



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

September 19, 2003

Report Number: A-05-03-00077

Mr. Steven Wagner, MPH, JD
Chief, Bureau of Environmental Health
Ohio Department of Health
246 North High Street
P.O. Box 118
Columbus, Ohio 43266-0118

Dear Mr. Wagner,

The attached report provides the results of our self-initiated review of the "State of Ohio's Efforts to Account for and Monitor Sub-recipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds."

Our objectives were to determine whether the Ohio Department of Health (State agency): (i) properly recorded, summarized and reported bioterrorism preparedness transactions by each focus area designated in the cooperative agreements and (ii) whether the State agency has established controls and procedures to monitor sub-recipient expenditures of Centers for Disease Control and Prevention funds. In addition, we inquired as to whether bioterrorism program (Program) funding supplanted programs previously funded by other organizational sources.

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by each focus area. The State agency had an advanced online system in place to track and monitor sub-recipient activities; such as, application and award processes, grant conditions, ongoing fiscal activities, and reporting. In addition, the State agency was developing a site visit component. Although the State agency had not completed any site visits to sub-recipients, we believe that the development of the site visit component, combined with the advanced online system, will provide adequate monitoring and oversight of its sub-recipients. In response to our inquiry as to whether the State agency reduced funding to existing health programs, State officials replied that Program funding had not been used to supplant existing State or local programs.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We would appreciate your views and the status of any further action taken or contemplated on our recommendations within 15 days. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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If you have any questions or comments about this report, please contact Leon Siverhus, Audit Manager, at 65 1-290-3762.

To facilitate identification, please refer to Report Number A-05-03-00077 in all correspondence relating to this report.

Sincerely,



Paul Swanson
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

Joseph E. Salter, Director
Management Procedures Branch
Management Analysis and Services Office
Centers for Disease Control and Prevention
1600 Clifton Road, N.E., MS E-11
Atlanta, Georgia 30333

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**STATE OF OHIO'S EFFORTS TO
ACCOUNT FOR AND MONITOR
SUB-RECIPIENTS' USE OF PUBLIC
HEALTH PREPAREDNESS AND
RESPONSE TO BIOTERRORISM
PROGRAM FUNDS**



SEPTEMBER 2003

A-05-03-00077

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OAS FINDINGS AND OPINIONS

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



EXECUTIVE SUMMARY

OBJECTIVES

Our objectives were to determine whether the Ohio Department of Health (State agency): (i) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus areas designated in the cooperative agreements and (ii) whether the State agency has established controls and procedures to monitor sub-recipient expenditures of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether bioterrorism program (Program) funding supplanted programs previously funded by other organizational sources.

FINDINGS

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by each focus area. The State agency had an advanced online system in place to track and monitor sub-recipient activities; such as, application and award processes, grant conditions, ongoing fiscal activities, and reporting. In addition, the State agency was developing a site visit component that will be made up of the Grants Administration Unit, Internal Audit, and Program staff. Although the State agency had not completed any site visits to sub-recipients, we believe that the development of the site visit component, combined with the Information System, will provide adequate monitoring and oversight of its sub-recipients. In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials replied that Program funding had not been used to supplant existing State or local programs.

RECOMMENDATION

We recommend that the State agency implement the site visit component and address problem areas, as they are identified.

STATE AGENCY COMMENTS

In a written response to our draft report, the State agency concurred with our findings and our recommendation. The State agency's response is included in its entirety as an appendix to this report.

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INTRODUCTION

BACKGROUND

The Program

The CDC was designated as the entity responsible for the program to improve state and other eligible entity preparedness and response capabilities for bioterrorism and other public health emergencies. The program is referred to as the Public Health Preparedness & Response to Bioterrorism Program (Program). This program is authorized under Sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service Act [42 U.S.C. sections 241(a), 47b(k)(1)(2), and 247(d)]. The U.S. Code states, in part:

...The Secretary may make grants to States, political subdivisions of States, and other public and nonprofit private entities for – (A) research into the prevention and control of diseases that may be prevented through vaccination; (B) demonstration projects for the prevention and control of such diseases; (C) public information and education programs for the prevention and control of such diseases; and (D) education, training, and clinical skills improvement activities in the prevention and control of such diseases for health professionals (including allied health personnel)....

The CDC, under Program Announcement 99051, initiated a cooperative agreement program to fund states and major local public health departments to help upgrade their preparedness and response capabilities in the event of a bioterrorist act.

