OBM | Office of Internal Audit

# Department of Health
# Immunization Action Plan Subgrants Audit

**Audit Period: January 2017 through April 2018**

## Results Summary:

| Objective | Conclusion |
|---|---|
| **Program Goals and Objectives** | **Improvement Needed** |
| **Payments to Sub-Grantees** | **Improvement Needed** |

\* Refer to Appendix A for classification of audit objective conclusions.

**Report number: 2018-ODH-02**          **Issuance date: July 11, 2018**

## Executive Summary

## Background

The Ohio Department of Health (ODH) has designated Immunization Action Plan (IAP) funds to raise and maintain childhood and adolescent immunization rates and reduce coverage disparities by race, ethnicity, disability status and socioeconomic status in Ohio to reach the 2018 goal that 90% of children and adolescents will be up-to-date on immunizations by age two and age 18 (respectively).  This goal will be accomplished through immunization assessment and education activities and robust reminder and recall efforts and when health care providers implement essential strategies to improve immunization outcomes.  ODH receives Federal Immunization Cooperative Agreement funds for this purpose and also uses state General Revenue funds.  ODH sub-grants funding to local health districts (LHD).

For the IAP program period beginning April 1, 2017 and ending June 30, 2018, 54 LHDs received sub-grant funding based on meeting deliverables as outlined in sub-grant agreements.  Applicants were encouraged to partner with other counties.  Along with two base objectives, IM funded agencies have nine deliverable objectives that require evidence of performance to facilitate expenditure payments.  During the period May 2017 through April 2018, ODH distributed approximately $2.37 million to the sub-grantees.  The deliverable objectives include:

1. The AFIX process in health department offices for 2 year olds (D1)
2. The AFIX process in health department offices for adolescents (D2)
3. The AFIX process in private provider offices for 2 year olds (D3)
4. The AFIX process in private provider offices for adolescents (D4)
5. The MOBI peer-to-peer education sessions in provider offices (D5)
6. The TIES peer-to-peer education sessions in provider offices (D6)
7. The tracking of infants born to mothers infected with Hepatitis B (D7)
8. Assuring school immunizations are up-to-date (D8)
9. Enrolling and training providers to use the new ImpactSIIS (D9)

During the audit, OIA identified opportunities for ODH to strengthen internal controls and improve business operations.  OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*.  OIA would like to thank ODH staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee.  It is not intended for anyone other than these specified parties.

## Scope and Objectives

OIA staff was engaged to perform an assurance audit over the Immunization Program.  This work was completed March through June 2018.  The scope of this audit included the following:

·  Immunization Action Plan (IAP) Sub-grants

The following summarizes the objectives of the review:

- · Evaluate the design of effectiveness of controls to meet IAP program goals and objectives.

- · Evaluate the design and effectiveness of controls for payments to IAP sub-grantees.

## Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate.  Low risk observations were discussed with individual agency management and are not part of this report.  However, the low risk observation was considered as part of the audit objective conclusions.

## Observation 1 – Inadequate Reviews of Sub-grantees

Immunization Action Plan (IAP) funds are designed to raise and maintain childhood and adolescent immunization rates and reduce coverage disparities by race, ethnicity, disability status and socioeconomic status in Ohio.  This is accomplished through immunization assessment and education activities and robust reminder and recall efforts and when health care providers implement essential strategies to improve immunization outcomes.

Immunization (IM) program staff require IAP sub-grantees to submit deliverables to ODH to show proof of these activities to receive grant funding.  An effective program includes review procedures to ensure compliance with guidelines.  A system to monitor program deliverables and track the performance of grant recipients is imperative to the success of a program.

