

DEPARTMENT OF HEALTH

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2018-005: Inadequate controls over subrecipients

Type of Finding: Material Weakness and Noncompliance

CFDA Title: National Bioterrorism Hospital Preparedness Program

CFDA Number: 93.889

Federal Award Number: NU90TP921882

Federal Award Year: FFY16, FFY17, FFY18

Federal Agency: Department of Health and Human Services (DHHS), Centers for Disease Control and Prevention

Category of Finding: Cash Management, Period of Performance, Subrecipient Monitoring

Criteria:

There were four subrecipient agreements paid from the National Bioterrorism Hospital Preparedness Program by the South Dakota Department of Health (DOH) in FY18. The agreements stipulate that FY18 period of performance was effective on June 1, 2017 and would end on August 31, 2018. Subrecipients were also paid in prior years. The prior year agreements stipulated the period of performance as July 1, 2016 thru August 31, 2017 (for FY17) and July 1, 2015 thru June 30, 2016 (for FY16). The payment provision of the agreements stipulated that the State would pay, upon State's satisfaction that services have been completed, up to \$125,000.

The Uniform Administrative Requirements 2 CFR section 200.305(b)(1) states, "... Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. ..."

Condition:

1. As part of performing its subrecipient monitoring activities, the DOH performed a desk review of one subrecipient in March 2018. The desk review included the review of financial information. Documents received from the subrecipient indicated that costs incurred in January 2018 were charged to the FY16 and FY17 grants. These grants should have already been spent as their period of performance had expired. DOH asked the subrecipient, along with several other questions, why this occurred as the grants were supposed to have been already spent. DOH never received a response for this specific question and did not follow-up on the question.
2. The DOH paid the four subrecipients \$125,000 each in advance of the activities being completed which was in violation of the terms of the subrecipient agreements.
3. Documentation received by the DOH as part of its desk review identified that the subrecipient had \$89,600 of the \$125,000 advance remaining to be spent two months after receiving the money which indicated that the funds were not needed for the immediate cash requirements as required by the Uniform Administrative Requirements.

Cause:

1. Procedures were not in place to ensure that questions arising from the desk review were satisfactorily answered.
2. Periodic financial reports were not received from the subrecipients and reviewed to ensure compliance with federal regulations.

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3. Payments were made to subrecipients in advance of the need of the funds and in violation of the subrecipient agreement provisions.

Effect:

Payments were made to subrecipients in advance of their need for funds and in violation of the terms of the subrecipient agreements. Subrecipient monitoring was not adequate which increased the risk that funds were not properly spent in accordance with the subrecipient agreement, grant requirements and federal regulations. Internal controls were not adequate for monitoring the period during which the funds were available for obligation under the program.

Questioned Costs:

None

Further Information:

The four subrecipients identified in the finding were the only subrecipients paid from the grant.

Recommendations:

1. We recommend the Department implement policies and procedures to ensure subrecipients are providing periodic financial reports and that the reports are reviewed to ensure compliance with grant and subrecipient agreement requirements.
2. We recommend the Department improve subrecipient monitoring procedures to ensure all questions are appropriately answered and resolved.
3. We recommend the Department make payment to subrecipients based upon their submission of claims for eligible expenditures and in accordance with federal regulations ensuring the time is minimized between the disbursement of funds and the drawdown.

Views of Responsible Officials:

The Department of Health (DOH) concurs with the finding. However, DOH would provide the following clarifying information about this audit finding. DOH did follow up on subrecipient questions through email and conference calls. In addition, the expenditure period for the FY17 federal award was extended to 6/30/18 and all FY17 funds were expended during this period.

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CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2018-006: Inadequate controls over allowable costs

Type of Finding: Significant Deficiency and Noncompliance

CFDA Title: National Bioterrorism Hospital Preparedness Program

CFDA Number: 93.889

Federal Award Number: NU90TP921882

Federal Award Year: FFY18

Federal Agency: Department of Health and Human Services (DHHS), Centers for Disease Control and Prevention

Category of Finding: Allowable Costs

Questioned Costs: \$25,000

Criteria:

The consultant contract between the South Dakota Department of Health and Jeff Luther, MD specified certain responsibilities that the consultant was to perform, including publishing one article per quarter in the EMS Program newsletter. Payment by the State was to be made in an amount up to \$25,000 upon satisfaction that the services had been completed. The contract also provided that the payment would be at \$100 per hour upon receipt of an invoice.

Condition:

There were two \$12,500 payments made on the contract. The invoices did not identify the hours worked, only that the amount was due for professional services performed under the contract. We also noted that the consultant did not publish any articles in the newsletter.

Cause:

The internal controls were inadequate over ensuring contracts requirements were met and services were provided.

Effect:

The contract requirements were not met by the consultant. The contract payments should not have been made.

Questioned Costs:

\$25,000

Further Information:

This was the total paid to the consultant under the contract in FY18.

Recommendation:

We recommend that the Department of Health to implement procedures and internal controls to ensure that contract requirements are met prior making payment.

Views of responsible Officials:

The Department of Health concurs with the finding.