

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**USE OF THE DEPARTMENTAL
ALERT LIST BY CDC**



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E X E C U T I V E S U M M A R Y

OBJECTIVE

To determine the extent to which the Centers for Disease Control and Prevention (CDC) adheres to policies governing the departmental Alert List.

BACKGROUND

The Alert List is posted on the Department of Health and Human Services' (HHS) Intranet site for all agencies that award grants. If an awarding agency has concerns about a grantee due to inexperience in handling Federal funds, financial instability, inadequate management systems, a history of poor programmatic performance, or other reasons, the agency may place the grantee on the Alert List. The purpose of the Alert List is to safeguard HHS funds by alerting other agencies to these potential risks.

CDC grants officers are expected to follow policies governing the Alert List. These policies are found in the "CDC Assistance Management Manual" and "Guidance Memorandum No. 102-PGO" entitled "Special Award Conditions and Alert List," which CDC issued in April 2000.

Accordingly, CDC grants officers are expected to place on the Alert List grantees that are at risk of financial failure or that have special award conditions attached to the grant. Special award conditions address a specific grantee vulnerability and may include, for example, requiring more frequent grantee reporting. Grants officers are also responsible for checking the Alert List prior to making an award and for consulting with other agencies that initially placed the grantee on the Alert List. Grants officers are also expected to monitor grantees on the Alert List and take required actions when it attaches a special award condition. Additionally, they are responsible for removing grantees from the Alert List or justifying retaining a grantee whose name appears on the Alert List more than 2 years.

In fiscal year 2002, CDC awarded a total of \$6.9 million to grantees that it had placed on the Alert List and another \$10 million to grantees that were placed on the Alert List by other agencies.

To determine the extent to which CDC adheres to policies governing the Alert List, we reviewed the files of CDC grantees on the January 13, 2003, Alert List. We requested the files of 37 CDC grantees placed on the Alert List by CDC, the National External Audit Review Center, or another agency. CDC provided 25 files for our review.

In the grantee file, we looked for evidence that grants officers followed the policies governing the Alert List. We also conducted structured interviews with key staff in CDC.

FINDINGS

CDC does not consistently follow Alert List policies. We found that CDC does not consistently follow Alert List policies including placing, checking, consulting, monitoring, and justifying retaining grantees on the Alert List.

CDC does not consistently place grantees on the Alert List. Grants officers are expected to place a grantee on the Alert List when they designate a grantee as high risk or when they attach a special award condition to a grant, even if the grantee has already been placed on the Alert List by another agency. Grants officers attached a special award condition to the grants of 9 of 25 grantees. However, they did not designate any of these nine grantees as high risk and placed only five of them on the Alert List.

CDC does not consistently provide evidence that the Alert List is checked. Grants officers are expected to check the Alert List prior to an award and to document when a grantee is found on the Alert List. Only 5 of the 25 files reviewed contained any evidence that the grants officer had checked the Alert List.

CDC does not regularly consult with other agencies to obtain information about the grantee. Grants officers are responsible for consulting with the agency that placed the grantee on the Alert List to obtain information about the grantee. We found two instances of consultation documented in the files of the six grantees that other agencies placed on the Alert List. Similarly, there was evidence of consultation in only 1 of the files of the 11 grantees that the National External Audit Review Center placed on the Alert List.

CDC does not consistently document certain monitoring activities for Alert List grantees. Grants officers are expected to complete certain monitoring activities when they attach a special award condition to a grant. Grants officers attached special award conditions to 9 of the 25 grantees. We found that none of the files for the nine grantees included transmittal letters to the grantees indicating the corrective actions required, the time period for correction, and a description of the consequences of not completing actions required. Additionally, 4 of the 9 files of grantees that had payment-related special conditions did not include notification to the Payment Management System.

CDC does not provide justification for retaining grantees whose name appears on the Alert List more than 2 years. Grants officers are expected to provide justification to the Office of Grants when retaining a grantee on the Alert List for more than 2 years. At the time of the file review in March 2003, 6 of the 11 grantees that CDC placed on the Alert List had been there longer than 2 years. None of these files had justification to support these grantees remaining on the Alert List.

