



Washington, D.C. 20201

May 26, 2010

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

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

SUBJECT: Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations (A-07-09-03131)

The attached final report provides the results of our review of the Centers for Disease Control and Prevention's resolution of audit recommendations.

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

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 Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-07-09-03131 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE CENTERS FOR
DISEASE CONTROL AND
PREVENTION'S RESOLUTION OF
AUDIT RECOMMENDATIONS**



Daniel R. Levinson
Inspector General

May 2010
A-07-09-03131

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

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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

The Department of Health & Human Services, Centers for Disease Control and Prevention (CDC), has primary responsibility for conducting and supporting public health activities in the United States. CDC carries out this responsibility through internal activities and through grants and contracts to State, local, and private organizations. The fiscal year (FY) 2010 President's budget request for CDC was \$10.1 billion.

Pursuant to Office of Management and Budget Circular A-50, section 8a(2), and other authorities, CDC is also responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the reports. The Office of Inspector General prepares and forwards to CDC monthly stewardship reports that show the status of these reported audit recommendations. Our review covered 1,167 audit recommendations identified in stewardship reports for FYs 2007 through 2009.

OBJECTIVES

Our objectives were to determine whether CDC had (1) resolved audit recommendations in a timely manner during FYs 2007 through 2009 and (2) resolved all audit recommendations that were due for audit resolution by September 30, 2009.

SUMMARY OF FINDINGS

CDC resolved 815 of the 1,167 audit recommendations that were outstanding during FYs 2007 through 2009. However, it did not resolve 274 of the 815 recommendations within the required 6-month period. In addition, as of September 30, 2009, CDC had not resolved 352 audit recommendations, of which 213 were past due for resolution. The dollar amounts associated with the 213 recommendations totaled \$249.7 million.

Because CDC did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. The prompt resolution of audit recommendations will help ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

RECOMMENDATIONS

We recommend that CDC:

- resolve all audit recommendations within the required 6-month audit resolution period and
- resolve the 213 outstanding audit recommendations that were past due as of September 30, 2009.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, CDC neither agreed nor disagreed with our recommendations. However, CDC stated that it did not believe that the lack of a final resolution equated to poor stewardship of Federal dollars. In addition, CDC identified actions that it planned to take to meet the required resolution period in a responsible manner, consistent with laws, rules, and regulations. CDC's comments, excluding technical comments, are included as the Appendix.

After reviewing CDC's comments, we maintain that our recommendations are valid.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Federal Audits.....	1
Non-Federal Audits.....	1
Audit Resolution	2
Stewardship Reports	2
OBJECTIVES, SCOPE, AND METHODOLOGY	3
Objectives	3
Scope.....	3
Methodology.....	3
FINDINGS AND RECOMMENDATIONS	4
FEDERAL REQUIREMENTS	4
AUDIT RECOMMENDATIONS RESOLVED BUT NOT IN A TIMELY MANNER	4
AUDIT RECOMMENDATIONS NOT RESOLVED	5
LACK OF REASONABLE ASSURANCE OF PROPER STEWARDSHIP OVER FEDERAL DOLLARS	6
RECOMMENDATIONS	6
CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	6
APPENDIX	
CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS	

INTRODUCTION

BACKGROUND

The Department of Health & Human Services (HHS), Centers for Disease Control and Prevention (CDC), has primary responsibility for conducting and supporting public health activities in the United States. CDC carries out this responsibility through internal activities and through grants and contracts to State, local, and private organizations. The fiscal year (FY) 2010 President's budget request for CDC was \$10.1 billion.

CDC is also responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the reports.¹

Federal Audits

Pursuant to the Inspector General Act of 1978, 5 U.S.C. App., the Office of Inspector General (OIG) conducts audits of internal CDC activities, as well as activities performed by CDC grantees and contractors. These audits are intended to provide independent assessments of CDC programs and operations and to help promote economy and efficiency. OIG uses its own resources to conduct audits in accordance with generally accepted government auditing standards and oversees audit work done by certified public accounting firms.

