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

October 17, 2003

Report Number: A-04-03-01009

Dr. Steve Cline
Epidemiology Section
Division of Public Health
1902 Mail Service Center
Raleigh, North Carolina 27699-1902

Dear Dr. Cline:

The enclosed report provides the results of our self-initiated ***Review of the State of North Carolina's Efforts to Account for and Monitor Sub-recipient's Use of Public Health Preparedness and Response for Bioterrorism Program Funds, North Carolina Division of Public Health.***

Our objectives were to determine whether the North Carolina the Division of Public Health (North Carolina): (i) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements, and (ii) had controls and procedures to monitor subrecipients of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether the Public Health Preparedness and Response for Bioterrorism program (Program) funding supplanted programs previously funded by other organizational sources.

Based on our validation of the questionnaire completed by North Carolina and our site visit, we found that North Carolina generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, North Carolina recorded, summarized and reported transactions by specific focus area. Nonetheless, we believe North Carolina would benefit from developing written policies and procedures for tracking the fund activities within its financial accounting system. North Carolina's monitoring procedures for contracts and its advanced accounting system, the North Carolina Accounting System, facilitated the tracking and monitoring of subrecipient activities and expenditures. However, the procedures implemented for county agreements could be improved. In that respect, North Carolina plans to request that CDC approve funding for a new position to coordinate and oversee the monitoring of subrecipient activities for all focus areas under the program. Meanwhile, at a minimum, they plan to provide additional training to Public Health Regional Surveillance Teams to assist in the subrecipient monitoring. Further, in response to our inquiry as to whether North Carolina reduced funding to existing public health programs, North Carolina officials indicated that CDC funding had not been used to supplant programs previously funded by other organizational sources.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We would appreciate your views and the status of any further action taken or contemplated on our recommendations within 15 days. 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 press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise (see 45 Code of Federal Regulations Part 5).

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

To facilitate identification, please refer to report number A-04-03-01009 in all correspondence relating to this report.

Sincerely,

Charles 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

REVIEW OF THE STATE OF NORTH CAROLINA'S EFFORTS TO ACCOUNT FOR AND MONITOR SUB-RECIPIENT'S USE OF PUBLIC HEALTH PREPAREDNESS AND RESPONSE FOR BIOTERRORISM PROGRAM FUNDS

NORTH CAROLINA DIVISION OF PUBLIC HEALTH

October 2003
A-04-03-01009

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
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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 North Carolina Division of Public Health (North Carolina) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and whether North Carolina had established controls and procedures to monitor subrecipients of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether the Public Health Preparedness and Response for Bioterrorism program (Program) funding supplanted programs previously funded by other organizational sources.

FINDINGS

Based on our validation of the questionnaire completed by North Carolina and our site visit, we found that North Carolina generally accounted for Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, North Carolina recorded, summarized and reported transactions by specific focus area. However, in budget Year 3, North Carolina did not track expenditures for the original grant and the emergency supplemental grant separately. Rather, North Carolina reported expenditures based on the first-in/first-out tracking methodology. We believe North Carolina would benefit from developing written policies and procedures for tracking the fund activities within its financial accounting system.

North Carolina awards funds to subrecipients through contracts and agreement addendums. North Carolina's monitoring procedures for contracts and its advanced accounting system, the North Carolina Accounting System, facilitated the tracking and monitoring of subrecipient activities and expenditures. However, the procedures implemented for county agreements could be improved. North Carolina plans to request that CDC approve funding for a new position to coordinate and oversee the monitoring of subrecipient activities for all focus areas under the Program. Meanwhile, at a minimum, they plan to provide additional training to Public Health Regional Surveillance Teams to assist in the subrecipient monitoring. Further, in response to our inquiry as to whether North Carolina reduced funding to existing public health programs, North Carolina officials indicated that CDC funding had not been used to supplant programs previously funded by other organizational sources.

RECOMMENDATIONS

We recommend North Carolina:

1. develop written policies and procedures for tracking the Program fund activities within the financial accounting system; and

2. implement plans to increase the coordination of monitoring activities for subrecipients of the Program.

NORTH CAROLINA'S COMMENTS

North Carolina concurred with our findings and recommendations and is taking corrective actions to improve its bioterrorism grant program. The complete text of North Carolina's written comments is included as an appendix to this report.

