



MAR 4 2005

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Report Number: A-01-04-01503

Dr. Alfred Demaria, Jr.
Assistant Commissioner
Massachusetts Department of Public Health
State Laboratory Institute
350 South Street, Room 557
Jamaica Plain, MA 02130

Dear Dr. Demaria:

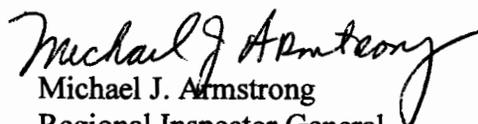
Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services' report entitled "Audit of Costs and Reporting of Funds Under the Public Health and Response to Bioterrorism Program for the Period August 31, 1999 - August 30, 2004."

Final determination as to actions taken on all matters 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 include any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General reports are made available to members of the public to the extent information contained therein is not subject to exemptions under the Act (See 45 CFR Part 5).

To facilitate identification, please refer to report number A-01-04-01503 in all correspondence.

Sincerely yours,


Michael J. Armstrong
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:
Analysis Management Team Lead
Management Analysis and Services Office
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE STATE OF
MASSACHUSETTS' COSTS AND
REPORTING OF FUNDS UNDER THE
PUBLIC HEALTH PREPAREDNESS AND
RESPONSE TO BIOTERRORISM
PROGRAM FOR THE PERIOD
AUGUST 31, 1999 - AUGUST 30, 2004**



**MARCH 2005
A-01-04-01503**

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

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 HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

States and major local health departments receive Centers for Disease Control and Prevention (CDC) funding under sections 301 and 319 of the Public Health Service Act to improve their bioterrorism preparedness and response capabilities under the Public Health Preparedness and Response for Bioterrorism Program (Program). The State of Massachusetts Department of Public Health entered into a cooperative agreement with the CDC to carry out the responsibilities of the Program. For the five year project period under audit (August 31, 1999 through August 30, 2004), the State of Massachusetts was awarded \$45.6 million.

OBJECTIVES

The objectives of this audit were to determine whether the State:

- recorded and reported CDC bioterrorism preparedness program funds awarded, expended, obligated, and unobligated by focus area in accordance with the cooperative agreement;
- ensured that bioterrorism preparedness program funds were used for necessary, reasonable, allocable, and allowable costs in accordance with the terms of the cooperative agreement; and
- supplanted current State or local funding with bioterrorism preparedness program funds.

SUMMARY OF RESULTS

The State recorded and reported bioterrorism preparedness program funds by focus area in accordance with the cooperative agreement. We found no evidence of any unreasonable, unnecessary, unallocable or unallowable costs. In addition, we found no evidence of supplanting of State or local expenditures with Federal bioterrorism preparedness program funds.

CDC has emphasized that activities funded through the bioterrorism preparedness program are considered to be of core importance to the security of the country and that funded applications should be pursued vigorously with as little time lost in start-up as possible. However, we did note that, as of August 30, 2004, the State had cumulative unobligated funds totaling \$11,036,536, or 24 percent of the \$45,592,117 awarded. Large recurring unobligated balances suggest that funds were not fully utilized in a timely manner to meet important bioterrorism preparedness program goals.

RECOMMENDATION

We recommend that the State monitor its bioterrorism funding to minimize unobligated fund balances and to ensure that program goals are met in a timely manner.

AUDITEE RESPONSE

In a written response, dated February 14, 2005, the State concurred with our finding and recommendation.

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INTRODUCTION

BACKGROUND

Public Health Preparedness and Response for Bioterrorism Program

States and major local health departments receive CDC funding to improve their bioterrorism preparedness and response capabilities under the Public Health Preparedness and Response for Bioterrorism Program. The bioterrorism preparedness program is 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)).

CDC initiated cooperative agreements with awardees requiring them to report the bioterrorism preparedness program expenditures by focus area as directed by Program Announcement 99051. Specifically, the notice of cooperative agreement states: "To assure proper reporting and segregation of funds for each focus area, Financial Status Reports...must be submitted for individual focus areas not later than 90 days after the end of the budget period." In Massachusetts, the Department of Public Health is responsible for carrying out the responsibilities of the Program. For the five-year project period under audit (August 31, 1999 through August 30, 2004), the State of Massachusetts was awarded \$45.6 million.

The CDC's bioterrorism preparedness program funding is divided into seven focus areas (See Appendix). Eligible applicants could request funds for activities under one or more of these 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/Training
- Focus Area F - Communicating Health Risks and Health Information Dissemination
- Focus Area G - Education and Training

Bioterrorism preparedness program funds were meant to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. Program Announcement 99051 states "...cooperative agreement funds under this program may not be used to replace or supplant any current state or local expenditures." Further, Program Announcement 99051 also advised "...activities to be funded through the bioterrorism preparedness program are considered to be of core importance to the security of the country and that funded applications should be pursued vigorously with as little time lost in start-up as possible."

