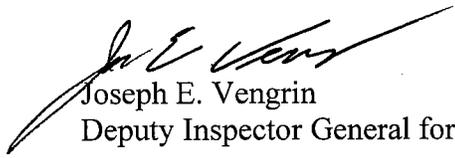


**JUN 23 2009**

**TO:** Thomas R. Frieden, M.D., M.P.H.  
Director  
Centers for Disease Control and Prevention

**FROM:**   
Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Review of Vermont's Pandemic Influenza Expenditures for the Period August 31, 2005, Through June 30, 2008 (A-01-08-01500)

Attached is an advance copy of our final report on Vermont's pandemic influenza (pan flu) expenditures for the period August 31, 2005, through June 30, 2008. We will issue this report to the Vermont Department of Health, Office of Public Health Preparedness (the State agency), within 5 business days.

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 pan flu. Through the existing cooperative agreements, CDC awarded \$500 million in pan flu funding in three phases. The State agency received a total of \$2,362,016 for the three phases.

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.

As of June 30, 2008, the State agency had spent \$1,322,798 of the \$2,362,016 in pan flu funding that it received from CDC. The unspent funds totaled \$1,039,218, or 44 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 Vermont's legislative and administrative procedures, which caused delays in bringing new positions online.

The costs that the State agency charged to the pan flu award were in three major categories: compensation costs; contract costs; and other costs, including travel expenses, supplies, and conference costs. Of the \$1,322,798 that the State agency charged to the award, \$1,317,359 complied with Federal cost requirements. The remaining \$5,439 was not allowable.

Specifically, \$4,753 should have been charged to another CDC award, and \$686 was not supported by the required documentation.

We recommend that the State agency amend the final pan flu financial status reports to reverse the \$4,753 incorrectly charged to the pan flu award and to refund the \$686 that lacked required documentation.

In comments on our draft report, the State agency concurred with our findings and recommendation.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov) or Michael J. Armstrong, Regional Inspector General for Audit Services, Region I, at (617) 565-2684 or through e-mail at [Michael.Armstrong@oig.hhs.gov](mailto:Michael.Armstrong@oig.hhs.gov). Please refer to report number A-01-08-01500.

Attachment

cc:  
RADM W. Craig Vanderwagen, M.D.  
Assistant Secretary for  
Preparedness and Response

**JUN 25 2009**

Office of Audit Services  
Region I  
John F. Kennedy Federal Building  
Room 2425  
Boston, MA 02203  
(617) 565-2684

Report Number: A-01-08-01500

Wendy Davis, M.D.  
Commissioner of Health  
Vermont Department of Health  
108 Cherry Street  
Burlington, Vermont 05401

Dear Dr. Davis:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Vermont'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.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through e-mail at [George.Nedder@oig.hhs.gov](mailto:George.Nedder@oig.hhs.gov). Please refer to report number A-01-08-01500 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Armstrong".

Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Mr. Jerry Shingleton  
Team Leader, Oversight and Evaluation  
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 VERMONT'S  
PANDEMIC INFLUENZA  
EXPENDITURES FOR THE PERIOD  
AUGUST 31, 2005, THROUGH  
JUNE 30, 2008**



Daniel R. Levinson  
Inspector General

June 2009  
A-01-08-01500

# ***Office of Inspector General***

<http://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## ***Office of Audit Services***

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## ***Office of Evaluation and Inspections***

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## ***Office of Investigations***

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## ***Office of Counsel to the Inspector General***

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

## **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 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 that summarized the amount of funding awarded, spent, and unspent for each phase.

In Vermont, the Department of Health, Office of Public Health Preparedness (the State agency), administers the pan flu award. The State agency received a total of \$2,362,016 in pan flu funding for the three phases.

### **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 \$1,322,798 of the \$2,362,016 in pan flu funding that it received from CDC. The unspent funds totaled \$1,039,218, or 44 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 Vermont's legislative and administrative procedures, which caused delays in bringing new positions online.

The costs that the State agency charged to the pan flu award were in three major categories: compensation costs; contract costs; and other costs, including travel expenses, supplies, and conference costs. Of the \$1,322,798 that the State agency charged to the award, \$1,317,359

complied with Federal cost requirements. The remaining \$5,439 was not allowable. Specifically, \$4,753 should have been charged to another CDC award, and \$686 was not supported by the required documentation.

### **RECOMMENDATION**

We recommend that the State agency amend the final pan flu financial status reports to reverse the \$4,753 incorrectly charged to the pan flu award and to refund the \$686 that lacked required documentation.

### **STATE AGENCY COMMENTS**

In comments on our draft report, the State agency concurred with our findings and recommendation. The State agency's comments are included in their entirety as Appendix B.

## TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
Funding for Pandemic Influenza Preparedness and Response Activities.....	1
Vermont Office of Public Health Preparedness.....	2
<b>OBJECTIVE, SCOPE, AND METHODOLOGY</b> .....	2
Objective.....	2
Scope.....	2
Methodology.....	2
<b>RESULTS OF AUDIT</b> .....	3
<b>UNSPENT FUNDS</b> .....	3
<b>COSTS CHARGED TO AWARD</b> .....	5
Compensation Costs.....	5
Contract Costs.....	5
Other Costs.....	6
<b>RECOMMENDATION</b> .....	6
<b>STATE AGENCY COMMENTS</b> .....	6
<b>APPENDIXES</b>	
A – VERMONT’S PANDEMIC INFLUENZA FUNDS, BY CATEGORY	
B – STATE AGENCY COMMENTS	

## 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.

---

<sup>1</sup>CDC has cited to 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.

## **Vermont Office of Public Health Preparedness**

In Vermont, the Department of Health, Office of Public Health Preparedness (the State agency), administers the pan flu award. The State agency received a total of \$2,362,016 in pan flu funding for the three phases.

### **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 \$2,362,016 for Phases I through III and pan flu expenditures of \$1,322,798 incurred for the period August 31, 2005, through June 30, 2008.

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 through October 2008 at the State agency in Burlington, Vermont.

#### **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;

- categorized expenditures as compensation transactions, contract transactions, or “other cost” transactions and:
  - traced a judgmental sample of compensation transactions to completed time certifications or approved timesheets,
  - reconciled all contract transactions to the CDC-approved pan flu expenditures and reviewed supporting documentation for contract deliverables, and
  - reconciled other cost transactions greater than \$500 to supporting documentation;
- reconciled the State agency’s summary expenditure reports to the FSRs submitted to CDC as of June 30, 2008; and
- discussed our findings with CDC and 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 AUDIT**

As of June 30, 2008, the State agency had spent \$1,322,798<sup>2</sup> of the \$2,362,016 in pan flu funding that it received from CDC. The unspent funds totaled \$1,039,218, or 44 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 Vermont’s legislative and administrative procedures, which caused delays in bringing new positions online.

The costs that the State agency charged to the pan flu award were in three major categories: compensation costs; contract costs; and other costs, including travel expenses, supplies, and conference costs. Of the \$1,322,798 that the State agency charged to the award, \$1,317,359 complied with Federal cost requirements. The remaining \$5,439 was not allowable. Specifically, \$4,753 should have been charged to another CDC award, and \$686 was not supported by the required documentation.

### **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 \$1,039,218 of the \$2,362,016 awarded for pan flu activities. (See Appendix A.) Specifically:

---

<sup>2</sup>This amount represents the totals shown on the State agency’s final FSRs for Phases I and II, the interim FSR for Phase III (as of May 2008), and the State agency’s summary expenditure reports through June 30, 2008.

- *Phase I:* CDC awarded \$650,611. The State agency spent \$490,611 during Phase I and carried forward, with CDC’s approval, \$160,000 into Phase II.
- *Phase II:* CDC awarded \$1,067,464, including the carryover from Phase I. The State agency spent \$388,174 during Phase II and carried forward, with CDC’s approval, \$679,290 into Phase III.
- *Phase III:* CDC awarded \$1,483,231, including the carryover from Phase II. The State agency spent \$444,013 and still had \$1,039,218 in unspent funds as of June 30, 2008, 40 days before Phase III ended. As of that date, the State agency planned to request CDC’s approval to carry forward into the current budget year any pan flu funds unspent at the end of Phase III.

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.

#### **Timing of Pan Flu Awards**

	<b>Budget Year</b>	<b>Guidance Issued</b>	<b>Budget Application Deadline</b>	<b>Funds Awarded<sup>3</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>4</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 Phase II funding from CDC approximately 6 months after receiving the Phase I guidance. 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. For example, the State agency originally budgeted approximately \$300,000 in Phase II to buy ventilators. However, after it received the funds, the State conducted a feasibility study and determined that ventilators were not needed. With CDC’s approval, the State agency carried these funds into Phase III and eventually redirected them to salaries.

<sup>3</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>4</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.

According to State agency officials, the unspent pan flu funds were also attributable to Vermont's legislative and administrative procedures, which caused delays in bringing new positions online. Because the legislature accepts budget proposals only in January of each year, the State agency was not able to submit a proposed budget to the legislature that included pan-flu-funded positions until January 2007, even though the State agency had received initial funding for these positions in March (Phase I) and September (Phase II) 2006.

## **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 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, and must be adequately documented.

The \$1,322,798 that the State agency charged to the pan flu award consisted of compensation costs; contract costs; and other costs, including travel expenses, supplies, and conference costs. Although \$1,317,359 of these costs complied with Federal cost requirements, the remaining \$5,439 did not.

### **Compensation Costs**

The State agency charged \$885,130 to the pan flu award for compensation costs (salaries, fringe benefits, and related indirect costs). Of the 194 individuals whose compensation costs were charged to the award, 41 were specifically identified in the State agency's CDC-approved pan flu award. These State employees appropriately allocated their time to developing and organizing pan flu activities. Their compensation costs, which totaled \$687,399, were properly supported by signed and approved timesheets or time certifications and were allowable under the award.

