

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ALTHOUGH THE CENTERS FOR  
DISEASE CONTROL AND PREVENTION  
RESOLVED NEARLY ALL AUDIT  
RECOMMENDATIONS, IT DID NOT  
ALWAYS DO SO IN ACCORDANCE WITH  
FEDERAL TIMEFRAME REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services

February 2019  
A-07-17-03226

# *Office of Inspector General*

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The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## Report in Brief

Date: February 2019

Report No. A-07-17-03226

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



### Why OIG Did This Review

HHS, Centers for Disease Control and Prevention (CDC), is subject to Federal audits of its internal activities as well as Federal and non-Federal audits of activities performed by its grantees and contractors. As a followup to these audits, CDC is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. HHS, OIG, prepares and forwards to CDC monthly stewardship reports that show the status of these reported audit recommendations.

Our objectives were to determine whether CDC resolved audit recommendations in a timely manner during Federal fiscal years (FYs) 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

### How OIG Did This Review

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that CDC resolved during FYs 2015 and 2016, as well as all outstanding recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 213 audit reports and 888 corresponding recommendations.

## Although the Centers for Disease Control and Prevention Resolved Nearly All Audit Recommendations, It Did Not Always Do So in Accordance With Federal Timeframe Requirements

### What OIG Found

CDC did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. CDC resolved 855 of the 888 recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 827 of the 855 recommendations (96.7 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, CDC had not resolved 33 audit recommendations that were past due for resolution. Some of the past-due recommendations were procedural in nature; six others had associated dollar amounts that totaled \$140,946. Within 3 months after the end of our audit period, CDC resolved these six remaining monetary recommendations that were past due for resolution.

CDC had policies and procedures in place to ensure that audit recommendations were resolved in compliance with Federal requirements, but did not generally follow them. As a result, CDC did not usually issue management decisions and submit the related clearance documents to OIG within the required 6-month resolution period. CDC reorganizations between January 2013 and October 2016 resulted in considerable turnover in staff responsible for audit resolution. In addition, the systems used for tracking the audit resolution process were still evolving during that period, which helped contribute to untimely followup. During the latter part of the audit period, CDC began taking steps to improve the audit resolution process.

### What OIG Recommends and CDC Comments

We recommend that CDC follow its policies and procedures related to the audit resolution process and promptly resolve the 27 outstanding audit recommendations (33 that were past due as of September 30, 2016, less 6 resolved after the end of our audit period).

CDC did not directly concur with our recommendations but described corrective actions that it had taken or planned to take. CDC stated that it has improved its process and standard operating procedures to submit clearance documents to OIG within the 6-month resolution period and added that it had resolved the 27 outstanding audit recommendations.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

The U.S. Department of Health and Human Services (HHS), Centers for Disease Control and Prevention (CDC), is subject to Federal audits of its internal activities as well as Federal and non-Federal audits of activities performed by its grantees and contractors. These audits ensure that recipients of Federal awards have complied with applicable Federal requirements related to management and use of funds. As a followup to these audits, CDC is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. The HHS Office of Inspector General (OIG) prepares and forwards to CDC monthly stewardship reports that show the status of these reported audit recommendations. In keeping with our mission of helping to safeguard HHS funds, we focused in this review on the timeliness of CDC's audit resolution process. This process includes, in response to each Federal and non-Federal audit report on CDC's internal activities or on activities performed by CDC's grantees and contractors, the issuance of a management decision and the submission of an OIG clearance document (OCD) to OIG within the required 6-month period.<sup>1</sup> We are not reviewing the actual corrective actions taken by CDC.

In a previous OIG audit report (A-07-09-03131, May 26, 2010; Appendix B), we found that CDC did not always resolve audit recommendations in accordance with Federal requirements during Federal fiscal years (FYs) 2007 through 2009. We included the results of our previous review in this audit report to compare them with the current-period results.