Competing priorities, misunderstandings, and concerns about several aspects of the Alert List may explain why grants officers are not following Alert List policies. CDC grants officials and grants officers explained that the Alert List had not been a priority in the past. They noted that they have instead focused on issuing grants, managing heavy workloads, and training new staff. Further, we found that grants officials and grants officers do not have a clear understanding of the purpose of the Alert List and the policies governing its use. They also do not think all aspects of the Alert List are useful. Specifically, they reported that the Alert List is not updated regularly and does not always have complete information.

RECOMMENDATIONS

We determined that CDC staff do not consistently follow policies governing the use of the Alert List. This lack of adherence to existing policies makes it impossible to ensure that a grantee's risk of financial failure or systemic deficiencies is communicated to all agencies that award grants and that HHS funds are safeguarded.

In 2002, CDC centralized its grants and procurement functions and restructured its grants management and contracts management branches. Also, in May 2004, CDC announced a new organizational design that coordinates its existing operational units, and grants officials are currently in the process of writing procedures. As part of these efforts, we recommend that CDC do the following:

Ensure that grants officers follow Alert List policies

CDC needs to ensure that grants officers follow policies for placing grantees on the Alert List, checking the Alert List, consulting with agencies that place grantees on the Alert List, monitoring grantees with special award conditions, and removing grantees from the Alert List when appropriate. CDC should additionally ensure that grants officers justify retaining a grantee whose name appears on the Alert List more than 2 years.

Develop methods to ensure accountability to Alert List policies

CDC should develop methods to ensure that grants officers are held accountable to Alert List policies.

- Currently, grants officers have a checklist that includes checking the Alert List to determine whether a grantee is on the Alert List. CDC may consider revising this checklist to include the additional Alert List policies and requiring grants officers to complete it for each grantee.
- CDC may consider implementing an internal file review to ensure that grants officers are following Alert List policies and using the Alert List appropriately.
- CDC may consider implementing a system to notify grants officers when the 2-year time period expires.
- CDC may consider providing additional training to grants officers and their staffs about the importance of using the Alert List and the need to follow the policies.

Improve file maintenance to meet third party review policies

In the course of this inspection, we found that the files we reviewed do not always contain documentation to meet the third party review policies of an auditable paper trail. We recommend that CDC ensure that grant files are comprehensive so that they meet HHS policies. The files need to specifically include documentation of all Alert List activities and actions expected when special award conditions are attached to a grant.

AGENCY COMMENTS

We received comments on our draft report from CDC. The full text of these comments can be found in Appendix B. CDC takes no exception to the findings in the report and is taking steps to address our recommendations.

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OBJECTIVE

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BACKGROUND

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CDC Grants Management Process

CDC is responsible for administering the national program of prevention and control of communicable and vector-borne diseases and noninfectious conditions, as well as for improving laboratory conditions and assuring safe and healthful working conditions for all working people.

Within CDC, grants are administered by the Procurement and Grants Office. In August 2002, CDC centralized its contract and procurement functions within this office, and restructured its grants management and contracts management branches. At the time of the inspection, there were four Chief Grants Management Officers who supervised a staff of Grants Management Officers. Grants Management Officers are primarily responsible for the business and other nonprogrammatic areas of grant award and administration. A Grants Management Officer may serve in that capacity for multiple awards.

CDC grants are awarded and renewed annually in an ongoing process throughout the year. In fiscal year 2002, CDC awarded \$6.9 million to 22 grantees that it had placed on the Alert List and another \$10 million to 15 grantees that other agencies placed on the Alert List. Successful grant proposals receive a Notice of Grant Award, which acts as the official agreement between the grantee and CDC. The Notice of Grant Award includes specific requirements for each grantee such as spending caps, timelines, documentation requirements, and submission deadlines.

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Grants Management Officers may also attach special award conditions to a grant to address a specific grantee vulnerability. Grants Management Officers are responsible for monitoring the progress of the grant project and the grantee's adherence to these requirements and to any special award conditions. The following primer defines a number of key terms about the grants management process as it relates to the Alert List.

Primer on Grants Management

Awarding Agency. The awarding agency is the agency that awards the grant. To do this, the awarding agency reviews the merits of each proposal and funds the grantee to carry out program objectives.

Placing Agency. The placing agency is the agency that initiates placement of the grantee on the Alert List. The National External Audit Review Center can also initiate a placement of a grantee on the Alert List based on adverse audit findings.

High Risk/Special Award Conditions. Special award conditions are attached to a grant award to address a specific grantee vulnerability. A high risk designation by the awarding agency is a prerequisite for the use of special award conditions. Examples of special award conditions may include requiring more frequent grantee reporting or limiting the monthly amount a grantee can draw from its total grant award.

