DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
1100 Commerce, Room 632
Dallas, TX 75242

September 12, 2008

Report Number: A-06-07-00012

Mr. Alan Levine
Secretary
Louisiana Department of Health and Hospitals
628 North Fourth Street
P.O. Box 629
Baton Rouge, Louisiana 70802

Dear Mr. Levine:

Enclosed is the U.S. Department of Health and Human Services, Office of Inspector General (OIG), final report entitled "Review of Louisiana Bioterrorism Hospital Preparedness Program." We will forward a copy of this report to the HHS action officials noted on the following page for review and any action deemed necessary.

The HHS action officials will make final determination as to actions taken on all matters reported. We request that you respond to these officials within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Cheryl Blackmon, Audit Manager, at (214) 767-9205 or through e-mail at Cheryl.Blackmon@oig.hhs.gov. Please refer to report number A-06-07-00012 in all correspondence.

Sincerely,

Gordon L. Sato

Gordon L. Sato
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Officials:

Mr. Jay Petillo
Director of Resource Planning and Evaluation
Assistant Secretary for Preparedness and Response
U.S. Department of Health and Human Services
Room 624D
200 Independence Avenue, SW
Washington, DC 20201

Ms. Ellen Radish
Program Analyst
Health Resources and Services Administration
U.S. Department of Health and Human Services
5600 Fishers Lane
Rockville, Maryland 20857

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF LOUISIANA BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM

Daniel R. Levinson
Inspector General

September 2008
A-06-07-00012

Office of Inspector General

http://oig.hhs.gov

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Pursuant to 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 generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

The Bioterrorism Hospital Preparedness Program (the Program) provided funding to State, territorial, and municipal governments or health departments to upgrade the preparedness of hospitals and collaborating entities to respond to bioterrorism and other public health emergencies. The Health Resources and Services Administration (HRSA) administered the Program until March 2007. At that time, responsibility for the Program was transferred from HRSA to the Assistant Secretary for Preparedness and Response pursuant to the Pandemic and All Hazards Preparedness Act (P.L. 109-417, December 19, 2006). The Louisiana Department of Health and Hospitals (the State agency) entered into cooperative agreements with HRSA to carry out Program activities and, for the period September 1, 2004, through August 31, 2006, received Program funds totaling $15,283,738.

The State agency entered into contracts with the Louisiana Hospital Association (LHA) to hire grant coordinators and staff to administer the HRSA grant. The State agency also entered into agreements with various State subagencies, including Pharmacy Services, the Nursing Services Section, the Bioterrorism Section, and the Bureau of Emergency Medical Services (Bureau of EMS), which contracted with EMS providers.

OBJECTIVE

Our objective was to determine whether the State agency claimed costs that were reasonable, allocable, and allowable.

SUMMARY OF FINDINGS

Of the $14,081,931 expended, the State agency claimed $54,064 in unallowable subagency expenditures. In addition, we are setting aside for further review $89,000 in funds the Pharmacy subagency expended on drugs without having an agreement with the State agency or the pharmaceutical contractor.

We also found that the State agency did not enforce the terms of interagency agreements and allowed the implementation of a lengthy allocation process that delayed funding to hospitals and EMS providers.

RECOMMENDATIONS

We recommend that the State agency:

- refund $54,064 to HRSA,
- review the $89,000 Pharmacy Services expenditure with HRSA,
- require subagencies to comply with the terms of future Program agreements,

- monitor grant- and subgrant-supported activities to assure compliance with applicable Federal requirements and achievement of performance goals, and

- require LHA and the Bureau of EMS to improve their allocation model development process to ensure that funds are transferred to hospitals and EMS providers in a timely manner.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments on our draft report, the State agency disagreed with our first two recommendations but agreed with our remaining three recommendations. The State agency provided additional supporting documentation related to the first recommendation and provided information on actions that it had taken or planned to take on four of our recommendations. After review of the additional information, we continue to recommend that (1) a total of $54,064 in unallowable expenses be refunded to HSRA and (2) $89,000 be set aside for further HSRA review. The State agency's comments, excluding proprietary information, are included in their entirety as Appendix B.