### OBJECTIVES

Our objectives were to determine whether CDC resolved audit recommendations in a timely manner during FYs 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

### BACKGROUND

CDC has primary responsibility for conducting and supporting public health activities in the United States. CDC carries out this responsibility through internal activities and through grants and contracts to State, local, and private organizations.

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<sup>1</sup> In this context, the term "management decision" refers to the evaluation by the cognizant HHS operating division's (OPDIV) management of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary. The OPDIV's management uses an OCD to report to OIG the management decision and actions taken on recommendations; OIG then uses the OCD as the source document to clear recommendations from the stewardship report.

## Federal Audits

Section 4(a) of the Inspector General Act of 1978, as amended (5 U.S.C. App.), directs OIG to conduct audits of agency programs and activities. Under this authority, OIG conducts audits of internal CDC activities, as well as activities performed by CDC grantees and contractors. These audits are intended to provide independent assessments of CDC programs and operations and to help promote economy and efficiency. OIG uses its own resources to conduct audits in accordance with generally accepted government auditing standards (GAGAS) and oversees audit work conducted by independent auditors.

## Non-Federal Single Audits

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,<sup>2</sup> requires that non-Federal entities (such as CDC grantees) that expend \$500,000<sup>3</sup> or more in Federal awards in a year<sup>4</sup> have a Single Audit or program-specific audit (also referred to as an “A-133 audit”), pursuant to the provisions of OMB Circular A-133, Subpart B, \_\_.200.<sup>5</sup> These A-133 audits, conducted by independent auditors, are conducted in accordance with GAGAS and OMB Circular A-133. These audits include an examination of the entity’s financial records and financial statements, testing of the entity’s internal controls, and a review of the entity’s compliance with requirements related to expenditures of selected Federal awards. The final audit report contains comments from the entity, including corrective actions planned or taken to address the findings.

Audited entities transmit their final A-133 audit reports to the Federal Audit Clearinghouse (FAC).<sup>6</sup> In turn, OIG, National External Audit Review Center (NEAR), receives A-133 audit reports from the FAC. NEAR performs a desk review of each A-133 audit report that contains findings related to direct HHS funding to determine whether there are any issues with the

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<sup>2</sup> This circular was made applicable by HHS regulations at 45 CFR § 74.26(a). The circular was relocated to 2 CFR part 230. (HHS has promulgated new grant regulations and cost principles at 45 CFR part 75 that apply to awards made on or after December 26, 2014.) None of the audits in our review were subject to the new rule, as they were of awards made prior to that date.

<sup>3</sup> The expenditure level for Federal awards was raised to \$750,000 for FYs beginning on or after December 26, 2014 (45 CFR § 75.501(a)).

<sup>4</sup> Some State and local governments that are required by constitution or statute in effect January 1, 1987, to be audited less frequently than annually are permitted to undergo audits biennially. Nonprofit organizations are also allowed to have biennial audits under certain conditions (OMB Circular A-133, § \_\_\_\_\_.220).

<sup>5</sup> Commercial entities that met the \$500,000 threshold during the audit period could elect to conduct either an A-133 audit or a financial-related audit (45 CFR § 74.26(d)(i)).

<sup>6</sup> The FAC operates on behalf of OMB to disseminate A-133 audit reports to Federal agencies.

report and whether the report meets GAGAS and OMB Circular A-133 requirements.<sup>7</sup> NEAR prepares a transmittal letter and attachment that summarize the audit findings and recommendations and that identify the Federal agency responsible for resolution (cognizant Federal agency). NEAR then distributes the transmittal letter and attachment to the grantee and the cognizant Federal agency.

### **Federal Requirements Regarding Timeliness of Audit Resolution**

In resolving Federal audit recommendations, CDC must comply with OMB Circular A-50, *Audit Followup*, which requires resolution of audit recommendations within a maximum of 6 months after issuance of a final audit report. In resolving non-Federal audit recommendations, CDC must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date.<sup>8</sup> OMB Circular A-133 requires resolution within 6 months after receipt of the final report by the Federal Government, and 45 CFR § 75.521(d) requires resolution within 6 months of acceptance of the audit report by the FAC.

