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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 17, 2018

Howard A. Zucker, M.D., J.D.
Commissioner
Department of Health
Corning Tower Building
Empire State Plaza
Albany, NY 12237

Re: Oversight of Obesity and Diabetes Prevention Programs
Report 2017-S-78

Dear Dr. Zucker:

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 conducted an audit of the Department of Health's (Department) oversight of its obesity and diabetes prevention programs. The audit covered the period October 1, 2015 through April 26, 2018.

Background

The Department's mission is to protect, improve, and promote the health, productivity, and well-being of all New Yorkers. The Department's vision is that New Yorkers will be the healthiest people in the world—living in communities that promote health, protected from health threats, and having access to quality, evidence-based, cost-effective health services. To that end, the Department's Division of Chronic Disease Prevention (Division) is responsible for implementing initiatives to promote policy, systems, and environmental improvements that support health, and for the oversight, programming, and evaluation of federal and State funds appropriated in support of the Department's mission.

Pursuant to New York State Public Health Law, Article 25, Title VIII (Public Health Law), the Department has established programs to address the increasing incidence and prevalence of obesity, which has reached epidemic proportions in the State. According to the Department, one third of New York's children are obese or overweight. Moreover, obesity rates among adult New Yorkers increased by 9.5 percentage points, from 16 to 25.5 percent, between 1997 and 2016. Obesity is currently the second leading preventable cause of death in the United States. The federal Centers for Disease Control and Prevention (CDC) and the Department believe that preventing or reversing obesity requires changes in behavior as well as access to affordable,

nutritious foods and opportunities for physical activity in the places where people live, learn, eat, shop, work, and play. Therefore, the Department works with many partners and contractors to develop and implement a range of obesity prevention programs in community, child care, school, and heath care settings.

There is a direct link between obesity and type 2 diabetes. Being obese increases the chances of developing type 2 diabetes. According to Department statistics, almost 1.7 million New Yorkers (10.5 percent) have diabetes. The percentage of New York State adults who have diabetes increased from 6.3 percent in 2000 to 10.5 percent in 2016. Further, before people develop type 2 diabetes, they almost always have prediabetes first, a condition where a person's blood sugar level is higher than normal but not high enough yet to be diagnosed as diabetes. According to the Department's website, prediabetes affects 4.5 million New Yorkers, and 90 percent of the people with prediabetes do not know they have it. Without lifestyle changes, 15 to 30 percent of people with prediabetes are expected to develop type 2 diabetes within five years. According to the American Diabetes Association, diabetes and prediabetes cost an estimated $21.2 billion in New York during 2017.

For the four fiscal years 2014-15 through 2017-18, the Department received $27.7 million in State appropriations for services and expenses related to obesity and diabetes programs. Annually, the Department allocates these funds (roughly $6 million) among several initiatives created to decrease the rates of obesity and diabetes. In fiscal year 2017-18, for example, the Department received $5,970,000 in appropriations, and allocated the funds to four initiatives, as presented in Table 1.

Table 1 – Obesity and Diabetes Program Allocations for Fiscal Year 2017-18

Initiative	Amount Allocated	Allocation Percentage
Creating Healthy Schools and Communities	$4,507,480	76%
Creating Breastfeeding Friendly Communities	1,087,100	18%
Behavioral Risk Factor Surveillance System	80,000	1%
Breastfeeding Quality Improvement in Hospitals	295,420	5%
Total	**$5,970,000**	**100%**

Based on the dollar values of the initiatives and program activity, we focused our audit efforts on the Creating Healthy Schools and Communities (CHSC) and Creating Breastfeeding Friendly Communities (CBFC) initiatives. The goal for CHSC is to increase demand for and access to healthy, affordable foods and opportunities for daily physical activity, and to reduce the risk of chronic diseases in high-need communities and school districts. The goal for CBFC is to establish a breastfeeding-friendly care continuum from pregnancy through the postpartum period. The Division outsourced these initiatives, which were competitively bid and awarded to 31 contractors (CHSC, 25; CBFC, 6) across the State.

Results of Audit

Oversight of Contractor Performance

The contracts within each initiative have the same overall goals and desired outcomes. Division officials recognize that goals may not be achieved for many years; therefore, progress toward these goals must be demonstrated to continue to receive funding. The Department tailors performance measures and desired outputs to each initiative, but they are standard for contractors funded under each initiative. Table 2 presents examples of CHSC-contracted performance measures and desired outputs.

