Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Report 2003-F-19

Dear Dr. Novello:

Pursuant to the State Comptroller’s authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the Department of Health (Department) as of August 26, 2003 to implement the recommendations contained in our audit report, Tobacco Use Prevention and Control Program (Report 2001-S-19). Our report, which was issued on April 19, 2002, assessed whether the Department maintained a performance measurement system to effectively monitor the results of the Tobacco Control Program, whether Tobacco Control Program contracts were executed in a timely fashion, and whether the Department adequately monitored coalition expenses and the administration of the Tobacco Pool for the period April 1, 1998 through October 15, 2001.

Background

The Health Care Reform Act of 2000 (HCRA) established the Tobacco Control and Insurance Initiatives Pool (Tobacco Pool) to hold the State’s proceeds from a national settlement with tobacco companies, along with a portion of cigarette excise tax revenue. These monies constitute additional resources available to increase efforts and raise public awareness of the health risks caused by tobacco use and exposure. The settlement provides for payments in perpetuity, and although the agreement specifies base awards, the actual awards are not known because they are subject to various adjustments.

The Department delegates responsibility for administering the Tobacco Pool to Excellus Health Plan, Incorporated (Excellus), formerly known as Blue Cross and Blue Shield of Central New York. The Department’s contract with Excellus grants Excellus the responsibility of collecting, administering and distributing funds in the Tobacco Pool in
accordance with HCRA requirements. Excellus has assumed these responsibilities since HCRA created the Tobacco Pool in January 2000. As pool administrator, Excellus is required to transfer Tobacco Pool funds to several program accounts, including the Department’s Tobacco Use Prevention and Control Program (TCP). The TCP was established to increase public awareness to the health risks caused by tobacco exposure. The Department contracts with 26 anti-tobacco coalitions to develop and deliver activities designed to achieve the Department’s TCP goals.

Summary Conclusions

In our prior audit, we found that the Department’s performance measurement system did not enable the Department to assess the effectiveness of the TCP in achieving program goals. Further, the Department did not execute contracts with Excellus and community coalitions in a timely manner and did not adequately verify coalition expenses submitted for reimbursement. Also, the Department had not had an annual, independent evaluation of the TCP as required. In addition, the Department needed to assign additional resources to monitoring coalition expenses and to reassess the voucher approval process.

In our follow-up review, we found that Department officials have made significant progress toward implementing the audit recommendations. Department officials have substantially improved the performance measurement system. While Department officials have taken steps to ensure contracts with community coalitions are executed in a timely manner, the Department did not execute a contract with Excellus in a timely manner. The Department has taken steps to improve verification of coalition expenses, but additional actions are needed to fully implement the recommendation. In addition, the Department has not completed the required annual, independent evaluation of the TCP. However, Department officials have entered into a contract to have this evaluation performed. Also, the Department recruited a new Health Program Administrator to assist in monitoring coalition expenses and has eliminated duplication in the voucher approval process.

Summary of Status of Prior Audit Recommendations

Of the nine prior audit recommendations, Department officials implemented five recommendations, partially implemented three recommendations, and did not implement one recommendation.

Follow-up Observations

Recommendation 1

Establish performance indicators that are directly related to the Department’s statewide Tobacco Control Program goals.

Status – Implemented
Agency Action – Department officials have developed and implemented the Tobacco Control Program (TCP) Strategic Plan Version 9 dated April 12, 2003. The Strategic Plan describes the TCP’s vision, mission, goals, objectives and activities that must be implemented to achieve such goals and objectives. Additionally, the Strategic Plan describes the infrastructure and evaluation requirements to support an effective tobacco control program.

The Strategic Plan includes four programmatic goals, one infrastructure goal and one evaluation goal. The Strategic Plan provides a description of each program goal, why it is important, the objectives that contribute to the achievement of the goal, the indicators that have been implemented to track progress toward the achievement of each goal and associated objectives, and the general program approach to achieving objectives and goals.

According to Department officials, annual action plans submitted by coalitions were to be developed in accordance with the Strategic Plan (identifying goals, objectives and indicators which were clearly related and reported) beginning in the first quarter of the 2003 calendar year.

Department officials also provided performance indicator data. These performance indicators are used to measure TCP progress toward meeting short-, intermediate- and long-term program outcomes in the form of actual and projected statistics. The documentation provided also identifies the sources of the indicator data. These performance indicators are also noted in the Strategic Plan and are directly related to TCP goals and objectives.