Most of the remaining 153 individuals, whose compensation costs charged to the award totaled \$197,731, were not State employees but individuals (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. Their compensation costs were generally charged hourly. These compensation costs were reasonable and properly supported and therefore were allowable under the award.

### **Contract Costs**

The State agency charged \$290,472 to the pan flu award for four contractual agreements to assist the State agency in meeting pan flu award requirements in Phases I and II. These agreements specified deliverables such as:

- developing planning templates for towns and municipalities that focused on identifying and maintaining functions that would be critical in a pan flu outbreak;

- providing technical assistance to towns and municipalities on how to complete the templates and develop pan flu response plans;
- collecting and presenting town and municipality pan flu response plans to the State agency;
- hiring a State Emergency Medical Services Unit Medical Advisor to support the Statewide Emergency Management System (EMS) and to conduct EMS pandemic preparedness activities, such as developing EMS-related pan flu plans and documents; and
- developing and coordinating pan flu exercises.

The contract costs charged to the pan flu award were properly documented and supported by the contract deliverables and therefore were allowable under the award.

### **Other Costs**

The State agency charged \$147,196 to the pan flu award for other costs, such as employee travel, rental fees associated with pan flu conferences, lab equipment, and supplies. Of the \$147,196, \$141,757 was properly documented and allowable under the award. However, \$5,439 was unallowable. Specifically, the State agency charged four transactions totaling \$4,753 to the pan flu award that should have been charged to another CDC cooperative agreement. A fifth transaction, in the amount of \$686, was unallowable under Federal requirements and the terms of the cooperative agreement because the State agency lacked documentation to support it.

### **RECOMMENDATION**

We recommend that the State agency amend the final pan flu FSRs to reverse the \$4,753 incorrectly charged to the pan flu award and to refund the \$686 that lacked required documentation.

### **STATE AGENCY COMMENTS**

In comments on our draft report, the State agency concurred with our findings and recommendation. The State agency also requested that we revise its statement about Vermont's budget process to more accurately reflect the process for establishing new positions. We revised our final report as requested.

The State agency's comments are included in their entirety as Appendix B.

# **APPENDIXES**

**VERMONT'S PANDEMIC INFLUENZA FUNDS, BY CATEGORY**  
**August 31, 2005–June 30, 2008**

Category	Total Awarded	Total Spent	Difference
Personnel	\$422,757	\$453,210	\$(30,453)
Fringe benefits	126,829	105,110	21,719
Equipment	304,020	9,560	294,460
Supplies	136,320	14,637	121,683
Travel	19,673	54,339	(34,666)
Other	432,590	68,661	363,929
Contracts	<u>688,025</u>	<u>290,472</u>	<u>397,553</u>
<b>Total direct costs</b>	<b>\$2,130,214</b>	<b>\$995,989</b>	<b>\$1,134,225</b>
<b>Total indirect costs</b>	<b>231,802</b>	<b>326,809</b>	<b>(95,007)</b>
<b>Total award</b>	<b>\$2,362,016</b>	<b>\$1,322,798</b>	<b>\$1,039,218</b>

State of Vermont  
Department of Health  
Office of the Commissioner  
108 Cherry Street  
Burlington, VT 05401  
**healthvermont.gov**

[phone] 802-863-7280  
[fax] 802-951-1275  
[tdd] 800-464-4343

Agency of Human Services

April 27, 2009

Michael J. Armstrong  
Regional Inspector General for Audit Services  
Office of Inspector General  
John F. Kennedy Federal Building  
Boston, MA 02203

Report Number: A-01-08-01500

Dear Mr. Armstrong:

We have received and reviewed your draft audit report, "Review of Vermont's Pandemic Influenza Expenditures for the Period August 31, 2005, Through June 30, 2008."

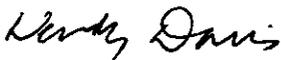
We appreciate your careful review of our pandemic flu program. Your staff were thorough and thoughtful in their review of the expenditures and related policy issues. We were pleased to note that your office was able to confirm that, with two exceptions, our program expenditures of \$1,322,798 complied with Federal cost requirements and were allowable under the award.

We appreciate the careful description of how the federal and State decision-making processes have an impact on spending patterns. In relation to the State process, we feel that our statement about Vermont's budget process at the top of page 5 may well give a misleading impression that the only barrier to prompt implementation is due to the legislative process. In fact, the legislature does allow for alternative methods of establishing new positions, although any method of establishing positions can be cumbersome and time-consuming. It would be more accurate if the first sentence said: "According to Vermont officials, the unspent pan flu funds were also attributable to Vermont's legislative and administrative procedures which caused delays in bringing positions online."

We agree with your findings about the two areas of unallowable costs. The four payments totaling \$4,753 will be reduced from our reported pan flu expenditures and charged instead to the appropriate federal grant. We will also transfer the miscoded payment of \$686 out of our reported costs for pan flu.

We have no other concerns about the report.

Sincerely,



Wendy S. Davis, MD  
Commissioner

