



March 11, 2010

TO: Thomas R. Frieden, M.D., M.P.H.
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 the Section 317 Immunization Program (A-04-09-01067)

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 and 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 grant- and contract-award processes used to award Recovery Act funds and to determine whether the controls have been suitably designed.

The internal controls over the grant- and contract-award processes 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- and contract-award processes 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-04-09-01067 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 THE
SECTION 317 IMMUNIZATION
PROGRAM**



Daniel R. Levinson
Inspector General

March 2010
A-04-09-01067

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.

Office of Evaluation and Inspections

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.

Office of Investigations

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.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

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

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 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.

Recovery Act Funding for the Section 317 Immunization Program

The Recovery Act provided \$300 million to the Centers for Disease Control and Prevention (CDC) to help stimulate the economy by expanding access to vaccines and vaccination services, making more vaccines available, increasing national public awareness and knowledge about the benefits and risks of vaccines and vaccine-preventable diseases, and strengthening the evidence base for vaccination policies and programs.

OBJECTIVE

Our objective was to assess the internal controls CDC has in place over the grant- and contract-award processes 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- and contract-award processes 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 and contract processes for awarding Recovery Act funds to grantees and contractors 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.

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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 Web site,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 programs that reduce the health and economic consequences of the leading causes of death and

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

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. CDC includes 16 Centers, Institutes, and Offices (CIOs). 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 and contracts. The CIOs must adhere to this guidance and determine which grants, cooperative agreements, and contracts 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 awarded as either discretionary or mandatory. These two types of grants can be further classified as either research or non-research type 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.

Contracts

Contracts are mutually binding legal relationships obligating the seller to furnish the supplies or services and the buyer to pay for them. They include all types of commitments (excluding grants and cooperative agreements) that obligate the Government to an expenditure of appropriated funds. The Section 317 immunization program includes contracts for supporting the development of communications and educational materials, enhancing vaccine safety monitoring, and improving measurements of vaccine coverage and effectiveness.

Recovery Act Funding for the Section 317 Immunization Program

The Recovery Act provided \$300 million to CDC to help stimulate the economy by expanding access to vaccines and vaccination services, making more vaccines available, increasing national public awareness and knowledge about the benefits and risks of

vaccines and vaccine-preventable diseases, and strengthening the evidence base for vaccination policies and programs.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We assessed CDC's internal controls over grant- and contract-award processes used to award Recovery Act funds. 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- and contract-award processes used to award Recovery Act funds, individually or in the aggregate.

We performed fieldwork at CDC offices in Atlanta, Georgia, from May through July 2009.

Methodology

The internal control environment represents the collective effect 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 and contracts;
- reviewed CDC's organizational structure, including segregation of functional responsibilities, policy statements, operating manuals, and personnel policies;
- interviewed CDC management, as well as operations, administrative, and other personnel responsible for developing, assuring adherence to, and applying internal controls; and
- reviewed the award processes for grants and contracts funded with Recovery Act funds.

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- and contract-award processes 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 and contract processes for awarding Recovery Act funds to grantees and contractors 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.

GRANTS

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 may 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 non-research 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 subject-matter experts who are not CDC or Federal employees. One of the objectives of both the Peer and Objective 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 Website.
- CDC’s Web site, located at <http://www.cdc.gov/vaccines/about/recovery-act-funds.htm>, has a link to HHS.gov/recovery, which provides information on grantees by State for Section 317 immunization funding. In addition, the Section 317 immunization FOAs were published on Grants.gov. CDC also made information on the funding notifications available on Recovery.gov with a link to CDC’s Web site.
- 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 non-research 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 non-research 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 an objective review and a peer review of applications.
- CDC policy requires CDC to notify the congressional liaison 72 hours before the award is officially made. The Technical Information Management Section, through 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 identified in its FOA and Web site, which are 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

²Information for Management, Planning, Analysis, and Coordination (IMPAC) II is an online computer-based information system that contains application and award information on HHS programs.

- 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 sub-awards (sub-contracts or sub-grants) made by the recipient.