Non-Federal Audits

Office of Management and Budget (OMB) Circular A-133 requires that non-Federal entities that expend \$500,000 (\$300,000 for FYs ending before December 31, 2003) or more in Federal awards in a year have a single or program-specific audit conducted for that year pursuant to the provisions of subpart B, §____.200.² Commercial entities meeting the financial thresholds may elect to have either an audit pursuant to the provisions of OMB Circular A-133 or a "financial-related audit" as specified in 45 CFR § 74.26(d)(1)(i). Non-Federal audits are usually conducted by certified public accounting firms.

OMB Circular A-133 states that the Federal awarding agency is responsible for issuing a management decision within 6 months after formal receipt of the audit report for recommendations that relate to its awards. A management decision comprises the evaluation of audit recommendations and the proposed corrective action plan, as well as the issuance of a written decision on what corrective action is necessary. OMB Circular A-133, subpart D, §____.405(a), states: "The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay

¹ Throughout this report, we use the term "recommendations" to refer to both audit findings and recommendations.

² Some State and local governments that are required by constitution or statute in effect on January 1, 1987, to be audited less frequently than annually are permitted to undergo audits biennially. Nonprofit organizations also are allowed to have biennial audits under certain conditions.

disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given.”

OIG’s National External Audit Review Center (NEAR) reviews single audit reports for compliance with OMB Circular A-133 and for conformance with professional standards. NEAR transmits each CDC-related report to the CDC Audit Liaison Office. When appropriate, NEAR also issues audit alert memorandums to inform CDC of significant audit recommendations. After resolving the recommendations, CDC issues a management decision to the grantee or contractor and an audit clearance document to the OIG audit resolution group.

Audit Resolution

In resolving Federal and non-Federal audit recommendations, CDC must comply with OMB Circular A-50, section 8a(2), which requires “... prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible.”

The HHS *Grants Administration Manual*, section 1-105, sets forth departmental policies and procedures for resolving recommendations pertaining to grants, contracts, and cooperative agreements. According to section 1-105-30(B)(1) of the manual, action officials must resolve audit recommendations within 6 months of the end of the month in which OIG issued or released the audit report. Resolution is normally deemed to occur when:

- action officials have reached a final decision on the amount of any monetary recovery;
- action officials have established a satisfactory plan of action, including time schedules, to correct all deficiencies; and
- OIG has cleared the report from its tracking system after receiving and accepting the audit clearance document(s) from action officials.

Stewardship Reports

The OIG audit resolution group prepares monthly stewardship reports on the status of audit recommendations reported in Federal and non-Federal audits and forwards the stewardship reports to the applicable HHS agency. We reviewed the *Outstanding Audits and Actions Taken by Cognizance* stewardship reports for CDC. These reports identify all audit reports and corresponding recommendations issued for the selected period and provide the action taken (management’s decision) and the date of that action or indicate that no action has been taken.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether CDC had (1) resolved audit recommendations in a timely manner during FYs 2007 through 2009 and (2) resolved all audit recommendations that were due for audit resolution by September 30, 2009.

Scope

We determined the resolution of audit recommendations identified in the *Outstanding Audits and Actions Taken by Cognizance* stewardship reports for FYs 2007 through 2009. These stewardship reports identified 334 audit reports and 1,167 corresponding recommendations.

Our objectives did not require an understanding or assessment of CDC's overall internal control structure. We limited our review to gaining an understanding of controls over CDC's audit resolution process.

We performed our review from July to December 2009 and conducted fieldwork at CDC's office in Atlanta, Georgia.

Methodology

To accomplish our objectives, we:

- reviewed applicable sections of OMB Circulars A-50 and A-133, the HHS *Grants Administration Manual*, and other Federal requirements;
- reviewed CDC policies and procedures for resolving audit recommendations;
- interviewed CDC staff and reviewed documentation provided by CDC officials;
- determined whether CDC had resolved in accordance with Federal requirements the 1,167 audit recommendations identified in the FYs 2007 through 2009 stewardship reports;
- reviewed working papers associated with previously issued OIG audits that tested the accuracy of information contained in the stewardship reports; and
- determined the dollar amounts associated with any unresolved recommendations that were beyond the required resolution period as of September 30, 2009.