### **CDC's Audit Resolution Process**

CDC's *Standard Operating Procedure for the Audit Resolution Process for Grants and Cooperative Agreements Manual*<sup>9</sup> (the Manual) provides the policies and procedures for CDC to follow in resolving non-Federal audit recommendations. The Manual states that the CDC audit resolution process is managed by the Financial Assessment and Audit Resolution Unit (FAAR), which is a subordinate element of the Office of Financial Resources, Office of Grants Services. The audit resolution process begins with the receipt of the audit report and ends with the issuance of a management decision letter (MDL) (the Manual § I). Ultimate responsibility for the final determination of the findings contained in the MDL resides with the Grants Management Official (GMO) (the Manual § II).

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<sup>7</sup> After our audit period, HHS made significant changes to the roles and responsibilities for processing Single Audits. Effective October 1, 2018, the Office of the Assistant Secretary for Financial Resources within HHS, Office of the Secretary, took over the responsibility from NEAR for assigning the audit recommendations from Single Audit reports to the HHS OPDIV responsible for resolution. NEAR maintained the desk review function, but instead of reviewing all Single Audit reports with findings, NEAR began on that date to use a risk-based approach to identify selected audit reports to review.

<sup>8</sup> See footnote 2. Although none of the audits in this review were subject to 45 CFR part 75, we included the relevant provision from the current regulation in this report to support the validity of our recommendations.

<sup>9</sup> According to CDC officials, the Manual was implemented in early 2015. For our report we reference to the July 2016 version of the Manual because it contains more updated terminology, including the most recent CDC offices that are in charge of audit resolution. Although audit resolution responsibilities changed some from the earlier version to the later version, the overall process remained similar.

The audit resolution process begins when FAAR receives an audit report from NEAR or from the audit resolution mailbox. FAAR then reviews the audit for adequacy, prepares a related MDL package, and provides a copy to the respective GMO and program office with a 15-day deadline. The GMO reviews the MDL package for correct interpretation of grants legislation, policy, and regulations that are applicable to the findings; provides any related documentation; and returns the package to FAAR within 15 days. The program office reviews the MDL package for use of funds in accordance with program guidance, provides any related documentation, and likewise returns the package to FAAR within 15 days.

FAAR reviews the comments from both the GMO and the program office, incorporates any supported changes, then sends the final MDL draft to the GMO for signature and issuance to the grantee. After receiving the grantee's response to the MDL, the GMO works with FAAR to finalize a corrective action plan (CAP), repayment of disallowed costs, or both. FAAR then uses the MDL and CAP to prepare an OCD, which is then sent to OIG for removal of the associated recommendations from the stewardship report (the Manual § II).

Additionally, both versions of the Manual in effect for our audit period make non-Federal grantees subject to Federal audit requirements such that the grantees provide information to the awarding agency (that is, CDC) to enable it to make a management decision within 6 months of receipt of the [non-Federal] audit report (the Manual § I).<sup>10</sup>

Federal audit resolution procedures are similar to the non-Federal policies from the Manual and appear in CDC's *Division of Issues Management, Analysis, and Coordination, GAO/OIG Engagement Activities Standard Operating Procedures* manual. The only major difference is that the CDC audit liaison, rather than FAAR, is responsible for preparing and submitting the OCD to OIG. These procedures state that CDC is subject to the audit requirements in OMB Circular A-50, which requires that resolution be made within a maximum of 6 months after issuance of the final report.

To assist its staff in this audit resolution process, CDC uses an internal audit tracking and monitoring system to ensure that audit findings are resolved in a complete and timely manner. CDC performs reconciliations between its internal system and the stewardship reports to identify and follow up on differences. In addition, CDC uses its internal system to produce a monthly report on outstanding MDLs; CDC disseminates this report to its grantees to ensure that they are meeting timeliness requirements (the Manual § II). This internal system was not implemented until the end of our audit period; before its implementation, CDC used a less formal tracking system.