Prior OIG Report

In a previous report to the State of Massachusetts Department of Public Health (Report Number A-01-03-01504, dated October 2003) we noted that the State had established an automated

financial accounting system capable of tracking expenditures by Focus Area (FA), by critical benchmark and by funding to subrecipients. However, we noted that significant unobligated funds accumulated as a result of the State's extensive consultative and collaborative needs assessment process.

State Funding

Bioterrorism preparedness program funding awarded to the State has increased from \$1.3 million in 1999 to \$21.1 million in 2004. Total cumulative funds awarded including carry forwards equaled \$45.6 million as of August 30, 2004.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of our audit were to determine whether the State:

- recorded and reported CDC bioterrorism preparedness program funds awarded, expended, obligated, and unobligated by focus area in accordance with the cooperative agreement;
- ensured that the bioterrorism preparedness program funds were used for necessary, reasonable, allocable, and allowable costs in accordance with the terms of the cooperative agreement; and
- supplanted current State or local funding with bioterrorism preparedness program funds.

Scope

Our audit covered State policies and procedures for accounting and financial reporting of bioterrorism preparedness program funding for the period August 31, 1999 to August 31, 2004. We limited our cost testing to transactions occurring as of March 31, 2004.

Our audit was conducted for the purposes described above and would not necessarily disclose all material weaknesses. We did not review the overall internal control structure of the State or its subrecipients. Our internal control review was limited to obtaining an understanding of the State and selected subrecipients' procedures to account for Program funds.

Our review of the allowability of bioterrorism program expenditures was limited to non-statistical samples of expenditures by the State and the only two subrecipients that had expended program funds as of March 31, 2004, the Boston Public Health Commission and the Cambridge Health Alliance. As of March 31, 2004, State expenditures totaled \$17,895,691. As part of the total State expenditures, the Boston Public Health Commission expended \$967,979 and the Cambridge Health Alliance distributed \$314,196 to the 27 communities in its region.

Methodology

To accomplish our objectives, we:

- tested the Financial Status Reports for completeness and accuracy, reconciling the amounts reported on the FSRs to the accounting records and Notice of Cooperative Agreement Awards;
- reviewed the timing of budget reductions versus bioterrorism funding, and costs reported for fiscal years prior and subsequent to receiving Program funding;
- inquired as to employment history for a sample of staff with salaries charged to the Program to determine whether any employees had been relocated from other programs and if the position was filled;
- reviewed expenditure reports from two subrecipients, the Cambridge Health Alliance and the Boston Public Health;
- selected for cost testing all State personnel supported by the Federal grant, all expenditures made by the two subrecipients selected for review, and additional expenditures based on materiality; resulting in a non-statistical sample of 193 program expenditures, totaling \$9.3 million;
- reviewed the State's contracts with the City of Boston and each of the 15 regional coalitions.

We conducted our field work between March and November 2004 at State offices in Boston, Massachusetts and at the State Laboratory Institute in Jamaica Plain, Massachusetts. We performed our work in accordance with generally accepted government auditing standards.

SUMMARY OF RESULTS

The State properly recorded and reported bioterrorism preparedness program funds by focus area in accordance with the cooperative agreement. In addition, we found no evidence of any unreasonable, unnecessary, unallocable or unallowable costs. Further, we found no evidence of supplanting of State or local expenditures with bioterrorism preparedness program funds.

CDC has emphasized that activities funded through the bioterrorism preparedness program are considered to be of core importance to the security of the country and that funded applications should be pursued vigorously with as little time lost in start-up as possible. However, we did note that, as of August 30, 2004, the State had cumulative unobligated funds totaling \$11,036,536, or 24 percent of the \$45,592,117 awarded. Large recurring unobligated balances

suggest that funds were not fully utilized in a timely manner to meet important bioterrorism preparedness program goals.

RECORDING AND REPORTING BIOTERRORISM PROGRAM FUNDS

The State recorded and reported transactions by specific focus area designated in the cooperative agreements. At the State, each federal grant is assigned a unique account number for fiscal activity. An organizational code is also assigned to each of the focus areas and the funds budgeted and spent are tracked in accordance with the Commonwealth of Massachusetts Expenditure Classification Handbook and financial regulations. However, we did note that the State had accumulated a significant unobligated fund balance as of August 30, 2004.