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INTRODUCTION

BACKGROUND

Bioterrorism Hospital Preparedness Program

The Bioterrorism Hospital Preparedness Program (the Program) provided funding to State, territorial, and municipal governments or health departments to upgrade the preparedness of hospitals and collaborating entities to respond to bioterrorism and other public health emergencies. The Health Resources and Services Administration (HRSA) administered the Program until March 2007. At that time, responsibility for the Program was transferred from HRSA to the Assistant Secretary for Preparedness and Response pursuant to the Pandemic and All-Hazards Preparedness Act (P.L. 109-417, December 19, 2006).

Bioterrorism Program Funding

Grants awarded in program years 2003 through 2005 were funded through 1-year appropriations. HRSA initially established 12-month program years for 2003 through 2005 and then extended the years for up to 24 additional months.[1]

To monitor the expenditure of these funds, HRSA required awardees to submit financial status reports (FSR) showing the amounts expended, obligated, and unobligated. Financial reporting requirements (45 CFR § 92.41(b)(3)) for Department of Health and Human Services (HHS) grants to State and local governments state: "If the Federal agency does not specify the frequency of the report, it will be submitted annually." Because Program guidance for 2003 was silent on the frequency of submission, annual FSRs were required for that year. Program guidance for 2004 and 2005 required quarterly interim FSRs and a final FSR 90 days after the end of the budget period, which we refer to in this report as a "program year."

Louisiana Bioterrorism Program

The Louisiana Department of Health and Hospitals (the State agency) entered into cooperative agreements with HRSA to implement the Program for the State of Louisiana. (A cooperative agreement is an award of financial assistance under which substantial collaboration is anticipated between the HHS awarding agency and the recipient during the project.) Subsequently, the State agency entered into contracts with the Louisiana Hospital Association (LHA) to hire grant coordinators and staff to administer the HRSA grant. The State agency also entered into interagency agreements with various State subagencies, including Pharmacy Services, the Nursing Services Section, the Bioterrorism Section, and the Bureau of Emergency Medical Services (Bureau of EMS), which contracted with EMS providers.

LHA disburses all HRSA grant funds to hospitals and EMS providers based on allocation models. The allocation models specify the grant amount for each hospital and EMS provider and for any special projects. The hospital and EMS allocation models are developed by LHA and

[1]For Louisiana, program year 2003 was September 1, 2003, to August 31, 2006; program year 2004 was September 1, 2004, to August 31, 2006; and program year 2005 was September 1, 2005, to August 31, 2007.

Bureau of EMS staff, the State agency grant principal investigator (grant PI), designated regional coordinators (DRC), and representatives from the Louisiana Rural Ambulance Alliance. The HRSA Advisory Committee approves the models.

LHA enters into spending agreements with hospitals and reviews documentation that supports Program fund spending. The Bureau of EMS enters into spending agreements with EMS providers and reviews their supporting documentation. The spending agreements state the amount of the grants, set spending deadlines, and describe the documentation required to support HRSA grant expenditures.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency claimed costs that were reasonable, allocable, and allowable.

Scope

We reviewed $5,524,286 of the $14,081,931 in Program expenditures recorded in the State agency's accounting records during the period September 1, 2004, through August 31, 2006, regardless of the grant year to which the obligations and expenditures were related.

We selected nonstatistical samples of State agency expenditures related to payroll, travel, supplies, and services. The table below summarizes the Program expenditures we reviewed.

Summary of Reviewed Program Expenditures		
Entity	**Total Expenditures**	**Amount Reviewed**
State agency	$808,640	$790,682
LHA[2]	1,149,377[3]	400,293
Hospitals	9,037,342	1,861,369
EMS	3,086,572	2,471,942
Total	**$14,081,931**	**$5,524,286**

We did not review the State agency's overall internal control structure. We limited our internal control review to obtaining an understanding of the State agency's accounting and monitoring procedures.

We performed fieldwork at State agency offices from December 2006 through September 2007.

[2]LHA and EMS expenditures are addressed in separate reports.

[3]Of this amount, $1,060,485 was for LHA's administrative expenses and $88,892 was undisbursed funds remaining in LHA's bank account.

Methodology

To accomplish our objective, we:

- identified awarded and expended funds in the State agency's accounting records,
- reviewed the State agency's "Notice of Cooperative Agreement" documentation and related Federal regulations to gain an understanding of the financial and program requirements,
- reviewed FSRs for completeness and accuracy and reconciled the amounts reported to the accounting records and "Notice of Grant Award" documentation,
- reviewed the State agency's contracts and interagency agreements,
- determined the State agency's accounting procedures for recording and reporting funds,
- obtained a list of the amounts drawn down by the State agency from the Payment Management System and compared them to the amounts expended to ensure that drawdowns did not exceed expenditures,
- selected and reviewed nonstatistical samples of State agency expenditures, and
- reviewed the State agency's monitoring procedures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

Of the $14,081,931 expended, the State agency claimed $54,064 in unallowable subagency expenditures. In addition, we are setting aside for further review $89,000 in funds the Pharmacy subagency expended on drugs without having an agreement with the State agency or the pharmaceutical contractor.

