



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

Report Number: A-06-07-00096

September 8, 2008

Mr. John Matessino
President
Louisiana Hospital Association
C/O Asha Green
9521 Brookline Avenue
Baton Rouge, Louisiana 70809-1431

Dear Mr. Matessino:

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

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

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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-06-07-00096 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Gordon Sato".

Gordon Sato
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to Action Official:

Mr. Alan Levine
Secretary
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF LOUISIANA
BIOTERRORISM HOSPITAL
PREPAREDNESS PROGRAM –
LOUISIANA HOSPITAL
ASSOCIATION**



Daniel R. Levinson
Inspector General

September 2008
A-06-07-00096

Office of Inspector General

<http://oig.hhs.gov>

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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 then entered into contracts with the Louisiana Hospital Association (LHA) to hire grant coordinators and staff to administer the HRSA grant.

OBJECTIVE

Our objective was to determine whether LHA claimed administrative and hospital costs that were reasonable, allocable, and allowable.

SUMMARY OF FINDINGS

Of the \$2,261,662 of Program expenditures we reviewed, the hospitals improperly charged the Program \$10,887. LHA and the hospitals also failed to provide supporting documentation for expenditures totaling \$102,158; however, because documentation supporting \$95,935 of this amount was destroyed by Hurricane Katrina, we are questioning only the remaining \$6,223 in unallowable Program costs. LHA allowed hospitals to spend \$938,462 before the contract was executed or after the spending agreements' deadline. Of this amount, we are questioning \$54,903 spent more than 90 days after the Federal Program funding period ended. In addition, we are questioning undisbursed hospital Program funds totaling \$37,969 that remained in LHA's bank account.

LHA's monitoring process was not sufficient to ensure that hospitals provided LHA with supporting documentation for expenditures.

RECOMMENDATIONS

We recommend that LHA work with the State agency to:

- refund \$109,982 to HRSA;
- review the funds spent by hospitals after the spending deadlines and amend the spending deadlines in the contracts with LHA, if determined to be proper;

- ensure that LHA strengthens its review process to detect future unallowable expenditures;
- ensure that the requirements in future spending agreements with hospital providers are followed; and
- monitor grant- and subgrant-supported activities to assure compliance with applicable Federal requirements and achievement of performance goals.

LOUISIANA HOSPITAL ASSOCIATION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments on our draft report, LHA provided information on actions that it had taken or planned to take on all five of our recommendations and generally agreed with our recommendations. LHA also provided supporting documentation for items that were brought to its attention or were not available at the time of our review and offered additional technical comments concerning our findings. After carefully considering LHA's comments and the additional documentation, we revised the report where appropriate. LHA's comments, excluding proprietary information, are included as Appendix D.

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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 (FSRs) 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 are referring 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 a contract with the Louisiana Hospital Association (LHA), a non-profit corporation 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 (the Bureau), which contracted with emergency medical services (EMS) providers.

¹For 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.

LHA is responsible for all financial reporting for Louisiana Hospital Association Research & Education Foundation, a legal entity that administers all grant activities. Louisiana Hospital Association Research & Education Foundation enters into spending agreements with hospitals 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.

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, the Bureau staff, the State agency grant principal investigator (grant PI), designated regional coordinators (DRC), and representatives from the Louisiana Rural Ambulance Alliance. The models are approved by the HRSA Advisory Committee. We are issuing a separate report to the Bureau of EMS for EMS expenditures.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether LHA claimed administrative and hospital costs that were reasonable, allocable, and allowable.

Scope

Our review covered \$10,186,719² in Program expenditures for the period September 1, 2004, through August 31, 2006.

We selected a nonstatistical sample of LHA expenses related to payroll, travel, supplies, and services totaling \$400,293. We also selected a nonstatistical sample of hospitals. We reviewed the spending agreements and supporting documentation for each hospital to ensure that funds were spent according to its spending agreement. The table below summarizes the hospital expenditures that we reviewed.

