



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION IV
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April 13, 2012

TO: Thomas R. Frieden, M.D., M.P.H.
Director
Centers for Disease Control and Prevention

FROM: /Lori S. Pilcher/
Regional Inspector General
for Audit Services

SUBJECT: Centers for Disease Control and Prevention Did Not Meet Program Expansion Supplement Requirements for Awarding One Affordable Care Act Grant (A-04-11-01003)

The attached final report provides the results of our review of the Centers for Disease Control and Prevention's (CDC) awarding of Affordable Care Act grants.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (404) 562-7750, or your staff may contact Mary Moreno, Audit Manager, at (404) 562-7770 or through email at Mary.Moreno@oig.hhs.gov. We look forward to receiving your final management decision within 6 months. Please refer to report number A-04-11-01003 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CENTERS FOR DISEASE CONTROL AND
PREVENTION DID NOT MEET
PROGRAM EXPANSION SUPPLEMENT
REQUIREMENTS FOR AWARDED ONE
AFFORDABLE CARE ACT GRANT**



Daniel R. Levinson
Inspector General

April 2012
A-04-11-01003

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

The Patient Protection and Affordable Care Act (ACA), P.L. No. 111-148, was signed into law by President Obama on March 23, 2010. The ACA legislation sought to reform private and public health insurance, provide better coverage for pre-existing conditions, improve prescription drug coverage in Medicare, and extend the life of the trust fund. The ACA funded, among other things, the Prevention and Public Health Fund (the Fund) for expanded and sustained national investment in prevention and public health programs to improve health and help restrain the rate of growth in private and public sector health costs. The Fund provided for grants to support state and community efforts to fight obesity, to increase HIV testing, to promote tobacco quit lines, to expand mental health and substance abuse programs and to track, monitor, and respond to disease outbreaks.

Under the ACA, the Centers for Disease Control and Prevention (CDC) was charged with awarding competitive grants to local governmental agencies and community-based organizations for the implementation, evaluation, and dissemination of evidence-based community preventive health activities to reduce chronic disease rates, prevent the development of secondary conditions, address health disparities and develop a stronger evidence base for effective prevention programming. In fiscal year 2010, CDC received \$191.8 million that it allocated among 12 different programs. Between October 2009 and September 2011, CDC obligated \$191.3 million and disbursed \$70.2 million of these funds.

OBJECTIVE

Our objective was to determine whether CDC awarded select ACA grants in accordance with terms and conditions of funding opportunity announcements and with grant administration requirements.

SUMMARY OF FINDINGS

From our sample of 31 ACA grants, CDC awarded 30 grants in accordance with the terms and conditions of the funding opportunity announcements and with applicable grant administration requirements for awarding grants. However, CDC awarded one grant that was not in accordance with certain applicable administrative requirements. Specifically, CDC awarded a project expansion supplemental award without:

- providing a single-source justification for the award,
- issuing a notification to the Federal Register of its intent to issue a single-source award, and
- updating the Catalog of Federal Domestic Assistance information associated with the award to reflect ACA funding authority.

CDC did not meet these administrative requirements because communication was inadequate among the offices responsible for grant administration.

As a result, CDC could not ensure that its use of ACA-related funding for one grant, totaling \$499,582, was most advantageous to the goals of the ACA program.

RECOMMENDATION

We recommend that CDC ensure coordination of grant administration activities by strengthening communication between responsible offices.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In written comments on our draft report, CDC noted that our finding was an isolated incident but concurred in principal with our recommendation. CDC stated it had initiated monthly meetings between responsible offices to avoid miscommunication in the future.

CDC's comments are included in their entirety as Appendix B.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Centers for Disease Control and Prevention and the Affordable Care Act ...	1
Grant Administration Functions at Centers for Disease Control and Prevention	1
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective	2
Scope.....	2
Methodology.....	2
FINDINGS AND RECOMMENDATION	3
GRANT ADMINISTRATION REQUIREMENTS	4
PROGRAM EXPANSION SUPPLEMENT REQUIREMENTS NOT MET	5
INADEQUATE COMMUNICATION BETWEEN OFFICES	5
AFFORDABLE CARE ACT FUNDS POTENTIALLY NOT USED IN MOST ADVANTAGEOUS MANNER	6
RECOMMENDATION	6
CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS	6
APPENDIXES	
A: GRANTS SELECTED FOR REVIEW	
B: CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS	

INTRODUCTION

BACKGROUND

The Patient Protection and Affordable Care Act (ACA), P.L. No. 111-148 was signed into law by President Obama on March 23, 2010. The ACA legislation sought to reform private and public health insurance, provide better coverage for pre-existing conditions, improve prescription drug coverage in Medicare, and extend the life of the trust fund. The ACA funded, among other things, the Prevention and Public Health Fund (the Fund) for expanded and sustained national investment in prevention and public health programs to improve health and help restrain the rate of growth in private and public sector health costs. The Fund provided for grants to support state and community efforts to fight obesity, to increase HIV testing, to promote tobacco quit lines, to expand mental health and substance abuse programs and to track, monitor, and respond to disease outbreaks.