**Recommendation 2**

*Develop a performance measurement system that enables:*

- coalitions to link activities (outputs) to Tobacco Control Program goals (outcomes);
- coalitions to relate activities to contractual goals;
- the Department to effectively monitor coalitions’ activities; and
- the Department to provide coalitions with feedback reports that include data relating to achievement of goals, suggestions for improvements, examples of best practices and comparative performance statistics.

**Status – Partially Implemented**

Agency Action – Department officials stated that the community coalitions have incorporated program goals, objectives and performance indicators from the TCP’s Strategic Plan into their annual action plans and rely on the activities and strategies described in the Strategic Plan to achieve program objectives.
In conducting our follow-up review, we reviewed annual action plans submitted by five community coalitions for the 2003-04 year. We found that the annual action plans clearly illustrate coalition activities, objectives and goals. These annual action plans also demonstrate a clear relationship between coalition activities, objectives and goals. Since coalitions are now required to submit annual action plans modeled after the TCP’s Strategic Plan, the activities to be carried out by the coalitions clearly support the goals and objectives of the TCP. This relationship permits coalitions to more effectively carry out the TCP’s mission.

The TCP has also revised its funded community partner monthly reporting form. This reporting form mirrors the reporting requirements of the TCP to the federal Centers for Disease Control and Prevention (CDC). On the form, community coalitions describe the inputs and outputs related to each activity implemented in support of strategies described in the Strategic Plan. TCP regional staff members review the monthly report with each funded community partner and compile the community coalition information into a quarterly report that is submitted to the TCP. The submission of monthly activity reports by the coalitions to TCP staff members allows the TCP staff members to effectively monitor the activities of each coalition to ensure the fulfillment of TCP goals and objectives.

We also reviewed monthly reports submitted by five community coalitions. We found that for only three of the five community coalitions were coalition activities clearly linked to TCP goals and objectives.

With respect to feedback, Department officials indicated they had contracted with two evaluation specialists to work with funded community partners, including community coalitions, to identify and implement evaluation strategies that will document the impact of selected partner activities toward achievement of program objectives. Four such evaluation workshops were conducted in May 2003. In addition, funded community partners, including community coalitions, will participate in an independent evaluation of the TCP conducted by Research Triangle Institute (see Recommendation 3).

In addition, the TCP Director met with all funded community partners, including community coalitions, in the summer and fall of 2002 to exchange information, address concerns, review the types of activities the TCP was willing to invest in, and prepare funded community partners for revisions to the scope of activities the partners would be expected to implement, beginning in the final contract year.

Department officials also indicated that full day action plan workshops were conducted with community coalition partners, youth partners and school partners in the fall of 2002 and winter of 2003 in order to clearly define action plan expectations for funded community projects. Department technical advisors are also required to provide coalitions with feedback through monthly conference calls, quarterly contractor regional meetings, biannual site visits, e-mail or other types of communication.
Although the above noted types of feedback are provided, Department officials did not provide supporting documentation that specific feedback reports had been provided to coalitions. These feedback reports should include data relating to achievement of goals, suggestions for improvements, examples of best practices and comparative performance statistics.

**Recommendation 3**

*Comply with HCRA by ensuring that an annual, independent evaluation of the statewide Tobacco Control Program is completed and distributed to State policymakers by the mandated deadline.*

**Status – Partially Implemented**

**Agency Action –** Department officials have not completed the required annual, independent evaluation of the TCP. However, Department officials have an executed contract with Research Triangle Institute (RTI) to perform an independent evaluation of the TCP. The contract term is from January 15, 2003 to January 14, 2004 and is renewable for four additional one-year periods at the sole option of the Department, subject to the approval of the Office of the State Comptroller (OSC). The contract was approved by OSC on March 31, 2003.

Pursuant to this contract, RTI will be providing quarterly as well as annual reports. The first final report is to be issued January 10, 2004.

