

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**THE DEPARTMENT OF HEALTH  
AND HUMAN SERVICES  
DESIGNED ITS  
INTERNAL CONTROLS OVER  
HURRICANE SANDY  
DISASTER RELIEF FUNDS TO INCLUDE  
ELEMENTS SPECIFIED BY THE OFFICE  
OF MANAGEMENT AND BUDGET**

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# *Office of Inspector General*

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## EXECUTIVE SUMMARY

*The Department of Health and Human Services designed its internal controls for overseeing Hurricane Sandy disaster relief funds to include elements specified by the Office of Management and Budget.*

### WHY WE DID THIS REVIEW

The Disaster Relief Appropriations Act, 2013 (Disaster Relief Act), in part, provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for use in aiding Hurricane Sandy (Sandy) disaster victims and their communities. It also required the Department to implement internal controls to prevent waste, fraud, and abuse of these funds. The Office of Management and Budget (OMB) issued guidance to the Department that specified required elements that would augment existing internal controls to address additional risks associated with administering Sandy disaster relief funding. The Department's Office of Inspector General (OIG) was mandated to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Sandy disaster relief funds.

The objective of this review was to assess whether the Department designed its internal controls for overseeing Sandy disaster relief funds to include elements specified by OMB.

### BACKGROUND

Shortly after the Disaster Relief Act was signed into law, OMB issued Memorandum M-13-07 (OMB Memo), requiring agencies to augment their existing internal controls to address any additional risks associated with administering Sandy disaster relief funding. OMB specified that, at a minimum, agency internal control plans for Sandy disaster relief program funding must consider the following elements:

- **Additional Levels of Review:** adopting more expansive review procedures, as appropriate, to scrutinize award decisions, payment transactions, and other critical process elements that affect the use of Disaster Relief Act funds.
- **Increased Monitoring and Oversight of Grant Recipients:** increasing frequency and specificity of grantee reporting, adding site visits, and providing additional technical assistance and training to recipients of Federal funding.
- **Collaboration With the Inspector General Community:** continuing early and frequent engagement with OIGs to discuss issues affecting Sandy disaster relief related programs and activities.
- **Expedited Review and Resolution of Audit Findings:** having the agency resolve all audit findings within 6 months after completion of the audit to the extent practicable and exploring the feasibility of reviewing internal control procedures before funding the activity.

OMB further required agencies to establish an improper payments management protocol to ensure that Sandy disaster relief funding is managed with the same discipline and rigor as programs that are traditionally designated as being at high risk for improper payments. Finally, pursuant to section 904(c) of the Disaster Relief Act, OMB stated that Sandy disaster relief funds must be expended within the 24-month period following the obligation of those funds and must be returned if not expended within that 24-month period.

Because of automatic spending cuts imposed by the Budget Control Act of 2011, the Sandy disaster relief funds the Department received were reduced to \$759.5 million. Of this amount, \$749.5 million was allocated to four operating divisions and one staff division: the Administration for Children and Families, the National Institutes of Health, the Substance Abuse and Mental Health Services Administration, the Centers for Disease Control and Prevention, and the Assistant Secretary for Preparedness and Response. Another staff division, the Assistant Secretary for Financial Resources, received no funding but was charged with coordinating with other divisions to compile and finalize the Department's internal control plan for Sandy disaster relief.

As of February 28, 2014, the Department had awarded approximately \$586 million of the \$749.5 million to grantees. Of this amount, the grantees had expended approximately \$45 million.

## **WHAT WE FOUND**

The Department designed its internal controls for overseeing Sandy disaster relief funds to include elements specified by OMB. Specifically, the Department's internal controls for Sandy disaster relief program funding included the following elements: additional levels of review, monitoring and oversight of grant recipients, OIG collaboration, and review and resolution of audit findings. The Department also implemented internal controls to address the management of unexpended grant funds. The Department's internal controls for measuring and reporting improper payments were under development during our audit period. Therefore, we were unable to assess whether these controls addressed OMB requirements.

