



Transmitted via e-mail

December 19, 2013

Ron Chapman, MD, MPH, Director  
California Department of Public Health  
1615 Capitol Avenue  
Sacramento, CA 95814

Dear Dr. Chapman:

**Final Report and Corrective Action Plan—California Department of Public Health,  
Emergency Preparedness Office Performance Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its performance audit of the California Department of Public Health's (CDPH) Emergency Preparedness Office, for the period July 1, 2010 through December 31, 2012. Finance has also completed its review of CDPH's Corrective Action Plan (CAP) submitted on December 13, 2013.

The enclosed report is for your information and use. At CDPH's request to have the final issued report include the CAP, this report includes the CAP as well as CDPH's response to the report observations and our evaluations of the response and the CAP.

Based on our review, Finance acknowledges CDPH's efforts to address the observations and recommendations noted in the audit report. Additionally, our review recognizes CDPH is taking action on the recommendations but do not expect to fully implement all recommendations until January 2014. After CDPH reports that corrective actions have been fully implemented, we will conduct fieldwork to verify whether planned actions were implemented as reported. An updated CAP is due to Finance by February 15, 2014. Please email the updated CAP to:  
[OSAEReports@dof.ca.gov](mailto:OSAEReports@dof.ca.gov).

We appreciate the assistance and cooperation of CDPH. If you have any questions regarding this report, please contact Susan Botkin, Manager, at (916) 322-2985.

Sincerely,

Original signed by Susan Botkin for:

Richard R. Sierra, CPA  
Acting Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Ms. Diana S. Dooley, Secretary, California Health and Human Services Agency  
Mr. Daniel C. Kim, Chief Deputy Director of Operations, California Department of Public Health  
Ms. Kathleen Billingsley, RN, Chief Deputy Director of Policy and Programs, California Department of Public Health  
Mr. Alan Lum, Deputy Director, Administration Division, California Department of Public Health  
Mr. David Cornejo, Branch Chief, Financial Management Branch, Administration Division, California Department of Public Health  
Ms. Annemarie Reno, Section Chief, Accounting Section, Financial Management Branch, Administration Division, California Department of Public Health  
Ms. Jean Billington, Unit Chief, State and Federal Reporting Unit, Accounting Section, Financial Management Branch, Administration Division, California Department of Public Health  
Ms. Susan Fanelli, Deputy Director, Emergency Preparedness Office, California Department of Public Health  
Ms. Frances Viramontes, Section Chief, Program Support Section, Emergency Preparedness Office, California Department of Public Health  
Mr. James Clark, Section Chief, Local Public Health Emergency Preparedness Section, Emergency Preparedness Office, California Department of Public Health  
Ms. Jean Iacino, Acting Chief, Office of Internal Audits, California Department of Public Health  
Mr. William Young, Internal Audit Manager, Office of Internal Audits, California Department of Public Health  
Ms. Michelle Kristoff, Chief, Administrative Claiming and Local School Services Branch, Department of Health Care Services

# Performance Audit

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## California Department of Public Health Emergency Preparedness Office July 1, 2010 through December 31, 2012



Emergency Preparedness Office

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Susan Botkin, CGFM  
Manager

Sherry Ma, CRP  
Supervisor

### Staff

Jennifer Foret-Lopez  
Catherina Liemola  
Marilyn Santiago  
Kathleen Wong

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

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## EXECUTIVE SUMMARY

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In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations audits funds administered by the California Department of Public Health (CDPH). Through our planning and risk assessment, CDPH's Emergency Preparedness Office (EPO) was selected for audit.

The audit objective was to evaluate the fiscal and programmatic administration of the EPO's Public Health Emergency Preparedness (PHEP) and Hospital Preparedness Program (HPP), local assistance and state operations projects, for efficiency and compliance with state and federal requirements during the period July 1, 2010 through December 31, 2012.

We identified significant weaknesses that originate from the lack of a structurally sound internal control environment. The circumvention of policies and procedures, inadequate subrecipient monitoring of grant awards, and unreliable financial data and reporting impair the fiscal integrity of the programs. We acknowledge EPO's willingness to enhance existing fiscal and programmatic controls with their recent efforts to restructure staff responsibilities and develop written policies and procedures. However, the following weaknesses were noted:

- Inadequate foundation for internal control.
- Inefficient subrecipient monitoring practices.
- Unallowable transaction adjustments between grant budget periods.
- Federal financial reports did not agree to accounting records.

CDPH should immediately implement and strengthen internal controls over the fiscal and programmatic administration of the EPO's projects. To improve operations, CDPH must develop a corrective action plan to address the observations and recommendations noted in this report.

# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND

The California Department of Public Health (CDPH) is dedicated to optimizing the health and well-being of the people in California. CDPH accomplishes this mission primarily through population-based programs, strategies, and initiatives. CDPH's core activities include:

- Promoting healthy lifestyles for individuals and families in their communities and workplaces.
- Preventing disease, disability, and premature death and reducing or eliminating health disparities.
- Protecting the public from unhealthy and unsafe environments.
- Providing or ensuring access to quality, population-based health services.
- Preparing for and responding to public health emergencies.
- Producing and disseminating data to inform and evaluate public health status, strategies, and programs.<sup>1</sup>

To assist in these activities, the Emergency Preparedness Office (EPO) coordinates overall planning and preparedness efforts for CDPH. These efforts include:

- Planning and executing activities to prepare Californians for public health emergencies.
- Coordinating planning for the Strategic National Stockpile.
- Maintaining contact names and numbers for crisis response.
- Overseeing statewide public health disaster planning.
- Distributing and overseeing funding to local health departments for disaster planning.<sup>2</sup>

EPO programs are funded with federal and state monies. Our audit focused on two EPO federal grants: the Public Health Emergency Preparedness (PHEP) and Hospital Preparedness Program (HPP).

PHEP activities are for the development of emergency-ready public health departments that are flexible and adaptable. These efforts support the National Response Framework, which guides how the nation responds to hazards including infectious disease outbreaks; natural disasters; biological, chemical, and radiological incidents; and explosions.<sup>3</sup> This program is funded by the Centers for Disease Control and Prevention.

HPP provides leadership and funding to improve surge capacity and enhance community and hospital preparedness for public health emergencies. HPP program funding supports enhanced

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<sup>1</sup> CDPH website, [www.cdph.ca.gov](http://www.cdph.ca.gov)

<sup>2</sup> *ibid*

<sup>3</sup> Centers for Disease Control and Prevention website, [www.cdc.gov](http://www.cdc.gov)

planning, increasing integration, and improving infrastructure. This program is funded by the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Preparedness and Response.<sup>4</sup>

## **SCOPE**

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations (Finance), audits funds administered by CDPH. Through our planning and risk assessment process, we selected the EPO for audit.

To develop our audit objective, we performed a risk assessment that included (1) interviewing key staff to gain a general understanding of CDPH and EPO operations and processes, and (2) reviewing documentation such as policies and procedures and financial reports. We identified the following risk areas related to EPO's operations and processes:

- Overall control environment.
- Local assistance and state operations subrecipient monitoring, including expenditures.
- Federal financial reporting.
- Local assistance recipient award application and allocation.

Because EPO receives federal and state monies, we further defined our audit scope to include the two largest, recurring federal grants to apply detailed procedures: the PHEP and HPP. Other EPO funding sources were not included in our audit.

Our audit objective was to evaluate the fiscal and programmatic administration of EPO's PHEP and HPP local assistance and state operations projects for efficiency and compliance with state and federal requirements during the period July 1, 2010 through December 31, 2012. Our audit was limited to the practices and procedures performed by EPO and CDPH's Financial Management Branch, Accounting Section (CDPH Accounting). Our audit did not include a review of practices and procedures performed by other CDPH Centers or Programs on behalf of EPO.

Additionally, we did not perform procedures to evaluate the emergency preparedness efforts of the EPO, local assistance subrecipients, or state operations subrecipients.

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<sup>4</sup> U.S. Department of Health and Human Services, Office of the Assistant Secretary for Preparedness and Response website, [www.phe.gov](http://www.phe.gov)

## METHODOLOGY

To address the audit objective, we performed the following procedures. The procedures were performed as they relate to the four areas of focus identified during our risk assessment, as described in the previous Scope section.

- Interviewed key personnel to gain an understanding of CDPH and EPO programs, federal financial reporting processes, local assistance and state operations subrecipient monitoring, expenditure disbursements, transaction adjustment processes, local assistance award and application processes, and EPO's control environment.
- Distributed an online survey to EPO employees to gain an understanding of EPO's control environment.
- Reviewed applicable legal provisions, regulations, policies, procedures, and program guidelines significant to the audit objective.
- Reviewed relevant websites to gain an understanding of CDPH, EPO, PHEP, and HPP operations and requirements.
- Reviewed audit reports and other publications significant to the audit objective.
- Selected a sample of PHEP and HPP local assistance and state operations expenditures to determine if costs were supported, allowable per contract and budget specifications, advanced payments were accurately calculated, and payment criteria was satisfied prior to payment by tracing to CDPH accounting records, supporting invoices, and project file documentation.
- Evaluated if EPO is adequately monitoring funds advanced to local assistance subrecipients for the PHEP program.
- Selected a sample of PHEP and HPP local assistance subrecipients and performed site visits to interview subrecipients on EPO monitoring, tested a sample of HPP expenditures, and physically inspected assets purchased with HPP funds.<sup>5</sup>
- Evaluated the frequency and methodology of EPO local assistance subrecipient site visits.
- Determined if local assistance subrecipients are audited in accordance with Health and Safety Code requirements.
- Analyzed a sample of accounting transaction adjustments to determine whether adjustments were properly authorized, adequately supported, and allowable per federal and state guidelines.
- Analyzed final federal financial reports and program end of year reports, and related accounting records and supporting documentation, to determine if the reported expenditure data was supported by accounting records at the time of submission to federal grantors.
- Evaluated whether controls exist over managing EPO's federal funding award expiration dates and reversion of funds.
- Analyzed a sample of local assistance subrecipient award allocations for compliance with Health and Safety Code requirements.
- Analyzed a sample of local assistance subrecipient application approval dates for compliance with the EPO's annual application guidance.