TABLE OF CONTENTS

INTRODUCTION

BACKGROUND

The Public Health Preparedness & Response to Bioterrorism 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 & 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), 247b(k)(1)(2), and 247(d), as amended]. 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.

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. 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.

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; and
- Focus Area E - Health Alert Network/Communications and Information Technology**.**

In Year 3, the CDC added two new focus areas, as follows:

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

Grant recipients included all 50 States, the District of Columbia, the commonwealths of Puerto Rico and the Northern Marianas Islands, American Samoa, Guam, the U.S. Virgin Islands, 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.

North Carolina Division of Public Health Funding

The amount of the Program funding awarded to North Carolina has increased from $336,435 in 1999 to $24.1 million in 2003. The following table details funding for each budget year.

Program Amounts for Budget Year			
	Awarded	**Expended**	**Unobligated**
Year 1	336,435	261,192	75,242
Year 2	669,204 [(1)]	270,052	402,613
Year 3	24,102,003 [(2)]	6,087,684	6,299,828 [(3)]

(1) Amount excludes carryovers from Year 1 of $3,461.
(2) Amount includes $22,919,940 of Emergency Supplemental funds and excludes carryovers from Years 1 and 2 of $446,950.
(3) Balance as of February 28, 2003. North Carolina reported $0 unobligated funds on its interim Financial Status Reports submitted to CDC on July 1, 2003.

OBJECTIVE, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine whether North Carolina properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements and whether North Carolina had established controls and procedures to monitor subrecipients of CDC funds. In addition, we inquired as to whether the 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 North Carolina's policies and procedures, financial reports, and accounting transactions during the period August 31, 1999 through current operations.

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

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) other organizational bioterrorism activities; and (5) subrecipient monitoring. Prior to our fieldwork, we provided the questionnaire for North Carolina to complete. During our on-site visit, we interviewed North Carolina staff and obtained supporting documentation to validate the responses on the questionnaire.

Fieldwork was conducted at the State's offices in Raleigh, North Carolina, and the Miami, Florida field office from May to July 2003. North Carolina's comments on the draft report are included in their entirety as an appendix to this report. A summary of North Carolina's comments and our response follow the Findings and Recommendations section.

FINDINGS AND RECOMMENDATIONS

Based on our validation of the questionnaire completed by North Carolina and our site visit, we found that North Carolina generally accounted for program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, North Carolina recorded, summarized and reported transactions by specific focus area. However, in budget Year 3, North Carolina did not track expenditures for the original grant and the emergency supplemental grant separately. Rather, North Carolina reported expenditures based on the first-in/first-out tracking methodology. We believe North Carolina would benefit from developing written policies and procedures for tracking the fund activities within its financial accounting system.

North Carolina awards funds to subrecipients through contracts and agreement addendums. North Carolina's monitoring procedures for contracts and its advanced accounting system, the North Carolina Accounting System, facilitated the tracking and monitoring of subrecipient activities and expenditures. However, the procedures implemented for county agreements could be improved. North Carolina plans to request that CDC approve funding for a new position to coordinate and oversee the monitoring of subrecipient activities for all focus areas under the Program. Meanwhile, at a minimum, they plan to provide additional training to Public Health Regional Surveillance Teams to assist in the subrecipient monitoring. Further, in response to our inquiry as to whether North Carolina reduced funding to existing public health programs, North Carolina officials indicated that CDC funding had not been used to supplant programs previously funded by other organizational sources.

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 the funds provides the 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 the Program grant funds are required to track expenditures by focus area. Note 3: Technical Reporting Requirements of the original Cooperative Agreement stated:

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

In addition, the terms and conditions of the Cooperative Agreement that included the supplemental award stated that progress reports should report, 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…"

North Carolina recorded, summarized and reported transactions by the specific focus areas designated in their cooperative agreements. However, in budget Year 3, North Carolina did not track expenditures for the original grant and the emergency supplemental grant separately. Rather, North Carolina reported expenditures based on the first-in/first-out tracking methodology.

During our review, we also noted that North Carolina would benefit from developing written policies and procedures for tracking the fund activities within its financial accounting system. Currently, the accounts used to track expenditures by focus area are not universally known, a written policy would permit all current and future employees to properly code and report fund activities.

