



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

March 25, 2010

TO: Charlene Frizzera
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: /Daniel R. Levinson/
Inspector General

SUBJECT: Review of the Hurricane Katrina Health-Care-Related Professional Workforce Supply Grant for the Greater New Orleans Area (A-06-08-00026)

Attached, for your information, is an advance copy of our final report on the Hurricane Katrina health-care-related professional workforce supply grant for the Greater New Orleans area. We will issue this report to the Louisiana Department of Health and Hospitals within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through email at George.Reeb@oig.hhs.gov or Patricia Wheeler at (214) 767-6325 or through email at Trish.Wheeler@oig.hhs.gov. Please refer to report number A-06-08-00026.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

March 31, 2010

Report Number: A-06-08-00026

Ms. Gerrelda Davis
Director
Bureau of Primary Care and Rural Health
Louisiana Department of Health and Hospitals
P.O. Box 3118
Baton Rouge, Louisiana 70821-3118

Dear Ms. Davis:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of the Hurricane Katrina Health-Care-Related Professional Workforce Supply Grant for the Greater New Orleans Area." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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. 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, or contact John Price, Senior Auditor, at (225) 389-0406, extension 30, or through email at John.Price@oig.hhs.gov. Please refer to report number A-06-08-00026 in all correspondence.

Sincerely,

/Patricia Wheeler/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Rodney Benson
Director
Office of Acquisition and Grants Management
Centers for Medicare & Medicaid Services
Mail Stop C2-22-08
7500 Security Boulevard
Baltimore, Maryland 21244

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE HURRICANE KATRINA
HEALTH-CARE-RELATED PROFESSIONAL
WORKFORCE SUPPLY GRANT FOR THE
GREATER NEW ORLEANS AREA**



Daniel R. Levinson
Inspector General

March 2010
A-06-08-00026

Office of Inspector General

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

As authorized by section 6201(a)(4) of the Deficit Reduction Act of 2005, the Centers for Medicare & Medicaid Services (CMS) awarded the Louisiana Department of Health and Hospitals, Bureau of Primary Care and Rural Health (the Bureau), a Professional Workforce Supply Grant (the grant) to restore access to health care in communities impacted by Hurricane Katrina. The \$50 million grant funds payments to licensed health care professionals for retention and recruitment and covers the period March 1, 2007, through September 30, 2012.

Pursuant to the terms of the grant, funds are to be distributed in one-time payments to individual practitioners based on the incentive options they choose. The incentives offered are payments for student loans, of malpractice insurance premium expenses, for contract execution (sign-on bonuses), of income guarantees, of health information technology continuing education expenses, and of relocation expenses. Practitioners may choose more than one incentive option and receive a payment not to exceed the limits set forth in the grant for each practitioner type. Interested practitioners are required to submit applications for funding and sign contracts agreeing to a 3-year term of service in the Greater New Orleans area.

OBJECTIVES

Our objectives were to determine (1) whether the Bureau awarded funds in accordance with the grant terms and (2) the amount of grant funds distributed to awardees.

SUMMARY OF FINDINGS

We are not able to express an opinion on \$25,999,330 that the Bureau awarded during the period March 1 through December 31, 2007, because we discovered after our fieldwork was complete that practitioner contracts may have been improperly signed. Apart from the possibility of improper signatures, we found that, of the \$5.3 million the Bureau awarded to 100 sampled awardees during the period March 1 through December 31, 2007, \$1,435,000 was not awarded in accordance with the grant terms to 20 awardees. The Bureau awarded grants of:

- \$195,000 to 3 ineligible awardees and
- \$1,240,000 to 17 awardees without ensuring that they were eligible to receive the awards. (See Appendix C for details of these errors.)

These errors occurred because the Bureau did not have policies and procedures or did not follow its existing policies and procedures to ensure that applicants were eligible to receive the grant funds.

Based on our sample results, we estimated that the Bureau did not award \$5,813,418 of grant funds to 85 awardees in accordance with the grant terms for the period March 1 through December 31, 2007. At the time of our audit, not all awardees had received grant funds. Of the

\$5.3 million in our sample, \$2.2 million had been distributed as of February 28, 2008. From this amount, the Bureau had distributed to 12 awardees a total of \$945,000 in awards that were not made in accordance with the grant terms.