Except as discussed in the following paragraph, 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

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<sup>5</sup> See Appendix for list of local assistance recipients selected for our site visits.

reasonable basis for our observations and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objective.

In connection with our audit, there are certain disclosures required by generally accepted government auditing standards. Finance is not independent of CDPH, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

Internal control is a process affected by executive management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. Significant weaknesses exist within the fiscal and programmatic administration of EPO's PHEP and HPP programs. The administrative infrastructure and oversight were not in place to ensure efficiency and compliance with state and federal requirements, resulting in the circumvention of policies and procedures, inadequate subrecipient monitoring, and unreliable financial reporting. CDPH and EPO have undergone key management changes and worked to strengthen their decentralized and ineffective governance. A realignment of EPO employee roles and responsibilities and the development of policies and procedures are planned. While these planned actions are positive steps, additional risks remain and improvements are needed.

To improve EPO's governance and administration of PHEP and HPP projects, we provide the following observations and recommendations. The results of our audit are based on our review of available documentation, other information made available to us, local assistance subrecipient site visits, and interviews with key staff.

### Observation 1: Inadequate Foundation for Internal Control

EPO's control environment, or governance, does not establish an adequate foundation for internal control. The control environment is a set of standards, processes, and structures providing the basis for carrying out internal control. Governance is critical to ensuring strategic direction and fiscal operations are sound, effective, and responsible. The State Administrative Manual section 20050 requires state entity heads, by reason of their appointments, to be accountable for activities carried out in their agencies. This responsibility includes establishment and maintenance of internal accounting and administrative controls. We observed inadequate controls over EPO's fiscal and programmatic administration of the PHEP and HPP programs, hindering its ability to operate efficiently and comply with federal and state requirements. As described below, EPO management has not proactively established and implemented effective or efficient internal controls.

#### Key Principles of an Effective Control Environment

- Organization demonstrates commitment to integrity and ethical values.
- Management independence and oversight for development and performance of internal controls.
- Management establishes structures, reporting lines, and appropriate authorities and responsibilities in pursuit of objectives.
- Organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Organization holds individuals accountable for their internal control responsibilities in pursuit of objectives.

*Source: Committee of Sponsoring Organizations of the Treadway Commission (COSO)*

Consequently, the lack of governance and control has contributed to a breakdown in fiscal and programmatic operations, resulting in Observations 2 through 4, as well as the following deficiencies:

#### *Management Override of Controls*

In August and December 2012, EPO and CDPH Accounting staff/management circumvented established policies and procedures for preparing Federal Financial Reports (FFRs) by knowingly misrepresenting grant expenditures to federal grantors. EPO and CDPH Accounting submitted four reports for the PHEP and HPP that did not agree to CDPH accounting records. The variances between the FFRs and accounting records were significant and not documented or explained. U.S. Department of Health and Human Services Grants Policy Statement, and CDPH Accounting's FFR preparation policies and procedures, state the FFRs must be accurate, complete, and consistent with the CDPH accounting system, with any variances explained and documented.

Management override of policies and procedures compromises the reliability and integrity of the FFRs and the true performance of the PHEP and HPP programs. This issue is explained in greater detail in Observation 4.

#### *Limited Written Policies and Procedures*

EPO does not maintain adequate policies and procedures governing the fiscal and programmatic administration of the PHEP and HPP programs. Policies and procedures were not always documented or representative of current practices. For example, written policies do not exist outlining the documents needed to fully execute agreements, monitor local recipient audit corrective action plans, or conduct local recipient site visits. Sufficiently written policies and procedures would allow staff to clearly understand their roles and responsibilities, ensure consistency and compliance with requirements, provide a training and succession tool, and allow management to guide operations without constant intervention.

#### *Unclear Roles and Limited Authority of Local Assistance Administration*

As a result of limited policies and procedures, roles and responsibilities of local assistance project administration staff are unclear. For example, although EPO's Local Management Unit is responsible for monitoring the status of corrective action plans, it is unclear what unit within EPO is responsible for recovering questioned costs identified in Department of Health Care Services' fiscal compliance audits.<sup>6</sup> In addition, local assistance subrecipients observed that their EPO program contacts generally are not empowered to answer questions or provide approvals for program requests. Assigning appropriate authority, roles, and responsibilities empowers employees to act as needed in their given roles, and helps to facilitate consistency when tasks are performed by different individuals in the same position.

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<sup>6</sup> EPO contracts with the Department of Health Care Services to audit local assistance sub-recipients.

### *Inefficient Record Retention System*

EPO does not maintain a complete, efficient, effective, or useful record retention system. We observed missing documents and incomplete and inconsistently maintained files. Government Code section 14750 (a) states “the head of each agency shall establish and maintain an active, continuing program for the economical and efficient management of the records and information collection practices of the agency.” Information collected shall “be collected and tabulated in a manner which maximizes the usefulness of the information to other state agencies and the public.” Additionally, EPO management signs all local assistance subrecipient payment authorization forms which state, “The application and the related documents, approvals, and requests for payment are maintained at the Department of Public Health, Emergency Preparedness Office, for five (5) years for audit purposes.” An ineffective record retention system adversely impacts an agency’s ability to effectively manage contracts, and information cannot be confirmed in the form of external audits, internal reconciliations, or subrecipient disputes.

### *No Annual Performance Appraisal for EPO Employees*

EPO did not conduct annual performance appraisals for employees during the audit period. Without consistent and constructive feedback, and with unclear responsibilities, inadequate performance by employees may occur. Additionally, the lack of a formal employee recognition and improvement process can impact morale and an organization’s ability to retain and develop competent individuals to accomplish its goals, ultimately affecting the organization’s foundation for internal control. The CDPH Public Health Administration Manual, section 4-2510.9 “Annual Performance Appraisals” states, “Management has an obligation to provide leadership and direction in employee performance appraisal and development.” Performance appraisals should serve as a mechanism for employee recognition as well as a constructive method to identify improvement.

### **Recommendations:**

Effective organization control and governance are an essential component for success. EPO and CDPH Accounting should strengthen the controls over EPO program administration as follows:

- A. Refrain from overriding controls or policies and procedures.
- B. Establish and clearly define the roles, responsibilities, and authority of those performing EPO’s fiscal and program administration tasks.
- C. Document and implement EPO program administration policies and procedures. These procedures should be regularly reviewed and updated, approved by management, communicated and readily accessible to staff, and consistent with federal and state requirements.
- D. Develop record retention practices that ensure useful information is collected and retained, and ensure supporting documentation is retained for expenditures.
- E. Follow the CDPH Public Health Administration Manual section 4-2510.9 requirements for annual performance appraisals.

## **Observation 2: Inefficient Subrecipient Monitoring Practices**

EPO's subrecipient monitoring practices are not adequate to ensure fiscal and programmatic compliance requirements and milestones are achieved. EPO's knowledge of subrecipient performance is primarily from subrecipients' self-reported progress, and accordingly, much of the progress reported to the federal grantors is based on self-reported information. The Code of Federal Regulations, Title 45, section 92.40 states, "Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved." EPO conducts an in-depth review of subrecipient applications, budgets, and work plans; however, interim and close-out monitoring activities were deficient as follows:

### *Expenditures Not Always Supported or Verified*

Subrecipient HPP expenditures were not always supported or verifiable, because either (1) EPO does not require subrecipients to provide supporting documentation for all expenditures, such as personnel costs, training drills and exercises, or travel; or (2) supporting documentation could not always be located for the expenditures.

EPO also requires certain criteria be met prior to disbursing PHEP and HPP funds to subrecipients, such as the submission of a complete application package or progress reports. These requirements are not always met prior to payment.

Further, EPO has not monitored or verified if PHEP advanced payments were spent by local assistance subrecipients since the 2009-10 grant budget period. EPO does not review actual invoices of funds expended or expenditure reports to verify local assistance subrecipients are in compliance with the terms of their approved PHEP plan. EPO also does not determine if all of the prior advances are spent before issuing the next quarterly payment. This observation was previously reported by the California State Auditor in the 2007-08 California Single Audit report. Health and Safety Code section 101317 requires PHEP local assistance subrecipients to receive quarterly advanced payments from EPO. It further states EPO may withhold subsequent quarterly payments if the local assistance subrecipient is not in compliance with the terms of their approved PHEP plan.

### *EPO Site Visits Do Not Adequately Monitor Subrecipient Activities*

EPO's site visits do not include fiscal or programmatic compliance reviews. When site visits are conducted, no verification of purchases or evaluation of overall project progress is performed. Because EPO does not have policies and procedures established regarding site visits, visits are not performed on a regular basis and when they are conducted the objectives of the visits are not clear or consistent.