National External Audit Review Center. The National External Audit Review Center, within the Office of Inspector General, is the HHS focal point for receipt of grantee audits. As part of its review of these audits, National External Audit Review Center may issue an Alert. This Alert, which is sent to agency Audit Liaison contacts and the Office of Grants, indicates the nature of the problem and includes a statement that the entity should be considered for placement on the Alert List.

Alert List and High Risk/Special Award Conditions

The Alert List is maintained by HHS's Office of Grants. The Alert List includes the name and address of the grantee, the date the grantee was placed on the Alert List, the agency(s) that initiated placement of the grantee on the Alert List (the "placing agency"), a contact person at the placing agency, and often a brief description of the reason the grantee was placed on the Alert List.¹ At the time of our inspection, CDC's

¹ The Office of Grants is responsible for placing the grantee on the Alert List upon recommendation from the awarding agency. For the purposes of this report, we refer to the placing agency as the agency that recommends the grantee placement to the Office of Grants

policies governing the use of the Alert List were found in Part II.C.6 of the “CDC Administration Management Manual” (CAMM), Part 2, Section 01 of Grants Policy Directive (GPD) 2.01, and Guidance Memorandum No. 102-PGO “Special Award Conditions and Alert List.”²

According to the CAMM, CDC has an affirmative responsibility both to place high risk grantees on the Alert List and to remove them in a timely manner. CDC may designate a grantee as high risk if it has concerns about the recipient’s ability to satisfy performance expectations or accountability requirements because the organization meets one or more of the following conditions:

- Has a history of poor programmatic performance or current poor performance.
- Has inadequate management systems.
- Has sustained large cost disallowances on Federal awards.
- Has not materially complied with the terms and conditions of previous CDC awards.
- Is financially unstable (insolvent or may become insolvent).
- Is financially dependent on Federal support (e.g., 80 percent or more of the organization’s revenues are expected to be derived from a Federal grant(s)).
- Is inexperienced in handling Federal funds, for example, a newly formed organization or one that has not previously received Federal cost-reimbursement awards (whether contracts or grants).
- Is determined to have other special circumstances.

An awarding agency may place special award conditions on a grantee to protect its interests and to promote positive change in a grantee’s performance or compliance.³ The CAMM also states that use of special award conditions and placement on the departmental Alert List are part of the high risk designation process required by GPD 2.01 and that a

² As of May 2004, CDC no longer uses the CAMM. It now uses HHS’s Awarding Agency Grants Administration Manual (AAGAM). Alert List policies described in the AAGAM are similar to those in the CAMM, with the exception that policies on the use of restriction conditions are not included in the AAGAM.

³ HHS’s regulatory basis for designating a grantee as high risk is found in 45 CFR 74.14 and 45 CFR 92.12. See Appendix A.

high risk designation has no meaning apart from CDC’s ability to include special award conditions in awards. According to the CAMM, a “restriction” is a form of special award condition that need not be accompanied by a high risk designation.⁴ The CAMM further describes that, with the exception of a “restriction,” CDC may use special award conditions only in conjunction with designating a grantee as high risk. Special award conditions as listed in the CAMM may include one or more of the following:

- Use of a reimbursement payment method rather than advance payment.
- Use of the deductive method of accounting for program income (where the additive alternative ordinarily would apply or the matching alternative might be appropriate).
- More frequent financial or progress reporting than the program ordinarily requires or regulation permits.
- The need for CDC prior approval of a cost or activity that ordinarily does not require such approval.

Awarding Agency Responsibilities

Awarding agencies have the responsibility to do the following regarding the Alert List: (1) place grantees on the Alert List; (2) check the Alert List; (3) consult with the agency that placed the grantee on the Alert List; (4) monitor grantees when special award conditions are attached to the grant; and (5) remove grantees in a timely manner. Specific Alert List responsibilities are as follows:

- Place. Awarding agencies are responsible for placing on the Alert List grantees that they have designated high risk/special award conditions. To place a grantee on the Alert List, the awarding agency notifies the Office of Grants. The National External Audit Review Center may also recommend that a grantee be placed on the Alert List based on adverse findings in a grantee’s audit. There may be several agencies that place the same grantee on the Alert List.

