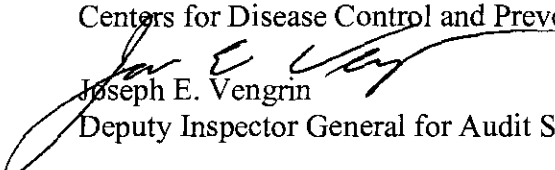




AUG - 5 2004

TO: Charles Schable
Director
Office of Terrorism Preparedness and Emergency Response
Centers for Disease Control and Prevention

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

SUBJECT: Nationwide Audit of State and Local Government Efforts to Record and Monitor Subrecipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds (A-05-04-00027)

Attached are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General's report entitled "Nationwide Audit of State and Local Government Efforts to Record and Monitor Subrecipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds."

Under the Public Health Preparedness and Response for Bioterrorism Program, State and major local health departments received funding from the Centers for Disease Control and Prevention (CDC) to improve their bioterrorism preparedness. Funding for the bioterrorism preparedness program began on August 31, 1999. Since that time, CDC has awarded over \$2 billion to the 50 States and to 12 localities. For this self-initiated audit, we reviewed bioterrorism programs in 13 States and 4 major metropolitan areas. Collectively, these awardees received approximately 48 percent of the total bioterrorism program funding.

The objectives of our audit were to determine whether awardees:

- recorded, summarized, and reported bioterrorism program transactions by focus area in accordance with their cooperative agreements
- established procedures to monitor subrecipient expenditures
- had unobligated fund balances as of August 30, 2003

Of the 17 audited awardees, we found that:

- Fourteen recorded, summarized, and reported bioterrorism program funds by focus area.
- Six had developed adequate procedures to monitor subrecipient expenditures.

- Fifteen had unobligated balances of Federal bioterrorism funds as of August 30, 2003 totaling approximately \$65 million, or 15 percent of the \$428 million awarded.

Improvements are needed to ensure that bioterrorism program funds are efficiently and effectively utilized.

We recommend that CDC:

- continue to emphasize the requirement to account for funds by focus area
- identify awardees that have not accounted for their funds in accordance with the cooperative agreements and ensure that they revise their accounting procedures
- provide guidance to awardees on monitoring subrecipient expenditures and measuring subrecipient performance, including emphasizing the need for awardees to make site visits to directly review subrecipients' expenditures and assess subrecipients' progress in improving bioterrorism preparedness
- identify the reasons for large unobligated balances and assist the awardees in overcoming barriers to a more timely use of funds

Officials in your office have concurred with our recommendations, set forth on page 7 of the attached report and have taken, or agreed to take, corrective action. We appreciate the cooperation given us in this audit.

We would appreciate your views and the status of any further action taken or contemplated on our recommendations within the next 60 days. If you have any questions about this report, please do not hesitate to call me, or have your staff contact Donald L. Dille, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1175 or through e-mail at Donald.Dille@oig.hhs.gov.

To facilitate identification, please refer to report number A-05-04-00027 in all correspondence relating to this report.

Attachments

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NATIONWIDE AUDIT OF STATE AND
LOCAL GOVERNMENT EFFORTS
TO RECORD AND MONITOR
SUBRECIPIENTS' USE OF PUBLIC
HEALTH PREPAREDNESS AND
RESPONSE FOR BIOTERRORISM
PROGRAM FUNDS**



**AUGUST 2004
A-05-04-00027**

Office of Inspector General

<http://oig.hhs.gov>

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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 HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Under the Public Health Preparedness and Response for Bioterrorism Program, State and major local health departments receive funding from the Centers for Disease Control and Prevention (CDC) to improve their bioterrorism preparedness. The funding instrument used for the bioterrorism preparedness program is a cooperative agreement because substantial CDC programmatic collaboration with awardees was anticipated during the performance of the project. CDC began funding the bioterrorism preparedness program on August 31, 1999 and has awarded more than \$2 billion to 50 States and 12 localities since that time.

In August 2003, the Office of Inspector General issued a report on California's accounting for bioterrorism program funds (A-09-02-01007). The report, entitled "State of California: Review of Public Health Preparedness and Response for Bioterrorism Program Funds," stated that California did not account for program funds by focus area and could not adequately support expenditures on Financial Status Reports submitted to CDC.

The conditions we found in California led us to perform this nationwide audit to determine if other awardees were recording and reporting bioterrorism funds by focus area in accordance with their cooperative agreements. We have since reviewed bioterrorism programs in 13 more States and 4 major metropolitan areas (Appendix A) selected primarily based on their dollar funding levels. Collectively, these awardees received approximately 48 percent of the total bioterrorism program funding. This rollup report presents the results of the reviews.

