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December 3, 2009

Richard F. Daines, M.D.  
Commissioner  
Department of Health  
Corning Tower  
Empire State Plaza  
Albany, NY 12237

Re: Report 2009-F-31

Dear Dr. Daines:

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 followed up on the actions taken by officials of the Department of Health to implement the recommendations contained in our audit report, *Oversight of the Spinal Cord Injury Research Trust Fund* (Report 2007-S-32).

**Background, Scope and Objective**

According to the National Spinal Cord Injury Association, between 250,000 and 400,000 people have spinal cord-related injuries. The conventional wisdom has long been that most people with spinal cord injuries could be rehabilitated to some extent, but that the damage to neural tissue could not be reversed. That view has changed dramatically. Researchers in Sweden, the United States, and Britain have demonstrated that there are no fundamental biological barriers to repairing damaged spinal cord neural tissue and that the possibility of effective regenerative therapies for human neural cell injury is no longer speculation but a realistic goal.

On July 14, 1998, legislation was enacted to create the Spinal Cord Injury Research Board (Board) within the New York State Department of Health (Department). The Board consists of 13 members appointed by the Governor and State Legislative leaders. One of the Board's primary responsibilities is to administer the Spinal Cord Injury Research Trust Fund (Trust Fund). The Trust Fund is operated by the Wadsworth Center's Office of Research Guidance. The purpose of the Trust Fund is to provide leading scientists, physicians, and other experts with grants for use in finding a cure for spinal cord injuries. The Department is responsible for overseeing the Trust Fund.

The Board is responsible for developing general policies and procedures for soliciting and selecting proposals to be recommended for funding by the Trust Fund. To fulfill these responsibilities, the Board issues Requests for Applications (RFAs) that are then reviewed by an external contractor, Constella Group, LLC, using the National Institute of Health style of scientific merit peer review process. Constella hires scientific

evaluators to perform application reviews and make recommendations for the awarding of grants. The Board then compares the responses to projects already funded, and reviews how they fit into the larger picture of spinal cord injury research. The Board's recommendations are given to the Commissioner of Health for final approval to award contracts for grantees to obtain grant funds.

The Trust Fund is financed through General Fund revenues arising from a surcharge imposed on drivers who receive traffic tickets. The State Finance Law states that the Trust Fund can receive up to \$8.5 million per year from the General Fund.

Our initial audit report, which was issued on June 25, 2008, determined whether there was adequate support for expenses charged to grants obtained from the Department's Trust Fund. Another objective was to determine if there was adequate oversight to ensure that grants obtained from the Trust Fund achieved expected objectives. We found that there was adequate support for expenses charged to grants from the Trust Fund. Because of an inconsistency between certain grant-related documents, we did find one grantee was inappropriately reimbursed for a tuition expense. We also found that adequate oversight had not been provided to ensure that grant objectives were being attained. In reviewing the contract files, we noted inconsistencies between the RFAs and contract language within the files. During our audit we also noted that the Department had not awarded all the funds available and that grant contracts were not awarded timely. The objective of our follow-up was to assess the extent of implementation as of November 18, 2009, of the four recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that Department officials have made significant progress in correcting the problems we identified. All four of the prior audit recommendations have been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Conduct periodic site visits to grantees to review supporting documentation and to verify funds are being spent in accordance with contract terms.*

Status - Implemented

Agency Action - Department officials have implemented procedures whereby they periodically visit program grantees. At the time of our initial audit, Department officials had never conducted a site visit to a grantee. Since our initial audit, Department officials have conducted 17 site visits to grantees. During these visits, officials utilize a monitoring tool to assess, among other things, supporting documentation and propriety of contract expenditures. If a grantee is found to have insufficient documentation to support expenditure, the Department requires the grantee to submit full back-up to support all subsequent reimbursement vouchers. The Department's goal is to visit each grantee, preferably at the end of each grant's first year.

## **Recommendation 2**

*Provide effective oversight to ensure grantees are adhering to contract terms, including the submission of all progress and final reports.*

Status - Implemented

Agency Action - Department officials have developed a contract progress tracking report that indicates when progress and final reports are received. In addition, after our initial audit, the Department revised its Grant Contractors Reference Manual sections addressing grant contract reporting and budgetary requirements to be more comprehensive. Also, the Department conducted a grantee training session on October 30, 2009, covering, among other things, contract reporting requirements. Finally, if grantees do not submit reports on time, the Department contract manager sends the grantee a reminder. If the contractor does not comply, Department officials can refuse to pay vouchers submitted by the grantee.

## **Recommendation 3**

*Review the RFAs and contracts and correct any inconsistencies between the documents.*

Status - Implemented

Agency Action - Department officials have established a contract assembly procedure which is intended to produce uniform contracts with language consistent with the RFA approved by the Board. Under this procedure, the staff person preparing the contract must confirm progress report and voucher due dates and submission time frames as indicated in the RFA. The contract terms are re-checked by two staff persons to ensure consistency between the RFA and the contract.

## **Recommendation 4**

*Evaluate the grant award process to determine if the award process can be completed in a timelier manner.*

Status - Implemented

Agency Action - Department officials stated that during our initial audit, the Board experienced difficulty in assembling a quorum when it met. At the time of our initial audit, we concluded that Board vacancies and the quorum issues greatly hampered the ability of the program to issue RFAs and award funds in a timely manner. Since our audit, the Board has met more frequently with a quorum to award contracts. In addition, Department officials further stated that there is now more Department staff available to prepare contract award materials for Board meetings. Department officials have also developed a timeline to track key contract award dates and stagger workflow to meet those dates.

Major contributors to this report were Karen Bogucki, and Donald Collins.

We thank the management and staff of the Department for the courtesies and cooperation extended to our auditor during this review.

Very truly yours,

Edward J. Durocher, CIA  
Audit Manager

cc: Stephen Abbott, Department of Health  
Tom Lukacs, Division of the Budget