### *Subrecipient Audits Not Performed in Accordance with Health and Safety Code Requirements*

EPO did not ensure subrecipient audits were performed every three years, as required by Health and Safety Code section 101317. As of December 2012, only 26 of 58 local assistance subrecipients were audited for the 2005-06 grant year. Audits of the 2008-09 grant year have begun; however, final reports had not been issued as of December 31 2012. Because audits have not been performed every three years, EPO's fiscal monitoring of subrecipients is inconsistent and incomplete.

## Recommendations:

Adequate and consistent subrecipient monitoring is imperative when ensuring performance goals are achieved and grant activities are compliant with federal and state requirements. EPO should strengthen its subrecipient monitoring practices to ensure they are adequate and consistent as follows:

- A. Ensure subrecipient expenditures are for eligible purposes by reviewing and retaining relevant supporting documentation prior to disbursing funds.
- B. Ensure subrecipient payment criteria are satisfied and related agreements are fully executed prior to disbursing funds.
- C. Develop and implement policies and procedures for monitoring PHEP actual expenditures, including monitoring earned and expended interest.
- D. Ensure policies and procedures developed for subrecipient site visits include review of fiscal and programmatic compliance.
- E. Develop policies and procedures to ensure audits are conducted every three years, and communicate this requirement to the entity conducting the audits.

## Observation 3: Unallowable Transaction Adjustments

EPO and CDPH Accounting authorized and completed hundreds of unallowable transaction adjustments moving millions of dollars of HPP and PHEP expenditures between grant budget periods. EPO and CDPH Accounting's practice is to adjust grant expenditures at the end of budget periods in order to maximize unexpended grant funds. Transactions related to one grant budget period would be inappropriately transferred to a different grant budget period, such as \$1.5 million of HPP budget year 2011-12 expenditures transferred to budget year 2009-10. In some instances, transaction adjustments impacted grant budget periods where final FFRs were already submitted. For example, in February 2012, \$8.5 million of PHEP budget year 2004-05 expenditures were applied against the state's General Fund. The FFR for 2004-05 had already been submitted, and at the completion of our fieldwork in May 2013, a revised FFR had not been submitted. These transaction adjustments subsequently impact the availability of funds in future grant budget periods. The U.S. Department of Health and Human Services Grants Policy Statement identifies that cost transfers are generally unallowable, and if necessary, must be made no later than 90 days following occurrence. See text box for summary of requirements.

### Summary of U.S. Department of Health and Human Services Cost Transfer Requirements

- Cost transfers by recipients between grants, whether as a means to compensate for cost overruns or for other reasons, generally are unallowable.
- Cost transfers by recipients may sometimes be necessary to correct bookkeeping or clerical errors and should have systems in place to detect such errors within a reasonable time frame.
- Permissible transfers should be made promptly after error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the Grants Management Officer.
- Cost transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient.
- If a transfer affects previously submitted FFR, a revised FFR must be submitted.

Source: U.S. Department of Health and Human Services Grants Policy Statement

Additionally, a Centers for Disease Control Grants Management Specialist confirmed that expenditures must be charged to the grant budget period in which they were incurred, and expenditures should not be shifted between periods.

Overall, these transaction adjustments impact the fiscal integrity of CDPH's accounting records, making it indiscernible whether grant budget period expenditures are accurate, as well as determining if subrecipient agreements are over or under budget.

### **Recommendations:**

EPO and CDPH Accounting should discontinue the practice of adjusting transactions between budget periods or grants, as well as:

- A. Develop and implement policies and procedures to ensure expenditures are recorded in the grant budget period in which they were incurred.
- B. Regularly track and reconcile grant expenditures to identify over or unexpended funds for each grant budget period, and apply for carryover requests from the federal grantors in accordance with federal guidelines.

### **Observation 4: Final Federal Financial Reports Do Not Agree to Accounting Records**

In August and December 2012, EPO and CDPH Accounting staff/management knowingly misrepresented grant expenditures to federal grantors for PHEP and HPP grant years 2009-10 and 2010-11 by submitting four final FFRs that did not agree to CDPH accounting records. For example, CDPH accounting records reflected \$32,871,216 in expenditures for the 2009-10 HPP grant year, while that grant's final FFR reported \$28,797,833 in expenditures. The difference was not adequately explained and actual expenditures could not be determined. Explanations from EPO and CDPH Accounting, as well as a review of the related CDPH accounting records for each FFR did not provide a valid justification for the variances. The numerous transaction adjustments included in the accounting records further obscure the true fiscal results of these grant years. Additionally, CDPH Accounting reconciliation data indicate that the federal funds received since the beginning of the PHEP program do not agree with the expenditures disbursed.

While investigating the variances, we also observed the PHEP FFRs did not reflect an \$8.5 million transfer from the General Fund. EPO and CDPH Accounting requested approval from CDPH management and the Department of Finance for these monies to fund a shortfall in the 2009-10 and 2010-11 PHEP and PanFlu grants. Regarding this General Fund transfer, we observed:

- EPO stated these monies were for a PHEP shortfall, yet requested a PHEP carryover of \$5.2 million in unexpended funds from the federal grantor for the same grant budget period.
- CDPH accounting records and reconciliation data do not support the need for the \$8.5 million General Fund transfer, nor the availability of \$5.2 million for carryover.
- The \$8.5 million transfer was made in February 2012, yet was not approved by the Department of Finance until June 2012.
- No documentation was available indicating the PanFlu grant was subsequently subsidized with General Fund monies.

Because of the unsupported FFRs, unexplained variances, and numerous transaction adjustments, the accuracy and validity of PHEP and HPP grant funds could not be determined. Additionally, as a result of inconsistent supporting information for the General Fund transfer, it cannot be determined if the General Fund transfer for carryover was completed accurately or appropriately.

The U.S. Department of Health and Human Services Grants Policy Statement, page II-83 section "Financial Reporting" states that before submitting financial expenditure reports, "recipients must ensure that the information submitted is accurate, complete, and consistent with the recipient's accounting system." CDPH Accounting policies and procedures state that to prepare an FFR a three-way reconciliation should be performed between the federal Payment Management System, revenues to expenditures, and the FFR to ensure accuracy, and identify any discrepancies which require supporting documentation, including explaining the differences.

**Recommendations:**

EPO and CDPH Accounting should ensure FFR preparation policies and procedures and requirements of the federal grantors are followed, as well as:

- A. Consult with an independent third party to perform a complete reconciliation of EPO grants as of a point in time. The reconciliation should compare CDPH accounting records of revenues, expenditures, and encumbrances; federal Payment Management System records; and program data to identify the revenue and expenditure balances of both open and closed grant periods. Variances should be investigated and explained, and revised FFRs should be submitted, if necessary.
- B. For future FFR submissions, perform reconciliations between CDPH accounting records, federal Payment Management System records, and program data to ensure all sets of financial information agree prior to submission. Reconciliation should include identifying, investigating, and explaining any variances.
- C. Ensure FFR data and reconciliations include sufficient levels of management review.

**Local Assistance Subrecipient Sites Visited**

<b>County</b>	<b>Local Assistance Subrecipient</b>	<b>Program Administered</b>
Alameda	Alameda County Public Health Department	HPP and PHEP
Amador	Amador County Public Health Department	HPP and PHEP
Calaveras	Mark Twain Medical Center	HPP
	Calaveras County Public Health Department	PHEP
Contra Costa	Contra Costa Health Services	HPP and PHEP
Orange	Orange County Health Care Agency	HPP and PHEP
Riverside	Riverside County Public Health Department	HPP and PHEP
Sacramento	Sacramento County Department of Health and Human Services	HPP and PHEP
San Bernardino	Inland County Emergency Medical Agency	HPP
	San Bernardino County Public Health Department	PHEP
San Francisco	San Francisco Public Health Department	HPP and PHEP
Yolo	Yolo County Public Health Department	HPP and PHEP

## RESPONSE

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Attachments referenced in the response have been omitted in the interest of brevity.



**RON CHAPMAN, MD, MPH**  
*Director & State Health Officer*

State of California—Health and Human Services Agency  
**California Department of Public Health**



**EDMUND G. BROWN JR.**  
*Governor*

September 23, 2013

Dave Botelho, CPA  
Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814-3706

Dear Mr. Botelho:

Enclosed is the California Department of Public Health's (CDPH) response to the Office of State Audits and Evaluations' draft report entitled, "Performance Audit: California Department of Public Health Emergency Preparedness Office July 1, 2010 through December 31, 2012."

If you have questions, please contact Jean Iacino, Acting Chief, Internal Audits, at 916-445-0938.

Sincerely,

Original signed by Kathleen Billingsley for

Ron Chapman, MD, MPH  
Director & State Health Officer

Enclosure

**California Department of Public Health Response to  
Office of State Audits and Evaluation Performance Audit:  
California Department of Public Health  
Emergency Preparedness Office July 1, 2010 through December 31, 2012**

**Observation 1: Inadequate Foundation for Internal Control**

**Recommendations:**

**Effective organization control and governance are an essential component for success. EPO and CDPH Accounting should strengthen the controls over EPO program administration as follows:**

**1A Refrain from overriding controls or policies and procedures.**

CDPH agrees with this recommendation and has fully implemented it.

