



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

NOV 2 2005

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

Report Number: A-04-04-01003

Carmen Hooker Odom, Secretary
North Carolina Department of Health
and Human Services
Adams Building, 101 Blair Drive
Raleigh, North Carolina 27603

Dear Secretary Odom:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Audit of Costs and Reporting of Funds Under the Bioterrorism Hospital Preparedness Program." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

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

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If you have any questions or comments about the report, you may contact me at (404) 562-7750 or Jeff Bullock, Audit Manager, at (404) 562-7761. Please refer to report number A-04-04-01003 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Pilcher", is written over a horizontal line.

Lori S. Pilcher
Regional Inspector General
for Audit Services, Region IV

Enclosures: as stated

Page 2 – Carmen Hooker Odom

Direct Reply to HHS Action Official:

Gail Lipton, Director

Division of Grants Policy

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF COSTS AND REPORTING OF
FUNDS UNDER THE BIOTERRORISM
HOSPITAL PREPAREDNESS PROGRAM**



**Daniel R. Levinson
Inspector General**

**NOVEMBER 2005
A-04-04-01003**

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.



EXECUTIVE SUMMARY

BACKGROUND

States and major local health departments receive Health Resources and Services Administration (HRSA) funding to upgrade the preparedness of the Nation's hospitals and collaborating entities to respond to bioterrorism under the Bioterrorism Hospital Preparedness Program (the Program). Through August 31, 2004, HRSA awarded cumulative Program funding of \$16.8 million to the North Carolina Department of Health and Human Services (the State).

OBJECTIVES

The objectives of our audit were to determine whether the State:

- recorded and reported HRSA Program funds awarded, expended, obligated, and unobligated in accordance with the cooperative agreement;
- ensured that the Program funds were used for necessary, reasonable, allocable, and allowable costs in accordance with the terms of the cooperative agreement; and
- supplanted current State or local funding with Program funds.

SUMMARY OF RESULTS

The State generally recorded and reported HRSA Program funds awarded, expended, obligated, and unobligated by priority area, by critical benchmark, and by funds allocated to hospitals and other health care entities as required by the cooperative agreement.

Costs incurred by the State for administering the Program were necessary, reasonable, allocable, and allowable. However, the two subrecipients that we reviewed claimed reimbursement from the State for \$227,666 in unallowable costs. As a result, the State claimed costs that were not used to enhance hospital preparedness as described in Program guidance. We believe this occurred because the State had not developed a reporting and monitoring system adequate to ensure that subrecipients charged the Program for only necessary, reasonable, allocable, and allowable costs and had not developed award documents that adequately identified the type of award and applicable cost principles.

We found no evidence that the State supplanted State or local expenditures with Program funds.

RECOMMENDATIONS

We recommend that the State:

- reduce Program expenditures by the \$227,666 of unallowable subrecipient costs and increase unobligated funds by the same amount when preparing the final Financial Status Report;
- implement adequate reporting and monitoring policies and procedures in a timely manner; and
- develop award documents that clearly identify the type of award and related cost principles.

AUDITEE RESPONSE

The State generally disagreed with our findings and recommendations regarding costs claimed by the two subrecipients reviewed during our audit (see Appendix A). In summary, the State agrees that \$40,812 is unallowable and maintains that the balance of \$186,854 is allowable.

OFFICE OF INSPECTOR GENERAL COMMENTS

Despite the State's assertions, we continue to believe that the balance of \$186,854 is unallowable in accordance with Office of Management and Budget Circulars A-21 and A-122.

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INTRODUCTION

BACKGROUND

Bioterrorism Hospital Preparedness Program

States and major local health departments receive Health Resources and Services Administration (HRSA) funding to upgrade the preparedness of the Nation's hospitals and collaborating entities to respond to bioterrorism under the Bioterrorism Hospital Preparedness Program (the Program). Congress authorized funding to support activities related to countering potential biological threats to civilian populations under the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002, Public Law 107-117.

HRSA initiated cooperative agreements with awardees for the period April 1, 2002, through March 31, 2003, as directed by the Cooperative Agreement Guidance issued February 15, 2002. This first budget period was extended through March 31, 2004. The second budget period initially covered the period September 1, 2003, through August 31, 2004, but was extended through August 31, 2005.

