

February 2005

# BIOTERRORISM

## Information on Jurisdictions' Expenditure and Reported Obligation of Program Funds





Highlights of [GAO-05-239](#), a report to congressional requesters

# BIOTERRORISM

## Information on Jurisdictions' Expenditure and Reported Obligation of Program Funds

### Why GAO Did This Study

In 1999, the Department of Health and Human Services' (HHS) Centers for Disease Control and Prevention (CDC) began funding jurisdictions' efforts to prepare for bioterrorism attacks through the Public Health Preparedness and Response for Bioterrorism program. After the events of September 11, 2001, and the 2001 anthrax incidents, program funds increased almost twentyfold. Citing jurisdictions' unexpended program funds, HHS reallocated some fiscal year 2004 funds to support other local and national bioterrorism initiatives. Jurisdictions and associations representing jurisdictions disputed HHS's assertion that large amounts of funds remain unused, noting that HHS did not acknowledge obligated funds that had not yet been expended.

GAO was asked to provide information on (1) the extent to which jurisdictions had expended the fiscal year 2002 funds awarded for the program's third budget period as of August 30, 2003, and August 31, 2004, and the fiscal year 2003 funds awarded for the program's fourth budget period, as of August 30, 2004; (2) the extent to which fiscal year 2001, 2002, and 2003 funds awarded for the third and fourth budget periods remained unobligated as of August 30, 2004; and (3) factors jurisdictions identified as contributing to delays in expending and obligating funds and actions some jurisdictions took to address them.

[www.gao.gov/cgi-bin/getrpt?GAO-05-239](http://www.gao.gov/cgi-bin/getrpt?GAO-05-239).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marjorie Kanof at (202) 512-7114.

### What GAO Found

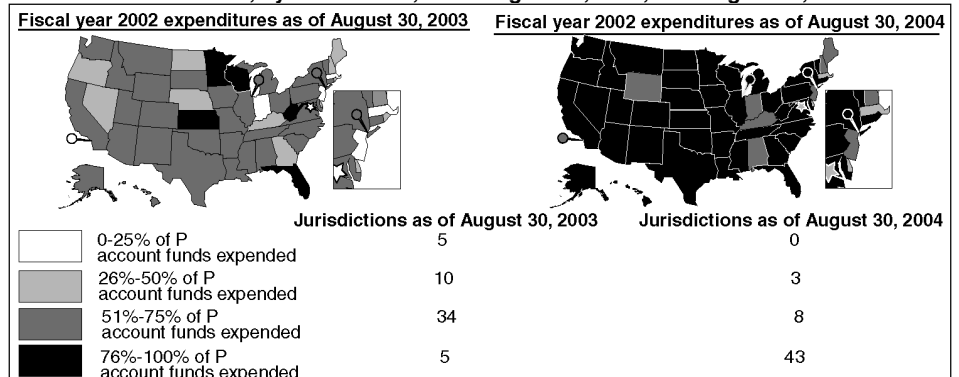
Jurisdictions have expended a substantial amount of Bioterrorism program funds. As of August 30, 2004, jurisdictions had expended over four-fifths of the fiscal year 2002 funds awarded during the third budget period through the HHS P accounts—the public assistance accounts that track over 90 percent of all funds awarded. As of that date, they had expended slightly over half of P account funds awarded for the program's fourth budget period. Jurisdictions continued, as authorized, to expend funds beyond the budget period for which they were awarded. For example, some expenditures, such as contract payments, extend beyond one budget period.

At the end of the program's third budget period, jurisdictions reported that less than one-sixth of all bioterrorism funds awarded for that period—including both fiscal year 2001 and 2002 funds—remained unobligated, and some jurisdictions reported that none of their funds remained unobligated. As of August 1, 2004, jurisdictions estimated that less than one-quarter of all funds awarded for the fourth budget period would remain unobligated as of August 30, 2004, and five jurisdictions estimated that they would have no funds remaining unobligated.

Many jurisdictions reported facing challenges, partly related to administrative processes, that delayed their obligation and expenditure of bioterrorism funds. These included workforce issues such as hiring freezes; contracting and procurement processes to ensure responsible use of public funds; and lengthy information technology upgrades. Some jurisdictions have simplified these processes to expedite the obligation and expenditure of funds.

We provided a draft of this report to HHS for comment, and the agency informed us it had no comments on the draft report.

**Expenditure Rates of the Third Budget Period's Fiscal Year 2002 Bioterrorism Program Funds from P Accounts, by Jurisdiction, as of August 30, 2003, and August 30, 2004**



Source: GAO analysis of HHS's Division of Payment Services Payment Management System data.

Note: These data do not include all funds awarded to jurisdictions through the Bioterrorism program. For example, while the program's third budget period was a 24-month period, extending from August 31, 2001, to August 30, 2003, and used funds from both fiscal years 2001 and 2002, these expenditure rates reflect data only on fiscal year 2002 funds.

---

# Contents

---

<b>Letter</b>		<b>1</b>
	Results in Brief	5
	Background	6
	Jurisdictions Have Expended over Four-Fifths of Fiscal Year 2002 Funds and over Half of Fiscal Year 2003 Funds	8
	Few Bioterrorism Funds Remained Unobligated, According to Jurisdiction Reports	11
	Jurisdictions Identified Administrative Processes and Other Challenges to Obligation and Expenditure, and Some Jurisdictions Described Solutions	14
	Concluding Observations	19
	Agency Comments	20
<b>Appendix I</b>	<b>Scope and Methodology</b>	<b>21</b>
<b>Appendix II</b>	<b>Bioterrorism Program's Budget Period Three Expenditures</b>	<b>26</b>
<b>Appendix III</b>	<b>Bioterrorism Program's Budget Period Four Expenditures</b>	<b>28</b>
<b>Appendix IV</b>	<b>Unobligated Bioterrorism Program Funds Reported by Jurisdictions</b>	<b>30</b>
<b>Appendix V</b>	<b>GAO Contact and Staff Acknowledgments</b>	<b>33</b>
	GAO Contact	33
	Acknowledgments	33
<b>Related GAO Products</b>		<b>34</b>

---

---

## Tables

Table 1: Bioterrorism Program Budget Periods	7
Table 2: Funds Included in Sources of Bioterrorism Expenditure and Obligation Data	23
Table 3: Public Health Preparedness and Response for Bioterrorism Program's Budget Period Three Fiscal Year 2002 Funds Expended from P Accounts, by Jurisdiction, as of August 30, 2003, and August 30, 2004	26
Table 4: Public Health Preparedness and Response for Bioterrorism Program's Budget Period Four Funds Expended from P Accounts, by Jurisdiction, as of August 30, 2004	28
Table 5: Unobligated Public Health Preparedness and Response for Bioterrorism Program Funds Reported by Jurisdictions, as of the End of Each Budget Period	30

---

## Figures

Figure 1: Expenditure Rates of the Third Budget Period's Fiscal Year 2002 Bioterrorism Program Funds from P Accounts, by Jurisdiction, as of August 30, 2003, and August 30, 2004	9
Figure 2: Expenditure Rates of the Fourth Budget Period's Fiscal Year 2003 Bioterrorism Program Funds from P Accounts, by Jurisdiction, as of August 30, 2004	11
Figure 3: Unobligated Third and Fourth Budget Period Bioterrorism Funds Reported by Jurisdictions (percentage)	13

---

---

## Abbreviations

CDC	Centers for Disease Control and Prevention
DPM	Division of Payment Management
FMO	Financial Management Office
FSR	financial status report
G accounts	general accounts
HHS	Department of Health and Human Services
NCA	Notice of Cooperative Agreement
P accounts	public assistance accounts
PGO	Procurement and Grants Office
PMS	Payment Management System
RFP	request for proposals

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office  
Washington, DC 20548

February 28, 2005

The Honorable Joseph I. Lieberman  
Ranking Minority Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Edward M. Kennedy  
Ranking Minority Member  
Committee on Health, Education, Labor, and Pensions  
United States Senate

In 1999, the Department of Health and Human Services' (HHS) Centers for Disease Control and Prevention (CDC) began funding state and municipal efforts to prepare for bioterrorism attacks through the Public Health Preparedness and Response for Bioterrorism program. Total funding awarded through the program ranged from about \$40 million in 1999 to about \$50 million in 2001 annually. The events of September 11, 2001, increased concern about bioterrorism. In addition, the anthrax incidents during the fall of 2001 strained the public health system, including surveillance<sup>1</sup> and laboratory workforce capacities, at the state and municipal levels.<sup>2</sup> Following these incidents, program funding increased almost twentyfold,<sup>3</sup> and this increased level of funding continued in fiscal years 2003 and 2004.<sup>4</sup>

With the substantial increase in funding after the terrorist attacks in 2001, CDC modified the program's budget periods.<sup>5</sup> The program's budget

---

<sup>1</sup>Public health surveillance uses systems that provide for the ongoing collection, analysis, and dissemination of health-related data to identify, prevent, and control disease.

<sup>2</sup>See U.S. GAO, *Bioterrorism: Public Health Response to Anthrax Incidents of 2001*, [GAO-04-152](#) (Washington, D.C.: Oct. 15, 2003).

<sup>3</sup>In February 2002, CDC awarded \$918 million through the Bioterrorism program. An additional \$100 million was later awarded to support smallpox vaccination programs.

<sup>4</sup>Throughout this report, the term fiscal year refers to the federal fiscal year, which is from October 1 through September 30. In fiscal year 2003, \$870 million was awarded to states, selected municipalities, and territories. Approximately \$844 million was awarded to states, selected municipalities, and territories in fiscal year 2004.

<sup>5</sup>Throughout this report, the term "budget period" is used to describe each of the five periods for which funds were awarded within the multiyear program period.

---

periods typically run from August 31 of one year to August 30 of the next—a 12-month period—and use funds from the fiscal year under way at the start of the period. However, the third budget period, which was already under way at the time of the September 11 attack, was extended to 24 months, running from August 31, 2001, to August 30, 2003. It used funds from both fiscal years 2001 and 2002. The fourth budget period reverted to a 12-month period, running from August 31, 2003, to August 30, 2004, and used funds from fiscal year 2003.

