



Office of Audit Services, Region IV  
61 Forsyth Street, SW., Suite 3T41  
Atlanta, GA 30303

November 25, 2009

Report Number: A-04-08-00047

Rhonda M. Medows, MD, FAAFP  
Commissioner  
Georgia Department of Community Health  
2 Peachtree Street  
Atlanta, Georgia 30303

Dear Dr. Medows:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Georgia's Pandemic Influenza Expenditures for the Period August 31, 2005, Through June 30, 2008." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Eric Bowen, Audit Manager, at (404) 562-7789 or through email at [Eric.Bowen@oig.hhs.gov](mailto:Eric.Bowen@oig.hhs.gov). Please refer to report number A-04-08-00047 in all correspondence.

Sincerely,

/Peter J. Barbera/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Alan Kotch  
Director, Procurement and Grants Office  
Procurement and Grants Office (MS E-14)  
Centers for Disease Control and Prevention  
2920 Brandywine Road, Room 1122  
Atlanta, Georgia 30341

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF GEORGIA'S PANDEMIC  
INFLUENZA EXPENDITURES FOR THE  
PERIOD AUGUST 31, 2005, THROUGH  
JUNE 30, 2008**



Daniel R. Levinson  
Inspector General

November 2009  
A-04-08-00047

# *Office of Inspector General*

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

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

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Centers for Disease Control and Prevention (CDC) provides funding to States, territories, and certain large cities through cooperative agreements to improve preparedness and response capabilities for bioterrorism and other public health emergencies. Beginning in 2005, Congress appropriated funds specifically to upgrade capabilities to prepare for and respond to pandemic influenza (pan flu). Through the existing cooperative agreements, CDC awarded \$500 million in pan flu funding in three phases:

- In Phase I (August 31, 2005, through August 30, 2006), awardees were to identify unmet needs and develop and exercise a pan flu preparedness plan and an antiviral drug distribution plan.
- In Phase II (August 31, 2006, through August 30, 2007), awardees were to complete and submit to CDC the work plan and progress reports and develop a pan flu exercise schedule.
- In Phase III (August 31, 2007, through August 9, 2008), awardees were to fill gaps identified in Phases I and II.

For each phase, CDC issued to awardees supplemental guidance setting forth the deadline for submitting a budget application to CDC and the required activities. The supplemental guidance also required awardees to submit interim and final financial status reports that summarized the amount of funding awarded, spent, and unspent for each phase.

In Georgia, the Division of Public Health, Office of Preparedness (the State agency), administers the pan flu award. The State agency received a total of \$13,969,079 in pan flu funding for the three phases. Effective July 1, 2009, the Georgia Division of Public Health became a part of the Georgia Department of Community Health (DCH).

For purposes of the Georgia Division of Public Health (of which the State agency is a part), Georgia is divided into 18 health districts. As of June 30, 2008, the State agency had spent \$489,350 directly and had disbursed \$4,427,738 in pan flu award funds to these health districts in the form of Grants-in-Aid. Although the majority of the pan flu spending took place at the health districts, the State agency is still accountable for these funds. Therefore, we distinguish between State agency and health district expenditures when presenting the findings in each category of cost.

### **OBJECTIVE**

Our objective was to determine (1) the extent to which the State agency spent its pan flu funding and (2) what types of costs it charged to the pan flu award and whether these costs complied with Federal cost requirements.

## **SUMMARY OF RESULTS**

As of June 30, 2008, the State agency had spent \$4,917,088 of the \$13,969,079 in pan flu funding that it received from CDC. The unspent funds totaled \$9,051,991, or 65 percent of the cumulative awarded amount. The State agency attributed the unspent funds to delays in receiving supplemental guidance and funding from CDC for Phases I and II and to conflicts between the State budget year, grant budget year, and legislative requirements.

The State agency charged costs to the pan flu award in five major categories: compensation costs, training costs, supply costs, advertising costs, and other costs, including employee travel, rental fees associated with pan flu conferences, and lab equipment. We reviewed \$2,886,898 of the \$4,917,088 that the State agency charged to the award and concluded that \$2,507,490 complied with Federal cost requirements. The remaining \$379,408 was not allowable. Specifically, \$254,870 was not adequately documented, and \$124,538 did not meet Federal cost requirements.