The Cooperative Agreements identified priority planning areas to be addressed with Program funds. They are:

- Medication and Vaccines;
- Personal Protection, Quarantine, and Decontamination;
- Communications;
- Biological Disaster Drills;
- Personnel (including emergency increases in staffing);
- Training; and
- Patient Transfer.

Program funds were meant to augment current State and local funding and focus on bioterrorism hospital preparedness activities under the HRSA Cooperative Agreement. The Cooperative Agreement Guidance states that “. . . given the responsibilities of Federal, State, and local governments to protect the public in the event of bioterrorism, funds from this grant must be used to supplement and not supplant the non-Federal funds that would otherwise be made available for this activity”

State Agency Funding

Through August 31, 2004, HRSA awarded Program funds of \$16.8 million to the North Carolina Department of Health and Human Services (the State). Of the \$16.8 million awarded, the State had expended \$7.1 million and obligated an additional \$9.1 million as of August 31, 2004. The remaining \$600,000 was unobligated as of that date.

Prior Office of Inspector General Report

In our previous report to the State (report number A-04-03-01010, dated October 2003), we noted that the State did not track expenditures by phase, within phase, or by priority planning area. The report also noted that the State represented that they had established subrecipient monitoring procedures.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of our audit were to determine whether the State:

- recorded and reported HRSA Program funds awarded, expended, obligated, and unobligated in accordance with the cooperative agreement;
- ensured that the Program funds were used for necessary, reasonable, allocable, and allowable costs in accordance with the terms of the cooperative agreement; and
- supplanted current State or local funding with Program funds.

Scope

Our audit covered State policies and procedures for accounting and financial reporting of Program funding for the period April 1, 2002, to March 31, 2004. After completion of our on-site fieldwork, we also obtained balances from the State's accounting records for awarded, expended, obligated, and unobligated funds as of August 31, 2004.

Our review of the allowability of Program expenditures was limited to reviews at the State and two judgmentally selected subrecipients: the University of North Carolina (the University) and Special Operations Response Team, Inc. (SORT). We selected non-statistical samples at the State and at the University. We selected 23 sample items at the State, representing expenditures of \$366,179 from a universe of transactions totaling \$2,021,041. We also selected 30 sample items at the University from a universe of expenditure transactions totaling \$766,641. At the University, we also reviewed the \$91,429 claimed for the principal investigator's salary for the period July 2002 through March 2004. At SORT, we reviewed the all of the \$171,440 claimed from the State for providing services under the Program. Our non-statistical samples and our review at SORT were intended to determine whether funds were expended for necessary, reasonable, allocable, and allowable costs at the State and the subrecipients.

Our audit was conducted for the purposes described above and would not necessarily disclose all material weaknesses. We did not review the overall internal control structure of the State or the subrecipients. Our internal control review was limited to obtaining an understanding of the State's and the subrecipients' procedures for accounting for Program funds and ensuring these funds were used for allowable program-related activities.

We conducted fieldwork between March 2004 and March 2005 at the State in Raleigh, NC; at the University of North Carolina in Chapel Hill, NC; and at SORT in Winston-Salem, NC.

Methodology

To accomplish the objectives of our audit, we conducted site visits at the State and the two judgmentally selected subrecipients. We reviewed the accounting and financial reporting systems at the State and at the subrecipients to determine how funds were recorded and reported and to verify whether funds were expended for necessary, reasonable, allocable, and allowable costs. We also reviewed the prior and current levels of State and local funding of hospital preparedness activities to assess whether these funds were replaced or supplanted by Program funds provided. Specifically, we:

- reconciled amounts reported on the State's Financial Status Reports (FSRs) for the period April 1, 2002, through August 31, 2003, to the accounting records and Notices of Cooperative Agreements and tested the FSRs for completeness and accuracy;
- identified awarded, expended, obligated, and unobligated fund balances as of August 31, 2004, from the State's accounting records;
- determined if the State tracked funds budgeted, expended, obligated, and unobligated by priority area, by critical benchmark, and by funds allocated to hospitals and other health care entities as required by the cooperative agreement;
- selected and tested non-statistical samples of expenditure transactions at the State and the subrecipients to ensure that Program funds were used for necessary, reasonable, allocable, and allowable costs under the terms of the cooperative agreement; and
- addressed supplanting concerns by selectively reviewing cost transfers, State budget reductions versus Federal bioterrorism funding, and the employment history of State and subrecipient Program staff.

