

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NEW YORK CITY DEPARTMENT OF
HEALTH AND MENTAL HYGIENE
CHARGED SOME UNALLOWABLE COSTS
TO ITS CDC COVID-19 AWARD**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Amy J. Frontz
Deputy Inspector General
for Audit Services

October 2023
A-04-22-02035

Office of Inspector General

<https://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.

Report in Brief

Date: October 2023

Report No. A-04-22-02035

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why **OIG** Did This Audit

Congress approved COVID-19 funding for HHS's pandemic response efforts, including funding to the Centers for Disease Control and Prevention (CDC) for its Epidemiology and Laboratory Capacity (ELC) program to provide support for public health response activities. CDC used its ELC Cooperative Agreement (award) to distribute significant amounts of its COVID-19 funding to existing recipients, including the New York City Department of Health and Mental Hygiene (NYC DOHMH). NYC DOHMH received \$1.6 billion, nearly double its fiscal year 2021 base ELC award amount, in ELC COVID-19 funding between March 2020 and May 2021.

COVID-19 has created extraordinary challenges for the delivery of health care and human services to Americans. As the oversight agency for HHS, the Office of Inspector General (OIG) oversees HHS's COVID-19 response and recovery efforts. This audit is part of our COVID-19 response strategic plan.

Our objective was to determine whether the NYC DOHMH used its CDC COVID-19 funding in accordance with award requirements.

How **OIG** Did This Audit

Our audit covered \$579 million in CDC ELC COVID-19 expenditures NYC DOHMH claimed between March 2020 and September 2021. We selected a stratified random sample of 124 line items totaling \$22.7 million. We sent questionnaires to NYC DOHMH, interviewed officials from CDC and NYC DOHMH, and reviewed and analyzed documentation we received to support each sample item.

New York City Department of Health and Mental Hygiene Charged Some Unallowable Costs to Its CDC COVID-19 Award

What **OIG** Found

NYC DOHMH used its COVID-19 funding in accordance with award requirements for 96 of the 124 sample items we reviewed. However, for 28 sample items, NYC DOHMH did not maintain adequate documentation to support costs and charged some costs to the wrong award. These errors occurred because NYC DOHMH did not provide oversight of its subrecipients in accordance with Federal requirements. Specifically, NYC DOHMH did not review subrecipient costs charged to the award but instead relied on subrecipients' self-certification of costs charged to the Federal award. Based on the results of our sample, we found that NYC DOHMH claimed \$15,671,958 in unallowable costs.

What **OIG** Recommends and NYC DOHMH Comments

We recommend that NYC DOHMH: (1) refund \$15,671,958 to the Federal government and (2) strengthen its oversight of subrecipients to prevent future unallowable payments by reviewing subrecipient invoices and supporting documentation to ensure costs claimed are allowable and allocable.

In response to our draft report, NYC DOHMH partially agreed with our first recommendation and agreed with our second recommendation. Regarding our first recommendation, NYC DOHMH agreed that of the \$15,671,958 we identified in error, \$8,430 (or 3 of the 28 sample items the **OIG** determined to be in error) should be refunded to CDC. However, NYC DOHMH disagreed with the assessment of the remaining 25 sampled transactions totaling \$15,663,528 and provided additional documentation which we reviewed. Based on our analysis of the additional information provided by NYC DOHMH, we adjusted the dollar amount for our first recommendation to reflect the additional support NYC DOHMH provided.

NYC DOHMH agreed with our second recommendation as it pertains to ELC subawards given to NYC agencies through NYC DOHMH. NYC DOHMH stated that going forward, intergovernmental subawards will detail expectations for substantiating that costs claimed are allowable and allocable. We commend NYC DOHMH on the actions it is taking to address our recommendation and the actions it will take going forward. Having this type of source documentation would enhance NYC DOHMH's subrecipient monitoring to ensure costs claimed are allowable, reasonable, and allocable.

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INTRODUCTION

WHY WE DID THIS AUDIT

Congress approved five COVID-19 appropriation bills to fund HHS's pandemic response efforts, including funding to the Centers for Disease Control and Prevention (CDC) to provide support for core public health response activities, such as epidemiology, surveillance, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities.¹ CDC used its Epidemiology and Laboratory Capacity (ELC) Cooperative Agreement (award) to distribute significant amounts of its COVID-19 funding to existing recipients, including New York City Department of Health and Mental Hygiene (NYC DOHMH).²

New York City was one of the epicenters of the COVID-19 outbreak in the United States. As one of the recipients of CDC's ELC COVID-19 funding, NYC DOHMH received \$1.6 billion, nearly double its fiscal year 2021 base ELC award amount, in ELC COVID-19 funding between March 2020 and May 2021.