The receipt and approval of deliverables involve manual steps and notifications.  IM program staff receive deliverables as attachments in the Grant Monitoring Information System (GMIS) or via email.  Monthly or quarterly, sub-grantees submit expenditure reports that are reviewed by Grant Services Unit (GSU) and IM program staff to determine if adjustments are needed to disbursements.  IM program staff also monitor the sub-grantees by reviewing deliverables and conducting periodic, on-site reviews.  However, there are weaknesses in ODH's processes for paying IM sub-grantees.  Specifically:

- · Payments can exceed budget line items.  When a sub-grantee submits expenditure reports in GMIS, the sub-grantee enters the amount it is requesting per deliverable by line item.  If the sub-grantee submits an amount that is higher than that line item but lower than the total approved budget amount, the payment will still automatically generate.  Upon program review, if a line item is exceeded, GSU will enter an adjustment, and the next payment is reduced by the adjusted amount.

- Other than adjustments to future payments, GSU does not have a process to recover overpayments to sub-grantees.

- On-site reviews may not be effective. IM staff conduct on-site reviews to sub-grantees every other year and towards the end of the grant cycle. The main objectives of the on-site reviews are to validate completion of a single deliverable and to review additional supporting documentation for deliverables submitted throughout the grant period. There have been no adverse findings during the onsite reviews. If there were findings, it would be difficult to recover funds since the reviews are not timely after the funds are disbursed to the sub-grantees.

- Payments are sent to sub-grantees prior to verifying the deliverable evidence. Upon submission of a reimbursement request in GMIS, and given there are no outstanding special conditions, GMIS automatically generates a payment. Program and GSU then review the expenditure report to identify if it exceeds the pre-approved budget line item rather than looking for evidence of the receipt of the deliverable. OIA performed testing over a sample of 10 disbursements to sub-grantees that had submitted expenditure reports between July 2017 and March 2018 and noted the following results:

  o ODH does not require sub-grantees to submit the deliverable for performing trainings at individual schools (D8 – assuring school immunizations are up-to-date). Instead, ODH may only review supporting documentation to validate D8 during an on-site review, which may not cover the entire grant period. During the audit period of July 2017 through March 2018, ODH expended $238,900 to sub-grantees for this deliverable. Per the RFP, the maximum amount available, without reallocating additional funds, for the deliverable is $472,300.

  o Four disbursements (40%) lacked adequate deliverable evidence. Specifically, there was not adequate evidence to support that the deliverables were completed for the funding received by the sub-grantees:

  o D4 – AFIX process in private provider office. The paid amount was $3,000.

  o D5 – MOBI peer-to-peer education sessions in provider offices. Signed forms required for deliverable were missing/not submitted or contained incorrect information. The paid amount was $1,200.

  o D7 – Tracking of infants born to mothers infected with Hepatitis B. The Ohio Disease Reporting System (ODRS) report did not match the county's submission for new or closed cases. The paid amount was $400.

  o D9 – Enrolling or training providers to use the new ImpactSIIS. Two instances in which the report indicating training did not reflect individuals named on the expenditure report. The total amount for the two was $2,100.

- One (10%) disbursement contained a discrepancy between the attached deliverable spreadsheet and the expenditure report reimbursed within GMIS. The spreadsheet reflected zero activity for D5 and $1,000 worth of activity in the D6 section. However, the requested funds expenditure line items in GMIS reflected a $1,000 reimbursement for D5 and $0 for D6. The expenditure report and reimbursement were approved by both the program staff and the GSU without any corrections.

A lack of adequate controls to ensure payments to sub-grantees are only for approved and verified deliverables, or insufficient policies and procedures and manual processes, may lead to inconsistent and ineffective administration of a program, as well as inefficient processing in the event of unexpected staff turnover or absence. Insufficient or inconsistent monitoring of a program's deliverables can lead to non-compliance, improper payments, and failure to meet objectives.

## Recommendation

Create a process and procedure for reviewers to make an adjustment for each deliverable that does not have adequate evidence received with the expenditure report. Creating a document for reviewers to reference to approve deliverables will help ensure deliverables are adequate, who is responsible for performing each review, that reviews are consistent, and will minimize the amounts and number of adjustments.