Our work was performed in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMENDATIONS

The State generally recorded and reported HRSA Program funds awarded, expended, obligated, and unobligated by priority area, by critical benchmark, and by funds allocated to hospitals and other health care entities as required by the cooperative agreement.

Costs incurred by the State for administering the Program were necessary, reasonable, allocable, and allowable. However, the two subrecipients that we reviewed claimed reimbursement from the State for \$227,666 in unallowable costs. As a result, the State claimed costs that were not used to enhance hospital preparedness as described in program guidance. We believe this occurred because the State had not developed a monitoring system adequate to ensure that

subrecipients charged the Program for only necessary, reasonable, allocable, and allowable costs and had not developed award documents that adequately identified the type of award and applicable cost principles.

We found no evidence that the State supplanted State or local expenditures with Program funds.

RECORDING AND REPORTING OF PROGRAM FUNDS

The State generally recorded and reported HRSA Program funds awarded, expended, obligated, and unobligated in accordance with the cooperative agreement. Through August 31, 2004, the State had received \$16.8 million of Program funds, of which \$7.1 million was reported as expended and \$9.1 was reported as obligated. The remaining \$600,000 was unobligated as of August 31, 2004.

Within the North Carolina Accounting System, the State established unique accounting codes to separately record and track the funds budgeted, expended, obligated, and unobligated by priority area, by critical benchmark, and by funds allocated to hospitals and other health care entities.

The State's official accounting policies and procedures were adequate for proper administration of Program funds. The State supported balances of Program funds reported on FSRs through accounting system reports.

UNALLOWABLE HOSPITAL PREPAREDNESS COSTS

Costs incurred by the State for administering the Program were necessary, reasonable, allocable, and allowable. However, the two subrecipients that we reviewed claimed reimbursement from the State for \$227,666 in unallowable costs. As a result, the State claimed costs that were not used to enhance hospital preparedness as described in program guidance. We believe this occurred because the State had not developed a monitoring system adequate to ensure that subrecipients charged the Program for only necessary, reasonable, allocable, and allowable costs and had not developed award documents that adequately identified the type of award and applicable cost principles.

State Must Ensure That Costs Charged to Federally Funded Projects Are Allowable

Attachment A, Section C of the Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments," provides basic standards governing the allowability of costs claimed for reimbursement under Federal grants, contracts, and other agreements with State and local governments and requires that costs must be allocable and reasonable as follows:

3. a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

2. ...A cost is reasonable if ... it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

OMB Circular A-21, "Cost Principles for Educational Institutions," Section C, 4.a. and 3 establishes the same requirements regarding the allocability and reasonableness of costs for educational institutions. With respect to personal services costs; including salaries, wages, and fringe benefits; Section J.8 of the circular specifies the requirements of effort reporting systems for colleges and universities. These systems should, in brief: encompass all employee activities on an integrated basis; confirm effort expended on an after-the-fact basis; require certification by an individual with knowledge of all an employee's actual efforts or provide some other adequate means of verification; and require certifications to be performed on a regular periodic basis. We used these criteria because one of the subrecipients we reviewed was a university.

Attachment A, Section C,3.a. and 2 of OMB Circular A-122, "Cost Principles for Non-Profit Organizations," establishes the same requirements regarding the allocability and reasonableness of costs for nonprofit organizations. We used these criteria because one of the subrecipients we reviewed was a non-profit organization.

Standards set forth in Title 45 of the CFR Part 92, Section 40 establish administrative requirements for grants and other agreements to State and local governments which require that "[g]rantees must monitor... subgrant supported activities to assure compliance with applicable Federal requirements...."

Subrecipients Charged Unallowable Costs to the Program

Contrary to the guidance provided through OMB Circular A-21 and OMB Circular A-122, the University of North Carolina and SORT, Inc. claimed unallowable costs of \$227,666 from the State.

University of North Carolina at Chapel Hill

The State entered into a subagreement with the University to operate the Prehospital Medical Information System (Pre-MIS). This system is a prehospital electronic medical records system for the State. Paramedics and other first responders use the system to capture the preliminary medical information before a patient is taken to a hospital. The University also entered into separate contracts to cover the salary of the principal investigator (PI) of the Pre-MIS project.

During the period July 2002 through March 2004, the University claimed \$91,429 for the PI's salary. For this same period, we identified \$69,534 in salary costs that are unallowable because the PI certified less effort on the contract than he was paid for.