In September 2013, the CDPH Accounting shared revised procedures for creating and reviewing Federal Financial Reports (FFRs) and EPO acknowledges the procedures and the separation of duties between EPO and Accounting. Beginning with the next reporting period, September 30, 2013, Accounting will elevate any concerns regarding adherence to controls and written policies through its management chain to the Chief of the Accounting Section and/or the Chief of the Financial Management Branch, who will be responsible for final decisions. Accounting procedures include the following:

- The FFR Review Procedure (July 15, 2013) – Attachment 1 (Accounting)
- Transaction Adjustment Procedures (September 10, 2013) – Attachment 2 (Accounting)

In addition, both the Deputy Director of EPO and the Chief of the Accounting Section will approve all FFRs.

**1B Establish and clearly define the roles, responsibilities, and authority of those performing EPO's fiscal and program administration tasks.**

CDPH agrees with this recommendation and has fully implemented it.

CDPH has revised or developed procedures to clarify the roles and responsibilities of the Local Management Unit and the Fiscal Unit within EPO and provided training to staff on implementing the procedures. Updated/new procedures include:

- Local Invoice Instructions (February 20, 2013) – Attachment 3
- Invoice Review Instructions (February 20, 2013) – Attachment 4
- Joint Local Management Unit and Fiscal Management Unit Invoice Process (March 20, 2013) – Attachment 5
- Health and Safety Code Audit Resolution Process (March 2013) – Attachment 6
- A-133 Audit Resolution Process (November 11, 2011) – Attachment 7

In addition, EPO has clarified the roles of the staff serving as budget analysts and project officers within the Local Public Health Preparedness Section. In July 2013, with

**California Department of Public Health Response to  
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Human Resources Branch approval, EPO revised the duty statements of the Health Program Specialist Is, Associate Governmental Program Analysts, and Staff Services Analysts that served as budget analysts and project officers, and these positions will now all serve as contract managers. The contract managers will serve as single points of contact for each county and oversee both program and budget compliance. EPO expects to hire three additional contract managers by September 30, 2013. All contract managers have received the policies, procedures, and training related to their new responsibilities (see recommendation 1C below). See:

- Duty statements for contract managers (June 2013) – Attachment 8

**1C Document and implement EPO program administration policies and procedures. These procedures should be regularly reviewed and updated, approved by management, communicated and readily accessible to staff, and consistent with federal and state requirements.**

CDPH agrees with this recommendation and has partially implemented it.

EPO has reviewed, updated, and developed policies and procedures as indicated below:

- Local Invoice Instructions (February 20, 2013) -- Attachment 3
- Invoice Review Instructions (February 20, 2013) -- Attachment 4
- Joint Local Management Unit and Fiscal Management Unit Invoice Process (March 20, 2013) -- Attachment 5
- Progress Review Template: A Tool for Evaluating Local Progress Reports (March 2, 2013) -- Attachment 9
- Site Visit Template – Summary Report (March 6, 2013) -- Attachment 10
- Reviewing Local Budget Revisions (February 20, 2013) -- Attachment 11
- Grant Policy Clarifications (July 2, 2013) -- Attachment 12
- PHEP Carryover Policy (June 28, 2013) -- Attachment 13
- Local Allocation Table Instructions (July 8, 2013) -- Attachment 14
- LHBT Prog Email: Inbox Distribution – A Step by Step Procedure (February 20, 2013) -- Attachment 15
- Document Retention Policy: Local Management Section (July 8, 2013) -- Attachment 16

Staff training on new or updated policies and procedures is ongoing. EPO management will review revisions to these documents at least annually or as needed to clarify roles and responsibilities or reflect changes in state and/or federal policy. By November 1, 2013, EPO will create and maintain a log of office policies and procedures, indicating the latest revision date for each.

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**1D Develop record retention practices that ensure useful information is collected and retained, and ensure supporting documentation is retained for expenditures.**

CDPH agrees with this recommendation and has partially implemented it.

To supplement its existing records retention policy, in July 2013, EPO developed a records retention policy specific to documentation received from local health departments (LHDs) and Local Hospital Preparedness Program (HPP) Entities. In addition, to assist in collecting data from LHDs, beginning with federal grant year 2012-13, EPO has developed a database and individual forms and reports to track programmatic documents and expenditure reports for each funding stream. Unit and section managers can use the database to review each county or run reports to show the status of all counties related to any or all required documents. Beginning in federal grant year 2013-14, EPO contract managers must maintain at their desks a current binder for each county that allows easy access to records by both the contract managers and unit and section chiefs. See:

- Document Retention Policy: Local Management Section (July 8, 2013) -- Attachment 16
- Database screen shot (September 10, 2013) – Attachment 17

EPO has set up a folder structure on its internal computer network (shared drive) to organize all required documentation by local entity, funding year, and funding stream. Both the Local Management Unit Chief and Section Chief review the folders regularly to ensure staff is retaining appropriate documentation. Supporting documentation for expenditures is routed with invoices to ensure compliance with funding stream requirements and EPO has developed procedures to ensure contract managers maintain the documentation. See:

- Network Folder Structure (September 10, 2013) – Attachment 18

EPO is updating its procedures to specifically identify required record retention. This activity will be completed by December 31, 2013.

**1E Follow the CDPH Public Health Administration Manual section 4-2510.9 requirements for annual performance appraisals.**

CDPH agrees with this recommendation and has partially implemented it.

To provide feedback and clear expectations to EPO employees, EPO managers have required each staff person to sign a staff expectations memos. In addition, in May 2013 EPO began performance evaluations/probation reports for all EPO staff and anticipates

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completion by September 30, 2013. As of September 12, 2013, EPO had completed evaluations/probation reports for 84% of staff. See:

- Employee Expectations Memo (May 28, 2013) – *Attachment 19*
- Employee Evaluation and Probation Report Tracking (September 12, 2013) – *Attachment 20*

**Observation #2: Inefficient Subrecipient Monitoring Practices**

**Recommendations:**

**Adequate and consistent subrecipient monitoring is imperative when ensuring performance goals are achieved and grant activities are compliant with federal and state requirements. EPO should strengthen its subrecipient monitoring practices to ensure they are adequate and consistent as follows:**

**2A Ensure subrecipient expenditures are for eligible purposes by reviewing and retaining relevant supporting documentation prior to disbursing funds.**

CDPH agrees with this recommendation and has fully implemented it.

Beginning with federal grant year 2013-14, EPO increased the requirements for LHDs to document PHEP expenditures as well as HPP expenditures. All of these records are subject to EPO's local records retention policy. Invoice procedures include saving documents in individual county folders within the internal network. The new contract managers are responsible for approving invoices for a clearly defined group of counties and the Unit and Section Chiefs will monitor contract managers' record retention.

For each invoice, contract managers prepare a complete package that includes the invoice, supporting documentation, a review of available funds, and a calculation of the county fund balance. The Local Preparedness Section Chief must approve the package and move it to the Fiscal Unit within the Program Support Section. After the Fiscal Unit confirms available funds, the Fiscal Unit Chief, the Program Support Section Chief, and the EPO Assistant Deputy or/Deputy Director approve the package prior to submission to Accounting for payment. See:

- Invoice Database Screen Shot (September 10, 2013) – Attachment 21
- Local Invoice Instructions (February 20, 2013) -- Attachment 3
- Invoice Review Instructions (February 20, 2013) -- Attachment 4

**2B Ensure subrecipient payment criteria are satisfied and related agreements are fully executed prior to disbursing funds.**

CDPH agrees with this recommendation and has fully implemented it.

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As noted above in our response to recommendation 1D, beginning with federal grant year 2012-13, EPO has developed a database and individual forms and reports to track programmatic documents and expenditure reports for each funding stream. Unit and section managers can use the database to review each county or run reports to show the status of all counties related to any or all required documents. Prior to paying an invoice, EPO will use reports from the database to ensure the county has submitted the required documentation and staff have verified the documentation based on the payment criteria set out in the local allocation agreements. This process is included in EPO's local invoice procedures.

In June 2013, EPO revised payment criteria, tracking, and carryover procedures for PHEP funds. The procedures, which EPO shared with the California Conference of Local Health Officers, the County Health Executives Association of California, and local public health emergency preparedness coordinators, will take effect for federal grant year 2012-13 carryover funds and federal grant year 2013-14 funds. These procedures require backup documentation for each funding stream and submission of expenditure reports before EPO distributes third and fourth quarter PHEP funds, outline a process for redistributing unspent funds, and detail carryover procedures for PHEP funds. See:

- PHEP Carryforward Policy (June 28, 2013) – *Attachment 13*
- Screen shot of invoice tracking system (September 10, 2013) – *Attachment 21*

**2C Develop and implement policies and procedures for monitoring PHEP actual expenditures, including monitoring earned and expended interest.**

CDPH agrees with this recommendation and has partially implemented it.

Beginning with federal grant year 2013-14, before making quarterly PHEP payments to LHDs as required by Health and Safety Code sections 101315 - 101319, CDPH will require that LHDs submit documentation quarterly to support their expenditures. Mid-year and year-end reports must include reporting on interest earned and spent. By October 1, 2013, EPO will provide LHDs and Local HPP Entities with a template for these reports. See:

- Local Expenditure Reporting Template (September 10, 2013) – *Attachment 22*

LHDs and Local HPP Entities will submit mid-year reports by January 31, 2014.