This report contains no recommendations.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

Hurricane Sandy (Sandy) made landfall on October 29, 2012, devastating portions of the mid-Atlantic and northeastern United States and leaving victims of the storm and their communities in need of disaster relief aid. On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act, 2013 (P.L. No. 113-2) (Disaster Relief Act), which, in part, provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for use in aiding Sandy disaster victims and their communities.<sup>1</sup> The Disaster Relief Act required the Department to implement internal controls to prevent waste, fraud, and abuse of these funds. The Office of Management and Budget (OMB) issued guidance to the Department that specified required elements that would augment existing internal controls to address additional risks associated with administering Sandy disaster relief funding. The Department's Office of Inspector General (OIG) was mandated to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Sandy disaster relief funds.

### OBJECTIVE

Our objective was to assess whether the Department designed its internal controls for overseeing Sandy disaster relief funds to include elements specified by OMB.

### BACKGROUND

#### Federal Requirements for Internal Controls

Shortly after the President signed the Disaster Relief Act into law, OMB issued Memorandum M-13-07 (OMB Memo), requiring agencies to augment their existing internal controls<sup>2</sup> to address any additional risks associated with administering Sandy disaster relief funding.<sup>3</sup> OMB specified that, at a minimum, agency internal control plans for Sandy disaster relief program funding must consider the following elements:

- **Additional Levels of Review:** adopting more expansive review procedures, as appropriate, to scrutinize award decisions, payment transactions, and other critical process elements that affect the use of Disaster Relief Act funds. As appropriate, senior level officials should be included in these reviews.

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<sup>1</sup> In all, the Disaster Relief Act provided \$50.5 billion in aid for Sandy disaster victims and their communities.

<sup>2</sup> Existing internal controls are required by OMB Circular A-123, *Management's Responsibility for Internal Control*.

<sup>3</sup> The OMB Memo, issued March 12, 2013, also required each Federal agency to submit an internal control plan to OMB, the Government Accountability Office (GAO), and the agency's Inspector General by March 31, 2013.

- **Increased Monitoring and Oversight of Grant Recipients:** increasing frequency and specificity of grantee reporting, adding site visits, and providing additional technical assistance and training to recipients of Federal funding.
- **Collaboration With the Inspector General Community:** continuing early and frequent engagement with OIGs to discuss issues affecting Sandy disaster relief related programs and activities.
- **Expedited Review and Resolution of Audit Findings:** having the agency resolve all audit findings within 6 months after completion of the audit to the extent practicable and exploring the feasibility of reviewing internal control procedures before funding the activity.

OMB further required agencies to establish an improper payments management protocol to ensure that Sandy disaster relief funding is managed with the same discipline and rigor as programs that are traditionally designated as being at high risk for improper payments. Finally, pursuant to section 904(c) of the Disaster Relief Act, OMB stated that Sandy disaster relief funds must be expended within the 24-month period following the obligation of those funds and must be returned if not expended within that 24-month period.

## **Department of Health and Human Services**

The Department is composed of operating and staff divisions. Operating divisions perform a wide variety of tasks and services in areas such as research, public health, food and drug safety, and health insurance, and award grants and other funding. Staff divisions provide leadership, direction, and policy and management guidance to the Department.

The Disaster Relief Act required the Department to use Sandy disaster relief funds to provide for disaster response and recovery, and related expenses, in States that were directly affected by Sandy and that were declared by the President as major disaster areas. Specifically, the funds were to be used to repair and rebuild research, childcare, and social services facilities. In addition, funds could also be used for research and for health services, including mental health services. Department operating and staff divisions that received Sandy disaster relief funds prepared spending plans describing the planned use of the funds. Appendix A contains details on the Department's planned use of Sandy disaster relief funds.