Under the ACA, the Centers for Disease Control and Prevention (CDC) was charged with awarding competitive grants to local governmental agencies and community-based organizations for the implementation, evaluation, and dissemination of evidence-based community preventive health activities to reduce chronic disease rates, prevent the development of secondary conditions, address health disparities and develop a stronger evidence base for effective prevention programming. In fiscal year (FY) 2010, CDC received \$191.8 million in ACA funds. Between October 2009, and September 2011, CDC obligated \$191.3 million and disbursed \$70.2 million of these funds.

Grant Administration Functions at Centers for Disease Control and Prevention

CDC has three offices with grant administration responsibilities:

- 1) Program offices initiate the grants process by determining the needs of the office and establishing grant programs that meet those needs. Program offices are also responsible for reviewing the technical aspects of grant applications as part of the source selection process.
- 2) The finance office is responsible for, among other things, ensuring that funds are available prior to awarding a grant.
- 3) The grants office is responsible for most all other grant administration activities including ensuring potential grantees are informed of grant opportunities and that grants are awarded in accordance with applicable Federal regulations.

OBJECTIVE, SCOPE, METHODOLOGY

Objective

Our objective was to determine whether CDC awarded select ACA grants in accordance with terms and conditions of funding opportunity announcements¹ (FOA) and with grant administration requirements.

Scope

The scope of our audit included a judgmental sample of 31 ACA grants (totaling \$56 million) awarded during FY 2010. Our review of internal controls was limited to gaining an understanding of CDC's policies and procedures for awarding grant funds.

We performed fieldwork from June 2011 through December 2011 at the CDC Procurement and Grants Office in Atlanta, Georgia.

Methodology

To accomplish our objective we:

- reviewed applicable Federal laws and regulations;
- reviewed Health and Human Services (HHS) grants policies and procedures manuals;
- reviewed a prior audit of CDC's internal controls for managing American Recovery and Reinvestment Act funds;
- interviewed CDC personnel to obtain an understanding of the FY 2010 spending plan, funds allocated and spent from ACA, and the application review process;
- reviewed CDC's policies and procedures for awarding grants; and
- selected a judgmental sample of 31 grants based both on dollar value and coverage of various program areas.²

¹ Federal agencies use funding opportunity announcements to notify the public of its intentions to award grants. The funding opportunity announcement describes the purpose of an award, eligibility requirements, estimated award amount(s), application deadline, and method of selection.

² We selected the 20 grants with the highest awarded dollar amounts and selected 11 other high-dollar grants to cover all identified ACA-related programs.

For our 31 judgmentally selected sample grants, we determined whether CDC ensured that:

- adequate funding was available;
- FOAs were open for the required length of time;
- FOAs contained enough information, including eligibility requirements, for an entity to decide whether to apply;
- only applications received before the FOA closed were considered;
- applicants were eligible for the award based on the entity restrictions in the FOA;
- applicants certified they were not delinquent on any Federal debt;
- applicants certified they would not use Federal funds for lobbying activities;
- applicants were neither excluded parties nor debarred from receiving Federal awards;
- single source selections were justified, if applicable; and
- selected applicants had the highest technical review score, or CDC justified another selection.

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.

FINDINGS AND RECOMMENDATION

From our sample of 31 ACA grants, CDC awarded 30 grants in accordance with the terms and conditions of the FOAs and with applicable grant administration requirements. CDC ensured that applicants met the requirements of the FOAs and that applicants provided the required certifications. In addition, CDC appropriately conducted primary and secondary reviews (as applicable) of applicants, ranked and awarded funds to the highest ranking applicants, and ensured FOAs both remained open for the required amount of time and contained sufficient information for applicants to apply. However, CDC did not award one grant in accordance with certain administrative requirements. Specifically, CDC awarded a program expansion supplement award without:

- providing a single-source justification for the award,
- issuing a notification to the Federal Register of its intent to issue a single-source award, and
- updating the Catalog of Federal Domestic Assistance (CFDA) information associated with the award to reflect ACA funding authority.

CDC did not meet these administrative requirements because communication was inadequate among the offices responsible for grant administration.

As a result, CDC could not ensure that its use of ACA-related funding for one grant, totaling \$499,582, was most advantageous to the goals of the ACA program.

