



March 9, 2010

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Director
Centers for Disease Control and Prevention

FROM: /Lori S. Pilcher/
Assistant Inspector General for Grants, Internal Activities,
and Information Technology Audits

SUBJECT: Centers for Disease Control and Prevention: Internal Control Review of the Process for Awarding American Recovery and Reinvestment Act Funds for Healthcare-Associated Infections Programs (A-04-09-01064)

The attached final report provides the results of our review of internal controls over the process for awarding American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), funds at the Centers for Disease Control and Prevention (CDC). This review was part of the Office of Inspector General's assessment of whether the Department of Health & Human Services is using Recovery Act funds in accordance with legal and administrative requirements and is meeting the accountability objectives defined by the Office of Management and Budget.

The Recovery Act was signed into law by President Obama on February 17, 2009. The Recovery Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. All Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls and implement oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

Our objective was to assess the internal controls the CDC has in place over the grants-award process used to award Recovery Act funds and to determine whether the controls have been suitably designed.

The internal controls over the grant-award process used to award Recovery Act funds, as described by CDC management, are suitably designed to provide reasonable assurance that the specified internal control objectives would be achieved if the described internal controls were complied with satisfactorily and applied as designed. However, we did not perform procedures

to determine the operating effectiveness of these internal controls. Accordingly, we express no opinion on the operating effectiveness of any aspect of CDC's internal controls over the grant-award process used to award Recovery Act funds, individually or in the aggregate.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, the final report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-04-09-01064 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CENTERS FOR DISEASE CONTROL AND
PREVENTION: INTERNAL CONTROL
REVIEW OF THE PROCESS FOR
AWARDING AMERICAN RECOVERY AND
REINVESTMENT ACT FUNDS FOR
HEALTHCARE-ASSOCIATED
INFECTIONS PROGRAMS**



Daniel R. Levinson
Inspector General

March 2010
A-04-09-01064

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 and 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:

Office of Audit Services

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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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

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Notices

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

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), was signed into law by President Obama on February 17, 2009. The Recovery Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

Every taxpayer dollar spent on the economic recovery must be subject to unprecedented levels of transparency and accountability. The five crucial objectives for the Department of Health and Human Services and its agencies are:

- Recovery Act funds are awarded and distributed in a prompt, fair, and reasonable manner.
- Recovery Act funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Recovery Act funds are used for authorized purposes and every step is taken to prevent instances of fraud, error, and abuse.
- Projects funded under the Recovery Act avoid unnecessary delays and cost overruns.
- Projects funded under the Recovery Act ensure program goals are achieved, including specific program outcomes and improved results on broad economic indicators.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. An Office of Management and Budget (OMB) memorandum (April 3, 2009) updated initial implementing Recovery Act guidance (February 18, 2009) and requires that all Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls and implement appropriate oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

Recovery Act Funding for the Healthcare-Associated Infections Program

The Recovery Act provided \$40 million to the Centers for Disease Control and Prevention (CDC) to help stimulate the economy through the execution and implementation of strategies to reduce healthcare-associated infection (HAI). CDC obligated 99.5 percent of the Recovery Act funds to States in the fiscal year that ended September 30, 2009, using existing cooperative agreements within the Epidemiology and Laboratory Capacity for Infectious Disease Program and the Emerging Infections Program.

HAIs are infections that patients acquire while receiving treatment for medical or surgical conditions. HAIs occur in all settings of care, including hospitals, same-day surgical centers,

healthcare clinics, nursing homes, and rehabilitation facilities. HAIs are associated with a variety of causes, including the use of medical devices such as catheters and ventilators, complications following surgical procedures, transmission between patients and healthcare workers, and antibiotic overuse.

CDC competitively awarded funding to eligible State health departments to support efforts to prevent HAIs. Those efforts included supporting surveillance and research, improving quality for patients, encouraging collaboration, training the workforce in HAI prevention, and measuring outcomes. CDC used existing competitive cooperative agreement programs to make supplemental competitive awards to State health departments to carry out HAI activities.

OBJECTIVE

Our objective was to assess the internal controls CDC has in place over the grant-award process used to award Recovery Act funds and to determine whether the controls have been suitably designed.

RESULTS OF REVIEW

The internal controls over the grant-award process used to award Recovery Act funds, as described by CDC management, are suitably designed to provide reasonable assurance that the specified internal control objectives would be achieved if the described internal controls were complied with satisfactorily and applied as designed.