We also found that the State agency did not enforce the terms of interagency agreements and allowed the implementation of a lengthy allocation process that delayed funding to hospitals and EMS providers.

INTERAGENCY AGREEMENT EXPENDITURES

Federal Regulations

Regulations (2 CFR part 225, Appendix A, section C.1 (formerly OMB Circular A-87)) state that to be allowable under Federal awards, costs must be "authorized or not prohibited under State or local laws or regulations" and "adequately documented."

Pursuant to 45 CFR § 92.36 (b)(2), "Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

Unallowable Expenses

The State agency claimed unallowable interagency agreement expenses totaling $54,064 ($53,986 in unauthorized expenses and $78 in undocumented expenses) for the Bureau of EMS, the Bioterrorism Section, and Pharmacy Services. When we asked for supporting documentation from Pharmacy Services and the Bureau of EMS, officials said that they did not authorize the expenditures and that the expenditures did not pertain to their departments. When we asked officials for documentation to support the Bioterrorism Section's expenditures, they were unable to provide it. (See Appendix A for a summary of the unallowable interagency expenditures.)

Unauthorized Expenses

The State agency contracted with Pharmacy Services to establish a pharmaceutical stockpile to be used in the event of a terrorist attack or public health emergency. To accomplish this goal, Pharmacy Services attempted to contract with a pharmaceutical supplier.

The pharmaceutical stockpile should have been purchased by August 31, 2006, the date the agreement between HRSA and the State agency expired and funding was no longer available. To use the funds available to the State agency, Pharmacy Services purchased pharmaceuticals using a purchase order that covered an invoice received August 28, 2006, and subsequently paid September 12, 2006. However, Pharmacy Services did not have the authority to spend the funds because its contract with the State agency had expired June 30, 2005. In addition, an agreement between Pharmacy Services and the supplier was not signed until May 21, 2007, nearly 9 months after the funding agreement between the State agency and HRSA had expired and almost 2 years after the agreement between Pharmacy Services and the State agency had expired.

According to a State agency official, Pharmacy Services was having problems getting an agreement approved with a supplier before the expiration of the contract between HRSA and the State agency. The State agency official said that the attempt to establish the pharmaceutical stockpile had taken more than 2 years.

We are setting aside the $89,000 for further review by HRSA.

INSUFFICIENT STATE AGENCY MONITORING

Federal Regulations and Interagency Agreement Requirements

Pursuant to 45 CFR § 92.36 (b)(2), "Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

In accordance with 45 CFR § 92.40, "Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved."

Pursuant to 45 CFR § 92.20 (b)(2), "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities."

Requirements for each interagency agreement are as follows:

- The "HRSA 2004-2005 FY Funds Interagency Agreement" between the State agency and the Office of Public Health, Office of Pharmacy states: "Copies of official agenda, minutes, and attendee rosters [must be sent] to the CDC Grant PI and the HRSA Grant PI not later than 30 days after initial and quarterly meeting dates." The FY 2005-2006 agreement states: "Every two months a report will be provided to the HRSA [Grant] PI regarding the status of funds."

- The FY 2002-2003 and 2004-2005 "Interagency Agreements" between the State agency and the Office of Public Health, Nursing Services Section, states that the Office of Public Health/Bureau of EMS should provide copies of evaluation summaries from each training session to the HRSA Grant PI.

- The "HRSA 2003-2004 and 2004-2005 Interagency Agreement" between the State agency and the Office of Public Health, Bureau of EMS, requires the Bureau of EMS "to organize and conduct, at a minimum, quarterly subcommittee meetings" and send "copies of official agenda, minutes, and attendee rosters to the HRSA Grant PI not later than 30 days after initial and quarterly meeting dates." The 2005-2006 agreement states: "Every month a report will be provided to the HRSA [Grant] PI regarding the status of funds."

- The "HRSA 2005-2006 FY Funds Interagency Agreement" between the State agency and the Office of Public Health, Emergency Preparedness and Response Program, states: "Every two months a report will be provided to the HRSA [Grant] PI regarding the status of funds."