## **RECOMMENDATION**

We recommend that the State agency amend the final pan flu financial status reports to refund the \$254,870 that lacked required documentation and to reverse the \$124,538 in costs charged to the pan flu award that did not meet Federal cost requirements.

## **GEORGIA DEPARTMENT OF COMMUNITY HEALTH COMMENTS**

In written comments on our draft report, DCH agreed with a portion of our recommendation, disagreed with a portion of our recommendation, and provided additional documentation to support certain transactions reported as not allowable. DCH's comments are included in their entirety, except for the enclosures, as Appendix C.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

Of the \$489,042 originally determined not to be allowable, DCH agreed with \$157,079 and disagreed with \$331,963. After reviewing the additional documentation provided, we determined that an additional \$109,634 was allowable, and we revised our findings and recommendations accordingly.

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## INTRODUCTION

### BACKGROUND

#### **Funding for Pandemic Influenza Preparedness and Response Activities**

Since 1999, the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), has provided funding to 62 jurisdictions (States, territories, and certain large cities) through cooperative agreements to improve preparedness and response capabilities for bioterrorism and other public health emergencies. Beginning in 2005, Congress appropriated funds specifically to upgrade capabilities to prepare for and respond to pandemic influenza (pan flu). Through the existing cooperative agreements, CDC awarded \$500 million in pan flu funding in three phases:<sup>1</sup>

- In Phase I (August 31, 2005, through August 30, 2006), awardees were to identify unmet needs and develop and exercise a pan flu preparedness plan and an antiviral drug distribution plan.
- In Phase II (August 31, 2006, through August 30, 2007), awardees were to complete and submit to CDC a work plan and progress reports and develop a pan flu exercise schedule.
- In Phase III (August 31, 2007, through August 9, 2008), awardees were to fill gaps identified in Phases I and II.

For each phase, CDC issued to awardees supplemental guidance setting forth the deadline for submitting a budget application to CDC and the required activities. The supplemental guidance also required awardees to submit interim and final financial status reports (FSR) that summarized the amount of funding awarded, spent, and unspent for each phase.

For the current cooperative agreement budget year (August 10, 2008, through August 9, 2009), CDC has not provided any funding specifically for pan flu activities even though CDC requires awardees to continue these activities. At the end of our fieldwork, CDC was still considering awardees' requests to carry forward unspent pan flu funds from Phases II and III into the current budget year.

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<sup>1</sup>CDC has cited various authorities for the bioterrorism program and the pan flu supplement. Initially, CDC's grant announcements for the bioterrorism program provided that funding was authorized under sections 301(a), 317(k)(1)(2), and 319 of the Public Health Service (PHS) Act (42 U.S.C. §§ 241(a), 247b(k)(1)(2), and 247(d)). Beginning in August 2005, CDC provided that funding was authorized under section 319C of the PHS Act (42 U.S.C. § 247d-3), which was subsequently repealed by the Pandemic and All-Hazards Preparedness Act, P.L. No. 109-417 (Dec. 19, 2006). The pan flu grant announcements and guidance do not consistently describe the statutory authorizations, but the CDC grant award documents list sections 301(a), 317(k)(1)(2), and 319 of the PHS Act for Phases I and II and sections 319(a) and 317(k) of the PHS Act for Phase III. CDC is currently relying on section 319C-1 of the PHS Act (42 U.S.C. § 247d-3a) for all of these grant awards.

## **Georgia Office of Preparedness**

In Georgia, the Division of Public Health, Office of Preparedness (the State agency), administers the pan flu award. Effective July 1, 2009, the Georgia Division of Public Health became a part of the Georgia Department of Community Health (DCH). The State agency received a total of \$13,969,079 in pan flu funding for the three phases. CDC approved the State agency's requests to carry forward unspent pan flu funds from Phases I through III into future budget years as part of CDC's funding for general public health emergency preparedness and response.

