



JUN 12 2007

TO: Elizabeth M. Duke, Ph.D.
Administrator
Health Resources and Services Administration

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Audit of Unobligated Balances of Funds Awarded Under the Bioterrorism Hospital Preparedness Program (A-05-06-00024)

The attached final report provides the results of our audit of unobligated balances of funds awarded under the Bioterrorism Hospital Preparedness Program (Bioterrorism Program). For program years 2002 through 2004, the Health Resources and Services Administration (HRSA) awarded approximately \$1.1 billion in Bioterrorism Program funds to State, territorial, and municipal governments or health departments. Pursuant to the Pandemic and All Hazards Preparedness Act (Public Law 109-417, December 19, 2006), responsibility for the Bioterrorism Program will be transferred from HRSA to the Assistant Secretary for Preparedness and Response.

Prior Office of Inspector General reports found that the awardees selected for review had significant unobligated balances of Bioterrorism Program funds for program years 2002 and 2003. This review covers all awardees through program year 2004.

Our objective was to determine whether the percentage of unobligated Bioterrorism Program balances decreased from program year 2002 to program year 2004.

The percentage of unobligated Bioterrorism Program balances decreased from program year 2002 to program year 2004. Based on our analysis of available financial status reports submitted by awardees, unobligated balances declined from 15.7 percent of the awarded funds for program year 2002 to 5.1 percent of the awarded funds for program year 2004. Because program year 2004 had not expired for six grantees as of the completion of our audit (January 9, 2007), these grantees could further reduce their unobligated balances. HRSA has contributed to the reduced percentage of unobligated balances by strengthening its oversight, training, and onsite monitoring of awardees and by using available enforcement actions.

We recommend that HRSA continue to use available monitoring tools and enforcement actions to reduce unobligated funds until such time as the Assistant Secretary for Preparedness and Response assumes responsibility for the Bioterrorism Program.

In written comments on our draft report, HRSA concurred with our recommendation.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at Joe.Green@oig.hhs.gov. Please refer to report number A-05-06-00024 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF UNOBLIGATED
BALANCES OF FUNDS AWARDED
UNDER THE BIOTERRORISM
HOSPITAL PREPAREDNESS
PROGRAM**



Daniel R. Levinson
Inspector General

June 2007
A-05-06-00024

Office of Inspector General

<http://oig.hhs.gov>

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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 HHS divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Bioterrorism Hospital Preparedness Program

The Bioterrorism Hospital Preparedness Program (Bioterrorism Program) funds State, territorial, and municipal governments or health departments to upgrade the preparedness of hospitals and collaborating entities to respond to bioterrorism and other public health emergencies. The Health Resources and Services Administration (HRSA), which administers the Bioterrorism Program, awarded approximately \$1.1 billion for program years 2002 through 2004. Pursuant to the Pandemic and All Hazards Preparedness Act (Public Law 109-417, December 19, 2006), responsibility for the Bioterrorism Program will be transferred from HRSA to the Assistant Secretary for Preparedness and Response.

Prior Office of Inspector General Reviews

A prior Office of Inspector General review (A-05-04-00028) found that the 18 audited awardees had unobligated balances totaling approximately \$19.2 million, or 23 percent of the \$83.1 million awarded for program year 2002. The report noted that improvements were needed to ensure that funds were efficiently and effectively used. Subsequent reviews of four awardees (listed in Appendix A) found continuing unobligated balances as of the end of program year 2003.

OBJECTIVE

Our objective was to determine whether the percentage of unobligated Bioterrorism Program balances decreased from program year 2002 to program year 2004.

SUMMARY OF RESULTS

The percentage of unobligated Bioterrorism Program balances decreased from program year 2002 to program year 2004. Based on our analysis of available financial status reports submitted by awardees, unobligated balances declined from 15.7 percent of the awarded funds for program year 2002 to 5.1 percent of the awarded funds for program year 2004. Because program year 2004 had not expired for six grantees as of the completion of our audit (January 9, 2007), these grantees could further reduce their unobligated balances. HRSA has contributed to the reduced percentage of unobligated balances by strengthening its oversight, training, and onsite monitoring of awardees and by using available enforcement actions.