OBJECTIVES

The objectives of our audit were to determine whether awardees:

- recorded, summarized, and reported bioterrorism program transactions by focus area in accordance with their cooperative agreements
- established procedures to monitor subrecipient expenditures
- had unobligated fund balances as of August 30, 2003

SUMMARY OF FINDINGS

Of the 17 audited awardees, we found that:

- Fourteen recorded, summarized, and reported bioterrorism program funds by focus area.
- Six had developed adequate procedures to monitor subrecipient expenditures.
- Fifteen had unobligated balances of Federal bioterrorism funds as of August 30, 2003 totaling approximately \$65 million, or 15 percent of the \$428 million awarded.

Improvements are needed to ensure that bioterrorism program funds are efficiently and effectively utilized.

Recording, Summarizing, and Reporting Bioterrorism Program Funds

Although 14 of the 17 awardees recorded, summarized, and reported program funds by focus area as required by their cooperative agreement with CDC, 3 did not. One awardee segregated original funds by focus area but did not segregate supplemental funds (representing about 93 percent of its total award). The other two awardees did not separate original and supplemental funds.

With respect to reporting requirements, CDC's notice of cooperative agreement stated: "To assure proper reporting and segregation of funds for each focus area, Financial Status Reports . . . must be submitted for individual focus areas . . ." In addition, CDC required awardees to separately report original and supplemental awards.

Accurate and complete accounting of program funds by focus area is necessary so that CDC has sufficiently detailed and reliable expenditure data to ensure that funds are being spent for the intended purposes and that program objectives are being met.

Monitoring Subrecipient Expenditures

Monitoring of grants made to local health departments and community groups (subrecipients) by an awardee is an important process to ensure that program objectives are met and that project funds are properly spent. We found that:

- Six awardees had developed adequate procedures to oversee subrecipients.
- Ten awardees had established procedures to track and monitor subrecipient expenditures, but there were opportunities for improvement.
- One awardee did not have subrecipients at the time of our review and had yet to establish monitoring procedures.

45 CFR § 92.40 requires that awardees monitor grant- and subgrant-supported activities to ensure compliance with applicable Federal requirements and that performance goals are being met. The Public Health Service Grants Policy Statement, which applies to awardees and subrecipients, requires them to ". . . establish sound and effective business management systems to assure proper stewardship of funds and activities . . ."

We found opportunities for improvements in the areas of documentation of subrecipients' activities, increased coordination of monitoring activities for subrecipients, and reviews of bioterrorism program funds when conducting subrecipient audits.

Unobligated Fund Balances

Reported unobligated balances of Federal bioterrorism funds for 15 of 17 awardees totaled \$65 million as of August 30, 2003. This represented 15 percent of the \$428 million awarded to these 15 awardees. The percentage of unobligated program funds varied substantially, as follows:

- Two awardees had unobligated balances greater than 50 percent.
- Six awardees had unobligated balances ranging from 14 to 33 percent.
- Seven awardees had unobligated balances under 10 percent.

These unobligated balances represented 6.1 percent of the \$1.064 billion in total bioterrorism funds CDC awarded during the first three program periods of the bioterrorism preparedness program, covering the 4-year period of August 31, 1999 through August 30, 2003. Large unobligated balances may indicate that national bioterrorism preparedness goals were not being met and may indicate a need for stronger program oversight by CDC. In its Program Period 4 Continuation Guidance to the awardees, CDC stated that “. . . estimated FY 2002 supplemental unobligated funds that are not adequately justified or for which a written carry-over request is not received by July 1, 2003 will be brought forward in lieu of new funds.”

RECOMMENDATIONS

We recommend that CDC:

- continue to emphasize the requirement to account for funds by focus area
- identify awardees that have not accounted for their funds in accordance with the cooperative agreements and ensure that they revise their accounting procedures
- provide guidance to awardees on monitoring subrecipient expenditures and measuring subrecipient performance, including emphasizing the need for awardees to make site visits to directly review subrecipients' expenditures and assess subrecipients' progress in improving bioterrorism preparedness
- identify the reasons for large unobligated balances and assist the awardees in overcoming barriers to a more timely use of funds

AUDITEE RESPONSE

In a written response to our draft report dated July 1, 2004 CDC officials concurred with our findings and recommendations. The CDC response is included in its entirety as Appendix B to this report.