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

- CDC requires 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 on, and approves the FOA before it is posted on [Grants.gov by the Technical Information Management Section](#)
- 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 requires the CIO director's approval.
- CDC policy requires the Financial Management Officer 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 it.
- CDC policy states that before an award is granted, three final approvals are necessary in the following order: the CIO, the Financial Management Officer, and the Grants Management Officer.

³These offices or officials are the Office of General Counsel, Office of Public Health Research, Assistant Report Clearance Officer, Humans Subject Review Coordinator, Office of Workforce Career Development, Executive Secretariat, Office of Minority Health, and the Grants Management Specialist.

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 policy requires that the Grants Management Officer be ultimately 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.
- 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 policy requires the review committee to score each approved application based on its assessment of the merits of the application compared with the published FOA requirements and to 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 memo 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 the reviews in an oversight capacity to ensure that (1) no conflicts of interest exist between reviewers and the applicant organization and (2) 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 allotted time for the reviewing offices to provide comments is 21 calendar days.
- CDC requires the CDC Procurement Grant Office to have a process that charts the timeline for individual FOAs from submission to publication within 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

- CDC policy requires the Grants Management Officer, in conjunction with the CIO, to 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 the grant award for successful 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 two 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 pre-award and award files, all authorized staff must wear an electronic badge that unlocks the doors to gain access to those files.

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: a missing or incomplete Employee Identification Number in IMPAC II, a missing Institutional Profile file number, or a “no funds” commitment error. Running this check helps to 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 be approved by the CIO, the Financial Management Officer, and the Grants Management Officer to validate the award and to enable obligations against it. The approvals are recorded in IMPAC II and must be made in the following order: the CIO, the Financial Management Officer, and the Grants Management Officer. The IMPAC II system will not allow a Grants Management Officer to approve an award without the Financial Management Officer’s approval and will not allow the Financial Management Officer to approve an award without the CIO’s approval.
- The CIO, Financial Management Officer, and Grants Management Officer have distinctly separate roles in the awards process. The CIO is responsible for checking the award amount and the award accounting data for accuracy. The Financial Management Officer reviews the accounting data for accuracy of Common Accounting Numbers and amounts to ensure obligations do not exceed commitments. The Grants Management Officer reviews, approves, and issues the Notification of Award.

CONTRACTS

Authorization and Approval

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

- As required by the CDC “Procurement and Grants Office Standard Operating Procedures” (SOP), the Project Officer prepares a Request for Contract, and the

- CIO management chain, which includes the Funding Resource Specialist, CIO Branch Chief, the Human Subjects Coordinator, and the Division Director, reviews it prior to submission to the Procurements and Grants Office.
- The Contracting Officer is responsible for ensuring the solicitation process is conducted in accordance with the Federal Acquisition Regulation (FAR), Health and Human Services Acquisition Regulation (HHSAR), and the CDC SOP. The Contracting Officer is also responsible for the final approval of the solicitation prior to it being posted on [FedBizOpps.gov](https://www.fedbizopps.gov). Prior to the Contracting Officer's approval, the solicitation has to be reviewed and/or approved by several individuals including the Warranted Team Leader, Branch Chief, and/or Head of Contracting Activity.
 - The CDC SOP requires a Technical Evaluation Panel to follow guidelines for all acquisitions exceeding \$500,000. Each reviewer scores proposals separately, and then the committee collectively scores each proposal by consensus. Based on input from the individual reviewers and the determinations agreed to during the consensus meeting, the Technical Evaluation Committee Chairperson develops a summary report and submits the report to the Contracting Officer. The Contracting Officer makes an award determination by selecting the proposal that represents the overall best value to the Government.
 - CDC policy requires documentation to support noncompetitive procurements. Justification for other than full and open competition involves several preparation, review, and approval layers. For procurements of \$100,001—\$500,000, the Project Officer completes the technical preparation and forwards it to the Contracting Officer for approval. For procurements of \$500,001 and greater, the Project Officer is responsible for the technical preparation and the Contract Specialist and/or Contracting Officer is responsible for the business preparation. The Branch Chief and the Head of the Procuring Activity are responsible for the review and agreement. The CDC Competition Advocate is the approving official for awards in excess of \$500,001.