During the period October 2002 through February 2004, the University also claimed reimbursement of \$749,119¹ from the State for Pre-MIS. We identified the following unallowable costs totaling \$67,341:

- \$29,491 in supplies transferred to the contract in the month after the contract ended;
- \$25,337 in salary and fringe benefit costs for the PI were incorrectly charged to this agreement;
- \$582 in travel costs for the PI's wife, even though the University could not show that her duties were related to the Program;
- \$4,707 in salary costs, \$430 in travel costs, and \$47 in other direct costs that were incurred prior to the inception of the contract (total \$5,184);
- \$512 in travel costs related to another project;
- \$113 in other direct costs to reimburse an employee for course materials for a professional exam (these costs were not approved in the budget and did not appear directly related to the HRSA Program); and
- \$6,122 in indirect costs related to the unallowable direct costs discussed above (\$61,219 direct costs multiplied by 10 percent indirect cost rate claimed).

Special Operations Response Team, Inc.

The State entered into an agreement with SORT to develop and teach two courses in support of a State Medical Response System. To enable the medical assistance team to deploy with adequately trained personnel, SORT developed and taught a train-the-trainer course so that graduates could train medical professionals required for the teams. SORT also developed and taught a decontamination/treatment team course to be taught to community college instructors so that they could teach the course at their respective colleges.

During the period September 2003 through March 2004, SORT did not maintain cost records that identified the \$171,440 in program costs claimed. We reviewed the costs recorded outside the accounting records and determined that the costs were overstated in relation to actual costs that could be supported. We determined that SORT claimed unallowable costs of \$90,791 as described below:

- SORT claimed labor costs of \$51,160 for volunteers for which it incurred no costs.
- SORT claimed instruction labor costs at rates higher than it was actually paying staff, resulting in unallowable costs of \$22,958.

¹ During the period October 2002 through February 2004, the University had recorded \$766,641 in its accounting records; however, the University had only claimed reimbursement for \$749,119 at the time of our audit.

- SORT claimed \$6,365 for manuals, gas mask fittings, and certifications. It could not provide any support that they incurred any costs for these items.
- SORT claimed administrative time at an average rate for three employees: the executive director, the administrative officer, and the receptionist. There were significant differences in the amounts that the employees were paid but SORT had not accounted for the time for each individual separately. Thus, we could not determine a reasonable amount for administrative salaries. Since these types of salary costs are generally claimed as indirect costs, we allowed SORT an indirect rate of 10 percent of direct costs allowed in lieu of the administrative salaries claimed. The 10 percent indirect rate was the rate allowed by Program guidance. The difference in direct administrative salaries and indirect administrative costs was \$6,793.
- SORT claimed \$1,519 in unsupported costs for student binders. SORT claimed \$5,800 for student binders. However, we calculated that the cost of providing 160 copies of the 500-page binders would be \$3,579; therefore, we questioned the remaining \$1,519.
- SORT claimed travel costs and supply costs of \$1,996 more than it could support.

Program Funds Were Not Always Used to Enhance Protection of North Carolina's Citizens

Thus, in at least some instances, subrecipients expended Program funds for purposes that did not enhance hospital preparedness capabilities to protect the citizens of North Carolina in the event of a bioterrorism attack. At the two subrecipients that we reviewed, we identified \$227,666 in unallowable costs.

State Did Not Adequately Monitor Subrecipients

These conditions occurred because the State did not have controls to ensure that subrecipients claimed only necessary, reasonable, allocable, and allowable costs. Subrecipients did not submit financial reports containing sufficient detailed information to permit the State to assess the allowability of costs charged to the Program or to relate those costs to Program activities actually performed by the subrecipients.

During our prior review, the State represented that they had established monitoring procedures; however, our current review showed that written procedures had not been established and that no monitoring visits had been conducted when we began our site work.

In addition, the award documents developed by the State did not adequately identify the type of award (i.e., cost reimbursable, fixed price, etc.) and the applicable cost principles.

During our audit, the State began to develop improved controls for monitoring the financial and programmatic activities of subrecipients. We believe these measures will help ensure that the use of future Program funds is consistent with the requirements of the cooperative agreement and applicable Federal regulations.