The Budget Control Act of 2011 (P.L. No. 112-25) reduced the Sandy disaster relief funds the Department received from approximately \$800 million to \$759.5 million.<sup>4</sup> Of this amount, \$749.5 million was allocated to four operating divisions and one staff division: the Administration for Children and Families (ACF), the National Institutes of Health (NIH), the Substance Abuse and Mental Health Services Administration (SAMHSA), the Centers for Disease Control and Prevention (CDC), and the Assistant Secretary for Preparedness and

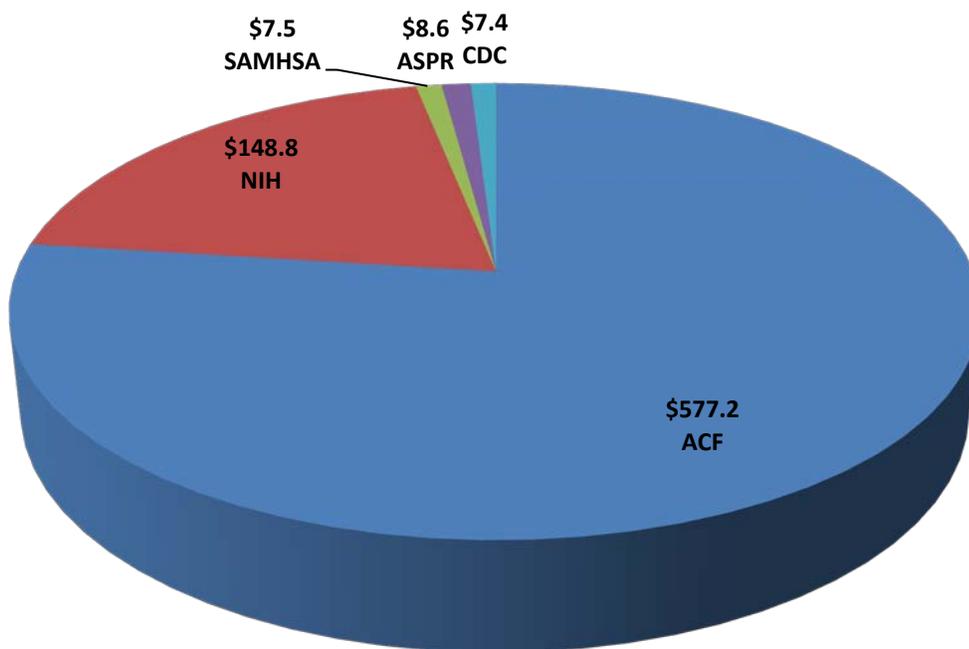
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<sup>4</sup> The law imposed automatic spending cuts, known as "sequestration," designed to reduce the Federal deficit. OMB determined that disaster relief funds were subject to sequestration, and as a result, disaster relief funds received by the Department were reduced by approximately \$40.5 million.

Response (ASPR). Another staff division, the Assistant Secretary for Financial Resources (ASFR), received no funding but was charged with coordinating with other divisions to compile and finalize the Department's internal control plan for Sandy disaster relief.<sup>5</sup>

The following figure illustrates how the \$749.5 million was allocated to the four operating divisions and one staff division.

**Figure: Allocation of the Department's Sandy Disaster Relief Funding (\$ in millions)**



As of February 28, 2014, the Department had awarded approximately \$586 million of the \$749.5 million to grantees. Of this amount, the grantees had expended approximately \$45 million. The table below details how much the Department has awarded in Sandy disaster relief funds and the amount of funds expended by grantees.

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<sup>5</sup> ASFR submitted the Department's internal control plan to OMB on March 29, 2013.

**Table: Sandy Disaster Relief Funding Awarded and Expended, as of February 28, 2014**

	<b>Total Funding</b>	<b>Grant Funds Awarded</b>	<b>Grant Funds Expended</b>
ACF	\$577,250,000	\$491,786,000	\$35,561,000
NIH	148,750,000	76,028,000	8,622,000
ASPR	8,600,000	4,973,000	134,000
SAMHSA	7,500,000	5,846,000	216,000
CDC	7,360,000	7,355,000	446,000
<b>Total</b>	<b>\$749,460,000</b>	<b>\$585,988,000</b>	<b>\$44,979,000</b>

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed the Department's internal control plan and held discussions with division officials to obtain an understanding of the additional policies and procedures that were established over Sandy disaster relief funds. We also reviewed the divisions' spending plans and obtained information regarding the status of Sandy disaster relief funding obligations.

