

STATE OF LOUISIANA

**OFFICE OF
STATE INSPECTOR GENERAL**



**DEPARTMENT OF HEALTH AND
HOSPITALS**

Employee Assistance Grant

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STATE OF LOUISIANA
OFFICE OF
STATE INSPECTOR GENERAL



LOUISIANA DEPARTMENT OF HEALTH AND
HOSPITALS
Employee Assistance Grant

Sharon B. Robinson, CPA
State Inspector General

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Approved by:
Governor Kathleen Babineaux Blanco

April 27, 2007

File No. 1-07-0013

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Appendix A – Response from DHH



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April 27, 2007

Honorable Kathleen Babineaux Blanco
Governor of the State of Louisiana
P.O. Box 94004
Baton Rouge, LA 70804-9004

Re: Case No. 1-07-0013

Dear Governor Blanco:

This report addresses concerns raised about an employee assistance grant to the Department of Health and Hospitals following Hurricane Katrina. The report includes five recommendations.

We provided a draft of the report to the department. The department's response is included as Appendix A.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sharon B. Robinson".

Sharon B. Robinson, CPA
State Inspector General

SBR/VC/kn

Enclosure

Executive Summary

Audit Initiation

The Office of State Inspector General received a complaint concerning a grant from the Centers for Disease Control and Prevention (CDC) Foundation to the Department of Health and Hospitals (DHH). The grant was primarily to provide financial assistance (honoraria) to DHH employees displaced by Hurricane Katrina. The complaint alleged some employees of the Metropolitan Developmental Center, a DHH agency, did not receive any grant assistance because of inconsistent eligibility criteria.

Our audit objective was to determine if the Metropolitan Developmental Center improperly denied grant assistance to eligible employees. However, because of issues we encountered, we expanded the audit objective to examine the criteria used by other DHH agencies to distribute the honoraria.

Summary of Findings

- Neither DHH nor the CDC's Foundation grant eligibility criteria clearly stated how employees would qualify for the \$900 honoraria. In addition, the criteria used were inconsistently applied. (page 5)
- DHH and its related agencies did not maintain sufficient documentation of the grant process. Specifically, files lacked evidence of employees being certified as eligible. (page 7)
- DHH spent \$15,838 that the CDC Foundation grant agreement may not have allowed. (page 9)

Background

Two weeks after Hurricane Katrina struck Louisiana, approximately September 15, 2005, DHH officials applied for and received a \$1.21 million grant from the Centers for Disease Control and Prevention (CDC) Foundation. The CDC Foundation is a non-profit corporation located in Atlanta, Georgia. The Foundation established a special fund, Emergency Preparedness and Response Fund, to help the CDC prepare for public health emergencies, and when needed, to allow CDC experts in the field to immediately purchase needed specialized equipment or services. The CDC Foundation grant provided financial assistance to DHH employees who were displaced from their homes and who helped with their agency's hurricane response. The grant also provided for the purchase of emergency communication equipment for the Office of Public Health staff.

At the time of Hurricane Katrina, DHH had approximately 13,000 employees. DHH identified slightly more than 4,000 employees in the hurricane-affected areas. Of that number, 889 employees received \$900 assistance checks from the CDC Foundation grant, totaling \$800,100. Additionally from the CDC Foundation grant, DHH spent \$10,509 on communications equipment and \$15,838 on other projects. In total, DHH spent \$826,447 of the \$1.21 million grant (about 68%). The table below summarizes the distribution of the CDC Foundation grant funds among employees at DHH agencies.

Distribution of CDC Foundation Grant Funds by Agency

Agency #	Agency	Number of Employees	Amount
300	Jefferson Parish Human Services Authority	2	\$ 1,800
304	Metropolitan Human Services District	33	\$ 29,700
305	Medical Vendor Administration	38	\$ 34,200
307	Office of the Secretary	11	\$ 9,900
311	New Orleans Home and Rehabilitation Center	64	\$ 57,600
326	Office of Public Health	121	\$ 108,900
330	Office of Mental Health	1	\$ 900
331	Mental Health Area C	1	\$ 900
332	Mental Health Area B	9	\$ 8,100
333	Mental Health Area A	464	\$ 417,600
340	Office for Citizens with Developmental Disabilities	2	\$ 1,800
342	Metropolitan Developmental Center	134	\$ 120,600
344	Hammond Developmental Center	5	\$ 4,500
351	Office of Addictive Disorders	4	\$ 3,600
14 agencies		889	\$ 800,100

Source: Approximated by Office of Inspector General staff from data provided by DHH

Hurricane Katrina forced the Metropolitan Developmental Center (MDC) in Belle Chasse to evacuate its client population to Hammond Developmental Center in Hammond. Not all MDC employees were required to participate in the evacuation. MDC evacuated on August 27 and 28, 2005. Hurricane Katrina struck on August 29, 2005. MDC stayed in Hammond for over three months and did not return to Belle Chasse until December 2005.

