



DEPARTMENT OF HEALTH & HUMAN SERVICES      OFFICE OF INSPECTOR GENERAL

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Office of Audit Services  
Region II  
Jacob K. Javits Federal Building  
New York, New York 10278  
(212) 264-4620

October 15, 2003

Report Number: A-02-03-02010

Thomas R. Frieden, M.D., M.P.H.  
Commissioner of Health  
New York City Department of Health and Mental Hygiene  
125 Worth Street, Room 331, CN 28  
New York, New York 10013

Dear Dr. Frieden:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG), draft report entitled "*Review of New York City's Efforts to Account for and Monitor Sub-recipients' Use of Public Health Preparedness and Response to Bio-terrorism Program Funds.*" A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

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 U.S.C. 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors 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 CFR Part 5.)

To facilitate identification, please refer to report Number A-02-03-02010 in all correspondence relating to this report.

Sincerely,



Timothy J. Horgan  
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 NEW YORK CITY'S EFFORTS TO  
ACCOUNT FOR AND MONITOR  
SUB-RECIPIENTS' USE OF PUBLIC HEALTH  
PREPAREDNESS AND RESPONSE TO  
BIO-TERRORISM PROGRAM FUNDS**



**October 2003  
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# *Office of Inspector General*

<http://oig.hhs.gov>

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Thomas R. Frieden, M.D., M.P.H.  
Commissioner of Health  
New York City Department of Health and Mental Hygiene  
125 Worth Street, Room 331, CN 28  
New York, New York 10013

Dear Dr. Frieden:

This final report presents the results of the Office of Inspector General's self-initiated audit entitled, "*Review of New York City's Efforts to Account for and Monitor Sub-recipients' Use of Public Health Preparedness and Response to Bio-Terrorism Program Funds.*"

## EXECUTIVE SUMMARY

### OBJECTIVES

The objectives were to determine whether the New York City Department of Health and Mental Hygiene (DOHMH) and the Medical and Health Research Association of New York City (MHRA) properly recorded, summarized and reported bio-terrorism preparedness transactions by specific focus areas designated in the cooperative agreements. In addition, we inquired as to whether bio-terrorism funding supplanted programs previously funded by other organizational sources and whether DOHMH and MHRA established controls and procedures to monitor sub-recipients' expenditures of Centers for Disease Control and Prevention (CDC) funds.

### SUMMARY OF FINDINGS

Our review found that DOHMH and MHRA accounted for bio-terrorism program funds in accordance with the terms and conditions of the cooperative agreements with CDC. Specifically, DOHMH and MHRA recorded, summarized and reported transactions in discrete accounts established to account for bio-terrorism funding. In response to our inquiry as to whether DOHMH reduced funding to existing public health programs, DOHMH officials stated that CDC funding had not been used to supplant existing State or local programs. In addition, based on the

results of the questionnaires and interviews with MHRA officials, we found the MHRA had adequate controls and procedures to monitor sub-recipient expenditures of CDC funds.

## **RECOMMENDATION**

We recommend that DOHMH and MHRA continue to comply with the terms and conditions of the cooperative agreements.

### ***Auditee Comments***

In an email dated September 16, 2003, DOHMH officials concurred with the recommendation.

### ***OIG Response***

We appreciate the assistance of DOHMH and MHRA in performing this review.

## **INTRODUCTION**

## **BACKGROUND**

### ***Public Health Preparedness And Response To Bio-terrorism Program***

CDC was designated as the entity responsible to improve State, and other eligible entities, preparedness and response capabilities for bio-terrorism and other public health emergencies. The Public Health Preparedness And Response To Bio-terrorism Program (the 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.

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 approximately \$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
- 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

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 City, 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.

### ***Related Reports***

In March 2003, the Office of Inspector General (OIG) performed a review (Number A-09-02-01007) which identified one State that: (1) did not account for the Program funds by focus area and (2) could not adequately support the Program expenditures on Financial Status Reports (FSRs) submitted to CDC. As a result, OIG initiated limited scope reviews of the Program funds provided to 13 States and 4 local Governments including New York City (NYC).