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INTRODUCTION

BACKGROUND

Public Health Preparedness and Response for Bioterrorism Program

Under the Public Health Preparedness and Response for Bioterrorism Program, States and major local health departments receive CDC funding to improve their bioterrorism preparedness and response capabilities. The bioterrorism preparedness program is 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)).

Under Program Announcement 99051, CDC initiated cooperative agreements with awardees requiring them to report bioterrorism program expenditures by focus area. Specifically, the reporting requirements in the notice of cooperative agreement stated: “To assure proper reporting and segregation of funds for each focus area, Financial Status Reports . . . must be submitted for individual focus areas not later than 90 days after the end of the budget period.”

For Program Periods 1 and 2 (August 31, 1999 through August 30, 2001), CDC divided the funding for the bioterrorism program into five focus areas. Eligible applicants could request funds for activities under one or more of these focus areas:

- Focus Area A - Preparedness Planning and Readiness Assessment
- Focus Area B - Surveillance and Epidemiology Capacity
- Focus Area C - Laboratory Capacity--Biologic Agents
- Focus Area D - Laboratory Capacity--Chemical Agents
- Focus Area E - Health Alert Network/Training

In Program Period 3 (August 31, 2001 through August 30, 2003), two more focus areas were added:

- Focus Area F - Communicating Health Risks and Health Information Dissemination
- Focus Area G - Education and Training

Subject to Federal requirements in Office of Management and Budget Circulars A-87, Cost Principles for State, Local, and Indian Tribal Governments; and A-102, Grants and Cooperative Agreements With State and Local Governments, awardees were required to establish financial management systems to account for the use of Federal funds. In addition, Program Announcement 99051 stipulated that Federal funds were “. . . not to be used to replace or supplant any current State or local expenditures.”

Bioterrorism Program Funding and Awardees

Funding for the bioterrorism preparedness program began on August 31, 1999. Since that time, CDC has awarded over \$2 billion to the 50 States; the District of Columbia; the Commonwealths of Puerto Rico and the Northern Marianas Islands; American Samoa; Guam; the U.S. Virgin

Islands; the Republics of Palau and the Marshall Islands; the Federated States of Micronesia; and the Nation's three largest municipalities--New York City, Chicago, and Los Angeles County.

Program funding by period is shown in Table 1.

Table 1: Program Funding

Program Period		Funding
Period 1	August 31, 1999 - August 30, 2000	\$ 40 million
Period 2	August 31, 2000 - August 30, 2001	\$ 41 million
Period 3	August 31, 2001 - August 30, 2003	\$ 982 million
Period 4	August 31, 2003 - August 30, 2004	\$ 1,016 million

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of our audit were to determine whether awardees:

- recorded, summarized, and reported bioterrorism program transactions by focus area in accordance with their cooperative agreements
- established procedures to monitor subrecipient expenditures
- had unobligated fund balances as of August 30, 2003

Scope

This rollup report consolidates the results of our reviews of bioterrorism programs in 13 States and 4 major metropolitan areas. We selected awardees primarily based on the dollar funding level. We reviewed bioterrorism programs in Florida, Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Virginia, Chicago, the District of Columbia, Los Angeles County, and New York City. Collectively, these awardees received approximately 48 percent of the total bioterrorism program funding. Our reviews covered bioterrorism funding for the period August 31, 1999 through August 30, 2003. Our audit was not designed to determine whether costs charged to the bioterrorism program were allowable under applicable Federal cost principles or to assess the status of awardee preparedness. A planned second phase of the review will examine costs claimed by selected awardees to determine whether they were allowable.

We did not review the overall internal control structure at each of the selected awardees. Our internal control review was limited to obtaining an understanding of each awardee's subrecipient monitoring procedures.

Methodology

We developed a questionnaire to address the objectives of the review. The questionnaire, which we provided to the awardees to complete prior to our fieldwork, solicited information in the areas of the organization, bioterrorism program funding, accounting for expenditures, supplanting, and subrecipient monitoring. To accomplish our objectives, we:

- reconciled bioterrorism program funds awarded, expended, and obligated, as reported by the awardees on the completed questionnaire, to awardee accounting records
- reviewed awardee policies and procedures for monitoring subrecipient expenditures of bioterrorism program funds

We performed our fieldwork at awardee offices between April and August 2003. We obtained information on unobligated balances as of August 30, 2003 directly from Financial Status Reports filed with CDC.

