



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General

Office of Audit Services  
Region IX  
50 United Nations Plaza, Room 171  
San Francisco, California 94102

October 1, 2003

Report Number: A-09-03-01021

Thomas L. Garthwaite, M.D.  
Director and Chief Medical Officer  
Los Angeles County Department of Health Services  
313 North Figueroa Street, Room 912  
Los Angeles, California 90012

Dear Dr. Garthwaite:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General's final report titled "Los Angeles County's Efforts to Account for the Use of Bioterrorism Hospital Preparedness Program Funds and Monitoring of Subrecipients."

Our objectives were to determine whether the Los Angeles County Department of Health Services (LA County): (i) properly recorded, summarized and reported bioterrorism preparedness transactions in accordance with the terms and conditions of the cooperative agreement and (ii) established controls and procedures to monitor subrecipient expenditures of Health Resources and Services Administration funds. In addition, we inquired as to whether Bioterrorism Hospital Preparedness Program (Program) funding was used to supplant funds previously provided by other sources.

Based on our validation of the questionnaire completed by LA County, we determined that LA County generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines.

LA County had developed data collection and site review instruments to monitor subrecipient activities. However, at the time of our site review, LA County had not started to monitor activities or made any site visits because the hospital agreements had been in place only a few months. Although LA County had not completed any monitoring or site visits, we believe that LA County's plan, once fully implemented, should provide adequate monitoring and oversight of its subrecipients.

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.

In our draft report, we recommended that LA County implement the monitoring procedures as planned and address problem areas, as they are identified. In written comments to our draft report, LA County officials concurred with the conclusions of the report.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action 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.

Your formal response to the draft report was summarized in the body of our final report and included in its entirety as an appendix. In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.) As such, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

To facilitate identification, please refer to Report Number A-09-03-01021 in all correspondence relating to this report.

Sincerely,



Lori A. Ahlstrand  
Regional Inspector General  
for Audit Services

Enclosures

**HHS Action Official:**

Nancy J. McGinness  
Director, Office of Financial Policy and Oversight  
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5600 Fishers Lane  
Rockville, Maryland 20857

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**Los ANGELES COUNTY'S EFFORTS  
TO ACCOUNT FOR THE  
USE OF BIOTERRORISM HOSPITAL  
PREPAREDNESS PROGRAM FUNDS  
AND MONITORING OF  
SUBRECIPIENTS**

**Los ANGELES COUNTY  
DEPARTMENT OF HEALTH SERVICES**



**OCTOBER 2003  
A-09-03-01021**

# *Office of Inspector General*

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In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services, reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

## **OAS FINDINGS AND OPINIONS**

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



## **EXECUTIVE SUMMARY**

### **OBJECTIVES**

Our objectives were to determine whether the Los Angeles County Department of Health Services (LA County): (i) properly recorded, summarized and reported bioterrorism preparedness transactions in accordance with the terms and conditions of the cooperative agreement and (ii) established controls and procedures to monitor subrecipient expenditures of Health Resources and Services Administration funds. In addition, we inquired as to whether Bioterrorism Hospital Preparedness Program (Program) funding was used to supplant funds previously provided by other sources.

### **FINDINGS**

Based on our validation of the questionnaire completed by LA County, we determined that LA County generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines.

LA County had developed data collection and site review instruments to monitor subrecipient activities. However, at the time of our site review, LA County had not started to monitor activities or made any site visits because the hospital agreements had been in place only a few months. Although LA County had not completed any monitoring or site visits, we believe that LA County's plan, once fully implemented, should provide adequate monitoring and oversight of its subrecipients.

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.

### **RECOMMENDATION**

We recommend that LA County implement the monitoring procedures as planned and address problem areas, as they are identified.

### **LA COUNTY'S COMMENTS**

LA County officials concurred with our findings. The complete text of LA County's written comments is included as an appendix to this report.

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# INTRODUCTION

## BACKGROUND

### The Program

Since September 2001, the U.S. Department of Health and Human Services (Department) has significantly increased its spending for public health preparedness and response to bioterrorism. For Fiscal Years 2002 and 2003, the Department awarded amounts for bioterrorism preparedness, totaling \$2.98 and \$4.32 billion, respectively. Through this funding, some of the attention has been focused on the ability of hospitals and emergency medical services systems to respond to bioterrorist events.