Number of Hospitals and Value of Expenditures Reviewed				
Program Year	Total Hospitals	Hospitals Reviewed ³	Total Hospital Expenditures	Hospital Expenditures Reviewed
2004	240	20	\$4,647,796	\$1,048,974
2005	246	13	4,389,546	812,395
Total			\$9,037,342	\$1,861,369

²Of this amount, \$1,060,485 was for LHA's administrative expenses, \$9,037,342 was hospital expenditures, and \$88,892 was undisbursed funds remaining in LHA's bank account.

³Special projects are included with these hospitals.

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

We performed fieldwork at LHA offices from March through September 2007. In May 2008, we performed additional fieldwork at selected hospitals.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal regulations to gain an understanding of the financial and program requirements,
- determined LHA's accounting procedures,
- determined the disbursement process of funds to the hospitals,
- reviewed sampled hospitals' expenditures, and
- determined whether LHA had 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 objective. 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 \$2,261,662 of Program expenditures we reviewed, the hospitals improperly charged the Program \$10,887. LHA and the hospitals also failed to provide supporting documentation for expenditures totaling \$102,158; however, because documentation supporting \$95,935 of this amount was destroyed by Hurricane Katrina, we are questioning only the remaining \$6,223 in unallowable Program costs. LHA allowed hospitals to spend \$938,462 before the contract was executed or after the spending agreements' deadline. Of this amount, we are questioning \$54,903 spent more than 90 days after the Federal Program funding period ended. In addition, we are questioning undisbursed hospital Program funds totaling \$37,969 that remained in LHA's bank account.

LHA's monitoring process was not sufficient to ensure that hospitals provided LHA with supporting documentation for expenditures.

UNALLOWABLE HOSPITAL EXPENDITURES

Cost principles provide that to be allowable under an award, costs must be reasonable and allocable. (2 CFR part 230, Appendix A, sections A.2.a and A.2.f; 45 CFR part 74, Appendix E, sections A-D)

We identified unallowable hospital expenditures totaling \$10,096 for program year 2004 and \$791 for program year 2005:

- phone expenditures that were not related to the grant,
- duplicate expenditures,
- expenditures over the salary cap,
- unallowable alcohol expenditures, and
- unallowable food and paper goods expenditures.

(See Appendix A for a summary of unallowable hospital expenditures.)

Hospital officials said that they had paid for the phone, alcohol, and unallowable food and paper goods expenditures because they believed that they were allowable expenditures. When we asked an LHA official about the food and paper goods purchases, she said that the hospital could have put the funds to better use by purchasing meals ready to eat because they are nonperishable. The official said that anyone could use the paper goods; therefore, there was no assurance that the goods were actually bought for the Program. The duplicate expenditures and amount paid over the salary cap were administrative errors made by the hospital.

UNDOCUMENTED HOSPITAL EXPENDITURES

Pursuant to 45 CFR § 74.21(b)(7), which are grant administration requirements applicable to HHS-funded grants and subawards to non-governmental entities, recipients' financial management systems should provide accounting records, including cost accounting records, that are supported by source documentation.

Louisiana Hospital Association Research & Education Foundation spending agreements for 2004-2005 and 2005-2006 required receipts, invoices marked "paid," or copies of canceled checks to support expenditures. The agreements also specified dates for submitting the required supporting documentation to LHA.

Hospitals did not provide supporting documentation for Program expenditures totaling \$102,158 for program year 2004. Because documentation supporting \$95,935 of the total was destroyed by Hurricane Katrina, we are questioning only the remaining expenditures totaling \$6,223. (See Appendix B for a summary of the undocumented hospital expenditures.)

We identified expenditures that could not be supported because hospital officials:

- could provide information only from their purchasing systems because supporting documentation for expenditures totaling \$95,935 had been lost in the hurricanes and
- could not locate supporting documentation for expenditures totaling \$6,223.

HOSPITALS' SPENDING DEADLINES NOT MET

Pursuant to 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."

Regulations (45 CFR 74.51(a)) state: "Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award."

In accordance with 45 CFR § 92.23 (b), "A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period The Federal agency may extend this deadline at the request of the grantee."

