



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDIT SERVICES

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OCT 15 2003

Report Number: A-03-03-00381

Mr. Michael Huff, R.N.
Acting Director, Office of Public Health Preparedness
Pennsylvania Department of Health
Room 833, Health and Welfare Building
Harrisburg, Pennsylvania 17108

Dear Mr. Huff:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Commonwealth of Pennsylvania's Efforts to Account For and Monitor Sub-Recipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds."

A copy of this report will be forwarded to the action official noted below for his review and any action deemed necessary. Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action 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.

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Page 2 – Mr. Michael Huff, R.N.

If you have any questions or comments about this report, please do not hesitate to call me or Leon Skros, Audit Manager, at 215-861-4472 or through e-mail at lskros@oig.hhs.gov. To facilitate identification, please refer to report number A-03-03-00381 in all correspondence.

Sincerely yours,

Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official:

Joseph E. Salter, Director
Management Procedures Branch
Management Analysis and Services Office
Centers for Disease Control and Prevention
1600 Clifton Road, N.E., MS E-11
Atlanta, Georgia 30333

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

COMMONWEALTH OF PENNSYLVANIA

**EFFORTS TO ACCOUNT FOR AND
MONITOR SUB-RECIPIENTS' USE OF
PUBLIC HEALTH PREPAREDNESS AND
RESPONSE FOR BIOTERRORISM
PROGRAM FUNDS**



**OCTOBER 2003
A-03-03-00381**

Office of Inspector General

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OAS FINDINGS AND OPINIONS

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



EXECUTIVE SUMMARY

OBJECTIVES

Our objectives were to determine whether the Pennsylvania Department of Health (State agency) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and whether the State agency has established controls and procedures to monitor sub-recipients' expenditures of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether the Public Health Preparedness and Response to Bioterrorism Program (Program) funding supplanted programs previously provided by other organizational sources.

FINDINGS

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by specific focus area.

The State agency had a system to track and monitor sub-recipient activities; such as, application and award processes, grant conditions, ongoing fiscal activities, and reporting. In addition, the State agency was planning to add reviews of Program funds to current audits performed on sub-recipients. Although the State agency had not completed any reviews of Program funds, we believe that review of those funds by the State agency, as part of the sub-recipient audit process, combined with the current system, will provide adequate monitoring and oversight of its sub-recipients.

In response to our inquiry as to whether the State reduced funding to existing public health programs, State agency officials stated that CDC funding had not been used to supplant existing State or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies.

RECOMMENDATION

We recommend that the State agency implement the addition of reviews of Program funds to current audits of sub-recipients and address problem areas, as they are identified.

STATE AGENCY'S COMMENTS

In a written response to our draft report, the State agency concurred with our findings and our recommendation. The State agency's response is included in its entirety as an appendix to this report.

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INTRODUCTION

BACKGROUND

The Program

CDC was designated as the organization responsible for the Program to improve State and other eligible entity preparedness and response capabilities for bioterrorism and other public health emergencies. The Program is referred to as the Public Health Preparedness and Response to Bioterrorism Program and is authorized under Sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service Act [42 U.S.C. sections 241(a), 47b(k)(1)(2), and 247(d)]. The U.S. Code states, in part:

...The Secretary may make grants to States, political subdivisions of States, and other public and nonprofit private entities for – (A) research into the prevention and control of diseases that may be prevented through vaccination; (B) demonstration projects for the prevention and control of such diseases; (C) public information and education programs for the prevention and control of such diseases; and (D) education, training, and clinical skills improvement activities in the prevention and control of such diseases for health professionals (including allied health personnel)....

CDC, under Program Announcement 99051, initiated a cooperative agreement program to fund States and major local public health departments to help upgrade their preparedness and response capabilities in the event of a bioterrorist act.

Annual Program Funding

Years 1 and 2 of the Program covered the period August 31, 1999 through August 30, 2000 and 2001, respectively. Annual funding totaled \$40.9 million and \$41.9 million. Year 3 covered the period August 31, 2001 through August 30, 2002, it was extended through August 30, 2003 with funds totaling \$49.9 million. During Year 3 of the Program, Congress authorized about \$918 million in supplemental funds under the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002, Public Law 107-117. The funds were available on February 19, 2002 and were awarded to States and major local public health departments, under Program Announcement 99051-Emergency Supplemental. Of the awarded amount, 20 percent was available for immediate use. The remaining 80 percent was restricted until CDC approved the required work plans.