RECOMMENDATIONS

For the \$1,435,000 of grant awards that were not awarded in accordance with the grant terms, we recommend that the Bureau cancel the undistributed awards and credit the grant account for distributed awards:

- For the \$195,000 in grant funds awarded to three ineligible awardees, we recommend that the Bureau:
 - credit the grant account for the \$165,000 in awards it distributed to two of the three and
 - cancel the undistributed award for \$30,000 it made to one of the ineligible awardees or credit the \$30,000 to the grant account if the Bureau has distributed this award.
- For the \$1,240,000 in grant funds awarded to the 17 sampled awardees whose eligibility was not verified, we recommend that the Bureau:
 - credit the grant account for the \$780,000 it awarded and distributed to 10 individuals and
 - cancel the undistributed awards related to the \$460,000 it awarded to 7 individuals and credit the grant account for the distributed awards.

For the remaining 686 awardees in our sampling frame, the 119 awardees who were not in our sampling frame, and all awards that were made subsequent to our audit period, we recommend that the Bureau determine:

- whether awardees were eligible so that undistributed awards to ineligible awardees can be cancelled and distributed awards to ineligible awardees can be credited to the grant account and
- whether funds were awarded in accordance with grant terms so that undistributed awards that were not made to awardees in compliance with grant terms can be cancelled and distributed awards that were not made to awardees in compliance with grant terms can be credited to the grant account.

Additionally, we recommend that the Bureau strengthen its policies and procedures to ensure that all of the grant's eligibility requirements are met.

BUREAU COMMENTS

Regarding the \$1,435,000 that was not awarded in accordance with the grant terms, the Bureau indicated that most of the deficiencies identified in the grants to sampled awardees have been corrected and gave the status of those that were still outstanding. Regarding two awardees who had defaulted on Federal loans, the Bureau said that CMS had approved a change in program guidelines that allowed the Bureau to award funds to individuals with defaulted loans if it had documentation showing that the debts had been satisfied. The Bureau also indicated that it was continuing to review the files of awardees who were not part of our sample, taking corrective actions as appropriate, and working closely with CMS officials to guarantee that it adheres to all grant guidelines.

The Bureau's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Bureau provided no documentation to support the corrective actions it refers to in its response, nor did it provide evidence that CMS approved a change in the grant terms allowing the Bureau to award funds to two awardees who had defaulted on Federal loans. Because we have no supporting evidence from the Bureau, we have not revised our findings or recommendations.

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INTRODUCTION

BACKGROUND

As authorized by section 6201(a)(4) of the Deficit Reduction Act of 2005, the Centers for Medicare & Medicaid Services (CMS) awarded the Louisiana Department of Health and Hospitals, Bureau of Primary Care and Rural Health (the Bureau), a Professional Workforce Supply Grant (the grant) to restore access to health care in communities impacted by Hurricane Katrina. The \$50 million grant covers the period March 1, 2007, through September 30, 2012.

The Grant

The grant provides for the distribution of funds for (1) retaining physicians and other licensed health care professionals furnishing services in the Greater New Orleans Health Professional Shortage Areas (HPSA)¹ of Orleans Parish, Plaquemines Parish, St. Bernard Parish, and certain parts of Jefferson Parish (which make up Region One)² and (2) recruiting such licensed professionals to provide health care services within those HPSAs.

Pursuant to the terms of the grant, funds are to be distributed in one-time payments to individual practitioners based on the incentive options they choose. The incentives offered are payments for student loans, of malpractice insurance premium expenses, for contract execution (sign-on bonuses), of income guarantees, of health information technology (HIT) continuing education expenses, and of relocation expenses. Practitioners may choose more than one incentive option and receive a payment not to exceed the limits set forth in the grant for each practitioner type. The limits range from a maximum of \$10,000 for a physical therapy assistant to \$110,000 for a physician. Interested practitioners are required to submit applications for funding and sign contracts agreeing to a 3-year term of service in Region One.

The Bureau is required to submit to CMS annual financial status reports and progress reports, as well as a final report after the grant period ends.

