

THOMAS P. DiNAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 4, 2009

Commissioner Thomas A. Farley, M.D.
NYC Department of Health and Mental Hygiene
125 Worth Street, CN-28
New York, NY 10013

Re: Report 2009-F-3

Dear Dr. Farley:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article III of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Department of Health and Mental Hygiene (Department) to implement the recommendations contained in our audit report, *Grant Funds From The Center For Disease Control And Prevention* (Report 2006-N-6).

Background, Scope and Objective

The United States Department of Health and Human Services' Centers for Disease Control and Prevention (CDC) provides Bioterrorism Preparedness and Response Program Grant Funds (grant funds) to the Department. The grant funds are to help improve preparedness and response capabilities for bioterrorism and other public health emergencies. The CDC requires these grant funds to be used for specific purposes relating to bio-terrorism (e.g., hiring and training staff dedicated to bio-terrorism response activities, public health training, etc.). These funds cannot be used for construction-related activities and cannot supplant other local government programs.

Each year, the Department applies for grant funds, which are sent directly to the Medical Health Research Association (MHRA), a not-for-profit entity, to administer the funds. MHRA is responsible for completing administrative tasks and subcontracting with other entities/companies on behalf of the Department for public health preparedness and response. According to the grant agreements, the Department is responsible for hiring most grant staff, reviewing and approving all contracts for equipment and professional services purchased under the grant and, together with MHRA, ensures the program goals are being met.

Our audit report, which was issued on October 10, 2007, examined whether the Department used bioterrorism preparedness and response program grant funds in accordance with grant agreements. Our report identified a number of internal control weaknesses related to the use of these grant funds. In particular, we found that certain equipment items that were purchased for the express purpose of being able to respond to a bio-terrorism or other related emergency, sat in storage for

extended periods of time after being purchased. For example, the Department was paying monthly vehicle enrollment and monitoring costs for 110 of 380 global positioning system (GPS) devices purchased in May 2004, that had not been installed in vehicles three years after they were purchased. The Department was able to recoup a \$93,040 credit from the vendor for the uninstalled GPS units. The objective of our follow-up review was to assess the extent of implementation, as of March 31, 2009 of the three recommendations included in our audit report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have corrected the problems we identified. Of the three prior audit recommendations, two recommendations have been implemented, and one recommendation is not applicable.

Follow-up Observations

Recommendation 1

Verify all services under the GPS contract are received prior to authorizing payment to the vendor.

Status - Not Applicable

Agency Action - The contract with the vendor for GPS services ended in August 2007.

Recommendation 2

Better align the timing of the purchase and installation of emergency equipment so that it is immediately available for its intended purpose.

Status - Implemented

Agency Action - We found that emergency equipment has been installed in a timely manner. Our review of a sample of eight recent purchases of emergency equipment found that six of the equipment items were installed within a month of receipt. While, Department officials could not provide supporting documentation for the installation dates of the other two equipment-related items, they indicated that the two items were installed within six months of delivery. They further indicated that the delay in installing these items was due to the time needed for testing and securing the equipment. We did observe that all the sampled equipment was available for operational use.

Recommendation 3

Before authoring payments to vendors, verify that invoices include only items received.

Status - Implemented

Agency Action - We found that Department officials have implemented new procedures to inspect record, review and make payments for goods received. When goods are received, a staff member counts the items and checks them off as having been received on the receiving report. This staff member will then verify that the item descriptions and count from the receiving report agree to the packing slip, and then will sign off as having received the correct number of items. A copy of the receiving report is sent to a Department official, who reconciles the receiving report with the invoice and purchase order, and then signs the invoice as approved for payment. The receiving report, purchase order, and the invoice are sent to the MHRA, which reviews the documents and then sends a check to the vendor. We reviewed a sample of invoices and found they all had the appropriate notations for goods received and included the proper approvals.

Major contributors to this report were Stu Dolgon, Dave Louie, John Ames, Ray Louie and Margarita Ledezma.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Michael Solomon
Audit Manager

cc. George Davis, Mayor's Office
Thomas Hardiman, Audit Unit