EPO contract managers will review the mid-year and year-end expenditure reports and the Local Management Unit Chief will produce a report showing expenditures by county. By October 31, 2013, EPO will complete year-end expenditure reports for both HPP and PHEP, including interest earned and expended. EPO will document these procedures by November 15, 2013.

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**2D Ensure policies and procedures developed for subrecipient site visits include review of fiscal and programmatic compliance.**

CDPH agrees with this recommendation and has partially implemented it.

As of May 30, 2013, EPO had conducted 35 site visits and plans to visit all counties by December 31, 2013.

EPO developed a site visit template that contract managers use prior to each site visit to identify key program and fiscal issues for discussion and review during the visit. The template includes review of progress made in meeting the public health and health care system capabilities as required by CDC and HPP. Contract managers have been using this template for site visits since March 2013. See:

- Site Visit Template (March 6, 2013) -- Attachment 10

In June 2013, EPO released a revised local application process for grant year 2013-14 with clear deliverables, planned activities, and mid- and year-end milestones. The revised format will make it easier for contract managers to review fiscal and programmatic compliance. The local application process includes the following key documents:

- FY 13-14 Local Guidance Document (June 7, 2013) -- Attachment 23
- FY 13-14 PHEP, HPP, and GF Pan Flu Work plans (June 7, 2013) -- Attachment 24
- FY 13-14 Budget Instructions (June 7, 2013) -- Attachment 25
- FY 13-14 What's Allowable Matrix (June 7, 2013) -- Attachment 26

**2E Develop policies and procedures to ensure audits are conducted every three years, and communicate this requirement to the entity conducting the audits.**

CDPH agrees with this recommendation and has partially implemented it.

Beginning with federal grant year 2012-13 EPO, will require LHDs and Local HPP Entities to conduct independent audits of their PHEP and HPP funds. The federal grant year 2013-14 Allocation Agreements include the local audit requirement as follows:

*Paragraph d of provision 16 in Exhibit D (F) is amended as follows:  
The A-133 audit report must either include the PHEP, HPP and State General Fund Pandemic Influenza programs (as applicable to the contractor) at a minimum once every three years or a separate independent audit of these programs must be conducted according to the requirements specified in OMB Circular A-133 entitled "Audits of*

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*States, Local Governments, and Non-Profit Organizations” at least once every three years. If an audit of the PHEP, HPP and State General Fund Pandemic Influenza programs has not been completed within the past two years from the date of this Agreement, an audit of the funds awarded for the period of July 1, 2012 through June 30, 2013 must be conducted and concluded no later than July 1, 2014, or according to the County schedule for the A-133 audit for this 2012-13 fiscal period (July 1, 2012 through June 30, 2013) if PHEP, HPP and State GF Pandemic Influenza funds are included in the A-133 Audit. In addition, the A-133 or other independent audit must identify the Contractor’s legal name and the number assigned to this Agreement and be sent annually to CDPH within 30 days after the completion of the audit. The LHD/HPP Entity shall keep a copy of the audit report on file and have it available for review by CDPH or auditors upon request.*

CDPH contracts with the Department of Health Care Services (DHCS) to audit subrecipients. By September 30, 2013, CDPH will ask DHCS to define federal grant year 2011-12 as the audit period for audits going forward. Additionally, because DHCS has told us they lack of resources to perform these audits timely, CDPH will explore contracting with another audit entity in the future and will make a determination by December 31, 2013.

**Observation #3: Unallowable Transaction Adjustments**

**Recommendations:**

**EPO and CDPH Accounting should discontinue the practice of adjusting transactions between budget periods or grants, as well as:**

**3A Develop and implement policies and procedures to ensure expenditures are recorded in the grant budget period in which they were incurred.**

CDPH partially agrees with this recommendation and has partially implemented it.

Transaction adjustments are sometimes necessary between budget periods and are allowed by the granting entities. However, CDPH agrees it needs better documentation that all transaction adjustments are allowable.

In September 2013, EPO and Accounting established procedures for processing transaction adjustments. For all future transaction adjustments, EPO will provide sufficient justification to enable Accounting to determine if the adjustments are allowable. Accounting will elevate any concerns regarding the allowability of any transaction adjustment to the Chief of the Accounting Section and the Chief of the Financial Management Branch for final determination. See:

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- How to Generate State Fiscal Year Expenditures (July 2008) -- Attachment 27
- Expenditure Forecast Reports Manual (January 2013) -- Attachment 28
- Transaction Corrections (July 2013) -- Attachment 29
- Accounting Transaction Adjustment Procedures (September 10, 2013) -- Attachment 2

**3B Regularly track and reconcile grant expenditures to identify over or unexpended funds for each grant budget period, and apply for carryover requests from the federal grantors in accordance with federal guidelines.**

CDPH agrees with this recommendation and has partially implemented it.

Since December 2012, EPO and Accounting meet monthly to review and reconcile financial statements that include actual expenditures, federal draw downs, and federal reporting. EPO will work closely with Accounting to determine the documented amount of any unexpended funds that will be carried over into the next grant period. See:

- Example of Reconciliation of federal grant year 2012-13 PHEP grant (September 5, 2013) – Attachment 30

Accounting will complete procedures for monthly reconciliation of expenditures, federal drawdowns, and federal financial reports by November 1, 2013.

**Observation #4: Final Federal Financial Reports Do Not Agree to Accounting Records**

**Recommendations:**

**EPO and CDPH Accounting should ensure FFR preparation policies and procedures and requirements of the federal grantors are followed, as well as:**

**4A Consult with an independent third party to perform a complete reconciliation of EPO grants as of a point in time. The reconciliation should compare CDPH accounting records of revenues, expenditures, and encumbrances; federal Payment Management System records; and program data to identify the revenue and expenditure balances of both open and closed grant periods. Variances should be investigated and explained, and revised FFRs should be submitted, if necessary.**

CDPH agrees with this recommendation but has not yet implemented it.

By December 31, 2013, CDPH will explore options for independently reconciling EPO grants and determine a reasonable timeframe and scope for these reviews.

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EPO and Accounting will prepare final FFRs for both PHEP and HPP during September, October, and November 2013 using standard procedures. The Chief of the Accounting Section and the Deputy Director of EPO will review and approve these reports to ensure that the FFR is consistent with the official accounting records. Any variances will be investigated and explained before final reports are submitted and noted as a disclaimer in the FFR. The Chief of the Financial Management Branch will make the final determination of the allowability of any variances. See:

- Accounting FFR Review Process (July 15, 2013) – Attachment 1
- Completing Federal Financial Reports (July 2013) -- Attachment 31

If EPO and Accounting disagree on a variance, Accounting will submit a copy of the FFRs and backup documentation to CDPH's Office of Internal Audits for review.

**4B For future FFR submissions, perform reconciliations between CDPH accounting records, federal Payment Management System records, and program data to ensure all sets of financial information agree prior to submission. Reconciliation should include identifying, investigating, and explaining any variances.**

CDPH agrees with this recommendation and has fully implemented it.

Beginning with the September 2013 FFR submission, EPO and Accounting will ensure that the FFR matches expenditure reports and federal drawdowns as shown in the official accounting records. The following policies and procedures govern Accounting's review, reconciliation, and approval of FFRs:

- Accounting FFR Review Process (July 15, 2013) – Attachment 1
- Example of Reconciliation of 2012-13 PHEP grant (September 5, 2013) – Attachment 30
- Completing Federal Financial Reports (July 2013) -- Attachment 31
- Processing Local Payments (July 2013) -- Attachment 32
- Mid-Year, Year-End and Closeout Reports (January 2013) -- Attachment 33
- Monthly Expenditure Ledgers (July 2013) -- Attachment 34
- Monthly Fiscal Projections (July 2013) -- Attachment 35
- Administrative Processes and Expedited Administrative Plan (September 1, 2012) -- Attachment 36
- Procedures for Monitoring State and Local Expenditures (September 1, 2011) -- Attachment 37

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**4C Ensure FFR data and reconciliations include sufficient levels of management review.**

CDPH agrees with this recommendation and has fully implemented it.

Beginning in September 2013, all FFRs will require approval by both the Deputy Director of EPO and the Chief of the Accounting Section. If EPO and Accounting disagree on an FFR, Accounting will provide copies of the FFRs and backup documentation to CDPH's Office of Internal Audits for review. Given the short timeline for filing federal reports, any findings identified by Internal Audits will be reflected in revised federal financial reports.