The Bureau

The Bureau administers the grant. The Bureau's mission is to improve the health status of Louisiana residents in rural and underserved areas. The Bureau works to support effective clinical practices and health care organizations and to recruit and retain primary medical health care providers.

¹HPSAs have shortages of primary medical, dental, or mental health care providers and may be geographic (county or service area), demographic (low-income population), or institutional (comprehensive health center, federally qualified health center, or other public facility).

²Region One is defined by the Louisiana Department of Health and Hospitals. All of Orleans, Plaquemines, and St. Bernard Parishes were designated HPSAs for primary care, dental, and mental health care. Although all of Jefferson Parish was designated as an HPSA for mental health care, only certain zip codes of the parish were designated as primary care and dental HPSAs.

Applicant Awards

For the period March 1 through December 31, 2007, the Bureau awarded \$32.6 million in grant funds to 908 awardees and distributed \$10.6 million of the \$32.6 million to 208 awardees. Of the \$32.6 million in grant funds awarded, \$20.6 million was for retention and \$12.0 million was for recruitment.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine (1) whether the Bureau awarded funds in accordance with the grant terms and (2) the amount of grant funds distributed to awardees.

Scope

The Bureau provided us with a spreadsheet of 2007 applicant awards created from its grant award tracking system. The spreadsheet showed that the Bureau had awarded \$27,434,330 in grant funds during the period March 1 through December 31, 2007. We used this spreadsheet to select a stratified statistical sample of 100 applicants who were awarded grants that totaled \$5,327,497. For all of our sample items, we determined whether the Bureau had documentation to support the decision to award grant funds. We also determined from the State's accounting system the distributions that had been made to awardees as of February 28, 2008.

We accepted the Bureau's assertion that the information in the grant award tracking system was complete. However, after we selected the sample and began fieldwork, the Bureau discovered that there were an additional 119 awardees who were not included in the spreadsheet because they were never entered into its tracking system. These additional 119 awardees and their awards, which totaled \$5.2 million, were not available to be included in the sampling frame. In total, the Bureau actually awarded \$32.6 million to 908 awardees during our audit period. (This issue is discussed in the "Other Matter" section.)

We did not review the Bureau's overall internal control structure. We limited our review to obtaining an understanding of the policies and procedures the Bureau used to award and distribute grant funds. Additionally, we did not review the Bureau's administrative costs, for which the grant authorized \$1.2 million, or the Bureau's procedures for handling any advance payments of grant funds that the Bureau may have received. Finally, we did not review the contracts between the practitioners and the Bureau because they were signed after the grant award determination process was completed.

We conducted our fieldwork at the Bureau's office in Baton Rouge, Louisiana.

Methodology

To accomplish our objectives, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed the grant requirements;
- reviewed the Bureau's policies and procedures related to the grant;
- obtained a spreadsheet listing the grant awardees for the period March 1 through December 31, 2007, created from the Bureau's grant award tracking system;
- selected, as detailed in Appendix A, a stratified random sample of 100 of these awardees;
- reviewed the Bureau's files for each sampled awardee;
- interviewed Bureau management officials; and
- estimated, based on the sample results, the number of applicants not awarded grants in accordance with the grant terms and the amount of grants not awarded in accordance with the grant terms, as shown in Appendix B.

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 objectives.

FINDINGS AND RECOMMENDATIONS

We are unable to express an opinion on \$25,999,330 that the Bureau awarded during the period March 1 through December 31, 2007, because we discovered after our fieldwork was complete that practitioner contracts may have been improperly signed. Apart from the possibility of improper signatures, we found that, of the \$5.3 million the Bureau awarded to 100 sampled awardees during the period March 1 through December 31, 2007, \$1,435,000 was not awarded in accordance with the grant terms to 20 awardees.³ The Bureau awarded grants of:

- \$195,000 to 3 ineligible awardees and
- \$1,240,000 to 17 awardees without ensuring that they were eligible to receive the awards. (See Appendix C for details of these errors.)

³For some awardees, the Bureau did not award funds in accordance with the grant terms for more than one reason.

These errors occurred because the Bureau did not have policies and procedures or did not follow its existing policies and procedures to ensure that applicants were eligible to receive the grant funds.