For purposes of the Georgia Department of Public Health (of which the State agency is a part), Georgia is divided into 18 health districts. As of June 30, 2008, the State agency had spent \$489,350 directly and had disbursed \$4,427,738 in pan flu award funds to these health districts in the form of Grants-in-Aid.<sup>2</sup> We distinguish between State agency and health district expenditures when presenting the findings in each category of cost.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine (1) the extent to which the State agency spent its pan flu funding and (2) what types of costs it charged to the pan flu award and whether these costs complied with Federal cost requirements.

### **Scope**

We analyzed the State agency's pan flu funding of \$13,969,079 for Phases I through III and pan flu expenditures of \$4,917,088 incurred for the period August 31, 2005, through June 30, 2008. Of the \$4,917,088 expenditures incurred, we reviewed for allowability \$2,886,898, composed of \$489,350 spent directly by the State agency and \$2,397,548 spent by 8 of the 18 health districts.

We reviewed the State agency's accounting system to determine how funds were recorded and segregated and whether funds were spent for allowable activities and costs under Federal requirements, the cooperative agreement, and the supplemental pan flu guidance. We limited our review of internal controls to the process that the State agency used to claim pan flu funds.

We performed our fieldwork from May 2008 through June 2009 at the State agency in Atlanta, Georgia, and at Georgia Health Districts in Rome, Brunswick, Lawrenceville, Macon, Waycross, Gainesville, Augusta, and Albany, Georgia.

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<sup>2</sup>Some health districts subsequently allocated pan flu funds to individual counties comprising the health district.

## Methodology

To accomplish our objective, we:

- reviewed applicable Federal regulations, the cooperative agreement, the supplemental pan flu guidance, pan flu budget applications, and the State agency's accounting policies and procedures;
- reviewed the State agency's chart of accounts, related account descriptions, and accounting records to gain an understanding of how the State agency accounted for its pan flu expenditures;
- reconciled the CDC-approved pan flu budget application for each phase to the State agency's summary expenditure reports to determine the extent to which the State spent its pan flu funding;
- analyzed the State agency's summary expenditure reports and reconciled all summarized costs to detailed transaction listings;
- distinguished expenditures as either State agency or health district expenditures and:
  - selected a judgmental sample of eight health districts for review and traced the expenditures to supporting documentation,
  - selected a judgmental sample of state expenditures and traced the expenditures to supporting documentation, and
  - categorized expenditures as compensation, training, supplies, advertising, or other costs;
- reconciled the State agency's summary expenditure reports to the FSRs submitted to CDC as of June 30, 2008; and
- discussed our findings with State agency officials.

We conducted this 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 objective.

## RESULTS OF REVIEW

As of June 30, 2008, the State agency had spent \$4,917,088<sup>3</sup> of the \$13,969,079 in pan flu funding that it received from CDC. The unspent funds totaled \$9,051,991, or 65 percent of the cumulative awarded amount. The State agency attributed the unspent funds to delays in receiving supplemental guidance and funding from CDC for Phases I and II and to conflicts between the State budget year, grant budget year, and legislative requirements.

The State agency charged costs to the pan flu award in five major categories: compensation costs, training costs, supply costs, advertising costs, and other costs, including employee travel, rental fees associated with pan flu conferences, and lab equipment. We reviewed \$2,886,898 of the \$4,917,088 that the State agency charged to the award and concluded that \$2,507,490 complied with Federal cost requirements. The remaining \$379,408 was not allowable. Specifically, \$254,870 was not adequately documented, and \$124,538 did not meet Federal cost requirements.

### UNSPENT FUNDS

Federal regulations (45 CFR § 92.23(a)) require a grantee to charge to the award only those costs that result from obligations of the funding period unless the awarding agency permits the grantee to carry over unobligated balances into the subsequent funding period.

As of June 30, 2008, the State agency had not spent \$9,051,991 of the \$13,969,079 (Appendix A) awarded for pan flu activities:

- *Phase I:* CDC awarded \$2,609,920. The State agency spent \$726,770 during Phase I and carried forward, with CDC's approval, \$1,883,150 of unspent pan flu funds.
- *Phase II:* CDC awarded \$6,433,307. The State agency spent \$2,516,851 during Phase II and carried forward, with CDC's approval, \$3,916,456 of unspent pan flu funds.
- *Phase III:* CDC awarded \$4,925,852. The State agency spent \$1,673,467 and still had \$3,252,385 in unspent funds as of June 30, 2008, 40 days before Phase III ended.