Unobligated Fund Balance

Although the State had recorded and reported bioterrorism preparedness program funds awarded, expended, obligated, and unobligated in accordance with cooperative agreement guidelines, the State had a cumulative unobligated fund balance of \$11,036,536, or 24 percent of the \$45,592,117 awarded, as of August 30, 2004.

Program Announcement 99051 states that “activities to be funded through the bioterrorism preparedness program are considered to be of core importance to the security of the country and that funded applications should be pursued vigorously with as little time lost in start-up as possible. Unobligated funds are monies that have been awarded but have not been obligated or expended. Requests to carry-forward unobligated supplemental FY 2002 funds must be made in writing to the CDC Grants Office by July 1, 2003, under separate cover from the continuation application. ...Estimated FY 2002 supplemental unobligated funds that are not adequately justified or for which a written carry-over request is not received by July 1, 2003 will be brought forward in lieu of new (FY 2003) funds.”

Funds Awarded but Not Obligated or Expended

The State had cumulative unobligated balances of \$11 million, out of \$45.6 million awarded, as of August 30, 2004.

State Balances (in thousands) at Budget Period End ¹ as of August 30, 2004							
Budget Period	Awarded	Carried Forward	Awarded + Carried Forward	Expended	Obligated	Unobligated	Remaining Balance
1	\$1,349	\$0	\$1,349	\$1,099	\$250	\$0	\$250
2	\$1,587	\$250	\$1,837	\$1,227	\$610	\$0	\$610
3	\$21,514	\$610	\$22,125	\$10,889	\$3740	\$7,496	\$11,235
4	\$21,141	\$11,235	\$32,377	\$21,341	\$0	\$11,037	\$11,037
Total	\$45,592			\$34,556			

¹ Although there were 4 budget periods at the time of our review, the bioterrorism preparedness program was actually a five-year project period, August 31, 1999, through August 30, 2004. Budget periods were annual, except for Period 3, which covered the two-year period August 31, 2001, through August 30, 2003.

The above table shows State balances at the end of each budget period (See Appendix for expenditures by focus area). These balances are based on Notices of Cooperative Agreements and State accounting records.

For periods one through three, the CDC approved State requests for carryforwards of emergency preparedness funds by allowing such carryforwards to be added on to the approved notice of grant award for the next period. With regard to the State's current request to carryforward \$11 million from period four to period five, \$5.5 million was approved by the CDC and \$5.5 million is pending approval. The State anticipated that these funds would be expended by December 31, 2004.

Expenditure Delays Resulted from the Process Required to Establish Regional Coalitions

The State's process for establishing regional coalitions that were critical in the appropriate distribution of funding caused unobligated fund balances and carryforward requests.

In the spring of 2002 the State established advisory committees that determined that 60 percent of the grant funds would be earmarked for local health departments. Since Massachusetts does not have a county health system, a local health preparedness coordinator was hired to coordinate with 351 cities and towns, throughout the State, separately grouped into seven bioterrorism preparedness regions.

In October 2003, the State's Center for Emergency Preparedness established a process for forming sustainable public health coalitions in five of the seven Emergency Preparedness Regions throughout the Commonwealth. Timetables, deliverables, expectations, and contract requirements for subrecipients were developed. Information gathered from discussions and interviews with numerous State and local public health leaders throughout Massachusetts was used in designing a flexible, phased, and results-oriented coalition formation process for local public health in the State.

As a result of meetings held throughout the State from mid-November 2003 through early December 2003, regional or sub-regional coalitions emerged. Communities that would make up the regional sub-coalitions were identified along with host agencies. Plans to continue this process were developed, specifying due dates for Letters of Intent and a schedule for the next meetings. Through January and February of 2004, "Letters of Intent" were submitted by cities and towns, agreeing to host cities and establishing 15 regional coalitions throughout Massachusetts. Regional coalitions could then redistribute Federal funds to reimburse their local cities and towns for program expenditures. The State expects that these regional coalitions will expedite the expenditure of all program funds.

Bioterrorism Preparedness Program Funds Not Fully Utilized

Recurring unobligated balances and carry forwards suggest that funds were not fully utilized to meet important bioterrorism preparedness program goals and may indicate a need for stronger program oversight.

RECOMMENDATION

We recommend that the State monitor its bioterrorism funding to minimize unobligated fund balances and to ensure that program goals are met in a timely manner.

ALLOWABILITY OF BIOTERRORISM PREPAREDNESS PROGRAM COSTS

Office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, provides basic guidelines for the allowability of costs under Federal awards by providing that costs must "...be allocable to..." and "...be necessary and reasonable for proper and efficient performance and administration of..." the award. In addition, the guidelines state costs must be adequately documented.