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 objectives.

Appendix B contains the details of our audit scope and methodology.

## **RESULTS OF AUDIT**

The Department designed its internal controls for overseeing Sandy disaster relief funds to include elements specified by OMB. Specifically, the Department's internal controls for Sandy disaster relief program funding included the following elements: additional levels of review, monitoring and oversight of grant recipients, OIG collaboration, and review and resolution of audit findings. The Department also implemented internal controls to address the management of unexpended grant funds. The Department's internal controls for measuring and reporting improper payments were under development during our audit period. Therefore, we were unable to assess whether these controls addressed OMB requirements. This report contains no recommendations.

## **DESIGN OF INTERNAL CONTROLS OVER SANDY DISASTER RELIEF FUNDS**

### **Additional Levels of Review**

The OMB Memo requires agencies to adopt more expansive review procedures, as appropriate, to scrutinize award decisions, payment transactions, and other critical process elements that affect the use of Sandy disaster relief funds. To ensure a higher degree of accountability, the

OMB Memo requires each agency to include senior level officials in these reviews, as appropriate.

### *Scrutiny of Award Decisions*

The Department designed its internal controls to provide additional levels of review of award decisions. Each division developed procedures to subject Sandy disaster relief grant applications to a multistep review and approval process. Specifically, applications are to be reviewed by a panel of technical experts and approved by program staff and grants management officials. These reviews are to include budget and program compliance analyses. For example, ACF staff review and approve pre-expenditure reports that detail grantees' intended use of funds. Further, ACF staff confirm that grantees have outlined eligibility criteria and verification requirements to provide assurance that service recipients were directly affected by Sandy. Grant applications are forwarded to senior level officials for final review and approval. Once grants have been approved, grants management officials send grant award notices to grantees.

### *Scrutiny of Payment Transactions*

The Department designed its internal controls to provide additional levels of review of payment transactions. Each division established procedures to review grantees' payment transactions quarterly. Specifically, staff are to review quarterly progress and financial reports submitted by grantees and compare amounts in those reports to the amount of Federal funds drawn down from the Department's Payment Management System. In addition, staff are to ensure that grantees comply with the terms and conditions specified in grant award notices. The notices require that grantees certify that funds will not be used for costs reimbursed by the Federal Emergency Management Agency (FEMA), under a contract for insurance, or by self-insurance. The notices further require that if recipients are reimbursed during the award period (by FEMA or an insurer), the recipients must reimburse the Department for these costs.

## **Monitoring and Oversight of Grant Recipients**

The OMB Memo requires agencies to mitigate risk by increasing the frequency and specificity of grantee reporting, conducting additional site visits, and providing additional technical assistance and training to grant recipients.

### *Frequency and Specificity of Grantee Reporting*

The Department designed its internal controls to provide increased frequency and scrutiny of grantee reporting. ASFR instructed the divisions to establish standard terms and conditions for each grant award that would increase the level of accountability from grant recipients. For example, grantees would be required to: (1) submit quarterly programmatic and financial reports detailing progress on the use of Sandy disaster relief funds, (2) expend funds within the 24-month period following the agency's awarding of the funds, and (3) reimburse the Department for any costs incurred that were reimbursed by FEMA or insurers.

In addition, to enable divisions to separately track and monitor Sandy disaster relief funds and expenditures reported by grantees, ASFR established two Catalog of Federal Domestic Assistance (CFDA) numbers,<sup>6</sup> one for tracking Sandy disaster relief nonconstruction expenditures and one for tracking Sandy disaster relief construction expenditures.<sup>7</sup> The CFDA numbers, which are included in the grant award notice issued to grantees, enable the Department to track how much money is being expended for Sandy disaster relief.

### *Site Visits*

The Department designed its internal controls to provide for additional site visits. Each division plans to conduct additional site visits, as necessary, to ensure that recipients of nonconstruction funding are complying with Federal requirements. ACF plans to conduct site visits for every award recipient that receives funds to repair and rebuild childcare or social services facilities. NIH plans to conduct site visits for every award recipient that receives construction funds to build, renovate, or repair research facilities.