Subrecipient Monitoring

Recipients of the Program grant funds were required to monitor their subrecipients. The Public Health Services (PHS) 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…."

PHS Grants Policy Statement also states that grant requirements apply to subgrantees and contractors under the grants.

> "Where subgrants are authorized by the awarding office through regulations, program announcements, or through the approval of the grant application, the information contained in this publication also applies to subgrantees."

North Carolina's monitoring procedures for contracts and its advanced accounting system, the North Carolina Accounting System, facilitated the tracking and monitoring of subrecipient activities and expenditures. North Carolina required that contracts be awarded based on a competitive process. The subrecipients would then invoice North Carolina for work performed. Program officers, through contacts with subrecipients, ensured the work completed met the State's objectives and reviewed the invoices. North Carolina's policies required two signatures by the Program officers before the invoices were processed for payment. The North Carolina Accounting System was used to track and verify that invoices did not exceed the contracts total price.

North Carolina also awarded funds to counties in North Carolina through various agreement addendums. The procedures applied to these agreements required the controller's office to ensure that payments did not exceed encumbered amounts. However, North Carolina's procedures did not require program officers to review invoices before their payment. North Carolina plans to request that CDC approve funding for a new position to coordinate and oversee the monitoring of subrecipient activities for all focus areas under the Program. To make efficient and effective use of the funds, North Carolina through the Public Health Preparedness and Response office created seven teams, known as Public Health Regional Surveillance Teams, to provide support to local health agencies serving all 100 counties. The host counties for these regional offices are Buncombe, Mecklenburg, Guilford, Durham, Cumberland, Pitt, and New Hanover. Each team includes an epidemiologist, an industrial hygienist, a nurse consultant, and an administrative specialist. Meanwhile, at a minimum, North Carolina plans to provide additional training to Public Health Regional Surveillance Teams' members so they can assist in the subrecipient monitoring.

Supplanting

The 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 replace 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 and 99051-Emergency Supplemental state:

> "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."

Based on the results of the questionnaire and interviews with North Carolina officials, North Carolina did not have bioterrorism programs in existence prior to Federal Program funding. Further, in response to our inquiry as to whether the State reduced funding to existing public health programs, North Carolina officials stated that CDC funding had not been used to supplant existing Federal, State, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure in North Carolina.

RECOMMENDATIONS

We recommend North Carolina:

1. develop written policies and procedures for tracking the fund activity within the financial accounting system; and

2. implement plans to increase the coordination of monitoring activities for subrecipients of the Program.

NORTH CAROLINA'S COMMENTS

North Carolina concurred with our findings and recommendations. In its written response to the draft report, North Carolina documented the steps it is taking to improve its bioterrorism grant program. See the appendix for the complete text of North Carolina's comments.

In response to our recommendation to develop written policies and procedures for tracking the fund activity within the financial accounting system, North Carolina provided a proposed structure that will allow accounting for funds by Focus Area. Regarding North Carolina's plans to increase its coordination of monitoring activities for subrecipients of the program, North Carolina stated it received CDC approval/funding to establish a Subrecipient Monitoring Coordinator. In addition, North Carolina will provide additional training for Public Health Regional Surveillance Teams to assist in the subrecipient monitoring. Finally, North Carolina stated it is in the process of converting all of the Division of Public Health's contracts to a Performance-Based Contracting protocol. Performance-based contracting focuses on goals of the contract as opposed to the activities for achieving those goals and involves monitoring to ensure performance is being achieved.

OIG'S RESPONSE

North Carolina's response to our report was well considered and provides a clear statement of corrective actions to be taken in response to the recommendations included in our report. North Carolina must continue to work towards implementing its plan to improve its grants accounting system and its oversight of the bioterrorism grant program.

APPENDIX

North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Michael F. Easley, Governor

Carmen Hooker Odom, Secretary

August 28, 2003

Transmit via fax:
404-562-7795

Reference: CIN: A-04-03-01009

Mr. Charles J. Curtis
Regional Inspector General for Audit Services, Region IV
Room 3T41, Atlanta Federal Center
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8909

Dear Mr. Curtis:

Our office is in receipt of your letter dated August 15, 2003 accompanying the draft report, ***Review of the State of North Carolina's Efforts to Account for and Monitor Sub-recipient's Use of Public Health Preparedness and Response for Bioterrorism Program Funds, North Carolina DHHS - Division of Public Health***. In accordance with your request, the N.C. Department of Health and Human Services management has reviewed the report and offers the following comments relative to the draft report recommendations.