GRANT ADMINISTRATION REQUIREMENTS

The HHS *Awarding Agency Grants Administration Manual* (the Manual), section 2.04.104B-4A.4.a.(2), states that “...the awarding office may add funds to ongoing projects [through] ... [i]ssuance of a supplemental award...” Section 2.04.104B-4A.b.(1) defines a supplemental award as an award of additional funds under an ongoing project for the expansion of the project’s scope. Section 2.04.104B-4A.b.(3) states, “Program expansion supplements are subject to the same requirements for competition as new awards; therefore, a program expansion supplement can be awarded as an exception to competition only if the notification and other requirements of [the Manual] 2.04.104A for limited competition or single-source awards, as appropriate, are followed.”

The Manual section 2.04.104A-5, *Exceptions to Maximum Competition*, describes the categories under which an agency may make an award with less than maximum competition. Section 2.04.104A-5A.1.b requires that “... single-source awards must be supported by a justification approved by the Head of the OPDIV...” The requirements of the Manual, sections 2.04.104A-5A.1.e (2)(i) and (7), state, “The written justification must include sufficient information ... [including the] basis for the judgment that the named entity is the only entity from which applications should be sought.... A Federal Register notice must be published for each single-source award ... prior to or simultaneous with the award.”

In addition to competition requirements, the ACA authorization statute should have been cited for existing programs that added ACA funding. A letter from the Director, Office of Grants Policy, Oversight & Evaluation provided that, for existing programs with new ACA appropriations, the existing CFDA number should be used and that the existing program authorization include the correct title and section reference of the ACA authorization statute in the program’s description.

PROGRAM EXPANSION SUPPLEMENT REQUIREMENTS NOT MET

CDC awarded a program expansion supplement of \$499,582 without adhering to competition requirements, single-source award requirements, or other administrative requirements.

In FY 2008, CDC awarded a 5-year competitive cooperative agreement to the American Cancer Society (ACS) for disseminating information on cancer prevention, early cancer detection, cancer diagnosis, cancer treatment, and other efforts related to cancer prevention and control among public, private, and not-for-profit agencies. In FY 2010, CDC issued the third year of the award as a noncompetitive continuation. The continuation included funding for a new project related to ACA activities, which represented an expansion of the original award's scope of work.

Because CDC included the program expansion supplement in a noncompetitive continuation award, the expansion was not subjected to procedures that would maximize competition. CDC also did not document any justification for awarding the expansion on a single-source basis.

Furthermore, CDC did not meet other administrative requirements associated with the award of this project expansion supplement. Specifically, CDC did not provide a notice to the Federal Register of its intent to make a single-source award prior to (or simultaneously with) the issuance of the award. CDC also did not update the CFDA information with the required program expansion data (namely, information related to the ACA).

INADEQUATE COMMUNICATION BETWEEN OFFICES

Communication between CDC offices responsible for grant administration activities was inadequate to ensure that CDC met administrative requirements.

Specifically, CDC's Procurement and Grants Office (PGO) relied on the program office to inform it that projects contained program expansion supplements. However, PGO and the program office did not communicate with each other regarding the American Cancer Society ACA expansion.

Although CDC included the project in the FY 2010 ACA spending plan, and the funding certification document for the continuation award included the project as an ACA line item (identified by a common accounting number), the Office of Surveillance and Epidemiology Laboratories Services did not inform PGO that the award contained an ACA-related project. The program officer and PGO both confirmed that this information had not been relayed to PGO.

AFFORDABLE CARE ACT FUNDS POTENTIALLY NOT USED IN MOST ADVANTAGEOUS MANNER

By awarding a project expansion on a single-source basis without adequate justification, CDC could not assure that its use of ACA-related funds totaling \$499,582 was most advantageous to the goals of the ACA program.

RECOMMENDATION

We recommend that CDC ensure coordination of grant administration activities by strengthening communication between responsible offices.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In written comments on our draft report, CDC that noted our finding was an isolated incident but concurred in principal with our recommendation. CDC stated it had initiated monthly meetings between responsible offices to avoid miscommunication in the future.

CDC's comments are included in their entirety as Appendix B.

