



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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JUN 2 1975

The Honorable Paul Findley
House of Representatives

R Dear Mr. Findley:

As your office requested, we have reviewed the adequacy of an audit of the Illinois Trauma Program by Department of Health, Education, and Welfare (HEW) auditors. Because your request was prompted by various allegations of improper expenditure and mismanagement of Federal funds spent on program activities, we also reviewed related reports on financial audits, investigations, and management reviews of the program since it became operational in 1971. The reports reviewed were prepared by HEW, the Illinois Department of Transportation, and the U.S. Department of Transportation.

The program's goal was to develop 45 hospital centers or trauma centers throughout Illinois. The trauma centers were to be staffed and equipped to handle the complex needs of the critically injured. Transportation's National Highway Traffic Safety Administration provided about \$4 million in Federal funding to the program for the basic network components of trauma care centers. In June 1972 HEW awarded the Illinois Department of Public Health, Division of Emergency Medical Services and Highway Safety, a 3-year, \$4 million demonstration contract to expand the trauma care system to all categories of emergent disease and to strengthen and integrate subsystems of hospitals into a total statewide emergency medical system.

HEW INTERIM AUDIT

In April 1974 the HEW Audit Agency initiated an interim audit of HEW's contract with the Illinois Department of Public Health for the trauma program. The audit's purpose was to determine whether costs incurred under the contract were reasonable, allocable, and allowable under applicable HEW regulations and the terms of the contract. At the time of the audit, about \$1.3 million had been expended under the \$4 million contract. The audit was not designed to investigate specific allegations or to assess the program's effectiveness.

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The HEW audit report, which was issued on June 12, 1974, included recommendations for improving inventory control procedures for equipment and limiting advances by the Illinois Department of Public Health to the Illinois Department of Transportation to more closely approximate costs incurred by that department in providing services under the HEW contract. In addition, the auditors recommended that the State contractor comply with the terms of the contract regarding HEW approval of foreign travel and submission of monthly expenditure reports. The auditors recommended disallowance of \$1,500 of the \$1.3 million expended under the contract through March 1974. HEW subsequently determined that only about \$700 would be disallowed and that the State had implemented the recommended management and procedural improvements.

On the basis of our review of the HEW audit program and supporting working papers, we believe that additional audit effort should have been made to test costs charged against the HEW contract for personnel (\$255,000), services and supplies (\$429,000), and equipment purchases (\$451,000). We discussed our reservations concerning the HEW audit with its audit agency and have incorporated their comments in the report.

In regard to personnel costs, HEW auditors reviewed 2 of 40 payroll vouchers and verified gross pay and payroll deduction totals to postings in the accounting records. In addition, the auditors compared position descriptions to contract provisions, compared employees' names on one of the payroll vouchers with names shown on the Division's organization chart as being assigned to the trauma program, determined that time certification procedures existed, and obtained summaries of employees' monthly time charges which had been compiled from employees' daily activity reports. On the basis of a review of these documents and discussions with State agency officials, the HEW auditors concluded that personnel costs charged against the contract were reasonable and allowable.

Our review of the HEW working papers showed that the auditors had not examined supporting documents--such as employee time cards to verify the accuracy of the daily activity reports or employees' personnel records to determine that employees were paid at the correct pay rates. We believe that a test of the procedures followed in compiling monthly statistics on time charges and a verification of employee pay rates would have improved the basis used by the auditors to determine the allowability of personnel costs charged to the contract.

In March 1975 the HEW regional audit director told us that HEW auditors had recently verified the base pay for trauma program employees and confirmed that they were paid at the correct pay rates during the period covered by the interim audit.

To test the \$429,000 in costs charged to the program for services and supplies under the HEW contract, HEW auditors randomly selected 50 invoices from a universe of 788. Audit procedures followed provided for detailing descriptive data on the items or services purchased, assuring that required approvals were obtained before the purchases were made, and assuring amounts expended had support by either an invoice or subcontract. The working papers prepared by HEW show that 38 of the 50 invoices selected pertained to services purchased and that 15 of the 38 purchases resulted from subcontracts awarded by the State agency.