At the time of our audit, not all awardees had received grant funds. Of the \$5.3 million in our sample, \$2.2 million had been distributed as of February 28, 2008. From this amount, the Bureau had distributed to 12 awardees a total of \$945,000 in awards that were not made in accordance with the grant terms.

Based on our sample results, we estimated that the Bureau did not award \$5,813,418 of the total of \$27.4 million in grant funds to 85 awardees in accordance with the grant terms for the period March 1 through December 31, 2007.

POSSIBLE IMPROPER SIGNATURES ON PRACTITIONER CONTRACTS

After we completed our fieldwork, we discovered that some contracts between practitioners and the Bureau may have contained improper signatures. Bureau officials stated that, on some contracts, one or more former Bureau employees may have signed practitioners' names and/or the name of the undersecretary of the Louisiana Department of Health and Hospitals.

If the reports of improper signatures are correct, other grant documents that were within the scope of our audit, such as the practitioners' applications for funding, may also contain improper signatures. We plan to perform additional audit work that will include contract signature verification.

Because of the possibility of improper signatures, we are not able to express an opinion on \$25,999,330 of grant funds that the Bureau awarded during our audit period.

GRANT FUNDS NOT AWARDED IN ACCORDANCE WITH THE GRANT TERMS

The grant terms require that the Bureau award funds only to U.S. citizens employed in facilities in Region One HPSAs that offer sliding scale fees or free care to low-income, uninsured patients. Additionally, funds are not to be awarded to those who were already practicing in Louisiana HPSAs outside of Region One or to those who had had Federal debts written off as uncollectible. The grant terms also require that the Bureau award funds only to those licensed to practice in Louisiana or with license applications pending there. Applicants were required to provide documentation for incentive options they selected, including a letter of intent or signed contract if they opted for a contract execution payment.

Ineligible Awardees

Unlicensed Awardees

The grant terms require that the Bureau award grant funds only to applicants licensed to practice in Louisiana by the appropriate licensing agency or with applications for a license pending there. The Bureau awarded funds to two applicants who were not licensed and did not have license

applications pending in Louisiana. The Bureau requested that all applicants submit a copy of their licenses. Several applicants did not submit copies of their licenses, but we were able to independently verify licenses for all but the two unlicensed applicants. We provided the names of the two awardees to Bureau officials, and they agreed that the two were not licensed and did not have license applications pending in Louisiana. The Bureau awarded and distributed \$165,000 to these two awardees because it did not follow its policies and procedures for verifying that applicants were appropriately licensed before awarding them grant funds.

Awardee Practicing in Another Louisiana Health Professional Shortage Area

The grant terms require that the Bureau award grant funds only to applicants not already practicing in Louisiana HPSAs outside of Region One. This requirement is meant to prevent the recruitment of medical personnel from another area already designated as having a shortage of primary care, dental, or mental health providers. The Bureau awarded funds to an applicant whose application indicated that she was working in an HPSA outside of Region One. As of February 28, 2008, the Bureau had awarded her \$30,000 but had not yet distributed the award. The Bureau made the award because it did not have policies and procedures to ensure that applicants were not already practicing in Louisiana HPSAs outside of Region One.

Awards Made Without Determining Eligibility

In addition to awarding grants totaling \$195,000 to the 3 ineligible awardees, the Bureau awarded \$1,240,000 to 17 awardees without ensuring that the terms of the grant had been met. At the time of our fieldwork, the Bureau had distributed \$780,000 to 10 awardees. For some awardees, the Bureau incorrectly awarded grants for more than one of the reasons below.

United States Citizenship Status Not Obtained

The grant terms require that the Bureau award funds only to U.S. citizens, and the application asked whether the applicant was a U.S. citizen or national. Applicants were required to provide all information and documentation requested on the application form. The Bureau relied on the applicants' responses. The Bureau awarded funds to five applicants who did not respond to the citizenship question on their applications, and the Bureau did not follow up to determine their citizenship status because it did not have policies and procedures for verifying citizenship.