Evaluate the current deliverable-based model for payments to sub-grantees to validate if it is working as intended. Based on OIA's testing errors, consider eliminating automatic payments in GMIS and modify the review process to verify the adequate completion of each deliverable prior to authorizing payment. This would be best accomplished by requiring all evidence of deliverable completion received via email to program staff or uploaded to GMIS. Verifying the deliverables prior to authorizing payment eliminates the need to adjust future payments and reduces the amount of funds that may need to be recovered at the end of the grant period.

Disallow individual budget line items to be exceeded when submitting expenditure reports in GMIS. This will reduce the likelihood of payments made in error if incorrect amounts are entered. Under the current conditions, if a sub-grantee were to erroneously enter $10,000, instead of $1,000, it would result in a $9,000 overpayment. Develop and implement a policy to timely recover funds disbursed to sub-grantees due to errors or overpayments.

Consider adjusting the current on-site review methodology. Operating efficiencies may be gained by requesting deliverables to be uploaded to GMIS or sent through email to the program manager for review. Include language in the RFP that sub-grantees may still be subject to a surprise visit or scheduled on-site review at the discretion of program staff. Also, consider requesting and examining expenditure documentation to validate costs for reasonableness and allowability.

## Management Response

ODH has created a process and procedure for reviewers to make an adjustment for each deliverable that does not have adequate evidence received with the expenditure report. Starting in March 2018, ODH initiated the use of a document (i.e., the Deliverable Payment Verification Form) for program reviewers to indicate approval of deliverable objectives when submitting expenditure reports. Because of system constraints with the Grants Management Information System (GMIS), any payment adjustments are made on the subsequent payment.

Prior to March 2018, the Immunization Program and all other relevant ODH programs documented all deliverable payment discrepancies in the "Comments" section in GMIS for each project expenditure report. The Immunization Program's internal process in the case of a discrepancy was to contact the sub-grantee to discuss the expenditure and determine if the expenditure claim was correct. If there was initial insufficient evidence for the expenditure, program created a note in GMIS for the Grants Services Unit (GSU) to reduce the expended amount in the next expense report.

ODH has modernized its payment model for sub-grants over the past several years. ODH fully moved to a reimbursement model for sub-grants in 2016. Starting in 2016, ODH also began moving many of its sub-grant programs to a performance-based deliverable model to better assure effective work is being conducted by our local partners. Most recently, ODH has volunteered to be a Wave 1 agency for an enterprise grants system (OhioGEM, or the Ohio Grants Enterprise Management System) that is currently being developed with OBM and DAS.

Under ODH's current sub-grant management system, GMIS, it is not possible to eliminate the use of automatic payments due to the technical limitations of the system. This change would be technically possible under OhioGEM, but would create cash flow problems for many of our sub-grantees. For this reason, and to not jeopardize the work of our local partners, ODH does not plan to move away from the current model. That said, ODH is confident that the current model, which includes the ability to manually stop payments if needed, allows the agency to fully reconcile all sub-grants before their close date. ODH will also continue to evaluate the findings of this audit to reduce payment discrepancies and improve this model. ODH encourages all sub-grant programs to receive evidence of deliverable completion electronically when possible (via email to program staff or uploaded to GMIS).

The next round of Get Vaccinated Ohio sub-grants will require all evidence of deliverable completion to be uploaded into GMIS so that program can more efficiently evaluate completion of deliverables.

The current GMIS system is not able to delay payments until all deliverable line items can be verified. GSU makes adjustments to the report that will be reflected on the next payment for any deliverable line item that exceeds the budget. For non-deliverable line items, ODH does not hold

subrecipients to the line item budgeted amount. Subrecipients are permitted to move funding between budgeted line items within the category. Subrecipients also have "budget leverage." They are permitted to move up to 10% of their award, but less than $50,000, between categories. Budget leverage does not apply to deliverable line items.