This report is intended to provide a sufficient understanding of CDC's grant process for awarding Recovery Act funds to grantees as it pertains to internal control objectives in the following internal control areas:

- authorization and approval: transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority;
- accuracy, completeness, and validity: all transactions should be consistent with the originating data and fairly represent the economic events that actually occurred, and no valid transactions should be omitted;
- physical safeguards and security: physical controls need to be established to secure and safeguard vulnerable assets and to limit access to resources and records to authorized individuals;
- error handling: errors detected at any stage of processing should receive prompt corrective action and be reported to the appropriate level of management; and
- segregation of duties: key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Recovery Act Requirements	1
Centers for Disease Control and Prevention.....	1
Recovery Act Funding for the Healthcare-Associated Infections Program ...	2
OBJECTIVE, SCOPE, AND METHODOLOGY	3
Objective.....	3
Scope.....	3
Methodology.....	3
RESULTS OF REVIEW	4
AUTHORIZATION AND APPROVAL	4
Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Grant Eligibility Requirements Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy	4
Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Information and Methods Used to Publicize the Program Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy.....	5
Internal Control Objective 3: Internal Controls Provide Reasonable Assurance That Grant Application Processing Procedures Are Established and in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy	5
Internal Control Objective 4: Internal Controls Provide Reasonable Assurance That Grantee Procedures for Control, Use, and Reporting of Grant-Funded Operations Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy.....	6
Internal Control Objective 5: Internal Controls Provide Reasonable Assurance That Grant Requirements Are Noted and in Place.....	7
ACCURACY, COMPLETENESS AND VALIDITY	7
Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Grant Awards and Program Results Are in Accordance With Laws, Regulations and Agency Policy	7
Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Program Objectives Are Achieved in an Economical and Efficient Manner	8
Internal Control Objective 3: Internal Controls Provide Reasonable Assurance That the Agency Has Mechanisms in Place To Timely Award Grant Funds.....	9

Internal Control Objective 4: Internal Controls Provide Reasonable Assurance That Only Those Grant Requests That Meet the Eligibility Requirements Are Approved	9
Internal Control Objective 5: Internal Controls Provide Reasonable Assurance That Grantee Records Are Periodically Substantiated and Evaluated.....	9
PHYSICAL SAFEGUARDS AND SECURITY	10
Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Access to Grant and Accounting Records, Critical Forms, Processing Areas, and Processing Procedures Are Permitted Only in Accordance With Policy	10
ERROR HANDLING	10
Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That the Centers for Disease Control and Prevention Accurately and Promptly Classifies, Summarizes, and Reports Adjustments to Grant Application Information and Records	10
SEGREGATION OF DUTIES	10
Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Opportunities Are Reduced for an Individual To Cause and Conceal Errors.....	10

INTRODUCTION

BACKGROUND

Recovery Act Requirements

The American Recovery and Reinvestment Act of 2009, P.L No. 111-5 (Recovery Act), was signed into law by President Obama on February 17, 2009. The Recovery Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

According to the Department of Health and Human Services (HHS) Recovery Act website,¹ every taxpayer dollar spent on the economic recovery must be subject to unprecedented levels of transparency and accountability. The five crucial objectives for HHS and its agencies are:

- Recovery Act funds are awarded and distributed in a prompt, fair, and reasonable manner.
- Recovery Act funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Recovery Act funds are used for authorized purposes and every step is taken to prevent instances of fraud, error, and abuse.
- Projects funded under the Recovery Act avoid unnecessary delays and cost overruns.
- Projects funded under the Recovery Act ensure program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. An Office of Management and Budget (OMB) memorandum (April 3, 2009) updated initial implementing Recovery Act guidance (February 18, 2009) and requires that all Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls and implement appropriate oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

Centers for Disease Control and Prevention

The Centers for Disease Control and Prevention (CDC) is committed to reducing the health and economic consequences of the leading causes of death and disability, thereby ensuring a long, productive, healthy life for all people. Its mission is to collaborate to create the expertise, information, and tools that people and communities need to protect their health through health promotion; prevention of disease, injury, and disability; and preparedness for new health threats.

¹Available online at <http://www.hhs.gov/recovery/reports/index.html>. Accessed on October 29, 2009.

CDC includes 16 Centers, Institutes, and Offices (CIO). Each has its own mission and functions and is responsible for determining its needs. Based on those needs, the CIOs are responsible for initiating requests for assistance in the grants process.