Employment in Region One Health Professional Shortage Areas Not Verified

The grant terms require that the Bureau award funds only to health care professionals practicing in facilities located in Region One HPSAs. The Bureau had procedures in place to ensure that these requirements were met, such as obtaining employment verification letters and checking the facilities' addresses. However, the Bureau awarded funds to five individuals without performing those verification procedures.

Discount Fee Schedule Policies Not Verified

The grant terms require that the Bureau award grant funds only to applicants practicing at a facility that provides a sliding fee scale for the uninsured as well as free care for those unable to pay. Practitioners were required to submit documentation showing that sliding fee scales were offered. The Bureau awarded funds to eight applicants without verifying that they were practicing at facilities that offered sliding fee scales because it did not have policies and procedures for verifying that awardee practice sites offered sliding fee scales.

Defaulted Education Loans

The grant terms require that the Bureau award grant funds only to applicants who had no Federal debts written off as uncollectible or any Federal service or payment obligation waived. The Bureau awarded funds to three applicants (one of whom was unlicensed) who indicated on their applications that they had defaulted on education loans. The Bureau did not follow up to determine whether the loans were Federal obligations, which would have disqualified the applicants. The Bureau did not have policies and procedures for verifying that awardees did not have any Federal obligations written off as uncollectible or waived.

Contract Execution Awarded Without Letters of Intent or Contracts

The grant terms require that the Bureau award grant funds to applicants who applied for a contract execution payment only if they had provided letters of intent or recently signed employment contracts from Region One employers. The Bureau awarded funds to five applicants (one of whom was unlicensed) without ensuring that they had signed letters of intent or contracts with eligible Region One employers because the Bureau did not have policies and procedures for verifying whether applicants had provided letters of intent or signed employment contracts.

Lack of Documentation To Support Costs To Be Paid With Grant Funds

The grant terms require that the Bureau award funds to applicants applying for grants to pay for education loans, malpractice premiums, and HIT training costs only if they furnished documentation to support the amounts to be paid with grant funds, including, as appropriate:

- documentation showing the current principal balance of education loans,
- a past bill verifying the amount of the malpractice premium for 1 year's coverage, and
- estimates of HIT training expenses.

The Bureau awarded funds to five applicants (one of whom was unlicensed) for education loans, malpractice premiums, and HIT training expenses without documentation of the costs to be paid with grant funds because it did not have policies and procedures for verifying that the applicants documented costs to be paid with grant funds.

RECOMMENDATIONS

For the \$1,435,000 of grant awards that were not awarded in accordance with the grant terms, we recommend that the Bureau cancel any remaining undistributed awards and credit the grant account for distributed awards:

- For the \$195,000 in grant funds awarded to three ineligible awardees, we recommend that the Bureau:
 - credit the grant account for the \$165,000 in awards it distributed to two of the three and
 - cancel the undistributed award for \$30,000 it made to one of the ineligible awardees or credit the \$30,000 to the grant account if the Bureau has distributed this award.
- For the \$1,240,000 in grant funds awarded to the 17 awardees whose eligibility was not verified, we recommend that the Bureau:
 - credit the grant account for the \$780,000 it awarded and distributed to 10 individuals and
 - cancel the undistributed awards related to the \$460,000 it awarded to 7 individuals and credit the grant account for the distributed awards.

For the remaining 686 awardees in our sampling frame, the 119 awardees who were not in our sampling frame, and all awards that were made subsequent to our audit period, we recommend that the Bureau determine:

- whether awardees were eligible so that undistributed awards to ineligible awardees can be cancelled and distributed awards to ineligible awardees can be credited to the grant account and
- whether funds were awarded in accordance with grant terms so that undistributed awards that were not made to awardees in compliance with grant terms can be cancelled and distributed awards that were not made to awardees in compliance with grant terms can be credited to the grant account.

Additionally, we recommend that the Bureau strengthen its policies and procedures to ensure that all of the grant's eligibility requirements are met.

BUREAU COMMENTS

Regarding the \$1,435,000 that was not awarded in accordance with the grant terms, the Bureau indicated that most of the deficiencies identified in the grants to sampled awardees have been corrected and gave the status of those that were still outstanding. Regarding two awardees who

had defaulted on Federal loans, the Bureau said that CMS had approved a change in program guidelines that allowed the Bureau to award funds to individuals with defaulted loans if it had documentation showing that the debts had been satisfied. The Bureau also indicated that it was continuing to review the files of awardees who were not part of our sample, taking corrective actions as appropriate, and working closely with CMS officials to guarantee that it adheres to all grant guidelines.

