



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601
October 31, 2003

REGION V
OFFICE OF
INSPECTOR GENERAL

Report Number: A-05-03-00082

Don Kauerauf
Chief, Division of Emergency
Preparedness and Response
Illinois Department of Public Health
525 West Jefferson Street
Springfield, Illinois 62761

Dear Mr. Kauerauf,

The attached report provides the results of our self-initiated review of the "State of Illinois' Efforts to Account for and Monitor Sub-recipients' Use of Public Health Preparedness and Response for Bioterrorism Program Funds."

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

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by specific focus area. Based on the results of the questionnaire and interviews with State officials, we found the State agency had adequate controls and procedures to monitor sub-recipient expenditures of CDC funds. In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials replied that Program funding had not been used to supplant existing State or local programs.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We would appreciate your views and the status of any further action taken or contemplated on our recommendations within 15 days. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General reports are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

If you have any questions or comments about this report, please contact Leon Siverhus, Audit Manager, at 65 1-290-3762.

To facilitate identification, please refer to Report Number A-05-03-00082 in all correspondence relating to this report.

Sincerely,

A handwritten signature in black ink that reads "Paul Swanson". The signature is written in a cursive style with a large initial "P".

Paul Swanson
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**

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

**ILLINOIS DEPARTMENT OF
PUBLIC HEALTH**



OCTOBER 2003

A-05-03-00082

Office of Inspector General

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the awarding agency will make final determination on these matters.



EXECUTIVE SUMMARY

OBJECTIVES

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

FINDINGS

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for program funds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported transactions by specific focus area. Based on the results of the questionnaire and interviews with State officials, we found the State agency had adequate controls and procedures to monitor sub-recipient expenditures of CDC funds. In response to our inquiry as to whether the State agency reduced funding to existing public health programs, State officials replied that Program funding had not been used to supplant existing State or local programs.

RECOMMENDATION

We recommend that the State agency continue to comply with the terms and conditions of the cooperative agreement.

STATE AGENCY COMMENTS

In a written response to our draft report received October 6, 2003, the State agency concurred with our findings and our recommendation. The State agency's response is included in its entirety as an appendix to this report.

TABLE OF CONTENTS

INTRODUCTION	1
BACKGROUND	1
The Program.....	1
Annual Program Funding	1
Focus Areas.....	1
Eligible Recipients	2
State Agency Funding	2
OBJECTIVES, SCOPE AND METHODOLOGY	2
Objectives	2
Scope	3
Methodology	3
FINDINGS AND RECOMMENDATIONS	3
Accounting for Expenditures	3
Sub-recipient Monitoring.....	4
Supplanting	4
RECOMMENDATION	5
STATE AGENCY COMMENTS	5
APPENDIX	

INTRODUCTION

BACKGROUND

The Program

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

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

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

Annual Program Funding

Years 1 and 2 of the program covered the period August 31, 1999 through August 30, 2000 and 2001, respectively. Annual funding totaled \$40.7 million and \$41.9 million. 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.

Focus Areas

Applicants requested support for activities under one or more of the following focus areas:

Focus Area A - Preparedness Planning and Readiness Assessment

Focus Area B - Surveillance and Epidemiology Capacity

Focus Area C - Laboratory Capacity - Biologic Agents

Focus Area D - Laboratory Capacity - Chemical Agents

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

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

Focus Area F - Communicating Health Risks and Health Information Dissemination and

Focus Area G - Education and Training.

Eligible Recipients

Grant recipients included all 50 states, the District of Columbia, the commonwealths of Puerto Rico and the Northern Marianas Islands, American Samoa, Guam, the U.S. Virgin Islands, the republics of Palau and the Marshall Islands, the Federated States of Micronesia, and the nation's three largest municipalities (New York, Chicago, and Los Angeles County). Those eligible applicants included the health departments of states or their bona fide agents. Applicants were encouraged to apply for funds in all focus areas.

State Agency Funding

The amount of Program funding awarded to the State agency has increased from \$1.1 million in 1999 to \$27.8 million in 2003. The following table shows funding for each budget year.