Insufficient Monitoring of Interagency Agreements

The State agency failed to ensure that four subagencies provided all of the documentation required by their agreements with the State agency. The State agency reviewed invoices when the subagencies submitted them to ensure that the expenses were allowable but took no further steps to ensure that subagencies fulfilled the requirements of the interagency agreements.

According to a State agency official, "The agreements were not monitored or enforced because it takes a greater effort to enforce internal agreements compared to external contracts."

Also, the State agency awarded the subagencies $472,000 for program year 2004. Of the $472,000, the subagencies expended only $169,868 of the contracted amount. A State agency official said that the amount not spent on the interagency agreements was redirected to LHA for distribution to hospitals and EMS providers. As a result, there was no assurance that the program goals for the subagencies were met.

A State agency official said that there had been a problem getting contracts through the State contracting process. This had caused hardships on getting the money obligated and disbursed. According to the State agency official, HRSA advised the State agency to implement contracts to obligate grant money.

ALLOCATION PROCESS DELAYED DISBURSEMENTS

Federal Regulations and Program Guidance

Pursuant to 45 CFR § 92.21(c), "Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee."

The "National Bioterrorism Hospital Preparedness Program FY 2004 Continuance Guidance" states that awardees must obligate funds in a timely and efficient manner to ensure that hospitals, EMS systems, poison control centers, and other subrecipients are allowed maximum time and resources to achieve critical benchmarks and minimal levels of readiness.

Of the funds HRSA provided to the State Agency, $12,100,000 (79 percent) was redirected for Program use to hospitals and EMS providers using an allocation model. The model was developed by LHA and Bureau of EMS staff, the State agency's grant PI, DRC, and representatives from the Louisiana Rural Ambulance Alliance. The model considered numerous variables to determine the amount of funds to be distributed to hospitals and EMS providers.

LHA did not distribute Program funds in a timely manner because of the lengthy process of developing the allocation model. For example, the cooperative agreement between HRSA and the State agency for program year 2004 was effective September 1, 2004, through August 31, 2005. The State agency agreement with LHA was effective November 1, 2004. The agreement amendment to distribute Program funds to hospitals and EMS providers was effective June 7, 2005. LHA did not distribute any funds to the hospitals until July 15, 2005, 8 months after the initial agreement with the State agency became effective.

Development of the hospital and EMS allocation models included the following processes:

- DRCs identified funding priorities after meeting with hospitals and EMS providers in their regions.

- LHA and Bureau of EMS staff, representatives from the Louisiana Rural Ambulance Alliance and the grant PI reviewed grant requirements and input from the DRCs to develop the first draft of the models.

- The HRSA Advisory Committee reviewed the first draft of the models.

- LHA and Bureau of EMS staff, representatives from the Louisiana Rural Ambulance Alliance, and the grant PI revised the models based on input and reviewed the changes with the DRCs.

- The DRCs developed final recommendations for the HRSA Advisory Committee.

- The HRSA Advisory Committee adopted the final models and sent them to the grant PI.

- The grant PI worked with LHA to revise its contract to include the money that LHA distributed directly to the hospitals and EMS providers based on the allocation models.

- The State agency then wired the funds to LHA for distribution to the hospitals and EMS providers.

Hospitals and EMS providers did not have the maximum time and resources to achieve their goals because they did not receive their funds in a timely manner.

RECOMMENDATIONS

We recommend that the State agency:

- refund $54,064 to HRSA,

- review the $89,000 Pharmacy Services expenditure with HRSA,

- require subagencies to comply with the terms of future Program agreements,

- monitor grant- and subgrant-supported activities to assure compliance with applicable Federal requirements and achievement of performance goals, and

- require LHA and the Bureau of EMS to improve their allocation model development process to ensure that funds are transferred to hospitals and EMS providers in a timely manner.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments on our draft report, the State agency disagreed with our first two recommendations but agreed with our remaining three recommendations. The State agency provided additional supporting documentation related to the first recommendation and provided information on

actions that it had taken or planned to take on four recommendations. The State agency's comments, excluding proprietary information, are included in their entirety as Appendix B.

Unallowable Expenses

Of the $54,064 in unallowable expenditures, the State agency provided supporting documentation for $53,945 in Bureau of EMS expenses. However, the documentation did not provide enough detail for us to determine whether the expenditures were allowable. The State agency agreed to return $78 in Bioterrorism Section funds; it did not address $41 in unauthorized Pharmacy Section expenditures. Therefore, we continue to recommend that a total of $54,064 be refunded to HRSA.