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

- FAR, Subpart 5.301 states that contracting officers must disseminate information on proposed contract actions expected to exceed \$25,000 by posting a synopsis on the Government-wide point of entry (GPE)⁴ Web site. CDC policy is to follow these requirements for publicizing contract actions on [FedBizOpps.gov](https://www.fedbizopps.gov).

⁴Government-wide point of entry means the single point where Government business opportunities greater than \$25,000, including synopses of proposed contract actions, solicitations, and associated information, can be accessed electronically by the public. The GPE is located at [www.FedBizOpps.gov](https://www.fedbizopps.gov).

- According to the CDC SOP, the Project Officer and the Contract Specialist consolidate, validate, and respond to questions from offerors, then they post the questions and responses at [FedBizOpps.gov](https://www.fedbizopps.gov) to ensure availability to all potential offerors and to avoid creating an unfair advantage.
- OMB implementation guidance requires prominent labels and tags in funding opportunity synopses and award notices that clearly distinguish them as “Recovery Act” actions. To ensure transparency, whenever CDC references the title of an acquisition funded under the Recovery Act, the first word in the title is “RECOVERY.” All presolicitation notices include the word “RECOVERY” as the first word in the title field prior to the actual title of the presolicitation notice, and all award notices include the word “RECOVERY” as the first word in the title field prior to the actual title of the award notice.

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

- In accordance with HHSAR Section 305.303, CDC notifies Congress of awards over \$3.5 million. The Contracting Officer executes the award and issues the award notice at [FedBizOpps.gov](https://www.fedbizopps.gov).

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

- CDC requires contractors that receive awards funded in whole or in part by the Recovery Act to follow specific reporting requirements pursuant to FAR, Subpart 4.1500. The contractors are required to report such information as (1) the dollar amount of contractor invoices, (2) the supplies delivered and services performed, and (3) an estimate of the number of jobs created and the number of jobs retained as a result of the Recovery Act funds. In addition, contractors are required to follow the reporting requirements stated in the solicitation.

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

- The CDC SOP encourages full and open competition in all purchases. When supplies and services are available from only one responsible source or a limited number of responsible sources and no other supplies or services can satisfy the agency requirement, justification is documented and provided to the Procurement and Grants Office. Depending on the threshold, documentation is required to support non-competitive procurements. For example, if the sole-source justification for an action is \$2,501-\$100,000, then the “Recommendation and Determination to Solicit Only One Source” format is used. The Project Officer prepares and the Contracting Officer approves this document. If the action is

greater than \$100,000, then the “Justification for Other Than Full and Open Competition” format is used. The Project Officer prepares and either the Contracting Officer or the CDC Competition Advocate approves it.

Accuracy, Completeness, and Validity

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

- CDC policy requires the contract to be executed upon signature of the Contracting Officer but not before the contract-award file is reviewed and approved in accordance with several approval levels ranging from the Warranted Contracting Officer to the Head of Contracting Activity.
- CDC policy requires the Technical Evaluation Committee to conduct technical reviews of proposal packages to assess the proposals and the offerors’ ability to perform the prospective contract successfully. Individual committee members review each proposal and evaluate the strengths, deficiencies, weaknesses, and, if applicable, risks.

Internal Control Objective 2: Internal Controls Provide Reasonable Assurance That Performance Requirements Should Be Achieved in an Economical and Efficient Manner

- The CDC SOP requires the use of market research to evaluate the potential of the commercial marketplace to meet performance requirements. One technique that CDC uses to accomplish the market research is to publish formal requests for information through the GPE.
- According to CDC policy, Contract Specialists must follow the same laws and regulations in awarding non-competitive contracts with Recovery Act funds as they do with other funds. To ensure sufficient market research for proposed non-competitive contract actions that exceed the micro-purchase threshold⁵, the Contract Specialist posts a “sources sought” notice in FedBizOpps.gov. The sources sought notice must be posted for a minimum of 10 calendar days.