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<sup>10</sup> The relevant Federal requirements appear in OMB Circular A-133 \_\_.405(d) and 45 CFR § 75.521(d); see also footnote 8. Therefore, both versions of the Manual that cover our audit period require audit resolution within 6 months in accordance with Federal requirements.

## Stewardship Reports

The OIG Audit Planning and Implementation group prepares, and forwards to CDC (and other HHS OPDIVs as appropriate), monthly stewardship reports on the status of audit recommendations reported in Federal and non-Federal audits. These reports identify all audit reports and corresponding recommendations issued for the selected period and provide the management decisions and the date of that action, or indicate that no action has as yet been taken.

## HOW WE CONDUCTED THIS REVIEW

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that CDC resolved during FYs 2015 and 2016, as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 213 audit reports and 888 corresponding recommendations.<sup>11,12</sup> The issuance dates for these audit reports ranged from February 10, 2012, through January 20, 2015.

We did not review CDC’s overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A describes our audit scope and methodology.

## FINDINGS

CDC did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Specifically, CDC resolved 855 of the 888 audit recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 827 of the 855 recommendations

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<sup>11</sup> Of the 213 audit reports and 888 corresponding recommendations identified in these stewardship reports, 15 were Federal audit reports that had a total of 74 corresponding recommendations, while 198 were non-Federal audit reports that had a total of 814 corresponding recommendations.

<sup>12</sup> In contrast, as reported in our previous review of FYs 2007 through 2009, the relevant stewardship reports identified 334 audit reports with 1,167 corresponding outstanding recommendations. The 1,167 outstanding recommendations reported in our previous review included 139 recommendations that were unresolved but not due for resolution until after the end of the previous audit period. To be consistent with the methodology used in the current review, those 139 recommendations are not included in the results below.

(96.7 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, CDC had not resolved 33 audit recommendations that were past due for resolution. Some of the past-due recommendations had associated dollar amounts that totaled \$140,946; others of the past-due recommendations were procedural in nature and involved policies and procedures and internal controls.

CDC had policies and procedures in place to ensure that audit recommendations were resolved in compliance with Federal requirements, which require resolution of audit recommendations within 6 months of the audit report's issue date. However, CDC did not generally follow these policies and procedures. As a result, CDC did not usually issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period.

According to CDC officials, between January 2013 and October 2016, the office responsible for managing CDC's audit resolution process was reorganized multiple times. As a result, there was considerable turnover in staff responsible for the audit resolution process. These officials added that the systems used for tracking the audit resolution process were still evolving during that period, which helped contribute to untimely followup. During the latter part of the audit period, CDC began taking steps to improve the audit resolution process. In October 2016, CDC was able to start devoting adequate staff to the audit resolution process and was also able to fully develop the audit resolution tracking and monitoring system currently in use.

Without resolving all audit recommendations in a timely manner, CDC runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

## **FEDERAL REQUIREMENTS AND CDC POLICIES AND PROCEDURES**

In resolving Federal audit recommendations, CDC must comply with OMB Circular A-50. In resolving non-Federal audit recommendations, CDC must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date (footnote 2).

OMB guidance requires "prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible" (OMB Circular A-50, § 8.a.(2)).

OMB guidance states: "The entity responsible for making the management decision shall do so within six months of receipt of the [non-Federal] audit report. Corrective action should be initiated within six months after receipt of the audit report and proceed as rapidly as possible" (OMB Circular A-133, § \_\_\_\_\_.405(d)).

Federal regulations provide the following management decision time requirements: “The HHS awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report” (45 CFR § 75.521(d)).