In May 2004, HHS reported that large unexpended balances remained of the fiscal year 2002 and 2003 funds awarded to jurisdictions for the program's third and fourth budget periods.<sup>6</sup> Citing these large unexpended balances, HHS made the decision to reallocate approximately \$55 million of the funds for the fifth budget period (August 31, 2004, to August 30, 2005) to support other local and national bioterrorism initiatives.<sup>7</sup> States and national associations representing jurisdictions have disputed HHS's assertion that large amounts of funds remain unused, noting that HHS chose to focus only on expenditures, and did not focus on obligated funds, which are funds that a jurisdiction has legally committed to spend—for example, through a contract for services—but has not yet expended.<sup>8</sup>

You asked us to provide information on the expenditure and obligation of funds awarded under the Public Health Preparedness and Response for Bioterrorism program cooperative agreements and factors that may affect these expenditures and obligations.<sup>9</sup> In this report, we will provide

---

<sup>6</sup>Throughout this report, the term “jurisdictions” refers to the 50 states, the District of Columbia, and the three funded municipalities—New York City, Chicago, and Los Angeles County. The Bioterrorism program also awards funds to the territories of American Samoa, Guam, and the U.S. Virgin Islands; the commonwealths of the Northern Mariana Islands and Puerto Rico; the Federated States of Micronesia; and the republics of Palau and the Marshall Islands. These awardees were outside the scope of our work.

<sup>7</sup>These initiatives included the Cities Readiness Initiative, which funded 21 cities to help develop their capacity to deliver medicines and medical supplies in case of a public health emergency. In addition, funds were used to expand the capacity of CDC's quarantine stations and to support the BioSense surveillance program, an already existing program to detect emerging diseases by collecting data from national, regional, and local data sources such as hospital systems, ambulatory care sites, and pharmacy chains.

<sup>8</sup>Obligated funds do not include future planned activities unless those activities are actually contracted for. Expended funds refer to funds the jurisdiction has issued as checks, disbursements of cash, or electronic transfers to liquidate an obligation.

<sup>9</sup>A cooperative agreement is a mechanism used to provide financial support when substantial interaction is expected between a federal agency and a state, local government, or other recipient carrying out the funded activity.

---

information on (1) the extent to which jurisdictions expended the fiscal year 2002 funds awarded for the program's third budget period as of August 30, 2003, and August 30, 2004, and fiscal year 2003 funds awarded for the program's fourth budget period, as of August 30, 2004; (2) the extent to which fiscal year 2001, 2002, and 2003 funds awarded for the third and fourth budget periods remained unobligated by jurisdictions as of August 30, 2004; and (3) factors that jurisdictions identified as contributing to delays in expending and obligating funds and actions some jurisdictions took to address those factors.

To determine the expenditure of fiscal year 2002 funds awarded during the third budget period as of August 30, 2003, and August 30, 2004, and the fourth budget period's expenditures as of August 30, 2004, we analyzed expenditure data obtained from HHS's Division of Payment Management (DPM) Payment Management System (PMS).<sup>10</sup> These expenditure data come from PMS's public assistance accounts (P accounts)—awardee accounts that are specific to particular cooperative agreements, such as the Bioterrorism program, or grants. The Bioterrorism P accounts do not include fiscal year 2001 funds awarded during the first half of the third budget period. Therefore, we were not able to include fiscal year 2001 funds in our analysis of the third budget period's expenditures. In addition, the P accounts do not include funds carried over, with CDC's approval, from prior budget periods, funds related to the Strategic National Stockpile awarded after fiscal year 2002,<sup>11</sup> or funds provided to jurisdictions as direct assistance.<sup>12</sup> However, while the P accounts are a subset of the total Bioterrorism funds awarded to jurisdictions, they

---

<sup>10</sup>DPM is a division within HHS that provides grant payment, cash management, and grant accounting support services to HHS and other federal departments and agencies. PMS is a DPM-operated centralized payment system designed to expedite and manage the flow of cash for grants and cooperative agreements from federal agencies to awardees and to provide information on the disbursement of funds to the awarding agency.

<sup>11</sup>The Strategic National Stockpile is a repository of pharmaceuticals and medical supplies that can be delivered to the site of a biological or other attack. Responsibility for activities related to the stockpile had been CDC's in prior years, but, in March 2003, this responsibility was transferred to the Department of Homeland Security. However, CDC entered into a reimbursable agreement with the Department of Homeland Security so that the Strategic National Stockpile funds were included in the Bioterrorism awards CDC made to jurisdictions in fiscal year 2003.

<sup>12</sup>Direct assistance refers to assistance jurisdictions ask CDC to provide in the form of equipment, training, staff, or other services, rather than as funds, referred to as financial assistance. We did not include direct assistance in our analysis.



---

accounted for over 90 percent of program funds awarded.<sup>13</sup> We determined the percentage of both the third budget period's fiscal year 2002 and fourth budget period's fiscal year 2003 funds expended by comparing expenditures recorded in the PMS P accounts to the total funds in the P accounts. We did not conduct a review to determine the appropriateness of any jurisdiction's expenditures.

To obtain obligation data, we reviewed the financial status reports (FSR) that CDC required jurisdictions to submit at the end of the third budget period (August 31, 2001, to August 30, 2003) and the estimated FSRs for the fourth budget period (August 31, 2003, to August 30, 2004) that CDC asked jurisdictions to submit by August 1, 2004. We also reviewed the Notices of Cooperative Agreement (NCA), which are provided by CDC to jurisdictions and contain information on the total bioterrorism funds awarded to the jurisdiction for a budget period. Unlike PMS's P account data, the FSRs and NCAs include information on all bioterrorism funds awarded as financial assistance, including both fiscal year 2001 and 2002 funds, funds carried over from prior periods, and funds related to the Strategic National Stockpile.<sup>14</sup> Because the FSR data related to obligation are self-reported by jurisdictions, we interviewed officials from CDC, HHS's Office of the Inspector General (OIG), and jurisdiction audit agencies to obtain information on any efforts to determine the reliability of these data. Based on the work of the OIG and jurisdiction audit agencies, obligation data for the third budget period from 18 jurisdictions and for the fourth budget period from 1 jurisdiction can be considered reliable. In other cases, the information presented is as reported by jurisdictions, and we cannot attest to its reliability.

To describe factors that jurisdictions said contributed to delays in obligating and expending funds and actions some jurisdictions took to address those factors, we selected 19 jurisdictions, taking into account diversity in geographic location, population size, urban and rural status, and their expenditure and obligation patterns. We e-mailed these jurisdictions to gather information on why some may have had

---

<sup>13</sup>The funds in the P accounts make up approximately 92 percent of bioterrorism funds awarded to jurisdictions for the third budget period—August 31, 2001, to August 30, 2003—and approximately 93 percent of funds awarded for the fourth budget period—August 31, 2003, to August 30, 2004. When funds carried over from prior periods are included, the P accounts make up 91 percent of all funds awarded during the third budget period and 85 percent of all funds awarded during the fourth budget period.

<sup>14</sup>While the NCAs include funds awarded as direct assistance, the FSRs do not.

---

unobligated or unexpended funds, and we obtained any necessary clarification of responses by telephone or e-mail.<sup>15</sup>

We did our work from July 2004 through February 2005 in accordance with generally accepted government auditing standards. (See app. I for additional details on our scope and methodology.)

---

## Results in Brief

Jurisdictions have expended a substantial amount of Public Health Preparedness and Response for Bioterrorism program funds. As of August 30, 2004, they had expended over four-fifths of the fiscal year 2002 funds awarded through the HHS P accounts during the third budget period (August 31, 2001, to August 30, 2003). (The P accounts make up over 90 percent of all Bioterrorism program funds.) As of August 30, 2004, jurisdictions had also expended slightly over half of the funds in the P accounts awarded for the program's fourth budget period (August 31, 2003, to August 30, 2004). As allowed by the CDC cooperative agreement, jurisdictions have continued to expend funds beyond the budget period in which they were awarded. Some expenditures, such as contract payments, take place over a period of time; therefore, it may take jurisdictions longer than one budget period to expend awarded funds.

At the end of the Bioterrorism program's third budget period, jurisdictions reported to CDC that less than one-sixth of all fiscal year 2001 and 2002 bioterrorism funds awarded for that period remained unobligated, and some jurisdictions reported that no funds remained unobligated. As of August 1, 2004, jurisdictions estimated that less than one-quarter of funds awarded for the fourth budget period would remain unobligated as of August 30, 2004, and five jurisdictions estimated that no funds would remain unobligated.

Many jurisdictions reported facing challenges, partly related to state and local administrative processes, that slowed their obligation and expenditure of bioterrorism funds. These challenges included workforce issues such as hiring freezes and difficulty recruiting qualified staff; contracting and procurement processes to ensure the prudent use of public funds; and lengthy information technology upgrades. Some

---

<sup>15</sup>We contacted the following jurisdictions: Alaska, Chicago, Connecticut, Delaware, Georgia, Kansas, Los Angeles County, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Mexico, New York City, North Dakota, Rhode Island, Tennessee, and Texas.

---

jurisdictions found ways to simplify administrative processes to expedite the obligation and expenditure of funds.

In assessing the pace at which jurisdictions are expending Bioterrorism funds, it is useful to consider that responsible use of public funds requires careful and often time-consuming planning before funds are obligated and expended. In addition, it is important to recognize that some expenditures take place over a period of time, which also can affect the speed at which jurisdictions expend funds.

We provided a draft of this report to HHS for comment, and the agency informed us that it had no comments on the draft report.

---

## Background

The Bioterrorism cooperative agreement program spans five budget periods and is scheduled to end August 30, 2005. Under this program, CDC has made funds available through cooperative agreements with all 50 states, the District of Columbia, and three of the country's largest municipalities—New York City, Chicago, and Los Angeles County. CDC has distributed funds to these jurisdictions using a formula under which each jurisdiction receives a base amount of \$5 million, plus additional funds based on the jurisdiction's population.<sup>16</sup> The program's budget periods typically run from August 31 of one year to August 30 of the next, although the third budget period was extended to run from August 31, 2001, to August 30, 2003. (See table 1 for more information on the budget periods discussed in this report.) Under its cooperative agreement, a jurisdiction is required to obligate funds before the end of the specified budget period and expend funds before the end of the 12 months following that period. However, CDC may give a jurisdiction permission to obligate or expend funds beyond those time frames.