The Bureau's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

The Bureau provided no documentation to support the corrective actions it refers to in its response, nor did it provide evidence that CMS approved a change in the grant terms allowing the Bureau to award funds to two awardees who had defaulted on Federal loans. Because we have no supporting evidence from the Bureau, we have not revised our findings or recommendations.

OTHER MATTER

GRANT AWARD TRACKING SYSTEM NOT ALWAYS CURRENT

The information in the Bureau's grant award tracking system was not always current. Copies of the tracking system were kept and updated at different office locations. Sometimes the Bureau adjusted award amounts after the initial award determinations were made. However, the Bureau did not always update these changes in the tracking system. Because the Bureau did not always keep the data current, the Bureau did not always know how much of the grant funds had been awarded to whom, the amounts awarded for each of the incentive options, and the funds available. Officials stated that the Bureau did not have a common server available to maintain a centralized grant award tracking system.

APPENDIXES

APPENDIX A: SAMPLE DESCRIPTION

POPULATION

The sampling population was practitioner grant awardees who were awarded grant funds from March 1 through December 31, 2007, to furnish services in the Greater New Orleans Health Professional Shortage Area (HPSA).

SAMPLING FRAME

We obtained from the Louisiana Department of Health and Hospitals, Bureau of Primary Care and Rural Health (the Bureau), a spreadsheet from its grant award tracking system listing 789 awardees who were awarded grants between March 1 and December 31, 2007. Three of the grant awardees did not accept the award and were removed from the sampling frame. The remaining 786 applicants were awarded grant awards totaling \$27,434,330. The amounts included in the sampling frame are from the original spreadsheet the Bureau provided.

SAMPLE UNIT

The sample unit is a practitioner grant awardee.

SAMPLE DESIGN

We used stratified random sampling, defining each stratum by award amount, as shown below.

Stratum One: \$70,000 and more—113 awardees

Stratum Two: \$20,000 to \$69,999—207 awardees

Stratum Three: Less than \$20,000—466 awardees

SAMPLE SIZE

We selected 100 awardees with grant award dates between March 1 and December 31, 2007. We randomly selected 33 from stratum one and stratum three and 34 from stratum two.

SOURCE OF RANDOM NUMBERS

We generated the random numbers using the Office of Inspector General, Office of Audit Services, RAT-STATS statistical sampling software.

METHOD OF SELECTING SAMPLE ITEMS

Each sample unit (practitioner grant awardee) in the sampling frame was numbered sequentially, 1 through 786. We generated 33 random numbers ranging from 1 through 113 for stratum one, 34 random numbers ranging from 114 through 320 for stratum two, and 33 random numbers

ranging from 321 through 786 for stratum three. After generating the 100 random numbers, we selected the corresponding frame items.

TREATMENT OF MISSING SAMPLE ITEMS

If the support for a sample item was not available, the award amount was treated as unallowable.

ESTIMATION METHODOLOGY

We used RAT-STATS to estimate the number of practitioner grant awardees that should not have been awarded the grant funds and to estimate the grant amount that was incorrectly awarded. Because only 31 of the 100 sampled items had been distributed as of February 28, 2008, we did not estimate the dollar value of unallowable payments.

APPENDIX B: SAMPLE ESTIMATES

Estimates

(Limits Calculated for a 90-Percent Confidence Interval)

	Estimated number of applicants not awarded grants in accordance with grant terms	Estimated percent of applicants not awarded grants in accordance with grant terms
Point estimate	83	10.55%
Lower limit	57	7.21%
Upper limit	109	13.89%
Point estimate	83	
Number of incorrectly awarded grants from stratum 3	2	
Total	85	

	Estimated amount of grants not awarded in accordance with grant terms
Point estimate	\$5,783,418
Lower limit	\$4,045,056
Upper limit	\$7,521,780
Point estimate	\$5,783,418
Amount of incorrectly awarded grants from stratum 3	\$30,000
Total	\$5,813,418