We noted that the HEW auditors did not compare the invoices for contractual services to the subcontracts to assure allowability under the subcontracts. The working papers show that this phase of audit procedure was not done due to time constraints. The 15 invoices supported by subcontracts totalled about \$16,000 of the \$25,000 in costs charged to the contract from the 50 invoices. Although the HEW auditors did considerable detailed audit work to test costs charged to the program for services and supplies, we believe that had the audit procedures included verification that the costs charged for services procured under subcontracts were appropriately authorized under the subcontracts there would have been a stronger basis to conclude that the amounts charged for supplies and services were appropriate.

The HEW auditors scheduled 31 equipment invoices totaling \$451,000. They stated in the working papers that the equipment was related to the contract purpose and that the State had obtained the necessary HEW approval for items costing more than \$100.

In addition, the auditors noted in their working papers that they did not review bidding procedures for equipment purchases because of time constraints. According to the working papers, the HEW auditors were advised by an Illinois Department of Public Health official that, in accordance with normal Illinois procurement practices, the Department of General Services handled procurements for the ITP contract. Therefore, the HEW auditors limited their efforts in reviewing bidding procedures for equipment to obtaining an oral description of the normal State procedures from the Department of Public Health official. We believe that, as a minimum, the HEW auditors should have verified that normal procurement procedures were followed by reviewing selected bidding transactions before concluding that the bidding procedures followed in procuring program equipment were appropriate.

The HEW regional audit director said that the Department of General Services' bidding procedures would be programmed for review before the final audit of costs under the program contract was completed.

Using a judgment sample, the HEW auditors tested the equipment inventory to determine if equipment purchased under the trauma program contract was at assigned locations for program use. The auditors noted that the State had not received installation receipts on 56 radios which had been assigned to specific locations. According to the working papers, however, the auditors did not inspect any of the 56 radios to verify that they were at their assigned locations.

The regional audit director told us that HEW would include a physical verification of some of the 56 radios in its final audit of the trauma program contract.

Public accounting firms, under contract with the Illinois Auditor General, periodically audit departments within the State government. They review and report on the adequacy of the departments' accounting and operating systems and, if specifically requested, on areas of interest in procurement of commodities, equipment, architectural services, and construction. During their audit of the trauma program, the HEW auditors did not review the public accountants' reports on audits of the Department of Public Health or of departments which provide supporting services. Review of these reports would have increased the auditors' knowledge of the State's operations and would have alerted them to possible problem areas.

CONCLUSION

In our opinion, the HEW Audit Agency could have performed additional tests in its interim audit to determine whether program costs were reasonable and allowable. Since our review, the HEW Audit Agency has performed some additional audit procedures and has stated that others will be performed during the final audit of the trauma program contract.

OTHER AUDITS OR INVESTIGATIONS OF ILLINOIS TRAUMA PROGRAM

In November 1973 the Bureau of Fiscal Management, Illinois Department of Transportation, reported on an interim audit of costs incurred by the Division of Emergency Medical Services and Highway Safety through fiscal year 1972. The auditors questioned the allowability of \$64,000 of \$935,000 incurred costs, some of which were applicable to the trauma program. Most of the costs were challenged because of lack of sufficient supporting data. Other reasons cited for challenges included duplicate billings, costs exceeding allowable limits, and unnecessary expenditures. However, it was later determined that only \$37,000 of the \$64,000 was not allowable.

After the publishing of various allegations relating to improper use of program funds and mismanagement by program officials, HEW and Transportation initiated management reviews and investigations of the allegations.

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The reports issued indicate that these reviews and investigations were essentially limited to interviews with various State and local officials, including those individuals alleging problems with program management. Neither transportation nor HEW concluded in their reports that there was any misuse of funds or program mismanagement.

We have initiated efforts to determine whether a review of HEW's Emergency Medical Services Program is warranted at this time. As discussed with your office, the Illinois program will be considered for inclusion in any review of the Emergency Medical Services Program we make. As agreed with your office we plan to send a copy of this report to HEW for its consideration during its final review of the HEW-Illinois Department of Public Health contract.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "James B. Peck". The signature is written in a cursive style with a large initial "J" and "P".

Comptroller General
of the United States