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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**NEW YORK CITY  
DEPARTMENT OF HEALTH  
AND MENTAL HYGIENE**

**EXPENDITURE OF BIO-  
TERRORISM HOSPITAL  
PREPAREDNESS GRANT FUNDS**

**Report 2006-N-14**

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## AUDIT OBJECTIVE

The objective of our audit was to determine whether the New York City Department of Health and Mental Hygiene used bio-terrorism hospital preparedness grant funds in accordance with grant agreements.

## AUDIT RESULTS - SUMMARY

The United States Department of Health and Human Services' Health Resources and Services Administration provide bio-terrorism preparedness and response grant funds to the New York City Department of Health and Mental Hygiene (Department). The funds are for the development and implementation of plans to improve the capacity of hospitals to respond to a bio-terrorist attack or outbreak of infectious disease requiring mass immunization, treatment, isolation and/or quarantine.

To determine whether grant funds were spent appropriately, we reviewed the requirements

in the grant agreement and compared them to the Department's procedures. We then selected a random sample of 50 payments totaling \$1.15 million made during the period of January 1, 2005 through May 26, 2006. These consisted of 31 payments totaling \$895,724 to hospitals, 10 payments totaling \$26,530 to various service consultants, and 9 direct charges totaling \$231,592 for administrative related activities by the Fund for Public Health and the Department.

We found that the Department used bio-terrorism hospital preparedness grant funds in accordance with its grant agreement.

This report, dated July 16, 2007, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller  
Division of State Government Accountability  
110 State Street, 11<sup>th</sup> Floor  
Albany, NY 12236

## BACKGROUND

The United States Department of Health and Human Services' Health Resources and Services Administration provide bio-terrorism preparedness and response grant funds to the New York City Department of Health and Mental Hygiene (Department). The funds are for the development and implementation of plans to improve the capacity of hospitals to respond to a bio-terrorist attack or outbreak of infectious disease requiring mass immunization, treatment, isolation and/or quarantine.

Each year, the Department applies for grant funds, which are sent directly to the Fund for Public Health in New York, Inc. (Fund for Public Health), a not-for-profit entity established by New York City for the express purpose of administering such funds. The Fund for Public Health has sub-contracts with consultants, vendors and 67 New York City hospitals (29 major hospitals and their affiliates) to fund their bio-terrorism preparedness programs.

The Department approves all invoices prior to payment by the Fund for Public Health and monitors compliance by the sub-contractors. The Department also conducts site visits to grant recipients and provides semi-annual and annual reports to the Health Resources and Services Administration regarding grant recipient compliance. The Fund for Public Health is responsible for performing vendor monitoring including verifying actual contract expenses and compliance with the fiscal requirements of contracts.

Between April 1, 2002 and May 26, 2006, New York City was awarded \$47.2 million in grant funds. Of this, the Fund for Public Health has distributed \$36.2 million to hospitals, primary care centers and other health-related entities.

## AUDIT FINDINGS

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### *Use of Grant Funds*

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According to the grant agreement, the Department is required to follow specified procedures regarding grant funds.

To determine whether grant funds were spent appropriately, we selected a random sample of 50 payments totaling \$1.15 million out of 465 payments (totaling \$14.4 million), made during the period of January 1, 2005 through May 26, 2006. These consisted of 31 payments totaling \$895,724 to hospitals, 10 payments totaling \$26,530 to various service consultants, and 9 direct charges totaling \$231,592 for administrative related activities by the Fund for Public Health and the Department. We determined what the payments were for and verified that the Department received everything stated in the contracts for each of these payments. For example, if a hospital was supposed to provide training, we verified the training was given, if a contract was for consulting services, we verified the services were received.

We reviewed each payment and verified that all of the services requested for these payments met the grant requirements. Further, each of the payments had a "Voucher for Payment," form which was signed and approved by both the Department and Fund for Public Health. The form serves as an invoice the Department prepares for the grant recipient and provides a listing and description of the deliverables. On each form, the Department's approval appropriately preceded execution by the Fund for Public Health, showing the Fund for Public Health had the necessary approval to disburse funds. We also compared the information on the Voucher for Payment to the check issued to verify the correct amount was paid. In

addition, to verify the Fund for Public Health's distribution of grant funds, we reconciled total expenditures to the total awarded grant funds during our audit period.

We found that the Department used funds in accordance with grant agreements.

## **AUDIT SCOPE AND METHODOLOGY**

We conducted our performance audit in accordance with generally accepted government auditing standards. The audit examined whether the Department used the Health Resources and Services Administration's bio-terrorism grant funds in accordance with grant agreements. Our audit period was from January 1, 2005 through May 26, 2006.

To determine whether the Department used grant funds in accordance with grant agreements, we selected a random sample of 50 out of 465 payments made to consultants, vendors and 67 hospitals by the Fund for Public Health. We reviewed the documentation supporting the sampled payments to determine whether the Department reviewed the contract deliverable before authorizing the Fund for Public Health to pay the hospital. We also determined whether vendors fulfilled contracts within the expected completion dates; including verifying the actual sign-in sheet for those that involved training for employees of hospitals on bio-terrorism prevention and response related activities.

As is our practice, we notified agency officials at the outset of the audit that we would request a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter

is intended to confirm oral presentations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the New York City Mayor's Office of Operations have informed us that, as a matter of policy, mayoral agency officials do not provide representation letters in connection with our audits. As a result of this policy we lack assurance from agency officials that all relevant information was provided to us during the audit.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Office of Operations. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, they do not affect our ability to conduct independent audits of program performance.

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## **AUTHORITY**

This audit was performed according to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article III of the General Municipal Law.

## **REPORTING REQUIREMENTS**

We provided a draft of this report to Department officials for their review and comment. Their comments were considered

in preparing this report, and are included as Appendix A. Department officials were pleased with the results of the audit.

## **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include William Challice, Richard Sturm, Donald Geary, Robert Tabi, Joseph Giaimo, Raymond Louie, and Sue Gold.

## APPENDIX A - AUDITEE RESPONSE

THE CITY OF NEW YORK  
**DEPARTMENT OF HEALTH AND MENTAL HYGIENE**  
OFFICE OF THE COMMISSIONER



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June 4, 2007

William P. Challice, Audit Director  
Office of the State Comptroller  
Division of State Services  
State Audit Bureau  
110 State St., 11<sup>th</sup> Floor  
Albany, NY 12236

Re: Draft Audit Report on  
Expenditure of Bioterrorism Hospital  
Preparedness Grant Funds;  
Report No. 2006-N-14

Dear Mr. Challice:

We have reviewed this draft report, which reflects the results of your examination of procedures followed by the Department and by the Fund for Public Health in the administration of federal Hospital Preparedness grant funds. We are pleased by your findings that grant funds were spent appropriately and in compliance with grant requirements.

We appreciate the courtesy and consideration of your audit staff in the performance of this audit. If you have any questions or need further information, please contact Thomas Hardiman, Director for Internal and External Audits at (212) 219-5285.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas R. Frieden".

Thomas R. Frieden, M.D., M.P.H.  
Commissioner

TRF/mc