



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

June 25, 2009

Report Number: A-06-08-00088

Dr. Adolfo M. Valadez
Assistant Commissioner Prevention and Preparedness Division
Texas Department of State Health Services
1100 West 49th Street
P.O. Box 149347
Austin, Texas 78756

Dear Dr. Valadez:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Dallas County Health & Human Services Department's Bioterrorism and Emergency Preparedness Program." 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.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Cheryl Blackmon, Audit Manager, at (214) 767-9205 or through e-mail at Cheryl.Blackmon@oig.hhs.gov. Please refer to report number A-06-08-00088 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Gordon L. Sato".

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. Alan Kotch, MBA
Director
Procurement and Grants Office (MS E-14)
Centers for Disease Control and Prevention
1600 Clifton Road
Atlanta, Georgia 30333

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF DALLAS COUNTY
HEALTH & HUMAN SERVICES
DEPARTMENT'S BIOTERRORISM
AND EMERGENCY
PREPAREDNESS PROGRAM**



Daniel R. Levinson
Inspector General

(June 2009)
A-06-08-00088

Office of Inspector General

<http://oig.hhs.gov>

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

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

In accordance with sections 301, 317, and 319 of the Public Health Service Act, the Centers for Disease Control and Prevention (CDC) provides funds to State and major local health departments to improve preparedness and response capabilities for bioterrorism and other public health emergencies. From August 31, 1999, to August 30, 2005, CDC provided this funding through the Public Health Preparedness and Response for Bioterrorism Program. Since August 31, 2005, CDC has provided funding through the Public Health Emergency Preparedness Program. We refer to these two programs collectively as “the program.”

In Texas, the Department of State Health Services (the State agency) administers the program and distributes funds to subrecipients, including the Dallas County Health & Human Services Department (the department) to carry out program objectives. For the period September 1, 2004, through August 31, 2006, the department claimed program reimbursement totaling \$5,506,113.

OBJECTIVE

Our objective was to determine whether the costs that the department claimed for reimbursement under the program for the period September 1, 2004, through August 31, 2006, were allowable, reasonable, and allocable.

SUMMARY OF FINDINGS

The \$615,991 in program expenditures that we reviewed for the 2-year period ending August 31, 2006, was allowable, reasonable, and allocable to the program. However, the department did not comply with Federal regulations requiring that certifications be provided stating that employees whose time was charged 100 percent to the program worked solely on program activities. A department official stated that he was unaware of the requirement.

RECOMMENDATION

We recommend that the State agency ensure that the department follows Federal requirements for charging compensation costs to the program.

TEXAS DEPARTMENT OF STATE HEALTH SERVICES COMMENTS

In its written comments on our draft report, the State agency concurred with our finding and recommendation. The State agency’s comments are included in their entirety as the Appendix.

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TEXAS DEPARTMENT OF STATE HEALTH SERVICES COMMENTS	

INTRODUCTION

BACKGROUND

Preparedness for Bioterrorism and Other Public Health Emergencies

The Centers for Disease Control and Prevention (CDC) provides funds to State and major local health departments to improve preparedness and response capabilities for bioterrorism and other public health emergencies. From August 31, 1999, to August 30, 2005, CDC provided this funding through the Public Health Preparedness and Response for Bioterrorism Program. Since August 31, 2005, CDC has provided funding through the Public Health Emergency Preparedness Program.

The Public Health Preparedness and Response for Bioterrorism Program was authorized under sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service Act (42 U.S.C. §§ 241(a), 247b(k)(1)(2), and 247(d)); the Public Health Emergency Preparedness Program was authorized by section 319C of the Public Health Service Act (42 U.S.C. § 247(d)(3)). We refer to these two programs collectively as “the program.”

CDC issues Notices of Cooperative Agreement to awardees to set forth the approved budget as well as the terms and conditions of the individual awards. To monitor the expenditure of these funds, CDC requires awardees to submit financial status reports (FSR) showing the amounts expended, obligated, and unobligated.

Texas Program Funding

In Texas, the Department of State Health Services (the State agency) administers the program and distributes funds to subrecipients, including the Dallas County Health & Human Services Department (the department) to carry out program objectives. For the 2-year period ending August 31, 2006, the department claimed program reimbursement totaling \$5,506,113.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the costs that the department claimed for reimbursement under the program for the period September 1, 2004, through August 31, 2006, were allowable, reasonable, and allocable.