### *Technical Assistance and Training*

The Department designed its internal controls to provide for additional technical assistance and training to grant recipients. Division staff developed procedures to facilitate ongoing project monitoring and coordination and to provide technical assistance to grantees. For example, each division plans to post general guidance and technical assistance information on its Web site. Division staff are to provide specific technical assistance as needed.

### **Collaboration With the Inspector General Community**

The OMB Memo requires agencies to collaborate with the Inspector General community to discuss issues affecting Sandy disaster relief programs and activities.

The Department designed its internal controls to include collaboration with the Department's OIG. Specifically, the Department's internal control plan and related procedures provide for the frequent discussion with the Department's OIG of issues affecting Sandy disaster relief programs and activities. ASFR, acting on behalf of the other divisions, has been conducting quarterly meetings with the Department's OIG to discuss Sandy disaster relief issues, including the awarding and expending of funds, the status of on-going audits by the Department's OIG, and improper payments management. ASFR officials stated that they plan to continue these quarterly meetings until all Sandy disaster relief funds have been awarded.

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<sup>6</sup> The CFDA is a governmentwide compendium of Federal programs, projects, services, and activities that provide assistance or benefits to the American public. Each program is assigned a unique number that follows the program throughout the assistance life cycle, enabling data and funding transparency.

<sup>7</sup> The CFDA number for tracking Sandy disaster relief nonconstruction expenditures is to be used for tracking grants with both construction and nonconstruction expenditures. Grantees must separately track their expenditures by CFDA number in their financial statements.

## Expedited Review and Resolution of Audit Findings

Departmental grantees are subject to audits by GAO and the Department's OIG. In addition, grantees that expend more than \$500,000 are required to have an annual audit known as a single audit (OMB Circular A-133, subpart B § 200(a)).<sup>8</sup> These audits are generally conducted by certified public accounting firms. The Department is responsible for resolving audit findings (*Grants Administration Manual (GAM)*).<sup>9</sup>

The OMB Memo requires agencies to resolve all audit findings within 6 months after completion of the audit to the extent practicable. In addition, the OMB Memo instructs agencies to avoid granting extension requests for audit report submissions and to explore the feasibility of reviewing grantee internal control procedures before grant funds were awarded.

The Department designed its internal controls to address resolution of audit findings. The GAM requires audit resolution, which includes grantees' corrective action plans, an assessment of grantee resolution of audit findings, and communication of the resolution results to the audit agency and to the grantee, within 6 months. The divisions had existing procedures that addressed these requirements.<sup>10</sup>

The Department's internal controls did not address the authorization of extension requests for audit report submission. However, Department officials explained that the Department does not grant extensions requests. Therefore, the Department did not include additional internal control activities related to extension requests for audit report submission in its internal control plan.

Also, the Department's internal controls did not address additional reviews of grantee internal control procedures. Division officials stated that they explored the feasibility of performing these reviews and determined that existing control procedures were adequate. The divisions told us they plan to conduct financial capability reviews for all new grantees, including a review of grantees' most recently issued financial statements and audit reports. In addition, ACF and CDC plan to require grantees to certify that their financial systems are adequate to account for Federal funds before awarding Sandy disaster relief funds. Given the flexibility described in the OMB Memo that Federal agencies have in reviewing grantee internal control procedures before awarding funds, we determined that the Department's alternative procedures and requirements were reasonable.

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<sup>8</sup> OMB published final guidance, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," on December 26, 2013 (78 FR 78589). The guidance raised the single audit threshold to \$750,000 (78 FR 78662). The \$500,000 threshold was in place during this audit period.

<sup>9</sup> Resolution is deemed to occur when (1) a final decision on the amount of any monetary recovery has been reached, (2) a plan of action to correct all deficiencies has been established, and (3) the audit report has been cleared from the Department's tracking system (GAM, chapter 1-105, "Resolution of Audit Findings").