Response to OIG Draft Report

Finding A. Accounting for Expenditures

We are in agreement with your recommendation that the Division develop written policies and procedures for tracking the fund activity within the financial accounting system and have outlined our current structure in Attachment 1 and the proposed structure under consideration in Attachment 2. The structure may be modified from that shown in Attachment 2, but whatever structure we use will allow the Division to account for funds according to the Focus Area by RCC. The FRC will indicate the year of the grant. Tracking by specified subset of the grant, for example, regular grant, SNS, Smallpox, and Supplemental funds, will be accomplished by use of separate Funds.

Finding B. Subrecipient Monitoring

As stated in the draft report, the North Carolina Accounting System is an integral component of the Division's monitoring procedures for contracts and facilitates the tracking and monitoring of subrecipient activities/expenditures. We agree with the report that procedures can always be improved, and the Division will continue to explore and implement appropriate subrecipient monitoring procedures to ensure county and non-county subrecipient expenditures are in compliance with state and federal requirements.

Specific Division actions to implement comprehensive tracking and monitoring of Local Health Departments (LHD) include:

1. Requested and received CDC approval/funding to establish a Subrecipient Monitoring Coordinator position to oversee the monitoring of subrecipient activities for all focus areas. The position will be hired in the new grant year that begins August 31, 2003. Position will track subrecipient funding streams, and monitor fund expenditures against program objectives as well as ensure LHD and State Program adherence to the Division Subrecipient Monitoring Plan.

2. Additional training for seven Public Health Regional Surveillance Teams to assist in the subrecipient monitoring will be conducted during the Public Health Preparedness and Response Statewide meetings held each quarter (next training is scheduled mid-September 2003).

3. Specialized regional consultant tracking and monitoring for the Focus Area C Laboratory-Biologic Agents:
   a. Four regional Laboratory Improvement Consultants are responsible for monitoring and training Local Health Department (LHD) laboratories in relation to federal Clinical Laboratory Improvement Act of 1988 requirements. They also closely monitor Agreement Addenda Activities relating to the laboratory focus area. These regional laboratory consultants are stationed permanently in four counties (each having responsibility for approximately one-quarter of the State's LHD laboratories).

Numerous site visits are made to each county laboratory throughout the year during which they document compliance with stated Agreement Addenda protocols and deliverables. For example, these regional Laboratory Improvement Consultants conduct site visits to visually confirm the purchase and installation of new telecommunications equipment funded by Agreement Addenda Activity # 4517 (BT-Lab Computers).

b. Six laboratorians are stationed physically in the three county LHDs (2 laboratorians per county) receiving funds for regional Bioterrorism Safety Level 2 Laboratories. These laboratorians conduct daily monitoring and tracking of Agreement Addenda activities as a fundamental function of their jobs.

4. The DHHS phone hotline, CARE-LINE Information and Referral Services, now includes a Bioterrorism team member.

5. Per North Carolina Department and Health and Services Directive, the Division of Public Health is converting all of its contracts to a Performance-Based Contracting protocol. Performance-based contracting focuses on goals of the contract as opposed to the activities for achieving those goals. "It is purely a management process for achieving the goal of the contract on time, without dictating methods to the contractor about how to achieve the goal. This provides incentives to the contractor to produce. It is a management function to enable us to achieve our goals and meet our mission while saving on cost along the way," said DHHS Deputy Secretary Lanier Cansler. The department's management team goal is to convert all 4,000 DHHS contracts to performance-based by July 1, 2005. More specifically, Performance-Based Contracting involves:

- Soliciting bids on the basis of RESULTS you want achieved rather than what ACTIVITIES you want conducted
- Defining clear performance expectations and measures
- Clearly defined due dates and milestones
- Providing incentives for performance

- Granting flexibility in exchanges for accountability for results
- Monitoring to ensure performance is being achieved

Attachment 3 outlines our Answers to OIG Questionnaire regarding monitoring activities.