Scope

Our review covered \$615,991 in program expenditures recorded in the department’s accounting records during the 2-year period September 1, 2004, through August 31, 2006. We limited our review of costs to nonstatistical samples of program expenditures.

The table below summarizes the types and amounts of expenditures that we reviewed.

Program Expenditures		
Type of Expenditure	Total Expenditures	Expenditures Reviewed
Payroll	\$3,465,091	\$145,543
Nonpayroll	1,780,655	470,448
Total	\$5,245,746¹	\$615,991

We did not review the department’s overall internal control structure. We limited our review of internal controls to obtaining an understanding of the procedures that the department used to account for program funds.

We conducted our fieldwork at the department from August through December 2008.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal regulations and contracts with the State agency to gain an understanding of financial and program requirements;
- reviewed the department’s accounting procedures;
- tested FSRs for completeness and accuracy and reconciled the amounts reported on FSRs to the accounting records;
- reviewed State agency guidance provided to subrecipients;
- verified that the department had claimed indirect costs using the rate and base in its certified “Indirect Cost Rate Proposal”;
- verified that the department had not exceeded the total amount of indirect costs approved by the State agency;
- selected and tested a nonstatistical sample of department expenditures to determine whether the department had expended program funds for reasonable, necessary, allowable, and allocable costs; and
- interviewed department officials and program employees.

¹The total expenditures consisted solely of direct costs and excluded \$260,367 in indirect costs claimed on the FSRs.

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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

The \$615,991 in program expenditures that we reviewed for the 2-year period ending August 31, 2006, was allowable, reasonable, and allocable to the program. However, the department did not comply with Federal regulations requiring that the department provide certifications stating that employees whose time was charged 100 percent to the program worked solely on program activities. A department official stated that he was unaware of the requirement.

EMPLOYEE CERTIFICATIONS NOT COMPLETED

Federal cost principles applicable to State and local governments, now codified in regulation (OMB Circular A-87, Attachment B, section 8(h)(3) and 2 CFR part 225, Appendix B, § 8(h)(3), made applicable by 45 CFR § 92.22(b)), state:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

The department did not comply with Federal regulations requiring that the department provide certifications stating that employees whose time was charged 100 percent to the program worked solely on program activities. A department official stated that he was unaware of the requirement.

We did not question the dollar amounts associated with this finding. Although the department did not have the required certifications, we found no evidence that employees had charged nonprogram work to the program. For employees required to have the certification, the department provided us with job descriptions supporting that employees worked on the program. In addition, employees whose work was charged 100 percent to the program assured us in interviews that they had worked solely on program activities. For employees who also worked on other programs, the department provided documentation showing that the work was charged to those programs.

RECOMMENDATION

We recommend that the State agency ensure that the department follows Federal requirements for charging compensation costs to the program.

TEXAS DEPARTMENT OF STATE HEALTH SERVICES COMMENTS

In its written comments on our draft report, the State agency concurred with our finding and recommendation. The State agency's comments are included in their entirety as the Appendix.

APPENDIX



TEXAS DEPARTMENT OF STATE HEALTH SERVICES

DAVID L. LAKEY, M.D.
COMMISSIONER

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June 5, 2009

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Office of Inspector General
Department of Health and Human Services
1100 Commerce, Room 632
Dallas, Texas 75242

Report Number: A-06-08-00088

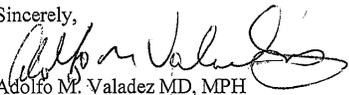
Dear Mr. Sato:

I have reviewed the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled "Review of Dallas County Health and Human Services Department's Bioterrorism and Emergency Preparedness Program." I would like to acknowledge the professionalism and the capable staff from your office that worked with us on this audit. After Department of State Health Services (DSHS) staff reviewed this report, we concur with the findings and recommendations in the report.

The DSHS Contract Management Unit for the Prevention and Preparedness Services Division will work with the Dallas County Health and Human Services Department to obtain current periodic certifications and ensure that the certifications continue to be maintained in accordance with OMB Circular A-87.

If you have any questions or need additional information please contact Michelle Esquivel CPA, Audit Resolution Coordinator at 512/458-7111 ext 2201 or via email at michelle.esquivel@dshs.state.tx.us.

Sincerely,


Adolfo M. Valadez MD, MPH
Assistant Commissioner
Prevention and Preparedness Services Division
Texas Department of State Health Services