SUPPLANTING

The Cooperative Agreement Guidance states that “given the responsibilities of Federal, State, and local governments to protect the public in the event of bioterrorism, funds from this grant must be used to supplement and not supplant the non-Federal funds that would otherwise be made available for this activity....” Hospital preparedness program funds were meant to augment current funding and focus on bioterrorism hospital preparedness activities under the HRSA Cooperative Agreement. The funds could not supplant existing Federal, State, or local public health funds available for emergency activities to combat threats to public health.

Based on reviews of cost transfers, the timing of State and local budget reductions versus Federal bioterrorism funding, and costs reported for fiscal years prior and subsequent to receiving Program funding, we found no evidence of supplanting by the State or the subrecipients. We did not find significant decreases in State and other funded disbursements corresponding with increases in federally funded disbursements. In regard to our assessment of the employment history for a sample of Program employees, we determined that previous duties of all Program employees were either absorbed by or reassigned to other staff not funded by the HRSA bioterrorism preparedness program.

RECOMMENDATIONS

We recommend that the State:

- reduce Program expenditures by the \$227,666 of unallowable subrecipient costs and increase unobligated costs by the same amount when preparing the final FSR,
- implement adequate reporting and monitoring policies and procedures in a timely manner, and
- develop award documents that clearly identify the type of award and related cost principles.

AUDITEE RESPONSE

The State generally disagreed with our findings and recommendations regarding costs claimed by the two subrecipients reviewed during our audit (see Appendix A).

Along with its response to a draft of this report, the State submitted additional documentation that was not provided to us during our audit. We considered this documentation adequate to support \$21,503 (see Appendix B) of the \$249,169 that we had cited as unallowable in the draft report. Accordingly, this report discusses only \$227,666 of subrecipient costs recommended for financial adjustment.

The State agreed that \$6,551 of the \$227,666 was unallowable. For the remaining \$221,115 of questionable subrecipient costs, the State indicated that it made a \$34,261 adjustment and does not agree that the remaining \$186,854 of questionable subrecipient costs should be returned to the Program. While acknowledging deficiencies in the documentation for many items claimed for reimbursement, the State asserts that the funds were used for Program purposes or were reasonable in light of other circumstances. Further, the State maintained that the lack of adequate documentation noted during our audit did not prove that the questioned costs had not actually supported the deliverables under its subrecipient agreements.

The State also disagreed with our conclusions that it had not maintained an adequate subrecipient monitoring system during much of our audit period, that it had not required subrecipients to report sufficient detailed financial information to allow effective monitoring, and that it had not developed award documents that adequately identified the type of award and applicable cost principles.

OFFICE OF INSPECTOR GENERAL COMMENTS

Despite the State's assertions, we continue to believe that the balance of \$186,854 is unallowable in accordance with OMB Circulars A-21 and A-122.

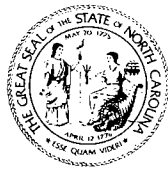
In discussing costs claimed by the University of North Carolina, for example, the State asserts that the \$29,491 of supply costs transferred to the program from other accounts during the final month of the Program period should be considered allowable. The only documentation provided by the State to support this assertion is a summary detailing the nature and source of the transferred costs and stating that the supplies were used for Program purposes. Furthermore, the State provided no evidence showing that the costs were transferred for any purpose other than to utilize all funds before the Program grant expired.

With respect to SORT, the State maintains that all amounts claimed for reimbursement should be considered allowable under the circumstances, even if no costs were actually incurred. In discussing the \$51,160 of claimed labor costs, for example, the State concurs that the claimed salary costs were not actually incurred but asserts that the amounts should be considered allowable because the subrecipient is now willing to make those payments. The State's response also asserts that documentation was available to support other costs incurred; however, we reviewed this documentation and found it merely to be estimates or price lists with no relationship to costs incurred. Attachment A, Section A.4.a. of OMB Circular A-122 states, "A cost is allocable to a Federal award . . . if it is incurred specifically for the award."

While acknowledging that the State began to make significant improvements to its subrecipient monitoring during our audit period, we believe the questionable expenditures discussed above demonstrate that its monitoring capacity was not adequate for much of that period.

We continue to believe that the award documents did not adequately identify the type of award. There were several clauses in the documents that refer to reimbursing “costs.” If these awards are in fact “purchase of service contracts,” the award documents should so indicate. Also, even if they are purchase-of-service contracts, this does not relieve the State from the responsibility of obtaining a reasonable price.

