

THOMAS M. SALMON, CPA
STATE AUDITOR



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

For Immediate Release
August 24, 2007

Contact: Tom Salmon, 828-2281
Tom.Salmon@state.vt.us
Cell phone: 376-6101

**State Auditor: Hospital Bioterrorism Preparedness Grants Lacked
Adequate Oversight from Vt. Department of Health**

Purchasing, contracting, and travel expenditures questioned

MONTPELIER –The Agency of Human Services (AHS) is implementing an enhanced grant monitoring process partly in response to audit findings that the Vermont Department of Health (VDH) did not adequately supervise bioterrorism grants of federal funds to the *Vermont Association of Hospitals and Health Systems – Network Service Organization* (VAHHS-NSO).

State Auditor Thomas M. Salmon, CPA, today said that the Department of Health, a division of the Agency of Human Services, did not provide proper guidance to the non-profit hospital association about the federal and state regulations governing the use and accounting of federal grants, and did not monitor grant spending closely enough.

Salmon said VAHHS-NSO has received \$885,920 in federal funds for bioterrorism hospital preparedness since 2004. “We reviewed three recent grants totaling \$629,565 and identified instances where purchases and contracts were carried out without open competitive bidding, and where some charges to the grants for telephones, lodging and meals were inappropriate,” Salmon noted.

“Vermont State government receives about \$1.2 billion in federal funds annually, and more than \$200 million is passed through to partner organizations around the State,” Salmon pointed out.

“The good news is that the Agency of Human Services, and other departments, have taken steps to make sure that local organizations get better guidance about the rules and regulations to correctly deliver a program funded by federal dollars,” Salmon said. “The association has also improved its policies and procedures,” he added.

**Full report: <http://auditor.vermont.gov/>
Click on “Audits and Reports” and then click on “Special Audits.”**

-- continued --

Among the audit findings discussed in the report:

- VAHHS-NSO awarded a \$76,000 consulting contract to a former VAHHS employee without competitive bidding;
- VAHHS-NSO paid \$44,933 for 30 emergency radio setups and \$67,592 in pharmaceutical cache drugs without evidence of competitive bidding;
- VAHHS-NSO paid \$191,036 for personal protective equipment without evidence of competitive bidding and without procedures in place to assure that the supplies ordered were delivered, resulting in a charge of \$13,780 to a grant for 114 cases of fluid shield masks that were not delivered. The vendor, Fisher Scientific, is expected to ship the missing items in the near future.
- The association charged a grant for two NEXTEL phones provided to the same staff person, and also billed a grant for inappropriate voice charges for the staff person, for a total of \$1,337 in questioned costs. (NEXTEL has credited the organization \$619 for the second phone that was incorrectly charged and paid, and VAHHS-NSO has paid back the grant for the voice charges billed to the grant.)
- Some charges for travel expenses, such as restaurant meals, were over daily limits, and did not include documentation sufficient to indicate the number of people dining, the grant purpose of additional diners, and whether or not charged amounts included alcoholic beverages. In one case, the auditors requested itemized receipts from the Aquitaine restaurant in Boston and noted that a \$76 tab for alcoholic beverages was included in a \$300 meal for four individuals. Further, lodging charges of \$396 per night for two attendees at an out-of-state meeting appear imprudent.
- The State's grant agreements did not include reference to specific federal rules for grant spending by the subrecipient; and
- The State's grant monitoring was limited and poorly documented.

Salmon said he was heartened by the quick response of both the Department of Health and the hospital association to improve grants management. "This non-profit partner has helped Vermont become better prepared for a possible radiological terrorist attack or other widespread public health emergency," Salmon noted, "and that's good news. Going forward, I think we'll have a tighter, more accountable process."

- END -