Pursuant to 45 CFR § 74.71 (b), "Unless the HHS awarding agency authorizes an extension, a recipient shall liquidate all obligations incurring under the award not later than 90 calendar days after the funding period"

The 2004-2005 and 2005-2006 "Louisiana Hospital Association Research & Education Foundation Spending Agreement HRSA Funds" states: "These monies must be spent by [specified date]. The appropriate documentation for these expenditures must be provided to LHA-Research & Education Foundation by [specified date]."

A substantial portion of the hospitals' funds were spent before the contract was executed or after the spending agreements' deadline stipulated to in the spending agreement. Program year 2004 originally ended August 31, 2005, and program year 2005 originally ended August 31, 2006; however, each of the years were extended 12 additional months by HRSA.

We reviewed the invoices and paid dates and found that hospitals spent:

- 64 percent, or \$596,782, of their program year 2004 funds before the contract was executed or after the spending agreements' deadline; and
- 42 percent, or \$341,680, of their program year 2005 funds before the contract was executed or after the spending agreements' deadline.

(See Appendix C for a summary of hospital expenditures made after spending agreement deadlines.)

The hospitals did not receive their spending agreements and funding until the last quarter of the original program years. Therefore, hospitals did not have a sufficient amount of time to spend their funds. An official at one hospital expressed his frustration over the spending deadline by giving the following example. Hospital officials did not order items until the Program funds were received. In addition, the hospital did not pay the vendors until the items were received, which, because of the nature of the items often took quite some time. The official stated that LHA's spending agreement deadline was unrealistic given that the hospital did not receive the funds until late in the program year. In another example given by the hospital official, the hospital was given an additional spending agreement with a 5-day deadline. Because the hospital had only 5 days to spend the money, the official said, hospital officials scrambled to purchase items that may never be used.

LHA officials said that hospitals could have extended their spending agreement deadlines and added that LHA's hospital files should contain documentation supporting extensions of hospitals' spending agreement deadlines if extensions had been granted. LHA officials said that for program year 2004, hospitals were granted extensions either verbally or in an email, if requested. For program year 2005, LHA required hospitals to request extensions in writing. The files we reviewed at LHA and at the hospitals showed no evidence that extensions had been granted.

Out of the \$938,462 that was spent before the contract was executed or after the spending deadline, we found that \$86,547 was spent outside of the 2004 and 2005 Federal program year funding periods established by HRSA. A recipient has an additional 90 days after the close of the funding period to liquidate all obligations incurred in the funding period. Because we cannot distinguish between the hospitals' obligations and liquidations, we are only questioning \$54,903 for program year 2004 that was spent beyond the 90-day period following the end of the Federal Program period.

UNDISBURSED HOSPITAL FUNDS

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."

Regulations (45 CFR § 92.23) state: "Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

In accordance with 45 CFR § 74.22(b), "Recipients will be paid in advance, provided they maintain or demonstrate the willingness to maintain: (i) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient; and (ii) Financial management systems that meet the standards for fund control and accountability as established in 74.21."

Pursuant to 45 CFR § 74.28, “Where a funding period is specified, a recipient may charge to the award only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the HHS awarding agency pursuant to § 74.25(d)(1).”

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.

At the time of our audit, undisbursed program year 2004 hospital funds totaling \$8,969 remained in LHA’s bank account. After the HRSA Advisory Committee approved the allocation model, LHA disbursed an initial allocation to the hospitals. Some hospitals returned all of their allocations to LHA for redistribution because they did not want to participate; some hospitals spent only part of their allocations.

LHA redistributed funds four times for program year 2004. According to an LHA official, the undisbursed funds were overlooked because of an administrative error related to the amount of time the files remained open. As a result, we are questioning \$8,969 in undisbursed program year 2004 hospital funds.

Undisbursed program year 2005 funds totaling \$79,923 remained in LHA’s bank account at the beginning of our fieldwork. An LHA official said that the redistribution of 2005 grant funds was delayed so that the returned funds could be redistributed to the hospitals once rather than multiple times as in program year 2004. By the end of our fieldwork, all but \$29,000 of the undisbursed funds had been distributed to the hospitals. The \$29,000 remained undistributed because LHA could not reach an agreement with the recipient hospital. Therefore, we are questioning \$29,000 of undisbursed program year 2005 hospital funds.