---

<sup>16</sup>For the program's fifth budget period, the base amount provided to most jurisdictions was decreased to \$3.9 million, and funds from the program were redirected to other bioterrorism efforts. Jurisdictions that received larger amounts during the fifth budget period included the District of Columbia, which continued to receive a base amount of \$10 million, and New York City, Chicago, and Los Angeles County, which continued to receive base amounts of \$5 million.

---

**Table 1: Bioterrorism Program Budget Periods**

	<b>Budget period 3</b>	<b>Budget period 4</b>	<b>Budget period 5</b>
Budget period calendar dates	8/31/01 to 8/30/03	8/31/03 to 8/30/04	8/31/04 to 8/30/05
Federal fiscal year funds used for each budget period	Fiscal year 2001 and fiscal year 2002	Fiscal year 2003	Fiscal year 2004

Source: GAO analysis of HHS documents.

Note: The federal fiscal year runs from October 1 through September 30. For example, federal fiscal year 2002 ran from October 1, 2001, through September 30, 2002.

CDC's Procurement and Grants Office (PGO) is responsible for awarding and administering CDC's grants and cooperative agreements. In this capacity, PGO is responsible for notifying the jurisdictions, through an NCA, of the funds awarded for each budget period. In addition to notifying the jurisdictions, PGO also provides this information to CDC's Financial Management Office (FMO), which processes CDC's grant awards and cooperative agreements. FMO works with DPM to place the cooperative agreement funds into the appropriate accounts and to ensure that jurisdictions have access to their Bioterrorism funds through PMS's accounts. CDC's Office of Terrorism Preparedness and Emergency Response, which coordinates emergency response and preparedness across CDC, is responsible for the programmatic components of the program and also works with PGO and FMO to provide direct assistance to jurisdictions on request. To monitor the use of the Bioterrorism funds, CDC requires that jurisdictions submit regular progress reports that track their progress toward completing a set of activities.<sup>17</sup> Jurisdictions are also required to submit annual FSRs that provide information on the expenditure and obligation of Bioterrorism funds. In addition, DPM monitors the funds drawn down by jurisdictions from PMS, and jurisdictions must submit quarterly federal cash transaction reports to DPM.

---

<sup>17</sup>Jurisdictions are required to conduct activities in the following areas: preparedness planning and readiness assessment, surveillance and epidemiology, laboratories, communications and information technology, risk communication and health information dissemination, and education and training.

---

## Jurisdictions Have Expended over Four-Fifths of Fiscal Year 2002 Funds and over Half of Fiscal Year 2003 Funds

Jurisdictions had expended a substantial amount of fiscal year 2002 and 2003 program funds as of August 30, 2004. They had expended over four-fifths of the fiscal year 2002 funds awarded through the HHS P accounts for the program's third budget period and over half of the fourth budget period funds awarded through the HHS P accounts. As allowed by CDC's cooperative agreements, jurisdictions continued to expend fiscal year 2002 funds after the end of the third budget period in August 2003 and have continued to expend funds awarded during the fourth budget period since the end of that period.

---

## Over 80 Percent of 2002 Bioterrorism Funds Were Expended over the Course of the Third and Fourth Budget Periods

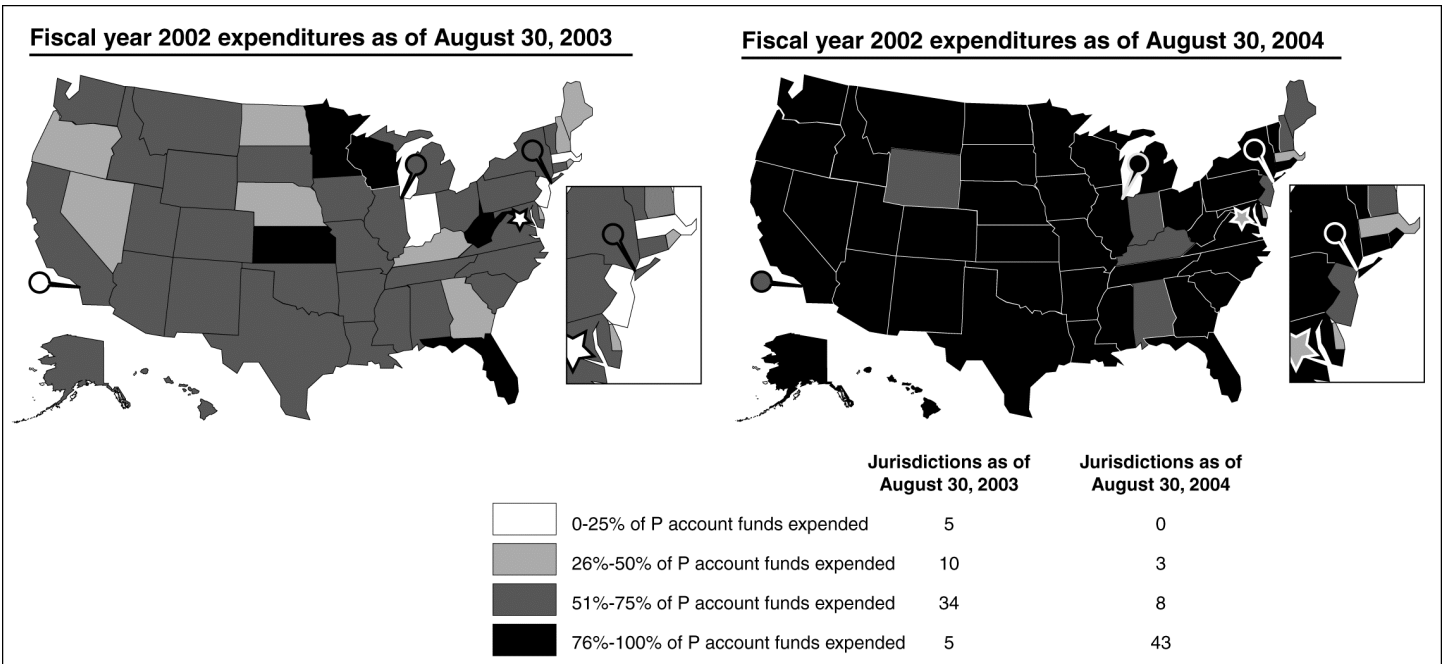
As of August 30, 2004, jurisdictions had expended 85 percent of the fiscal year 2002 funds awarded through the PMS P accounts for the Bioterrorism program's third budget period.<sup>18</sup> There was considerable variation among jurisdictions' expenditure rates, with individual jurisdictions' rates ranging from a high of 100 percent to a low of 27 percent. Ten jurisdictions had expended all fiscal year 2002 funds in the P accounts, and 22 had expended over 90 percent. Three jurisdictions, Delaware, the District of Columbia, and Massachusetts, had expended less than half of their funds. (See fig. 1 for information on the third budget period's fiscal year 2002 funds expended as of August 30, 2004. App. II provides additional data.)

Jurisdictions continued, as authorized, to expend the third budget period's fiscal year 2002 P account funds over the course of the following budget period to pay for obligations incurred during the third budget period, such as contracts that extended beyond August 2003. Although jurisdictions had expended only 56 percent of the third budget period's fiscal year 2002 P account funds by the end of that budget period, they had expended 85 percent of the funds as of August 30, 2004, the end of the fourth budget period. No jurisdiction had expended all its fiscal year 2002 P account funds by the end of the third budget period—individual expenditure rates ranged from 4 percent to 87 percent. (See fig. 1 for information on the third budget period's fiscal year 2002 funds expended from the P accounts as of August 30, 2003. App. II provides additional data.)

---

<sup>18</sup>The fiscal year 2002 funds in the P accounts make up 92 percent of funds awarded to jurisdictions during the Bioterrorism program's third budget period—August 31, 2001, to August 30, 2003. When funds carried over from periods prior to August 31, 2001, are included, the P accounts make up 91 percent of all funds awarded to jurisdictions for that period.

**Figure 1: Expenditure Rates of the Third Budget Period's Fiscal Year 2002 Bioterrorism Program Funds from P Accounts, by Jurisdiction, as of August 30, 2003, and August 30, 2004**



Source: GAO analysis of HHS's Division of Payment Services Payment Management System data.

Note: Data from the PMS P accounts do not include all funds awarded to jurisdictions through the Bioterrorism program. For example, while the program's third budget period was a 24-month period, extending from August 31, 2001, to August 30, 2003, and using funds from both fiscal year 2001 and fiscal year 2002, these expenditure rates reflect only fiscal year 2002 funds. In addition, the P accounts do not include funds for the Strategic National Stockpile awarded after fiscal year 2002, funds carried over from budget periods prior to the third budget period, or funds provided to jurisdictions as direct assistance.