State agency officials said that delays in receiving supplemental guidance and funding from CDC for Phases I and II were a major factor contributing to the unspent funds. Because the periods between the issuance of guidance and the award of funding were compressed, the State agency may not have had adequate time to determine how best to spend the funds. The table below shows the timing of the awards.

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<sup>3</sup>This amount represents the totals shown on the State agency's interim FSRs for Phases I and II and the State agency's summary expenditure reports through June 30, 2008. The State did not submit "Final" FSRs until July 10, 2009, which is over a year after the June 30, 2008, audit period cutoff. Also, according to the grant documents, "Final" FSRs should have been submitted 90 days after each budget period (i.e., 11/30/06, 11/30/07, and 11/9/08).

### Timing of Pan Flu Awards

	<b>Budget Year</b>	<b>Guidance Issued</b>	<b>Budget Application Deadline</b>	<b>Funds Awarded<sup>4</sup></b>
Phase I	08/31/05–08/30/06	03/14/06	04/08/06	03/07/06
Phase II	08/31/06–08/30/07	07/10/06	07/15/06 <sup>5</sup>	09/25/06
Phase III	08/31/07–08/09/08	09/21/07	10/24/07	09/25/07

Congress appropriated pan flu funding in December 2005. CDC issued Phase I guidance to awardees in March 2006, which was more than 6 months into the budget year. The State agency received the guidance and funding from CDC for both Phase I and Phase II within a 6-month period. In addition, the deadline for the Phase II budget application was only 5 days after the State agency received new and more comprehensive pan flu guidance from CDC. As a result, the State agency had little time to determine how best to allocate and spend the funds.

In Georgia, the State Legislature must approve the State agency’s budget each year during the legislative session, which runs from January through April. The State agency received Phase I funding halfway through the legislative session, thus leaving less than 2 months for the State agency to gain the legislature’s approval of the Phase I budget. Additionally, the State fiscal year runs from July 1 through June 30, and year-end closeout interrupts program spending during the final months of each grant year. These additional State-imposed requirements for budget approval and spending compounded the problems caused by the accelerated spending requirements of the pan flu awards. Additionally, the State is divided into 18 health districts, and once guidance was received at the State level, it still had to be disseminated to all districts. Furthermore, some health districts delegated pan flu responsibility to the county level, thus creating another layer through which the guidance had to pass before reaching the entity spending the money.

### **COSTS CHARGED TO AWARD**

Federal cost principles applicable to States, now codified in regulations (2 CFR part 225, “Cost Principles for State, Local, and Indian Tribal Governments,” Appendix A) (Office of Management and Budget Circular A-87), establish principles for determining the allowability of costs. These principles state that to be allowable under Federal awards, costs must be: necessary

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<sup>4</sup>The “funds awarded” date represents the date of the original award. CDC project officers authorized the release of funds on various subsequent dates contingent on the project officers’ review and approval of States’ detailed budgets.

<sup>5</sup>Pursuant to “Public Health Preparedness and Response Cooperative Agreement AA154,” the initial budget application deadline was July 15, 2006. CDC allowed States to submit revised Phase II spending plans until August 31, 2006.

and reasonable for the proper and efficient performance and administration of Federal awards; must be allocable to Federal awards under the provisions of 2 CFR part 225; must be adequately documented; and must be net of applicable credits.<sup>6</sup>

The \$4,917,088 that the State agency charged to the pan flu award consisted of compensation costs, training costs, supply costs, advertising costs, and other costs, including employee travel, rental fees associated with pan flu conferences, and lab equipment. Of this amount, we reviewed \$2,886,898 and concluded that \$2,507,490 complied with Federal cost requirements. The remaining \$379,408 was not allowable. (See Appendix B.) Specifically, \$254,870 was not adequately documented and \$124,538 did not meet Federal cost requirements.