INSUFFICIENT MONITORING OF HOSPITALS

Pursuant to 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 § 74.21(b), recipients’ financial management systems should provide accounting records, including cost accounting records, that are supported by source documentation.

Regulations (45 CFR § 74.51(a)) state: “Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.”

Louisiana Hospital Association Research & Education Foundation Spending Agreements for 2004-2005 and 2005-2006 required receipts, invoices marked “paid,” or copies of canceled checks to support expenditures. The agreements also give specific dates for submitting the required supporting documentation to the LHA Research & Education Foundation.

LHA's monitoring process was not sufficient to ensure that hospitals sent in supporting documentation for expenditures. Also, LHA did not conduct site visits. LHA did not always have supporting documentation for nine of the sampled hospitals' expenditures, although it had tried to obtain the documentation. Subsequently, we visited eight of the hospitals and found that they had most of the supporting documentation. Without the supporting documentation, LHA had no assurance that the hospitals were spending Program funds on allowable expenditures.

RECOMMENDATIONS

We recommend that LHA work with the State agency to:

- refund \$109,982 to HRSA;
- review the funds spent by hospitals after the spending deadlines and amend the spending deadlines in the contracts with LHA, if determined to be proper;
- ensure that LHA strengthens its review process to detect future unallowable expenditures;
- ensure that the requirements in future spending agreements with hospital providers are followed; and
- monitor grant- and subgrant-supported activities to assure compliance with applicable Federal requirements and achievement of performance goals.

LOUISIANA HOSPITAL ASSOCIATION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments on our draft report, LHA provided information on actions that it had taken or planned to take on all five of our recommendations and generally agreed with our recommendations. LHA also provided supporting documentation for items that were brought to its attention or were not available at the time of our review and offered additional technical comments concerning our findings. After carefully considering LHA's comments and the additional documentation, we revised the report where appropriate. LHA's comments, excluding proprietary information, are included as Appendix D.

Unallowable Hospital Expenditures

LHA stated that the phone expenditure was for the direct supervisor of the Region 7 administrative designated regional coordinator (ADRC). The phone purchased was used by the supervisor so that she could be updated by the ADRC while she was away from the office. In addition, the supervisor helped with the regulatory and compliance issues for the hospital during disasters. During our visit to the hospital, an official told us that the supervisor did not charge time to the grant. We also verified that none of her salary was charged to the grant. The phone expenditures for the supervisor were unallowable; thus, we continue to recommend that LHA refund to HRSA the amount owed.

LHA also provided additional salary and benefit documentation for the ADRC, whose salary was over the salary cap. After comparing the documentation to the documentation that was provided to us while onsite, we reduced the unallowable amount over the salary cap to \$8,290; therefore we continue to recommend that a total of \$10,887 be refunded to HRSA for unallowable expenditures. See Appendix A for a summary of unallowable hospital expenditures.

LHA stated that it would send letters to hospitals with unallowable expenditures, and upon receipt of the funds, return the funds to the State agency. LHA also said that it has revised its policies and procedures to detect future unallowable expenditures.

Undocumented Hospital Expenditures

LHA stated it would send letters to hospitals with undocumented expenditures and request that they return the funds. LHA also provided us with documentation from Christus Schumpert for the \$1,958 that was unsupported while we were onsite; therefore we reduced the total to be returned to HRSA to \$6,223. LHA also said that it has revised its policies and procedures to ensure that spending agreement requirements are met.

Hospitals' Spending Deadlines Not Met

LHA stated that Lafayette General Medical Center, one of the hospitals that spent funds 90 days or more after the HHS program year, had signed an amended contract with LHA, extending the deadline to February 3, 2007. Regulations require that obligations be incurred within the Federal program year funding period (45 CFR § 74.28) and that those obligations be liquidated within 90 days after the end of the funding period (45 CFR § 74.71 (b)). Program year 2004 ended August 31, 2006, and HRSA did not grant an extension beyond that date. Even if an extension had been granted, the expenditures in question were purchased after February 3, 2007. We continue to question the \$54,903 spent more than 90 days after the Federal funding period ended.