### Over Half of 2003 Bioterrorism Funds Were Expended over the Course of the Fourth Budget Period

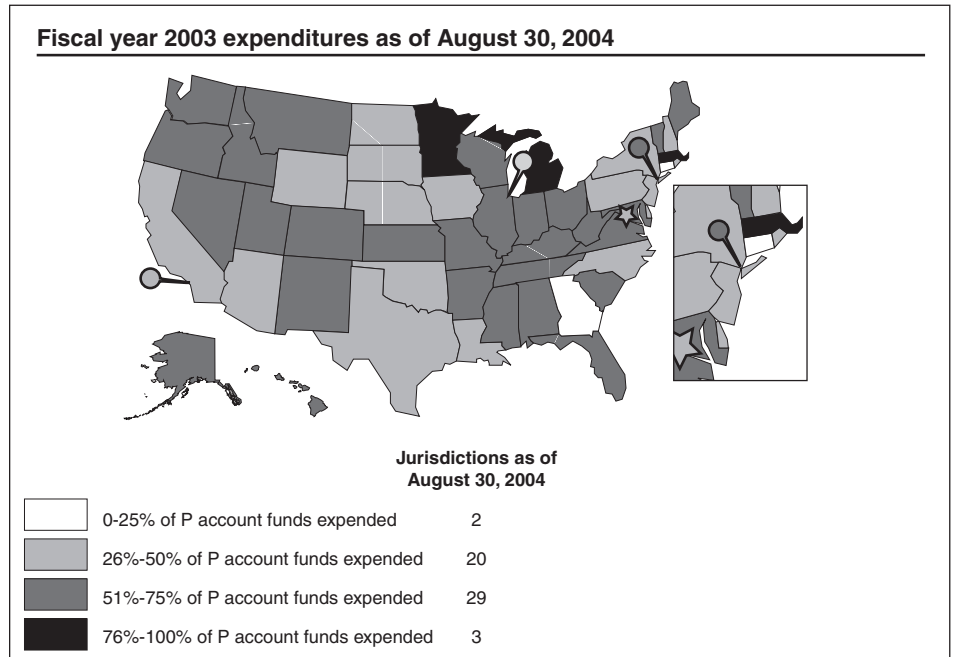
As of August 30, 2004—the end of the fourth budget period—jurisdictions had expended 53 percent of the fiscal year 2003 bioterrorism funds awarded through the P accounts for that period.<sup>19</sup> As with fiscal year 2002 funds awarded during the third budget period, there is variation in individual jurisdictions' rates of expenditure, which ranged from 93 percent to zero. While expenditure rates varied, 15 jurisdictions had

<sup>19</sup>The fiscal year 2003 funds in the P accounts make up 93 percent of funds awarded to jurisdictions during the Bioterrorism program's fourth budget period—August 31, 2003, to August 30, 2004. When funds carried over from periods prior to August 31, 2003, are included, the P accounts make up 85 percent of all funds awarded to jurisdictions for that period.

---

expended at least two-thirds of the 2003 funds awarded through the P accounts for the fourth budget period. (See fig. 2 for information on the fourth budget period's funds expended from the P accounts. App. III provides additional data.) While slightly over half of the fourth budget period's funds in the P accounts had been expended as of August 30, 2004, jurisdictions have continued to expend these funds during the current budget period—August 31, 2004, to August 30, 2005. The pattern of expenditure for budget period four funds was similar to that of budget period three; in both cases, jurisdictions expended just over half their funds during the budget period and continued to expend the funds during the next budget period.

**Figure 2: Expenditure Rates of the Fourth Budget Period's Fiscal Year 2003 Bioterrorism Program Funds from P Accounts, by Jurisdiction, as of August 30, 2004**



Source: GAO analysis of HHS's Division of Payment Services Payment Management System data.

Note: The program's fourth budget period was a 12-month period, extending from August 31, 2003, to August 30, 2004, and using fiscal year 2003 funds. However, data in the PMS P accounts do not include all funds awarded to the jurisdictions through the Bioterrorism program. For example, the P accounts do not include funds for the Strategic National Stockpile awarded after fiscal year 2002 or funds carried over from budget periods prior to the emergency supplemental appropriation issued in fiscal year 2002. In addition, the PMS P accounts do not include funds provided to jurisdictions as direct assistance.

## Few Bioterrorism Funds Remained Unobligated, According to Jurisdiction Reports

At the end of the Bioterrorism program's third budget period, jurisdictions reported that less than one-sixth of fiscal year 2001 and 2002 funds awarded for that period remained unobligated. Similarly, as of August 1, 2004, jurisdictions estimated that approximately one-fifth of fiscal year 2003 funds awarded for the program's fourth budget period would remain unobligated as of August 30, 2004, the end of that period.



---

## Jurisdiction Reports Indicate That Less Than One-Sixth of Third Budget Period Funds Remained Unobligated

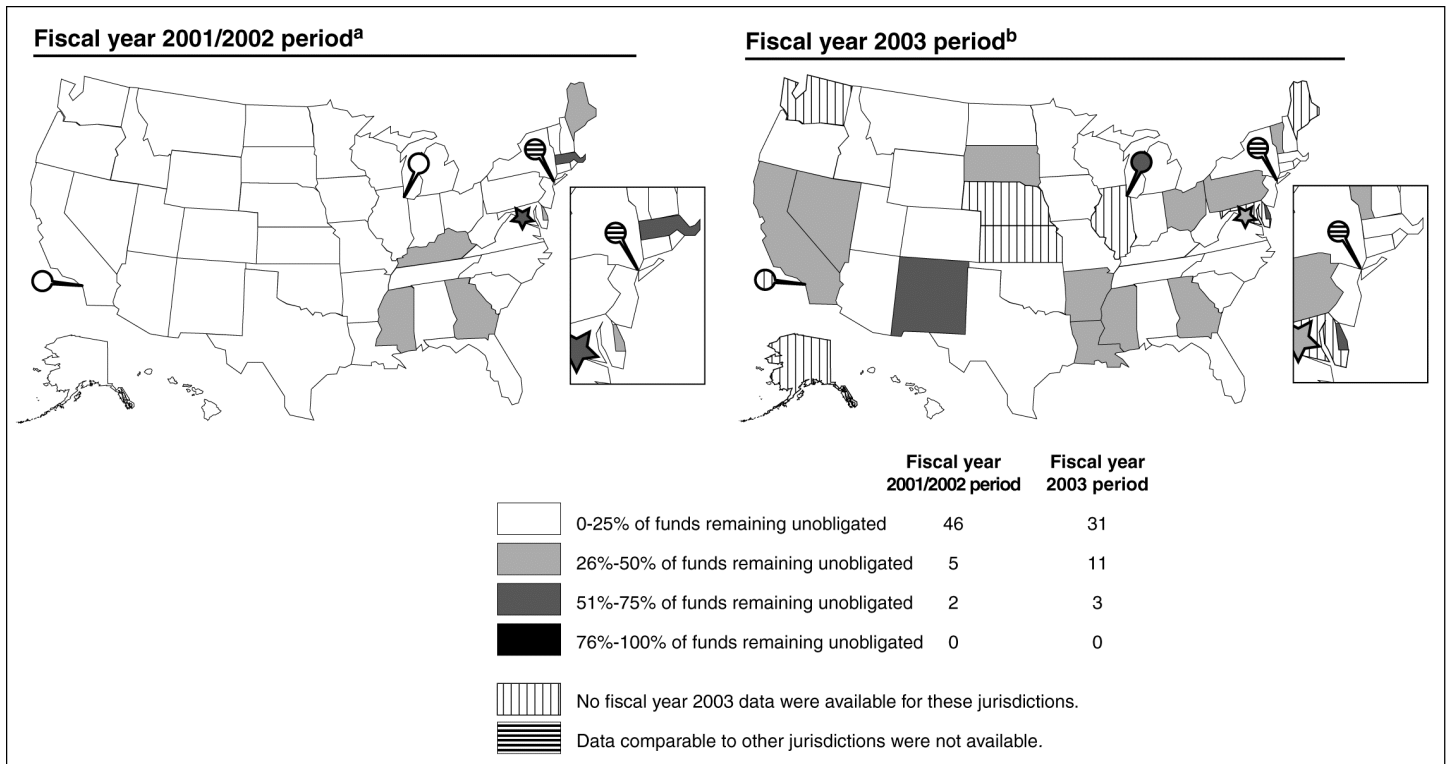
According to the jurisdictions' annual FSRs and NCAs, as of the end of the third budget period (August 31, 2001, to August 30, 2003),<sup>20</sup> 14 percent of all bioterrorism funds awarded for that period remained unobligated.<sup>21</sup> As with expenditure rates, individual jurisdictions' rates of unobligated funds varied, ranging from none to over three-fifths of the awarded funds. Seven jurisdictions reported that all their funds from that period had been obligated, and 44 jurisdictions reported that less than one-quarter of their third budget period funds remained unobligated. Two jurisdictions, the District of Columbia and Massachusetts, reported the highest levels of unobligated third budget period funds—62 percent and 51 percent, respectively. (See fig. 3 for more information on jurisdiction-reported unobligated Bioterrorism funds. App. IV provides additional data.)

---

<sup>20</sup>Jurisdictions are required to submit final FSRs no more than 90 days after the end of the budget period—November 30. However, many jurisdictions continued to submit final FSRs after that point. CDC uses the FSRs to collect annual data on unobligated funds from all jurisdictions. However, while CDC reviews the obligation data, it has not taken steps to verify the data's reliability, and many jurisdictions also do not verify the reliability of obligation data.

<sup>21</sup>This does not include funds awarded as direct assistance, but does include funds awarded in fiscal years 2001 and 2002, funds carried over from previous years, and funds related to the Strategic National Stockpile. With approval from CDC, jurisdictions can carry forward funds that were not obligated during the budget period for use during the next budget period. Data from New York City were not comparable to those from other jurisdictions. Because of this, the jurisdiction was excluded from our budget period three obligations analysis, which we conducted using data from the remaining 53 jurisdictions.

**Figure 3: Unobligated Third and Fourth Budget Period Bioterrorism Funds Reported by Jurisdictions (percentage)**



Source: GAO analysis of Jurisdiction Financial Status Report data.

Note: The total funding awarded includes all funding provided to jurisdictions as financial assistance through the cooperative agreement, including funds related to the Strategic National Stockpile and all funds carried over from prior fiscal years. These data do not include funds provided as direct assistance.

<sup>a</sup>The program's third budget period was a 24-month period, extending from August 31, 2001, to August 30, 2003, and encompassing both fiscal year 2001 and fiscal year 2002 funds. Data on unobligated balances for this period are based on the FSRs submitted after the end of the budget period.

<sup>b</sup>The program's fourth budget period was a 12-month period, extending from August 31, 2003, to August 30, 2004, and using fiscal year 2003 funds. Data on unobligated balances for this period are based on the estimated FSRs submitted prior to the end of the budget period.