COVID-19 has created extraordinary challenges for the delivery of health care and human services to Americans. As the oversight agency for HHS, the Office of Inspector General (OIG) oversees HHS's COVID-19 response and recovery efforts. This audit is part of OIG's COVID-19 response strategic plan.³

OBJECTIVE

Our objective was to determine whether the NYC DOHMH used its CDC COVID-19 funding in accordance with award requirements.

¹ The appropriation bills included (1) the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (P.L. 116-123); (2) Families First Coronavirus Response Act (P.L. 116-127); (3) CARES Act (Coronavirus Aid, Relief, and Economic Security Act) (P.L. 116-136); (4) Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139); and (5) the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260).

² A cooperative agreement is a financial assistance support mechanism used when there will be substantial Federal programmatic involvement. Substantial involvement means that the awarding office program staff will collaborate or participate in project or program activities as specified in the Notice of Award.

³ OIG's COVID-19 response strategic plan and oversight activities can be accessed at [HHS-OIG's Oversight of COVID-19 Response and Recovery | HHS-OIG](#).

BACKGROUND

COVID-19 Epidemiology and Laboratory Capacity Program

The goal of the ELC program is to reduce illness and related deaths caused by a wide range of infectious disease threats, such as Zika, Ebola, and COVID-19. CDC awards funds to 64 recipients each year to strengthen public health program growth while providing the flexibility needed to address emerging infectious disease issues.⁴ In the event of a public health emergency such as the COVID-19 pandemic, CDC makes supplemental funds available through the ELC award.

The ELC COVID-19 funding was intended to:

- support jurisdictions in conducting surveillance to detect transmission;
- establish and monitor activities related to COVID-19 in the areas of epidemiology, laboratory, and informatics;
- strengthen state and local public health laboratory preparedness and response capabilities;
- provide resources to state, local, and territorial health departments in support of a broad range of COVID-19 testing and epidemiologic surveillance-related activities; and
- support and oversee expanded testing capacity for COVID-19, including the ability to process, manage, analyze, use, and report the increased data produced.

New York City Department of Health and Mental Hygiene

With an annual budget of \$1.6 billion and more than 6,000 employees throughout the 5 boroughs, NYC DOHMH is one of the largest public health agencies in the world and one of the nation's oldest public health agencies.^{5,6} NYC DOHMH's mission is to protect and promote the health of 8 million New Yorkers by studying the patterns, causes, and effects of health and disease conditions in NYC neighborhoods. These studies shape policy decisions and NYC's health agenda.

From March to May 2020, approximately 203,000 cases and 18,600 deaths among persons with laboratory-confirmed COVID-19 were reported to NYC DOHMH. NYC DOHMH received

⁴ The 64 ELC recipients include all 50 states, several large metro areas, and U.S. territories and affiliates.

⁵ Available online at <https://www.nyc.gov/site/doh/about/about-doh.page>. Accessed on 05/15/2023.

⁶ The five boroughs of NYC are the Bronx, Brooklyn, Manhattan, Queens, and Staten Island.

supplemental ELC funding from CDC to combat the COVID-19 pandemic, beginning in March 2020.

To assist in its efforts in combatting the COVID-19 pandemic, NYC DOHMH used some of this funding to issue two subawards—one to NYC Health and Hospitals for overseeing NYC’s Test and Trace Program for citywide COVID-19 testing and contact tracing and another to the Department of Social Services for mobile COVID-19 testing services at various facilities.⁷ NYC DOHMH also used the funding to address the following strategies in combatting the COVID-19 pandemic: (1) using laboratory data to enhance investigation, response, and prevention; (2) improving surveillance and reporting of electronic health data; (3) supporting the increase in demand for distribution of hand sanitizers, thermometers, and tissues to support health education campaigns with community partners; and (4) controlling COVID-19 in high-risk settings to protect vulnerable populations.