### ***NYC Program Administration***

DOHMH was responsible for the administration of the original Program grant. This grant, which totaled \$5,758,062, covered the period August 31, 1999 through August 30, 2003. In addition, NYC received supplemental Program funding for the period August 31, 2001 through August 30, 2003. This supplemental funding, which totaled \$22,828,585, was awarded to MHRA. MHRA is the fiscal agent of the Program grant and does not perform bio-terrorism related activities.

Total CDC grant funds awarded to DOHMH and MHRA are as follows:

**CDC GRANT AWARD AMOUNTS**

<b>Focus Area</b>	<b>Original Funding (8/31/99–8/30/00)</b>	<b>Original Funding (8/31/00–8/30/01)</b>	<b>Original Funding (8/31/01–8/30/03)</b>	<b>Supplemental Funding (8/31/01–8/30/03)</b>	<b>Total</b>
<b>A</b>	\$147,838	\$242,838	\$149,209	\$5,717,513	\$6,257,398
<b>B</b>	\$283,175	\$267,883	\$745,752	\$5,676,043	\$6,972,853
<b>C</b>	\$240,903	\$270,047	\$331,672	\$5,551,167	\$6,393,789
<b>D</b>	-	-	-	-	-
<b>E</b>	\$586,261	\$584,188	\$1,908,296	\$2,762,417	\$5,841,162
<b>F</b>	-	-	-	\$1,494,152	\$1,494,152
<b>G</b>	-	-	-	\$1,627,293	\$1,627,293
<b>TOTAL</b>	<b>\$1,258,177</b>	<b>\$1,364,956</b>	<b>\$3,134,929</b>	<b>\$22,828,585</b>	<b>\$28,586,647</b>

**OBJECTIVES, SCOPE AND METHODOLOGY**

*Objectives*

Our objectives were to determine whether DOHMH and MHRA properly recorded, summarized and reported bio-terrorism preparedness transactions by specific focus area designated in the cooperative agreements. In addition, we inquired as to whether bio-terrorism funding supplanted programs previously funded by other organizational sources and whether DOHMH and MHRA established controls and procedures to monitor sub-recipients expenditures of CDC funds.

*Scope*

Our review was limited to obtaining DOHMH and MHRA responses to the questionnaires we provided and performing limited validation of the data contained therein. We did not assess the adequacy of the internal control structure of DOHMH or MHRA, nor did we determine whether costs charged to the Program were allowable. Consequently, our review would not necessarily disclose all material weaknesses.

In addition, our review was limited to DOHMH and MHRA policies and procedures, financial reports, and accounting transactions for the period August 31, 1999 through February 28, 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) sub-recipient monitoring. Prior to our fieldwork, we provided the questionnaire for DOHMH and MHRA to complete. To accomplish our objectives, we:



- reconciled CDC grant award amounts, as reported on the completed questionnaires, to DOHMH's and MHRA's books and records,
- relied on the completed questionnaires and interviews with DOHMH and MHRA officials to assess whether:
  - bio-terrorism funding supplanted programs previously funded by other organizational sources, and
  - DOHMH and MHRA established controls and procedures to monitor sub-recipients' expenditures of CDC funds.

Fieldwork was conducted at DOHMH and MHRA offices in NYC during June 2003.

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

## FINDINGS & RECOMMENDATION

Based on our validation of the questionnaires completed by DOHMH and MHRA officials and our site-visit, we found that DOHMH and MHRA accounted for the Program funds in accordance with the terms and conditions of the cooperative agreements with CDC. Specifically, DOHMH and MHRA recorded, summarized and reported transactions in discrete accounts established to account for bio-terrorism funding. In response to our inquiry as to whether DOHMH reduced funding to existing public health programs, DOHMH officials stated that CDC funding had not been used to supplant existing State or local programs. In addition, based on the results of the questionnaires and interviews with MHRA officials, we found the MHRA had adequate controls and procedures to monitor sub-recipient expenditures of CDC funds.