Procurement and Grants Office

The CDC Procurement and Grants Office is responsible for the procurement of services, equipment, commodities, construction, and architectural and engineering services for CDC programs. The Procurement and Grants Office provides guidance relating to laws, regulations, and policies pertinent to the administration of CDC grants. The CIOs must adhere to this guidance and determine which grants and cooperative agreements are necessary to fulfill CDC's mission as established by Congress.

Grants and Cooperative Agreements

Grants and cooperative agreements are forms of financial assistance to organizations to support a public purpose. A grant requires the completion of program activities by the funded organization only. A cooperative agreement includes substantial participation on the part of the awarding agency.

CDC grants and cooperative agreements are either discretionary or mandatory. These two types of grants can be further classified as either research or nonresearch awards and can be either new awards or continuation awards. Both grants and cooperative agreements follow the same award process, which is referred to as the grant-award process in this report.

Recovery Act Funding for the Healthcare-Associated Infections Program

The Recovery Act provided \$40 million to CDC to help stimulate the economy through the execution and implementation of strategies to reduce healthcare-associated infection (HAI). CDC obligated 99.5 percent of the Recovery Act funds to States in the fiscal year that ended September 30, 2009, using existing cooperative agreements within the Epidemiology and Laboratory Capacity for Infectious Disease Program and the Emerging Infections Program.

HAIs are infections that patients acquire while receiving treatment for medical or surgical conditions. HAIs occur in all settings of care, including hospitals, same-day surgical centers, healthcare clinics, nursing homes, and rehabilitation facilities. HAIs are associated with a variety of causes, including the use of medical devices such as catheters and ventilators, complications following surgical procedures, transmission between patients and healthcare workers, and antibiotic overuse.

CDC competitively awarded funding to eligible State health departments to support efforts to prevent HAIs. Those efforts included supporting surveillance and research, improving quality for patients, encouraging collaboration, training the workforce in HAI prevention, and measuring outcomes. CDC used existing competitive cooperative agreement programs to make supplemental competitive awards to State health departments to carry out HAI activities.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to assess the internal controls CDC has in place over the grant-award process used to award Recovery Act funds and to determine whether the controls have been suitably designed.

Scope

We assessed CDC's internal controls over the grant-award process used to award Recovery Act funds for HAIs. Our assessment was limited to determining whether existing internal controls adequately achieved the internal control objectives for: (1) authorization; (2) accuracy, completeness, and validity; (3) physical safeguards and security; (4) error handling; and (5) segregation of duties. We did not perform procedures to determine the operating effectiveness of these internal controls. Accordingly, we express no opinion on the operating effectiveness of any aspect of CDC's internal controls over the grant-award process used to award Recovery Act funds, individually or in the aggregate.

We performed fieldwork at the CDC Procurement and Grants Office in Atlanta, Georgia, from May through July 2009.

Methodology

The internal control environment represents the collective product of a number of elements in establishing, enhancing, or mitigating the effectiveness of specific policies and procedures. To gain an understanding of CDC's internal control environment, we:

- reviewed relevant Federal laws and regulations, including Recovery Act guidance issued by OMB that CDC must follow for awarding grants;
- reviewed CDC's organizational structure, including segregation of functional responsibilities and operating manuals;
- interviewed CDC management and operations personnel responsible for developing, assuring adherence to, and applying internal controls; and
- reviewed the grant-award process for three grants, one funded with Recovery Act funds and two without.

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 internal controls over the grant-award process used to award Recovery Act funds, as described by CDC management, are suitably designed to provide reasonable assurance that the specified internal control objectives would be achieved if the described internal controls were complied with satisfactorily and applied as designed.

This report provides a sufficient understanding of CDC's grant process for awarding Recovery Act funds to grantees as it pertains to internal control objectives in the following internal control areas:

- authorization and approval: transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority;
- accuracy, completeness, and validity: all transactions should be consistent with the originating data and fairly represent the economic events that actually occurred, and no valid transactions should be omitted;
- physical safeguards and security: physical controls need to be established to secure and safeguard vulnerable assets and to limit access to resources and records to authorized individuals;
- error handling: errors detected at any stage of processing should receive prompt corrective action and be reported to the appropriate level of management; and
- segregation of duties: key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.