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

CDC resolved 815 of the 1,167 audit recommendations that were outstanding during FYs 2007 through 2009. However, it did not resolve 274 of the 815 recommendations within the required 6-month period. In addition, as of September 30, 2009, CDC had not resolved 352 audit recommendations, of which 213 were past due for resolution. The dollar amounts associated with the 213 recommendations totaled \$249.7 million.

Because CDC did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. The prompt resolution of audit recommendations will help ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

FEDERAL REQUIREMENTS

OMB Circular A-50, section 8a(2), requires "... prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible."

OMB Circular A-133, §____.405(d), states: "The entity responsible for making the management decision shall do so within six months of receipt of the [non-Federal] audit report. Corrective action should be initiated within six months after receipt of the audit report and proceed as rapidly as possible."

According to the HHS *Grants Administration Manual*, section 1-105-30(B)(1), action officials must resolve audit recommendations pertaining to grants, contracts, and cooperative agreements within 6 months of the end of the month in which OIG issued or released the audit report.

AUDIT RECOMMENDATIONS RESOLVED BUT NOT IN A TIMELY MANNER

Of the 815 audit recommendations that CDC resolved during FYs 2007 through 2009, 274 (33.6 percent) were not resolved within the required resolution period. Table 1 on the next page shows the timeframes for resolving these recommendations.

**Table 1: Timeliness of Audit Recommendations Resolved
in FYs 2007 Through 2009**

Timeframe To Resolve Recommendation	Number of Resolved Recommendations	Percentage of Total
Within 6-month resolution period	541	66.4%
Beyond 6-month resolution period		
1 year or less	169	20.7%
1+ year to 2 years	36	4.4%
2+ years to 3 years	14	1.7%
3+ years to 4 years	25	3.1%
4+ years to 5 years	14	1.7%
5+ years	16	2.0%
Subtotal	274	33.6%
Total	815	100.0%

AUDIT RECOMMENDATIONS NOT RESOLVED

As of September 30, 2009, CDC had not resolved 213 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$249.7 million. Table 2 presents information on the timeframes for these unresolved recommendations. Table 3 on the next page presents additional information on the dollar amounts associated with these recommendations, categorized by recommended action.

**Table 2: Unresolved Audit Recommendations Past Due for Resolution
as of September 30, 2009**

Timeframe Beyond Required Resolution Date	Number of Recommendations	Percentage of Total Recommendations Beyond Required Resolution Date	Average Days Beyond Required Resolution Date	Dollar Amounts Beyond Required Resolution Date (in millions)	Percentage of Dollar Amounts Beyond Required Resolution Date
1 year or less	13	6.1%	142.3	\$249.3	99.8%
1+ year to 2 years	0	0.0%		0.0	0.0%
2+ years to 3 years	12	5.6%	890.3	0.0	0.0%
3+ years to 4 years	15	7.1%	1,296.2	0.0	0.0%
4+ years to 5 years	22	10.3%	1,711.4	0.0	0.0%
5+ years	151	70.9%	2,280.9	0.4	0.2%
Total	213	100.0%		\$249.7	100.0%

**Table 3: Unresolved Audit Recommendations Past Due for Resolution
as of September 30, 2009—
Dollar Amounts by Recommended Action**

Recommended Action	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)
Monetary recommendations	
Questioned costs	\$0.6
Funds put to better use	245.1
Obtain approval or make financial adjustments	3.6
Subtotal	<u>\$249.3</u>
Unable to express an opinion (set aside)	<u>0.4</u>
Total	\$249.7

LACK OF REASONABLE ASSURANCE OF PROPER STEWARDSHIP OVER FEDERAL DOLLARS

Because CDC did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars.