### *Accounting for Expenditures*

An essential aspect of the Program is the need for the grantee to accurately and fully account for bio-terrorism 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 (FSR's) which reflect the cooperative agreement number assigned to the overall project must be submitted for individual focus areas...*

Based on our validation of the completed questionnaires, we found that DOHMH and MHRA accounted for the Program funds in accordance with the terms and conditions of the cooperative agreements with CDC. Specifically, DOHMH and MHRA recorded, summarized and reported transactions in discrete accounts established to account for bio-terrorism funding.

### ***Supplanting***

The Program funds, original and supplemental, were to be used to augment current funding and focus on public health preparedness activities under the cooperative agreements with CDC. The funds were not to be used to supplant existing Federal, State, or local funds for bio-terrorism, 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.”*

Prior to receiving bio-terrorism funding in August 1999, DOHMH had programs in existence that were related to infectious disease, bio-terrorism, and emergency preparedness response. According to DOHMH, the activities performed by these programs were to plan for, detect, diagnose and investigate acts of bio-terrorism in NYC and the funds provided by CDC permitted them to establish the Program. In response to our inquiry as to whether DOHMH reduced funding to existing public health programs, DOHMH officials stated that CDC funding had not been used to supplant existing State or local programs.

Supplanting of grant funds by MHRA is not an issue because MHRA is the fiscal agent of the Program grant and does not perform bio-terrorism related activities.

### ***Sub-recipient Monitoring***

Recipients of the Program grant funds were required to monitor their sub-recipients. The Public Health Services 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....*

According to DOHMH officials, they do not have sub-recipients that provide bio-terrorism services. MHRA indicated that DOHMH is its only sub-recipient of Program funds. During interviews with MHRA officials, they indicated that they negotiate and enter into contracts on the behalf of DOHMH, and also are responsible for all Program purchases. MHRA also reviews vendor invoices and payroll reports submitted by DOHMH prior to reimbursing DOHMH with Program funds. Based on the results of the questionnaires and interviews with MHRA officials,

we found the MHRA had adequate controls and procedures to monitor sub-recipient expenditures of CDC funds.

## RECOMMENDATION

We recommend that DOHMH and MHRA continue to comply with the terms and conditions of the cooperative agreements.

## OTHER MATTERS

Un-obligated funds represent budget authority previously granted to an agency, which has not yet been committed, but continue to be available for commitment in the future. MHRA indicated that it did not receive Program funding in prior years, and therefore did not have any un-obligated balances as of August 30, 2002. DOHMH provided us with its un-obligated fund balances, as of August 30, 2002, for each budget year, as shown in the following table.

### UN-OBLIGATED FUNDS

<b>Focus Area</b>	<b>Budget Year 1 (8/31/99-8/30/00)</b>	<b>Budget Year 2 (8/31/00-8/30/01)</b>	<b>Budget Year 3 (8/31/01-8/30/02)</b>
<b>A</b>	\$130,503	\$137,606	\$33,836
<b>B</b>	\$204,100	\$25,621	\$37,303
<b>C</b>	\$195,996	-	\$37,474
<b>D</b>	-	-	-
<b>E</b>	\$567,465	\$423,430	\$777,962
<b>F</b>	-	-	-
<b>G</b>	-	-	-
<b>TOTAL</b>	<b>\$1,098,064</b>	<b>\$586,657</b>	<b>\$886,575</b>

DOHMH accounted for all un-obligated balances during each budget year. DOHMH indicated in its response to the questionnaire that the un-obligated balances were the result of unfilled positions, the length of time to issue RFPs and bids for procurement, and accruals on some personnel lines. DOHMH indicated that the un-obligated balances were carried over or applied to offset costs in following years.

### *Auditee Comments*


In an email dated September 16, 2003, DOHMH officials concurred with the recommendation.

### *OIG Response*

We appreciate the assistance of DOHMH and MHRA in performing this review.

To facilitate identification, please refer to report number A-02-03-02010 in all correspondence relating to this report.

Sincerely yours,



Timothy J. Horgan  
Regional Inspector General  
for Audit Services