HOW WE CONDUCTED THIS AUDIT

Our audit covered \$579 million in CDC ELC COVID-19 expenditures NYC DOHMH claimed between March 2020 and September 2021 (audit period). We selected a stratified random sample of 124 line items totaling \$22.7 million.⁸ We sent questionnaires to NYC DOHMH officials related to their processes, procedures, and controls; interviewed officials from CDC and NYC DOHMH; and reviewed and analyzed documentation we received to support each sample item.

We used CDC’s COVID-19 ELC award requirements as the basis of our review and 45 CFR Part 75 to assess compliance with monitoring activities, allowable costs, and internal controls.

For each of the 124 sample items, we obtained and reviewed documentation to support the costs charged to the Federal award. For sample items that included multiple charges, we judgmentally selected a variety of cost categories within each sample item to ensure we reviewed all cost categories.

When determining the allowability of sample items, we considered the various flexibilities brought on by the COVID-19 pandemic and the need for public health agencies to respond swiftly. For example, we considered charges for supplies and portable refrigerators for mobile testing sites allowable because they were necessary for the performance of the award.

⁷ The Test and Trace Program also provided Take Care Packages to any case or contact household who indicated a need for personal protective equipment, such as masks.

⁸ Our sample selection consisted of sample items taken from four strata. Two strata contained expenditures incurred directly by DOHMH, one stratum contained expenditures incurred under the NYC Health and Hospitals subaward, and the final stratum contained expenditures incurred under the Department of Social Services subaward. See Appendix B for information on our sample.

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.

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

FINDINGS

NYC DOHMH used its COVID-19 funding in accordance with award requirements for 96 of the 124 sample items we reviewed. However, for 28 sample items, NYC DOHMH did not maintain adequate documentation to support costs and charged some costs to the wrong award. These errors occurred because NYC DOHMH did not provide adequate oversight of its award in accordance with Federal requirements. Based on the results of our sample, we found that NYC DOHMH claimed \$15,671,958 in unallowable costs.

FEDERAL REQUIREMENTS AND DEPARTMENT OF HEALTH AND MENTAL HYGIENE POLICY

The 2019 Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases Notice of Award (NU50CK000517-01-00) incorporates Federal laws, regulations, policies, and CDC's *General Terms and Conditions for Non-research Grant and Cooperative Agreements* and ascribes these requirements to the recipient of the award.

A recipient is defined as the organization that receives a grant or cooperative agreement and is responsible and accountable for the use of the funds provided and for the performance of the project or activity. A recipient can be a Federal or non-Federal entity.⁹ The award recipient must establish and maintain effective internal control over the Federal award (45 CFR § 75.303). The award recipient is responsible for oversight of the operations of the award activities and must monitor these activities to ensure compliance with applicable Federal requirements (45 CFR § 75.342).

Recipients that subaward funds to other organizations, termed subrecipients, are required to monitor the activities of the subrecipient to ensure that the subaward complies with Federal statutes, regulations, and the terms and conditions of the subaward (45 CFR § 75.352).

For costs to be allowable, they must be adequately documented (45 CFR § 75.403). Costs must also be allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received (45 CFR § 75.405).

⁹ A non-Federal entity is defined as a State, local government, or nonprofit organization that carries out a Federal award as a recipient or subrecipient (45 CFR § 75.2).

NYC DOHMH has the responsibility, as a pass-through entity, to adequately monitor its subrecipients to ensure compliance with Federal statutes, regulations, and the terms and conditions of the subaward. According to the *DOHMH Subrecipient Monitoring Policy*, subrecipient monitoring procedures apply to all Federally funded subawards issued to local governments and other non-Federal entities. The monitoring should be documented and include reviewing invoices and supporting documentation to ensure costs claimed are allowable, reasonable, and allocable. In addition, the policy states that NYC DOHMH's subrecipients are responsible and liable to identify and monitor their subcontractors in the same way as NYC DOHMH monitors its subrecipients.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE CHARGED SOME UNALLOWABLE COSTS

Of the 124 sample items that we reviewed, 28 sample items were in error. Specifically, for 25 sample items, NYC DOHMH did not maintain adequate documentation and 3 sample items were for costs not related to COVID-19 response efforts.

Subrecipient Costs Inadequately Documented

NYC DOHMH claimed costs for 25 of the 28 sample items, totaling \$15,663,528, that were inadequately documented and associated with one of its subrecipients.¹⁰ For example, some costs for personnel services, supplies, and insurance were not supported.