RECOMMENDATION

We recommend that HRSA continue to use available monitoring tools and enforcement actions to reduce unobligated funds until such time as the Assistant Secretary for Preparedness and Response assumes responsibility for the Bioterrorism Program.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA concurred with our recommendation. HRSA's comments are included in their entirety as Appendix B.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Bioterrorism Hospital Preparedness Program.....	1
Bioterrorism Program Funding.....	1
Prior Office of Inspector General Reviews.....	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective.....	2
Scope.....	2
Methodology.....	3
RESULTS OF REVIEW	3
REDUCTION IN UNOBLIGATED BALANCES	3
RECOMMENDATION	4
HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS.....	4
OTHER MATTER	4
APPENDIXES	
A – AUDIT REPORTS ON FOUR AWARDEES	
B – HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS	

INTRODUCTION

BACKGROUND

Bioterrorism Hospital Preparedness Program

The Bioterrorism Hospital Preparedness Program (Bioterrorism Program) provides funding to State, territorial, and municipal governments or health departments to upgrade the preparedness of hospitals and collaborating entities to respond to bioterrorism and other public health emergencies.¹ The Department of Health and Human Services (HHS), Health Resources and Services Administration (HRSA), administers the Bioterrorism Program.

The Pandemic and All Hazards Preparedness Act (Public Law 109-417, December 19, 2006) transfers future responsibility for the Bioterrorism Program from HRSA to the new position of Assistant Secretary for Preparedness and Response.

Bioterrorism Program Funding

HRSA initiated cooperative agreements with Bioterrorism Program awardees for program year 2002, which began April 1, 2002. Through program year 2004, HRSA awarded approximately \$1.1 billion to the 50 States; the District of Columbia; the Nation's three largest municipalities (New York City, Chicago, and Los Angeles County); the Commonwealths of Puerto Rico and the Northern Mariana Islands; the territories of American Samoa, Guam, and the U.S. Virgin Islands; the Federated States of Micronesia; and the Republics of Palau and the Marshall Islands. However, not all eligible applicants received funds in program years 2002 and 2004. Table 1 summarizes the number of awardees and funding by program year.

Table 1: Number of Awardees and Funding by Program Year²

Program Year	Number of Awardees	Funding (in Millions)
2002	57	\$144
2003	62	445
2004	61	496
Total		\$1,085

¹Congress initially authorized funding for this program under the Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States Act, 2002, Pub. L. 107-117, through the Public Health and Social Services Emergency Fund at section 319 of the Public Health Service Act (42 U.S.C. § 247d). Then, in June 2002, Congress enacted section 319C-1 of the Public Health Service Act (42 U.S.C. § 247d-3a) to support efforts to counter potential terrorist threats and other public health emergencies. The activities funded under the grants awarded in program years 2003 and 2004 were authorized by section 319C-1 and funded pursuant to annual appropriations.

²Program year 2002 was April 1, 2002, to August 31, 2003; program year 2003 was September 1, 2003, to August 31, 2004; and program year 2004 was September 1, 2004, to August 31, 2005.

Grants awarded in program year 2002 were funded through a “no-year appropriation,” meaning that the funding did not expire and was available until expended. In comparison, grants awarded in program years 2003 and 2004 were funded through 1-year appropriations. HRSA elected to establish initial 12-month program years for 2003 and 2004 and then extended the years up to 24 additional months.

To monitor the expenditure of these funds, HRSA requires awardees to submit financial status reports showing the amounts expended, obligated, and unobligated. Financial reporting requirements (45 CFR § 92.41(b)(3)) for HHS grants to State and local governments state: “If the Federal agency does not specify the frequency of the report, it will be submitted annually.” Because program guidance for 2002 and 2003 was silent on the frequency of submission, annual financial status reports were required for grants made in those years. Program guidance for 2004 required quarterly interim financial status reports and a final financial status report 90 days after the end of the budget period, which we are referring to in this report as a “program year.”

Prior Office of Inspector General Reviews

A prior Office of Inspector General review found that the 18 audited awardees had unobligated balances totaling approximately \$19.2 million, or 23 percent of the \$83.1 million awarded during the first program year of the Bioterrorism Program, covering April 1, 2002, through August 31, 2003.³ The report noted that improvements were needed to ensure that funds were efficiently and effectively used.

