

STATE OF COLORADO

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Dedicated to protecting and improving the health and environment of the people of Colorado

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Colorado Department
of Public Health
and Environment

June 17, 2013

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
200 East 14th Avenue, 2nd Floor
Denver, CO 80203

Dear Ms. Ray:

In response to your request, we have prepared a status report regarding the implementation of the audit recommendations contained in the *Amendment 35 Tobacco Tax Funded Grant Programs Performance Audit* from July 2012. The attached status report provides a brief explanation of the actions taken by the Department of Public Health and Environment to implement the audit recommendations.

If you have any questions, please contact Patricia Theriot at 303-692-2143 or by email at Patricia.theriot@state.co.us.

Sincerely,

Christopher Urbina, MD, MPH
Executive Director & Chief Medical Officer

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Amendment 35 Tobacco Tax Funded Grant Programs, Performance Audit, July 2012

AUDIT NUMBER: 2166

DEPARTMENT/AGENCY: Department of Public Health and Environment

DATE: June 2013

SUMMARY INFORMATION

Recommendation Number <i>(e.g., 1a, 1b, etc.)</i>	Agency's Response <i>(i.e., Agree, Partially Agree, Disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i>	Revised Implementation Date
1	Disagree	--	--	
2a	Agree	January 2013	Partially Implemented	August 2013
2b	Agree	July 2012	Implemented	
2c	Agree	June 2013	Implemented and Ongoing	
3a	Agree	July 2013	Implemented	
3b	Agree	May 2013	Implemented	
4a	Agree	June 2013	Implemented and Ongoing	
4b	Agree	June 2013	Implemented	
5a	Agree	May 2013	Implemented and Ongoing	
5b	Agree	January 2013	Implemented and Ongoing	
6a	Agree	July 2013	Partially Implemented	June 2014
6b	Agree	January 2013	Implemented	

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 2a

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment (the Department) should improve the process for assessing the risk and capacity of grant applicants as part of the grant selection process for the Tobacco Prevention and CCPD Programs by:

- a. Adopting Review Committee policies and processes for assessing grant applicants' past performance and financial capacity to administer and implement grants. This should include developing processes to discuss grantee performance in Review Committee meetings and providing training and guidance to Review Committee members and applicable Department staff on the application review and scoring procedures.

Agency's Response: Agree. Implementation date: January 2013.

Agency's Written Response in Audit Report:

Although the Department has provided summary information about the applicants' financial capacity to the Review Committees in previous years, the program will develop policies and procedures to ensure the Review Committees will be informed of the Financial Risk Assessment, and past performance as documented in the statewide Contract Management System (CMS). The programs will also develop and implement a process for the Review Committees to discuss performance in Committee meetings. Additionally, new member orientation training will provide an overview of CMS and the Department's grantee oversight methods.

Current Implementation Status of Recommendation: Partially Implemented. Revised Implementation Date: August 2013.

Agency's Comments on the Implementation Status of the Recommendation:

The Prevention Services Division has implemented a standardized risk assessment process and corresponding policies for all contractors and grantees receiving funding as of July 2012. All contractors and grantees will be assessed annually based on their contract periods and their risks will be stored in a centralized location within the Division. Risk levels and previous performance will determine the level of fiscal monitoring they will receive. A process has also been developed to provide past performance and financial risk data to the Review Committees during the application review as of January 2013. All reviews of Requests for Applications (RFAs and RFPs) by the Review Committees done after this date will include a Risk Assessment Score. The internal staff that conduct the risk assessments were trained in July 2012 and the policies and procedures were implemented. The Tobacco Prevention Review Committee will be oriented to this new process in August 2013 when a small Tobacco RFP will be brought to the Review Committee for approval. During Fiscal Year 2013,

performance data has been collected and will be reported to the Review Committee during their next application cycle. Financial risk questionnaires are also received during the application process and will be used as an additional score in the applicants' scoring criteria. Additionally, new Review Committee member orientation training will provide an overview of CMS and the Department's grantee oversight methods. The Department has implemented a process and accompanying committee policies. The risk assessments, including past performance scores, will provide an additional score in the scoring criteria for potential applicants. The score will be given to the Review Committee for their review, and will be included in the overall score for the application. The compliance office policy and procedure manual, which includes risk assessments, is available upon request.

Recommendation #: 2b

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment (the Department) should improve the process for assessing the risk and capacity of grant applicants as part of the grant selection process for the Tobacco Prevention and CCPD Programs by:

- b. Providing the financial risk questionnaires and assessments to the Review Committees.

Agency's Response: Agree. Implementation date: July 2012.

Agency's Written Response in Audit Report:

Beginning with the July 2012 Review Committee meeting, financial risk assessment questionnaires and assessments were presented to the Review Committees prior to the formulation of funding recommendations to the Colorado Board of Health, and these will be presented at each application cycle in the future. The assessment was reviewed and discussed during the July 2012 Review Committee meetings.