CDC’s policies and procedures state that CDC is subject to Federal audit resolution requirements, which require resolution of audit recommendations within 6 months of the audit report’s issue date (the Manual § I and the *Division of Issues Management, Analysis, and Coordination, GAO/OIG Engagement Activities Standard Operating Procedures* manual).

## **CDC DID NOT ALWAYS RESOLVE AUDIT RECOMMENDATIONS IN ACCORDANCE WITH FEDERAL REQUIREMENTS**

### **CDC Did Not Always Resolve Audit Recommendations in a Timely Manner**

CDC did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Of the 855 audit recommendations that CDC resolved during FYs 2015 and 2016, 28 (3.3 percent) were resolved within the required 6-month resolution period, but 827 (96.7 percent) were not resolved within that period.<sup>13</sup>

Of the 815 audit recommendations that CDC had resolved during FYs 2007 through 2009, 274 (33.6 percent) were, as reported in our previous review,<sup>14</sup> not resolved within the required 6-month resolution period. Table 1 on the following page shows the timeframes for resolving these recommendations for both reviews.

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<sup>13</sup> Of the 28 recommendations that CDC resolved in a timely manner, 4 were conveyed in Federal audit reports, and 24 were conveyed in non-Federal audit reports. Of the 827 recommendations not resolved in a timely manner, 59 were conveyed in Federal audit reports, and 768 were conveyed in non-Federal audit reports.

<sup>14</sup> A-07-09-03131.

**Table 1: Timeliness of Audit Recommendations Resolved in FYs 2015 and 2016 Compared With Those Resolved in FYs 2007 Through 2009**

Timeframe To Resolve Recommendation	Current Audit FYs 2015 and 2016		Previous Audit FYs 2007 Through 2009	
	Number of Resolved Recommendations	Percentage of Total	Number of Resolved Recommendations	Percentage of Total
Within 6-month resolution period	28	3.3%	541	66.4%
Not resolved within 6-month resolution period:				
6+ months to 1 year	645	75.4%	169	20.7%
1+ year to 2 years	151	17.7%	36	4.4%
2+ years to 3 years	31	3.6%	14	1.7%
3+ years to 4 years	0	0.0%	25	3.1%
4+ years to 5 years	0	0.0%	14	1.7%
5+ years	0	0.0%	16	2.0%
Subtotal (not resolved within 6-month resolution period)	827	96.7%	274	33.6%
<b>Total</b>	<b>855</b>	<b>100.0%</b>	<b>815</b>	<b>100.0%</b>

Table 1 also shows that the overall number of resolved audit recommendations was about the same in the FYs 2007 through 2009 timespan covered by our previous review as it was in the (admittedly shorter) FYs 2015 and 2016 timespan covered by our current review. In addition, the percentage of audit recommendations that CDC did not resolve in a timely manner significantly increased from 33.6 percent in FYs 2007 through 2009 to 96.7 percent in FYs 2015 and 2016.

**CDC Had Some Recommendations That Were Unresolved and Due for Resolution**

As of September 30, 2016, CDC had not resolved 33 audit recommendations (of the 888 outstanding recommendations for FYs 2015 and 2016) that were past due for resolution.<sup>15</sup> Some of the past-due recommendations had associated dollar amounts that totaled \$140,946; others of the past-due recommendations were procedural in nature and involved policies and procedures and internal controls.

As of September 30, 2009 (the end of the period covered by our previous report), CDC had not resolved 213 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$249.7 million. Therefore, between the period covered by our previous review and the period covered by our current review, CDC significantly reduced both the total number and associated dollar amounts of unresolved audit recommendations that were past due for resolution. Tables 2 and 3 on the following page

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<sup>15</sup> Of the 33 recommendations that were unresolved and past due for resolution, 11 were conveyed in Federal audit reports, and 22 were conveyed in non-Federal audit reports.

present information on the timeframes for our current review and the timeframes for our previous review, respectively.<sup>16</sup>