Scope and Methodology

We conducted our audit in accordance with *Principles and Standards for Offices of Inspector General* as promulgated by the Association of Inspectors General.

The audit scope included the CDC Foundation grant distribution between September 2005 and December 2005. The audit was originally limited to the Metropolitan Developmental Center (MDC) in Belle Chasse. However, due to issues found, the audit was expanded department wide. We selected Mental Health Area A for review because of the large number of employees receiving grant assistance. Particularly, we reviewed Southeast Louisiana Hospital in Mandeville since it had the largest number of employees in Mental Health Area A.

Our audit consisted of:

1. Reviewing applicable statutes
2. Interviewing DHH officials about the CDC Foundation grant process
3. Reviewing DHH Division of Fiscal Management and Human Resources Division files for accounting and grant implementation
4. Interviewing the CDC Foundation official responsible for the grant
5. Examining available documentation for a sample of MDC employees to assess eligibility and proper application of grant requirements.

Grant Eligibility Criteria Was Unclear

Both DHH's grant application and the CDC Foundation grant agreement eligibility criteria for employees to receive assistance were unclear. The grant agreement includes eligibility criteria that was vague and allowed for broad interpretation in its application. In addition, our review of other communications within DHH revealed confusion among administrators over the eligibility criteria. Furthermore, some agencies imposed stricter requirements than others. Based on the criteria within the grant agreement, almost any DHH employee who was "fully displaced" by Hurricane Katrina and who assisted during the response to Hurricane Katrina could be eligible for grant assistance. As a result, we cannot be certain that only eligible employees received assistance or that all employees who were eligible received assistance.

In its grant application, DHH states:

"A number of our staff who are staffing these shelters, emergency operations center and recovery activities, will require some direct assistance...We are identifying criteria for fully displaced DHH employees who would be eligible to receive one (1) time honorariums...Criteria include but are not limited to: DHH employees that have lost their homes or are unable to return to their homes due to flooding."

The CDC Foundation Grant Agreement states:

"...honoraria support for displaced employees engaged in responding to the aftermath of Hurricane Katrina".

Employees complained because the criteria were so vague. In one complaint letter to DHH, employees allege MDC imposed on its employees additional criteria that were not the same for all DHH agencies. MDC added restrictions to the eligible work activity. It requires working "continuously during the evacuation." We were able to determine MDC's evacuation occurred over a two-day period before Hurricane Katrina struck (August 27 and 28). However, MDC employees and clients remained in Hammond for three months afterwards.

The response from DHH and MDC rejecting the complaint stated,

"...employee had to meet all established criteria...employees must have been present from the beginning of the evacuation to Hammond Developmental Center and have continuously worked during the evacuation."

For example, one MDC employee returned from approved vacation leave one week after the hurricane. He worked continuously without a day off for the next three weeks including some 24-hour days. However, this employee was denied the honorarium.

In another example, 33 MDC employees denied the honoraria by MDC signed and submitted a complaint letter to DHH. In the letter, the employees describe three hurricane response activities in which they participated. The activities were as follows:

- Open and close during an evacuation
- Evacuate to Hammond Developmental Center with clients
- Go to the hospital with clients

Documentation showed these activities are part of MDC's disaster plan. There was also no information to indicate these activities would not be eligible as hurricane response activities. There was no response to that complaint in the file; however, one of the 33 employees did later receive the honorarium.

MDC employees said management told them that to qualify for the honoraria, "They had to be there [at Hammond Developmental Center] from the beginning to the end." The employees understood that statement to mean from approximately August 27 to October 9, when DHH issued the honorarium checks. MDC required employees to remain at Hammond Developmental Center for two weeks for the employees and clients personal safety. Interviews and DHH internal audit documents indicate employees were able to leave for short amounts of time after the first two weeks to take care of personal business.

The current Southeast Louisiana Hospital Human Resources Director says the DHH Human Resources staff told the former Southeast Louisiana Hospital Human Resources Director that the honorarium was for employees in the affected parishes who worked during the emergency period, which was set as August 28 to September 28. The Southeast Human Resources Director also said no one was ever sure where the money came from or who set the parameters.

One Program Manager in the Medical Vendor Administration program expressed his frustration with the criteria as follows:

"I do not pretend to understand the criteria for qualifying for this grant. Therefore, I would not deny a grant to anyone in one of these zip codes. I feel very sorry for most of these individuals. Unless there is some criteria that I am unaware of I say approve the lot."