Unauthorized Expenses

The State agency said that it had met the HRSA grant's requirement to establish the pharmaceutical cache but faced barriers that required it to take action "outside of 'normal' contractual mechanisms." Although we understand the complicated issues surrounding the establishment of the pharmaceutical cache, Pharmacy Services did not have the authority to purchase the cache because it did not agree to the purchase until more than a year after its contract with the State agency had expired. In addition, Pharmacy Services did not sign an agreement with the supplier until almost 2 years after Pharmacy Services' contract with the State had expired. Therefore, we continue to set aside the $89,000 for further HRSA review.

Insufficient State Agency Monitoring

The State agency said that it now includes a form in its interagency agreement documentation that would require subagencies to provide more frequent status reports on the level of completion of deliverable(s). The implementation of this recommendation would result in more frequent performance updates.

Allocation Process Delayed Disbursements

The State agency will require LHA and the Bureau of EMS to improve their allocation model development process to ensure that funds are transferred to facilities and providers in a timely manner.

APPENDIXES

APPENDIX A

SUMMARY OF UNALLOWABLE INTERAGENCY EXPENDITURES

Office of Public Health	Amount	
	Not Authorized	Not Documented
Bioterrorism Section		$78
Bureau of EMS	$53,945	
Pharmacy Services	41	
Total	**$53,986**	**$78**

Bobby P. Jindal
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS

LOUISIANA
Department of HEALTH and HOSPITALS
Alan Levine
SECRETARY

August 25, 2008

Gordon Sato
Regional Inspector General for Audit Services
Department of Health & Human Services
Office of Inspector General
Office of Audit Services
1100 Commerce, Room 632
Dallas, TX 75242

Dear Mr. Sato,

Louisiana Department of Health & Hospitals has reviewed the report A-06-7-00012 "Review of Louisiana Bioterrorism Hospital Preparedness Program." We found the report recommendations very reasonable as they pointed out opportunities for our improvement.

I would like to thank your team - lead by Ms. Donna Hendricks - for their visit to Louisiana. Ms. Donna Hendricks, Renita Nettles, Laura Weir, and Lolita Bradley were extremely professional, diplomatic and worked very hard to organize the reports during a time when the state was beginning its recovery from Hurricanes Katrina and Rita. We welcomed this opportunity for the team to review the HHS Hospital Preparedness Grant documents so that we can ensure our citizens of the stewardship of tax dollars.

Please contact Rosanne Prats, MHA, ScD at 225-342-3417 should you have questions.

Sincerely,

Jimmy Guidry, MD
State Health Officer & Medical Director

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The draft report identified 5 recommendations. DHH offers responses/corrective actions to these recommendations below.

Recommendation 1: Refund $54,064
Report excerpt: "The state agency claimed unallowable interagency agreement expenses totaling $54,064 ($53,986 in unauthorized expenses for the Bureau of EMS and $78 in undocumented expenses for the Bioterrorism Section)."

Response- Part 1: The following supporting documentation is provided by the fiscal office for the $53,986 amount: (Edward Holmberg, DHH Fiscal Management 504-568-5088).

Description		***Supporting Attachments:***
Travel	$ 4,399.00	A Attached
Building rental	18,000.00	B Lease document in Baton Rouge
Office Supply	155.94	C Credit Card Document in Baton Rouge
Office Supply	303.00	D Credit Card Document in Baton Rouge
Oper. Supply	70.40	E Petty Cash attached
Oper. Supply	995.00	F J2 Documents in Baton Rouge
Oper. Supply	990.14	G Credit Card Document in Baton Rouge
Equipment	966.60	H Credit Card Document in Baton Rouge
	$ 25,880.26	
Payroll correction	31,474.75	I Attached
Total	$ 57,355.01	
Not Billed	3,410.01	J Occured after 7/27/05.
Billed	$ 53,945.00	

Please note that these funds were transferred to the Bureau of EMS using an Interagency Authorization Transfer (IAT). An IAT is the fiscal mechanism which authorized BEMS to use the funds with the caveat that the funds are used in accordance with the grant guidance. The identified expenses charged to the IAT – travel, rental, office supplies, equipment, staff costs - are allowable expenditures for the grant. The supporting attachments are authorization forms used as part of DHH procedures for travel, obtaining office supplies or equipment, etc.