⁵Pursuant to FAR, Subpart 2.1, “Micro-purchase threshold” generally means \$3,000.

Internal Control Objective 3: Internal Controls Provide Reasonable Assurance That Procedures Used to Process Proposals and Related Transactions Should Be Economical and Efficient

- As required by the CDC SOP, the Project Officer uploads the request for contract package to the Integrated Contract Expert (ICE) procurement system. ICE captures the approval (or disapproval) actions of procurement officials, noting the date and time, source, destination, comments, and the official's identity.
- The CDC SOP instructs the Contract Specialist to create an abstract of proposals received to facilitate monitoring and tracking of proposals. The Contract Specialist reviews and verifies each proposal to ensure compliance with the technical and business proposal requirements specified in the solicitation.

Internal Control Objective 4: Internal Controls Provide Reasonable Assurance That the Agency Has Mechanisms in Place to Timely Award Contract Funds

- The Procurement and Grants Office is hiring additional staff to assist in the timely award of Recovery Act funds.
- As required by the CDC SOP, the Technical Evaluation Committee has 7 days to conduct a business review. The Project Officer has 5 days to conduct a review of the final proposal revision and revise the technical summary, if necessary. The Contract Specialist has 5 days to conduct a review of the final proposal revision.

Internal Control Objective 5: Internal Controls Provide Reasonable Assurance That Only Those Proposals That Meet the Eligibility Requirements Should Be Approved

- The CDC SOP requires all proposals to be stamped with the date and time of receipt. The Contract Specialist coordinates with administrative and mailroom personnel to ensure that all proposals were submitted by the date and time specified in the solicitation. The Contracting Officer notifies the offeror promptly if its proposal, modification, or revision was received late and informs the offeror whether its proposal will be considered.
- The CDC SOP requires the Technical Committee Chair to develop the Technical Evaluation Summary Report based on the inputs from the individual Technical Evaluation Committee members. The report includes a narrative of the evaluation, the scores, and the rating of the proposals. The Technical Committee Chair submits a written report to the Contracting Officer, who is responsible for reviewing and approving the report. The Contracting Officer ensures that the proposals are evaluated in accordance with the solicitation and establishes the competitive range composed of the most highly rated proposals. Offerors excluded from the competitive range are notified in writing by the Contracting Officer

Physical Safeguards and Security

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Access to Contract 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 contract files, all authorized staff must wear an electronic badge that unlocks the doors to gain access to those files.

Error Handling

Internal Control Objective 1: Internal Controls Provide Reasonable Assurance That Adjustments to Contract Proposals Should Be Accurately and Promptly Classified, Summarized, and Reported

- The CDC SOP instructs the Contracting Officer to immediately notify the offeror if any portion of the proposal is illegible. The offeror is permitted to resubmit the illegible portion of the proposal per the method and time specified by the Contracting Officer.

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 policy requires the Request for Contract to be reviewed and approved at several levels, which includes the Funding Resource Specialist, Branch Chief, the Human Subjects Coordinator, and the Division Director.
- The CDC SOP instructs the Contract Specialist to develop the solicitation document and routes the document for approval in accordance with the approval threshold. The solicitation document is approved in accordance with the approval threshold. The greater the amount, the more levels of approval are required:
 - less than or equal to \$500,000 - reviewed and approved by Warranted Contracting Officer;
 - between \$500,000–\$2 million - reviewed and approved by Warranted Team Leader;
 - between \$2 million–\$5 million - reviewed by Warranted Team Leader and reviewed and approved by Branch Chief; and

- greater than \$5 million - reviewed by Warranted Team Leader and Branch Chief and approved by Head of Contracting Activity.
- The CDC SOP instructs all Technical Evaluation Committee members to score each proposal independent of one another. The evaluation process involves rating the proposal and the offeror's ability to perform the prospective contract successfully. Based on input from the individual reviewers and the determinations agreed upon during the consensus meeting, the Technical Chair develops the Technical Evaluation Summary Report and submits it to the Contracting Officer. The Technical Committee Chair and all committee members sign the report.