**Recommendation 4**

*To maintain appropriate Department control over the collection and disbursement of Tobacco Pool Funds, execute contracts with the Tobacco Pool Administrator in a timely manner.*

**Status – Not Implemented**

**Agency Action –** The existing contract with the Tobacco Pool Administrator expired on June 30, 2003. According to interviews with Department officials and documentation supplied, Department officials did not begin working on the most recent contract with the Tobacco Pool Administrator until March 2003. Also, according to Department officials, they are aware that both the Attorney General’s (AG’s) Office and OSC are required to review and approve this contract. Department officials did not submit the contract to the AG’s Office until June 20, 2003, or only 10 days before the last contract was to expire. The contract was approved by OSC on August 1, 2003. In addition, Department officials did not provide evidence that they had implemented any new policies and procedures to expedite the contract execution process.
Recommendation 5

Identify and correct the causes of delay in the contract execution process to help ensure the continuity and effectiveness of coalitions’ Tobacco Control Program activities.

Status – Implemented

Agency Action – Department officials provided a copy of a timeline developed by the TCP which incorporates major milestones in the annual contract renewal process, including expected dates of completion. The timeline enables staff to track the progress of all renewal contracts at each step through the process.

The Division’s Finance Director has responsibility for working with both TCP and Division fiscal staff to ensure that the milestones are met both by contractors and the TCP. Both parties must meet their respective milestones to ensure that renewal contracts are approved by the annual start date. When submissions are not received by the specified dates, the Finance Director directs staff to contact the agencies in question to determine the reason(s) for the delays, correct them and submit the required materials as soon as possible. Department officials indicated that all contracts for 2003-04 with community coalitions were returned by the contractors and have been fully approved by OSC prior to the June 1, 2003 start date.

We reviewed a sample of five coalition contracts for the 2002-03 and 2003-04 years (June 1 – May 31) to determine if they were submitted and approved in a timely manner. We found that the contracts reviewed for the 2002-03 year were not executed in a timely manner. The Department and OSC approved these five contracts subsequent to June 1. In contrast, all five of the contracts reviewed for the 2003-04 year were executed in a timely manner. Department officials indicated they began using the system in late 2002, which corresponds with the results of the above review.

Recommendation 6

Develop a means of independently monitoring Excellus and the Tobacco Pool.

Status – Implemented

Agency Action – In conducting our follow-up review, we tested the Tobacco Pool reports submitted by Excellus to the Department for 2001, 2002 and 2003. Based on our testing, we did not identify any unaccounted for pool funding as we had in our audit.

In addition, Department officials indicated that the mandated annual independent audit and the agreed-upon procedures done by a CPA firm serve as an independent monitor of Excellus and the Tobacco Pool. We reviewed a copy of an audit report for the year ended December 31, 2002. According to the CPA report, the statement of cash receipts and disbursements represents fairly, in all material aspects, the cash receipts, disbursements and beginning and ending balances of the Tobacco Control & Insurance
Initiatives Pool. In their opinion statement, the auditors state that they examined, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. No further detail on testing is included in this report.

In addition to performing the annual audit, the CPA firm issues reports on Excellus' administration of the various pools. Some significant agreed-upon procedures that the CPA firm undertakes are as follows:

- Review of Excellus' internal controls, including testing of one transaction for cash receipts, cash disbursements, and monthly reporting processes.
- Reconciliation of the amount of tobacco settlement and cigarette tax receipts through comparison of Excellus records to bank records.
- For a sample of 48 provider disbursements and 20 non-provider disbursements, reconcile the payee, amount, and disbursement date to bank records and confirm the payment information with the payee.
- Determine whether Excellus ever overdrew the Pool checking account.
- Recalculate monthly interest income for four months and determine whether the interest was credited to the appropriate bank account.
- Confirm the cash balance in the Pool as of 12/31/02 with the bank.
- Confirm investments held on 12/31/02 and determine that the investments complied with OSC investment directives.

The CPA firm did not identify any material findings in its report.

**Recommendation 7**

*Establish and enforce compliance with formal policies and procedures for verifying the legitimacy and accuracy of coalitions’ Tobacco Control Program expenses. At a minimum, the Department should:*

- state who is responsible for verifying the vouchers coalitions submit;
- indicate the process Department staff should follow to adequately verify coalition expenses; and
- enforce coalitions’ compliance with voucher submission requirements, as stated in their contracts.