⁴ A restriction needs to meet all three factors: (1) deals with a limited situation requiring submission of a document(s) to complete the award process for an otherwise legal award; (2) can be satisfied within 30 days of award; and (3) is approved by the Director, Procurement and Grants Office. This inspection focuses only on those special award conditions warranting placement on the Alert List; it does not include a restriction as a type of special award condition governed by Alert List policies.

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- Check. Awarding agencies are also responsible for checking the Alert List prior to awarding a grant. Upon review of the Alert List and consideration of the basis for the high risk/special award condition designation or issuance of an Office of Inspector General Alert, an awarding agency must determine whether it will independently designate the grantee as high risk/special award conditions.
- Consult. If the awarding agency determines that a grantee has been placed on the Alert List by another agency, he or she must consider whether the awarding agency also should designate the grantee as high risk and include special award conditions in the award. This decision should be made following consultation with the agency(s) that made the designation as it appears on the Alert List to ensure that it is still current and the present situation warrants the designation.
- Monitor. If special award conditions are attached to the grant, the awarding agency is responsible for taking several actions. Specifically, the agency must notify the grantee by transmittal letter of the special award condition (but not the placement of the grantee on the Alert List). The transmittal letter explains the effect of the high risk designation, indicates the corrective actions required and the time period for correction, among other things. If a special award condition relates to payment, the awarding agency is responsible for notifying the Division of Payment Management when the requirement is imposed and when it is removed.⁵
- Remove. If an awarding agency places a grantee on the Alert List, it is also responsible for notifying the Office of Grants when it is appropriate to remove the grantee from the Alert List. Generally, grantees should not remain on the Alert List for more than 2 years. If the grantee is on the Alert List for more than 2 years, the agency that placed the grantee is required to provide justification to the Office of Grants.

⁵ The Payment Management System is the centralized grants payment and cash management system operated by the Division of Payment Management within HHS's Program Support Center. The Payment Management System accomplishes all payment-related activities for HRSA and other agencies from the time of award through closeout of a grant.

Additionally, according to the CAMM, CDC is expected to create and maintain files that allow for a third party (e.g., auditor or other reviewer) to follow the paper trail beginning with program initiation through closeout of individual awards, and decisions made and actions taken in between. Grants officers are also expected to maintain the official grant file and to ensure that contents of all files are current and can be easily identified and accessed.

METHODOLOGY

To determine the extent to which CDC adheres to Alert List policies, we reviewed CDC and HHS policies governing the Alert List. We then reviewed files of grantees on the Alert List and conducted interviews with key agency staff.

Grantee Selection

Based on the departmental Alert List published on the Intranet as of January 13, 2003, we identified 22 grantees to whom CDC awarded grants and also placed on the Alert List. This included 4 grantees that received CDC grants in 2002 and 18 grantees that received CDC grants as far back as 1997. Even if a grantee is not currently funded, as long as it remains on the Alert List and CDC is noted as the placing agency, an awarding agency is supposed to contact CDC to obtain information on that grantee's potential risk.

To find CDC grantees that another agency placed on the Alert List, we compared the grantees on the January 13, 2003, Alert List with a list of all CDC grantees in fiscal year 2002.⁶ In doing so, we identified an additional 15 grantees that had been placed by another agency, for a total of 37 CDC grantees on the Alert List.

File Review

We requested that the complete grant file for each of the 37 CDC grantees on the Alert List be made available for onsite review. The CDC provided files for a total of 25 grantees. We requested the other 12 files several times over a 2-month period but CDC never made them available for review. CDC officials explained that 11 of these CDC placements were no longer funded and that these files were stored and maintained offsite by contractors. CDC did not provide a file for an

⁶ This list was obtained from HHS's Tracking Accountability in Government Grants (TAGGS) database. The TAGGS database tracks all grants awarded by HHS.

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additional grantee that received funds in fiscal year 1999 through fiscal year 2002.

We conducted an onsite file review of the 25 files that were provided by CDC during March 2003.⁷ We reviewed these files for evidence that each Alert List policy was followed. Specifically, we looked for evidence of: (1) placing a grantee on the Alert List when special award conditions were attached to the grant or when otherwise appropriate, (2) checking the Alert List prior to making a grant award, (3) consulting with other agencies that placed the grantee on the Alert List, (4) monitoring potential vulnerabilities and taking action when a special award condition was attached to the grant, and (5) justifying retaining a grantee whose name appears on the Alert List for more than 2 years.

