



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

November 12, 2003

Report Number: A-04-03-01011

Kathleen E. Toomey, M.D., M.P.H.
Director, Division of Public Health
Georgia Department of Human Resources
2 Peachtree Street N.W., 15th Floor
Atlanta, Georgia 30303

Dear Dr. Toomey:

Enclosed are two copies of our report that provides the results of our self-initiated review of the *State of Georgia's Efforts to Account for and Monitor Sub-recipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds*.

Our objectives were to determine whether the Georgia Department of Human Resources (State agency): (1) properly recorded, summarized and reported bioterrorism preparedness transactions by each focus area designated in the cooperative agreements; and (2) whether the State agency established controls and procedures to monitor sub-recipient expenditures of Centers for Disease Control and Prevention funds. In addition, we inquired as to whether bioterrorism program (Program) funding supplanted programs previously funded by other organizational sources.

Based on our validation of the questionnaire completed by State officials and our site visit, we found that the State agency generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by specific focus area in its accounting system. The State agency monitored its sub-recipients by requiring them to report their activities in monthly expenditure reports, quarterly programmatic reports, and ongoing contacts. Although the State agency had not completed any site visits to sub-recipients, it was in the process of developing a site visit component. We believe that the development of the site visit component, combined with sub-recipient reporting, and the Office of Management and Budget Circular A-133 audit will provide adequate monitoring and oversight of its sub-recipients. In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials stated that the Program funding had not been used to supplant existing State or local programs.

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.

In accordance with the principles of the Freedom of Information Act, (5 United States Code 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 Code of Federal Regulations Part 5).

If you have any questions or comments about this report, please contact Don Czyzewski, Audit Manager, at 305-536-5309, extension 10.

To facilitate identification, please refer to report number A-04-03-01011 in all correspondence relating to this report.

Sincerely,



Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Enclosures – as stated

Direct Reply to HHS Action Official:

Joseph E. Salter, Director
Management Procedures Branch
Management Analysis and Services Office
Centers for Disease Control and Prevention
1600 Clifton Road, N.E., MS E-11
Atlanta, Georgia 30333

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**STATE OF GEORGIA'S EFFORTS TO
ACCOUNT FOR AND MONITOR
SUB-RECIPIENTS' USE OF PUBLIC
HEALTH PREPAREDNESS AND
RESPONSE FOR BIOTERRORISM
PROGRAM FUNDS**



**November 2003
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Notices

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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

OBJECTIVES

Our objectives were to determine whether the Georgia Department of Human Resources (State agency): (1) properly recorded, summarized and reported bioterrorism preparedness transactions by each focus area designated in the cooperative agreements; and (2) whether the State agency established controls and procedures to monitor sub-recipient expenditures of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether bioterrorism program (Program) funding supplanted programs previously funded by other organizational sources.

FINDINGS

Based on our validation of the questionnaire completed by State officials and our site visit, we found that the State agency generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by specific focus area in its accounting system. The State agency monitored its sub-recipients by requiring them to report their activities in monthly expenditure reports, quarterly programmatic reports, and ongoing contacts. Although the State agency had not completed any site visits to sub-recipients, it was in the process of developing a site visit component. We believe that the development of the site visit component, combined with sub-recipient reporting, and the Office of Management and Budget (OMB) Circular A-133 audit will provide adequate monitoring and oversight of its sub-recipients. In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials stated that the Program funding had not been used to supplant existing State or local programs.

RECOMMENDATION

We recommend the State agency implement the site visit component and address problem areas, as they are identified.

STATE AGENCY'S COMMENTS

In a written response to our draft report, the State agency concurred with our findings and our recommendation. The State agency's response is included in its entirety as an appendix to this report.

