jindal
GOVERNOR



Alan Levine
SECRETARY

State of Louisiana

Department of Health and Hospitals
Office of Public Health – Center for Community Preparedness

June 16, 2010

Report Number: A-06-08-00064

Attention: Patricia Wheeler
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

Dear Ms. Wheeler:

This letter serves as an official response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG), draft report entitled *Review of Louisiana Bioterrorism and Emergency Preparedness Program*. Based on the state's initial review we have drafted current actions taken and planned actions in regards to recommendations presented.

We appreciate the OIG's efforts to identify and closely examine areas in which our program office can improve. Our program utilizes these opportunities to improve our diligence and our overall grant monitoring process. If you have any questions, please do not hesitate to contact me at (225) 763-3503.

Sincerely,

A handwritten signature in cursive script, appearing to read "Doris G. Brown".

Doris G. Brown
Public Health Executive Director
Center for Community Preparedness

Enclosure



**RESPONSE TO THE
OFFICE OF INSPECTOR GENERAL AUDIT REPORT**

DRAFT REPORT

June 16, 2010

Report Number: A-06-08-00064

Louisiana Department of Health and Hospitals
Center for Community Preparedness
Response to Office of Inspector General
Report Number: A-06-08-00064
Time Period: August 31, 2004 – August 30, 2006

The Louisiana Department of Health and Hospitals, Office of Public Health – Center for Community Preparedness has reviewed the Office of Inspector General’s (OIG) draft report entitled *Review of Louisiana Bioterrorism and Emergency Preparedness Program*. Based on the state’s initial review we have drafted current actions taken and planned actions in regards to recommendations presented.

Recommendations	Action Taken	Planned Action
Refund \$10,892 (\$6,850 - technical training and \$4,042 - for costs that were improperly charged to the program.)	Technical Training: It should be noted that Louisiana experienced the devastation of Hurricanes Katrina and Rita in August/September 2005. As such, the state spent many months in recovery and response, suspending many of the normal business activities. The Technical Trainings were planned and many had been taken; however, due to circumstances beyond the state’s control, were unable to be fully utilized. It should also be noted that the State’s Information Technology Division underwent an extensive reorganization structure that required consolidation of the agency’s IT Division. A manual process has been implemented to ensure the contract was properly monitored from the IT perspective.	The state plans to continue to enforce its manual process to ensure that contracts are properly monitored. The state is also working with a contractor to develop a computer based tool to monitor contracts. The system will be configured to automate the initiation and approval process for contracts, amendments and RFPs. SharePoint will be configured for users to initiate and submit RFPs, contracts, and amendments. All SharePoint work will be done in-house by DHH IT. The goals and objectives of the project are as follows: Goals and Objectives: The objectives of this project are as follows: <ol style="list-style-type: none"> 1. Provide a solution to automate the workflow approval process for contracts, RFPs and amendments. 2. Provide a solution that will track the progress of each contract, RFP and amendment. 3. Provide a solution that will include a