Current Implementation Status of Recommendation: Implemented, as reported by the Department in July 2012.

Agency's Comments on the Implementation Status of the Recommendation:

The Department reported that this recommendation was implemented in the audit report.

Recommendation #: 2c

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment (the Department) should improve the process for assessing the risk and capacity of grant applicants as part of the grant selection process for the Tobacco Prevention and CCPD Programs by:

- c. Reporting to the Review Committees information on grantee performance that is tracked in a central location, as discussed in Recommendation 6.

Agency's Response: Agree. Implementation date: June 2013.

Agency's Written Response in Audit Report:

Semi-annual financial and programmatic progress reports for all grantees shall be made to the Committees at regularly scheduled public meetings.

Current Implementation Status of Recommendation: Implemented and Ongoing.

Agency's Comments on the Implementation Status of the Recommendation:

During the next Request for Applications (RFA/RFP) process, risk assessments will be included in the Committees' review process. Each committee will be given access to risk levels and prior year performance information prior to making award decisions for applicants. The progress reports are being collected during this contract cycle for implementation during the next cycle's awarding process. The Tobacco Prevention program is expected to review additional applicants in August 2013 and risk assessments will be scored within the total applicant score during that cycle. The process will also apply to RFA processes going forward. The process was developed in January 2013.

Recommendation #: 3a

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should improve its processes for assessing the financial risk of applicants for the Tobacco Prevention and CCPD Programs' grants by:

- a. Revising the financial risk assessment factors and points assigned to each based on the concerns identified in this audit. This should include revising the financial risk questionnaire to ensure it collects adequate information needed to conduct the risk assessment.

Agency's Response: Agree. Implementation date: July 2013.

Agency's Written Response in Audit Report:

The Department agrees that the financial risk assessment process, including the risk questionnaire, should be periodically reviewed for relevance and accuracy. The Department currently reviews the financial risk assessment prior to every Request for Application (RFA) that is published by the Tobacco Prevention and CCPD Programs and adjustments are made on an as-needed basis. During the June-July 2012 RFA process, changes were made to the assessment calculation spreadsheet that allowed for a better distribution of points to the various risk factors. The majority of the questions were allocated individual points, on a weighted scale, that provides a more detailed view of the entities' risk. The financial risk assessment was revised based upon Department staff review. The revision did not include the areas identified in the audit finding. The Department will consider the audit findings when reviewing the financial risk assessment for any future RFA processes.

Current Implementation Status of Recommendation: Implemented.

Agency's Comments on the Implementation Status of the Recommendation:

The financial risk assessment was reviewed and revised to reflect the auditor's concerns. The risk points assigned to each grantee's total dollar amounts of grants were adjusted to reflect a lower dollar threshold. The calculation spreadsheet was also redesigned to provide for a better point distribution among the different questions.

Recommendation #: 3b

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should improve its processes for assessing the financial risk of applicants for the Tobacco Prevention and CCPD Programs' grants by:

- b. Ensuring that there is a process for assessing the financial risk of all applicants, including government applicants, and periodically reassessing the financial risk of grantees whose grants are renewed.

Agency's Response: Agree. Implementation date: May 2013.

Agency's Written Response in Audit Report:

The Tobacco Prevention and CCPD Programs have developed a process that will ensure that all new, and renewing, applicants for the tobacco funds have a risk assessment completed on their financial controls. With the full implementation of the Financial Risk Management (FRM) process, and completed assessments of all of the local government contractors by May 2013, the programs plan on including the FRM risk rating for the local governments in the review of the applications.

Current Implementation Status of Recommendation: Implemented.

Agency's Comments on the Implementation Status of the Recommendation:

The Prevention Services Division has implemented a standardized risk assessment process for all contractors and grantees receiving funding. All contractors and grantees will be assessed annually based on their contract periods and their risks will be stored in a centralized location within the Division. Risk levels and previous performance will determine levels of fiscal monitoring. All risk assessments were completed in May 2013. Risk assessments have been collected during the application period since the implementation date of May 2013. Risk ratings are reviewed in conjunction with the application materials and a risk score is assigned to each applicant/grantee. This process allows CDPHE to make award decisions and assess the risk level of the successful grantees. The monitoring practices for each award will coincide with the risk of the grantee. Also, financial risk questionnaires are collected during application collection and will result in an additional score in each applicant's scoring criteria. Request for Application (RFA) cycles for these funds are 3 years in length and therefore, the large RFA cycle with review of the applicant will not happen again until 2015. That being said, this process will be used for any small RFAs released throughout the large RFA cycle period and therefore the recommendation has been implemented and will be applied to all RFAs from the implementation date of the new process (January 1, 2013) going forward.