Annual Program Funding

Years 1 and 2 of the program covered the period August 31, 1999 through August 30, 2000 and 2001, respectively. Annual funding totaled \$40.7 million and \$41.9 million. Although Year 3 covered the period August 31, 2001 through August 30, 2002, it was extended through August 30, 2003 with funds totaling \$49.9 million. During Year 3 of the program, Congress authorized approximately \$918 million in supplemental funds under the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002, Public Law 107-117. The funds were available on February 19, 2002 and were awarded to states and major local public health departments, under Program Announcement 99051-Emergency Supplemental. Of the awarded amount, 20 percent was available for immediate use. The remaining 80 percent was restricted until CDC approved the required work plans.

Focus Areas

Applicants requested support for activities under one or more of the following focus areas:

- Focus Area A - Preparedness Planning and Readiness Assessment
- Focus Area B - Surveillance and Epidemiology Capacity
- Focus Area C - Laboratory Capacity - Biologic Agents
- Focus Area D - Laboratory Capacity - Chemical Agents
- Focus Area E - Health Alert Network/Communications and Information Technology

In Year 3, the CDC added two new focus areas:

- Focus Area F - Communicating Health Risks and Health Information Dissemination and
- Focus Area G - Education and Training.

Eligible Recipients

Grant recipients included all 50 states, the District of Columbia, the commonwealths of Puerto Rico and the Northern Marianas Islands, American Samoa, Guam, the U.S. Virgin Islands, the republics of Palau and the Marshall Islands, the Federated States of Micronesia, and the nation’s three largest municipalities (New York, Chicago, and Los Angeles County). Those eligible applicants included the health departments of states or their bona fide agents. Applicants were encouraged to apply for funds in all focus areas.

State Agency Funding

The amount of Program funding awarded to the State agency has increased from \$1.1 million in 1999 to \$32 million in 2003. The following table shows funding for each budget year.

Program Amounts by Budget Year			
	Awarded	Expended	Unobligated
Year 1	1,116,275	698,217	418,058
Year 2	1,007,275 ⁽¹⁾	1,103,921	279,091
Year 3	32,007,779 ⁽²⁾	⁽³⁾	⁽³⁾

- (1) Excludes \$375,737 of funds carried forward from Year 1.
- (2) Includes \$30,275,150 of Emergency Supplemental funds, and excludes \$31,996 and \$156,732 of funds carried forward from Years 1 and 2, respectively.
- (3) These amounts are not yet finalized.

OBJECTIVE, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine whether the State agency: (i) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and (ii) whether the State agency has established controls and procedures to monitor sub-recipient expenditures of CDC funds. In addition, we inquired as to whether Program funding supplanted programs previously funded by other organizational sources.

Scope

Our review was limited in scope and conducted for the purpose described above and would not necessarily disclose all material weaknesses. Accordingly, we do not express an opinion on the system of internal accounting controls. In addition, we did not determine whether costs charged to the Program were allowable.

Our audit included a review of State agency policies and procedures, financial reports, and accounting transactions during the period August 31, 1999 through February 28, 2003.

Methodology

We developed a questionnaire to address the objectives of the review. The questionnaire covered the areas: (i) the grantee organization, (ii) funding, (iii) accounting for expenditures, (iv) supplanting, and (v) sub-recipient monitoring. Prior to our fieldwork, we provided the questionnaire for State officials to complete. During our on-site visit, we interviewed State agency staff and obtained supporting documentation to validate their responses on the questionnaire.

Fieldwork was conducted at State agency offices in Columbus, Ohio, and in our St. Paul, Minnesota field office during April and May 2003.

Our review was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATION

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported bioterrorism transactions by specific focus area. The State agency had an advanced online process, the Grants Management Information System (Information System), in place to track and monitor sub-recipient activities; such as, application and award processes, grant conditions, ongoing fiscal activities, and reporting. In addition, the State agency was developing a site visit component made up of the Grants Administration Unit, Internal Audit and the Bioterrorism Program staff. Although the State agency had not completed any site visits to sub-recipients, we believe the development of the site visit component, combined with the Information System, will provide adequate monitoring and oversight of its sub-recipients. In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials replied that Program funding had not been used to supplant existing State or local programs.

Accounting for Expenditures

An essential aspect of the Program is the need for the grantee to accurately and fully account for bioterrorism funds. Accurate and complete accounting of Program funds provides the CDC with

a means to measure the extent that the program is being implemented and the objectives are being met.

In that regard, recipients of Program grant funds are required to track expenditures by focus area. Note 3: Technical Reporting Requirements of the original Cooperative Agreement states:

...To assure proper reporting and segregation of funds for each focus area, Financial Status Reports which reflect the cooperative agreement number assigned to the overall project must be submitted for individual focus areas...

The State agency recorded, summarized and reported transactions by specific focus areas designated in the cooperative agreements.

