

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**HEALTH RESEARCH, INC.,
BUDGETED COSTS THAT WERE
APPROPRIATE AND CLAIMED
ALLOWABLE HURRICANE SANDY
DISASTER RELIEF ACT FUNDS
UNDER GRANT NUMBER
1U01TP000567**

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Office of Inspector General

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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.

Health Research, Inc., a Centers for Disease Control and Prevention grantee, budgeted costs that were appropriate and claimed allowable Hurricane Sandy Disaster Relief Act funds over a 2-year period.

INTRODUCTION

WHY WE DID THIS REVIEW

Hurricane Sandy made landfall on October 29, 2012, devastating portions of the mid-Atlantic and northeastern United States and leaving victims of the storm and their communities in need of disaster relief aid. On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act of 2013, P.L. No. 113-2 (Disaster Relief Act), which, in part, provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy.¹ This funding was available until September 30, 2015. After sequestration, the Department received \$759.5 million in Disaster Relief Act funding, \$7.4 million of which was allocated to the Centers for Disease Control and Prevention (CDC). CDC awarded approximately \$405,000 of the Disaster Relief Act funds it received to Health Research, Inc. (HRI), to assist the New York State Department of Health (DOH) in its evaluation of New York's public health system in its preparation, response, and recovery from Hurricane Sandy, and to research modifications needed to improve future response and recovery.

The Disaster Relief Act mandated the Department's Office of Inspector General (OIG) to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Disaster Relief Act funds. This review is part of OIG's Disaster Relief Act oversight activities.

OBJECTIVES

Our objectives were to determine whether HRI's Disaster Relief Act budgeted costs were appropriate and HRI's claimed costs were allowable in accordance with Federal requirements.

BACKGROUND

Centers for Disease Control and Prevention

CDC is the Nation's leading public health agency, dedicated to saving and protecting the health of Americans. To accomplish its mission, CDC conducts critical science and provides health information that protects the Nation against expensive and dangerous health threats and responds when these arise. CDC received \$7.4 million in Disaster Relief Act funding and allocated the

¹ The Budget Control Act of 2011 (P.L. No. 112-25) reduced the Hurricane Sandy disaster relief funds the Department received from approximately \$800 million to \$759.5 million. The law imposed automatic spending cuts, known as "sequestration," designed to reduce the Federal deficit. The Office of Management and Budget determined that disaster relief funds were subject to sequestration, and as a result, the funds were reduced by approximately \$40.5 million.

funds to programs administered by three CDC units: the Office of Public Health Preparedness and Response (\$4.6 million), the National Institute for Occupational Safety and Health (\$2.7 million), and the National Center of Environmental Health (\$100,000).

Health Research, Inc.

HRI is a not-for-profit corporation affiliated with DOH. HRI's mission is to assist DOH to effectively evaluate, solicit, and administer external financial support for DOH projects and to disseminate the benefits of scientific expertise. DOH is responsible for coordinating and managing all activities for public health and healthcare facility preparedness during public health emergencies.

Hurricane Sandy Disaster Recovery Research

For the period September 30, 2013, through September 29, 2015, CDC awarded \$404,986 in Disaster Relief Act funds to HRI under grant number 1U01TP000567 to assist DOH in conducting research designed to evaluate State and local public health system efforts to recover from Hurricane Sandy and identify ways to improve these efforts in the future.² HRI proposed to assist DOH in developing surveys, conducting focus groups of providers, interviewing providers, designing and developing databases and data entry tools to collect research data, and summarizing the results of the research activities.

Federal Requirements

By accepting the Disaster Relief Act grant funds, HRI agreed to comply with regulations governing Federal grants. Title 45, part 74, of the Code of Federal Regulations establishes uniform administrative requirements governing Department grants and agreements awarded to nonprofit organizations. As a nonprofit organization in receipt of Federal funds, HRI must comply with Federal cost principles in 2 CFR part 230, *Cost Principles for Non-Profit Organizations*.³ These cost principles require that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and otherwise allowable.

HOW WE CONDUCTED THIS REVIEW

We reviewed budgeted costs for Disaster Relief Act funds totaling \$115,598 that HRI had not expended for the research grant as of March 31, 2015. We also reviewed \$289,388 in Disaster Relief Act funding that HRI claimed for the research grant for the period September 30, 2013, through March 31, 2015.

² HRI's budget was approved by CDC, and the research grant included funds for salaries and wages (\$232,043), fringe benefits (\$92,331), supplies (\$2,385), travel (\$3,569), and facilities and administrative costs (\$74,658).

³ The Office of Management and Budget Circular No. A-122, *Cost Principles for Non-Profit Organizations* was relocated to 2 CFR part 230 and made applicable by 45 CFR § 74.27(a). Although not applicable to this audit, HHS promulgated new grant regulations at 45 CFR Part 75. The new regulation only applies to awards made on or after December 26, 2014.

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 objectives.

The Appendix contains the details of our audit scope and methodology.

RESULTS OF REVIEW

HRI appropriately budgeted and claimed allowable Hurricane Sandy Disaster Relief Act funding. Accordingly, this report does not contain recommendations.

APPENDIX: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed budgeted costs for Disaster Relief Act funds totaling \$115,598 that HRI had not expended for the research grant as of March 31, 2015. We also reviewed \$289,388 in Disaster Relief Act funding that HRI claimed for the research grant for the period September 30, 2013, through March 31, 2015, and the internal controls HRI implemented to manage Disaster Relief Act funds.

We performed our fieldwork at HRI's and DOH's offices in Albany, New York, from July through October 2015.

METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable Federal laws, regulations, and guidance;
- met with HRI officials to discuss procedures for allocating, accounting for, reporting on, and monitoring the use of Hurricane Sandy funds;
- reviewed HRI's request for application (SF-424-R&R) related to the research grant and CDC's notices of awards to gain an understanding of the project, its objectives, and the terms and conditions of the awards;
- reviewed HRI's budgeted costs in the quarterly progress reports submitted to CDC and determined whether proposed budgeted costs were appropriate;
- reviewed HRI's financial, budgeting, and procurement policies;
- interviewed HRI officials and reviewed HRI's internal controls and procedures for managing and claiming Disaster Relief Act funds and obtained an understanding of how HRI allocated costs to different Federal awards;
- reconciled HRI's reported Disaster Relief Act expenditures to its accounting records;
- reviewed HRI's claimed Disaster Relief Act costs to determine allowability in accordance with Federal requirements; and
- discussed the results of our review with HRI officials.

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 objectives.