### **Compensation Costs**

The State agency (\$30,741) and the eight health districts (\$829,606) charged \$860,347 to the pan flu award for compensation costs (salaries and fringe benefits).

The State employees appropriately allocated their time to developing and organizing pan flu activities. Their compensation costs, which totaled \$30,741, were properly supported by signed and approved timesheets or time certifications and were allowable under the award.

Most of the \$829,606 in compensation costs charged by the health districts was for individuals who were not health district employees; instead, they were police officers, firefighters, and emergency health care professionals who assisted, on a limited basis, in conducting drills and exercises required under the pan flu award. Of the \$829,606 in compensation costs reviewed at the health districts, \$677,259 was allowable, \$144,774 was not adequately documented as required by 2 CFR part 225, Appendix A, section C.1.j., and \$7,573 did not meet other basic guidelines of section C. For example, subsection C.3.a. states: “A cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost objective in accordance with the relative benefits received.” One health district charged \$7,308 to the pan flu award for compensation costs that should have been charged to other programs (either the Emergency Response and Preparedness for Bioterrorism program or the Hospital Community Emergency Planning Preparedness and Response Coordination program). Because these costs were not specifically identifiable with the pan flu award and cost objective, they were unallowable.

### **Training Costs**

The State agency (\$335,799) and the eight health districts (\$332,051) charged \$667,850 to the pan flu award for training costs. Included in this category were costs associated with both training and meetings held to establish pan flu response plans. These costs included:

- purchasing, developing, and reproducing training material;
- providing technical assistance to counties and health districts on how to develop pan flu response plans;

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<sup>6</sup>See 2 CFR part 225, App. A, section C.

- meetings to establish a Pandemic Preparedness Coordinating Committee;
- conducting a series of orientation seminars in each county;
- conducting a tabletop exercise related to each county's pan flu plan;
- developing EMS-related pan flu plans and documents; and
- developing and coordinating pan flu exercises.

The State agency properly documented and supported the \$335,799 in training costs that it charged to the pan flu award. However, the health districts did not always meet Federal cost requirements when they charged training costs to the pan flu award. Of the \$332,051 in training costs reviewed at the health districts, \$248,611 was allowable, \$47,732 was not adequately documented as required by 2 CFR part 225, Appendix A, section C.1.j., and \$35,708 did not meet other basic guidelines of section C. For example, subsection C.4.a. states: "Applicable credits . . . shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate." In one health district, a county used pan flu funds to support hosting a pan flu exercise and charged each attendee a \$200 registration fee. Contrary to the regulations, the registration fee revenue, totaling \$35,200, was not treated as an applicable credit or used to reduce cost.

### **Supply Costs**

The eight health districts reviewed charged \$438,025 to the pan flu award for supply costs. These costs included: office supplies, small equipment purchases, and refreshments for meetings and exercises. Of the \$438,025 reviewed, \$414,701 was allowable, \$7,183 was not adequately documented as required by 2 CFR part 225, Appendix A, section C.1.j., and \$16,141 did not meet other basic guidelines of section C. For example, subsection C.3.a. states: "A cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost objective in accordance with the relative benefits received." Costs associated with the shirts for staff working in the pan flu area were allowable; \$9,661 of costs associated with the shirts for staff not specifically identifiable with the pan flu award and cost objective were unallowable.

### **Advertising Costs**

The State agency (\$14,935) and the eight health districts (\$268,413) charged \$283,348 to the pan flu award for advertising costs. Advertising was used to provide information to increase the community awareness and knowledge of pan flu, preparedness measures, and outbreak response, as well as public health roles and responsibilities related to pan flu planning and response. The \$14,935 the State agency charged to the pan flu award for advertising costs was properly documented and allowable under the award. Of the \$268,413 in advertising costs reviewed at the eight health districts, \$248,879 was allowable, \$720 was not adequately documented as required by 2 CFR part 225, Appendix A, section C.1.j., and \$18,814 did not meet other basic guidelines of section C. For example, subsection C.3.a. states: "A cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost

objective in accordance with the relative benefits received.” One health district charged \$9,409 for general billboard and newspaper advertising related to non-pandemic flu immunization programs. Since these costs were not specifically identifiable with the pan flu award and cost objective, they were unallowable.

