Office of Audit Services
Region I
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OCT 6 2003

Report Number: A-01-03-01504

Ms. Suzanne Condon
Acting Director, Center for Emergency Preparedness
Massachusetts Department of Public Health
250 Washington Street, 2nd Floor
Boston, MA 02108

Dear Ms. Condon:

This report provides the results of our review of the "State of Massachusetts's Efforts to Account for and Monitor Sub-recipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds". Our audit included a review of the Massachusetts Department of Public Health (State) policies and procedures, financial reports and accounting transactions during the period August 31, 1999 through May 30, 2003. A copy of this report will be forwarded to the action official noted below for his review and any action deemed necessary.

Our objectives were to determine whether the State: (1) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements; and (2) established controls and procedures to monitor subrecipients expenditures of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether the Bioterrorism Program (the Program) funding supplanted programs previously provided by other organizational sources.

Based on our validation of the questionnaire completed by the State and our site visit, we found that the State generally accounted for the Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State recorded, summarized and reported transactions by focus area. Further, State officials have indicated that the Program funding has not been used to supplant any existing state, or local programs. We are recommending that the State implement the random audit component and address problem areas as they are identified to ensure adequate oversight of subrecipients.

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.

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To facilitate identification, please refer to Report Number A-01-03-01504 in all correspondence relating to this report.

Sincerely yours,

Michael J. Armstrong
Regional Inspector General
for Audit Services

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 MASSACHUSETTS' EFFORTS TO ACCOUNT FOR AND MONITOR SUB-RECIPIENTS' USE OF PUBLIC HEALTH PREPAREDNESS AND RESPONSE TO BIOTERRORISM PROGRAM FUNDS

October 2003
A-01-03-01504

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

OBJECTIVES

Our objectives were to determine whether the Massachusetts Department of Public Health (State): (1) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements; and (2) established controls and procedures to monitor subrecipient expenditures of Centers for Disease Control and Prevention (CDC) funds. In addition, we inquired as to whether the Bioterrorism Program (the Program) funding supplanted programs previously provided by other organizational sources.

FINDINGS

Based on our validation of the questionnaire completed by the State and our site visit, we found that the State generally accounted for the Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State recorded, summarized and reported transactions by focus area.

The State has an online system, the Massachusetts Management Accounting Reporting System (State accounting system), in place to track and monitor sub-recipient activities; such as ongoing fiscal activities, and reporting. In addition, the State plans to conduct random audits of subrecipients. We believe the State accounting system combined with the random audit component, if implemented properly, will provide adequate monitoring of subrecipients.

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

In a written response to our draft report, the State concurred with our findings and recommendation. The State intends to address the report recommendation by working with their budget office to implement the random audit component and address problem areas as they are identified to ensure adequate oversight of subrecipients (see Appendix).

RECOMMENDATION

We recommend that the State implement the random audit component and address problem areas as they are identified to ensure adequate oversight of subrecipients.

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INTRODUCTION

BACKGROUND

Public Health Preparedness and Response to Bioterrorism Program (Program)

The Centers for Disease Control and Prevention (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 (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)….

The 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. Year 3 initially covered the period August 31, 2001 through August 30, 2002; it was later 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, 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.

Eligible Recipients

Eligible grant recipients include 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 include the health departments of states or their bona fide agents. Applicants were encouraged to apply for funds in all focus areas.

State Program Funding

The amount of Program funding awarded to the Massachusetts Department of Public Health (State) has increased from $1.3 million in 1999 to $22.1 million in 2003. The following table details funding by budget year.

Program Amounts for Budget Year				
	Awarded	**Expended**	**Obligated**	**Unobligated**
Year 1	$1,348,777	$1,098,655	-	$250,122
Year 2[1]	$1,837,313	$1,226,958	-	$610,355
Year 3[2]	$22,124,539[3]	$3,157,098	$6,038,158[4]	$12,929,283

[1] Includes the rollover from Year 1.

[2] Includes the rollover from Year 2.

[3] The period covered by budget Year 3 includes the original grant funds and the emergency supplemental funds awarded ($2,264,987 + $19,859,552 = $22,124,539).