	<p>This process includes regular, monthly status reports by each staff member. These reports are monitored on 3 levels: 1) Staff member's direct manager 2) DHH Contract Monitor and 3) Business Contacts from the Office of Public Health (OPH). <i>See detailed response on page 9.</i></p> <p>The state concurs with the recommendations for this finding. However, the state would like OIG to reconsider its recommendation of refunding CDC in the amount of \$6,850 for prepaid IT Technical Trainings. The IT Trainings were not fully utilized due to circumstances well beyond the state's control. Hurricanes Katrina and Rita disrupted many of the state's normal day-to-day operations and made completion of this contract impossible.</p> <p>The payroll errors were the result of errors on the part of the agency's timekeeping staff. The agency is amendable to allow CDC to recoup funds coded in error in the amount of \$4,042.</p>	<p>document repository with enabled document determination.</p> <ol style="list-style-type: none"> 4. Provide a solution that will enable and require originator to upload required documents. 5. Provide report functions to detail all contract, RFP, and amendment information. 6. Provide a solution that allows for flexibility in applying various rules needed to accommodate various types of contracts. 7. Provide a solution that will include training documentation and require new users to complete training. 8. Provide a solution which will reduce time spent on approval process. 9. Provide a solution that records change history of the contract, RFP and amendment including user name, time stamp and changes made. 10. Provide a solution which enables the approver to approve, reject, and ask for more information. 11. Provide a solution which enables the approver to send the contract, RFP, or amendment back to the originator or another previous step. 12. Eliminate manual process currently used.
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	<p>Payroll Errors: The state implemented a time and attendance audit process that weekly reviews the timesheets of all employees funded by the program. Also, the agency monthly reconciles the amounts reported on FSRs to internal accounting records that are based on actual activity performed in accordance with budget amounts in the CDC Cooperative Agreements.</p>	<p>Payroll Errors: The state plans to continue with this process outlined to ensure that time is accurately coded for all program employees. The use of Standard Operating Procedures (SOP) within the Administrative/Finance Unit has been useful in the audit process as well as educating timekeepers and staff on the proper coding procedures. The state is also working directly with the agency's budget staff to correct coding errors when they arise.</p>
<p>Work with CDC to determine what portion of the \$1,005,392 in set-aside expenditures is allocable to the program and refund the unallowable portion to CDC.</p>	<p>The contracts in question were "fixed price" contracts. As defined by our agency, fixed price contracts can be either based on a fixed rate paid for services rendered or accomplishment of specific tangibles. A fixed-price contract sets a price that is not subject to adjustment (except by amendment) and is based on the contractor's expenses in performing the contract. A fixed price contract provides an incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden on both contracting parties. Fixed-price contracts are recommended by our agency. To establish a fixed price contract, our agency performs the necessary research to gather cost or pricing information that will permit reasonable estimates of the cost of performance, or historical costs that are available on prior purchases, or industry</p>	<p>The agency continues to encourage "fixed price" contracts with detailed budgets to ensure that calculation methodology and percentages of charges is based on sound data. The state will work with CDC to review the expenditures referenced and its relevance to the program. After a joint review between agency and CDC, there should be an overall reduction in the set-aside expenditure amount and thereby prevent a return of funds.</p>

	<p>standards, or other methods that can be supported by valid cost data.</p> <p>The contracts in question were implement for information technology support services. The percentages calculated were based on reasonable estimates, cost of performance and agency calculations. The agency is requesting detailed budgets from contractors to ensure that calculations are reasonable and based on industry standards.</p> <p>CDC prepared a detailed response to OIG request for information in this area. These following details CDC's involvement and monitoring of the contract:</p> <ul style="list-style-type: none">▪ <u>2004 Technical Review Summary & Budget Exception Review of Louisiana's PHEP Funding Application (August 2004)</u>: The DSLR project officer for Louisiana restricted a \$550,000 request for equipment and software related to PHIN infrastructure implementation, pending additional information. The project officer requested that the state provide more budget detail and justification. Satisfactory additional information was later provided by Louisiana and the restriction was lifted.	
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	<ul style="list-style-type: none"> <li data-bbox="865 376 1268 727"> <p>▪ <u>2004 Mid-year PHEP Progress Report Submitted by Louisiana (April 2005):</u> The Louisiana Office of Public Health reported that it had set an internal standard based on a single Oracle database platform for the purpose of integrating Health Alert Network (HAN) and Public Health Information Network (PHIN) applications. In its progress report, the state reported that late funding and procurement had been identified as obstacles to completing this project.</p> <li data-bbox="865 760 1268 1219"> <p>▪ <u>2005 Louisiana PHEP Application/Budget Request (July 2005):</u> CDC approved a budget request for a contract with Oracle, procured via bid as part of the state's procurement process. The budget included 3,076 hours of Oracle consulting services at \$195/hour for a total cost of \$599,820. The period of performance was from September 1, 2005, to August 30, 2006, with accountability ensured through quarterly reports. The purpose of the professional services contract was to enable real-time auditing of bioterrorism data in harmony with current PHIN infrastructure and HAN systems.</p> 	
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	<ul style="list-style-type: none"> ▪ <u>2005 Louisiana Mid-year PHEP Progress Report (May 2006)</u>: The state reported that Hurricanes Katrina and Rita have delayed completion of assessments and implementation of the PHIN information technology system. ▪ <u>Louisiana Site Visit Report (February 2007)</u>: CDC conducted a site visit from November 27 through December 1, 2006. In the site visit report, the project officer noted that the state had encountered problems building its information technology infrastructure since the Oracle system would not be PHIN compliant. The state's interoperability workgroup conducted a gap analysis, which indicated it would be better to purchase a new system. The CDC project officer scheduled a conference call with the state and the CDC PHIN subject matter experts to discuss the best type of system to purchase to become PHIN compliant and have the system meet the state's needs. 	
Develop a policy for allocating contract costs and document its methodology.	The agency has developed a detailed policy manual that outlines all contracting procedures (<i>Department of Health and</i>	The state will continue to utilize the policy manual and ensure that staff is educated on the process.