Response – Part 2: We cannot identify the $78 in undocumented expenses for the Bioterrorism Section and will hereby acknowledge the request to return $78.

Recommendation 2: Review the $89,000 Pharmacy Services expenditure with HRSA.
Report Excerpt: "The State agency contracted with Pharmacy Services to establish a pharmaceutical stockpile to be used in the event of a terrorist attack or public health emergency. To accomplish this goal, Pharmacy Services attempted to contract with a pharmaceutical supplier. The pharmaceutical stockpile should have been purchased by August 31, 2006...In addition, an agreement between Pharmacy Services and the supplier was not signed until May 21, 2007, nearly 9 months after the funding agreement

between the State agency and HRSA had expired and almost 2 years after the agreement between Pharmacy Services and the State agency had expired."

Response: The State has met the greater requirement of the HRSA grant – specifically, to have an accessible pharmaceutical cache - but faced barriers imposed by the HRSA grant guidance. Specifically, multi-year contractual agreements were indirectly precluded as a course of action as HHS Grant funds were stipulated as a one-time grant. Hence, Louisiana had to explore courses of action outside of "normal" contractual mechanisms to meet the requirement. Louisiana could have entered into a 1-year contractual agreement and simply purchased a cache which would have expired within the year. We did not think this was a responsible course of action. Rather, we felt that a better use of tax dollars was to ensure a rotation of stock so as to lengthen the availability of the cache. Rotation of stock implies an ongoing multi-year agreement with a pharmaceutical company. To meet the spirit and requirement of the grant guidance (and keep within the 1 year contract option), we determined that a two step process was in order: Cut a purchase order for the pharmaceuticals and then establish a separate Memorandum of Agreement between the parties to rotate the stock. It took a significant amount of time to organize the plan and determine the best course of action while maintaining stewardship of funds. The time-period referenced – almost 2 years – is reflective of multiple lawyers getting involved as well as contractual language being explored to protect all parties. One should note that besides taking a significant amount of time to be completed, all rules were followed and more importantly stewardship of tax dollars was maintained. One should also note that an extension on the grant funds was filed and approved.

Recommendation 3: Require sub-agencies to comply with the terms of future Program agreements

DHH has revised its Interagency Agreement (IAT) forms to include a form that would require the sub-agencies to provide a status report on the level of completion of the deliverable(s). The form will be a means of "institutionalizing" regular performance reports of deliverable completion. At present, the IAT has a form that only addresses fiscal updates. One should note that the mid-year report and end-of year report were used to monitor the program for sub-agencies. We find that implementing this recommendation will provide more frequent updates of performance rather than relying solely on the mid-year and end-of-year reports.

Recommendation 4: Monitor grant and sub-grant supported activities to assure compliance with applicable Federal requirements and achievement of performance goals

(see above)DHH has revised its Interagency Agreement (IAT) forms to include a form that would require the sub-agencies to provide a status report on the level of completion of the deliverable(s). The development of the deliverables is based on the grant requirements of performance goals. The form will be a means of

"institutionalizing" regular performance reports of deliverable completion. At present, the IAT has a form that only addresses fiscal updates. One should note that the mid-year report and end-of year report were used to monitor the program for sub-agencies. We find that implementing this recommendation will provide more frequent updates of performance rather than relying solely on the mid-year and end-of-year reports.

Recommendation 5: Require LHA and the Bureau of EMS to improve their allocation model development process to ensure that funds are transferred to hospitals and EMS providers in a timely manner.

DHH will require LHA and BEMS to improve their allocation model development process to ensure that funds are transferred to facilities and providers in a timely manner. LHA and BEMS have already begun revising their policies and procedures to better monitor/detect unallowable expenditures and to ensure that requirements in spending agreements are met. One of the main chokepoints of pushing out the grant funds is the timely receipt of spending agreements from hospitals and providers. Spending agreements must be received from participating hospitals/providers before funds can be distributed. The spending agreements identify for the facility/provider that they are about to receive a check from HRSA grant funds with the caveat that the funds must be spent towards the performance measures articulated in the grant. The spending agreement process also allows facilities/providers an opportunity to decline (or agree) to participate in the program. Enhanced monitoring of the spending agreements will directly facilitate timely transfer of funds to the providers. Decreasing the amount of time spent on developing the allocation model will also facilitate a quicker transfer of funds to facilities.