APPENDIXES



North Carolina Department of Health and Human Services

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Michael F. Easley, Governor

Carmen Hooker Odom, Secretary

July 5, 2005

Ms. Lori S. Pilcher
Regional Inspector General for Audit Services, Region IV
U.S. Department of Health and Human Services
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303-8909

Dear Ms. Pilcher:

We have reviewed the draft report entitled "*Audit of Costs and Reporting of Funds Under the Bioterrorism Hospital Preparedness Program – North Carolina Department of Health and Human Services*" [Audit A-04-04-01003]. Our response to the draft report is indicated in the following narrative.

NCDHHS Response

The Department agrees with the draft audit report comments that state:

- "*The State generally recorded and reported HRSA Program funds awarded, expended, obligated, and unobligated by priority area, by critical benchmark, and by funds allocated to hospitals and other health care entities as required by the cooperative agreement.*"
- "*Costs incurred by the State for administering the Program were necessary, reasonable, allocable, and allowable.*"
- "*We found no evidence that the State supplanted State or local expenditures with Program funds.*"

However, the Department disagrees in general with the findings relative to the two subrecipients.

OIG Finding: "*The two subrecipients that we reviewed claimed reimbursement from the State for \$249,169 in unallowable costs. As a result, the State claimed costs that were not used to enhance hospital preparedness as described in program guidance. We believe this occurred because the State had not developed a monitoring system adequate to ensure that subrecipients charged the Program for only necessary, reasonable, allocable, and allowable costs and had not developed award documents that adequately identified the type of award and applicable cost principles.*"



DHHS Response. The Department disagrees with the finding. A large number of subrecipient costs approved by the Division of Facility Services (DFS) (for both the University of North Carolina at Chapel Hill and the Special Operations Response Team, Inc.) were directly related to subrecipient contracts with the DFS directed towards meeting the HRSA grant objectives. The HRSA approved these costs to improve North Carolina's ability to respond to acts of bioterrorism, emerging infections, and other public health and emergency medical care emergencies per grant guidelines. The DFS extended similar approval to hospitals and EMS systems for similar costs to improve hospital and EMS system preparedness capability and capacity.

The Department further disagrees that the *“The two subrecipients that we reviewed claimed reimbursement from the State for \$249,169 in unallowable costs. As a result, the State claimed costs that were not used to enhance hospital preparedness as described in program guidance. We believe this occurred because the State had not developed a monitoring system adequate to ensure that subrecipients charged the Program for only necessary, reasonable, allocable, and allowable costs and had not developed award documents that adequately identified the type of award and applicable cost principles.”*

The type of award to both subrecipients was a “purchase of services contract” and all deliverables identified in the contract were delivered to the Department. Further, the lack of on-site documentation of costs supporting program activities does not alter the fact that the costs actually supported program activities, e.g. the deliverables referenced in the contracts.

The following is a summary of the audit findings and responses which document the relationship of the questioned costs to Program activities for the University of North Carolina at Chapel Hill and the Special Operations Response Team, Inc.

University of North Carolina at Chapel Hill

OIG Finding. *“During the period July 2002 through March 2004, the University claimed \$91,429 for the PI's salary. For this same period, we identified \$69,534 in salary costs that are unallowable because the PI certified less effort on the contract than he was paid for.”*

DHHS Response. The auditor is correct in that the North Carolina Office of EMS did enter into a separate contract with University of North Carolina Department of Emergency Medicine. For reference, please see Appendix A for a copy of the contract executed between North Carolina Office of EMS and the University of North Carolina at Chapel Hill (UNC CH), Department of Emergency Medicine. This appendix represents the original contract, #AD03-9074 for July 1, 2002 to June 30, 2003. This contract was amended annually and addresses the time period through March 2004. The amendments are not included in Appendix A; however they are on file and can be provided upon request.

The purpose of this contract was to appoint a qualified physician, Greg Mears, MD to serve as Medical Director of the Office of North Carolina EMS and provide medical guidance to the system implementation of the statewide bioterrorism preparedness program. This contract describes “Responsibilities of the Contractor(UNC CH, Department of Emergency Medicine).” This contract did not stipulate percentage of effort or a line-item budget allocation for Greg Mears, MD time. The contract did not include in “Responsibilities of the Contractor” a full time equivalency (FTE) or percentage of effort. This contract does not include a specific personnel line-item deliverable. Therefore, it is inappropriate to apply any salary costs associated with the contract to any level of effort.