---

**Jurisdiction Estimates Indicated That One-Fifth of Fourth Budget Period Funds Remained Unobligated**

According to jurisdiction estimates as of August 1, 2004, approximately 20 percent of all Bioterrorism funds awarded for the program's fourth budget period (August 31, 2003, to August 30, 2004) would remain unobligated as of August 30, 2004.<sup>22</sup> Jurisdictions' individual estimated unobligated balances varied greatly, ranging from none to almost three-quarters of the awarded funds. Five jurisdictions estimated that all their fourth budget period's funds would be obligated by the end of the period, and 31 jurisdictions estimated that less than one-quarter of their fourth budget period's funds would remain unobligated. Three jurisdictions, Chicago, New Mexico, and Delaware, estimated that over half of the Bioterrorism funds awarded to them for the fourth budget period would remain unobligated as of August 30, 2004. (See fig. 3 for more information on jurisdiction-reported unobligated Bioterrorism funds. App. IV provides additional data.)

---

**Jurisdictions Identified Administrative Processes and Other Challenges to Obligation and Expenditure, and Some Jurisdictions Described Solutions**

Many jurisdictions faced challenges, partly related to state and local administrative processes, that slowed the pace of their obligation and expenditure of bioterrorism funds. Reported challenges included workforce issues, contracting and procurement processes to ensure the prudent use of public funds, and problems stemming from lengthy information technology upgrades. Some jurisdictions have developed ways to streamline these administrative processes, facilitating the obligation and expenditure of funds.

---

<sup>22</sup>This does not include funds awarded as direct assistance, but does include fiscal year 2003 funds, as well as funds carried over from previous years and funds related to the Strategic National Stockpile. In early August 2004, jurisdictions provided CDC with an estimate of what their unobligated fourth budget period funds would be as of August 30, 2004, the end of the budget period. Jurisdictions were not required to provide these estimates if they did not anticipate requesting that funds remaining unobligated as of August 30 be carried forward into the next budget period. Eight jurisdictions did not submit estimated FSRs: Alaska, Los Angeles County, Illinois, Kansas, Maine, Maryland, Nebraska, and Washington. In addition, data comparable to other jurisdictions were not available for New York City. These jurisdictions were excluded from our budget period four obligation analysis, which we conducted using data from the remaining 45 jurisdictions.

---

## Jurisdictions Reported Challenges to Obligation and Expenditure

State and municipal officials told us that the obligation and expenditure of funds were delayed during the Bioterrorism program's third and fourth budget periods for a variety of reasons, including issues related to the workforce, contracting and procurement, and information technology upgrades.

### Workforce

Officials in 16 of 19 jurisdictions we contacted cited workforce issues related to recruitment and retention and complex staffing processes as challenges to timely obligation and expenditure of bioterrorism funds. According to the Association of State and Territorial Health Officials, 75 to 80 percent of bioterrorism funds have been used for personnel expenditures.

Seven jurisdiction officials we contacted reported difficulties in recruiting staff, and some officials reported staff retention problems. As we previously reported,<sup>23</sup> such barriers included noncompetitive salaries and a general shortage of people with the necessary skills. Officials told us they had difficulty finding qualified workers, particularly epidemiologists and laboratory technicians, and two officials indicated that problems related to recruiting have delayed the expenditure of funds. In one of those jurisdictions, the public health laboratory had so many vacancies that there were not enough staff to fully implement a new bioterrorism and emergency preparedness initiative. Officials indicated that, within their jurisdictions, skilled workers could find better-paying positions with other organizations. In one case, a municipality had to persuade a job candidate to take a significant pay cut to work on the program. In another instance, the salaries offered by a federal agency within a state were about 25 percent higher than those offered by the state. The same state reported that competition from the private sector and other agencies has resulted not only in a shortage of qualified applicants for positions, but also in the loss of highly qualified personnel who had gained extensive experience and expertise working for the state.

Hiring freezes and complex staffing processes were also cited as delaying the obligation and expenditure of funds. According to jurisdiction officials with whom we spoke, as well as officials from the National Association of County and City Health Officials, program officials in some jurisdictions

---

<sup>23</sup>See *Bioterrorism: Preparedness Varied across State and Local Jurisdictions* (GAO-03-373, Apr. 7, 2003), and *HHS Bioterrorism Preparedness Programs: States Reported Progress but Fell Short of Program Goals for 2002* (GAO-04-360R, Feb. 10, 2004).

---

were not permitted to hire staff during an across-the-board freeze, regardless of the federal funding available. Moreover, jurisdiction officials reported that in some cases the release of a hiring freeze inundated the hiring process, lengthening it in one state to as long as 10 months. Jurisdiction officials stated that other staffing constraints also hindered their hiring process. One state mandated mass layoffs in December 2002, which resulted in the loss of approximately 60 health agency employees, including the entire unit that was handling bioterrorism contracts. This was followed in early 2003 by an early retirement plan that resulted in the loss of support staff for the cooperative agreement. The layoffs and early retirement program delayed bioterrorism contract payments. Moreover, employees who had been laid off had contractual rights to placement in new positions, which resulted in the placement into bioterrorism program positions of some employees with little or no background in public health. Some fiscal support positions remained unfilled for several months as a result of the layoffs and early retirement program, which in turn affected the state's ability to process bioterrorism program payments.

## Contracting and Procurement

Because expenditures related to contracting for services and procuring equipment can occur after the end of a given budget period, program officials stressed the importance of being able to expend obligated funds up to 12 months beyond the budget period, as CDC allows for in this program. To illustrate the importance of such an allowance, one official gave the example of a contract for \$100,000 that began in June 2003, during the third budget period. Under the terms of the contract, the contractor would bill the program quarterly. The state in question would draw down funds for the contract from PMS on a quarterly basis.<sup>24</sup> If the program received the first bill of \$25,000 in September 2003, the first drawdown related to this contract would occur in December 2003 and subsequent drawdowns would occur in March 2004, June 2004, and September 2004, all within the next budget period.

Jurisdiction officials provided a number of examples of the complexity of their jurisdictions' contracting processes and the resulting effect on obligations and expenditures.<sup>25</sup> An official in one state reported that the

---

<sup>24</sup>The schedule for drawing down funds is determined by each jurisdiction and varies across jurisdictions. For example, another jurisdiction draws funds on a weekly basis.

<sup>25</sup>Issues related to lengthy contracting and procurement requirements are not limited to this cooperative agreement. For more information on other domestic preparedness activities affected, see U.S. GAO, *Emergency Preparedness: Federal Funds for First Responders*, [GAO-04-788T](#) (Washington, D.C.: May 13, 2004).

---

state had to negotiate and develop contracts with over 100 local health agencies after it received an influx of funding during the Bioterrorism program's third budget period. After the local health contracts were developed, they needed approval by the municipalities or health district boards, a process that in some cases took several months. Another state indicated that its contracting process takes a minimum of 2 months. Yet another stated that the process could take from 3 to 6 months, depending on which complexities arise. In addition, officials reported that the request for proposals (RFP) process and bidding requirements delayed their ability to create contracts and orders for services and equipment. In one state, the RFP process takes 4 to 7 months, while in another the process can take as long as 9 months.

The necessity of developing large infrastructure projects related to the bioterrorism preparedness cooperative agreement has also had an effect on obligations and expenditures in a number of jurisdictions. These projects, such as setting up a syndromic surveillance<sup>26</sup> system, require the assistance and expertise of a limited number of national contractors. A state official informed us that since many of the jurisdictions began these projects at the same time—after the influx of fiscal year 2002 funds during the third budget period—some jurisdictions have had to wait for these contractors to become available. Therefore, some jurisdictions have had to wait to receive services and equipment, in effect delaying both obligations and expenditures. In addition, jurisdictions indicated that effective planning or the development of RFPs for these large projects required extended periods of time. One official told us the state health department went through a careful planning process in order to ensure the proper use of funds, consequently delaying the obligation and expenditure of funds.

## Information Technology Upgrades

Several jurisdictions reported that their efforts to upgrade their information technology—a focus area of the Bioterrorism program—delayed program expenditures. Officials in four jurisdictions noted that it took time to plan and implement improvements in information technology

---

<sup>26</sup>The term “syndromic surveillance” applies to surveillance using health-related data that precede diagnosis and signal a sufficient probability of a case or an outbreak to warrant further public health response. For example, in 1993, Milwaukee public health officials discovered that the *Cryptosporidium* parasite, found in tainted water, had infected some 400,000 people, after they became aware that there were increased purchases of an antidiarrheal agent from pharmacies. Public health officials are increasingly exploring the utility of syndromic surveillance for detecting outbreaks associated with bioterrorism. See U.S. GAO, *Emerging Infectious Diseases: Review of State and Federal Disease Surveillance Efforts*, [GAO-04-877](#) (Washington, D.C.: Sept. 30, 2004).

---

systems and equipment. For example, in one state, the installation of each piece of equipment, including new computer systems and videoconferencing equipment, required a site survey by the state's Department of General Services to assess the feasibility of the proposed location to house the equipment. These site surveys could take anywhere from 2 to 12 months to complete.

In another state, an official reported that funds were designated to support the state's Internet connectivity to provide local public health agencies and their public health partners with continuous, high-speed Internet access. Because significant areas of the state did not have access to high-speed Internet services, the state conducted engineering studies, which delayed distribution of funds to local public health agencies.

---

### Some Jurisdictions Have Streamlined Administrative Processes to Facilitate Obligation and Expenditure of Funds

While officials described challenges to quickly obligating and expending bioterrorism funds, some also described techniques they had developed to address workforce and procurement issues. Officials in three jurisdictions indicated that being exempted from hiring freezes expedited the obligation of funds. In one case the jurisdiction exempted bioterrorism positions from hiring freezes and also gave these positions the highest priority for hiring. According to another state official, many of the program staff were hired as contractual or "at will" employees, to bypass the state's lengthy hiring process. Another state, which was reluctant to hire permanent full-time program staff because of concern about the sustainability of federal funding,<sup>27</sup> employed temporary staff instead.

Some officials also described techniques they had developed to address challenges related to procurement issues. Prior to receiving fiscal year 2002 funds during the program's third budget period, one jurisdiction's program elected to use a nonprofit fiscal and administrative intermediary to reduce the delays caused by the municipality's regulations. A program official told us that using the intermediary also allowed the program to expedite the routine processes of recruitment, contracting, purchasing, and ensuring fiscal accountability. According to the official, the intermediary has a long history of collaborating with that health agency to quickly and successfully implement new initiatives and is experienced in grant management. The official stated that the intermediary has reduced the time that it takes to implement program procedures because it does

---

<sup>27</sup>Our previous work has also reported this concern. See [GAO-03-373](#).