Most of the grantees had been on the Alert List for several years. Because CDC is responsible for maintaining a grantee file for 5 years, we limited our review to 5 years of documentation. We considered all documentation as evidence, including file checklists, e-mails, telephone logs, notes to the file, and other informal notation, as well as standard documentation such as Notices of Grant Award, grantee applications, technical reviews, and audits.

Table 1 (on the following page) shows the number of files of CDC grantees that we requested and reviewed, by the agency that initiated their placement. In total, we reviewed 25 files. In some cases, our analysis is based on the 11 grantees that CDC placed on the Alert List and the 14 grantees that were placed on the Alert List by another agency and not CDC. In other cases, we make a distinction between the 11 grantees that National External Audit Review Center placed on the Alert List and the 6 grantees that other agencies placed on the Alert List.

⁷ Two of these files were provided after the onsite review.

Table 1: CDC Alert List Grantees on the Alert List, by Placing Agency		
Placing Agency	Grant Files Requested	Grant Files Provided for Review
CDC Only	19	8
CDC and National External Audit Review Center	2	2
CDC and Another Agency	1	1
National External Audit Review Center Only	10	9
Other Agency Only	5	5
Total	37	25

Source: January 13, 2003, departmental Alert List and Tracking Accountability in Government Grants (TAGGS) Database.

Structured Interviews

We conducted interviews with two senior grants officials and another staff member in CDC’s Procurement and Grants Office (hereinafter “grants officers”). We also conducted interviews with the three Chief Grants Officers responsible for checking the Alert List prior to award and for supervising Grants Management Officers. At the request of each Chief Grants Officer, an additional Grants Management Officer participated in each interview. These Chief Grants Officers and their staffs will hereinafter be referred to as grants officers.

Standards

We conducted this inspection in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency.

CDC does not consistently follow Alert List policies

We found that CDC does not consistently follow Alert List policies including placing, checking, consulting, monitoring, and justifying retaining grantees on the Alert List.

CDC does not consistently place grantees on the Alert List

According to the CAMM, CDC has an affirmative responsibility to place high risk grantees on the Alert List. It also states that CDC's use of special award conditions and placement on the departmental Alert List are part of the high risk designation process required by GPD 2.01. We reviewed the files of 25 grantees that were placed on the Alert List by either CDC or another awarding agency. Grants officers attached a special award condition as listed in the CAMM to the grants of 9 of 25 grantees. However, they did not designate any of these nine grantees as high risk and placed only five of them on the Alert List.

In addition, grants officers are expected to notify the Office of Grants to place a grantee on the Alert List. CDC placed a total of 11 of the 25 grantees on the Alert List. However, there was no evidence of notification in any of these 11 files.

In our discussions with all three grants officers, we found that each of them had a different understanding about when to place a grantee on the Alert List. All three reported that they do not automatically place a grantee with special award conditions on the Alert List. One reported placing a grantee on the Alert List only if it has a special award condition that is payment related.

CDC does not consistently provide evidence that the Alert List is checked

The CAMM states that grants officers are expected to check the Alert List prior to an award. Only 5 of the 25 files reviewed contained any evidence that the grants officer checked the Alert List. Two of these instances were noted on a budget certification document that is periodically included in the grant file. Evidence in the other three instances was documented in notes to the grant file.

In some of the grantee files we found a standardized checklist that tracked certain grant monitoring activities. This checklist includes checking the Alert List to determine whether the grantee had been placed on it. However, this checklist was not always included in the grantee file or was not always complete with respect to the Alert List.

F I N D I N G S

At the same time, in our discussions with the grants officers, all three reported they always check the Alert List prior to awarding a grant. In addition to checking the Alert List, they noted that they review some combination of the grantee application, financial documents, organizational policies, and previous history as part of their grant award decisions.

CDC does not regularly consult with other agencies to obtain information about the grantee

The CAMM states that, when a grantee is found on the Alert List, the grants officer should consult with the agency(s) that initiated the grantee placement. Grants officers are expected to review that agency's existing restrictions on the grantee to ensure that they are current and warranted, and then to consider this information when making the award decision.