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**Table of Attachments**

Attachment Number	Document Name	Date Developed or Last Revised
1	FFR Review Procedure (Accounting Section)	July 15, 2013
2	Transaction Adjustment Procedures (Accounting Section)	September 10, 2013
3	Local Invoice Instructions	February 20, 2013
4	Invoice Review Instructions	February 21, 2013
5	Joint Local Management Unit and Fiscal Management Unit Invoice Process	March 20, 2013
6	Health and Safety Code Audit Resolution Process	March 2013
7	A-133 Audit Resolution Process	November 11, 2011
8	Duty statements for Contract Managers across classifications including HPS I, AGPA and SSA levels	June 2013
9	Progress Review Template: A Tool for Evaluating Local Progress Reports	March 2, 2013
10	Site Visit Template – Summary Report	March 6, 2013
11	Reviewing Local Budget Revisions	February 20, 2013
12	Grant Policy Clarifications	July 2, 2013
13	PHEP Carryover Policy	June 28, 2013
14	Local Allocation Table Instructions	July 8, 2013
15	LHBT Prog Email: Inbox Distribution – A Step by Step Procedure	February 20, 2013
16	Document Retention Policy: Local Management Section	July 8, 2013
17	Database screen shot	September 10, 2013
18	Network Folder Structure	September 10, 2013
19	Employee Expectations Memo	May 28, 2013
20	Employee Evaluation and Probation Report Tracking	September 12, 2013
21	Screen shot of invoice tracking system	September 10, 2013
22	Local Expenditure Reporting Template	June 7, 2013
23	FY 13-14 Local Guidance Document	June 7, 2013
24	FY 13-14 PHEP, HPP, and GF Pan Flu Work plans	June 7, 2013
25	FY 13-14 Budget Instructions	June 7, 2013
26	FY 13-14 What's Allowable Matrix	June 7, 2013
27	How to Generate State Fiscal Year Expenditures	July 2008
28	Expenditure Forecast Reports Manual	January 2013
29	Transaction Corrections	July 2013
30	Example of Reconciliation of 2012-13 PHEP grant *	September 5, 2013
31	Completing Federal Financial Reports	July 2013
32	Processing Local Payments	July 2013

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Attachment Number	Document Name	Date Developed or Last Revised
33	Mid-Year, Year-End and Closeout Reports	January 2013
34	Monthly Expenditure Ledgers	July 2013
35	Monthly Fiscal Projections	July 2013
36	Administrative Processes and Expedited Administrative Plan	September 1, 2012
37	Procedures for Monitoring State and Local Expenditures	September 1, 2011

\* Indicates documents produced by CDPH Accounting Office.

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**Corrective Actions to be Completed**

<b>Recommendation</b>	<b>Activity</b>	<b>Target Completion Date</b>
1C	EPO will create and maintain a log of office policies and procedures with last revision date indicated.	November 1, 2013
1D	EPO will update all procedures to specifically identify required record retention.	December 31, 2013
1E	EPO will complete employee evaluations/probation reports for remaining 15% of employees.	September 30, 2013
2C	EPO will provide LHDs and Local HPP Entities with revised expenditure reporting templates.	October 1, 2013
2C	EPO will complete year-end expenditure reports for LHDs and Local HPP Entities including interest earned and expended.	October 31, 2013
2C	EPO will document procedures for completing year-end local expenditure reports including interest earned and expended.	November 15, 2013
2D	EPO will complete site visits to all counties.	December 31, 2013
2E	EPO will ask DHCS to define the audit period for new audits to be federal grant period 2011-12.	September 30, 2013
2E	CDPH will explore contracting with other audit entities and make a determination.	December 31, 2013
3B	Accounting will complete procedures for monthly reconciliation of expenditures, federal drawdowns, and federal financial reports.	November 1, 2013
4A	CDPH will explore options for independently performing a reconciliation of EPO grants and determine a reasonable timeframe for conducting these reviews.	December 31, 2013
4A	EPO and the Accounting Office will prepare final FFRs for both PHEP and HPP closeout periods, route for approval by Accounting Section Chief and Deputy Director of EPO. Copies with backup documentation will be provided to CDPH's Office of Internal Audits for review.	September – November 2013 and ongoing

## EVALUATION OF RESPONSE

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The Department of Public Health's (CDPH) response to the draft report has been reviewed and incorporated into the final report. We acknowledge CDPH's willingness to implement our recommendations and provide relevant documents, policies, and procedures with their response. We performed a brief review of the documents provided. Detailed verification of the adequacy of CDPH's proposed corrective actions may be completed in a future audit engagement.

In evaluating CDPH's response, we note CDPH agreed with all observations except for Observation 3. We provide the following comments:

### **Observation 3: Unallowable Transaction Adjustments**

CDPH states transaction adjustments are sometimes necessary between budget periods and are allowed by the granting entities.

Regarding cost transfers, the U.S. Department of Health and Human Services Grants Policy Statement specifies:

- Cost transfers by recipients between grants, whether as a means to compensate for cost overruns or for other reasons, generally are unallowable.
- Cost transfers by recipients may sometimes be necessary to correct bookkeeping or clerical errors and there should be systems in place to detect such errors within a reasonable time frame.
- Permissible transfers should be made promptly after an error occurs, but no later than 90 days following occurrence unless a longer period is approved in advance by the Grants Management Officer.
- Cost transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient.
- If a transfer affects previously submitted Federal Financial Reports (FFR), revised FFRs must be submitted.

These requirements were confirmed by a Centers for Disease Control Grants Management Specialist, the granting entity for the Public Health Emergency Preparedness and Hospital Preparedness Programs.

Supporting documentation for the questioned transaction adjustments did not meet the granting entity's requirements for allowable cost transfers. Because CDPH did not provide sufficient additional explanation or documentation regarding the transaction adjustments in question, the observation and recommendation will remain unchanged.

# CORRECTIVE ACTION PLAN

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Attachments referenced in the Corrective Action Plan have been omitted in the interest of brevity.



**RON CHAPMAN, MD, MPH**  
Director & State Health Officer

State of California—Health and Human Services Agency  
**California Department of Public Health**



**EDMUND G. BROWN JR.**  
Governor

December 14, 2013

Richard R. Sierra, CPA  
Acting Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814-3706

Dear Mr. Sierra:

Enclosed is the California Department of Public Health's (CDPH) corrective action plan for the Office of State Audits and Evaluations' report entitled, "Performance Audit: California Department of Public Health Emergency Preparedness Office July 1, 2010 through December 31, 2012."

Our response to the draft report was a corrective action plan and this submittal updates that response. Actions taken since our initial submittal appear in blue. We have also provided additional supporting documentation but have not resubmitted the supporting documentation sent in September.

If you have questions, please contact Jean Iacino, Acting Chief, Internal Audits, at 916-445-0938.

Sincerely,

Original signed by Kathleen Billingsley for Dr. Ron Chapman:

**Ron Chapman, MD, MPH**  
Director & State Health Officer

Enclosure

**California Department of Public Health Response to  
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**Observation 1: Inadequate Foundation for Internal Control**

**Recommendations:**

**Effective organization control and governance are an essential component for success. EPO and CDPH Accounting should strengthen the controls over EPO program administration as follows:**

- 1C Document and implement EPO program administration policies and procedures. These procedures should be regularly reviewed and updated, approved by management, communicated and readily accessible to staff, and consistent with federal and state requirements.**

CDPH agrees with this recommendation and has partially implemented it.

EPO has reviewed, updated, and developed policies and procedures as indicated below:

- Local Invoice Instructions (February 20, 2013) -- Attachment 3
- Invoice Review Instructions (February 20, 2013) -- Attachment 4
- Joint Local Management Unit and Fiscal Management Unit Invoice Process (March 20, 2013) -- Attachment 5
- Progress Review Template: A Tool for Evaluating Local Progress Reports (March 2, 2013) -- Attachment 9
- Site Visit Template – Summary Report (March 6, 2013) -- Attachment 10
- Reviewing Local Budget Revisions (February 20, 2013) -- Attachment 11
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- LHBT Prog Email: Inbox Distribution – A Step by Step Procedure (February 20, 2013) -- Attachment 15
- Document Retention Policy: Local Management Section (July 8, 2013) -- Attachment 16

Staff training on new or updated policies and procedures is ongoing. EPO management will review revisions to these documents at least annually or as needed to clarify roles and responsibilities or reflect changes in state and/or federal policy. By November 1, 2013, EPO will create and maintain a log of office policies and procedures, indicating the latest revision date for each.

EPO has created a log of office policies and procedures and established a location on the office shared drive where all policies and procedures reside. Updated policies and procedures are captured in the log. See Attachment A: Policies and Procedures Log.

- EPO Policies and Procedures Log (December 2013) – Attachment A

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**1D Develop record retention practices that ensure useful information is collected and retained, and ensure supporting documentation is retained for expenditures.**

CDPH agrees with this recommendation and has partially implemented it.

To supplement its existing records retention policy, in July 2013, EPO developed a records retention policy specific to documentation received from local health departments (LHDs) and Local Hospital Preparedness Program (HPP) Entities. In addition, to assist in collecting data from LHDs, beginning with federal grant year 2012-13, EPO has developed a database and individual forms and reports to track programmatic documents and expenditure reports for each funding stream. Unit and section managers can use the database to review each county or run reports to show the status of all counties related to any or all required documents. Beginning in federal grant year 2013-14, EPO contract managers must maintain at their desks a current binder for each county that allows easy access to records by both the contract managers and unit and section chiefs. See:

- Document Retention Policy: Local Management Section (July 8, 2013) -- Attachment 16
- Database screen shot (September 10, 2013) – Attachment 17

EPO has set up a folder structure on its internal computer network (shared drive) to organize all required documentation by local entity, funding year, and funding stream. Both the Local Management Unit Chief and Section Chief review the folders regularly to ensure staff is retaining appropriate documentation. Supporting documentation for expenditures is routed with invoices to ensure compliance with funding stream requirements and EPO has developed procedures to ensure contract managers maintain the documentation. See:

- Network Folder Structure (September 10, 2013) – Attachment 18

EPO is updating its procedures to specifically identify required record retention. This activity will be completed by December 31, 2013.

[EPO is continuing to update each policy and procedure to include specific record retention information and will have all policies and procedures updated by December 31, 2013.](#)

**1E Follow the CDPH Public Health Administration Manual section 4-2510.9 requirements for annual performance appraisals.**

CDPH agrees with this recommendation and has partially implemented it.