Finding C. Supplanting

No finding indicated in report.

We trust that the foregoing responses address the various report findings and recommendations. If additional information is needed, please contact Dan Stewart, Director of NCDHHS Office of the Internal Auditor, at (919) 715-4791 or Dan.Stewart@ncmail.net.

Sincerely,

Carmen Hooker Odom

CHO:ds

Cc: Lanier M. Cansler
Dr. Leah Devlin
Dr. Steve Cline
Allyn Guffey
Dan Stewart
Laketha Miller
Honorable Ralph Campbell

Attachment 1

Tracking Current Budget Structure for Grant

Present Grant Structure does allow for tracking of budget and expenditures by Focus Areas, but not by subsets of Focus Areas, nor separate supplemental funding.

Public Health Preparedness & Response is budgeted in same Fund with Communicable Disease and needs to be separated given the size and complexity of BT Grant and likelihood of continuing growth, complexity and accountability

Fund	Fund Title	RCC	RCC Title	FRC	FRC Title	Budget Period
1110	Administrative Office	1102	Budget Office - A (Moved to X561/2684/ET)	EN	03 Grant Year	08/31/02 - 08/30/04
1110	Administrative Office	5680	Preparedness and Planning - A (Moved to X561/5680/ET)	EN	03 Grant Year	08/31/02 - 08/30/04
1420	Medical Examiner's Office	5685	Surveillance and Epidemiology - B (Moved To X561/2685/ET)	EN	03 Grant Year	08/31/02 - 08/30/04
1451	BT Grant	5680	Preparedness and Planning - A	EN	03 Grant Year	08/31/02 - 08/30/04
1451	BT Grant	5682	Lab Capacity – C	EN	03 Grant Year	08/31/02 - 08/30/04
1451	BT Grant	5683	Health Alert Network/IT - E	EN	03 Grant Year	08/31/02 - 08/30/04
1451	BT Grant	5685	Surveillance and Epidemiology - B	EN	03 Grant Year	08/31/02 - 08/30/04
1451	BT Grant	5688	Communications and Risk Assessment - F	EN	03 Grant Year	08/31/02 - 08/30/04
1451	BT Grant	5689	Training and Education - G	EN	03 Grant Year	08/31/02 - 08/30/04
1560	Public Health Lab Services	5682	Lab Capacity - C	EN	03 Grant Year	08/31/02 - 08/30/04

Attachment 2

Tracking 08/31/03 – 08/30/04

The new proposed tracking system will track SNS and Smallpox separate from the regular Grant, and from any supplemental Grant funds. The following table breaks out these changes. The structure may be modified slightly, but tracking by budget and expenditures will occur in accordance with CDC requirements for tracking expenditures by Focus Area and any Subsets of a Focus Area, as well as separation from any supplemental Grant funds.

		OIG found that DPH Budget did not separate supplemental award from the regular Grant
		CDC Grant requirements that DPH budget separately for subsets of each Focus Area, to wit:
		Each Focus Area with Strategic National Stockpile (SNS) budget must split out that part of each Focus Area
		Each Focus Area with Smallpox budget must identify allocation of small pox allocation in each Focus Area
		Each Focus Area Manager must be able to track activities and expenditures at Focus area subset and roll up Focus Area.
		The amounts for SNS and Smallpox can be readily identified by that program requirement across the Grant and within each Focus Area.
		Grants must be tracked by budget period within the Project Period of a Grant - accomplished by FRC so Funds and RCCs do not have to change to control for budget year.

	RCC	**Title**
	2680	Preparedness and Planning - A
	2681	Surveillance and Epidemiology - B
	2682	Lab Capacity - C
	2683	Chemical and Radiological Laboratory - D
	2684	Health Alert Network/IT - E
	2685	Chief Medical Examiner - E
	2686	Communications and Risk Assessment - F
	2687	Training and Education - G

Four (4) activity subsets identified so far for Grant Year 04, identified as separate Fund with RCCs for each Focus Area

		RCCs - Allow Subset of Focus Area to be budgeted correctly
X561	**BT Grant – Regular**	2680, 2681, 2682, 2683, 2684, 2685, 2686, 2687
X562	**SNS – BT Grant (Strategic Naqtional Stockpile Allocations)**	2680, 2681, 2682, 2683, 2684, 2685, 2686, 2687
X563	**Smallpox – BT Grant**	2680, 2681, 2682, 2683, 2684, 2685, 2686, 2687
X564	**Supplemental Funds – BT Grant**	2680, 2681, 2682, 2683, 2684, 2685, 2686, 2687