Program Amounts by Budget Year			
	Awarded	Expended	Unobligated
Year 1	1,145,974	1,055,201	82,500
Year 2	934,716 ⁽¹⁾	929,099	0
Year 3	27,749,408 ⁽²⁾	15,298,859 ⁽³⁾	0 ⁽³⁾

(1) Excludes \$82,500 of funds carried forward from Year 1.

(2) Includes \$26,762,390 of Emergency Supplemental funds and excludes \$8,273 and \$88,117 of funds carried forward from Years 1 and 2, respectively.

(3) Department officials reported amounts as of June 30, 2003. These amounts were not yet finalized because the budget covered the period through August 30, 2003. We did not trace these amounts to the accounting records.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

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

Scope

Our review was limited in scope and conducted for the purpose described above and would not necessarily disclose all material weaknesses. Accordingly, we do not express an opinion on the system of internal accounting controls. In addition, we did not determine whether costs charged to the Program were allowable.

Our audit included a review of State agency policies and procedures, financial reports, and accounting transactions during 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 areas of (i) grantee organization, (ii) finding, (iii) accounting for expenditures, (iv) supplanting, and (v) sub-recipient monitoring. Prior to our fieldwork, we provided the questionnaire for State officials to complete. During our site visit, we interviewed State agency staff and obtained supporting documentation to validate their responses on the questionnaire.

Fieldwork was conducted at State agency offices in Springfield, Illinois, and our field office in St. Paul, Minnesota during July and August 2003. Our review was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Based on our validation of the questionnaire completed by the State agency and our site visit, we found that the State agency generally accounted for program finds in accordance with the terms and conditions of the cooperative agreement and applicable departmental regulations and guidelines. Specifically, the State agency recorded, summarized and reported bioterrorism transactions by specific focus area. Based on the results of the questionnaire and interviews with State officials, we found the State agency had adequate controls and procedures to monitor sub-recipient expenditures of CDC finds. In response to our inquiry as to whether the State agency reduced finding to existing public health programs, State officials replied that Program finding had not been used to supplant existing State or local programs.

Accounting for Expenditures

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

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

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

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

Sub-recipient Monitoring

Recipients of Program grant funds were required to monitor their sub-recipients. The Public Health Service Grants Policy Statement requires that: "grantees employ sound management practices to ensure that program objectives are met and that project funds are properly spent." It states recipients must:

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

In addition, the Policy Statement 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....

Based on the results of the questionnaire and interviews with State officials, we found the State agency had adequate controls and procedures to monitor sub-recipient expenditures of CDC funds.

Supplanting

Program funds, original and supplemental, were to be used to augment current funding and focus on public health preparedness activities under the CDC Cooperative Agreement. The funds were not to be used to supplant existing federal, state, or local funds for bioterrorism, infectious disease outbreaks, other public health threats and emergencies, and public health infrastructure within the jurisdiction. Program Announcement 99051 states:

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

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

RECOMMENDATION

We recommend that the State agency continue to comply with the terms and conditions of the cooperative agreements.

STATE AGENCY COMMENTS

In a written response to our draft report received October 6, 2003, the State agency concurred with our findings and our recommendation. The State agency's response is included in its entirety as an appendix to this report.

APPENDIX



Rod R. Blagojevich, Governor
Eric E. Whitaker, M.D., M.P.H., Director

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10/2/2003

Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, IL 60601

RE: Report Number: A-05-03-00082

Dear Mr. Swanson:

This letter is in response to the draft Review of the State of Illinois' Efforts to Account for and Monitor Sub-Recipients' use of Bioterrorism Public Health Preparedness and response to Bioterrorism Program Funds. Thank you for the opportunity to comment on the draft review.

We were very pleased with the audit process and the individuals who were here to review our records. The response we received during the time when the auditors were here was very positive and complementary, which is reflected in the positive review. As recommended, our fiscal staff will continue to comply with the terms and conditions of the cooperative agreement.

Sincerely,

A handwritten signature in black ink that reads "Don Kauerauf". The signature is written in a cursive style with a large, stylized "K" and "F".

Don Kauerauf, Chief
Division of Emergency Preparedness & Response

Cc: Michelle Gentry-Wiseman

ACKNOWLEDGEMENTS

This report was prepared under the direction of Paul Swanson, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

Leon Siverhus, *Audit Manager*

Brent Storhaug, *Senior Auditor*

Shirley Loos, *Auditor*

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