As the recipient of CDC ELC award funds, NYC DOHMH was responsible for ensuring that it and its subrecipients complied with all award requirements, including maintaining supporting documentation, such as invoices, receipts, and payroll registers, for all claimed costs. However, NYC DOHMH could not provide documentation to support the 25 sample items, despite multiple requests by us during a period of 6 months. Instead, for these sample items, NYC DOHMH provided Excel spreadsheets that listed lump sum costs by category, such as personnel, supplies, and testing incentives. NYC DOHMH officials stated that the subrecipient would need to request the underlying supporting documentation from its providers and, in turn, the subrecipient would send the documentation directly to us. While the subrecipient subsequently provided some documentation to support our sample items, there was not enough detail to determine the allowability of the charge. For example, some of the personnel services documentation we received did not support the time charged to the award.

NYC DOHMH did not have adequate documentation to support costs claimed because it did not follow Federal award requirements or its own policies and procedures for subrecipient oversight. Specifically, NYC DOHMH did not review supporting documentation for claimed costs, such as invoices, to ensure that either of its subrecipients' costs were allowable and allocable. Instead of reviewing subrecipient documentation, as required, NYC DOHMH relied on its subrecipients to maintain adequate supporting documentation for claimed costs and to

¹⁰ For the other subrecipient, NYC DOHMH was able to provide us with documentation to support the corresponding sample items.

provide the documentation when requested. NYC DOHMH officials stated that it relied on its subrecipients to self-certify the validity of the costs incurred because all NYC agencies use the same financial management system and are subject to the same financial processes and single audit requirements.

Costs Not Related to COVID-19

NYC DOHMH claimed costs totaling \$8,430 for three sample items that were not related to the award. Specifically, one sample item was for chlamydia and gonorrhea tests, one was for tuberculosis tests, and one was for professional services that were not included in the award.

These errors occurred because mistakes were not identified or corrected during NYC DOHMH's expenditure review process, which is designed to ensure that costs were allocable. NYC DOHMH stated that its expenditures are typically reviewed by personnel with expertise in the ELC program for approval before submission to CDC. The NYC DOHMH Office of Revenue also compares its expenditures to the CDC-approved budget. Once program personnel approve the expenditures, a report is submitted to CDC for costs incurred on the ELC award. However, because of the influx of COVID-19 funds and the fast-paced environment under which staff were working during the pandemic, human errors occurred and were not identified or corrected during the expenditure review process.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE RECEIVED UNALLOWABLE COVID-19 FUNDS

Based on the results of our sample, we found that NYC DOHMH claimed \$15,671,958 in unallowable costs. Without proper oversight of its subrecipients and adequate documentation to support Federal expenditures, NYC DOHMH is at risk of improperly spending Federal funds.

RECOMMENDATIONS

We recommend that NYC DOHMH:

- refund \$15,671,958 to the Federal government and
- strengthen its oversight of subrecipients to prevent future unallowable payments by reviewing subrecipient invoices and supporting documentation to ensure costs claimed are allowable and allocable.

NEW YORK CITY DEPARTMENT OF HEALTH AND MENTAL HYGIENE COMMENTS

In response to our draft report, NYC DOHMH partially agreed with our first recommendation and agreed with our second recommendation. Regarding our first recommendation, NYC DOHMH agreed that 3 of the 28 sample items the OIG determined to be in error were non-ELC related and \$8,430 should be refunded to CDC. However, it disagreed with the assessment of the remaining 25 sampled transactions which totaled \$15,663,528. NYC DOHMH noted that

that these 25 items were associated with one City-agency and it had made a concerted effort to produce supporting documents prior, during, and after the draft report was issued by OIG.

NYC DOHMH agreed with our second recommendation as it pertains to ELC subawards given to NYC agencies through NYC DOHMH. NYC DOHMH stated that going forward, intergovernmental subawards will detail expectations for substantiating that costs claimed are allowable and allocable. For instance, payment will be conditioned upon submission of required reports and supporting documentation. In addition, claims to NYC DOHMH must also be accompanied by supporting information such as an itemized breakdown of costs, and a signed attestation that all costs claimed have been verified and are allowable.