ODH has a process in place to adjust any disallowed costs on the subrecipient's next payment. This process is for monthly reports 1 – 10 and quarterly reports 1 – 3. Monthly reports 11 and 12, and quarterly report 4 are reviewed prior to the release of a payment. GMIS is not set-up to review monthly reports 1 – 10 and quarterly reports 1 – 3 prior to review. ODH will be transitioning to the new OhioGEM system within the next 6 months and will phase out GMIS over the next couple years.

ODH used to provide quarterly advances to the subrecipients and completely moved to a reimbursement model over a year and a half ago. ODH moved to our current reimbursement model (with automatic payment) to assist the subrecipients with cash flow and to ensure they would be able to provide the necessary services to all Ohioans.

The Immunization Program has considered the on-site review methodology. Following the OIA Assurance Engagement, the Immunization Program did issue an email on June 8, 2018 to all IM sub-grantees requiring clarification and documentation to be submitted in GMIS for deliverable objectives 7, 8 and 9. This will allow final year-end verification of deliverable objectives to occur effectively without performing a site visit.

In the future, ODH will adjust RFP language to reflect that sub-grantees may be subject to a surprise visit or scheduled on-site review at the discretion of program staff.
The Immunization Program planned to conduct most of the IM site visits close to the end of the grant period, and some after the close of the grant period to verify the completion of the base objectives and the deliverable objectives. The current IM site visit strategy does not serve to validate one single deliverable objective (8b), but rather all the objectives. To clarify the verification of deliverable objective 8b, the Immunization Program's plan was to have each sub-grantee maintain the documentation titled the "Immunization Requirements for School Entry – Ohio Training Verification" at their health department because the number of forms could number in the hundreds for some sub-grantees.  Since most IM objectives are now deliverable-based and require specific measurable outcomes, the value of the site visit to validate deliverable objectives is diminished if all or most of the deliverable objectives are reported via the GMIS system.
The current configuration of the GMIS sub-grant system does not allow payments to be held prior to verification of each deliverable objective.  As a result, the Immunization Program created a deliverable verification process to validate most deliverable objectives within 2 months of submission and validate a few deliverable objectives at the end of the grant period.

Due to GMIS design limitations, the Immunization Program originally did not plan to verify deliverable 8b using scanned .pdf files, but anticipated to review these forms during site visits. Since the OIA Assurance Engagement, the Immunization Program changed this strategy and requested each sub-grantee to scan these forms and attempt to submit them via GMIS.

The Immunization Program and BID Fiscal Liaison will create a standard operating procedure (SOP) to document processes and procedures relating to monitoring of program deliverables and payments.

| Risk* | Remediation Owner | Estimated Completion Date |
|---|---|---|
| **Moderate** | Immunization and Grant Services Unit | September 30, 2018 |

\* Refer to Appendix A for classification of audit observations.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

# Appendix A – Classification of Conclusions and Observations

## Classification of Audit Objective Conclusions

| Conclusion | Description of Factors |
|---|---|
| **Well-Controlled** | The processes are appropriately designed and/or are operating effectively to manage risks.  Control issues may exist, but are minor. |
| **Well-Controlled with Improvement Needed** | The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives. |
| **Improvement Needed** | Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose.  While important weaknesses exist, their impact is not widespread. |
| **Major Improvement Needed** | Weaknesses are present that could potentially compromise achievement of its overall purpose.  The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses. |

## Classification of Audit Observations

| Rating | Description of Factors | Reporting Level |
|---|---|---|
| **Low** | Observation poses relatively minor exposure to an agency under review.  Represents a process improvement opportunity. | Agency Management; State Audit Committee (Not reported) |
| **Moderate** | Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed.  Requires near-term agency attention. | Agency Management and State Audit Committee |
| **High** | Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation. | Agency Management and State Audit Committee |