TABLE OF CONTENTS

INTRODUCTION 1

BACKGROUND 1

 The Program..... 1

 Annual Program Funding..... 1

 Focus Areas..... 1

 Eligible Recipients 2

 Georgia Funding 2

OBJECTIVE, SCOPE AND METHODOLOGY 2

 Objectives 2

 Scope..... 3

 Methodology 3

FINDINGS AND RECOMMENDATION 3

 Accounting for Expenditures 4

 Sub-recipient Monitoring..... 4

 Supplanting 5

RECOMMENDATION 5

STATE AGENCY’S COMMENTS 5

OTHER MATTERS..... 5

APPENDIX

INTRODUCTION

BACKGROUND

The Program

CDC was designated as the entity responsible for the program to improve State and other eligible entity preparedness and response capabilities for bioterrorism and other public health emergencies. The Program is referred to as the Public Health Preparedness and Response to Bioterrorism Program. This program is authorized under Sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service Act [42 U.S.C. sections 241(a), 47b(k)(1)(2), and 247(d)]. The U.S. Code states, in part:

...The Secretary may make grants to States, political subdivisions of States, and other public and nonprofit private entities for – (A) research into the prevention and control of diseases that may be prevented through vaccination; (B) demonstration projects for the prevention and control of such diseases; (C) public information and education programs for the prevention and control of such diseases; and (D) education, training, and clinical skills improvement activities in the prevention and control of such diseases for health professionals (including allied health personnel)....

CDC, under Program Announcement 99051, initiated a cooperative agreement program to fund States and major local public health departments to help upgrade their preparedness and response capabilities in the event of a bioterrorist act.

Annual Program Funding

Years 1 and 2 of the Program covered the period August 31, 1999 through August 30, 2000 and 2001, respectively. Annual funding totaled \$40.7 million and \$41.9 million. Although Year 3 covered the period August 31, 2001 through August 30, 2002, it was extended through August 30, 2003 with funds totaling \$49.9 million. During Year 3 of the Program, Congress authorized about \$918 million in supplemental funds under the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002, Public Law 107-117. The funds were available on February 19, 2002 and were awarded to States and major local public health departments, under Program Announcement 99051-Emergency Supplemental. Of the awarded amount, 20 percent was available for immediate use. The remaining 80 percent was restricted until CDC approved the required work plans.

Focus Areas

Applicants requested support for activities under one or more of the following 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/Communications and Information Technology.

In Year 3, CDC added two new focus areas:

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

Eligible Recipients

Grant recipients included all 50 States, the District of Columbia, the commonwealths of Puerto Rico and the Northern Mariana 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, Chicago, and Los Angeles County). Those eligible applicants included the health departments of States or their bona fide agents. Applicants were encouraged to apply for funds in all focus areas.

Georgia Funding

The amount of Program funding awarded to the State agency has increased from approximately \$1 million in 1999 to \$25.1 million in 2003. The following table details funding for each budget year.

Program Amounts by Budget Year			
Budget Year	Awarded	Expended	Unobligated
Year 1	1,006,194	206,897 ⁽¹⁾	799,297
Year 2	996,284 ⁽²⁾	902,954 ⁽¹⁾	324,012
Year 3	25,118,511 ⁽³⁾	5,066,088 ⁽⁴⁾	15,300,598

- (1) Traced to financial records and financial status report.
- (2) Excludes \$230,682 of funds carried forward from Year 1.
- (3) Includes \$23,225,251 of Emergency Supplemental funds and excludes \$42,930 of funds carried forward from Year 2.
- (4) Funds traced to accounting records as of April 30, 2003.

OBJECTIVE, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine whether the State agency: (1) properly recorded, summarized and reported bioterrorism preparedness transactions by each focus area designated in the cooperative agreements; and (2) whether the State agency has established controls and procedures to monitor sub-recipient expenditures of CDC funds. In addition, we inquired as to whether bioterrorism program funding supplanted programs previously funded by other organizational sources.

Scope

Our review was limited in scope and 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.

Our audit included a review of the State agency policies and procedures, financial reports, and summary accounting transactions during the period August 31, 1999 through current operations.

Methodology

We developed a questionnaire to address the objectives of the review. The questionnaire covered the areas: (1) the grantee organization; (2) funding; (3) accounting for expenditures; (4) supplanting; and (5) sub-recipient monitoring. Prior to our fieldwork, we provided the questionnaire for the State agency to complete. During our on-site visit, we interviewed the State agency's staff and obtained supporting documentation to validate the responses on the questionnaire.

Fieldwork was conducted at State agency offices in Atlanta, Georgia, and our Tallahassee, Florida field office during June 2003.