OIG RESPONSE

Regarding NYC DOHMH's response to our first recommendation, the OIG analyzed all documentation provided by NYC DOHMH for the sample items in error. Based on our analysis of the information provided by NYC DOHMH, we determined that NYC DOHMH provided support for an additional \$346,254 related to these 25 sample items that was charged to the Federal award. However, for the remaining \$15,663,528 associated with those 25 errors, we found that the documentation provided either did not support actual costs incurred or could not support the allocation methodology used to charge costs to the COVID-19 awards.

We adjusted the dollar amount for our first recommendation by \$346,254 to reflect the additional documentation NYC DOHMH provided.

In regard to our second recommendation, we commend NYC DOHMH on the actions it is taking to address our recommendation and the actions it will take going forward including requiring subrecipients to submit documentation to facilitate verification that services invoiced by subcontracted vendors were delivered according to subcontract terms. This action is generally the same as procedures in effect during our audit because NYC DOHMH already received from its subrecipients the information required in the claim summary, but this information was not accompanied by actual invoices and supporting documentation as required in its subrecipient monitoring policy. Having this type of source documentation would enhance NYC DOHMH's subrecipient monitoring to ensure costs claimed are allowable, reasonable, and allocable.

NYC DOHMH's written comments, excluding the additional supporting documentation, are included as Appendix C.

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$578,957,095 in total CDC ELC COVID-19 payments made to NYC DOHMH. We selected a stratified random sample of 124 line items and reviewed payments totaling \$22,710, 872.

During our audit, we did not assess the overall internal control structure of NYC DOHMH. Instead, we limited our review to NYC DOHMH's internal controls for ensuring compliance with CDC COVID-19 award requirements.

We conducted our audit from February 2022 to May 2023.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable COVID-19 appropriation bills, Federal requirements, CDC guidance, and NYC DOHMH Policies and Procedures;
- interviewed CDC officials to obtain an understanding of the ELC program;
- reviewed Notices of Awards, budgets, work plans, and milestone reports;
- reconciled NYC DOHMH's COVID-19 expenditures;
- reviewed NYC DOHMH expenditures to ensure funds were being used timely;
- reviewed subaward memorandum of understanding agreements;
- provided questionnaires to NYC DOHMH officials;
- interviewed NYC DOHMH officials;
- selected a stratified random sample of 124 line items totaling \$22,710,872 (see Appendix B);
- determined the allowability for each of the 124 line items by:
 - reviewing and analyzing documentation received;
 - ensuring expenditures were incurred during the periods of performance;

- reviewing vendor contracts and agreements; and
- ensuring expenditures were related to COVID-19 program objectives;
- determined the total value of line items in error; and
- discussed the results of our audit with NYC DOHMH 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX B: STATISTICAL SAMPLING METHODOLOGY

SAMPLING FRAME

Our sampling frame consisted of 4 Excel spreadsheets that contained 5,560 transaction line items totaling \$578,957,095 that NYC DOHMH expended from ELC COVID-19 award funds for the period March 5, 2020, through September 30, 2021.¹¹

SAMPLE UNIT

The sample unit was a line item.

SAMPLE DESIGN AND SAMPLE SIZE

We used a stratified random sample. NYC DOHMH expenditures for the ELC COVID-19 awards were comprised of four types of transactions—two types generated by NYC DOHMH (direct and adjustment transactions) and two types generated through subawards to NYC Health and Hospitals (H+H) and NYC Department of Social Services (DSS). The specific strata are shown in Table 1.

Table 1: Sample Design Summary

Stratum	Type of Transaction	Number of Line Items	Frame Dollar Value	Sample Size	Value of Sample
1	NYC DOHMH Direct Expenditures	1,055	\$73,290,095	30	\$1,833,687
2	NYC DOHMH Adjustments	101	\$8,637,590	30	\$1,373,636
3	H+H Expenditures	4,370	\$478,302,157	30	\$776,296
4	DSS Expenditures	34	\$18,727,253	34	\$18,727,253
	Total	5,560	\$578,957,095	124	\$22,710,872

SOURCE OF RANDOM NUMBERS

We generated the random numbers using Office of Inspector General, Office of Audit Services, statistical software.

METHOD FOR SELECTING SAMPLE UNITS

We sorted the line items in each stratum as follows:

- NYC DOHMH Direct Expenditures—The Excel spreadsheet was sorted by dollar amount in ascending order and then by transaction ID.