AUTHORIZATION AND APPROVAL

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Grant Eligibility Requirements Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- According to CDC policy, the Funding Opportunity Announcement (FOA) is prepared by each CIO based on program needs. Within Section III of each FOA, applicants can find eligibility information.
- CDC requires the CIO to assemble a committee to conduct one of two types of reviews of the applications, based on the evaluation criteria stated in the FOA:
 - Objective Review: This review is used for all nonresearch FOAs and is performed by CDC employees and subject-matter experts who are not employees of CDC. The committee membership must comply with the "Awarding Agency Grants Administration Manual," HHS "Grants Policy Statement," and CDC guidance.

- Peer Review: This review is used for all research FOAs and is performed by subject-matter experts who are not CDC or Federal employees. One of the objectives of both the Objective and Peer reviews is to determine the eligibility of all submitted applications.

Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Information and Methods Used To Publicize the Program Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- OMB implementation guidance for the Recovery Act requires Federal agencies to post information on Recovery.gov on the funding notifications made for all award types. Agencies must submit on Recovery.gov a Funding Notification Report for all funding included in their communications. Agencies must also submit information on significant solicitations or other actions that will be publically available through other information sources, including publication on the agency Web site. CDC published the FOA on the CDC's Web site and on Grants.gov. CDC also made information on the funding notifications available on Recovery.gov with a link to CDC's Web site.
- CDC published Frequently Asked Questions specifically for its Web page "Recovery Act: Healthcare-Associated Infections." The page provided prospective grantees with information such as how to access applications for the Emerging Infections Program or Epidemiology and Laboratory Capacity for Infectious Diseases FOAs and whether the funds could be used for hiring new staff for activities supported by the Recovery Act.
- OMB implementation guidance requires prominent labels and tags in funding opportunity synopses, FOAs, and award notices that clearly distinguish the awards as "Recovery Act" actions. On the Recovery Act FOAs, the FOA numbers specifically include ARRA and the fiscal year.

Internal Control Objective 3: Internal Controls Provide Reasonable Assurance That Grant Application Processing Procedures Are Established and in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- As required by HHS "Grants Policy Statement," part 1, all applications under discretionary grant programs are subject to an objective review, and CDC's policy follows this policy. At CDC, all research FOAs go through a peer review, and all nonresearch FOAs go through an objective review. For both types of reviews, the Grants Management Officer and the CIO review the applications for eligibility and responsiveness to the FOA. In addition, the Grants Management Officer and the CIO create an eligibility and responsiveness checklist based on criteria stated in the FOA. An eligibility determination involves reviewing the applications to verify whether they are complete, conform to administrative requirements, and contain the information necessary for a detailed review of research and nonresearch projects. A responsiveness determination is a validation that the applicant has provided information that addresses the criteria as stated in the FOA.

- The HHS “Awarding Agency Grants Administration Manual,” chapter 2.04.104C, specifies the requirements for objective review of applications. It specifies the types of applications subject to objective review and those that are exempt from the review. It also indicates the associated responsibilities and authorities and establishes the requirements of the objective review process, such as independence of reviewers, avoidance of potential or actual conflicts of interest, and documentation of review results. CDC’s policy is to follow these requirements for both objective and peer reviews of applications.
- CDC and the HHS “Awarding Agency Grants Administration Manual” require CDC to notify the congressional liaison 72 hours before the award is officially made. The Technical Information Management Section, through Information for Management, Planning, Analysis, and Coordination (IMPAC) II,² sends the notification electronically to the liaison’s office. The liaison then notifies Congress. In budget discussions with grantees, CDC asks them not to announce the grant until Congress has been notified and the grantees have received the official Notice of Award.

Internal Control Objective 4: Internal Controls Provide Reasonable Assurance That Grantee Procedures for Reporting of Grant-Funded Operations Are in Accordance With Laws, Regulations, Recovery Act Guidance, and Agency Policy

- CDC policy requires grantees to adhere to the Recovery Act-specific reporting requirements as identified in its FOA and Web site, which is set forth in section 1512 of the Recovery Act. Specifically, section 1512 states that no later than 10 days after the end of each calendar quarter, recipients must submit quarterly reports to CDC and HHS that will be posted for public access at Recovery.gov. These quarterly reports must contain the following information:
 - the total amount of Recovery Act funds under the award;
 - the amount of Recovery Act funds received under the award that were obligated and expended for projects and activities;
 - the amount of unobligated Recovery Act funds under the award; and
 - a detailed list of all projects and activities for which Recovery Act funds under the award were obligated and expended, including detailed information on any subawards (subcontracts or subgrants) made by the recipient.