We found little evidence that CDC consults with other agencies that place grantees on the Alert List, including the National External Audit Review Center. Specifically, there were only two instances of consultation documented in the files of the six grantees that other agencies placed on the Alert List.⁸ Similarly, there was evidence of consultation with the National External Audit Review Center in only 1 of the files of the 11 grantees that National External Audit Review Center placed on the Alert List. Additionally, grants officers are expected to check the single audit database for National External Audit Review Center Alerts for all grantees.⁹ We found documentation of this activity in only 4 of the 25 grant files.

In our discussions with grants officers, all three reported having little experience consulting with other agencies that placed grantees on the Alert List. One grants officer noted only one instance of making a call to a placing agency to learn why the grantee was placed on the Alert List. Similarly, only one grants officer could recall ever contacting National External Audit Review Center. We also learned that the CDC Procurement and Grants Office receives information from National External Audit Review Center about audit findings for grantees that the

⁸ These six grantees include five grantees that another agency placed on the Alert List and the one grantee placed by both another agency and CDC.

⁹ The Federal Audit Clearinghouse single audit database contains summary information on grantee A-133 audits, including audit results. The National External Audit Review Center posts results of its own grantee audit findings on the single audit database.

F I N D I N G S

National External Audit Review Center placed on the Alert List, but this information is not routinely shared with the grants officers.

CDC does not consistently document certain monitoring activities for Alert List grantees

The awarding agency is expected to complete certain monitoring activities when it attaches a special award condition to a grant. According to the CAMM, these activities include notifying the grantee of the special award conditions in a letter that indicates the corrective actions required, the time period for correction, and a description of the consequences of not completing the actions required. The awarding agency is also responsible for notifying the Director of the Payment Management System if a special award condition relating to payment was attached to the grant.

Grants officers attached special award conditions to 9 of the 25 grantees. We found that none of the files for these nine grantees included transmittal letters to the grantees indicating the corrective actions required, the time period for correction, and a description of the consequences of not completing actions required. (We did find occasional references in which the grantees were made aware of specific actions required to resolve issues). Additionally, four of the nine files of grantees that had payment-related special conditions did not include notification to the Payment Management System.

CDC does not provide justification for retaining grantees whose names appear on the Alert List more than 2 years

The CAMM states that the Procurement and Grants Officer is to provide justification to the Office of Grants when keeping a grantee on the Alert List for more than 2 years. At the time of the file review in March 2003, 6 of the 11 grantees that CDC placed on the Alert List had been there longer than 2 years. None of these files had justification to support these grantees remaining on the Alert List. In our discussions with grants officers, each described different policies regarding keeping grantees on the Alert List longer than 2 years. When asked what procedure they follow, only one reported that justification would be provided to the Procurement and Grants Officer.

Competing priorities, misunderstandings, and concerns about several aspects of the Alert List may explain why grants officers are not following Alert List policies

Grants officers have competing priorities. In 2002, CDC centralized its

contract and procurement functions and restructured its grants and contracts management branches. As a result, the Procurement and Grants Office assumed new administrative responsibilities and acquired 43 additional full-time staff. At the time of the interview, each Chief Grants Management Officer was responsible for approximately 13 Grants Management Officers, who monitored 60 to 100 grants each.

Further, in our discussions with grants officers, they indicated that using the Alert List has not always been a priority. They explained that they have instead focused on getting grants out, managing heavy workloads, and training new staff. One grants officer reported that consulting the Alert List was not always done “. . . because we had new people who hadn’t had the training yet, but lots of grants to get out.”

CDC grants officers and officials do not always have a clear understanding of the Alert List

We found that grants officers and CDC officials do not always have a clear understanding of the purpose and the policies governing the Alert List. Some respondents explained that they do not always place grantees on the Alert List because they could not be sure that the information would not be used against the grantee. Some were also reluctant to place grantees on the Alert List because they did not want to “rat on” the grantee or jeopardize their relationship with the grantee. Grants officers also reported some misunderstanding of the grants policies for using the Alert List, such as the responsibility to notify the Office of Grants to remove a grantee from the Alert List.

We found that some grants officers and CDC officials are beginning to understand the purpose of the Alert List. One official noted that grants officers have started to realize that the Alert List is a way to inform other awarding agencies, to open communication with the placing agency, and to help raise awareness of National External Audit Review Center concerns. Another grants officer added that grants officers are now aware that the Alert List is just an alert and that finding a potential grantee on the Alert List does not necessarily require grants officers to take action against the grantee.