[4] For Program Budget Year 3, as of May 23, 2003, the State has awarded contracts totaling $6,038,158.

In the spring of 2002 the State established advisory committees that determined that 60 percent of the grant funds would be earmarked for local health departments. Since Massachusetts does not have a county health system, a local health preparedness coordinator was hired to coordinate with 351 cities and towns, throughout the state, separately grouped into seven bioterrorism preparedness regions.

In summary, the State initiated a collaborative process to establish a regional and local structure, with statewide standards and benchmarks, enabling them to allocate funding to specific regions based on local needs assessments. Based on the needs assessments, critical capacities and benchmarks, funding is allocated to the appropriate focus areas.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine whether the State: (1) properly recorded, summarized and reported bioterrorism preparedness transactions by specific focus area designated in the cooperative agreements; and (2) established controls and procedures to monitor subrecipients expenditures of CDC funds. In addition, we inquired as to whether the Program funding supplanted programs previously provided 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 the reasonableness of the budgeted costs proposed by the State, nor did we determine whether costs charged to the Program were allowable.

Our review included an assessment of State policies and procedures, financial reports, and accounting transactions during the period August 31, 1999 through May 2003.

Methodology

We developed a questionnaire to address the objectives of the review. The questionnaire covered the following areas: (i) the grantee organization, (ii) funding, (iii) accounting for expenditures, (iv) supplanting, and (v) subrecipient monitoring. Prior to our fieldwork, we provided the questionnaire for the State to complete. During our on-site visit, we interviewed State staff and obtained supporting documentation to validate the responses on the questionnaire.

Fieldwork was conducted at State offices in Boston, Massachusetts and at the State laboratories in Jamaica Plain, Massachusetts during May 2003. Our review was performed in accordance with generally accepted government auditing standards.

On September 3, 2003, we provided the State with a copy of our draft report. We summarized the State's response to our draft report in the Recommendation sections of our report. The State's comments, dated September 23, 2003, are included as an appendix to this report.

FINDINGS AND RECOMMENDATION

Based on our validation of the questionnaire completed by the State and our site visit, we found that the State generally accounted for the Program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. The State recorded, summarized and reported bioterrorism transactions by specific focus area, and had an online system, the Massachusetts Management Accounting Reporting System (State accounting system), in place to track and monitor subrecipient activities such as ongoing fiscal activities and reporting. In addition, the State plans to conduct random audits of subrecipients. Although the State had not completed any random audits or site visits of subrecipients, we believe the continued implementation of random audits involving site visits, combined with the State accounting system, will provide adequate monitoring and oversight of its subrecipients. In response to our inquiry as to whether the State reduced funding to existing public health programs, State officials replied that the Program funding had not been used to supplant any 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 the Program 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 states:

> …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…

The State recorded, summarized and reported transactions by specific focus area designated in the cooperative agreements. At the State, each federal grant is assigned a

unique account number for fiscal activity. An organizational code is also assigned to each of the focus areas and the funds budgeted and spent are tracked in accordance with the Commonwealth of Massachusetts Expenditure Classification Handbook and financial regulations per 801 CMR 21.

We also determined that the State has policies and procedures in place to draw down only enough funds to cover actual Program expenses.

Subrecipient Monitoring

Recipients of the Program grant funds were required to monitor their subrecipients. The 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….

In addition, the Policy Statement states that grant requirements apply to subgrantees and contractors under the grants.

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

The State has a system, the Massachusetts Management Accounting Reporting System (State accounting system), in place, to track and monitor subrecipient expenditures by focus area. In addition, the State appointed focus area facilitators to manage all aspects of the subcontracts and ensure contract conditions are specified and monitored, and all work is coordinated and approved.

Further, the State plans to conduct random audits of subrecipients as part of its monitoring efforts. We believe this component combined with the State accounting system will provide adequate monitoring and oversight of its subrecipients.

RECOMMENDATION

We recommend that the State implement the random audit component and address problem areas as they are identified to ensure adequate oversight of subrecipients.