²IMPAC II is an online computer-based information system that contains application and award information on HHS programs.

Internal Control Objective 5: Internal Controls Provide Reasonable Assurance That Grant Requirements Are Noted and in Place

- CDC requires the individual CIOs to prepare the FOA. After the CIO submits the FOA to the Procurement and Grants Office, the Technical Information Management Section uploads the FOA into the Comments Communication Document tool where various CDC offices or officials review and provide comments on the FOA.³ The CIO point of contact incorporates the various CDC offices' comments into the FOA. The Grants Management Officer reviews, makes recommendations, and approves the FOA before it is posted on [Grants.gov](https://www.grants.gov).
- CDC policy requires applicants to submit a Letter of Intent only if it is required and stated in the FOA. The purpose of the Letter of Intent is to determine eligibility or programmatic relevance. The CIO and Grants Management Officer evaluate the Letter of Intent for completeness and responsiveness based on the criteria stated in the FOA.
- CDC policy requires the CIO and the Grants Management Specialist to screen the submitted applications for eligibility and responsiveness. Once they determine that the applicant is eligible, the application then goes through a review process. A committee, established by the CIO and approved by the Grants Management Officer, evaluates the criteria as published in the FOA and makes a funding recommendation, which needs the CIO director's approval.
- CDC requires the Financial Management Office to approve the funding commitment and to ensure the funds are available. The CIO submits the funding package to the Grants Management Officer, who is responsible for reviewing and approving the funding list.
- CDC policy states that before an award is granted, three final approvals are necessary in the following order: the CIO, the Financial Management Office, and the Grants Management Officer.

ACCURACY, COMPLETENESS, AND VALIDITY

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Grant Awards and Program Results Are in Accordance With Laws, Regulations, and Agency Policy

- CDC and the HHS "Awarding Agency Grants Administration Manual" require that the Grants Management Officer be responsible for signing the Notice of Grant Award. The Grants Management Officer's signature certifies that the selections for funding comply with the requirements of the FOA guidance, as well as applicable laws, regulations, and policies.

³Those offices or officers are the Office of General Counsel, Office of Public Health Research, Assistant Report Clearance Officer, Human Subjects Review Coordinator, Office of Workforce Career Development, Executive Secretariat, Office of Minority Health, Office of Women Health, and the Grants Management Specialist.

- CDC policy requires the CIO program staff to review committee results after application reviews, to apply funding preferences (if applicable as published in the FOA), and to send funding recommendations with supporting documentation through the CIO's internal review process. The CIO sends the complete funding documents to the Grants Management Officer.
- CDC requires the review committee to score each approved application based on its assessment of the merits of the application as compared with the published FOA requirements and create a rank-order list. A Grants Management Specialist compares the review committee's summary statement (containing a description of the proposed work, strengths and weaknesses of the application, and other relevant comments) with the funding document created by the CIO (containing scored applications and a funding memorandum with the CIO funding recommendations) to verify committee approval, ensure an objective review was performed, and ensure the CIO justified out-of-rank awards. This justification is kept in the grantee's award folder.
- The CIO sponsoring the award is responsible for setting up and carrying out reviews for its programs' applications. The Grants Management Specialist or Grants Management Officer attends reviews in an oversight capacity to ensure there are no conflicts of interest between reviewers and the applicant organization and to ensure that the proceedings are carried out in accordance with applicable CDC policy.

Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Program Objectives Are Achieved in an Economical and Efficient Manner

- CDC requires a Grants Management Specialist to perform a budget or cost analysis of proposed grant budgets that have been recommended for award to determine the necessity, reasonableness, allowability, and allocability of the costs proposed in the application budget and to ensure the budget is consistent with project needs and program requirements.
- CDC requires the Technical Information Management Section to upload the draft FOA and supporting documentation into the Comments Communication Document tool to electronically capture the FOA review process.
- The FOA provides a ceiling amount of funds available and the potential number of awards that are expected to be made within the published ceiling amount. CDC requires the CIO to make a funding recommendation that is within the FOA ceiling. The CIO funding recommendation is based on the output of the review committee, which determined the technical merit of each application and listed them in rank order. Grantee selection and funding recommendations proceed down the rank-order listing until the ceiling amount listed in the FOA is reached.