Congress authorized funding to support activities related to countering potential biological threats to civilian populations under Public Law 107-117 (Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002). As part of this initiative, the Health Resources and Services Administration (HRSA) made available approximately \$125 million in Fiscal Year 2002 for cooperative agreements with State, territorial, and selected municipal offices of public health. The program is referred to as the Bioterrorism Hospital Preparedness Program (Program). The purpose of the Program is to upgrade the preparedness of the Nation's hospitals and collaborating entities to respond to bioterrorism.

HRSA made awards to States and major local public health departments under Program Cooperative Agreement Guidance issued February 15, 2002. These awards provided funds for the development and implementation of regional plans to improve the capacity of hospitals, their emergency departments, outpatient centers, emergency medical services systems and other collaborating health care entities for responding to incidents requiring mass immunization, treatment, isolation and quarantine in the aftermath of bioterrorism or other outbreaks of infectious disease.

### Annual Program Funding

The Program year covered the period April 1, 2002 through March 31, 2003 and the funding totaled \$125 million. It has since been extended to cover the period through March 31, 2004.

### Budget Restrictions

During the Program year, the cooperative agreements covered two phases. Phase 1, *Needs Assessment, Planning and Initial Implementation*, provided 20 percent of the total award (\$25 million) for immediate use. Up to one-half of Phase 1 funds could be used for development of implementation plans, with the remainder to be used for implementation of immediate needs. The remaining 80 percent of the total award (\$100 million) was not made available until required implementation plans were approved by HRSA, at which point Phase 2, *Implementation*, could begin. Grantees were allowed to use unobligated Phase 1 funds in Phase 2. Grantees were required to allocate at least 80 percent of Phase 2 funds to hospitals and their collaborating

entities through contractual awards to upgrade their abilities to respond to bioterrorist events. Funds expended for health department infrastructure and planning were not to exceed 20 percent of Phase 2 funds.

### **Eligible Recipients**

Grant recipients included all 50 States, the District of Columbia, the commonwealths of Puerto Rico and the Northern Marianas Islands, American Samoa, Guam, the U.S. Virgin Islands, and the nation's three largest municipalities (New York, Chicago, and Los Angeles County). Those eligible to apply included the health departments of States or their bona fide agents. Individual hospitals, emergency medical services systems, health centers and poison control centers work with the applicable health department for funding through the Program.

### **LA County Funding**

Los Angeles County Department of Health Services (LA County) received funding of approximately \$3.7 million for the period April 1, 2002 through March 31, 2004. As of the end of June 2003, LA County had expended approximately \$2.1 million; however, LA County officials consider the unexpended balance of \$1.6 million to be obligated and anticipated that the funding will be fully expended by the end of the funding period.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

### **Objectives**

Our objectives were to determine whether LA County: (i) properly recorded, summarized and reported bioterrorism preparedness transactions in accordance with the terms and conditions of the cooperative agreement and (ii) established controls and procedures to monitor subrecipient expenditures of HRSA funds. In addition, we inquired as to whether Program funding supplanted funds previously provided by other organizational sources.

### **Scope**

Our review included an examination of LA County policies and procedures, financial reports, and accounting transactions during the period April 1, 2002 through June 30, 2003.

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

### **Methodology**

We developed a questionnaire to address the objectives of the review. The questionnaire covered five areas: (i) the organization, (ii) funding, (iii) accounting for expenditures,

(iv) other organizational bioterrorism activities, and (v) subrecipients of grant funds. Prior to our fieldwork, we provided the questionnaire for LA County to complete. During our on-site visit, we interviewed LA County officials and obtained supporting documentation to validate the responses on the questionnaire.

Our fieldwork was conducted during May through July 2003 and included a site visit to the offices of the Emergency Medical Services Agency of LA County in the City of Commerce, California. Our review was performed in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATION**

Based on our validation of the questionnaire completed by LA County, we determined that LA County generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreements and applicable departmental regulations and guidelines.

LA County had developed data collection and site visit instruments to monitor subrecipient activities. However, at the time of our site review, LA County had not started to monitor activities or made any site visits because the hospital agreements had been in place only a few months. Although LA County had not completed any monitoring or site visits, we believe that LA County's plan, once fully implemented, should provide adequate monitoring and oversight of its subrecipients.

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.

## **ACCOUNTING FOR EXPENDITURES**

Accurate and complete accounting of Program funds provides HRSA with a means to measure the extent that the Program is implemented and objectives are met. Although LA County was not required to segregate expenditures in the accounting system by phase or by priority planning area, there are budgeting restrictions set forth in HRSA's (i) Cooperative Agreement Guidance, and (ii) Summary Application Guidance for Award and First Allocation. Twenty percent of a grantee's total award will be made available in Phase 1.