F I N D I N G S

CDC grants officials and grants officers do not think all aspects of the Alert List are useful

Grants officers and CDC officials provided several reasons they believe the Alert List is not always useful or is difficult to use. Some respondents reported that the Alert List is not updated regularly. Also, grantees are not always immediately placed on the Alert List by the Office of Grants; rather, they are included when the updated Alert List is published. Some also explained that the Web site location changes and that they sometimes had trouble finding the Alert List.

Our review of the Alert List also found that it did not always have useful or complete information. The January 13, 2003, version of the Alert List did not have reasons the grantees were placed on the Alert List for 59 of 313 grantees. In addition, the reasons the grantees were placed on the Alert List were not always helpful because of general statements such as “going concern” or “noncompliance.” Further, no placing agency was identified for some grantees, and the grantee name on the Alert List was markedly different from the name on the grant award for other grantees.

RECOMMENDATIONS

We determined that CDC staff do not consistently follow policies governing the use of the Alert List. This lack of adherence to existing policies makes it impossible to ensure that a grantee's risk of financial failure or systemic deficiencies is communicated to all agencies that award grants and that HHS funds are safeguarded.

In 2002, CDC centralized its grants and procurement functions and restructured its grants management and contracts management branches. Also, in May 2004, CDC announced a new organizational design that coordinates its existing operational units, and grants officials are currently in the process of writing procedures. As part of these efforts, we recommend that CDC do the following:

Ensure that grants officers follow Alert List policies

CDC needs to ensure that grants officers follow policies for placing grantees on the Alert List, checking the Alert List, consulting with the agencies that place grantees on the Alert List, monitoring grantees on the Alert List, and removing grantees from the Alert List when appropriate. CDC should additionally ensure that grants officers justify retaining a grantee whose name appears on the Alert List more than 2 years.

Develop methods to ensure accountability to Alert List policies

CDC should develop methods to ensure that grants officers are held accountable to Alert List policies.

- Currently, grants officers have a checklist that includes checking the Alert List to determine whether a grantee is on the Alert List. CDC may consider revising this checklist to include the additional Alert List policies and requiring grants officers to complete it for each grantee.
- CDC may consider implementing an internal file review to ensure that grants officers are following Alert List policies and using the Alert List appropriately.
- CDC may consider implementing a system to notify grants officers when the 2-year time period expires.
- CDC may consider providing additional training to grants officers and their staffs about the importance of using the Alert List and the need to follow the policies.

Improve file maintenance to meet third party review policies

In the course of this inspection, we found that the files we reviewed do not always contain documentation to meet the third party review policies of an auditable paper trail. We recommend that CDC ensure that grant files are comprehensive so that they meet HHS policies. The files need to specifically include documentation of all Alert List activities and actions expected when special award conditions are attached to a grant.

AGENCY COMMENTS

We received comments on our draft report from CDC. The full text of these comments can be found in Appendix B. CDC takes no exception to the findings in the report and is taking steps to address our recommendations. Specifically, CDC plans to:

- Request that 22 of the 25 CDC grantees on the December 1, 2004, Alert List be removed from the Alert List;
- Stress to grants staff the need to follow policies;
- Identify and document Alert List additions and deletions, and prompt grants staff for action after 2 years;
- Revise the Alert List portion of the preaward checklist used by grants staff; and
- Conduct an internal file review to identify all grants that contain special award conditions and to determine if Alert List policies were followed.

PART 74--UNIFORM ADMINISTRATIVE REQUIREMENTS FOR AWARDS AND SUBAWARDS TO INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, OTHER NONPROFIT ORGANIZATIONS, AND COMMERCIAL ORGANIZATIONS; AND CERTAIN GRANTS AND AGREEMENTS WITH STATES, LOCAL GOVERNMENTS AND INDIAN TRIBAL GOVERNMENTS

Special award conditions.

- (a) The HHS awarding agency may impose additional requirements as needed, without regard to § 74.4, above, if an applicant or recipient:
 - (1) has a history of poor performance,
 - (2) is not financially stable,
 - (3) has a management system that does not meet the standards prescribed in this part,
 - (4) has not conformed to the terms and conditions of a previous award, or
 - (5) is not otherwise responsible.
- (b) When it imposes any additional requirements, the HHS awarding agency must notify the recipient in writing as to the following:
 - (1) the nature of the additional requirements,
 - (2) the reason why the additional requirements are being imposed,
 - (3) the nature of the corrective actions needed,
 - (4) the time allowed for completing the corrective actions, and
 - (5) the method for requesting reconsideration of the additional requirements imposed.
- (c) The HHS awarding agency will promptly remove any additional requirements once the conditions that prompted them have been corrected.