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To provide feedback and clear expectations to EPO employees, EPO managers have required each staff person to sign a staff expectations memos. In addition, in May 2013 EPO began performance evaluations/probation reports for all EPO staff and anticipates completion by September 30, 2013. As of September 12, 2013, EPO had completed evaluations/probation reports for 84% of staff. See:

- Employee Expectations Memo (May 28, 2013) – *Attachment 19*
- Employee Evaluation and Probation Report Tracking (September 12, 2013) – *Attachment 20*

CDPH EPO is on target to complete 100% of its employee evaluation reports by December 16, 2013. Five manager employee reviews are scheduled for December 12-16, 2013.

- Employee Evaluation and Probation Report Tracking (December 2013) – *Attachment B*

**Observation #2: Inefficient Subrecipient Monitoring Practices**

**Recommendations:**

**Adequate and consistent subrecipient monitoring is imperative when ensuring performance goals are achieved and grant activities are compliant with federal and state requirements. EPO should strengthen its subrecipient monitoring practices to ensure they are adequate and consistent as follows:**

- 2C Develop and implement policies and procedures for monitoring PHEP actual expenditures, including monitoring earned and expended interest.**

CDPH agrees with this recommendation and has partially implemented it.

Beginning with federal grant year 2013-14, before making quarterly PHEP payments to LHDs as required by Health and Safety Code sections 101315 - 101319, CDPH will require that LHDs submit documentation quarterly to support their expenditures. Mid-year and year-end reports must include reporting on interest earned and spent. EPO provided LHDs and Local HPP Entities with a template for these reports. See:

- Local Expenditure Reporting Template (September 10, 2013) – Attachment 22

LHDs and Local HPP Entities will submit mid-year reports by January 31, 2014.

EPO contract managers will review the mid-year and year-end expenditure reports and the Local Management Unit Chief will produce a report showing expenditures by county. By October 31, 2013, EPO will complete year-end expenditure reports for both HPP and

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PHEP, including interest earned and expended. EPO will document these procedures by November 15, 2013.

EPO provided LHDs with the FY 13-14 PHEP Supporting Documentation Template on November 15, 2013, see Attachment C. EPO will send mid-year and year-end expenditure reporting templates to LHDs and Local HPP Entities by December 31, 2013 as part of the mid-year progress report package. See Attachments D and E. In addition, EPO has reviewed all year-end expenditure reports and compiled a comprehensive overview of unspent funds by County, see Attachment F. Finally, EPO has developed a procedure for connecting with each LHD and Local HPP Entity regarding expenditure reporting, see Attachment G.

- PHEP Supporting Documentation (November 15, 2013) – Attachment C
- PHEP Expenditure Template (November 2013) – Attachment D
- HPP Expenditure Template (November 2013) – Attachment E
- Comprehensive Chart of Unspent PHEP and HPP Funds (December 2013) – Attachment F
- Procedures for Local Expenditure Reporting (December 9, 2013) – Attachment G

**2D Ensure policies and procedures developed for subrecipient site visits include review of fiscal and programmatic compliance.**

CDPH agrees with this recommendation and has partially implemented it.

As of May 30, 2013, EPO had conducted 35 site visits and plans to visit all counties by December 31, 2013.

EPO developed a site visit template that contract managers use prior to each site visit to identify key program and fiscal issues for discussed and review during the visit. The template includes review of progress made in meeting the public health and health care system capabilities as required by CDC and HPP. Contract managers have been using this template for site visits since March 2013. See:

- Site Visit Template (March 6, 2013) -- Attachment 10

In June 2013, EPO released a revised local application process for grant year 2013-14 with clear deliverables, planned activities, and mid- and year-end milestones. The revised format will make it easier for contract managers to review fiscal and programmatic compliance. The local application process includes the following key documents:

- FY 13-14 Local Guidance Document (June 7, 2013) -- Attachment 23

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- FY 13-14 PHEP, HPP, and GF Pan Flu Work plans (June 7, 2013) -- Attachment 24
- FY 13-14 Budget Instructions (June 7, 2013) -- Attachment 25
- FY 13-14 What's Allowable Matrix (June 7, 2013) -- Attachment 26

Given delays in hiring contract managers, EPO has extended the target date for completing all site visits through January 31, 2013. See Attachment H, proposed site visit schedule. All contract management positions are now filled and training of staff is underway.

- [Proposed Site Visit Schedule \(November 2013\) – Attachment H](#)

**2E Develop policies and procedures to ensure audits are conducted every three years, and communicate this requirement to the entity conducting the audits.**

CDPH agrees with this recommendation and has partially implemented it.

Beginning with federal grant year 2012-13 EPO, will require LHDs and Local HPP Entities to conduct independent audits of their PHEP and HPP funds. The federal grant year 2013-14 Allocation Agreements include the local audit requirement as follows:

*Paragraph d of provision 16 in Exhibit D (F) is amended as follows:  
The A-133 audit report must either include the PHEP, HPP and State General Fund Pandemic Influenza programs (as applicable to the contractor) at a minimum once every three years or a separate independent audit of these programs must be conducted according to the requirements specified in OMB Circular A-133 entitled "Audits of States, Local Governments, and Non-Profit Organizations" at least once every three years. If an audit of the PHEP, HPP and State General Fund Pandemic Influenza programs has not been completed within the past two years from the date of this Agreement, an audit of the funds awarded for the period of July 1, 2012 through June 30, 2013 must be conducted and concluded no later than July 1, 2014, or according to the County schedule for the A-133 audit for this 2012-13 fiscal period (July 1, 2012 through June 30, 2013) if PHEP, HPP and State GF Pandemic Influenza funds are included in the A-133 Audit. In addition, the A-133 or other independent audit must identify the Contractor's legal name and the number assigned to this Agreement and be sent annually to CDPH within 30 days after the completion of the audit. The LHD/HPP Entity shall keep a copy of the audit report on file and have it available for review by CDPH or auditors upon request.*

CDPH contracts with the Department of Health Care Services (DHCS) to subrecipients.

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By September 30, 2013, CDPH will ask DHCS to define federal grant year 2011-12 as the audit period for audits going forward. Additionally, because DHCS has told us they lack of resources to perform these audits timely, CDPH will explore contracting with another audit entity in the future and will make a determination by December 31, 2013.

CDPH EPO informed DHCS via email that new audits should focus on federal grant year 2012-13 rather than federal grant year 2008-09. On November 8, 2013, CDPH EPO met with DHCS Audits to discuss the transition to 2012-13 and to project the number of audits that could be completed in SFY 2013-14. DHCS explained that its three auditors dedicated to local preparedness audits can complete 15 audits per year. As this does not meet the statutory requirement of auditing each local jurisdiction once every three years, on December 5, 2013 CDPH EPO asked DHCS to provide additional audit staff (Attachment I).

In addition, CDPH has asked the Department of Finance Office of State Audits and Evaluation if they could perform on five to six local preparedness audits per year via contract with CDPH. OSAE is evaluating the request.

- Letter to DHCS (December 5, 2013) – Attachment I

**Observation #3: Unallowable Transaction Adjustments**

**Recommendations:**

**EPO and CDPH Accounting should discontinue the practice of adjusting transactions between budget periods or grants, as well as:**

**3A Develop and implement policies and procedures to ensure expenditures are recorded in the grant budget period in which they were incurred.**

CDPH partially agrees with this recommendation and has partially implemented it.

Transaction adjustments are sometimes necessary between budget periods and are allowed by the granting entities. However, CDPH agrees it needs better documentation that all transaction adjustments are allowable.

In September 2013, EPO and Accounting established procedures for processing transaction adjustments. For all future transaction adjustments, EPO will provide sufficient justification to enable Accounting to determine if the adjustments are allowable. Accounting will elevate any concerns regarding the allowability of any transaction adjustment to the Chief of the Accounting Section and the Chief of the Financial Management Branch for final determination. See:

- How to Generate State Fiscal Year Expenditures (July 2008) -- Attachment 27
- Expenditure Forecast Reports Manual (January 2013) -- Attachment 28
- Transaction Corrections (July 2013) -- Attachment 29

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- Accounting Transaction Adjustment Procedures (September 10, 2013) -- Attachment 2

CDPH EPO has closed out federal grant period 2011-12 extension and grant period 2012-13. Transaction adjustments included justification and when necessary involved approval from the Fiscal Management Branch. See Attachment J.

- Examples of Transaction Adjustment Justifications (November 2013) – Attachment J

**3B Regularly track and reconcile grant expenditures to identify over or unexpended funds for each grant budget period, and apply for carryover requests from the federal grantors in accordance with federal guidelines.**

CDPH agrees with this recommendation and has partially implemented it.

Since December 2012, EPO and Accounting meet monthly to review and reconcile financial statements that include actual expenditures, federal draw downs, and federal reporting. EPO will work closely with Accounting to determine the documented amount of any unexpended funds that will be carried over into the next grant period. See:

- Example of Reconciliation of federal grant year 2012-13 PHEP grant (September 5, 2013) – Attachment 30

Accounting will complete procedures for monthly reconciliation of expenditures, federal drawdowns, and federal financial reports by November 1, 2013.