**Table 2: Unresolved Audit Recommendations Past Due for Resolution as of September 30, 2016**

<b>Timeframe Beyond Required Resolution Date</b>	<b>Number of Recommendations</b>	<b>Percentage of Total Recommendations</b>	<b>Average Days Beyond Required Resolution Date</b>	<b>Dollar Amounts Beyond Required Resolution Date (in millions)</b>	<b>Percentage of Dollar Amounts Beyond Required Resolution Date</b>
6+ months to 1 year	0	0.0%	N/A	N/A	N/A
1+ year to 2 years	22	66.7%	494.3	\$0.1	100.0%
2+ years to 3 years	0	0.0%	N/A	N/A	N/A
3+ years to 4 years	11	33.3%	1,156.0	0.0	0.0%
4+ years to 5 years	0	0.0%	N/A	N/A	N/A
5+ years	0	0.0%	N/A	N/A	N/A
<b>Total</b>	<b>33</b>	<b>100.0%</b>		<b>\$0.1</b>	<b>100.0%</b>

**Table 3: Unresolved Audit Recommendations Past Due for Resolution as of September 30, 2009 (Previous Audit)**

<b>Timeframe Beyond Required Resolution Date</b>	<b>Number of Recommendations</b>	<b>Percentage of Total Recommendations</b>	<b>Average Days Beyond Required Resolution Date</b>	<b>Dollar Amounts Beyond Required Resolution Date (in millions)</b>	<b>Percentage of Dollar Amounts Beyond Required Resolution Date</b>
6+ months to 1 year	13	6.1%	142.3	\$249.3	99.8%
1+ year to 2 years	0	0.0%	0.0	N/A	0.0%
2+ years to 3 years	12	5.6%	890.3	0.0	0.0%
3+ years to 4 years	15	7.1%	1,296.2	0.0	0.0%
4+ years to 5 years	22	10.3%	1,711.4	0.0	0.0%
5+ years	151	70.9%	2,280.9	0.4	0.2%
<b>Total</b>	<b>213</b>	<b>100.0%</b>		<b>\$249.7</b>	<b>100.0%</b>

Table 4 on the following page compares the period covered by our previous review and the period covered by our current review. It does so by presenting additional information on the dollar amounts associated with the unresolved audit recommendations for which CDC was or is the cognizant Federal agency, categorized by recommended action.

<sup>16</sup> A-07-09-03131.

**Table 4: Unresolved Audit Recommendations Past Due for Resolution  
as of September 30, 2016, and as of September 30, 2009—  
Dollar Amounts by Recommended Action**

Recommended Action	Current Audit FYs 2015 and 2016	Previous Audit FYs 2007–2009
	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)
Monetary recommendations:		
Questioned costs	\$0.1	\$0.6
Funds put to better use	0.0	245.1
Obtain approval or make financial adjustment	0.0	3.6
Subtotal	\$0.1	\$249.3
Unable to express an opinion (set aside)	\$0.0	\$0.4
<b>Total</b>	<b>\$0.1</b>	<b>\$249.7</b>

**CDC DID NOT ALWAYS FOLLOW ITS POLICIES AND PROCEDURES WHEN RESOLVING AUDIT RECOMMENDATIONS**

CDC had policies and procedures in place to ensure that audit recommendations were resolved in compliance with Federal requirements, which require resolution of audit recommendations within 6 months of the audit report’s issue date. However, CDC did not generally follow these policies and procedures. As a result, CDC did not usually issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period.

According to CDC officials, between January 2013 and October 2016, the office responsible for managing CDC’s audit resolution process was reorganized multiple times. As a result, there was considerable turnover in staff responsible for the audit resolution process. These officials added that the systems used for tracking the audit resolution process were still evolving during that period, which helped contribute to untimely followup. During the latter part of the audit period, CDC began taking steps to improve the audit resolution process. In October 2016, CDC was able to start devoting adequate staff to the audit resolution process and was also able to fully develop the audit resolution tracking and monitoring system currently in use.