### **Other Costs**

The State agency (\$107,875) and the eight health districts (\$529,453) charged \$637,328 to the pan flu award for other costs. These costs included employee travel, rental fees associated with pan flu conferences, and lab equipment. Of the \$107,875 the State agency charged to the pan flu award, \$83,805 was properly documented and allowable under the award, and \$24,070 did not meet Federal cost requirements because it should have been charged to the State’s Babies Born Healthy program. Of the \$529,453 that the health districts charged to the pan flu award, \$452,760 was allowable, \$54,461 was not adequately documented as required by 2 CFR part 225, Appendix A, section C.1.j., and \$22,232 did not meet other basic guidelines of section C. For example, subsection C.3.a. states: “A cost is allocable to a particular cost objective if the goods or services are chargeable or assignable to such cost objective in accordance with the relative benefits received.” Two counties within one health district used \$10,992 of the pan flu funds awarded for the purchase of copiers. Since these costs were not specifically identifiable with the pan flu award and cost objective, they were unallowable.

### **RECOMMENDATION**

We recommend that the State agency amend the final pan flu financial status reports to refund the \$254,870 that lacked required documentation and to reverse the \$124,538 in costs charged to the pan flu award that did not meet Federal cost requirements.

### **GEORGIA DEPARTMENT OF COMMUNITY HEALTH COMMENTS**

In written comments on our draft report, DCH agreed with a portion of our recommendation, disagreed with a portion of our recommendation, and provided additional documentation to support certain transactions reported as not allowable.<sup>7</sup> DCH requested reinstatement of unallowable costs on the basis that the districts used fixed price contracts instead of traditional cost type contracts. DCH contended that these costs were necessary and reasonable for the proper and efficient performance and administration of the Federal award, were authorized and allocable under 2 CFR part 225, and were determined acceptable by independent auditors of the counties’ financial statements. DCH’s comments are included in their entirety, except for the enclosures, as Appendix C.

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<sup>7</sup>Effective July 1, 2009, the Georgia Division of Public Health became a part of the Department of Community Health; the Commissioner of the Department of Community Health provided the comments to our draft report.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

Of the \$489,042 originally determined not to be allowable, DCH agreed with \$157,079 and disagreed with \$331,963. After reviewing the additional documentation provided, we determined that an additional \$109,634 was allowable, and we revised our findings and recommendations accordingly. However, our findings regarding the remaining \$222,329 in unallowable costs between the health districts and the counties within those health districts remain unchanged because the counties did not support these expenditures.

DCH maintained that the fixed price contracts eliminated the requirement for cost documentation as long as the deliverables were met. In our opinion, however, the contracts in question did not constitute traditional contracts because they did not contain, among other things, a specific service or product to be provided, a price term, and disputes terms. These contracts were in form and function more closely related to grants than contracts, and the counties functioned as subgrantees. Therefore, the counties were required to maintain adequate documentation of expenditures in accordance with 2 CFR part 225.

# **APPENDIXES**

**APPENDIX A: GEORGIA'S PANDEMIC INFLUENZA FUNDS, BY CATEGORY**  
**August 31, 2005–June 30, 2008**

<b>Category</b>	<b>Total Awarded</b>	<b>Total Spent</b>	<b>Difference</b>
Personnel	\$160,382	\$65,610	\$94,772
Fringe benefits	12,269	951	11,318
Equipment	92,060		92,060
Supplies	165,040		165,040
Travel	15,509	3,404	12,105
Other	3,683,472	4,480,188	(796,716)
Contracts	<u>9,146,515</u>	<u>366,935</u>	<u>8,779,580</u>
<b>Total direct cost</b>	\$13,275,247	\$4,917,088	\$8,358,159
<b>Total indirect costs</b>	<u>693,832</u>		<u>693,832</u>
<b>Total award</b>	<b>\$13,969,079</b>	<b>\$4,917,088</b>	<b>\$9,051,991</b>