RECOMMENDATIONS

We recommend that CDC:

- resolve all audit recommendations within the required 6-month audit resolution period and
- resolve the 213 outstanding audit recommendations that were past due as of September 30, 2009.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, CDC neither agreed nor disagreed with our recommendations. However, CDC stated that it did not believe that the lack of a final resolution equated to poor stewardship of Federal dollars. CDC also stated that it remains committed to resolving audit recommendations in the required 6-month audit resolution period and that it had resolved 108 (51 percent) of the 213 outstanding audit recommendations. Moreover, CDC stated

that it had committed increased resources to develop standard operating procedures to assist stakeholders with the development and monitoring of corrective action plans related to OIG's recommendations as well as their final resolution. CDC added that it would continue to monitor and assist its centers and business services offices to meet the required resolution period in a responsible manner, consistent with laws, rules, and regulations.

CDC also provided technical comments, which we addressed as appropriate. CDC's comments, excluding technical comments, are included as the Appendix.

After reviewing CDC's comments, we maintain that our recommendations are valid.

APPENDIX

APPENDIX: CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

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

10/12/09

TO: Daniel R. Levinson, Inspector General
Department of Health and Human Services (HHS)

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

SUBJECT: Office of Inspector General's Draft Report: *The Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations, A-07-09-03131*

As requested, following are the draft report comments of the Centers for Disease Control and Prevention (CDC), Office of the Director (OD), regarding the recommendations contained in the Office of Inspector General's (OIG) draft report, "The Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations."

The objectives of the review were to determine whether CDC had (1) resolved audit recommendations in a timely manner during the Fiscal Year's 2007 through 2009 and (2) resolve all audit recommendations that were due audit resolution by September 29, 2009.

OIG Recommendation: Resolve all audit recommendations within the required six-month audit resolution period.

CDC Response: CDC remains committed to resolving audit recommendations in the required six-month audit resolution period, through central oversight and assistance to its Centers and the business service offices that support them. The Office of the Chief of Staff, as part of the ongoing agency realignment, has committed increased resources to develop standard operating procedures that assist stakeholders with the development and monitoring of corrective action plans (CAP) related to OIG's recommendations as well as their final resolution.

Importantly, OIG audit findings and recommendations related to information security requires the highest due diligence when planning and implementing corrective actions, due to its criticality and the amount of resources involved. Please refer to the third bullet below.

OIG Recommendation: Resolve the 213 outstanding audit recommendations that were past due as of September 29, 2009.

CDC Response: CDC also remains committed to resolving all outstanding audit recommendations. Although a number of CAPs may still require final development and full

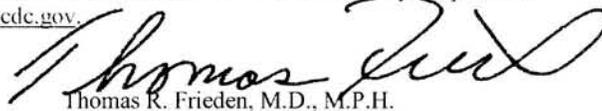
implementation, we do not believe that lack of a final resolution equates to poor stewardship of federal dollars. We concur with the "recommendation that funds be put to better use", therefore CDC will ensure that CAPs are developed and implemented in both a responsible and timely manner.

Importantly, we would like to note the following:

- CDC has resolved 108 (51 percent) of the 213 outstanding audit recommendations.
- The annual Federal Information Security Management Act Audit accounts for 65 (31 percent) of the 213 outstanding audit recommendations. These information security findings and CAP are reported by CDC to the Department as part of the Plan of Action and Milestones management tool. Additionally, the Department provides a summary in its Performance and Accountability Report to Congress.
- Eleven outstanding recommendations (5 percent) are associated with OIG reports issued at least four years ago. CDC is currently researching these reports to confirm resolution.

For the remaining items, CDC's Chief of Staff Office will continue to monitor and assist its Centers and Business Services Offices to meet the required resolution period in a responsible manner, consistent with laws, rules and regulations.

Thank you for your review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations. Technical comments are provided in the attachment. Please direct any questions regarding these comments to Mr. Shaun Ratliff, CDC's OIG liaison by telephone at (404) 639-2809 or by email at iggao@cdc.gov.


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

Attachment