---

not have to follow the municipality's normal requirements.<sup>28</sup> For instance, unlike the health agency, the intermediary is not subject to certain municipal contracting and procurement requirements. Consequently, it is able to use statewide general services contracts that can have as little as a 2-day turnaround. In addition, the intermediary has reduced the municipality's RFP process from the usual 6 months to 2 months.

One state official indicated that the state health agency had made a concerted effort to streamline its procurement process. Prior to this effort, the procurement process had taken as long as 18 months, including time for the development and distribution of an RFP and for appeals. The official said that one of the major improvements involved compiling a list of preapproved contractors, which enables bioterrorism program officials to purchase directly from those contractors without going through the time-consuming RFP process.

Another official told us that the health agency staff can place orders and contracts more rapidly than usual if they designate them as "sole source" and "single source" procurement, meaning that the needed equipment or service is available from only one vendor. The official indicated that the state's bioterrorism program uses this designation whenever they can demonstrate that only one vendor can provide the equipment or service. Additionally, the state has "master price" agreements with some vendors for certain goods and services that are commonly needed by the various agencies in the state. The official said that staff can quickly place orders for goods and services that fall under the master price agreement and receive these items in 2 to 4 days.

---

## Concluding Observations

After the terrorist events of 2001, HHS's funding to help jurisdictions prepare for and defend against a possible bioterrorism attack greatly increased. In 2004, HHS expressed concern that jurisdictions had not moved quickly enough to use these funds. However, jurisdictions expended and obligated a substantial amount of program funds as of August 30, 2004. In assessing the pace at which jurisdictions are spending these funds, it is useful to consider that prudent use of public funds—particularly for new programs—requires careful and often time-consuming planning. Once plans have been developed, obligating and expending the

---

<sup>28</sup>Officials in this municipality indicated that the intermediary follows all federal regulations, but has the authority to bypass some municipal regulations.



---

funds to implement them takes additional time. It is also important to recognize that because some expenditures, such as those for contracts, take place over a period of time rather than as one lump sum early in the budget period, it may take longer than the program's budget period to expend these funds. Furthermore, jurisdictions face additional challenges to quickly obligating and expending funds, partly related to various administrative processes, although some jurisdictions have found ways to streamline certain processes.

---

## Agency Comments

We provided a draft of this report to HHS for comment, and the agency informed us it had no comments on the draft report. However, HHS provided technical comments, which we incorporated into the report as appropriate.

---

As we arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, appropriate congressional committees, and other interested parties. We will also make copies available to others who are interested upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please call Marjorie Kanof at (202) 512-7114. Major contributors to this report are listed in appendix V.



Janet Heinrich  
Director, Health Care—Public Health Issues

---

# Appendix I: Scope and Methodology

---

For the Department of Health and Human Services (HHS) Centers for Disease Control and Prevention's (CDC) Public Health Preparedness and Response for Bioterrorism program cooperative agreement, we provide information on the extent to which jurisdictions had expended fiscal year 2002 funds awarded for the third budget period as of August 30, 2003, and August 30, 2004, and had expended fiscal year 2003 funds awarded for the fourth budget period as of August 30, 2004. We also provide information on the extent to which fiscal year 2001, 2002, and 2003 Bioterrorism funds awarded for the program's third and fourth budget periods were obligated, and challenges jurisdictions have faced when attempting to expend or obligate the Bioterrorism funds. To provide information on the expenditure and obligation of Bioterrorism program funds awarded to jurisdictions, we analyzed documents and interviewed officials from HHS's Office of the Secretary, CDC, Division of Payment Management (DPM), and Office of the Inspector General (OIG). In addition, we reviewed documents and interviewed officials from the Association of State and Territorial Health Officials and the National Association of County and City Health Officials, two national associations representing state and local health officials. We also interviewed jurisdiction audit and Bioterrorism program officials to obtain information on program obligations and to determine challenges faced by jurisdictions in expending and obligating funds, and reviewed documents from the Congressional Research Service, the Association of Public Health Laboratories, and other organizations.

To determine expenditures as of August 30, 2003, and August 30, 2004, we analyzed expenditure data from DPM's Payment Management System (PMS). We obtained and reviewed data from both the public assistance (P) accounts and the general (G) accounts.<sup>1</sup> Funds accounted for in the P accounts are specific to certain grants or agreements, while G accounts merge funds from grants and agreements made to one grantee into one overall account. While over 90 percent of funds awarded to jurisdictions through the Bioterrorism program are tracked in P accounts,<sup>2</sup> some funds

---

<sup>1</sup>All Bioterrorism program funds awarded are accounted for in one of these two accounts. PMS data do not account for any funds provided to a jurisdiction as direct assistance and we did not include direct assistance in our analysis.

<sup>2</sup>The funds in the P accounts make up approximately 92 percent of bioterrorism funds awarded to jurisdictions for the third budget period—August 31, 2001, to August 30, 2003—and approximately 93 percent of funds awarded for the fourth budget period—August 31, 2003, to August 30, 2004. When funds carried over from prior periods are included, the P accounts make up 91 percent of all funds awarded during the third budget period and 85 percent of all funds awarded during the fourth budget period.

are tracked in the G accounts, including all unexpended funds from budget periods prior to the fiscal year 2002 funds awarded during the third budget period and funds related to the Strategic National Stockpile before and after fiscal year 2002.<sup>3</sup> Because expenditures from the G accounts related to a specific grant or agreement cannot be linked to funds from specific budget periods, we are not able to describe the rates of expenditure of Bioterrorism funds tracked in the G accounts. Moreover, because all funds awarded to jurisdictions prior to the fiscal year 2002 funds are tracked in the G accounts, we are not able to account for all expenditures during the program's third budget period—August 31, 2001, to August 30, 2003. Rather, we are able to track expenditures for only the second portion of that budget period, starting with the fiscal year 2002 emergency supplemental appropriation.<sup>4</sup> Expenditure data provided in this report were obtained from PMS's P accounts and include only funds awarded as financial assistance beginning with the fiscal year 2002 emergency supplemental appropriation.<sup>5</sup> (See table 2 for information on funding included in the data sources reviewed.) The OIG annually contracts for an audit that provides reasonable assurance about the design of controls included in DPM's PMS, including controls for recording award authorizations, processing awardee requests for funds, and reporting payment and recipient disbursement information to the awarding agency.<sup>6</sup> We did not conduct a review to determine the appropriateness of any jurisdiction expenditure.

---

<sup>3</sup>Prior to the fiscal year 2002 emergency supplemental appropriation, all funds for the Bioterrorism program were tracked in G accounts. At CDC's request, starting with the 2002 emergency supplemental appropriation, DPM placed almost all program funding into P accounts in order to better track expenditures.

<sup>4</sup>Department of Defense and Emergency Supplemental Appropriation for Recovery from and Response to Terrorist Attacks on the United States Act, Pub. L. 107-117, 115 Stat. 2230 (2002).

<sup>5</sup>In 10 jurisdictions, funding provided for smallpox activities in May 2003 was credited to the jurisdiction's fiscal year 2003 period. In these cases, the funds should have been credited to the fiscal year 2001/2002 period, and the P account data in this report reflect the corrected funding levels. These jurisdictions were Arkansas, California, Connecticut, Georgia, Los Angeles County, Maine, Minnesota, Ohio, Washington, and Wyoming.

<sup>6</sup>See HHS OIG, *Report on Department of Health and Human Services, Program Support Center, Division of Payment Management's Controls Placed in Operation and Tests of Operating Effectiveness*, A-17-03-000009 (Washington, D.C.: Oct. 6, 2003), and HHS, *HHS FY 2004 Performance and Accountability Report* (Washington, D.C.: Dec. 13, 2004).

**Table 2: Funds Included in Sources of Bioterrorism Expenditure and Obligation Data**

	Bioterrorism funds tracked through the PMS P accounts	Bioterrorism funds tracked through the notices of cooperative agreement	Bioterrorism funds tracked through the financial status reports
Fiscal year 2001 funds		X	X
Fiscal year 2002 funds	X	X	X
Fiscal year 2003 funds	X	X	X
Funds carried forward from budget periods prior to fiscal year 2001		X	X
Funds carried forward from fiscal year 2001 <sup>a</sup>		X	X
Strategic National Stockpile funds	<sup>b</sup>	X	X

Source: GAO analysis of HHS documents.

Note: The Notice of Cooperative Agreement also includes data on funds awarded as direct assistance. We did not include those funds in our analysis.

<sup>a</sup>Data on funds carried forward from fiscal year 2001 are only included in the Notices of Cooperative Agreement and the Financial Status Reports from the fourth budget period forward.

<sup>b</sup>Fiscal year 2002 Strategic National Stockpile Funds are tracked through the P accounts.

To determine obligation data, we reviewed the financial status reports (FSR) jurisdictions were required to submit to CDC at the end of the third budget period (August 31, 2001, to August 30, 2003) and the estimated FSRs for the fourth budget period (August 31, 2003, to August 30, 2004) that jurisdictions were requested to submit by August 1, 2004. Unlike PMS's P account data, the FSRs include information on all Bioterrorism funds awarded as financial assistance, including both fiscal year 2001 and 2002 funds awarded during the third budget period, funds carried over from prior periods, and funds related to the Strategic National Stockpile. Along with FSRs for the entire third budget period, CDC asked jurisdictions to submit FSRs reflecting only the fiscal year 2002 emergency supplemental appropriation funds. However, because few jurisdictions submitted such emergency supplemental FSRs, we were unable to use these FSRs. Because of this, we are reporting on obligation data obtained from the FSRs for the entire third budget period, encompassing both fiscal year 2001 and 2002 funds; this is a different period from that used for the expenditure data provided in this report, which describe only expenditures of the third budget period's fiscal year 2002 funds. Final FSRs for the fourth budget period were not available in sufficient time to

be used in our work. For this period, we used the estimated FSRs jurisdictions were asked to submit prior to the end of the budget period. While the unobligated amounts reported on the final FSR may vary from the estimates, CDC determined that these estimates were sufficiently accurate to use for planning purposes. Seven jurisdictions did not submit an estimated FSR, but did provide information in their application for budget period five funds on estimated unobligated balances as of August 30, 2004. Eight jurisdictions did not provide any information on estimated unobligated balances and were excluded from our analysis.<sup>7</sup>

In addition to reviewing jurisdictions' FSRs, we also reviewed the Notices of Cooperative Agreement (NCA), which are provided by CDC to jurisdictions and provide information on total Bioterrorism program funds awarded to them for a budget period. Unlike the PMS P account data, the NCAs include information on all funds awarded for the program's entire third budget period, including funds from both fiscal years 2001 and 2002, and information on funds carried over from previous periods, funds related to the Strategic National Stockpile, and funds awarded as direct assistance.<sup>8</sup> To determine obligation rates, we compared the information on total funds awarded obtained from the NCAs and FSRs to obligation data that jurisdictions reported in the third budget period FSRs and estimated in the fourth budget period FSRs.

