



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services
REGION IV
61 Forsyth Street, S.W., Room 3T41
Atlanta, Georgia 30303-8909

JUN 15 2006

Memorandum

To: William H. Gimson
Chief Operating Officer
Centers for Disease Control and Prevention

From: *John T. Decker*
Lori S. Pilcher
Regional Inspector General
for Audit Services, Region IV

Subject: Audit of Selected Procurements Under Contract 200-2005-11532
With GlaxoSmithKline (Report Number A-04-06-01028)

The attached final report discusses our audit of selected procurements under Centers for Disease Control and Prevention (CDC) contract 200-2005-11532 with GlaxoSmithKline (GSK). We performed this audit as part of the Inspector General's broad evaluation of procurements by CDC and other components of the Department of Health and Human Services (HHS) during relief operations in response to Hurricanes Katrina and Rita.

Our objectives were to determine whether CDC:

1. complied with applicable parts of the Federal Acquisition Regulation (FAR) while making the involved procurements and
2. accurately computed amounts claimed for reimbursement from the Federal Emergency Management Agency (FEMA) based on the actual costs incurred.

We found that CDC complied with applicable parts of the FAR while issuing delivery orders to GSK for emergency shipments of vaccines to the Louisiana Department of Health and Hospitals and the Mississippi Department of Health. Further, CDC's claims for reimbursement from FEMA, totaling \$916,700, accurately reflected the costs actually incurred as evidenced by vendor invoices.

As the report contains no recommendations, no response is necessary. However, if you have any questions or comments about the report, please do not hesitate to call me, or have your staff contact Jeff Bullock, Audit Manager, by telephone at (404) 562-7761 or by e-mail at jeff.bullock@oig.hhs.gov. To facilitate identification, please refer to report number A-04-06-01028.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF SELECTED
PROCUREMENTS BY
CENTERS FOR DISEASE
CONTROL AND PREVENTION
UNDER CONTRACT
200-2005-11532
GLAXOSMITHKLINE**



Daniel R. Levinson
Inspector General

June 2006
A-04-06-01028

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.





JUN 15 2006

Memorandum

To: William H. Gimson
Chief Operating Officer
Centers for Disease Control and Prevention

From: *John J. Dule, Jr. /for*
Lori S. Pflcher
Regional Inspector General
for Audit Services, Region IV

Subject: Audit of Selected Procurements Under Contract 200-2005-11532
With GlaxoSmithKline (Report Number A-04-06-01028)

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BACKGROUND

CDC awarded contract 200-2005-11532, which became effective April 1, 2005, to GSK. The purpose of this indefinite delivery, indefinite quantity contract was to establish unit prices and terms for subsequent purchases of certain vaccines for delivery to State and local health departments as directed by CDC.

As part of the Federal Government’s relief operations in response to Hurricane Katrina, CDC issued two delivery orders under contract 200-2005-11532 for emergency shipments of vaccines to the Louisiana Department of Health and Hospitals and the Mississippi Department of Health.

<u>Task Order Number</u>	<u>Date</u>	<u>Amount</u>
0001	September 12, 2005	\$ 738,200
0002	September 13, 2005	<u>178,500</u>
Total		<u>\$ 916,700</u>

Because CDC made its procurements in response to formal requests (mission assignments) from the Federal Emergency Management Agency (FEMA), costs incurred by CDC for the delivery orders were reimbursable from FEMA.

OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

Our objectives were to determine whether CDC:

1. complied with applicable parts of the Federal Acquisition Regulation (FAR) while making the involved procurements and
2. accurately computed amounts charged to FEMA based on the actual costs incurred.

SCOPE

We performed our audit fieldwork at CDC's Procurement and Grants Office (PGO) and Financial Management Office (FMO) in Atlanta, Georgia from January through April 2006.

We limited our work at PGO to the two delivery orders issued to GSK under contract 200-2005-11532. We did not perform an assessment of the overall internal control environment at PGO or an evaluation of their overall compliance with the FAR during normal procurement activities.

Similarly, we limited our work at FMO to accounting and financial management activities related to the two delivery orders. We did not assess the overall internal control environment at FMO or evaluate their overall compliance with all applicable laws, regulations, and departmental policies.

We used part 15 of the FAR as criteria in evaluating the actions PGO took during the procurement process.

METHODOLOGY

To accomplish our audit objectives, we met with CDC's Contracting Officer and Project Officer to ensure we understood the actions PGO took during the procurement process and the basis for those actions.

Within PGO, we examined the records of negotiation and other documents related to the award of the GSK contract to establish whether the Contracting Officer required cost or pricing data or based the award on exemptions specified in the FAR parts 15.403-1 and 15.403-2. We also reviewed documentation related to the mission assignments from FEMA and to the delivery orders issued to carry out those assignments. We examined shipping records, inventory records, and other documents related to the procurements.

Within FMO, we met with employees to gain an understanding of the methods used to account for hurricane-related costs and the methods used to determine the amounts to be claimed for reimbursement from FEMA. We reviewed accounting records related to CDC's payments to GSK and claims for reimbursement from FEMA.

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

RESULTS OF AUDIT

CDC complied with applicable parts of the FAR while issuing the two delivery orders to GSK for emergency shipments of vaccines to the Louisiana Department of Health and Hospitals and the Mississippi Department of Health. Further, CDC's claims for reimbursement from FEMA, totaling \$916,700, accurately reflected the costs actually incurred as evidenced by vendor invoices.

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Our reviews of procurements by CDC and other HHS components are being conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. Accordingly, we will forward a copy of this report to the PCIE Homeland Security Working Group, which is coordinating Inspectors General audits of these relief efforts.

To facilitate identification, please refer to report number A-04-06-01028 in all correspondence. Direct inquiries concerning this report to Jeff Bullock, Audit Manager, by telephone at (404) 562-7761 or by e-mail at jeff.bullock@oig.hhs.gov.