Recommendation #: 4a

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should implement internal controls to ensure grant contracts for the Tobacco Prevention and CCPD Programs comply with the guidelines set forth in the State Procurement Manual and the Department's *Guide to Best Practices in Contract Management* by:

- a. Improving contract drafting and review policies and procedures to ensure all contracts accurately reflect the contract period and are reviewed by fiscal staff to ensure they include complete and accurate budget information.

Agency's Response: Agree. Implementation date: June 2013.

Agency's Written Response in Audit Report:

The Department recently completed a process improvement analysis of the contract generation, review, and approval process. During the analysis, redundant steps and unnecessary reviews were eliminated, reducing handovers, potential errors, and increasing accountability. To further reduce potential errors, the Department is streamlining the process flow to include standardizing forms, reviews, and approvals and keeping an audit trail of all process steps. The Department plans on implementing these new procedures in Fiscal Year 2013 with the next round of Amendment 35 grant contracts. The Request for Application (RFA) budget form has already been condensed into a single form that includes the budget amount and a justification of planned expenses. This is expected to reduce errors and conflicts. Fiscal staff will be required to review budget information to ensure it is complete and accurate and the review will be documented.

Current Implementation Status of Recommendation: Implemented and Ongoing.

Agency's Comments on the Implementation Status of the Recommendation:

The Prevention Services Division within the Department recently conducted an analysis of the contract generation, review, and approval process. Redundant steps and unnecessary reviews were eliminated, reducing handovers, potential errors, and increasing accountability. To further reduce potential errors, the Division has streamlined the process flow to include standardizing forms, reviews, and approvals and keeping an audit trail of all process steps. The contract budget forms have been simplified from two forms (one narrative and one financial) in two separate formats, to one form that includes a justification of planned expenses. The form also aligns with the standardized invoices that are required to be used by all contractors. This is expected to reduce errors and conflicts. Documentation of fiscal staff review to ensure complete and accurate budget information is required. The entire new contracting process was rolled out through Division trainings in April and May of 2013.

Recommendation #: 4b

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should implement internal controls to ensure grant contracts for the Tobacco Prevention and CCPD Programs comply with the guidelines set forth in the State Procurement Manual and the Department's *Guide to Best Practices in Contract Management* by:

- b. Providing written guidance and training to applicable staff on the policies and procedures developed in part a. that include processes for ensuring contracts are accurate and complete before they are executed.

Agency's Response: Agree. Implementation date: June 2013.

Agency's Written Response in Audit Report:

The Department is currently working to develop comprehensive training for all staff involved in contract generation. By June 2013, written procedures and training documents for the generation and review of contracts will be produced to ensure completion and accuracy.

Current Implementation Status of Recommendation: Implemented.

Agency's Comments on the Implementation Status of the Recommendation:

As a part of a LEAN process to improve the contracting process, written procedures and training documents for the generation and review of contracts were created. The entire new contracting process was rolled out through Prevention Services Division trainings in April and May of 2013.

Recommendation #: 5a

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should strengthen its procedures for ensuring reimbursements paid to Tobacco Prevention Program and CCPD Program grantees are allowable direct cost reimbursements that comply with grant contracts by:

- a. Implementing written policies and procedures for reviewing supporting documentation for a sample of reimbursements at least quarterly, based on the risk assessments. Contract language should be revised to reflect these policies.

Agency's Response: Agree. Implementation date: May 2013.

Agency's Written Response in Audit Report:

The Department is currently developing a system, including written policies and procedures, that will include a risk-based schedule for conducting site visits and desk reviews where high-risk grantees are reviewed quarterly and their risk reassessed annually; all medium-risk grantees are visited or reviewed every 18 months; and all low-risk grantees are visited or reviewed every 2 years. The Tobacco Prevention and CCPD Programs will continue to monitor the contract invoices on a monthly basis as they are received for reasonable and allowable costs, and address any issues or concerns that may arise as a result of this review process. In Fiscal Year 2013, the Prevention Services Division shall implement written policies and procedures which will require supporting documentation for review and reconciliation for all new grantees, and periodic submission for all other grantees based on their designated risk level. The Division will also revise contract language to reflect the new policies regarding documentation review.

Current Implementation Status of Recommendation: Implemented and Ongoing.

Agency's Comments on the Implementation Status of the Recommendation:

The Department has developed policies and procedures for conducting source documentation reviews based on risk levels for each grantee. The review process requires that invoices that have been submitted by the contractor/grantee and paid by the Department be pulled by the assigned compliance officer. Documentation such as the grantees' time and effort reports and travel reimbursement vouchers are requested from the grantee/contractor to support the costs submitted to the Department. In Fiscal Year 2013, the Prevention Services Division required supporting documentation for review and reconciliation for all new grantees, and periodic submission for all other grantees based on their designated risk level. A compliance unit has been formed and FTE reassigned to carry out these functions within the Division. Costs found to be unallowable have been reimbursed to the Department as a result of this new process. In addition, contract language was updated to reflect source documentation review and risk level information. Documentation can be provided for proof of implementation.