Undisbursed Hospital Funds

LHA returned the \$37,969 in undistributed funds to the State agency on August 5, 2008.

Insufficient Monitoring of Hospitals

LHA has revised its policies and procedures to include yearly site visits, which will help LHA ensure compliance with grant requirements. LHA said that it would ensure that all grant members follow the revised policies and procedures.

APPENDIXES

SUMMARY OF UNALLOWABLE HOSPITAL EXPENDITURES

<u>Program Year 2004 Hospital</u>	<u>Amount</u>	<u>Reason for Disallowance</u>
Christus Schumpert	\$1,178	Phone expenditures not grant related
	602	Duplicate expenditures
Christus Schumpert Special Project	8,290	Amount over the salary cap
	26	Unallowable alcohol expenditures
Total	<u><u>\$10,096</u></u>	
 <u>Program Year 2005 Hospital</u>	 <u>Amount</u>	 <u>Reason for Disallowance</u>
Health Paradigm	\$791	Unallowable food and paper goods expenditures
Total	<u><u>\$791</u></u>	

SUMMARY OF UNDOCUMENTED HOSPITAL EXPENDITURES

<u>Program Year 2004 Hospitals</u>	<u>Undocumented Amounts</u>	<u>Reason for Disallowance</u>
Chalmette	\$32,106	Records destroyed by hurricane
Christus Schumpert Special Project	1,723	Could not obtain documentation
Methodist	33,299	Records destroyed by hurricane
Specialty Hospital of New Orleans	4,500	Could not obtain documentation
Veterans	30,530	Records destroyed by hurricane
Total	<u>\$102,158</u>	
Hurricane-related expenditures	<u>(95,935)</u>	
Total unallowable	<u>\$6,223</u>	

**SUMMARY OF HOSPITAL EXPENDITURES MADE BEFORE THE CONTRACT
WAS EXECUTED OR AFTER SPENDING AGREEMENTS DEADLINES**

<u>Program Year 2004 Hospitals</u>	<u>Spending Agreement Amount</u>	<u>Amount Spent Before the Contract Was Executed Or After Deadline</u>	<u>Amount Spent After HRSA Program Year</u>	<u>Amount Spent 90 Days or More After HRSA Program Year</u>
Baton Rouge General (Bluebonnet and Mid City)	\$78,403	\$78,403	\$2,929	
Christus Schumpert (St. Mary, Highland, and Bossier)	79,779	74,810		
East Jefferson General Hospital	50,420	42,402		
Lake Charles Memorial and Extended Care of SW LA	41,894	35,166		
LSU Bogalusa Medical Center (Inpatient and Outpatient)	48,366	48,366		
Christus St. Frances Cabrini Hospital	85,413	46,078		
St. Francis Medical Center	47,235	39,828	5,517	
Terrebonne General Medical Center	47,960	35,641		
West Jefferson Medical Center	71,046	48,849		
Lafayette General Medical Center	51,478	45,231	9,143	\$5,598
Lake Charles & Lafayette General Special Project	108,000	68,177	68,177	49,132
Opelousas General Hospital	30,529	18,383	485	173
Luling Rehabilitation Center	2,128	2,128		
St. Francis Medical Center Special Project	90,000	0		
Christus Schumpert St. Mary Special Project	102,598	13,320	296	
Total	\$935,249	\$596,782	\$86,547	\$54,903