Focus Areas

Applicants requested support for activities under one or more of the following focus areas:

- Focus Area A - Preparedness Planning and Readiness Assessment
- Focus Area B - Surveillance and Epidemiology Capacity
- Focus Area C - Laboratory Capacity - Biologic Agents

Focus Area D - Laboratory Capacity - Chemical Agents
 Focus Area E - Health Alert Network/Communications and Information Technology

In Year 3, CDC added two new focus areas, as follows:

Focus Area F - Communicating Health Risks and Health Information Dissemination
 Focus Area G - Education and Training

Eligible Recipients

Grant recipients included all 50 States, the District of Columbia, the Commonwealths of Puerto Rico and the Northern Marianas Islands, American Samoa, Guam, the U.S. Virgin Islands, the republics of Palau and the Marshall Islands, the Federated States of Micronesia, and the nation’s three largest municipalities (New York, Chicago, and Los Angeles County). Those eligible applicants included the health departments of States or their bona fide agents. Applicants were encouraged to apply for funds in all focus areas.

State Agency Funding

The amount of Program funding awarded to the State agency has increased from approximately \$168,000 in 1999 to \$33 million in 2003. The following table details funding for each budget year.

Program Amounts by Budget Year			
	Awarded	Expended	Unobligated
Year 1	\$ 167,844	\$ 121,758	\$ 46,086
Year 2	\$ 210,065 ⁽¹⁾	\$ 130,797	\$ 94,268
Year 3	\$ 33,084,300 ⁽²⁾	\$ 16,656,183 ⁽³⁾	\$ 2,108,480 ⁽³⁾

- (1) Excludes \$15,000 of funds carried forward from Year 1.
- (2) Includes \$32,340,936 of Emergency Supplemental funds and excludes \$125,353 of funds carried forward from Year 2.
- (3) These amounts are as of June 30, 2003 and were provided by the State agency. We did not verify these amounts with State agency accounting records.

OBJECTIVE, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine whether the State agency properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and whether the State agency has established controls and procedures to monitor sub-recipients’ expenditures of CDC funds. In addition, we inquired as to whether Program funding supplanted programs previously provided by other organizational sources.

Scope

Our review was limited in scope and conducted for the purpose described above and would not necessarily disclose all material weaknesses. Accordingly, we do not express an opinion on the system of internal accounting controls. In addition, we did not determine whether costs charged to the Program were allowable.

Our audit included a review of State agency policies and procedures, financial reports, and accounting transactions during the period August 31, 1999 through February 28, 2003.

Methodology

We developed a questionnaire to address the objectives of the review. The questionnaire covered the areas: (i) the grantee organization, (ii) funding, (iii) accounting for expenditures, (iv) supplanting, and (v) sub-recipient monitoring. Prior to our fieldwork, we provided the questionnaire for the State agency to complete. During our on-site visit, we interviewed State agency staff and obtained supporting documentation to validate the responses on the questionnaire.

Fieldwork was conducted at the State agency offices in Harrisburg, Pennsylvania, and the HHS Office of Inspector General Regional Office in Philadelphia, Pennsylvania during May and June 2003. The State agency's comments on the draft report are included in their entirety as an appendix to this report. A summary of the State agency's comments follows the *Findings and Recommendation* section.

Our review was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported bioterrorism transactions by specific focus area.

The State agency had a system to track and monitor sub-recipient activities; such as, application and award processes, grant conditions, ongoing fiscal activities, and reporting. In addition, the State agency was planning to add reviews of Program funds to current audits performed on sub-recipients. Although the State agency had not completed any reviews of Program funds, we believe that review of those funds by the State agency, as part of the sub-recipient audit process, combined with the current system, will provide adequate monitoring and oversight of its sub-recipients.

In response to our inquiry as to whether the State reduced funding to existing public health programs, State agency officials stated that CDC funding had not been used to supplant existing

State or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies.

Accounting for Expenditures

An essential aspect of the Program is the need for the grantee to accurately and fully account for bioterrorism funds. Accurate and complete accounting of Program funds provides the CDC with a means to measure the extent that the Program is being implemented and the objectives are being met.

In that regard, recipients of Program grant funds are required to track expenditures by focus area. Note 3: Technical Reporting Requirements of the original Cooperative Agreement states:

...To assure proper reporting and segregation of funds for each focus area, Financial Status Reports (FSR's) which reflect the cooperative agreement number assigned to the overall project must be submitted for individual focus areas...

The State agency recorded, summarized, and reported transactions by specific focus area designated in the cooperative agreements.

Sub-recipient Monitoring

Recipients of Program grant funds were required to monitor their sub-recipients. The PHS Grants Policy Statement requires that: "grantees employ sound management practices to ensure that Program objectives are met and that project funds are properly spent." It states recipients must:

...establish sound and effective business management systems to assure proper stewardship of funds and activities....

In addition, the Policy Statement states that grant requirements apply to subgrantees and contractors under the grants.

...Where subgrants are authorized by the awarding office through regulations, program announcements, or through the approval of the grant application, the information contained in this publication also applies to subgrantees. The information would also apply to cost-type contractors under grants....