Sample Item	Award Incorrectly Distributed	Awardee Not Licensed in Louisiana	Awardee Practicing in Another Louisiana HPSA	U.S. Citizenship Status Not Obtained	Did Not Verify Employment in Region 1 HPSA	Did Not Verify Discount Fee Schedule	Did Not Follow Up With Applicant Indicating Default on Education Loans	Did Not Ensure Contract Execution Awardee Had Letter of Intent/ Employment Contract	Did Not Ensure Costs To Be Paid With Grant Funds Were Documented
81									
82									
83	YES			YES					
84									
85									
86				YES	YES				
87									
88									
89									
90									
91									
92									
93									
94									
95									
96									
97									
98									
99									
100									
Total	12	2	1	5	5	8	3	5	5

APPENDIX D: BUREAU COMMENTS

Bobby Jindal
GOVERNOR



Alan Levine
SECRETARY

State of Louisiana
Department of Health and Hospitals
Bureau of Primary Care and Rural Health

October 29, 2009

Ms. Patricia Wheeler
Regional Inspector General for Audit Services
Office of the Inspector General
Office of Audit Services
1100 Commerce, Room 632
Dallas, TX 75242

Dear Ms. Wheeler,

Staff of the Bureau of Primary Care and Rural Health has reviewed the files of the 20 individuals identified in your audit sample. Of those 20 cases, our records indicate that 18 awardees were paid a total of \$1,355,000. The remaining two awardees, totaling \$140,000, did not receive final approval and payment for their service contracts.

During the review conducted by staff, the majority of the deficiencies noted in your initial draft report were corrected since most of the findings showed a lack of documentation required to qualify for the grant. All of the deficiencies noted on the report have been corrected with the following exceptions:

#46) \$30,000 was awarded to a nurse who was practicing in another health professional shortage area (HPSA) and moved to New Orleans. Although this recipient is fulfilling the terms of the contract and her obligations to the program, the program is in the process of consulting with the department's Bureau of Legal Services to determine the action that should be taken regarding this individual. Once we receive an opinion from the Bureau of Legal Services, we will confer with the GNOHSC program's CMS project officer, Demetria Carter.

#5, 11, and 22) A total of \$330,000 was awarded to these individuals. Program staff is in the process of collecting the necessary documentation to bring these awardees into compliance. Two of these individuals were given awards even though they had previously defaulted on federal loans, and one had not supplied information documenting his expenses due to a misunderstanding of the contractual obligations.

Since the original guidelines of the program were approved, CMS has approved a change in program guidelines that allows staff to award funds to individuals who have cleared up any

deficiencies regarding loans that were in default just as long as proper documentation is provided. Staff has been assured by these two grantees that the debts have been satisfied and is waiting on documentation verifying this information.

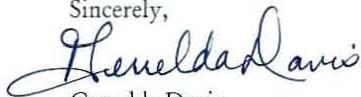
The physician who was confused as to the obligations of his contract will be issued an amendment to his original contract. He had been told verbally and in writing by the previous program coordinator that his terms for expense documentation would not be the same as in his contract, and he should have been issued an amended contract at that time.

Bureau of Primary Care and Rural Health staff has continued to work to strengthen program procedures to ensure that all grant eligibility requirements are met. In addition to a more thorough review of each application and file, since April 2009, staff has been meeting with each applicant individually to receive an official signature on the final contract. During these meetings, there is a thorough discussion on the grant with each awardee to ensure full comprehension of the scope of the grant and the individual's obligations.

Staff also has continued to review the files of all other grantees to ensure that all necessary documentation is included in the files. When a deficiency is noted, corrective action is taken. Additionally, program staff is working closely with CMS officials to guarantee the Bureau of Primary Care and Rural Health adheres to all grant guidelines.

If you have any further questions and/or concerns, please do not hesitate to contact me at (225) 342-2657 or Don Parker, GNOHSC Program Manager at (225) 342-9361 or Donald.Parker@LA.GOV.

Sincerely,

A handwritten signature in cursive script that reads "Gerrelde Davis".

Gerrelde Davis
Director