	<p><i>Hospitals – Contract Manual February 2009</i>). Prior to contracting the state pre-budgets the amount to be spent on any contract for approval by CDC. The state then requires each contractor to submit a detailed budget that will account for all costs associated with the contract. Payment is then determined and set on a breakdown of completion of tasks outlined in deliverables or upon completion of services.</p>	
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In addition, the Louisiana Department of Health and Hospitals, Office of Public Health – Center for Community Preparedness requests modification of the report based upon the following:

1. **Page 3 - “These deficiencies occurred because the state 1) did not have controls in place to ensure that a prepaid technical training coupon package was fully used and 2) made clerical errors.”:** The state contends that the “deficiencies” were not a result of lack of controls but more so unpreventable due to the catastrophic disaster the state experienced. Louisiana was hit by both hurricanes Katrina and Rita during this grant period. The state was actively engaged in response from August 30, 2005, through December 2005. In responding, the state took as its top priority the sustainability of human life and the preservation of the citizens of the state. This event caused not only a disruption to Louisiana life and the medical infrastructure, but also to normal business operations. CDC in its 2006 Site Visit Report stated, “Louisiana is dealing with many challenges after Hurricane Katrina including destruction of the public health laboratory and state health offices, and a massive population shift. Census data collected by DHS, Tulane and Louisiana Public Health Institute indicate the Baton Rouge population has doubled, and New Orleans Parish has 187,000 persons as compared to 440,000 prior to Hurricane Katrina. During the day that number increases to 300,000 as 100,000 workers drive into the parishes. The state is still seeking reimbursement for FEMA claims, and this will probably take five to ten years to be resolved according to the state.” These statements reinforce the magnitude and impact of these devastating storms.

2. **Louisiana Department of Health and Hospitals – Division of Information Technology Detailed Response to Recommendations:** During the period of May 2008 through April 2009, staff from the newly consolidated DHH Division of Information Technology (IT) met with the members of the audit team from the Office of Inspector General (OIG) on several occasions. It was the understanding of IT, that the objective of this audit was to determine whether the costs claimed by DHH for reimbursement was appropriate and accurate for the period of August 31, 2004 through August 30, 2006. It was difficult for the DHH IT staff to provide the appropriate amount of response to OIG’s request for information for 2 major reasons:
 - The first half of this period in question was documentation from pre-Hurricane Katrina. The documentation, both electronic and paper copies, was housed in a building that was destroyed by the waters of Hurricane Katrina. Although the water finally subsided from the building, which was located at 301 Loyola Avenue in Downtown New Orleans, electricity was never returned to the building. Once the city was deemed safe to return to, staff was only able to enter the building under close supervision by security and was only permitted time to retrieve minimal belongings, equipment and files. The majority of the paper files were unable to be recovered due to the mold and the majority of the computer equipment was not recovered.
 - Although the second half of the period in question was post-Hurricane Katrina, it was prior and during the consolidation of IT. The majority of the newly consolidated IT Leadership was not in their current positions at that time and