The State agency had a system to track and monitor sub-recipients. State agency personnel provided funds to each sub-recipient upfront. Prior to disbursing additional funds, the State agency reviewed and approved all expenditures made by the sub-recipient. In addition, the State agency was planning to add reviews of Program funds to current audits performed on sub-recipients. Although the State agency had not completed any reviews of Program funds, we believe that review of those funds by the State agency, as part of the sub-recipient audit process, combined with the current system, will provide adequate monitoring and oversight of its sub-recipients.

Supplanting

Program funds, original and supplemental, were to be used to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. The funds were not to be used to supplant existing Federal, State, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure within the jurisdiction. Program Announcement 99051 states:

“Cooperative agreement funds under this program may not be used to replace or supplant any current State or local expenditures of the Public Health Service Act.”

In response to our inquiry as to whether the State reduced funding to existing public health programs, State agency officials stated that CDC funding had not been used to supplant existing State or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies.

RECOMMENDATION

We recommend that the State agency implement the addition of reviews of Program funds to current audits of sub-recipients and address problem areas, as they are identified.

STATE AGENCY’S COMMENTS

In a written response to our draft report, the State agency concurred with our findings and our recommendation. The State agency’s response is included in its entirety as an appendix to this report.

APPENDIX



DEPUTY SECRETARY FOR
ADMINISTRATION

August 22, 2003

Leon Skros, Audit Manager
DHHS-OIG Office of Audit Services
150 South Independence Mall West, Suite 316
Philadelphia, Pennsylvania 19106

Reference: Report Number A-03-03-00381
Report Number A-03-03-00382

Dear Mr. Skros:

The Pennsylvania Department of Health (State Agency) has listed below its resolution of the recommendations in the reports titled "Commonwealth of Pennsylvania, Efforts to Account for and Monitor Sub-Recipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds," (Report Number A-03-03-00381) and "Commonwealth of Pennsylvania, Efforts to Account for and Monitor Sub-Recipients' Use of Bioterrorism Hospital Preparedness Planning Program Funds," (Report Number A-03-03-00382), dated August 2003.

**Efforts to Account for and Monitor Sub-Recipients' Use of
Public Health Preparedness and Response for Bioterrorism Program Funds
(Report Number A-03-03-00381)**

Recommendation: We recommend that the State Agency implement the addition of reviews of Program funds to current audits of sub-recipients and address problem areas, as they are identified.

Action: As noted in the report, the State Agency has a system in place to track and monitor sub-recipient activities. Specifically, award processes, grant conditions, ongoing fiscal activities and reporting of funds allocated to County and Municipal Health Departments are monitored closely. Going forward, additional reviews will be implemented, and sub-recipient vendors will be tracked through the Commonwealth's accounting system and through established internal tracking systems.

Reviews of Program funds for all sub-recipients will be conducted by the State Agency on a quarterly basis or more frequently, if necessary. Sub-recipient activities will be reviewed for compliance with critical benchmarks, in accordance with an initial budget submitted to, and approved by, the State Agency.

Leon Skros

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August 22, 2003

The State Agency has requested additional staff in the Year 04 grant application which will provide additional oversight of sub-recipient activities. In addition, a Budget Analyst has been requested to be dedicated to the financial oversight of grant funds.

**Efforts to Account for and Monitor Sub-Recipients' Use of
Bioterrorism Hospital Preparedness Planning Program Funds**
(Report Number A-03-03-00382)

Recommendation: We recommend that the State Agency segregate Program expenditures by phase, within phase, and by priority area.

Action: Using the Commonwealth's accounting system and established internal tracking systems, the State Agency will maintain the tracking expenditures by Priority Area, by Critical Benchmark, and by funds allocated to hospitals and other health care entities.

Recommendation: We recommend that the State Agency request HRSA provide additional guidance concerning the recording and reporting of the fee paid to the Hospital and Health Systems Association of Pennsylvania (HAP).

Action: Year 02 HRSA funding will be awarded directly to hospitals eliminating the HAP pass through. Contracted work performed by the Hospital and Health Systems Association of Pennsylvania will comply with Grant Guidance and will not be a portion of the 80% distribution to health care facilities.

Recommendation: We recommend that the State Agency implement a site visit component as part of its sub-recipient activities tracking and monitoring system and address problem areas as they are identified.

Action: The State Agency plans to hire one full-time position identified as the Hospital Grants Administrator, who will be responsible for monitoring the reporting of expenditures by the sub-recipient hospitals, including site visits to verify submitted expense reports and will include a site component. In addition, six field staff will be responsible for onsite technical assistance, as needed.

Should a problem area be identified through a sub-recipient audit, the sub-recipient will be notified in writing and further grant funding will be restricted until remediation is demonstrated to the satisfaction of the State Agency.

If you have any questions or comments, please direct them to Michael Huff, Acting Director for Office of Public Health Preparedness, at (717) 787-4366.

Sincerely,



Michael C. Ball
Acting Deputy Secretary for Administration