Attachment 2

	Fund	Fund Title	RCC	RCC Title	FRC	FRC Title	Fiscal Period
Year 04 – Fund and RCC Structure							
	X561	BT Grant – Regular	2680	Preparedness and Planning - A	ET	04 Grant Year	08/31/03 - 08/30/05
			2681	Surveillance and Epidemiology - B			
			2682	Lab Capacity - C			
			2683	Chemical and Radiological Laboratory - D			
			2684	Health Alert Network/IT E			
			2685	Chief Medical Examiner E			
			2686	Communications and Risk Assessment - F			
			2687	Training and Education G			
	X562	SNS - BT Grant (Strategic National Stockpile Allocations)	2680	Preparedness and Planning - A	ET	04 Grant Year	08/31/03 - 08/30/05
			2681	Surveillance and Epidemiology - B			
			2682	Lab Capacity - C			
			2683	Chemical and Radiological Laboratory - D			
			2684	Health Alert Network/IT E			
			2685	Chief Medical Examiner E			
			2686	Communications and Risk Assessment - F			
			2687	Training and Education G			
	X563	Smallpox - BT Grant	2680	Preparedness and Planning - A	ET	04 Grant Year	08/31/03 - 08/30/05
			2681	Surveillance and Epidemiology - B			
			2682	Lab Capacity - C			
			2683	Chemical and Radiological Laboratory - D			
			2684	Health Alert Network/IT E			
			2685	Chief Medical Examiner E			
			2686	Communications and Risk Assessment - F			
			2687	Training and Education G			
	X564	Supplemental Funds - BT Grant	2680	Preparedness and Planning - A	ET	04 Grant Year	08/31/03 - 08/30/05
			2681	Surveillance and Epidemiology - B			
			2682	Lab Capacity - C			
			2683	Chemical and Radiological Laboratory - D			
			2684	Chief Medical Examiner E			
			2685	Health Alert Network/IT E			
			2686	Communications and Risk Assessment - F			
			2687	Training and Education G			

Attachment 2

	Fund	Fund Title	RCC	RCC Title	FRC	FRC Title	Fiscal Period
Year 03 RCC and Fund Structure FRC EN and only Grant left are the Supplemental Funds							
	X564	Supplemental Funds - BT Grant	2680	Preparedness and Planning - A	EN	03 Grant Year	08/31/02 - 08/30/04
		" " " " "	2681	Surveillance and Epidemiology - B	"	" " "	" "
		" " " " "	2682	Lab Capacity - C	"	" " "	" "
		" " " " "	2683	Chemical and Radiological Laboratory - D	"	" " "	" "
		" " " " "	2684	Health Alert Network/IT - E	"	" " "	" "
		" " " " "	2685	Chief Medical Examiner - E	"	" " "	" "
		" " " " "	2686	Communications and Risk Assessment - F	"	" " "	" "
		" " " " "	2687	Training and Education - G	"	" " "	" "

ATTACHMENT 3

Response to OIG Questionnaire relating to Monitoring
(submitted previously)

18. Describe how you monitor subrecipients.

A. Primary references for subrecipient monitoring:

- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
- OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments
- NC Department of Health and Human Services (DHHS) Directive Number 77 – Establishment of a DHHS Monitoring Function
- NC Division of Public Health (DPH) – Subrecipient Monitoring Policy and Subrecipient Monitoring Plan
- Compliance Audit Supplement: NC Public Health Preparedness and Response (CFDA 93-283)

B. DPH Subrecipient Monitoring Policy:

1. OMB Circular A-133, requires that pass-through entities monitor the activities of their subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of the contracts or grant agreements, and that performance goals are met. State agencies routinely monitored by the Office of the State Auditor are not necessarily considered a "subrecipient agency," but consideration is based on prior experience with the state agency in question.