In addition to the unclear eligibility criteria, we found no information explaining the basis DHH used to set the amount of assistance at \$900. With almost \$400,000 of grant funds remaining, DHH could have provided more assistance to the 889 employees receiving checks or have assisted more employees at the \$900 level.

Recommendation:

1. For any future grants of this nature, DHH officials should ensure that eligibility criteria are clearly defined and consistently applied. In addition, grant processes should also include a formal appeals process.

Grant Files Lacked Sufficient Documentation

DHH and its related agencies did not have sufficient documentation showing how the agencies determined which employees met the criteria established for the grant assistance. The agencies reviewed were unable to provide complete information on the grant process, specifically, how they certified employees as eligible to receive grant assistance. Sufficient documentation is necessary to show DHH and its affiliated agencies followed grant terms. DHH and its affected agencies lacked sufficient electronic and paper files to allow for a proper audit of grant expenditures. As a result, we could not determine whether MDC improperly denied any employees assistance under the grant. This deficiency may also cause the grantor to question some of the expenditures.

DHH handled the financial accounting for the grant in ISIS, the state's accounting system. The department conducted much of the other grant processes electronically via e-mail. The files contained some lists of eligible employees sent by agencies, some complaints, and some communications. However, they did not provide a complete picture of the grant process. Basic documents, such as the "Grant Agreement", were missing. DHH did not maintain sufficient files.

DHH's Division of Fiscal Management is responsible for properly accounting for and dispensing grant funds. Most of the documentation in Fiscal Management's files consists of lists of eligible employees and e-mails. Our review of the file showed the following deficiencies:

- No copy of the CDC Foundation grant agreement was in the files. We obtained a copy of the grant agreement from the CDC Foundation; however, DHH officials did not sign and date it, as required.
- No interim or final report was sent to the CDC Foundation on how DHH expended grant funds, as required. The grant agreement required an interim report by December 15, 2005 and a final report by June 30, 2006.

DHH's Human Resources Division was responsible for overall management of the grant. The grant files were insufficient for the following reasons:

- No copy of the CDC Foundation grant agreement was in the files.
- DHH and its agencies' files did not contain adequate information to document the grant process.
- No documentation to indicate that the department or its agencies addressed employee complaints received on the grant process.
- The files lacked evidence that employees met both the eligibility criteria of being fully displaced from their homes and if they assisted in the department's hurricane recovery activities.

Combined, the 594 MDC and Mental Health Area A (mostly Southeast Louisiana Hospital) employees received two-thirds of the 889 checks issued. We attempted to review files at MDC and Southeast Louisiana Hospital. At the time of this audit, MDC was in the process of closing its facility. None of the management personnel involved in processing the grant is currently employed at the facility. However, personnel who were present were able to provide some information about the grant process. They said Human Resources personnel maintained a grant file, but the file could not be located. No one interviewed could remember how the information on applying for the grant was disseminated or what was required of employees to certify eligibility. They remembered a list of eligible employees was compiled and sent to DHH's Baton Rouge office.

We selected 17 MDC employees, ten of whom received the \$900 honorarium checks, to verify their eligibility. The only information available was payroll records showing the hours worked. We found no information to show if the employees worked on a hurricane response activity or that the hurricane displaced them.

Next, we attempted to review files at the Southeast Louisiana Hospital. The CEO and Human Resources Director at the time of the grant are no longer there. The current CEO and Human Resources Director say the former Human Resources Director compiled a list of eligible employees and sent it to DHH. They could find no files containing information on the grant. They did not know what certification of eligibility, if any, was required of employees.

Recommendations:

2. DHH should take appropriate steps to secure a fully executed contract with the CDC Foundation.
3. DHH should maintain sufficient documentation to show it has:
 - a. followed the grant requirements
 - b. properly expended funds
 - c. properly certified the eligibility of all recipients.
4. DHH should submit reports required by the grant to the CDC Foundation.

Some Funds Not Spent According to Grant Agreement

DHH expended \$826,447, or about 68 percent, of the \$1.21 million grant funds available, as shown in the table below:

How DHH Disbursed the CDC Foundation Grant Funds	
Purpose	Amount
Honorarium payments to employees	\$800,100
Communications Equipment*	10,509
Hurricane Katrina Health Information Network and Digital Health Information Recovery Project	14,034
State's Medicaid Match	1,804
TOTAL SPENT	\$826,447
<p>*CDC Foundation purchased the equipment on DHH's behalf from grant proceeds.</p> <p>Source: Prepared by OIG staff from data gathered from Department of Health and Hospitals.</p>	

The grant agreement allows for employee honoraria payments, communications equipment, and indirect administrative costs. We did not find where DHH charged any indirect administrative costs. The grant award letter requests a return of any unspent funds, and a note in the Fiscal Management files states, "Whatever is not spent will be returned to foundation."