**Status – Partially Implemented**

**Agency Action** – According to Department officials, the primary individuals responsible for reviewing vouchers are the incumbent Health Program Administrator (HPA) and a new HPA who has been assigned a significant role in the process. Department officials provided us with vouchering guidelines that were distributed through mail and site visits by the HPA to TCP contractors and/or at regional coalition meetings. As of January 1, 2003 contractors are required to submit specified supporting documentation with each voucher for certain line items (i.e. equipment, media/marketing, consultant/subcontractors). Department officials stated that these
formal supporting documentation guidelines will be redistributed during the mandatory statewide contractor’s meeting in September 2003. Department officials provided us with a copy of the manual that will be disseminated to those contractors attending the meeting. The manual was developed as a reference tool to assist contractors in the fiscal aspects of their contract responsibilities. The manual identifies the major procedures in the contract management process, including the identification of those expense categories requiring supporting documentation.

During our follow-up review, we reviewed a sample of vouchers submitted by five community coalitions in 2002-03, to determine if proper documentation was included with the voucher. We reviewed a total of 14 vouchers. We found that for four vouchers, no documentation was required. For four other vouchers, required supporting documentation was not included with the voucher. However, according to Department officials, these vouchers had been submitted before January 1, 2003 when these guidelines were implemented. For six vouchers, all submitted subsequent to January 1, 2003, the required supporting documentation was included with the voucher.

Department officials stated they have developed and implemented a computer tracking system that has improved the capability of staff to track and analyze expenditures and identify problem contractors and irregularities, as well as compare expenditures to approved line item budgets for each coalition throughout the year. Individual spreadsheets have been designed and established for each contractor, providing detailed information for each line item.

In conducting our follow-up review, we reviewed the expenditures for five community coalitions and compared these to line item limits. We found that none of the five coalitions exceeded line item budgets. Department officials also indicated they are enforcing contract requirements concerning the allowable time contractors have to submit vouchers. Contractors are given the option to either submit vouchers on a monthly or quarterly basis depending on their financial needs. Officials stated that staff members follow up on a regular basis with regional consultants if vouchers are not submitted timely or if a particular contractor is non-compliant. Department officials indicated that, due to these new procedures, virtually all coalitions have submitted vouchers for the most recent contract year in a timely manner. Contractors not in compliance have received follow-up and technical assistance from TCP field staff. According to Department officials, all contractors are now in compliance.

During our follow-up review, we selected and reviewed all vouchers submitted for five sampled coalitions for the 2002-03 fiscal year. Each of the five coalitions had a clause in their contract indicating in part that they were to submit to the State monthly voucher claims no later than 30 days after the date of the period for which reimbursement is being claimed. The voucher for the last period shall be submitted no
later than 90 days after the end date of the period for which reimbursement is being claimed.

In reviewing the vouchers submitted, we determined that Department officials have not taken actions to ensure all vouchers are submitted in a timely manner or in conformance with contract requirements. Two community coalitions were not submitting vouchers monthly as required in the contract (Jefferson County Public Health Service and Columbia County Healthcare Consortium). In addition, the Alcohol and Substance Abuse Prevention Council of Saratoga County submitted one voucher for a period covering 3 months. We also identified two instances in which vouchers were not submitted in a timely manner (Jefferson County Public Health Service and Columbia County Healthcare Consortium).

According to Department officials, in order to increase compliance with rules for voucher submission, while at the same time being sensitive to the needs of the contractors, the Department will draft contract language for review by the Department’s Counsels Office that will give contractors the option of vouchering either on a monthly or quarterly basis, depending on individual contractor needs. Once approved, this language will be incorporated in the next round of contracts with TCP providers.

**Recommendation 8**

*Assign additional staff resources to the task of monitoring coalition expenses.*

**Status – Implemented**

Agency Action – At the time of our audit, the Department had one Health Program Administrator (HPA) who was responsible for monitoring coalition expenses. Since our audit, the Department recruited a second HPA through the Public Administration Traineeship Transition Program. As noted in the Agency Action section of Recommendation 7, the new HPA shares responsibility with the incumbent HPA for reviewing vouchers submitted by the coalitions.

**Recommendation 9**

*Reassess and improve the voucher approval process to eliminate duplication of effort and make it more efficient.*

**Status – Implemented**

Agency Action – In conducting our follow-up review, we reviewed the voucher approval procedures with Department officials and interviewed selected staff responsible for processing vouchers. As a result of this review and these interviews, we concluded that no duplication of effort exists in the voucher approval process.
Major contributors to this report were Dennis Graves, Tim Marten, Tom Kulzer and Walter Irving.

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

Very truly yours,

Kevin M. McClune
Audit Director

cc: Deirdre A. Taylor