¹¹ These line items were not netting transactions and had a value greater than \$500.

- NYC DOHMH Adjustments—The Excel spreadsheet was sorted by dollar amount in ascending order and then by transaction ID.
- H+H Expenditures—The Excel spreadsheet contained two categories of expenditures, personnel services and other than personnel services, which were appended once sorted as follows:
 - Personnel Services expenditures were sorted by dollar amount in ascending order and then by employee ID number.
 - Other than Personnel Services expenditures were sorted by dollar amount in ascending order and then by invoice date.
- DSS Expenditures—The Excel spreadsheet was sorted by total expense in ascending order and then by transaction ID.

We then consecutively numbered the line items within each stratum. After generating the random numbers, we selected the corresponding frame items for review.

ESTIMATION METHODOLOGY

We have chosen not to report any estimates of unallowable costs in the sampling frame because the lower limit of the two-sided 90-percent confidence interval was less than the known unallowable costs in the sample. Therefore, we are recommending recovery of only the unallowable costs for the items in our sample.

APPENDIX C: NEW YORK CITY DEPARTMENT OF HEALTH AND MENTAL HYGIENE COMMENTS



NEW YORK CITY DEPARTMENT OF
HEALTH AND MENTAL HYGIENE
Ashwin Vasani, MD, PhD
Commissioner

August 31, 2023

Lori Pilcher
Regional Inspector General
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Ms. Pilcher,

The NYC Department of Health and Mental Hygiene (Health Department, DOHMH) reviewed HHS-OIG's draft audit report on the Health Department's use of the Epidemiology and Laboratory Capacity (ELC) awards for COVID-19 response and recovery efforts. The OIG's objective was to determine whether the Health Department used its CDC COVID-19 funding in accordance with award requirements. The audit covered \$579 million in ELC COVID-19 expenditures that DOHMH claimed between March 2020 and September 2021.

The auditors conclude that the Health Department did not provide oversight of its subrecipients in accordance with federal requirements. Specifically, DOHMH did not review subrecipients' costs charged to the award and relied on their self-certification of costs.

COVID-19 pandemic created unprecedented challenges for delivering health care and human services. It also provided a stark reminder of systemic health inequities that existed pre-pandemic. The ELC funding assisted in the Health Department's efforts to combat the pandemic and stop the spread. These monumental efforts were in collaboration with New York City Administration, other City agencies and partnership with communities.

The Health Department thanks the auditors for the opportunity to respond to the draft report and appreciates the courtesy and professionalism of OIG's audit team.

Attached is the Health Department's response to the draft audit report. If you have any questions or need further information, please contact Sara Packman, Assistant Commissioner, Audit Services, at spackman@health.nyc.gov or at (347) 396-6679.

Sincerely,

A handwritten signature in black ink, appearing to read "Ashwin Vasani".

Ashwin Vasani, MD, PhD
Commissioner

Enclosure

CC:

Emiko Otsubo, Chief Operating Officer/Executive Deputy Commissioner, DOHMH
Celia Quinn, M.D., MPH, Deputy Commissioner, Division of Disease Control, DOHMH
Aaron Anderson, Chief Financial Officer/Deputy Commissioner, Division of Finance, DOHMH
Sara Packman, Assistant Commissioner, Bureau of Audit Services, DOHMH

RESPONSE TO HHS-OIG' DRAFT AUDIT REPORT ON DOHMH'S USE OF ELC FUNDS FOR COVID-19 RESPONSE AND RECOVERY EFFORTS

Report No. A-04-22-02035

The NYC Department of Health and Mental Hygiene (Health Department, DOHMH) reviewed the Office of Inspector General, U.S. Department of Health and Human Services' (OIG) draft audit report on DOHMH's use of ELC (Epidemiology and Laboratory Capacity) award for COVID-19 response and recovery efforts. The OIG's objective was to determine whether the Health Department used its CDC (Centers for Disease Control & Prevention) COVID-19 funding in accordance with award requirements. The audit covered \$579 million in ELC COVID-19 expenditures that DOHMH claimed between March 2020 and September 2021.

The auditors concluded that DOHMH did not provide oversight of its subrecipients in accordance with federal requirements. Specifically, DOHMH did not review subrecipients' costs charged to the award, but instead relied on subrecipients' self-certification of costs charged to the federal award. This conclusion is based on the auditors' interviews, DOHMH's responses to questionnaires, and the auditors' detailed testing of 124 sample transactions.