Our work was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Of the 17 audited awardees receiving CDC bioterrorism preparedness funding, we found that:

- Fourteen recorded, summarized, and reported bioterrorism program funds by focus area.
- Six had developed adequate procedures to monitor subrecipient expenditures.
- Fifteen had unobligated balances of Federal bioterrorism funds as of August 30, 2003 totaling approximately \$65 million, or 15 percent of the \$428 million awarded.

Improvements are needed to ensure that bioterrorism program funds are efficiently and effectively utilized.

RECORDING, SUMMARIZING, AND REPORTING PROGRAM FUNDS

Awardees Required To Track Expenditures by Focus Area

Recipients of bioterrorism program funds were required to track expenditures by focus area. The Technical Reporting Requirements of the Cooperative Agreement stated that in order to “. . . assure proper reporting and segregation of funds for each focus area, Financial Status Reports (FSRs) . . . must be submitted for individual focus areas”

In addition to segregating funds by focus area, awardees were also required to report original and supplemental funds separately. The Terms and Conditions of the Cooperative Agreement, which

included the Emergency Supplemental award, stated that progress reports should include, at a minimum:

- funds awarded by each focus area not to include the supplemental award
- supplemental funds awarded by each focus area
- funds which were expended (or obligated) during the current period
- supplemental funds which were expended (or obligated) during the current period

Fourteen Awardees Complied With Accounting Requirements; Three Did Not

Fourteen of the 17 awardees recorded, summarized, and reported program funds by focus area in accordance with the terms and conditions of their cooperative agreement. These awardees segregated their original and supplemental funds by focus area and also separately reported original and supplemental funds. However, the District of Columbia (District) segregated original funds by focus area but did not segregate supplemental funds (which represented 93 percent of its total award) by focus area. Also, Chicago and North Carolina did not separate original and supplemental funds.

Reasons for Deficiencies at Three Awardees

In regards to the accounting and reporting of supplemental funds, there were various reasons for the deficiencies identified at three awardees. Because of high management turnover in the District, we were unable to determine whether its staff was aware of accounting and reporting requirements. In Chicago, we found that officials were uncertain about the requirements at the time the supplemental funds were awarded. Finally, although North Carolina officials explained that they reported expenditures based on the first-in/first-out tracking methodology, it is our opinion that they were simply uncertain about the supplemental funds requirements.

Incomplete Accounting Impairs Program Oversight

An essential aspect of Federal program accountability is the need for recipients to accurately and fully account for funds in accordance with the terms and conditions of their award. Accurate and complete accounting of program funds by focus area is necessary so that CDC has sufficiently detailed and reliable expenditure data to ensure that funds are being spent for the intended purposes and that program objectives are being met.

MONITORING SUBRECIPIENT EXPENDITURES

Awardees Required To Monitor Their Subrecipients

Recipients of bioterrorism program funds were required to monitor their subrecipients. 45 CFR § 92.40 requires that awardees monitor grant- and subgrant-supported activities to ensure compliance with applicable Federal requirements and that performance goals are being met.

The Public Health Service Grants Policy Statement requires that “awardees employ sound management practices to ensure that program objectives are met and that project funds are properly spent.” It states that recipients must “. . . establish sound and effective business management systems to assure proper stewardship of funds and activities”

The Policy Statement also provides that grant requirements apply to awardees and their subrecipients “. . . 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”

Opportunities to Improve Subrecipient Monitoring Procedures

The 17 awardees had varied subrecipient monitoring procedures. We found that:

- Six awardees (Illinois, Michigan, Texas, Los Angeles County, Chicago, and New York City) had developed adequate monitoring procedures.
- Ten awardees had established procedures to track and monitor subrecipient expenditures, but there were opportunities for improvement. Specifically, Virginia did not require its subrecipients to submit formal written reports documenting their activities; North Carolina did not require that program managers approve invoices before payments were made to all subrecipients; Florida, Georgia, New Jersey, New York, and Ohio did not include a site visit in their auditing procedures; and Maryland, Massachusetts, and Pennsylvania did not review bioterrorism program funds when conducting subrecipient audits.
- One awardee, the District of Columbia, did not have subrecipients at the time of our review and had yet to establish monitoring procedures. District officials were uncertain whether they would have subrecipients in the future.

Guidance From CDC Could Help Ensure That Funds Were Spent Properly

CDC did not include guidance concerning the monitoring of subrecipients in the notice of cooperative agreement. Awardees relied on varied and sometimes limited procedures to oversee awards made to local health departments and community groups. CDC could help ensure that program objectives are met and that project funds are properly spent by encouraging all awardees to conduct subrecipient site visits. These visits should include a review of expenditure documentation.