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 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 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 reduced funding to existing public health programs, State officials replied that the Program funding had not been used to supplant any existing state, or local programs.

OTHER MATTERS

In its response to the OIG's questionnaire, the State reported that approximately $17 million of the $22.1 million grant award for FY 2003 had been obligated. However, we determined that only $6 million had been awarded as subcontracts statewide and $12.9 million remains unbobligated. State officials attributed the delays in awarding subcontracts, and the delays in spending Program funds, to the extensive needs assessment process. In this respect, bioterrorism preparedness and response planning in Massachusetts requires the collaboration with 351 cities and towns with local health responsibilities. The bioterrorism advisory committee has approved a regionally based public health structure rather than the direct funding of the 351 municipalities. As a result of this consultative process, the State experienced obstacles and barriers that further delayed the distribution of funding to the local level.

AUDITEE COMMENTS

In a written response to our draft report, the State concurred with our findings and recommendation. The State intends to address the report recommendation by working with their budget office to implement the random audit component and address problem areas as they are identified to ensure adequate oversight of subrecipients. According to the State, significant progress in addressing local health infrastructure and resource allocation has been made. Specifically, the State indicates that they are in the process of assisting the regions with identifying appropriate structures to serve as the mechanism to disburse funds. Also, the State will be providing training modules and has procured contracts to ensure communication connectivity (see Appendix).

APPENDIX

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

September 23, 2003

Michael J. Armstrong, Regional Inspector General for Audit Services
Department of Health and Human Services, Office of Inspector General
Office of Audit Services, Region I, John F. Kennedy Federal Building
Boston, MA 02203

RE: Report Number A-01-03-01504

Dear Mr. Armstrong:

Pursuant to your report outlining recommendations to the Massachusetts Department of Public Health (MDPH) regarding the expenditure of funds from the Centers for Disease Control and Prevention (CDC) - Public Health Preparedness and Response for Bioterrorism Program (BT Program) Cooperative Agreement, Massachusetts has been awarded $1.3 million in Budget Year 1(1999 -2000), $1.8 million (including rollover) for Budget Year 2 (2000- 2001), and $22.1 million for Budget Year 3 (2001-2003). The notice of grant award for Budget Year 4 funding was received September 23, 2003.

Your report was focused on Budget Year 3 (FFY02) allocation of funding. Please be assured Massachusetts intends to fully comply with your recommendations. As expressed by MDPH/BT program administrators during your review, MDPH intends to work with our Budget Office to implement a random audit component and address problem areas as they are identified to ensure adequate oversight of sub recipients. Completion of this task will address all report recommendations.

In reference to the "Other Matters" section of the report, please note that MDPH has made significant progress in addressing local health infrastructure and resource allocation. Recently, MDPH finalized the local health survey instrument, which is aimed at identifying critical needs for local emergency preparedness and response planning. Survey administration will begin in late September and will inform statewide funding allocations. As such, approximately $3.5 million has been earmarked for local health through six Emergency Preparedness regions. As part of this effort, the Department is in the process of assisting the regional collaboratives with identifying appropriate structures that reflect the diversity of local health within each region. These structures will serve as the mechanism to disburse the funds. In addition, the Alert Network initiative's pilot phase is nearing completion with approximately 500 users from local health, public safety, EMS, and other key stakeholders. Through this initiative, the Department has procured contracts to facilitate the distribution of the necessary hardware and software to local health and other key partners to ensure communication connectivity. Finally, Massachusetts contracted with nationally renowned risk communication experts and developed training modules that will be

available to local health beginning in October, 2003. Additional expenditures that support state and local emergency preparedness and response planning are ongoing.

MDPH continues to strive to meet the critical capacities and benchmarks outlined in the BT Program guidelines and to maximize it's funding for state and local health emergency preparedness infrastructure. By the end of second quarter of fiscal year 2003, our obligated funding level will have increased dramatically and will support the efforts prioritized by MDPH response plans.

We appreciate the opportunity to reply to the Office of Inspector General's draft report. If you have further questions, please contact me directly.

Sincerely,

Suzanne Condon, Assistant Commissioner
Acting Director, Center for Emergency Preparedness