All tasks and deliverables described in the contract were executed within the allocated contract amount and can be verified by expenditures and invoices maintained by North Carolina Office of Emergency Medical Services. For this reason, all funding associated with the Project Investigator’s salary is appropriate.

OIG Finding. *“During the period October 2002 through February 2004, the University also claimed reimbursement of \$749,119 from the State for PreMIS. We identified the following unallowable costs totaling \$87,077.”*

- *\$29,491 in supplies transferred to the contract in the month after the contract ended;*

DHHS Response.

- This finding by the OIG of the amount of \$29,491 referenced above was not outlined in the initial report and therefore no documentation was received regarding the items in question. In response to this, UNC CH Department of Emergency Medicine responded with a justification for all \$37,967 in supply costs which were charged on the account during the final month of the contract.
- \$37,967 of supply costs were used between July 1, 2003 and May 31, 2004 which were obtained over a 9 month segment of the contract period. These supplies were not for the final month of the contract.
- Although there was a significant amount of activity during the final month of the contract (as there often is), the transactions were appropriate and within the scope of the contract.
- The \$37,967 in supply costs were placed on the account during the final month of its activity as a result of an internal Department of Emergency Medicine audit procedures. These audit procedures call for the review of all activity and transactions within the EMS Performance Improvement Center during the contract period to ensure that transactions were correctly credited to the appropriate account prior to its expiration. These transactions were identified during this final internal contract audit.
- Please find in Appendix B, documentation from the HRSA account outlining each of these 57 transactions and a justification of their relevance to the HRSA contract.

OIG Finding. *\$25,337 in salary and fringe benefit costs for the PI were incorrectly charged to this agreement;*

- The auditor's findings are correct in determining that the Project Investigator, Greg Mears, MD salary was not to be applied to the HRSA hospital preparedness account. This salary expenditure was to be applied to the account for the EMS Medical Director. As outlined above, this contract was between the North Carolina Office of EMS and the UNC CH Department of Emergency Medicine.
- The incorrect PI charges were identified by UNC CH and were removed from the HRSA account and correctly applied to the EMS Medical Director's account.
- Please find in Appendix C, a printout from the HRSA account confirming that the PI salary and fringe benefits were removed.

OIG Finding. *\$17,942 in salary and fringe benefit costs and \$582 in travel costs for the PI's wife, even though the University could not show her duties were related to the Program;*

DHHS Response.

- During the HRSA hospital preparedness program contract period, Cindy Mears served as faculty for the UNC CH Department of Emergency Medicine under the supervision of Judith Tintinalli, MD. In this time frame Cindy Mears worked on the HRSA contract independently of the Project Investigator on the North Carolina Hospital Status System documentation. This included design, development and implementation of a User Manual and educational course materials. These items were utilized in the roll-out of the North Carolina Hospital Status System. The educational course has been implemented, the User Manual is currently in place, and the North Carolina Hospital Status System has been funded and implemented as a part of the HRSA contract deliverables.
- The auditor identified \$17,942 in salary and fringe benefit costs associated with Cindy Mears. Records reveal only \$13,456.26 in costs associated with Cindy Mears. This reflects corrections and account adjustments made to the account after the auditor left and before the contract ended.
- The auditor is correct that the travel associated with Cindy Mears was associated with another project and was incorrectly applied to the HRSA hospital preparedness account.
- Please find in Appendix D, a printout from the HRSA account confirming the salary and fringe benefits for Cindy Mears which were associated with the HRSA contract.
- Cindy Mears left UNC CH Department of Emergency Medicine in August of 2004. Included in Appendix D is a letter of recommendation from Judith Tintinalli, MD, affirming Cindy Mears' association with the North Carolina Hospital Status System during her period of employment and supervision.

OIG Finding. *\$4,707 in salary costs, \$430 in travel costs, and \$47 in other direct costs that were incurred prior to the inception of the contract;*

DHHS Response.

- The auditor is correct that the salary, travel, and other direct costs identified were not to be applied to the HRSA hospital preparedness program account. The identified charges were removed from the HRSA account prior to the end of the contract period.
- Please find in Appendix E, a printout from the HRSA account confirming that the identified costs were removed

OIG Finding. *\$512 in travel costs related to another project;*

DHHS Response.