UNOBLIGATED FUND BALANCES

Funds Awarded but Not Committed

Obligated funds are funds the awardees have committed to spend for services, supplies, staff, local public health agency support, or anything else related to bioterrorism preparedness activities. Unobligated funds are awards that an awardee has not committed to a specified liability or expenditure. These funds are generally available for use during a specified timeframe and should be expended for program purposes. For example, funds available for Program Period 1 should have been committed for specific purposes by August 30, 2000.

\$65 Million in Program Funds Not Committed as of August 30, 2003

Table 2 shows awarded and unobligated bioterrorism program amounts, as reported on the FSRs, and the percentage remaining unobligated as of August 30, 2003.

Table 2: Awarded and Unobligated Program Fund Amounts

Awardee	Awarded	Unobligated	Percentage
District of Columbia	\$12,705,296	\$8,080,216	64
Massachusetts	19,859,553	11,235,021	57
Georgia	26,817,366	8,832,078	33
Pennsylvania	33,209,653	7,859,454	24
New Jersey	26,367,685	5,893,299	22
Ohio	32,724,507	5,980,205	18
Virginia	24,026,543	4,272,571	18
Texas	54,035,277	7,398,168	14
Michigan	30,057,446	2,132,426	7
Chicago	12,627,939	492,626	4
Los Angeles County	25,726,260	784,476	3
Illinois	27,849,480	643,361	2
Florida	43,649,932	736,529	2
North Carolina	24,548,953	291,773	1
New York	33,962,894	341,529	1
Maryland	18,607,521	0	0
New York City	23,578,031	0	0
Total	\$470,354,336	\$64,973,732	14

As Table 2 shows, 15 of the 17 awardees had unobligated balances as of August 30, 2003 totaling nearly \$65 million, or 15 percent of the \$428 million awarded to these 15 awardees. The percentage of program funds unobligated at August 30, 2003 varied substantially, as follows:

- Two awardees had unobligated balances greater than 50 percent.
- Six awardees had unobligated balances ranging from 14 to 33 percent.

- Seven awardees had unobligated balances under 10 percent.

Looking at total program funding, unobligated balances at August 30, 2003 represented 6.1 percent of the \$1.064 billion in bioterrorism funds CDC awarded during the first three program periods of the bioterrorism preparedness program.

Funds Were Not Obligated for a Variety of Reasons

Awardee officials indicated that unobligated program funds resulted from delays and difficulties in the following areas: recruiting and hiring personnel, caused by staffing changes and hiring freezes; coordinating the startup of new activities, caused by an extensive needs assessment process; executing contracts; issuing Requests for Proposals and bids for procurement; and purchasing lab equipment, supplies, and other materials. CDC also substantially increased funding for Program Year 3 from \$41 million to \$982 million.

Bioterrorism Program Funds Not Fully Utilized

Large unobligated balances suggest that funds were not fully utilized to meet important bioterrorism preparedness program goals and may indicate a need for increased program oversight by CDC.

Recognizing the significance of continuing unobligated fund balances, CDC stated in its Program Period 4 Continuation Guidance that “estimated FY 2002 supplemental unobligated funds that are not adequately justified or for which a written carry-over request is not received by July 1, 2003 will be brought forward in lieu of new funds.” Additional appropriations will be reduced, thus reducing the amounts provided for awardee program goals.

RECOMMENDATIONS

We recommend that CDC:

- continue to emphasize the requirement to account for funds by focus area
- identify awardees that have not accounted for their funds in accordance with the cooperative agreements and ensure that they revise their accounting procedures
- provide guidance to awardees on monitoring subrecipient expenditures and measuring subrecipient performance, including emphasizing the need for awardees to make site visits to directly review subrecipients’ expenditures and assess subrecipients’ progress in improving bioterrorism preparedness
- identify the reasons for large unobligated balances and assist the awardees in overcoming barriers to a more timely use of funds

AUDITEE RESPONSE

In a written response to our draft report dated July 1, 2004 CDC officials concurred with our findings and recommendations. The CDC response is included in its entirety as Appendix B to this report.

OTHER MATTER: SUPPLANTING OF FUNDS

Bioterrorism program funds, both original and supplemental, were to be used to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. The funds were not to be used to supplant existing Federal, State, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure within the jurisdiction. Program Announcement 99051 states that “. . . cooperative agreement funds under this program may not be used to replace or supplant any current state or local expenditures.”