<sup>10</sup> Under existing procedures, in some instances the Department did not always resolve audit findings within the required 6-month period. However, we did not determine that the Department's design of controls was the root cause for its exceeding the 6-month period.

## **IMPROPER PAYMENTS MANAGEMENT PROTOCOL**

The OMB Memo requires agencies to establish improper payments management protocols to ensure that Sandy disaster relief funds are managed with the same discipline and rigor as programs that are traditionally designated as being at high risk for improper payments. Agencies are also required to develop a sampling methodology<sup>11</sup> for use in reporting a statistically valid estimate of the annual amount of improper program payments and produce and report an improper payment estimate for the fiscal year 2014 reporting period by March 31, 2015.<sup>12</sup> Agencies are encouraged to use resources already devoted to improper-payment-related activities.

The Department's internal controls to measure and report improper payments as outlined in the OMB Memo were under development during our audit period. Therefore, we were unable to assess whether the controls addressed OMB requirements. Nevertheless, the Department indicated that it plans to produce an improper payment estimate by the required March 31, 2015, deadline. Specifically, Department officials told us that the divisions are developing methodologies that can be used to report an estimate of improper payments.

## **MANAGEMENT OF UNEXPENDED GRANT FUNDS**

The OMB Memo requires agencies to ensure that all grant awards made under the Disaster Relief Act are expended within the 24-month period following the agency's obligation of funds and that grantees return any funds not expended within this period, in accordance with the statutory requirement.<sup>13</sup> Agencies are to ensure that proposed grant activities have clear timelines for execution and completion within the 24-month period. OMB may grant waivers to extend the 24-month period but only on a case-by-case basis.

The Department designed its internal controls to address management of unexpended grant funds. Specifically, the divisions are using existing procedures to review grant applications and discuss grant activity timelines with grantees. For example, the application invitation letter for one of ACF's programs stipulated that all funds must be obligated and expended within the project period. The letter also stated that financial and program progress reports will be required quarterly and that grantees should expect increased oversight and monitoring activities. In addition, the divisions included a requirement within the grant award notice that directs grantees to expend funds within 24 months of the date of the award and to return unexpended grant funds

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<sup>11</sup> The OMB Memo instructed agencies to obtain OMB approval before making significant changes to an existing methodology or applying a new methodology.

<sup>12</sup> The Improper Payments Information Act of 2002 (31 U.S.C. § 3321 note) (IPIA) requires agencies to estimate the annual amount of improper payments and submit the estimates to Congress before March 31 of the following applicable year. The OMB Memo instructed agencies to develop sampling methodologies consistent with the IPIA requirements listed in OMB Circular A-123.

<sup>13</sup> As of February 28, 2014, \$44,979,000, or 8 percent, of the \$585,988,000 in awarded grant funds had been expended.

to the divisions after the grant expires.<sup>14</sup> The divisions are to initiate grant closeout procedures after a grant expires. The divisions are also to review the final progress and financial reports submitted by grantees to determine whether there are any unexpended grant funds. If unexpended grant funds do exist, the divisions are to adjust the final award amounts to match the expenditures and return the unexpended funds to the Department of the Treasury. With the exception of NIH, none of the divisions requested an OMB waiver to extend the grant period. NIH requested and received an OMB waiver for its construction grants because NIH determined that 2 years would not be enough time for these projects to be completed.

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<sup>14</sup> Grantees must expend NIH construction funds within 60 months of the date of the award.

## **APPENDIX A: THE DEPARTMENT'S PLANNED USE OF SANDY DISASTER RELIEF FUNDS**

The Disaster Relief Act required the Department to use Sandy disaster relief funds to provide for disaster response and recovery, and related expenses, in States directly affected by Sandy and that were declared by the President as major disaster areas. Specifically, the funds were to be used to repair and rebuild research, healthcare, childcare, and social services facilities. In addition, funds could be used for research and for health services, including mental health services. The Department planned to use the Sandy disaster relief funds as follows.

### **ADMINISTRATION FOR CHILDREN AND FAMILIES**

ACF received \$577.2 million in Sandy disaster relief funds and allocated the funds to the following programs:

- Social Services Block Grant—\$474.5 million.
- Head Start—\$95 million.
- Administration and Oversight—\$5.7 million.
- Family Violence Prevention Services—\$2 million.