Accounting has finalized document templates for monthly reconciliation of PHEP and HPP grants. Final procedures for preparing monthly reconciliations will be drafted by January 6, 2014. See October 2013 reconciliation documents, Attachment K.

- Monthly PHEP and HPP Reconciliation documents for October 2013 (December 2013) – Attachment K

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**Observation #4: Final Federal Financial Reports Do Not Agree to Accounting Records**

**Recommendations:**

**EPO and CDPH Accounting should ensure FFR preparation policies and procedures and requirements of the federal grantors are followed, as well as:**

- 4A Consult with an independent third party to perform a complete reconciliation of EPO grants as of a point in time. The reconciliation should compare CDPH accounting records of revenues, expenditures, and encumbrances; federal Payment Management System records; and program data to identify the revenue and expenditure balances of both open and closed grant periods. Variances should be investigated and explained, and revised FFRs should be submitted, if necessary.**

CDPH agrees with this recommendation but has not yet implemented it.

By December 31, 2013, CDPH will explore options for independently reconciling EPO grants and determine a reasonable timeframe and scope for these reviews.

[By January 31, 2014, CDPH Internal Audits will draft a scope of work and request for proposal to determine the cost effectiveness of contracting with a third party to reconcile EPO grants beginning with the 2011-12 funding period.](#)

EPO and Accounting will prepare final FFRs for both PHEP and HPP during September, October, and November 2013 using standard procedures. The Chief of the Accounting Section and the Deputy Director of EPO will review and approve these reports to ensure that the FFR is consistent with the official accounting records. Any variances will be investigated and explained before final reports are submitted and noted as a disclaimer in the FFR. The Chief of the Financial Management Branch will make the final determination of the allowability of any variances. See:

- Accounting FFR Review Process (July 15, 2013) – Attachment 1
- Completing Federal Financial Reports (July 2013) -- Attachment 31

If EPO and Accounting disagree on a variance, Accounting will submit a copy of the FFRs and backup documentation to CDPH's Office of Internal Audits for review.

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**Original Table of Attachments with Updates**

Attachment Number	Document Name	Date Developed or Last Revised
1	FFR Review Procedure (Accounting Section)	July 15, 2013
2	Transaction Adjustment Procedures (Accounting Section)	September 10, 2013
3	Local Invoice Instructions	February 20, 2013
4	Invoice Review Instructions	February 21, 2013
5	Joint Local Management Unit and Fiscal Management Unit Invoice Process	March 20, 2013
6	Health and Safety Code Audit Resolution Process	<a href="#">August 8, 2013</a>
7	A-133 Audit Resolution Process	November 11, 2011
8	Duty statements for Contract Managers across classifications including HPS I, AGPA and SSA levels	June 2013
9	Progress Review Template: A Tool for Evaluating Local Progress Reports	March 2, 2013
10	Site Visit Template – Summary Report	March 6, 2013
11	Reviewing Local Budget Revisions	February 20, 2013
12	Grant Policy Clarifications	July 2, 2013
13	PHEP Carryover Policy	June 28, 2013
14	Local Allocation Table Instructions	July 8, 2013
15	LHBT Prog Email: Inbox Distribution – A Step by Step Procedure	February 20, 2013
16	Document Retention Policy: Local Management Section	July 8, 2013
17	Database screen shot	September 10, 2013
18	Network Folder Structure	September 10, 2013
19	Employee Expectations Memo	May 28, 2013
20	Employee Evaluation and Probation Report Tracking	September 12, 2013
21	Screen shot of invoice tracking system	September 10, 2013
22	Local Expenditure Reporting Template	June 7, 2013
23	FY 13-14 Local Guidance Document	June 7, 2013
24	FY 13-14 PHEP, HPP, and GF Pan Flu Work plans	June 7, 2013
25	FY 13-14 Budget Instructions	June 7, 2013
26	FY 13-14 What's Allowable Matrix	June 7, 2013
27	How to Generate State Fiscal Year Expenditures	<a href="#">July 2013</a>
28	Expenditure Forecast Reports Manual	July 2013
29	Transaction Corrections	July 2013
30	Example of Reconciliation of 2012-13 PHEP grant *	September 5, 2013
31	Completing Federal Financial Reports	July 2013
32	Processing Local Payments	<a href="#">August 2013</a>

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<b>Attachment Number</b>	<b>Document Name</b>	<b>Date Developed or Last Revised</b>
33	Mid-Year, Year-End and Closeout Reports	September 2013
34	Monthly Expenditure Ledgers	July 2013
35	Monthly Fiscal Projections	July 2013
36	Administrative Processes and Expedited Administrative Plan	September 1, 2012
37	Procedures for Monitoring State and Local Expenditures	September 1, 2011

\* Indicates documents produced by CDPH Accounting Office.

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**Updated Attachments for December 14, 2013 Response**

<b>Attachment Number</b>	<b>Document Name</b>	<b>Date Developed or Last Revised</b>
A	EPO Policies and Procedures Log	December 2013
B	Employee Evaluation and Probation Report Tracking	December 2013
C	PHEP Supporting Documentation	November 2013
D	PHEP Expenditure Template	November 2013
E	HPP Expenditure Template	November 2013
F	Comprehensive Chart of Unspent Local PHEP and HPP Funds	December 2013
G	Procedures for Local Expenditure Reporting	December 2013
H	Site Visit Schedule	November 2013
I	Letter to DHCS	December 5, 2013
J	Examples of Transaction Adjustment Justifications	November 2013
K	Reconciliation Report for October 2013	December 9, 2013

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**Corrective Actions to be Completed**

<b>Recommendation</b>	<b>Activity</b>	<b>Target Completion Date</b>
1C	EPO will create and maintain a log of office policies and procedures with last revision date indicated.	November 1, 2013
1D	EPO will update all procedures to specifically identify required record retention.	December 31, 2013
1E	EPO will complete employee evaluations/probation reports for remaining 15% of employees.	September 30, 2013
2C	EPO will complete year-end expenditure reports for LHDs and Local HPP Entities including interest earned and expended.	October 31, 2013
2C	EPO will document procedures for completing year-end local expenditure reports including interest earned and expended.	November 15, 2013
2D	EPO will complete site visits to all counties.	December 31, 2013
2E	EPO will ask DHCS to define the audit period for new audits to be federal grant period 2011-12.	September 30, 2013.
2E	CDPH will explore contracting with other audit entities and make a determination.	December 31, 2013
3B	Accounting will complete procedures for monthly reconciliation of expenditures, federal drawdowns, and federal financial reports.	November 1, 2013
4A	CDPH will explore options for independently performing a reconciliation of EPO grants and determine a reasonable timeframe for conducting these reviews.	December 31, 2013
4A	EPO and the Accounting Office will prepare final FFRs for both PHEP and HPP closeout periods, route for approval by Accounting Section Chief and Deputy Director of EPO. Copies with backup documentation will be provided to CDPH's Office of Internal Audits for review.	September – November 2013 and ongoing.

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**Corrective Actions Remaining to be Completed as of December 14, 2013.**

<b>Recommendation</b>	<b>Activity</b>	<b>Target Completion Date</b>
1D	EPO will update all procedures to specifically identify required record retention.	December 31, 2013
1E	EPO will complete employee evaluations/probation reports for remaining 15% of employees. Final meetings between managers and employees will occur by December 16, 2013.	December 16, 2013
2D	EPO will complete site visits to all counties.	December 31, 2013
2E	CDPH will explore contracting with other audit entities and make a determination.	January 31, 2014
3B	Accounting will complete procedures for monthly reconciliation of expenditures, federal drawdowns, and federal financial reports.	January 6, 2014
4A	CDPH will explore options for independently performing a reconciliation of EPO grants and determine a reasonable timeframe for conducting these reviews.	December 31, 2013

# EVALUATION OF CORRECTIVE ACTION PLAN

The Department of Public Health's (CDPH) updated Corrective Action Plan (CAP) addressing the observations and recommendations has been reviewed and incorporated into the final report. At CDPH's request to have the final issued report include the CAP, the CAP has been included to provide clarity within each of its planned corrective actions. We performed a brief review of the documents provided. A detailed verification of CDPH's corrective actions will need to be conducted in a future audit engagement to determine its adequacy.

In evaluating CDPH's CAP, we acknowledge CDPH has taken active steps to address all observations noted in the audit report but does not expect to fully implement all recommendations until January 2014. We provide the following comments:

Observation	Assessment of Corrective Action
1: Inadequate Foundation For Internal Control	<b>May adequately address observations.</b> CDPH has implemented corrective actions for recommendations 1A and 1B and continues to implement actions for the remaining recommendations. In relation to recommendation 1E, we note that it is unclear whether evaluations will continue to be performed on a regular, ongoing basis.
2: Inefficient Sub-recipient Monitoring Practices	<b>May adequately address observations.</b> CDPH has implemented corrective actions for recommendations 2A and 2B and continues to implement actions for the remaining recommendations. For recommendation 2C, we acknowledge CDPH's efforts to identify unspent PHEP and HPP funds for grant year 2012-13; however, it is unclear whether prior years' fund status have been identified.
3: Unallowable Transaction Adjustments	<b>May adequately address observations.</b> CDPH has implemented corrective actions for all recommendations. However, additional analysis and documentation is needed to determine whether justifications for the transaction adjustments made were adequate.
4: Final Federal Financial Reports Do Not Agree to Accounting Records	<b>May adequately address observations.</b> CDPH has taken efforts to address recommendations.