APPENDIXES

APPENDIX A: GRANTS SELECTED FOR REVIEW

Sample Number	Program / Grantee	Amount	Grant Number
	Strengthening Public Health Infrastructure for Improved Health Outcomes		
1	California Department of Public Health	\$2,060,128	U58CD001300-01
2	Florida State Department of Health	\$2,060,128	U58CD001276-01
3	New York City Department of Health and Mental Hygiene	\$2,060,128	U58CD001252-01
4	Wisconsin Department of Health Services	\$1,960,129	U58CD001316-01
5	Massachusetts State Department of Public Health	\$1,960,128	U58CD001323-01
6	Minnesota State Department of Health	\$1,960,128	U58CD001287-01
7	North Carolina Department of Health and Human Services	\$1,903,858	U58CD001291-01
8	Oregon State Public Health Division	\$1,860,128	U58CD001311-01
9	Los Angeles County Health Services Department	\$1,859,950	U58CD001274-01
10	Cherokee Nation	\$1,760,128	U58CD001321-01
11	Maine State Department of Health and Human Services	\$1,758,786	U58CD001285-01
12	Pacific Islands Health Officers Association	\$1,660,128	U58CD001347-01
	ARRA Evaluation		
13	Arkansas State Department of Health	\$610,230	DP2371-01
	Behavioral Risk Factor Surveillance System		
14	Arkansas State Department of Health	\$281,795	DP1957-02
	Communities Putting Prevention to Work		
15	City of Chicago	\$5,800,000	U58DP002376-01
16	Pinellas County Health Department	\$4,350,000	U58DP002526-01
17	Southern Nevada Health District	\$3,800,000	U58DP002382-01
18	County of Santa Clara	\$3,600,000	U58DP002500-01
19	North Carolina Department of Health and Human Services	\$3,200,000	U58DP003053-01
20	Alabama State Department of Public Health	\$2,500,000	U58DP002401-01
21	Dekalb County Board of Public Health	\$2,350,000	U58DP002539-01
22	Arkansas State Department of Health	\$1,800,000	U58DP002371-01
	Emerging Infections Program		
23	Minnesota State Department of Health	\$322,544	U01CI000911-01
	Epidemiology and Laboratory Capacity		
24	California Department of Public Health	\$677,043	U50CI000915-01
	Guide for Community Preventive Services		
25	Association of State and Territorial Health Officials	\$500,000	U38HM000454-03S1
	Health Care Surveillance		
26	American Cancer Society	\$499,582	U50DP001863-03
	HIV Lab		
27	California Department of Public Health	\$415,593	U62PS001024-03S1
	HIV Planning		
28	New York City Department of Health and Mental Hygiene	\$1,581,184	U65PS003268-01
	HIV Testing		
29	Virginia State Department of Health	\$145,567	U62PS003197-01

Sample Number	Program / Grantee	Amount	Grant Number
	Tobacco Quit-line		
30	California Department of Public Health	\$240,173	U58DP002007-02S2
	Improving Epidemiology Practice, Surveillance Systems, Disease Reporting, & Epide.		
31	Council of State and Territorial Epidemiologists	\$335,000	U38HM000414-03S1
	Total	\$55,872,458	

APPENDIX B: CENTERS FOR DISEASE CONTROL AND PREVENTION
COMMENTS

Page 1 of 2



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Public Health Service

Centers for Disease Control
and Prevention (CDC)
Atlanta GA 30333

TO: Inspector General, HHS

FROM: Director, CDC

DATE: March 29, 2012

SUBJECT: Office of Inspector General's Draft Report: "CDC Did Not Meet Program Expansion Supplement Requirements for Awarding One Affordable Care Act Grant" (A-04-11-02003)

CDC's Procurement and Grants Office (PGO) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report, "CDC Did Not Meet Program Expansion Supplement Requirements for Awarding One Affordable Care Act Grant." Thank you for your review of this important issue.

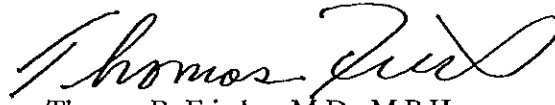
As stated in the HHS OIG draft report, of 31 Affordable Care Act (ACA) grants, CDC awarded 30 grants in accordance with the terms and conditions of the funding opportunity announcements and applicable grant administration requirements for awarding grants. However, CDC awarded one grant that was not in accordance with certain applicable administrative requirements. Specifically, CDC awarded a project expansion supplemental award without:

- Providing a single-source justification for the award.
- Issuing a notification to the Federal Register of its intent to issue a single-source award.
- Updating the Catalog of Federal Domestic Assistance Information associated with the award to reflect ACA funding authority.
- Creating a subaccount to track ACA funds.

OIG Recommendation: We recommend that CDC ensure coordination of grant administration activities by strengthening communication between responsible offices.

CDC Response: CDC concurs in principle with this recommendation and acknowledges that inadequate communication occurred among CDC offices and programs. The grant award was not administered as a program expansion supplement being funded with Prevention and Public Health Funds. CDC did include the project in the FY 2010 Affordable Care Act (ACA) spending plan, and the funding certification document for the continuation award included the project as an ACA line item. This was an isolated incident.

CDC's PGO branch managers are proactively taking steps to avoid miscommunication and have instituted monthly planning meetings with their program office counterparts to ensure these types of miscommunication do not occur in the future.

A handwritten signature in black ink, appearing to read "Thomas Frieden". The signature is fluid and cursive, with the first name "Thomas" and last name "Frieden" clearly legible.

Thomas R. Frieden, M.D., M.P.H.
Director, CDC