**SUMMARY OF HOSPITAL EXPENDITURES MADE BEFORE THE CONTRACT
WAS EXECUTED OR AFTER SPENDING AGREEMENTS DEADLINES**

<u>Program Year 2005 Hospitals</u>	<u>Spending Agreement Amount</u>	<u>Amount Spent Before the Contract Was Executed Or After Deadline</u>	<u>Amount Spent After HRSA Program Year August 31, 2007</u>	<u>Amount Spent 90 Days or More After HRSA Program Year</u>
Baton Rouge General (Bluebonnet and Mid City)	\$99,659	\$62,712		
Christus St. Frances Cabrini Hospital	39,925	37,987		
East Jefferson General Hospital	65,904	61,852		
Lafayette General Medical Center	20,439	20,061		
Lake Charles Memorial	47,547	37,885		
LSU Health Sciences - Shreveport	40,444	34,919		
Special Project Lafayette General Medical Center	305,760	0		
St. Francis Medical Center	37,090	37,090		
St. Tammany Hospital	41,020	6,947		
Terrebonne General Medical Center	41,118	41,118		
West Jefferson Medical Center	65,875	0		
Health Paradigm	1,109	1,109		
Sterling Rehabilitation Hospital	5,525	0		
	<u>\$811,415</u>	<u>\$341,680</u>	<u>\$0</u>	<u>\$0</u>
Program Year 2005 total				
Program Year 2004 total	\$935,249	\$596,782	\$86,547	\$54,903
	<u>\$1,746,664</u>	<u>\$938,462</u>	<u>\$86,547</u>	<u>\$54,903</u>
Grand Total				



LOUISIANA HOSPITAL ASSOCIATION

JOHN A. MATESSINO
PRESIDENT & CEO

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August 6, 2008

Attn: Gordon Sato
Regional Inspector General
Office of Audit Services
1100 Commence, Room 632
Dallas, TX 75242

Report Number: A-06-07-00096

Dear Mr. Sato

The Louisiana Hospital Association (LHA) Health and Human Services grant staff has reviewed the Office of the Inspector General's (OIG) final draft report entitled "***The Review of Louisiana Bioterrorism Hospital Preparedness Program.***" The grant staff provides the enclosed comments regarding the draft report.

We appreciate the OIG's efforts to identify areas where improvements can be made. We will continue to maintain our diligence and improve our controls over grant funds. If you have any questions, please feel free to contact our grant staff at (225) 928-0026.

Sincerely,

A handwritten signature in cursive script that reads "John Matessino".

John Matessino
President

Enclosure

**LOUISIANA HOSPITAL ASSOCIATION
RESPONSE TO OFFICE OF INSPECTOR GENERAL
REPORT NUMBER A-06-07-00096**

The Louisiana Hospital Association (LHA) Health and Human Services (HHS) Grant staff has reviewed the Office of Inspector General's (OIG) final draft report entitled "*The Review of Louisiana Bioterrorism Hospital Preparedness Program.*" The grant staff appreciates the time and effort the OIG has given to this audit. Based on the audit report, we have initiated actions to address the OIG recommendations.

The draft audit report contains five recommendations. We have developed a corrective action table to address all five of the OIG's recommendations. Each recommendation, along with its corrective actions and/or planned action and completion dates, are listed below.

Audit Recommendations	Action Taken	Planned Action
Refund \$112,597 to HRSA	<p>The LHA returned the undistributed funds of \$37,969 to Department of Health and Hospitals (DHH) on 08/05/08. For copies of the checks, please refer to Appendix A.</p> <p>Lafayette General Medical Center (\$5,598), one of the three hospitals that spent a total of \$54,903 ninety days or more after the HHS program year, signed an amended contract extending the deadline to February 3, 2007. For a copy of the amended contract, refer to Appendix B.</p>	<p>Amended contracts will be sent to the remaining two hospitals that spent a total of \$54,903, ninety days or more after the HHS program year.</p> <p>Letters will be sent to the hospitals with undocumented expenditures (\$8,181.00) requesting that they return a total of \$6,911.38 (\$8,181 minus \$1,958 from CHRISTUS Schumpert <u>plus</u> an additional \$688.38 of undocumented expenditures from CHRISTUS Schumpert Special Project). The documentation for the \$1,958 has been obtained and will be provided upon request.</p> <p>The remaining \$11,544 is from hospitals with unallowable expenditures. A letter will be sent to CHRISTUS Schumpert requesting that they return a total of \$8,289.66 for the unallowable expenditures spent over the salary cap. Upon receipt of funds, the LHA will return funds to DHH. For a copy of CHRISTUS undocumented and unallowable expenditures, see Appendix C.</p> <p>All letters and amended contracts will be sent the week of 8/12/08.</p>