Regarding Phase 1 funds:

Up to half of the Phase 1 funding may be allocated to planning and health department infrastructure to administer this cooperative agreement.... At least half (50%) of the Phase 1 award must be allocated to hospitals and other health care entities to begin implementation of their plans.

Regarding Phase 2 funds, page 2 of the Summary Application Guidance for Award and First Allocation states:

Grantees will be required to allocate at least 80% of the Phase 2 funds to hospitals through written contractual agreements. To the extent justified, a portion of these funds could be made available to collaborating entities that improve hospital preparedness.

LA County officials acknowledged that expenditures for health department infrastructure and planning were not to exceed 50 percent of Phase 1 and 20 percent of Phase 2 funds. Most of the expenditures at LA County were segregated in the central accounting system by priority planning area and some had to be summarized by staff to priority planning areas. Our review showed LA County was in compliance with the budget restrictions.

### **SUBRECIPIENT MONITORING**

Recipients of Program funds are required to monitor their subrecipients. The Public Health Service Grants Policy Statement requires that “grantees employ sound management practices to ensure that program objectives are met and that project funds are properly spent.” In addition, Public Health Service policy states that grant requirements apply to subgrantees and contractors under the grants:

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

LA County had developed data collection and site visit instruments to monitor subrecipient activities. However, at the time of our site review, LA County had not performed any specific monitoring or site visits because it had only recently signed agreements with 15 hospitals to fund decontamination facilities at the hospitals. At the time of our review, the hospitals were finalizing the agreements and were not ready to be evaluated by LA County.

### **SUPLANTING**

Program funds were to be used to supplement current funding and to focus on bioterrorism hospital preparedness activities under the HRSA cooperative agreement. Specifically, funds were not to be used to replace existing Federal, State, or local public health funds available for emergency activities to combat threats to public health. Page 4 of the Cooperative Agreement Guidance states:

Given the responsibilities of Federal, State, and local governments to protect the public in the event of bioterrorism, funds from this grant must be used to supplement and not supplant the non-Federal funds that would otherwise be made available for this activity.

Office of Management and Budget Circular A-87 states that "...funds are not to be used for general expenses required to carry out other responsibilities of a State or its subrecipients...."

In response to our inquiry as to whether LA County reduced funding to existing public health programs, LA County officials replied that Program funding had not been used to supplant existing State or local funds.

### **RECOMMENDATION**

We recommend that LA County implement the monitoring procedures as planned and address problem areas, as they are identified.

### **LA COUNTY'S COMMENTS**

LA County officials concurred with our findings. The complete text of LA County's written comments is included as an appendix to this report.

### **OIG'S RESPONSE**

LA County's response to our report was well considered and provides a clear statement of corrective actions to be taken in response to the recommendation included in our report. LA County must continue to work towards implementing our recommendation.

# **APPENDIX**



**THOMAS L. GARTHWAITE, M.D.**  
Director and Chief Medical Officer

**FRED LEAF**  
Chief Operating Officer

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DEPARTMENT OF HEALTH SERVICES  
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September 11, 2003

Lori A. Ahlstrand  
Regional Inspector General  
for Audit Services  
Office of Inspector General  
Office of Audit Services Region IX  
50 United Nations Plaza, Room 171  
San Francisco, CA 94102

Dear Ms. Ahlstrand:

Los Angeles County Department of Health Services has reviewed the draft report regarding your review titled "Los Angeles County's Efforts to Account for the Use of Bioterrorism Hospital Preparedness Program Funds and Monitoring of Subrecipients". We concur with your findings.

As recognized by the auditors, hospital agreements have been in place for only a few months. Therefore, each hospital needs to be afforded the time to implement the required activities prior to monitoring activities. Los Angeles County intends to monitor these subrecipients within the agreement timeframe.

Thank you for the opportunity to share our progress related to Hospital Bioterrorism Preparedness. If you have further questions, please contact Carol Gunter, Acting Director, Emergency Medical Services Agency at (323) 890-7583.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas L. Garthwaite".

Thomas L. Garthwaite, M.D.  
Director and Chief Medical Officer

TLG:kf

c: Acting Director, Emergency Medical Services Agency



## ACKNOWLEDGMENTS

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

Douglas Szucs, *Audit Manager*  
Anthony Rocha, *Senior Auditor*  
Jerry Bartlett, *Auditor*

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