**APPENDIX B: AUDIT REVIEW COVERAGE OF  
GEORGIA'S PANDEMIC INFLUENZA COSTS  
August 31, 2005–June 30, 2008**

<b>Category</b>	<b>Total Reviewed</b>	<b>Total Allowable</b>	<b>Total Unallowable</b>
Compensation	\$860,347	\$708,000	\$152,347
Training	667,850	584,410	83,440
Supplies	438,025	414,701	23,324
Advertising	283,348	263,814	19,534
Other	<u>637,328</u>	<u>536,565</u>	<u>100,763</u>
<b>Total</b>	<b>\$2,886,898</b>	<b>\$2,507,490</b>	<b>\$379,408</b>

APPENDIX C: GEORGIA DEPARTMENT OF COMMUNITY HEALTH COMMENTS



Office of Audits, 16-202  
2 Peachtree Street, NW  
Atlanta, GA 30303-3159  
www.dch.georgia.gov

Rhonda M. Medows, MD, Commissioner

Sonny Perdue, Governor

September 18, 2009

Mr. Peter J. Barbera  
Regional Inspector General  
For Audit Services  
Region IV  
61 Forsyth Street, S.W. Suite 3T41  
Atlanta, GA 30303

Subject: Report Number A-04-08-00047 dated August 27, 2009

Dear Mr. Barbera:

As requested by your letter the Department of Community Health's (DCH) comments are provided in column "S" on file "Pan Flu Exceptions83109fromOIGver2" of the attached Microsoft Excel spreadsheet. Column "S" is highlighted in yellow to make it easier to read and understand. As the documentation shows, DCH is requesting reinstatement of \$153,235.63 in Compensation, \$66,719.47 in Training, \$16,350.22 in Advertising and \$43,574.43 in Other Costs. Most of the reinstatements come from the areas marked on your spreadsheet as Gainesville, Macon and Waycross. These disagreements center around the districts' use of fixed price contracts (Performance) verses the more traditional cost type contracts. The districts in question chose fixed price contracts for the following reasons:

1. Performance risk is with the contracted county.
2. County could lose or make money based on the work required for the Pandemic Flu exercises
3. County's profit or loss is not regulated
4. The accounting system at the county level did not allow for tracking of award dollars; all funds go into a fund called the general fund.
5. The districts and counties lack the manpower and training to verify the cost reasonableness/realism of the work required. Under FAR 15.305(a)(1) the district would have been required to conduct a cost realism analysis to determine what the government should realistically pay for the proposed effort, the county's understanding of the work, and the county's ability to perform the work. Because of the time frame involved from CDC and the state, the districts chose the most cost effective method at their disposal. These contracts also eliminated the requirement for cost documentation as long as the deliverables were met by the counties. The deliverables were met since Georgia has significantly improved its ability to respond to a Pandemic at the district and county level. This is presently being proven under the H1N1 influenza outbreak.

DCH contends that the contracts in question were necessary and reasonable for the proper and efficient performance and administration of Federal awards. The contracts were authorized and allocable under the provisions of 2 CFR Part 225 and were determined acceptable by independent auditors of the counties financial statements.

DCH agrees with your assessment of unspent funds and your analysis of the timing and of the guidance issued by Center of Disease Control (CDC). It was this timing and lack of guidance from CDC which contributed to some of the confusion in the program.

Documentation on most of the items marked in yellow in column "S" was forwarded to the OIG in April-May 2009 timeframe. However, additional documentation marked as appendixes A through E and in Microsoft Excel spreadsheets that support our assertions are sitting in our Emergency Preparedness Offices at 40 Pryor Street, Atlanta, Georgia. DCH would be more than happy to bring them to your office for review at your convenience.

If you have any questions or comments about DCH's response, please call Bruce Jeffries, Acting Director Office of Emergency Preparedness, at (404)597-9869 or through e-mail at [hbjeffries@dhr.state.ga.us](mailto:hbjeffries@dhr.state.ga.us) or Robert Gaupohl, Audit Manager, at (404) 463-8960 or through e-mail at [rwgauspo@dhr.state.ga.us](mailto:rwgauspo@dhr.state.ga.us).

Sincerely,



Rhonda M. Meadows, MD

Enclosures:

Microsoft Excel Spreadsheets  
Appendixes A – E