Audit Recommendations	Action Taken	Planned Action
Review the funds spent by hospitals after the spending deadlines and amend the spending deadlines in the contract with the LHA, if determined to be proper	An amended contract extending the spending deadline was drafted and will be sent to the hospitals during the week of 8/12/08.	The LHA will ensure that all extensions are in writing and a copy of the extension letter has been placed in the hospital's file. For policies and procedures on extending deadlines, see Appendix D, section II.D.
Ensure that the LHA strengthens its review process to detect future unallowable expenditures	The LHA has revised its policies and procedures to detect future unallowable expenditures. See Appendix D, section II.E.ii.	The LHA will ensure revised policies and procedures are being adhered to by all grant staff members.
Ensure that the requirements in the future spending agreements with hospitals are followed	The LHA has revised its policies and procedures to ensure requirements in spending agreements are met. See Appendix D, section II.	The LHA will ensure revised policies and procedures are being adhered to by all grant staff members.
Monitor grants and sub grants-supported activities to ensure compliance with applicable federal requirements and achievement of performance goals	The LHA has revised its policies and procedures to include yearly site visits. See Appendix D, section II.B.iii. The yearly site visits will allow the LHA to ensure compliance with grant requirements.	The LHA will ensure revised policies and procedures are being adhered to by all grant staff members.

In addition, the LHA requests modifications to the final report on the following points:

1. **Report states on page i and 3, first sentence under "Findings and Recommendations":** "LHA and the hospitals improperly charged the program \$11,544."

LHA Response: The LHA requests that the phrase be corrected as it is misleading. The statement implies that the LHA purchased unallowable items. Of the \$400,293 of LHA expenses audited by the OIG, there was no evidence that the LHA improperly charged the program. Therefore, the LHA asks that the phrase be corrected in the final report to read "Hospitals improperly charged the program \$11,544."

2. **Report states on page i and 3, last sentence under "Findings and Recommendations":** "LHA insufficient monitoring contributed to the hospital's noncompliance with the terms of the spending agreement."

LHA Response: The LHA requests that this phrase be deleted from the report. The LHA sent letters, made phone calls and sent emails to hospitals to obtain outstanding documentation or recoup the unspent grant funds. For a copy of a few of the notification letters and/or other forms of documentation, see Appendix E. In addition, the LHA would like to point out that hospitals in the state of Louisiana were recovering from Hurricanes Katrina and Rita during the FY 2004-2005 and FY 2005-2006 grant years. As such, documentation may have been destroyed or the personnel handling the HHS grants no longer worked at the facility. Because of these factors, documentation was hard to obtain.

3. **Report states on page 4, first paragraph:** "We identified unallowable hospital expenditures totaling \$10,753 for program year 2004 and \$791 for program year 2005:

- Phone expenditures that were not related to the grant.
- Duplicate expenditures
- Expenditures over the salary cap;
- Unallowable alcohol expenditures, and
- Unallowable food and paper good expenditures."

LHA response: The LHA requests that the first bullet point (Phone expenditures that were not related to the grant) be removed from the report. The grant guidance and the cost directives do not indicate that phones or blackberries could not be purchased with grant funds. The phone expenditure was for the purchase of a blackberry. The blackberry was provided to the direct supervisor of the Region 7 Administrative Designated Regional Coordinator (ADRC) at the hospital mentioned in the audit report. The blackberry was provided so the ADRC could provide updates to his direct supervisor while she was away from the office. In addition, the supervisor helped with the regulatory and compliance issues for the hospital during disasters.

In addition, the LHA requests the deletion of bullet point number 3 (Expenditures over the salary cap). The administrative DRC contract for this program year does not mention a salary cap; therefore, funds can not be considered unallowable. For a copy of signed agreement, refer to Appendix F. CHRISTUS Schumpert does however recognize that there was a salary cap of \$55,000/year. Therefore a letter will be sent to CHRISTUS Schumpert asking them to return a total of \$8,289.66 for the unallowable expenditures over the salary cap during the week of 8/12/08. For a summary of CHRISTUS Schumpert's unallowable expenses, see Appendix C.