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

FINDINGS AND RECOMMENDATION

Based on our validation of the questionnaire completed by State officials and our site visit, we found that the State agency generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by specific focus area in its accounting system. The State agency monitored its sub-recipients by requiring them to report their activities in monthly expenditure reports, quarterly programmatic reports, and ongoing contacts. Although the State agency had not completed any site visits to sub-recipients, it was in the process of developing a site visit component. We believe that the development of the site visit component, combined with sub-recipient reporting, and the OMB Circular A-133 audit will provide adequate monitoring and oversight of its sub-recipients. In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials stated that the Program funding had not been used to supplant existing State or local programs.

Accounting for Expenditures

An essential aspect of the Program is the need for the grantee to accurately and fully account for bioterrorism funds. Accurate and complete accounting of Program funds provides CDC with a means to measure the extent that the program is being implemented and the objectives are being met.

In that regard, recipients of Program grant funds are required to track expenditures by focus area. Note 3: Technical Reporting Requirements of the original Cooperative Agreement states:

...To assure proper reporting and segregation of funds for each focus area, Financial Status Reports which reflect the cooperative agreement number assigned to the overall project must be submitted for individual focus areas...

The State agency recorded, summarized and reported transactions by specific focus area designated in the cooperative agreements.

Sub-recipient Monitoring

Recipients of the Program grant funds were required to monitor their sub-recipients. 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.” It states recipients must:

...establish sound and effective business management systems to assure proper stewardship of funds and activities....

In addition, the Policy Statement further states that grant requirements apply to subgrantees and contractors under the grants, as follows:

...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....

The State agency monitored its sub-recipients by requiring them to report their activities in monthly expenditure reports, quarterly programmatic reports, and ongoing contacts. State agency staff utilized these reports and contacts in conjunction with releasing funds to sub-recipients. Although the State agency had not completed any site visits to sub-recipients, it was in the process of developing a site visit component. We believe that the development of the site visit component, combined with sub-recipient reporting, and the OMB Circular A-133 audit will provide adequate monitoring and oversight of its sub-recipients.

Supplanting

Program funds, 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:

...Cooperative agreement funds under this program may not be used to replace or supplant any current state or local expenditures of the Public Health Service Act....

In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials replied that Program funding had not been used to supplant existing State or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure in Georgia.

RECOMMENDATION

We recommend the State agency implement the site visit component and address problem areas, as they are identified.

STATE AGENCY'S COMMENTS

In a written response to our draft report, the State agency concurred with our findings and our recommendation. The State agency's response is included in its entirety as an appendix to this report.

OTHER MATTERS

The State agency received funding of approximately \$25.2 million for the third year of the Program. According to the questionnaire completed by the State agency approximately \$15.3 million (61 percent) was unobligated as of April 30, 2003 due to delays in the State's processes involved in the start-up of new activities; such as, coordinating activities between concerned parties, and delays in hiring. In addition, State officials indicated that expediting a higher priority program (smallpox vaccination) caused a significant delay in this Program and the use of funds.

Subsequently, State agency officials provided us with the updated Program award amount of \$26.8 as of June 30, 2003. In addition, State agency officials stated that approximately \$14.3 million (53 percent) in Program funds were still unobligated. The State officials indicated they would submit a request to carryover one-time funds not used.

APPENDIX

ACKNOWLEDGMENTS

This report was prepared under the direction of Charles Curtis, Regional Inspector General for Audit Services, Region IV. Other principal Office of Audit Services' staff who contributed includes:

Don Czyzewski, *Audit Manager*

Kathy Lee, *Senior Auditor*

Mervyn Carrington, *Auditor in Charge*

John Christian Poole, *Auditor*

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



Jim Martin, Commissioner

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October 20, 2003

Charles J. Curtis
Regional Inspector General for
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61 Forsyth Street, SW, Suite 3T41
Atlanta, Georgia 30303

OCT 24 2003

UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES

Dear Mr. Curtis:

We are in receipt of your recent audit report. As you noted, the use of site visits to monitor sub-recipients strengthens the overall accountability process. While we have been conducting visits during the past year, they have not been formally incorporated into a monitoring process. We are presently in the process of establishing a monitoring policy, structure, and process that will include regular site visits.

We anticipate that this will address the concern raised in your Review of the State of Georgia's efforts to account for and monitor sub-recipients' use of Public Health Preparedness and Response for Bioterrorism Program funds.

Sincerely,

A large, stylized handwritten signature in black ink, which appears to read "Kathleen E. Toomey".

Kathleen E. Toomey, M.D., M.P.H.
Director
Georgia Division of Public Health