The Health Department thanks the auditors for the opportunity to respond to the draft report and appreciates the courtesy and professionalism of OIG's audit team. The following is the Health Department's position relevant to the findings and recommendations.

Issue: "NYC DOHMH did not provide adequate oversight of its award in accordance with Federal requirements"

During the audit period of March 2020 to September 2021, New York City was at the center of the COVID-19 epidemic, creating unprecedented challenges for delivering health care and human services. As the auditors describe in their report, "From March to May 2020, approximately 203,000 cases and 18,600 deaths among persons with laboratory confirmed COVID-19 were reported to NYC DOHMH". To respond swiftly, NYC's prior mayoral administration directed DOHMH to issue subawards under ELC to NYC Health+Hospitals (H+H), NYC's public hospital system, to oversee NYC's Test and Trace Program. DOHMH was also directed to issue a subaward to the NYC Department of Social Services (DSS) to provide COVID-19 testing at its homeless shelters and other congregate housing facilities. Thus, COVID-19 vaccination and testing response was a collaborative effort involving DOHMH, H+H, other city agencies including NYC DSS and the NYC Office of Management & Budget (OMB).

The auditors assessed that DOHMH claimed for subrecipients' costs that were "inadequately documented" and that "of the 124 sample items... 28 sample items were in error." Specifically, the auditors stated that "for 25 sample items, DOHMH did not maintain adequate documentation." It should be noted that these 25 items were associated with one City-agency (DSS), and that DSS made up 82% of the total dollar value of the 124 sample items tested. Accordingly, DSS made a concerted effort to and was able to produce supporting documents prior, during, and after the Draft

Report was issued by OIG. The remaining 3 transactions were non-COVID-19 related expenses for DOHMH which were erroneously charged to the ELC award.

While DOHMH acknowledges that it did not oversee these subawards consistent with the DOHMH Subrecipients Monitoring Policy, DOHMH also notes that it had been transparent about this fact and disclosed it during the auditors' interviews and DOHMH's 4-29-2022 formal response to the auditors' questionnaire stating that "...DOHMH's subrecipients for ELC grants are mostly inter-governmental agencies (H+H, DSS). They are part of the NYC Single Audit, audited by the same Single Auditor and are reported in the same audit report. The NYC Office of Management and Budget (OMB) coordinates with the Single Auditor and monitors each NYC agencies' corrective actions."

In response to follow-up questions, DOHMH officials stated that the Health Department regularly monitored its City agency partners to make sure that they complied with Award requirements for reporting financial information, progress toward milestones, performance measures and procedures for project and budget modifications. DOHMH's principal investigator (PI) for the Award reviewed sub-recipients' quarterly milestones, and performance measure reports prior to submitting them to CDC.

OIG Recommendations and DOHMH's Response

DOHMH should

1. *"Refund \$16,018,212 to the Federal government."*

DOHMH reviewed DSS' supporting documentation submitted before and after the issuance of OIG's Draft Report and determined that these documents supported most expenses claimed to the ELC award.

Accordingly, DOHMH disagrees with the OIG auditors' assessment relative to 25 sampled transactions for DSS totaling \$16,009,782 and agrees that 3 sampled transactions for DOHMH totaling \$8,430 were non-ELC and should be refunded to CDC. The appendix to this response includes DOHMH's position relative to each of the 28 transactions which total \$16,018,212.

2. DOHMH should *"..strengthen its oversight of subrecipients to prevent future unallowable payments by reviewing subrecipient invoices and supporting documentation to ensure costs claimed are allowable and allocable."*

DOHMH agrees with this recommendation as it pertains to ELC subawards given to NYC agencies through DOHMH. Going forward, memoranda of understanding governing intergovernmental subawards will detail expectations for substantiating that costs claimed are allowable and allocable. Payment will be conditioned upon submission of required reports and documentation to facilitate verification that services invoiced by subcontracted vendors were delivered according to subcontract terms. Claims to DOHMH must also be accompanied by a claim summary with claim date, claim number, period for which the claim is submitted (start and end dates), itemized breakdown of costs with brief descriptions, total claim amount, signed attestation that all costs claimed have been verified and are allowable, and name, telephone, and email address of contact person to respond to inquiries about the claim.