Table 2 – CHSC Contract Performance Measures and Desired Outputs

Contract Performance Measures	Purchases (Outputs) Using Grant Funds
Increase the number of schools with healthy nutrition environments.	Healthy nutrition posters and signage
Increase access to places to walk, bicycle, and wheel.	Bicycle infrastructure in high-risk areas
Educate community members and leaders on the benefits of adopting and implementing complete streets policies, plans, and practices.	Pedestrian crossing signs, benches, bicycle racks
Increase access to healthy and affordable foods.	Food pantry shelving to promote the purchase of healthier foods

The Division uses a three-tiered approach to monitor contractor performance and evaluate whether accomplishments compare with expectations for the funding programs targeting schools (e.g., monitoring obesity rates in impacted schools). However, we found the Department does not have a system to monitor, measure, and evaluate the extent to which some of the accomplishments or outputs resulting from these efforts compare to its expectations for the program. In these instances, the Division measures program success based on contractors' completion of performance measures. Contractors report their progress to the Division on a quarterly basis, providing a narrative description as well as a checklist detailing program accomplishments achieved under the contract. Using this information, Division officials compile statistics quantifying the measures delivered as proof of expenditure effectiveness or impact.

Although the Department has a system (Catalyst) in place to monitor contractor performance, it is not used to track the effect of outcome-based indicators (e.g., healthy nutrition posters, benches, bicycle racks) on the rates of obesity and diabetes. Thus, the Department is not able to perform data analyses that could offer a tangible insight on impact or identify performance patterns and trends for many of the outputs it funds. Absent key outcome-based measures (e.g., effect on the rates of obesity and diabetes) for some of its expenditures, the Department is making decisions that may not be directly related to the quality and impact of services being provided.

The Department maintains ongoing public health surveillance to monitor the rates of diabetes, obesity, and other relevant risk behaviors statewide. However, Department officials stated that the effectiveness of many of its obesity and diabetes prevention expenditures cannot be measured in terms of the rates of obesity or diabetes in the State because goals may not be achieved—and reflected in rates—for many years. Rather, they focus on progress toward goals, which, they stated, is demonstrated by the State's obesity rate increasing at a slower pace. Officials also emphasized that the funding available (roughly $6 million per year) to combat instances of obesity and diabetes pales in comparison to the dollars spent annually by consumer goods companies to advertise their fast foods, sugary drinks, snacks, and candy—major contributors to the obesity epidemic. For example, based upon the latest nationwide information available, in 2012 the fast food industry spent $4.63 billion advertising its products. In 2013, $814 million was spent on advertising of energy and sugary drinks.

Ineligible Contractor Expenses

Each contractor is required to identify the deliverables it will complete with the funding it receives from the Department. To ascertain whether contractors were meeting their obligations, we reviewed the program expenditures for a sample of eight contractors. In general, we found that claimed expenditures by these contractors were program-appropriate and consistent with contract requirements. However, we did note overpayments totaling $5,811, as follows:

- One contractor was reimbursed $5,751 for personal services costs that were not allowable under the master contract. The contractor billed for 100 percent of its Director's health insurance costs, when it should have billed only the portion of the Director's time spent on the contract—17 percent in this instance.
- A second contractor claimed $60 in unsupported utility expenses.

The Department's review of contractor expenditure information did not identify these overbillings.

Recommendations

1. Take steps to improve oversight of contractor performance to ensure that contractor deliverables are outcome-based and correlate to Department expectations for the individual programs it is funding.

2. Ensure that costs reported by the Department's network of contractors are supported, appropriate, and reimbursable.

Audit Scope, Objectives, and Methodology

We audited the Department's oversight of obesity and diabetes prevention contracts for the period October 1, 2015 through April 26, 2018. The objectives of our audit were to determine whether the Department measured the effectiveness of the obesity and diabetes prevention programs in meeting their goals and whether it provided effective oversight of its service provider contracts to ensure claimed expenses are program-appropriate and consistent with contract requirements.

To accomplish our objectives and assess internal controls related to our objectives, we reviewed Department and contractor reimbursement data for fiscal year 2016-17 as well as selected service provider contracts. We conducted site visits to a sample of eight contractors (Capital Roots; Fund for Public Health of New York, Inc.; Long Island Jewish Medical Center; Research Foundation for the State University of New York; Rockland County; Seton Health Foundation, Inc.; St. Lawrence County Health Initiative, Inc.; and University of Rochester) and interviewed officials at each to gain an understanding of the methodologies used in the reimbursement process. We judgmentally selected our sample of contractors (six from CHSC and two from CBFC) based on the dollar values of the initiatives and activity during our scope period. For each contractor, we reviewed their process for reporting performance measurements. We also reviewed claimed expenses to determine if they were supported, program-appropriate, and reimbursable.