PART 92--UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS

Sec. 92.12 Special grant or subgrant conditions for "high risk" grantees.

- (a) A grantee or subgrantee may be considered as high risk if an awarding agency determines that a grantee or subgrantee:
 - (1) has a history of unsatisfactory performance; or
 - (2) is not financially stable; or
 - (3) has a management system which does not meet the management standards set forth in this part; or
 - (4) has not conformed to terms and conditions of previous awards; or
 - (5) is otherwise not responsible; and if the awarding agency determines that an award will be made, special conditions and/or restrictions shall correspond to the high risk condition and shall be included in the award.
- (b) Special conditions or restrictions may include:
 - (1) payment on a reimbursement basis;
 - (2) withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given funding period;
 - (3) requiring additional, more detailed financial reports;
 - (4) additional project monitoring;
 - (5) requiring the grantee or subgrantee to obtain technical or management assistance; or
 - (6) establishing additional prior approvals.
- (c) If an awarding agency decides to impose such conditions, the awarding official will notify the grantee or subgrantee as early as possible, in writing, of:
 - (1) the nature of the special conditions/restrictions,
 - (2) the reason(s) for imposing them,
 - (3) the corrective actions which must be taken before they will be removed and the time allowed for completing the corrective actions, and
 - (4) the method of requesting reconsideration of the conditions/restrictions imposed.

▶ A P P E N D I X B



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

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

MAF 3 2005

TO: Daniel R. Levinson
Acting Inspector General

FROM: Director
Centers for Disease Control and Prevention

SUBJECT: OIG Draft Report "Use of the Departmental Alert List by CDC,"
OEI-02-03-00010

As requested in your December 13, 2004, memorandum, the Centers for Disease Control and Prevention (CDC) has reviewed the subject draft report, and takes no exception to the factual accuracy of the reported findings.

CDC is committed to complete compliance with Alert List requirements. It is CDC's belief that adequate written Alert List policy currently exists, and we will establish procedures to ensure that this policy is followed routinely and consistently by grant staff in the course of everyday grants management activities.

The following summarizes CDC's comments to the three recommendations contained in the draft report.

Ensure that grants officers follow Alert List requirements. CDC will continue to stress to the grant staff the need to comply with Alert List requirements.

Develop methods to ensure accountability to Alert List requirements. To enhance organizational responsiveness in the future, CDC grant staff will identify and document Alert List additions and deletions, and coordinate with the Procurement and Grants Office's (PGO) Oversight and Evaluation (O&E) Team. The O&E Team will coordinate those changes with the Department, and prompt the grant staff for action if no action is taken within 2 years of listing.

Of the 413 grantees on the Alert List dated December 1, 2004, 25 were placed there by CDC. In response to a Health and Human Services (HHS) Assistant Secretary for Administration and Management (ASAM) request in November 2004 to update the Alert List, CDC initiated an internal review of those 25 grantees. That review was recently completed, and CDC will be requesting that HHS ASAM de-list 22 of those grantees. Currently, CDC is pursuing corrective action with the remaining 3 grantees.

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To emphasize future proper compliance with existing Alert List requirements, CDC plans to revise the Alert List portion of the pre-award checklist used by the grant staff. In an effort to strengthen CDC's compliance with Alert List requirements, in April 2000, CDC went beyond Departmental guidance and initiated written CDC-specific policy on the use of special award conditions and the Alert List. CDC plans to stress to the grant specialists the need for compliance with that policy.

Improve file maintenance to meet third party review requirements. CDC recognizes the need to document Alert List activities and actions required when special conditions are attached to a grant. To ensure compliance, the PGO O&E Team plans to conduct an internal review to identify all grants that contain special conditions, and to determine if the Alert List requirements were followed for those grantees. The O&E Team anticipates completing this internal review within 90 days.

Thank you for the opportunity to comment on the draft report. Please direct any questions regarding these comments to Ms. Helen Kuykendall, Program Analyst, CDC, by telephone at (404) 639-7075 or by e-mail at HKuykendall@cdc.gov.


Julie Louise Gerberding, M.D., M.P.H.



A C K N O W L E D M E N T S

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