### **NATIONAL INSTITUTES OF HEALTH**

NIH received \$148.8 million in Sandy disaster relief funds and allocated the funds to following areas:

- Research restoration—\$80.6 million.
- Constructing and restoring extramural research facilities—\$66.4 million.
- Worker health and safety training—\$1.8 million.

### **ASSISTANT SECRETARY FOR PREPAREDNESS AND RESPONSE**

ASPR received \$8.6 million in Sandy disaster relief funds and allocated \$7.6 million of that amount to health system response and recovery research and evaluation projects.<sup>15</sup> ASPR allocated the remaining \$1 million to create a common research data set that will promote a common area of research practice and create efficiencies by reducing the level of investigator burden that would result from the duplicative need to gather, link, and tabulate similar data sets.

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<sup>15</sup> Under these projects, 10 to 15 recipients will receive funds to perform surveys and behavioral health studies to obtain information that aids response and recovery from Sandy.

## **SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION**

SAMHSA received \$7.5 million in Sandy disaster relief funds and allocated the funds to the following programs:

- Behavioral Health Treatment—\$2.2 million.
- National Disaster Distress Helpline—\$2.1 million.
- Teacher Resiliency Training—\$1.5 million.
- Crisis Counseling & Treatment for Relocated Survivors and Responders—\$900,000.
- Restoration of Medication Assisted Treatment of Opioid Addiction—\$800,000.

## **CENTERS FOR DISEASE CONTROL AND PREVENTION**

CDC received \$7.4 million in Sandy disaster relief funds and allocated the funds to the following programs:

- Office of Public Health Preparedness & Response—\$4.6 million.
- National Institute for Occupational Safety & Health—\$2.7 million.
- National Center of Environmental Health—\$100,000.

Some of the research that CDC plans to fund includes examining fungal exposure in homes, health effects and risk factors, morbidity and mortality, effects on health and mental health, public health systems response, chemical releases due to the hurricane damage, safety training for health department workers, and occupational hazards of immigrant day laborers.

## **APPENDIX B: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

Our review covered the design of internal controls in place at ASFR, ASPR, ACF, NIH, SAMHSA, and CDC related to the oversight of Sandy disaster relief funds during our January 29, 2013, through December 31, 2013, audit period. We did not perform procedures to determine the operating effectiveness of these internal controls. We conducted the audit in fulfillment of Disaster Relief Act requirements that OIGs perform oversight, accountability, and evaluation of programs, projects, or activities supported with Sandy disaster relief funds.

We conducted our audit from May 2013 through February 2014. We performed our fieldwork at ASFR's, ASPR's, and ACF's offices in Washington, D.C.; NIH's offices in Bethesda, Maryland; SAMHSA's offices in Rockville, Maryland; and CDC's offices in Atlanta, Georgia.

### **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance, including the Disaster Relief Act and OMB Memo;
- held discussions with Department officials;
- reviewed accounting reports, spending plans, and related documents;
- reviewed the Department's internal control plans submitted to OMB and identified key control activities;
- determined whether the internal control plans address the reporting requirements for all programs funded under the Disaster Relief Act;
- flowcharted award decisions, payments transactions, and other critical process elements that affected the use of Sandy disaster relief funds;
- reviewed each division's procedures for grantee reporting, conducting additional site visits, and providing technical assistance and training to recipients of Federal funds;
- reviewed the minutes of quarterly meetings between ASFR and the Department's OIG;
- reviewed each division's procedures for resolving grantee audit findings;
- discussed with division officials their plans to report improper payment estimates for the fiscal year 2014 reporting period;

- reviewed each division's procedures for ensuring that grantees expend funds within the required 24-month period and have a timeline for execution and completion of their grant and for requesting OMB waivers when a grantee cannot meet the 24-month completion deadline;
- reviewed examples of documentation used by each division's staff to execute their procedures; and
- discussed the results of our review with Department officials.

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 objectives.