We conducted our performance audit in accordance with generally accepted government auditing standards. 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.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Reporting Requirements

We provided a draft copy of this report to Department officials for their review and formal comment. We considered their comments in preparing this report and have included them in their entirety at the end of it. In their response, Department officials generally agreed with the audit recommendations and indicated the actions they will take to address them.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Health shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and if the recommendations were not implemented, the reasons why.

Major contributors to this report were Ed Durocher, Raymond Barnes, Kathy Garceau, Anthony Calabrese, Nancy Hobbs, Mary McCoy, and Andrea Majot.

Sincerely,

Brian Reilly, CFE, CGFM
Audit Director

Agency Comments

NEW YORK STATE OF OPPORTUNITY. | Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

August 15, 2018

Mr. Brian Reilly, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, New York 12236-0001

Dear Mr. Reilly:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's Draft Audit Report 2017-S-78 entitled, "Oversight of the Obesity and Diabetes Prevention Programs."

Thank you for the opportunity to comment.

Sincerely,

Sally Dreslin, M.S., R.N.
Executive Deputy Commissioner

Enclosure

cc: Brad Hutton
Marybeth Hefner
Barbara Wallace
Rachel Iverson
Ian Brissette
Richard Kardas
Maureen Spence
Margaret Casey
Daniel French
Ann Lowenfels
Diane Christensen
Lori Conway

Department of Health
Comments on the
Office of the State Comptroller's
Draft Audit Report 2017-S-78 entitled,
Oversight of the Obesity and Diabetes Prevention Programs

The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) Draft Audit Report 2017-S-78 entitled, "Oversight of the Obesity and Diabetes Prevention Programs."

Recommendation #1

Take steps to improve oversight of contractor performance to ensure that contractor deliverables are outcome-based and correlate to Department expectations for the individual programs it is funding.

Response # 1

The Department maintains multiple, complementary data collection systems to track the performance of funded grantees, measure the local impact of selected contractor activities, and track key diabetes and obesity indicators in the general population. The Department prioritizes data collection to demonstrate if grantees have achieved milestones that have been proven to result in population-level health behavior change and if grantees have maintained implementation fidelity to the evidence-based interventions (i.e., was the intervention delivered as intended).

To maximize resources most effectively, the Department maintains public health surveillance on key health outcomes and behaviors, including breastfeeding, physical activity, adult and childhood obesity, among the broader general population (e.g., county-level and statewide surveillance data). The Department will take steps to meet this recommendation by ensuring the health indicators tracked through ongoing public health surveillance align closely with intended outcomes of funding programs and by analyzing and reporting data on key surveillance indicators associated with funding programs annually. When possible, the Department will aggregate data for communities reached and outside the reach of its funding programs.

Grantees of two current programs funded through the diabetes and obesity appropriation are engaged in pre-post data collection to evaluate activities to promote access to healthy foods and physical activity opportunities and to encourage environments that promote breastfeeding. Due to the timing of this audit, the Department did not have pre- and post-program implementation data illustrating the local impact of funding programs. The Department will take steps to meeting the recommendation by analyzing the pre-post data when it becomes available, reporting findings based on the analysis to grantees and other stakeholders and using information to inform future funding programs to address diabetes and obesity by encouraging healthy eating, physical activity and breastfeeding.

The Department will continue to take steps to meet the recommendation by stating the expectations of its funding programs in terms that are specific, measurable, achievable, relevant and time-bound, (SMART).

Recommendation #2:

Ensure that costs reported by the Department's network of contractors are supported, appropriate, and reimbursable.

Response #2:

The Department has reviewed the $5,751 of personal services costs that were not allowable under the master contract. It has been determined that while the contractor did overbill for fringe benefits for one of their employees; they also underbilled for eligible fringe benefits elsewhere within their contract for a total of $6,475. These errors in combination resulted in the determination that reimbursement by the vendor was unnecessary.

The Department has been reimbursed by the other contractor for the $60 in unsupported utility expenses.

Guidance documents have been updated to provide direction to staff and grantees regarding new requirements for final vouchers. These updates include details regarding appropriate fringe billing and the back-up that will be required from the grantee. Additionally, training has been provided to the staff regarding proper fringe billing procedures and requirements that coincide with the updated guidance documents.

We also will begin conducting voucher traces on selected grantees during the fiscal year. These voucher traces will require a full personal services documentation review.