We found that the bioterrorism preparedness program funds were used for allowable costs at the State and its subrecipients, under the terms of the cooperative agreement. We were able to support the necessity, reasonableness, allocability, and allowability of all 193 expenditures, totaling \$9.3 million, selected for review (162 at the State and 31 at the subrecipients).

SUPLANTING

Program Announcement 99051 states "...cooperative agreement funds under this program may not be used to replace or supplant any current state or local expenditures." Both original and supplemental bioterrorism preparedness program funds were meant to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. The funds could not supplant existing Federal, State, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, or public health infrastructure within the jurisdiction.

Based on reviews of cost transfers, the timing of State and local budget reductions versus Federal bioterrorism funding, and costs reported for fiscal years prior and subsequent to receiving bioterrorism preparedness program funding, we found no evidence of supplanting at the State or the subrecipients reviewed. In regard to our assessment of the employment history for a sample of bioterrorism preparedness program employees, we determined that previous duties of all bioterrorism preparedness program employees were either absorbed by or reassigned to other staff not funded by the CDC bioterrorism preparedness program.

AUDITEE RESPONSE

In a written response, dated February 14, 2005, the State concurred with our findings and recommendation. The State's written comments are attached in their entirety as Appendix B to this report.

APPENDIXES

**Public Health Preparedness and Response for Bioterrorism Program
State Expenditures by Focus Area
for the period August 31, 1999 through August 30, 2004**

(Total Expenditures of \$34,555,580)

Period	FOCUS AREAS						
	A Preparedness Planning and Readiness Assessment	B Surveillance and Epidemiology Capacity	C Lab Capacity- Biological Agents	D Lab Capacity Chemical Agents	E Health Alert Network Training	F Communicating Health Risks and Health Information	G Education and Training
1	\$0	\$351,176	\$220,013	\$0	\$527,466	\$0	\$0
2	\$0	\$565,698	\$169,075	\$0	\$492,185	\$0	\$0
3	\$1,341,692	\$3,302,070	\$2,175,456	\$0	\$2,020,717	\$408,828	\$1,640,435
4	\$4,176,344	\$4,544,624	\$4,102,887	\$397,641	\$4,356,890	\$1,270,516	\$2,491,867
Total	\$5,518,036	\$8,763,568	\$6,667,431	397,641	\$7,397,258	\$1,679,344	\$4,132,302

DESCRIPTION OF FOCUS AREAS

FOCUS AREA A: Preparedness Planning and Readiness Assessment; Establishes a process for strategic leadership, direction, coordination, and assessment of activities to ensure state and local readiness, interagency collaboration, and preparedness for bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies.

FOCUS AREA B: Surveillance and Epidemiology Capacity; Rapidly detects a terrorist event through a highly functioning, mandatory reportable disease surveillance system, as evidenced by ongoing timely and complete reporting by providers and laboratories in a jurisdiction, especially of illnesses and conditions possibly resulting from bioterrorism, other infectious disease outbreaks, and other public health threats and emergencies.

FOCUS AREA C: Laboratory Capacity – Biologic Agents; Develops and implements a jurisdiction-wide program to provide rapid and effective laboratory services in support of the response to bioterrorism, other infectious disease outbreaks, and other public health threats and emergencies.

FOCUS AREA D: Laboratory Capacity – Chemical Agents; Develops and implements a jurisdiction-wide program that provides rapid and effective laboratory response for chemical terrorism by establishing competency in collection and transport of clinical specimens to laboratories capable of measuring chemical threat agents.

FOCUS AREA E: Health Alert Network Training; Ensures effective communications connectivity among public health departments, healthcare organizations, law enforcement organizations, public officials, and others as evidenced by: a) continuous, high speed connectivity to the Internet; b) routine use of e-mail for notification of alerts and other critical communication; and c) a directory of public health participants (including primary clinical personnel), their roles, and contact information covering all jurisdictions.

FOCUS AREA F: Communicating Health Risks and Health Information; Provides needed health/risk information to the public and key partners during a terrorism event by establishing critical baseline information about the current communication needs and barriers within individual communities, and identifying effective channels of communication for reaching the general public and special populations during public health threats and emergencies.

FOCUS AREA G: Education and Training; Ensures the delivery of appropriate education and training to key public health professionals, infectious disease specialists, emergency department personnel, and other healthcare providers in preparedness for and response to bioterrorism, other infectious disease outbreaks, and other public health threats and emergencies, either directly or through the use (where possible) of existing curricula and other sources, including schools of public health and medicine, academic health centers, CDC training networks, and other providers.