2. Each non-governmental subrecipient is categorized as low or high risk following a Risk Assessment determination. By DPH policy, Local Health Departments (LHDs), Aid to County, educational institutions and other governmental agencies are "predetermined" to be considered financially low-risk. All but one of the contracts and Aid to County subrecipients of CDC Bioterrorism Grant funds are with LHDs, educational institutions or governmental agencies and, therefore, are considered financially "low-risk." The contract with Special Operations and Response Team (SORT), a private, non-profit agency, has been determined to be "low-risk."

3. Required monitoring for low risk subrecipients:
   a. *Desk review of routine program and fiscal reports*
      A review of contract expenditure reports is conducted upon receipt by program Contract Coordinator whose signature, along with a senior program director, is required for payment to be made to a contractor. The Bioterrorism Budget Officer and the Contract Administrator conduct weekly financial reviews of contract budgets and expenditures. The DHHS Controller's Office receives and reviews the monthly Aid to County Agreement Addenda expenditures reports. Contract Administrators review progress reports when submitted per a specific contract.

ATTACHMENT 3

b. *Site visits at least every three years*
Contract Administrators make site visits to UNC and Community College Contractors many times throughout the year. State Laboratory of Public Health personnel are permanently and physically assigned to the three Regional Laboratories. They are engaged fully in the day-to-day activities and expenditures of these facilities and report back to the State Laboratory Director on at least a monthly basis. The PH Regional Response Teams (PHRSTs) monitor LHD grant activities within their respective regions throughout the year. Administrative consultants (DPH field staff assigned by geographic region) will include a Bioterrorism checklist for review during their regularly scheduled site visits.

c. *Procedures/documentation listed on the attached Financial (for non-governmental agencies only) and Programmatic Checklist (for all subrecipients) will be reviewed and the checklists maintained on file.*
Completed checklists maintained on file.

4. Monitoring. Programs are expected to conduct monitoring activities in a manner that will foster on-going communication between agencies and their subrecipients and include:
   a. *Reviewing subrecipient reports*
   Focus Area program managers review subrecipient reports as received per contract agreement.

   b. *Performing site visits to review financial and programmatic records and observing operations*
   Site visits for financial review are not required for governmental agencies (LHD, Universities, etc). Focus Area program managers conduct site visits for programmatic reviews and record results on Monitoring Documentation Form.

   c. *Arranging for limited scope audits for certain aspects of subrecipient activities.*
   State Auditor performs audits for governmental (single audit); a Compliance Audit Supplement: NC Public Health Preparedness and Response (CFDA 93-283) is on file.

   d. *Encouraging frequent and open communications through telephone call, email or letters.*
   Frequently communications (telephone call, email and letters) occur between Focus Area managers and contractors. LHD Liaison Committee conference call is conducted monthly. The State Public Health Preparedness Response Office uses Bioterrorism email distribution listings to communicate with all contractors and Bioterrorism Steering Committee members. PHRSTs perform a LHD monitoring and liaison function as they communicate routinely with the State Public Health Preparedness Response Office and with LHDs about grant activities.

ATTACHMENT 3

e. *Establishing a comments or complaint hotline for use by program beneficiaries, vendors and members of the general public*
The DHHS phone hotline, CARE-LINE, will soon include a Bioterrorism team member. The State Public Health Preparedness Response Office receives all calls relating to the management of the federally funded BT program.

f. *Reviewing media coverage for subrecipient agencies*
The Focus Area F (Risk Communications) manager reviews all media coverage and materials with subrecipients.

g. *Hosting an annual conference for subrecipients*
The State Public Health Preparedness Response Office hosts quarterly conferences.

h. *Promulgating centralized training sessions for subrecipients*
The State Public Health Preparedness Response Office hosts quarterly statewide training conferences and periodic exercises (a number of times each year).

5. Documentation: The following information will be maintained in a unit file for each subrecipient:
   a. *Subrecipient Risk Assessment Form*
      - Local Health Departments subrecipients are predetermined by DPH Subrecipient Monitoring Policy to be "low-risk."
      - SORT Risk Assessment Form is on file as "low-risk."

   b. *Subrecipient Monitoring Log*
   Logs are used and maintained by Focus Area managers.

   c. *Financial and Programmatic Checklists*
   Checklists are used and maintained by Focus Area managers.

   d. *Monitoring Documentation Form (optional)*
   Monitoring Documentation Form is used and maintained by Focus Area managers.