4. **Report states on page 4, second paragraph:** "When we asked an LHA official about the food and paper goods purchases, she said that the hospital could have put the funds to better use by purchasing meals ready to eat because they are nonperishable. The official said that anyone could use the paper goods; therefore, there was no assurance that the goods were actually bought for the Program."

LHA Response: The LHA notified this hospital about the purchase of the paper goods. The hospital was asked to submit another invoice to support the grant purchases because paper goods were not a good use of the funds. The LHA asks that the OIG report note the aforementioned statement in the audit report.

5. **Report states on page 5, second to last paragraph:** "The hospitals did not receive their spending agreements and funding until the last quarter of the original program years. Therefore, hospitals did not have a sufficient amount of time to spend their funds. An official at one hospital expressed his frustration over the spending deadline by giving the following example. Hospital officials did not order items until the program funds were received, which, because of the nature of the item often took quite some time. The official stated that LHA's spending agreement deadline was unrealistic given that the hospital did not receive the funds until late in the program year."

LHA Response: The LHA requests that this phrase be deleted or modifications be made to the statement as it is misleading. The statement indicates that the LHA was holding grant funds. The LHA cannot distribute funds to hospitals until funds have been released from DHH. DHH cannot release funds to the LHA until the allocation model has been approved by the HHS Advisory Board. The development and approval of the allocation model takes approximately 6-8 months. Upon approval of the allocation model, DHH releases the funds to the LHA, which in turn distributes the funds to the hospitals.

6. **Reports states on page 6, first paragraph:** "The files we reviewed at LHA and the hospitals showed no evidence of any type of extension being granted."

LHA Response: During the FY 2004 and FY 2005 grant years, most extensions were either verbally given or provided in the form of an email. The LHA requests that the aforementioned statement be added to the grant report. The LHA will amend the FY 2004 and FY 2005 contracts and send letters to the hospitals listed in the appendix section of the OIG report during the week of 8/12/08.

7. **Reports states on page 6, second to last paragraph:** "LHA redistributed funds four times for program year 2004. According to an

LHA official, because the files remained open for so long, the undisbursed funds were overlooked because of an administrative error. As a result, we are questioning \$8,969 in undisbursed program year 2004 hospital funds.”

LHA Response: The LHA returned the \$8,969 of undisbursed funds to DHH on 8/05/08. The LHA requests that the aforementioned statement is noted in the grant report. (See Appendix A for copy of check.)

8. **Report states on page 6, last paragraph:** “The \$29,000 remained undistributed because the LHA could not reach an agreement with the recipient hospital. Therefore, we are questioning the \$29,000 of undisbursed program year 2005 hospital funds.”

LHA Response: The LHA returned the \$29,000 of undisbursed funds to DHH on 8/05/08. The LHA requests that the aforementioned statement is noted in the grant report. (See Appendix A for copy of check.)

9. **Report states on page 7, fourth paragraph:** “LHA’s monitoring process was not sufficient to ensure that hospitals sent in supporting documentation for expenditures. Also, LHA did not conduct site visits. LHA did not always have supporting documentation. Subsequently, we visited eight of the hospitals and found that they had most of the supporting documentation. Without the supporting documentation, LHA had no assurance that the hospitals were spending the funds on allowable program expenditures.”

LHA Response: The LHA tried on numerous occasions to obtain the outstanding documentation or recoup the unspent grant funds from these hospitals. In addition, the LHA has revised its internal control policies and procedures for the HHS grant program to ensure hospital costs are reasonable and allowable. For revised policies and procedures, see Appendix E. The LHA requests that the aforementioned statement is noted in the grant report.

The LHA is appreciative of the feedback and the review of grant procedures by the OIG. We request that the aforementioned modifications be added to the final report. In conclusion, the LHA will continue to take actions to improve upon its internal control policy.