Although CDC did not always issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period, CDC significantly reduced—between the period covered by our previous review and the period covered by our current review—both the total number and the associated dollar amounts of unresolved audit recommendations that were past due for resolution.<sup>17</sup> Furthermore, within 3 months after the end of our audit period CDC

<sup>17</sup> CDC had a relatively similar number of overall recommendations in our current audit period (888 recommendations in FYs 2015 and 2016) compared with our previous audit period (1,167 recommendations in FYs 2007 through 2009), when considering the longer audit period in the previous review.

resolved the remaining monetary recommendations that were past due for resolution, consisting of six recommendations totaling \$140,946.

### **CDC DID NOT ALWAYS ENSURE THAT FEDERAL FUNDS WERE EFFECTIVELY AND EFFICIENTLY USED**

CDC significantly reduced both the total number and associated dollar amounts of unresolved audit recommendations that were past due for resolution. However, the timeliness of resolved recommendations has decreased between the previous and current periods. During our current audit period, 96.7 percent of resolved recommendations were not resolved within the required 6-month time period. Without resolving all audit recommendations in a timely manner, CDC runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

### **RECOMMENDATIONS**

We recommend that CDC:

- follow its policies and procedures related to the audit resolution process to ensure that all management decisions are issued within the required 6-month resolution period and
- promptly resolve the 27 outstanding audit recommendations (33 that were past due as of September 30, 2016, less 6 resolved after the end of our audit period).

### **CDC COMMENTS**

In written comments on our draft report, CDC did not directly concur with our recommendations but described corrective actions that it had taken or planned to take. CDC stated that it had interpreted the term “resolved” differently from our definition, resulting in miscommunication with us and the untimely submission of OCDs to OIG. CDC explained that it had regarded a recommendation as resolved when the related corrective action was completed, at which time CDC would submit the OCD to OIG to close the recommendation. This procedure contrasted with our requirement that a recommendation be resolved with the issuance of a management decision and the submission of an OCD to OIG—regardless of whether any corrective action had yet been taken—within the required 6-month period. CDC added that “[w]ith a better understanding of expectations,” it has improved its process and standard operating procedures to submit OCDs to OIG within 6 months of the final report.

CDC also stated that it had resolved the 27 outstanding audit recommendations.

CDC’s comments are included in their entirety as Appendix C.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that CDC resolved during FYs 2015 and 2016, as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 213 audit reports and 888 corresponding recommendations (footnotes 11 and 12). The issuance dates for these audit reports ranged from February 10, 2012, through January 20, 2015.

We did not review CDC’s overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

We conducted our audit work from April to August 2018.

### METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable sections of OMB Circulars A-50 and A-133, HHS regulations at 45 CFR part 75, and other applicable Federal requirements;
- reviewed CDC’s policies and procedures for resolving audit recommendations and performed a walkthrough of the process;
- interviewed CDC’s staff and reviewed documentation provided by CDC officials;
- obtained CDC’s “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for our audit period and used them to:
  - identify the total number of recommendations that were resolved timely or untimely by:
    - including only the recommendations that had the “management decision” data field populated (which indicated that a management decision had been made) and that had a decision date (i.e., the date that CDC issued the OCD) that fell within our audit period of FYs 2015 and 2016 and

- quantifying the timeframe it took to resolve those recommendations by calculating the number of days between the issued date and the decision date;<sup>18</sup>
  - quantify the total number of recommendations that were unresolved and beyond the required resolution period by:
    - including only the recommendations that had no decision date documented or that had a decision date that was after our audit period (indicating that a management decision had not been made as of the end of our audit period) and
    - quantifying the timeframe beyond the required resolution date for those recommendations by calculating the number of days between the required resolution date and the last day of our audit period (September 30, 2016); and
  - determine whether there were any dollar amounts associated with any unresolved recommendations that were beyond the required resolution period as of September 30, 2016; and
- discussed the results of our audit with CDC officials on September 26, 2018.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>18</sup> To determine whether a management decision was issued timely for a Federal audit, we reviewed the time period between the date that OIG issued the audit report and the date that CDC issued the management decision. To determine whether a management decision was issued timely for a non-Federal audit, we reviewed the time period between the date that NEAR assigned the single audit finding(s) to CDC and the date that CDC issued the management decision. Both the date that OIG issued the audit report and the date that NEAR assigned the single audit finding(s) are reported on the stewardship report in the “issued date” data field.