Subsequent reviews of awardees in the District of Columbia, Massachusetts, North Carolina, and Ohio found continuing unobligated balances as of the end of program year 2003. These reviews also assessed whether awardees claimed only allowable costs and whether Bioterrorism Program funding supplemented and did not supplant existing local funding. Two reviews noted minor unallowable costs claimed. (See Appendix A for the four report numbers and issue dates.)

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the percentage of unobligated Bioterrorism Program balances decreased from program year 2002 to program year 2004.

Scope

This audit covers financial status reports submitted by the 50 States, the District of Columbia, New York City, Chicago, Los Angeles County, Puerto Rico, the Northern Mariana Islands, American Samoa, Guam, the U.S. Virgin Islands, Micronesia, Palau, and the Marshall Islands. The audit includes our analysis of unobligated balances reported on the latest financial status reports provided to us as of June 15, 2006, for program years 2002 and 2003 and as of January 9, 2007, for program year 2004.

³“Nationwide Audit of State and Local Government Efforts To Record and Monitor Subrecipients’ Use of Bioterrorism Hospital Preparedness Program Funds” (A-05-04-00028, issued August 26, 2004).

We did not review HRSA’s overall internal control structure. We limited our internal control review to obtaining an understanding of financial status reports and how HRSA used these reports to monitor unobligated balances. We conducted our fieldwork at HRSA offices in Rockville, Maryland, during 2006.

Methodology

We reviewed applicable Federal grant requirements. During our visits to HRSA, we interviewed fiscal and program officials about Bioterrorism Program requirements and HRSA oversight activities. We also obtained financial status reports to determine unobligated fund balances. Because some awardees had not submitted financial status reports at the time of our visits, HRSA provided copies as they became available.

We performed our review in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

REDUCTION IN UNOBLIGATED BALANCES

While HRSA’s Bioterrorism Program guidance for 2002 and 2003 did not specifically address the obligation of funds, the guidance for 2004 stated that emphasis must be placed on the expedient obligation and subsequent transfer of funds from awardees to subrecipients to prevent further delays in providing funding to the local level.

The percentage of unobligated Bioterrorism Program balances decreased from program year 2002 to program year 2004. Based on our analysis of available financial status reports, unobligated balances declined from 15.7 percent of the awarded funds for program year 2002 to 5.1 percent of the awarded funds for program year 2004. (See Table 2.)

Table 2: Awarded Funds and Reported Unobligated Balances

Program Year	Awarded Funds	Unobligated Balance⁴	Percentage of Awarded Funds Unobligated⁴
2002	\$144,054,694	\$22,606,358	15.7%
2003 ⁵	445,543,123	16,994,010	3.8%
2004 ⁶	495,983,365	25,539,112	5.1%

⁴These amounts represent only awardees that submitted financial status reports and therefore could be understated.

⁵HRSA extended the 2003 program year for all 62 awardees by 12 to 24 months. Thus, the due dates for the final 2003 financial status reports were extended to November 30, 2005, for 48 awardees; May 31, 2006, for 13 awardees; and November 30, 2006, for 1 awardee.

⁶HRSA extended the 2004 program year for 59 of the 61 awardees by 12 months and then granted 6 of the 59 awardees an additional 6- or 12-month extension. Thus, the due dates for the final 2004 financial status reports were extended to May 31, 2007, for five awardees and to November 30, 2007, for one awardee.

As of January 9, 2007, program year 2004 had not expired for six grantees. Thus, these grantees had additional time to expend funds and could further reduce their unobligated balances. The total unobligated balances for the program year cannot be determined until all final financial status reports are submitted.

HRSA has contributed to the reduced percentage of unobligated balances by strengthening its oversight, training, and onsite monitoring of awardees and by using available enforcement actions. For example, HRSA contacted several awardees to determine the cause of unobligated balances and worked with the awardees to obligate and expend funds. HRSA also provided awardee training on completing applications, financial status reports, and other documents. With respect to onsite monitoring, HRSA standardized its site visit protocols, implemented program and fiscal monitoring and reviews of unobligated balances, and increased the number of site visits. HRSA's enforcement actions included restricting funding, withholding new money, and limiting the ability of awardees to draw down new funds. The awardees that were not awarded new money had large unobligated balances and high staff turnover. One of these awardees also lacked a budget, work plan, and progress reports.