Sub-recipient Monitoring

Recipients of Program grant funds were required to monitor their sub-recipients. The Public Health Service Grants Policy Statement requires that: “grantees employ sound management practices to ensure that program objectives are met and that project funds are properly spent.” It states recipients must:

...establish sound and effective business management systems to assure proper stewardship of funds and activities....

In addition, the Policy Statement further states that grant requirements apply to subgrantees and contractors under the grants, as follows:

...Where subgrants are authorized by the awarding office through regulations, program announcements, or through the approval of the grant application, the information contained in this publication also applies to subgrantees. The information would also apply to cost-type contractors under grants....

The State agency had a process, the Information System, in place to track and monitor sub-recipients. The Information System is internet-based and was used to track and monitor sub-recipients activities; such as, application and award processes, grant conditions, ongoing fiscal activities, and reporting. In conjunction with the State’s central accounting system, automated controls prohibit payments if the sub-recipient has not fulfilled requirements. In addition, the State agency was developing a site visit component made up of staff from the Grants Administration Unit, Internal Audit, and the Program. Although the State agency had not completed any site visits to sub-recipients, we believe the development of the site visit component combined with the Information System will provide adequate monitoring and oversight of its sub-recipients.

Supplanting

Program funds, original and supplemental, were to be used to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. The funds were

not to be used to supplant existing Federal, State, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure within the jurisdiction. Program Announcement 99051 states:

...Cooperative agreement funds under this program may not be used to replace or supplant any current State or local expenditures of the Public Health Service Act....

In response to our inquiry as to whether the State agency reduced funding to existing health programs, State officials replied that Program funding had not been used to supplant existing State or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure in Ohio.

RECOMMENDATION

We recommend that the State agency implement the site visit component and address problem areas, as they are identified.

STATE AGENCY COMMENTS

In a written response to our draft report, the State agency concurred with our findings and recommendation. The State agency's response is included in its entirety as an appendix to this report.

The State agency is in the process of setting up a Resource and Survey Unit that will be responsible for site visits and facilitating technical assistance to the sub-recipients. In addition, an On-Site Review Team had already visited and reviewed a sub-recipient in July 2003 with additional sites selected for review in August and September 2003.

APPENDIX

OHIO DEPARTMENT OF HEALTH

246 North High Street
Post Office Box 118
Columbus, Ohio 43216-0118
Telephone (614) 466-3543
www.odh.state.oh.us



BOB TAFT
Governor

J. NICK BAIRD, M.D.
Director of Health

August 20, 2003

Mr. Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

Re: Report Number A-05-03-00077

Dear Mr. Swanson:

Thank you for the opportunity to comment and the time that you spent with staff. The Ohio Department of Health is working hard to insure that we accomplish the necessary programmatic outcomes and provide the requisite fiscal and programmatic accountability within the urgent timeframe of this program.

The report is an accurate statement of conditions. We agree with the recommendation to implement, as planned, a site visit component and address problem areas identified from that and other accountability procedures. The Ohio Department of Health is in the process of standing up a Resource and Survey Unit that would be responsible for site visits and facilitating technical assistance to the grantees. This group would work with the Internal Audit and Grants Administration staff to cover the range of fiscal and programmatic accountability issues.

The Ohio Department of Health implemented subgrantee monitoring through the On-Site Review process that began in July, 2003. The On-Site Review Team is currently composed of members of the ODH Audit and Grants Administration Units. The four existing teams each visited and reviewed a subgrantee location in July. Additional sites have been selected and will be reviewed in August and September.

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Paul Swanson

Beginning with the month of October, the Review Team will be expanded to include a Program representative for the grant at the agency selected for review. The three member team approach will continue as the standard for the ODH On-Site Team Review process from here forward. Additional subgrantee sites will be selected for visitation and review on a monthly basis. Emphasis will be placed on the review of those agencies that may be at risk, while including non at risk agencies as well.

Reports of all reviews, as well as the basis for recommendation for any necessary corrective actions as a result of the review, are reported to the ODH Compliance Committee for approval by the Director of the Department of Health.

Please feel free to contact Alice Chapin at 614-387-1132 if you have any further questions or comments.

Cordially,

A handwritten signature in black ink, appearing to read "Steve A. Wagner". The signature is fluid and cursive, with a large initial "S" and "W".

Steve Wagner, MPH, JD
Chief, Bureau of Environmental Health

cc: ODH GAU
ODH Audit Unit

ACKNOWLEDGEMENTS

This report was prepared under the direction of Paul Swanson, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

Leon Siverhus, *Audit Manager*

Brent Storhaug, *Senior Auditor*

Shirley Loos, *Auditor*

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.