had little to no interaction with the contracts in question. It took many months to "regroup" after the consolidation and get a handle on the various IT work and contracts in place. The Division also feels that the consolidation led to the low utilization of the pre-paid training. During that time lines of authority were unclear and many members of the management team did not have a complete handle on all of the activities going on within our department.

After our initial meeting with OIG staff, IT Leadership better understood the issue at hand regarding the CDC funding; as a result, in March 2009, the issues surrounding the IT contracts were documented and a manual process was implemented to ensure the contract was properly monitored from the IT perspective. The goal of the manual process was to ensure the following 3 items were met:

- Ability to track work by each person
- Ability to track every hour of work performed based on the 3 types of work (Operations, Support & Projects)
- Ability to document how the work performed was directly related to the CDC grant funding

This process includes regular, monthly status reports by each staff member. These reports are monitored on 3 levels: 1) Staff member's direct manager 2) DHH Contract Monitor and 3) Business Contacts from the Office of Public Health (OPH). The defined monitoring process ensures that the work performed strictly relates back to the CDC funding. During later meetings with the OIG Team, the Division relayed this manual process to them as well as reviewed many of the new IT initiatives underway to ensure all work is properly tracked. Although the consolidation of IT began shortly after Hurricane Katrina and the 1st DHH CIO, Ed Driesse, was named, it was not completed until January 2009 that DHH IT hired its 2nd Chief Information Officer (CIO), John Ragsdale. From January – March of 2009, John, spent a significant amount of time reviewing the organization and developing a strategic plan to ensure IT projects were identified, developed, executed, monitored and closed more effectively than in the past. It took almost a year to get the appropriate resources in place to begin this process. In January 2010, IT staff began working on a 6 month IT Internal Improvements (ITII) project. Among other things, this project includes the implementation of 3 major tools/processes which we feel will allow us to accurately document how contract costs are allocated based on time spent working on operations, support and projects. As they relate to the CDC funding, below is a description of the 3 tools and how their functionality will assist DHH IT in properly and efficiently allocating costs:

- **CA Clarity:** Clarity is a project and portfolio management (PPM) solution which allows for visibility into the current state of all projects funded through the CDC. It is a centralized collection of data which includes, status of work performed, time allocated to the task and time used to complete the task by resource.
- **CA Service Desk:** Service Desk is a single point of contact for support within our organization. It is the first line of response in mitigating service disruptions. This product will also be used track status of work performed and time allocated to the task.

- **Microsoft SharePoint:** SharePoint allows web-based access to information housed in both Clarity and Service Desk. In the event of a natural disaster, any staff member and/or business liaison will be able to access status reports, time sheets, project information, etc.

Another strong component of our newly consolidated IT organization is the stringent oversight by the IT Leadership Team. During the past 18 months, members of the DHH IT leadership team have defined clear lines of authority. The Division believes the structure to IT Leadership team provides accountability, clarity and coherence to our organization as well as to the work performed. The Division strongly feels that the development and implementation of these tools and the processes surrounding them will provide our organization a strong foundation in better grant management and in tracking the work performed against these funds. This new automated process of tracking time for the CDC grant project will officially replace the manual status reporting process on August 15, 2010.

Conclusion:

Louisiana is appreciative of the feedback and the review of grant procedures by the OIG. We request that the aforementioned modifications be added to the final report. The Louisiana Department of Health and Hospitals will continue to ensure its due diligence in all grant activities and monitoring.