**APPENDIX B: PREVIOUSLY ISSUED  
OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Although the Centers for Medicare &amp; Medicaid Services Has Made Progress, It Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements</i>	<a href="#"><u>A-07-18-03228</u></a>	1/15/2019
<i>The Indian Health Service Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements</i>	<a href="#"><u>A-07-17-03227</u></a>	9/24/2018
<i>The Administration for Children and Families Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements</i>	<a href="#"><u>A-07-17-03225</u></a>	7/2/2018
<i>Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-09-03131</u></a>	5/26/2010
<i>Administration for Children and Families Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-09-03118</u></a>	10/28/2009
<i>Centers for Medicare &amp; Medicaid Services Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-07-04112</u></a>	11/19/2008
<i>Indian Health Service's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-06-03077</u></a>	3/9/2007
<i>Administration on Aging's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-06-03084</u></a>	2/21/2007
<i>Food and Drug Administration's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-06-03083</u></a>	2/15/2007

**MEMORANDUM**

**To:** Inspector General  
U.S. Department of Health and Human Services

**From:** Robert R. Redfield, MD  
Director, Centers for Disease Control and Prevention (CDC)

**Date:** January 14, 2019

**Subject:** Office of the Inspector General's (OIG) Draft Report: CDC Resolution of Audit Recommendations (A-07-17-03226)

The Centers for Disease Control and Prevention (CDC) appreciates the opportunity to review and comment on the Office of the Inspector General's (OIG) draft report, "CDC Resolution of Audit Recommendations (A-07-17-03226)."

As stated in the draft report, the objective of this review was to determine whether CDC resolved audit recommendations in a timely manner during federal fiscal years (FYs) 2015 and 2016, and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016. The findings in the draft report show that CDC resolved 855 of the 888 audit recommendations that were outstanding during FYs 2015 and 2016, leaving 33 audit recommendations—with associated dollar amounts totaling \$140,946—past due for resolution. This also shows significant reduction from OIG report A-07-09-03131 in both the total number and associated dollar amounts of unresolved audit recommendations

**OIG Recommendation 1:**

OIG recommends CDC follow its policies and procedures related to the audit resolution process to ensure that all management decisions are issued within the required 6-month resolution period.

**CDC Response:**

Recent discussions with OIG identified a difference of interpretation between the agencies around the term "resolved." CDC uses the term to indicate completing recommendations then submitting an OIG Clearance Document (OCD) to close them. OIG defines as issuance of the Management Decision Letter (MDL) to the recipient and receipt of the OCD within 6 months, regardless of completion. These interpretations resulted in miscommunication with OIG and led CDC to send an OCD only after all MDL recommendations had been fully implemented.

With a better understanding of expectations, CDC has improved its process and standard operating procedures to submit MDLs and OCDs to the appropriate OIG departments within 6 months of the final report.

**OIG Recommendation 2:**

OIG recommends CDC promptly resolve the 27 outstanding audit recommendations (33 that were past due as of September 30, 2016, less six resolved after the end of our audit period).

**CDC Response:**

CDC resolved the remaining 27 recommendations.

Thank you for your review of the CDC's resolution of audit recommendations. CDC remains committed to ensuring that we meet requirements and will continue working to resolve audits in a timely manner.

Please direct any questions regarding these comments to our OIG liaison, Janean Lomax, at [iggao@cdc.gov](mailto:iggao@cdc.gov).



Robert R. Redfield, MD  
Director, CDC