Recommendation #: 5b

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should strengthen its procedures for ensuring reimbursements paid to Tobacco Prevention Program and CCPD Program grantees are allowable direct cost reimbursements that comply with grant contracts by:

- b. Conducting periodic desk reviews and site visits including at least one review or visit to grantees during the first 2 years of their grant and random reviews of other grantees annually.

Agency's Response: Agree. Implementation date: January 2013.

Agency's Written Response in Audit Report:

Risk assessments will facilitate the allocation of reduced monitoring resources and site visits will be prioritized by risk. All grantees will undergo either a desk review or a site visit during the first 2 years of the contract, with periodic reviews thereafter based on the risk assessment results.

Current Implementation Status of Recommendation: Implemented and Ongoing.

Agency's Comments on the Implementation Status of the Recommendation:

A compliance unit has been formed within the Prevention Services Division and FTE reassigned to carry out these functions within the

Division. Starting in May 2013, the Division began site visits of high risk grantees or grantees when concerns have been discovered during source documentation review. The compliance unit has a map by region for upcoming site visits or desk reviews for each of the other grantees starting with medium risk and ending with low risk by region to assure that grantees with risk are assessed first. Also, as a part of written policies and procedures, grantees showing significant issues during past performance or source documentation review during the year will be prioritized for these more in-depth reviews but each grantee will be visited or have a desk review at least once within a 2 year period. Documentation can be provided to demonstrate this process along with documentation from completed visits, upon request.

Recommendation #: 6a

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should improve its tracking of grant data for the Tobacco Prevention and CCPD Programs by:

- a. Ensuring the automated system it implements captures, at a minimum, the data necessary to facilitate analysis and reporting on grants, including but not limited to contract amounts, reimbursements paid to grantees, and grantee performance.

Agency's Response: Agree. Implementation date: July 2013.

Agency's Written Response in Audit Report:

The Tobacco Prevention and CCPD Programs identified the need for a data system in 2008 and have been working to implement an automated end-to-end process flow solution. This system tracks all applications, awards, contract amounts, and progress reporting.

Current Implementation Status of Recommendation: Partially Implemented. Revised Implementation Date: June 2014.

Agency's Comments on the Implementation Status of the Recommendation:

The Department has been working to implement an automated end-to-end process flow solution. The Prevention Services Division has implemented a process flow, standard electronic forms, and tools for better control of data. The process flow has been fully implemented and is being followed in the Division. The Division will align with the Department to automate this process. An automated system must tie to COFRS and the State financial reporting systems to eliminate manual steps in the process. The Division would need this system to apply to all of its grant funding in order to support the total implementation costs and will follow the Department's and Governor's Office of Information Technology's guidance in choosing a system to use and implement. We anticipate a Department decision on automated software by June 2014. While an automated system is being chosen and implemented, the Division has already implemented systems that

capture all of the elements recommended by the audit finding and can ensure payment management tracking using electronic standard tools, trainings, and processes.

Recommendation #: 6b

Agency Addressed: Colorado Department of Public Health and Environment

Original Recommendation in Audit Report:

The Department of Public Health and Environment should improve its tracking of grant data for the Tobacco Prevention and CCPD Programs by:

- b. Implementing a process to reconcile grant information in the automated system, hard-copy grant files, and COFRS on a periodic basis and to strengthen controls over hard-copy grant file documentation if it is maintained outside the automated system.

Agency's Response: Agree. Implementation date: January 2013.

Agency's Written Response in Audit Report:

The Tobacco Prevention and CCPD Programs will develop a process that will strengthen controls over hard copy grant files and periodically reconcile all grant information, within all electronic and hard copy grant files, to ensure that the documentation is accurate and complete.

Current Implementation Status of Recommendation: Implemented.

Agency's Comments on the Implementation Status of the Recommendation:

The Department has developed a process that periodically reconciles all grant information within all electronic and hard copy grant files to ensure that the documentation is accurate and complete. A number of standard tools have been created and are required to be used for monthly monitoring and reconciliation of all outgoing funds in the Prevention Services Division. Training material has been created and programs and fiscal staff have been trained in the use of these tools. These tools are electronic and each month the policy requires they are reconciled to COFRS. Training was provided in the fall of 2012 and the full implementation through use of these required tools was in January 2013. Audit checks are performed by the Director of Fiscal Services for the Division quarterly. Audits since January 2013 have shown that standard tracking logs have been balanced to COFRS 100 percent of the time. Also, an assessment of fiscal staff knowledge regarding the use of the tool demonstrated their understanding and efficacy in using the new tools and process. Copies of tools and checks can be provided upon request.