We interviewed CDC staff to resolve any inconsistencies between the information provided on the FSRs and information provided in the NCAs and modified data as appropriate. In addition, because the data related to obligation are self-reported by jurisdictions to CDC, we interviewed officials at CDC and HHS's OIG to obtain information on any work done to determine the reliability of these data. We also contacted the jurisdiction audit agencies in all the jurisdictions by e-mail or telephone to determine whether they had performed any work to determine the reliability of the obligation data. Data for the third budget period from 18 jurisdictions and for the fourth budget period from 1 jurisdiction can be considered reliable

---

<sup>7</sup>These jurisdictions were Alaska, Illinois, Kansas, Los Angeles County, Maine, Maryland, Nebraska, and Washington. In addition, data from New York City were not comparable to those from other jurisdictions. Because of this, this jurisdiction was excluded from our obligations analysis.

<sup>8</sup>Because the NCAs include awarded funds not included in the P accounts, they could not be used to describe expenditure rates for specific budget periods. In addition, we did not include data on direct assistance in our analysis.

based on the work of OIG and jurisdiction audit agencies.<sup>9</sup> However, in many cases, insufficient work had been done to assess the reliability of the obligation data reported by jurisdictions. In these cases, the information presented is as reported by the jurisdictions, and we cannot attest to its reliability. In addition, we did not conduct a review to determine the appropriateness of any obligations reported by jurisdictions to CDC.

To describe factors that jurisdictions say contributed to delays in obligating and expending funds and actions some jurisdictions took to address those factors, we contacted selected jurisdictions via e-mail in two phases. Initially, the team contacted 10 jurisdictions to gather information on why they may have had unobligated Bioterrorism funds.<sup>10</sup> We analyzed the obligation and expenditure data to identify jurisdictions with high and low rates of unobligated and unexpended Bioterrorism funds, for both the third and fourth budget periods. Jurisdictions were categorized as those with (1) reported high unobligated balances, (2) reported low unobligated balances, or (3) reported low unobligated balances and high levels of unexpended funds. We then selected jurisdictions from each of the groups, taking into account diversity in geographic location, population size, urban and rural status, and their expenditure and obligation patterns. We e-mailed each jurisdiction, and we followed up by telephone to obtain any necessary clarification on responses.

For phase 2, we e-mailed 3 jurisdictions from the phase 1 group and 9 additional jurisdictions. These 12 jurisdictions had expended from 50 to 87 percent of their third budget period funds by August 30, 2003, the end of that period, but had expended 100 percent of those funds by August 30, 2004.<sup>11</sup> We followed up by telephone and e-mail to obtain any necessary clarification on responses.

---

<sup>9</sup>OIG determined that the third budget period obligation data reported by Chicago, the District of Columbia, Florida, Georgia, Illinois, Los Angeles County, Maryland, Massachusetts, Michigan, New Jersey, New York, New York City, North Carolina, Ohio, Pennsylvania, Texas, and Virginia were reliable. In addition, our interviews with jurisdiction audit bodies identified work performed to determine the reliability of Connecticut's third and fourth budget period obligation data.

<sup>10</sup>These jurisdictions were Chicago, Connecticut, Delaware, Georgia, Los Angeles County, Maryland, Massachusetts, Michigan, New York City, and North Dakota.

<sup>11</sup>These jurisdictions were Alaska, Kansas, Louisiana, Minnesota, Missouri, New Mexico, Rhode Island, Tennessee, Texas, and three jurisdictions also included in the first e-mail phase—Chicago, Maryland, and New York City.

# Appendix II: Bioterrorism Program's Budget Period Three Expenditures

**Table 3: Public Health Preparedness and Response for Bioterrorism Program's Budget Period Three Fiscal Year 2002 Funds Expended from P Accounts, by Jurisdiction, as of August 30, 2003, and August 30, 2004**

Jurisdiction	P account funds	Percentage of P account funds expended as of August 30, 2003	Percentage of P account funds expended as of August 30, 2004
Alabama	\$14,900,443	70	94
Alaska	6,350,514	61	100
Arizona	16,422,170	56	89
Arkansas	11,425,317	55	87
California <sup>a</sup>	56,806,825	56	87
Colorado	14,475,766	62	89
Connecticut	10,366,586	56	85
Chicago	11,447,312	65	100
Delaware	6,744,505	30	50
District of Columbia	11,273,558	20	27
Florida	40,581,081	76	97
Georgia	24,045,179	26	86
Hawaii	7,546,593	57	89
Idaho	7,880,688	63	82
Illinois <sup>a</sup>	26,101,381	63	86
Indiana	18,491,799	25	63
Iowa	11,110,544	62	98
Kansas	10,985,143	87	100
Kentucky	13,937,647	47	62
Los Angeles County	24,511,171	20	52
Louisiana	14,949,145	65	100
Maine	8,203,236	48	65
Maryland	16,791,405	56	100
Massachusetts	19,134,801	4	27
Michigan	27,125,655	64	89
Minnesota	16,525,446	82	97
Mississippi	11,332,975	54	59
Missouri	17,456,448	72	100
Montana	7,008,529	61	95
Nebraska	8,809,733	45	91
Nevada	9,448,659	49	86
New Hampshire	7,451,193	33	68

**Appendix II: Bioterrorism Program's Budget  
Period Three Expenditures**

<b>Jurisdiction</b>	<b>P account funds</b>	<b>Percentage of P account funds expended as of August 30, 2003</b>	<b>Percentage of P account funds expended as of August 30, 2004</b>
New Jersey	23,732,611	16	62
New Mexico	9,049,686	68	100
New York <sup>a</sup>	29,418,122	55	92
New York City	20,274,180	70	99
North Carolina	22,919,940	60	97
North Dakota	6,429,710	35	96
Ohio	30,803,150	67	78
Oklahoma	12,682,086	61	83
Oregon	12,616,956	48	76
Pennsylvania	32,340,936	56	81
Rhode Island	7,333,840	50	100
South Carolina	13,931,820	71	79
South Dakota	6,680,486	62	89
Tennessee	16,581,744	72	100
Texas	51,421,771	56	100
Utah	9,447,160	59	99
Vermont	6,355,413	60	76
Virginia	20,758,682	61	82
Washington	20,190,120	56	87
West Virginia	8,980,655	76	86
Wisconsin	16,940,986	81	91
Wyoming	6,430,629	55	67
<b>Total</b>	<b>\$894,962,130</b>	<b>56</b>	<b>85</b>

Source: GAO analysis of Department of Health and Human Services Division of Payment Services Payment Management System data.

Note: These data do not include all funds awarded to jurisdictions through the Bioterrorism program. While the program's third budget period was a 24-month period, extending from August 31, 2001, to August 30, 2003, and using funds from both fiscal years 2001 and 2002, these expenditure data reflect only fiscal year 2002 funds. In addition, the public assistance (P) accounts do not include funds awarded for the Strategic National Stockpile awarded after fiscal year 2002. Those funds are tracked in general (G) accounts, and cannot be tracked by a specific budget period. The P accounts also do not include funds provided to jurisdictions as direct assistance.

<sup>a</sup>Data on funds awarded to California, Illinois, and New York do not include funds awarded to Los Angeles County, Chicago, or New York City.



# Appendix III: Bioterrorism Program's Budget Period Four Expenditures

**Table 4: Public Health Preparedness and Response for Bioterrorism Program's Budget Period Four Funds Expended from P Accounts, by Jurisdiction, as of August 30, 2004**

Jurisdiction	P account funds	Percentage of P account funds expended as of August 30, 2004
Alabama	\$15,138,887	59
Alaska	6,041,857	75
Arizona	17,586,381	35
Arkansas	10,664,828	69
California <sup>a</sup>	61,994,981	44
Chicago	11,378,246	37
Colorado	15,048,945	58
Connecticut	12,450,843	2
Delaware	6,429,371	27
District of Columbia	10,877,012	47
Florida	43,372,308	51
Georgia	23,655,673	0
Hawaii	7,450,193	70
Idaho	7,639,590	74
Illinois <sup>a</sup>	27,855,766	67
Indiana	18,869,769	54
Iowa	11,493,758	44
Kansas	10,948,648	72
Kentucky	13,766,539	59
Los Angeles County	27,263,067	30
Louisiana	15,137,245	41
Maine	7,474,025	66
Maryland	17,314,106	64
Massachusetts	19,721,554	76
Michigan	28,981,577	79
Minnesota	15,788,416	93
Mississippi	11,322,442	59
Missouri	17,908,941	74
Montana	7,147,269	63
Nebraska	8,624,463	27
Nevada	9,490,029	55

**Appendix III: Bioterrorism Program's Budget  
Period Four Expenditures**

<b>Jurisdiction</b>	<b>P account funds</b>	<b>Percentage of P account funds expended as of August 30, 2004</b>
New Hampshire	7,164,384	36
New Jersey	24,725,667	48
New Mexico	9,342,376	51
New York <sup>a</sup>	31,675,789	50
New York City	23,024,362	71
North Carolina	24,002,282	44
North Dakota	6,257,186	49
Ohio	31,484,830	70
Oklahoma	13,228,697	41
Oregon	13,237,862	61
Pennsylvania	33,719,067	35
Rhode Island	7,305,761	44
South Carolina	14,174,122	65
South Dakota	6,338,591	43
Tennessee	18,175,779	59
Texas	55,225,049	44
Utah	9,914,452	70
Vermont	6,246,379	62
Virginia	22,068,328	66
Washington	16,389,229	59
West Virginia	8,811,416	65
Wisconsin	17,361,226	60
Wyoming	5,839,684	48
<b>Total</b>	<b>\$925,110,907</b>	<b>53</b>

Source: GAO analysis of Department of Health and Human Services Division of Payment Services Payment Management System data.