Internal Control Objective 3: Internal Controls Provide Reasonable Assurance That the Agency Has Mechanisms in Place To Timely Award Grant Funds

- CDC requires the Technical Information Management Section to use email to notify the various CDC offices that the draft FOA is available for their review, comments, and recommendations. The standard time for the reviewing offices to provide comments is 21 calendar days.
- CDC requires the CDC Procurement and Grant Office to have a process that charts the timeline for individual FOA's from submission to publication based on 49 business days. The Grants Management Specialist or Grants Management Officer is responsible for monitoring this process.
- The CDC Procurement and Grants Office is hiring additional staff to assist in the timely award of Recovery Act funds.

Internal Control Objective 4: Internal Controls Provide Reasonable Assurance That Only Those Grant Requests That Meet the Eligibility Requirements Are Approved

- As required by HHS "Grants Policy Statement," part 1, and CDC requirements, the Grants Management Officer, in conjunction with the CIO, must review all applications for eligibility using an eligibility checklist based on criteria stated in the FOA. All applications are reviewed to determine whether they are complete, conform to administrative requirements, and contain the information necessary for a detailed review. Ultimately, the Grants Management Officer is responsible for making the determination of eligibility.
- The CIO prepares the FOA based on program needs and includes a description of the various programs and proposed activities, as required by CDC. Before submission to the various offices for their review, the CIO is responsible for reviewing the FOA to verify the eligibility requirements. This process is required before the FOA is forwarded to the Grants Management Officer for final approval.

Internal Control Objective 5: Internal Controls Provide Reasonable Assurance That Grantee Records Are Periodically Substantiated and Evaluated

- The CDC Procurement and Grants Office considers those organizations that are inexperienced in managing Federal funds or have indeterminate solvency to be high-risk applicants. CDC requires the CDC Procurement and Grants Office to perform certain actions before awarding grant applications considered high risk, such as: (1) determining whether the applicant has a history of poor performance, (2) determining whether the grantee conforms to the terms and conditions of a previous award, and (3) reviewing the applicant's financial statements for the past 2 years. If the applicant is deemed too high risk, the Procurement and Grants Office will not award Federal funding to that organization.

- Pursuant to OMB Circular A-133 and 45 CFR § 74.26, grantees that expend more than \$500,000 in a fiscal year are required to obtain audits of their organizations' operations annually from private accounting firms. In addition, the Grants Management Officer and Grants Management Specialist perform periodic visits to selected grantee offices to review financial management systems and general grants management. Program office personnel typically accompany the Grants Management Officer and review the program activity.

PHYSICAL SAFEGUARDS AND SECURITY

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Access to Grant and Accounting Records, Critical Forms, Processing Areas, and Processing Procedures Are Permitted Only in Accordance With Policy

- CDC policy requires CDC employees to wear badges to enter the offices within the Procurement and Grants Office. For example, to access the offices that house the preaward and award files, all authorized staff must wear an electronic badge that unlocks the doors.

ERROR HANDLING

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That the Centers for Disease Control and Prevention Accurately and Promptly Classifies, Summarizes, and Reports Adjustments to Grant Application Information and Records

- CDC policy requires the Grants Management Specialist to run a check in IMPAC II on funded applications before entering information to process the award. Running this check reveals three common errors: the Employee Identification Number is missing or incomplete in IMPAC II, the Institutional Profile File number is missing, or there is a "no funds" commitment error. Running this check helps avoid or reduce delays in award processing.
- The Technical Information Management Section confirms that applications are received by the required due date and time. If an application is late, the Grants Management Officer makes the determination to accept or return the application to the applicant based on criteria identified in the "Awarding Agency Grants Administration Manual" and CDC policy.

SEGREGATION OF DUTIES

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Opportunities Are Reduced for an Individual To Cause and Conceal Errors

- CDC requires an award to have three final approvals before it is considered valid. The approvals of the CIO, Financial Management Office, and Grants Management Officer are necessary before the grant award becomes an obligation. The approvals are all recorded

- The CIO, Financial Management Office, and Grants Management Officer all play separate roles in the awards process. The CIO is responsible for checking the award amount and award accounting data for accuracy. The Financial Management Office reviews the accounting data for accuracy of Common Accounting Numbers and amounts to ensure obligations will not exceed commitments. The Grants Management Officer reviews, approves, and issues the Notification of Award.