



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

SEP 15 2008

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

Report Number: A-04-07-03517

Ed Thompson, M.D., M.P.H.
State Health Officer
Mississippi State Health Department
P.O. Box 1700, O-416
Jackson, Mississippi 39215-1700

Dear Dr. Thompson:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Allowability of Costs Claimed for Reimbursement Under Mississippi's Bioterrorism and Emergency Preparedness Programs for the Period August 31, 2004, Through August 30, 2006." We will forward a copy of this report to the HHS action official noted below.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-04-07-03517 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Peter J. Barbera".

Peter J. Barbera
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Gary Teague, Acquisition & Assistance Analyst
Office of Policy, Oversight, and Evaluation
Centers for Disease Control and Prevention
Procurement and Grants Office (MS E-14)
2920 Brandywine Road, Room 1122
Atlanta, Georgia 30341

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ALLOWABILITY OF COSTS
CLAIMED FOR REIMBURSEMENT
UNDER MISSISSIPPI'S
BIOTERRORISM AND
EMERGENCY PREPAREDNESS
PROGRAMS FOR THE PERIOD
AUGUST 31, 2004, THROUGH
AUGUST 30, 2006**



Daniel R. Levinson
Inspector General

September 2008
A-04-07-03517

Office of Inspector General

<http://oig.hhs.gov>

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Notices

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

Pursuant to 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 generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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 funding mechanisms collectively as “the Program.”

In Mississippi, the Mississippi State Department of Health (the State agency), administers the Program. For the period August 31, 2004, through August 30, 2006, the State agency claimed Program reimbursement totaling \$23.8 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 RESULTS

The \$23,756,898 that the State agency claimed for reimbursement for the period August 31, 2004, through August 30, 2006, was allowable, allocable, and reasonable. Accordingly, this report contains no recommendations.

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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. This program covered a 5-year project period, with the first budget year covering August 31, 2005, to August 30, 2006.

Both the Public Health Preparedness and Response for Bioterrorism Program and the Public Health Emergency Preparedness Program were 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 247d). We refer to these two funding mechanisms 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) no more than 90 days after the end of the budget period and a final FSR 12 months after the end of the budget period showing the amounts expended, obligated, and unobligated.

Mississippi Program Funding

In Mississippi, the Mississippi State Department of Health (the State agency), administers the Program and distributes some funds to subrecipients, such as universities and other Mississippi State agencies, to carry out Program objectives. For budget years 2004–2005 and 2005–2006 (August 31, 2004, through August 30, 2006), the State agency was awarded approximately \$27 million and expended approximately \$23.8 million. The State agency carried the remaining \$3.2 million forward to budget year 2006–2007. Table 1 summarizes the awarded and expended amounts.

Table 1: Awarded and Expended Amounts

Budget Year	Budget Period	Awarded	Expended
2004–2005	8/31/2004–8/30/2005	\$14,303,036	\$12,341,050
2005–2006	8/31/2005–8/30/2006	\$12,652,801	\$11,415,848
Total		\$26,955,837	\$23,756,898

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

Our audit covered the \$23.8 million in direct and indirect costs that the State agency claimed for Program activities during the 2-year period August 31, 2004, through August 30, 2006. We limited our review of direct costs to nonstatistical samples of Program expenditures.

We did not review the overall internal control structure of the State agency or its subrecipients. We limited our review of internal controls to obtaining an understanding of (1) the procedures that the State agency and two subrecipients, Copiah Lincoln Community College (Copiah-Lincoln) and the Mississippi State University Extension Service—Center for Governmental Training (MSU-CGT), used to account for Program funds and (2) the State agency's subrecipient monitoring procedures.

We conducted our fieldwork at the State agency, Copiah-Lincoln in Wesson, Mississippi, and at the MSU-CGT, in Starkville, Mississippi, from April 2007 through December 2007.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations, State policies, and program guidance;
- reviewed the State agency's accounting procedures and monitoring of subrecipients;
- 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 rate and base in its "State and Local Rate Agreement" approved by the Department of Health and Human Services, Division of Cost Allocation;¹
- interviewed officials and employees from the Mississippi State Department of Health and the Mississippi Office of the State Auditor;

¹OMB 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.

- reviewed for evidence of supplanting all programs related to infectious diseases, bioterrorism, and emergency preparedness and response;²
- selected and tested a nonstatistical sample of 119 payroll and nonpayroll expenditures totaling \$5,031,876 to determine whether the State agency expended Program funds for reasonable, necessary, allowable, and allocable costs; and
- reviewed the procedures to account for funds expended by two subrecipients: Copiah-Lincoln and the MSU-CGT.

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.

RESULTS OF REVIEW

The \$23,756,898 that the State agency claimed for reimbursement for the period August 31, 2004, through August 30, 2006, was allowable, allocable, and reasonable. Accordingly, this report contains no recommendations.

²Section 319(c) of the Public Health Service Act (42 U.S.C. § 247d) states that Program funds are meant to augment current funding and not to replace or supplant any current State or local expenditures.