Note: The program's fourth budget period was a 12-month period, extending from August 31, 2003, to August 30, 2004, using fiscal year 2003 funds. The Payment Management System's public assistance (P) accounts do not include funds for the Strategic National Stockpile awarded after fiscal year 2002 or funds carried over from budget periods prior to the emergency supplemental appropriation issued in February 2002. In addition, the P accounts do not include funds provided to jurisdictions as direct assistance.

<sup>a</sup>Funds awarded to California, Illinois, and New York do not include funds awarded to Los Angeles County, Chicago, or New York City.

# Appendix IV: Unobligated Bioterrorism Program Funds Reported by Jurisdictions

**Table 5: Unobligated Public Health Preparedness and Response for Bioterrorism Program Funds Reported by Jurisdictions, as of the End of Each Budget Period**

Jurisdiction	Budget period three <sup>a</sup>		Budget period four <sup>b</sup>	
	Total award <sup>c</sup>	Percentage of awarded funds reported unobligated	Total award <sup>c</sup>	Percentage of awarded funds reported unobligated
Alabama <sup>d</sup>	\$16,559,338	7	\$16,786,043	18
Alaska <sup>d</sup>	7,738,197	0	<sup>e</sup>	<sup>e</sup>
Arizona <sup>f</sup>	17,998,231	9	20,377,936	12
Arkansas <sup>f</sup>	12,612,579	16	13,032,389	26
California <sup>g</sup>	62,166,027	14	70,101,613	47
Chicago <sup>d,h</sup>	12,627,939	4	11,977,908	59
Colorado <sup>f</sup>	16,531,912	11	17,896,688	5
Connecticut <sup>t</sup>	11,864,756	18	14,196,592	17
Delaware	8,054,596	41	9,881,459	74
District of Columbia <sup>f,h</sup>	12,705,295	62	16,953,474	35
Florida <sup>h</sup>	43,649,932	2	46,997,742	2
Georgia <sup>h</sup>	26,817,366	33	34,365,094	38
Hawaii	8,929,643	12	8,801,780	2
Idaho	8,515,356	17	9,366,998	12
Illinois <sup>d,g,h</sup>	27,849,480	2	<sup>e</sup>	<sup>e</sup>
Indiana	19,243,012	25	26,971,704	0
Iowa <sup>f</sup>	11,823,150	5	12,726,247	16
Kansas	12,384,717	0	<sup>e</sup>	<sup>e</sup>
Kentucky <sup>d</sup>	14,025,286	35	18,169,281	12
Los Angeles County <sup>h</sup>	25,726,260	3	<sup>e</sup>	<sup>e</sup>
Louisiana	16,811,200	5	17,009,305	36
Maine	8,894,028	37	<sup>e</sup>	<sup>e</sup>
Maryland <sup>d,h</sup>	18,607,520	0	<sup>e</sup>	<sup>e</sup>
Massachusetts <sup>h,i</sup>	22,124,540	51	32,377,306	23
Michigan <sup>d,h</sup>	30,104,203	7	35,271,511	8
Minnesota	18,534,985	7	18,182,765	2
Mississippi	12,197,005	42	17,112,807	40
Missouri <sup>f</sup>	19,060,349	1	19,160,450	3
Montana	8,292,560	10	7,380,744	16
Nebraska	9,526,033	3	<sup>e</sup>	<sup>e</sup>
Nevada	10,886,894	16	10,953,790	30

**Appendix IV: Unobligated Bioterrorism  
Program Funds Reported by Jurisdictions**

Jurisdiction	Budget period three <sup>a</sup>		Budget period four <sup>b</sup>	
	Total award <sup>c</sup>	Percentage of awarded funds reported unobligated	Total award <sup>c</sup>	Percentage of awarded funds reported unobligated
New Hampshire	8,426,601	15	8,725,305	12
New Jersey <sup>h</sup>	26,367,685	22	30,660,360	14
New Mexico	12,546,177	20	13,319,379	70
New York <sup>g,h</sup>	33,962,894	1	35,863,566	4
New York City	<sup>k</sup>	<sup>k</sup>	<sup>k</sup>	<sup>k</sup>
North Carolina <sup>h</sup>	24,548,953	2	26,020,533	0
North Dakota	6,747,355	0	6,423,043	0
Ohio <sup>h</sup>	32,724,507	21	35,368,314	35
Oklahoma	13,322,159	17	16,248,592	14
Oregon	14,667,495	18	17,039,499	7
Pennsylvania <sup>h</sup>	33,209,653	15	38,212,027	35
Rhode Island	8,634,168	0	7,545,070	0
South Carolina <sup>f</sup>	14,954,089	24	15,077,330	10
South Dakota	7,134,836	7	6,975,546	35
Tennessee	17,231,897	0	19,452,073	5
Texas <sup>h</sup>	54,035,277	14	68,858,586	16
Utah	11,821,907	0	10,423,316	2
Vermont	7,704,711	20	7,973,690	32
Virginia <sup>d,h</sup>	24,026,543	19	29,313,295	0
Washington	22,116,478	11	<sup>e</sup>	<sup>e</sup>
West Virginia	10,316,254	17	10,007,010	5
Wisconsin	18,846,878	11	20,255,129	11
Wyoming	7,362,222	25	5,953,862	12
<b>Total</b>	<b>\$987,149,159</b>	<b>14</b>	<b>\$957,787,150</b>	<b>19</b>

Source: GAO analysis of jurisdiction Financial Status Reports (FSR) and annual program applications.

<sup>a</sup>The program's third budget period was a 24-month period, extending from August 31, 2001, to August 30, 2003, and encompassing both fiscal year 2001 and 2002 funds. Obligation data for this period are based on the FSR submitted after the end of the budget period.

<sup>b</sup>The program's fourth budget period was a 12-month period, extending from August 31, 2003, to August 30, 2004, and encompassing fiscal year 2003 funds. Obligation data for this period are based on the estimated FSR submitted prior to the end of the budget period.

<sup>c</sup>Total funding awarded to jurisdictions as financial assistance through the cooperative agreement, including all funds carried over from prior budget periods.

<sup>d</sup>Data on awarded funds were not consistent between jurisdiction FSRs and the Notices of Cooperative Agreement. Based on information provided by officials at the Centers for Disease Control and Prevention, we determined the correct award amounts. In no case did the difference account for more than 4 percent of the total awarded funds.

---

**Appendix IV: Unobligated Bioterrorism  
Program Funds Reported by Jurisdictions**

---

<sup>a</sup>No data fiscal year 2003 data were available for these jurisdictions.

<sup>b</sup>These jurisdictions did not submit estimated FSRs for the fourth budget period, but did provide information in their application on estimated unobligated balances as of August 30, 2004.

<sup>c</sup>Data on funds awarded to California, Illinois, and New York do not include funds awarded to Los Angeles County, Chicago, and New York City.

<sup>d</sup>Data for the third budget period have been determined to be reliable.

<sup>e</sup>Data for the third and fourth budget period have been determined to be reliable.

<sup>f</sup>Data on funds awarded to Massachusetts were not consistent between the jurisdiction FSR and the Notice of Cooperative Agreement. The jurisdiction did not account for \$6,682,740 carried over from prior budget periods in its fourth budget period estimated FSR.

<sup>g</sup>Data comparable to other jurisdictions were not available.

---

# Appendix V: GAO Contact and Staff Acknowledgments

---

## GAO Contact

Marjorie Kanof, (202) 512-7114

---

## Acknowledgments

In addition to the person named above, key contributors to this report were Helene Toiv, Emily Gamble Gardiner, Lucia P. Fort, Roseanne Price, and Jessica Cobert.

---

# Related GAO Products

---

*HHS Bioterrorism Preparedness Programs: States Reported Progress but Fell Short of Program Goals for 2002.* [GAO-04-350R](#). Washington, D.C.: February 10, 2004.

*Bioterrorism: Public Health Response to Anthrax Incidents of 2001.* [GAO-04-152](#). Washington, D.C.: October 15, 2003.

*Emerging Infectious Diseases: Review of State and Federal Disease Surveillance Efforts.* [GAO-04-877](#). Washington, D.C.: September 30, 2004.

*Emergency Preparedness: Federal Funds for First Responders.* [GAO-04-788T](#). Washington, D.C.: May 13, 2004.

*Bioterrorism: Preparedness Varied across State and Local Jurisdictions.* [GAO-03-373](#). Washington, D.C.: April 7, 2003.

*Bioterrorism: The Centers for Disease Control and Prevention's Role in Public Health Protection.* [GAO-02-235T](#). Washington, D.C.: November 15, 2001.

*Bioterrorism: Review of Public Health Preparedness Programs.* [GAO-02-149T](#). Washington, D.C.: October 10, 2001.

*Bioterrorism: Public Health and Medical Preparedness.* [GAO-02-141T](#). Washington, D.C.: October 9, 2001.

*Bioterrorism: Coordination and Preparedness.* [GAO-02-129T](#). Washington, D.C.: October 5, 2001.

*Bioterrorism: Federal Research and Preparedness Activities.* [GAO-01-915](#). Washington, D.C.: September 28, 2001.

*Combating Terrorism: Observations on Biological Terrorism and Public Health Initiatives.* [GAO/T-NSIAD-99-112](#). Washington, D.C.: March 16, 1999.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to [www.gao.gov](http://www.gao.gov) and select "Subscribe to Updates."

---

## Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office  
441 G Street NW, Room LM  
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000  
TDD: (202) 512-2537  
Fax: (202) 512-6061

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Gloria Jarmon, Managing Director, [JarmonG@gao.gov](mailto:JarmonG@gao.gov) (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, D.C. 20548

---

## Public Affairs

Paul Anderson, Managing Director, [AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548