In response to our questionnaire and during our onsite interviews, officials from all 17 awardees asserted that Federal bioterrorism program funding had not supplanted existing State or local bioterrorism programs, as prohibited by Program Announcement 99051 and CDC Cooperative Agreement guidance. We did not validate their assertions. We have scheduled in-depth reviews at selected awardees that will include an analysis of the supplanting issue.

APPENDICES

**Efforts to Record and Monitor Subrecipients'
Use of Public Health Preparedness and Response For
Bioterrorism Program Funds**

**Listing of Issued Audit Reports
by
Audit Report Number and Awardee**

A-05-03-00088	City of Chicago Department of Public Health
A-03-03-00385	District of Columbia Department of Health
A-04-03-01007	Florida Department of Health
A-04-03-01011	Georgia Department of Human Resources
A-05-03-00082	Illinois Department of Public Health
A-09-03-01022	Los Angeles County Department of Health Services
A-03-03-00391	Maryland Department of Health and Mental Hygiene
A-01-03-01504	Massachusetts Department of Public Health
A-05-03-00080	Michigan Department of Community Health
A-02-03-02011	New Jersey Department of Health and Senior Services
A-02-03-02010	New York City Department of Health and Mental Hygiene
A-02-03-02009	New York State Department of Health
A-04-03-01009	North Carolina Division of Public Health
A-05-03-00077	Ohio Department of Health
A-03-03-00381	Pennsylvania Department of Health
A-06-03-00057	Texas Department of Health
A-03-03-00383	Virginia Department of Health



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service
Centers for Disease Control
and Prevention (CDC)

MEMORANDUM

Date: July 1, 2004

From: Charles A. Schable, Director, OTPER, OD, CDC *CA Schable*Subject: Nationwide Audit of State and Local Government
Efforts to Record and Monitor Subrecipients' Use
Of Public Health Preparedness and Response for
Bioterrorism Program Funds (A-05-04-00027)
Response to RecommendationsTo: Joseph E. Vengrin, Deputy Inspector General for
Audit Services

Thank you for the opportunity to review the June 14, 2004 draft report on the Nationwide Audit of State and Local Government Efforts to Record and Monitor Subrecipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds. The Centers for Disease Control and Prevention (CDC) concurs with the findings and recommendations contained in the report.

Attached you will find CDC's response to the recommendations. We whole-heartedly support your position that bioterrorism program funds must be efficiently and effectively utilized.

If you have any questions or comments about the attached, please do not hesitate to call Larry Smith, Program Analyst, Office of Terrorism Preparedness and Emergency Response (OTPER), at (404) 639-7794 or by email at asi6@cdc.gov. Please refer to report number A-05-04-00027 in all correspondence.

Attachment

OIG A-05-04-00027 Recommendations**Recommendations 1 & 2**

- Continue to emphasize the requirement to account for funds by focus area
- Identify awardees that have not accounted for their funds in accordance with the cooperative agreements and ensure that they revise their accounting procedures.

Response

According to Program Announcement 99051 – Continuation Guidance for Cooperative Agreement on Public Health Preparedness and Response for Bioterrorism – Budget Year 5, dated June 14, 2004, awardees must identify their proposed allocation of funding by Focus Area in their submissions for budget period five. In addition, the Financial Status Report (FSR), required 30 days after the budget period ends, is required to outline unobligated funds by focus area.

Recommendation 3

- Provide guidance to awardees on monitoring sub-recipient expenditures and measuring sub-recipient performance, including emphasizing the need for awardees to make site visits to directly review sub-recipients' expenditures and assess sub-recipient's progress in improving bioterrorism preparedness.

Response 3

Cooperative Agreement funds are distributed to 62 awardees (state, territorial, and local health departments). The awardees are responsible for achieving activities identified in the Cooperative Agreement guidance. The grants management rules of the Public Health Service do not mandate interaction between CDC and sub-recipients. However, CDC will more closely scrutinize the "scope of work" and "method of accountability" described for each sub-recipient prior to approval.

Recommendation 4

- Identify the reasons for large unobligated balances and assist the awardees in overcoming barriers to a more timely use of funds.

Response 4

100% of awardees have amended state authorities and statutes to minimize barriers to achieving readiness. However, problems exist in obligating grant funds, particularly in the areas of contract services, recruitment and hiring. The ability to recruit and hire is further impeded by the lack of a qualified pool of public health candidates. Further, many states must obtain prior legislative approval before expenditure of funds. If

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expenditure requests are not considered during the current legislative session, they are carried over to the next session, which results in further delay.

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