RECOMMENDATION

We recommend that HRSA continue to use available monitoring tools and enforcement actions to reduce unobligated funds until such time as the Assistant Secretary for Preparedness and Response assumes responsibility for the Bioterrorism Program.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In its May 15, 2007, written comments on our draft report, HRSA concurred with our recommendation. HRSA's comments are included in their entirety as Appendix B.

OTHER MATTER

Awardees were required to submit annual financial status reports for program years 2002 and 2003 and quarterly interim financial status reports, as well as final reports, for program year 2004. Numerous awardees did not submit financial status reports. Table 3 on the following page shows the number of awardees that did not submit these reports for each year as of June 15, 2006.

Table 3: Submission of Financial Status Reports as of June 15, 2006

Program Year	Number of Awardees	Awardees That Did Not Submit Reports	
		Number	Percentage
2002	57	5	8.8%
2003	62	8	12.9%
2004			
1 st quarter	61	20	32.8%
2 nd quarter	61	15	24.6%
3 rd quarter	61	12	19.7%
4 th quarter	61	28	45.9%
5 th quarter	61	37	60.7%
6 th quarter	61	39	63.9%

APPENDIXES

AUDIT REPORTS ON FOUR AWARDEES

Awardee	Report Number¹	Date Issued
District of Columbia Department of Health	A-03-04-00354	June 28, 2005
Massachusetts Department of Public Health	A-01-04-01504	May 10, 2005
North Carolina Department of Health and Human Services	A-04-04-01003	November 2, 2005
Ohio Department of Health	A-05-04-00052	February 14, 2005

¹These reports are available at <http://oig.hhs.gov>.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services Administration

MAY 15 2007

Rockville, Maryland 20857

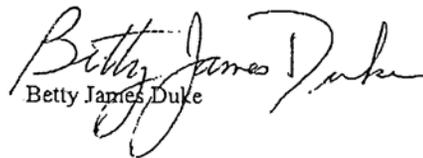
TO: Joseph E. Vengrin
Deputy Inspector General for Audit Services

FROM: Administrator

SUBJECT: Office of Inspector General Draft Report, "Audit of Unobligated Balances of Funds Awarded Under the Bioterrorism Hospital Preparedness Program" (A-05-06-00024)

Thank you for the opportunity to review and comment on this draft report. Attached for your review are our comments.

Questions may be referred to Ms. Gail Lipton in HRSA's Office of Federal Assistance Management at (301) 443-6509.


Betty James Duke

Attachment

**Comments of the Health Resources and Services Administration on the
Office of the Inspector General Draft Report "Audit of Unobligated Balances of Funds
Awarded Under the Bioterrorism Hospital Preparedness Program" (A-05-06-00024)**

General Comments

The Health Resources and Services Administration (HRSA) appreciates the opportunity to provide comments on the Office of the Inspector General (OIG) draft report, "Audit of Unobligated Balances of Funds Awarded Under the Bioterrorism Hospital Preparedness Program." Until ASPR can find a grants management office to award these grants, HRSA is continuing to perform the grants management functions of this program. In accordance with OIG's report recommendations, HRSA continues to use monitoring tools and enforcement actions to reduce unobligated funds.

OIG Recommendation to HRSA:

Continue to use available monitoring tools and enforcement actions to reduce unobligated funds until such time as the Assistant Secretary for Preparedness and Response (ASPR) assumes responsibility for the Bioterrorism program.

HRSA Response:

Responsibility for the Bioterrorism program has been moved to ASPR. However, HRSA continues as the grants management operations office for the Bioterrorism program. In administering these grants, HRSA continues to use available monitoring and enforcement actions to reduce unobligated funds. For example, grantees are required to provide financial status reports every quarter. HRSA reviews these reports to determine if there are any discrepancies between authorized and awarded funds. If a grantee does not provide financial reports, they are ineligible for further funding or extension awards. HRSA works with grantees to answer any questions about financial status reports and remind them of their obligation to provide these reports by a specific due date.