We found that DHH spent over \$15,000 on projects not included in the grant agreement. The grant agreement had no provisions for the \$14,034 DHH spent on the Hurricane Katrina Health Information Network or the Digital Health Information Recovery Project. In addition, the grant agreement did not provide for the \$1,804 used for the Medicaid program.

According to the Director of DHH's Fiscal Management Division, the CDC Foundation is not a federal agency and the grant funds are not federal funds. Thus, the decision was made to use the funds for the items listed above.

This decision may violate terms of the grant agreement.

Recommendation:

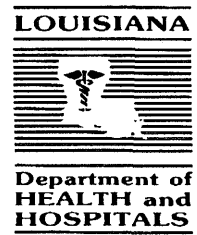
5. DHH management should inform the CDC Foundation how it distributed \$15,838 of grant funds and determine if the expenditures are allowable.

APPENDIX A

Response



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

April 24, 2007

Frederick P. Cerise, M.D., M.P.H.
SECRETARY

Sharon B. Robinson, CPA
Inspector General
Office of State Inspector General
P.O. Box 94095
Baton Rouge, LA 70804-9095

RE: CDC Foundation; Case No. 1070013

Dear Ms. Robinson:

The Louisiana Department of Health and Hospitals (DHH) has reviewed your draft report on the CDC Foundation grant. DHH would like to take this opportunity to remind you and the readers of your report that these funds were received and issued during the October and November following the landfall of Hurricanes Katrina and Rita. At that time, DHH was in the middle of participating in the state's massive response to these natural disasters.

During this hectic time, DHH accepted these funds from the CDC Foundation with the goal of providing assistance to our displaced employees that were assisting us in our response to these natural disasters. In light of this goal, DHH made the process as simple as possible to ensure that there were no unnecessary delays in the issuance of these funds, by minimizing red tape and bureaucratic obstacles.

We would also like to point out that in your report you do not indicate that DHH violated any Federal or State Law, rules or regulations.

Below is our response to each of the findings listed in your draft report:

Findings:

1. *Neither DHH's nor the CDC Foundation grant eligibility criteria clearly stated how employees would qualify for the \$900 honoraria. In addition, the criteria used were inconsistently applied.*

DHH "does not concur" with this finding. DHH established the following criteria for the \$900 honoraria:

- Individual is an employee of DHH or Human Services District;
- Employee was displaced from his/her home as a result of Hurricane Katrina; and
- Employee actively involved in the Department's Hurricane response activity while they were displaced.

It was then the responsibility of each appointing authority within DHH to apply the criteria to the employees under their authority.

2. *DHH and its related agencies did not maintain sufficient documentation of the grant process. Specifically, files lacked evidence of employees being certified eligible.*

DHH “does not concur” with this finding. DHH established the following process for these funds:

- DHH established the criteria listed above for the \$900 honoraria.
- The appointing authorities within DHH identified the employees to receive the \$900 honoraria.
- DHH issued the checks to the employees and the expenditures were uniquely identified on the State’s General Ledger.

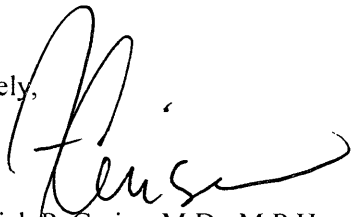
3. *DHH may have spent \$15,838 that the CDC foundation grant agreement did not allow.*

DHH “does not concur” with this finding. DHH considers these funds to be an “unrestricted donation” and the \$15,838 was spent on items authorized through the State’s Appropriation process.

Since DHH does not concur with any of your findings, DHH is not proposing any corrective actions related to this report.

If you have any questions about this matter or need any additional information, please contact our Undersecretary Charles Castille at 225-342-6726.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. Cerise', written over a horizontal line.

Frederick P. Cerise, M.D., M.P.H.
Secretary

c: Charles F. Castille, Undersecretary

Twenty-six copies of this public document were published in this first printing at a cost of \$113.90. The total cost of all printings of this document, including reprints is \$113.90. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 224 Florida Street, Suite 303, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

A copy of this report has been made available for public inspection at the Office of State Inspector General and is posted on the Office of State Inspector General's website at www.doa.louisiana.gov/oig/inspector.htm. Reference should be made to Case No. 1-07-0013. If you need any assistance relative to this report, please contact Bruce J. Janet, CPA, State Audit Director at (225) 342-4262.

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