- The auditor is correct that the travel costs identified were related to another project and were not to be applied to the HRSA hospital preparedness program account.
- These same incorrect travel charges were also identified by UNC CH during the contract period and were removed from the HRSA account prior to the end of the contract period.
- Please find in Appendix F, a printout from the HRSA account confirming that the identified travel costs were removed.

OIG Finding. *\$113 in other direct costs to reimburse an employee for course materials for a professional exam (these costs were not approved in the budget and did not appear directly related to the HRSA Program);*

DHHS Response.

- The auditor is correct that the direct costs identified were not related to the HRSA contract and therefore should not have been applied to HRSA hospital preparedness program. These same incorrect charges were also identified by UNC during the contract period and were removed from the HRSA account prior to the end of the contract period.
- Please find in Appendix G, a printout from the HRSA account confirming that the identified costs were removed.

OIG Finding. *\$7,916 in indirect costs related to the unallowable direct costs discussed above (\$79,161 direct costs x 10 percent indirect cost rate claimed).*

DHHS Response.

- The auditor is correct that the indirect costs related to the unallowable direct costs identified in items 1 through 5 above must be corrected.
- Justification of either the appropriateness or the correction of each item identified above has been provided in the discussion and its associated appendix. The \$582 travel cost associated with Cindy Mears is the only remaining item which has been identified as inappropriate.

- The auditor is correct in that \$58.20 in indirect costs (10%) associated with the \$582 travel identified in item 3 was incorrectly debited from the HRSA hospital preparedness contract.

Special Operations Response Team, Inc.

General OIG Finding. *“During the period September 2003 through March 2004, SORT did not maintain cost records that identified the \$171,440 in program costs claimed. We reviewed the costs recorded outside the accounting records and determined that the costs were overstated in relation to actual costs that could be supported. We determined that SORT claimed unallowable costs of \$92,558 as described below:*

OIG Finding. *“SORT claimed labor costs of \$51,160 for volunteers for which it incurred no costs.”*

DHHS Response. The auditor is correct in stating that SORT claimed labor costs of \$51,160 for volunteers. This arrangement was primarily for professional staff in the development and delivery of the program. The deliverables provided with SORT had costs associated with both development and delivery by these individuals. During the audit process SORT has indicated a willingness to pay these individuals; therefore these costs should be reimbursable. Given SORT’s willingness to provide reimbursement the above costs should be allowable.

OIG Finding. *“SORT claimed instruction labor costs at rates higher than it was actually paying staff, resulting in unallowable costs of \$22,958.”*

DHHS Response. SORT relies on both salaried employees and volunteers in performing tasks on its behalf. The records submitted for reimbursement did not include costs for some volunteers or fringe benefits. SORT has submitted documentation of volunteer hours and fringe benefits and has agreed to reimburse the volunteers and to include fringe benefit costs; therefore these costs should be allowable.

OIG Finding. *“SORT claimed \$7,115 for manuals, gas mask fittings, and certifications. It could not provide any support that they incurred any costs for these items.”*

DHHS Response. This response also includes a following finding regarding student binders, e.g. \$2,221 in unsupported costs. SORT has submitted documentation of 34 gas mask fittings to include labor costs and equipment for a total of \$1,020. Sort has also included documentation of binders/manuals (160 total) for a total of \$4528.03. In addition, invoices were received for 80 attaché cases to carry the instructor manuals at a cost of \$701.92. Documentation has been

submitted for the certifications from Northwest AHEC Continuing Medical Education in the amount of \$750. Furthermore SORT provided 80 Compact Discs, 1 for each of the 80 instructor manuals for a total of \$2,400. The amount of actual expenditures for these items is \$9,399.95 versus the amount filed for reimbursement of \$13,315. The amount of unallowable cost for this finding is \$3,915.05.

OIG Finding. *“SORT claimed administrative time at an average rate for three employees: the executive director, the administrative officer, and the receptionist. There were significant differences in the amounts that the employees were paid but SORT had not accounted for the time for each individual separately. Thus, we could not determine a reasonable amount for administrative salaries. Since these types of salary costs are generally claimed as indirect costs, we allowed SORT an indirect rate of 10 percent of direct costs allowed in lieu of the administrative salaries claimed. The 10 percent indirect rate was the rate allowed by Program guidance. The difference in direct administrative salaries and indirect administrative costs was \$7,072.”*

DHHS Response. The Department agrees with the audit finding that SORT did not have individual records for the three administrative personnel. The Department also agrees that 10% indirect cost for the claimed amount is reasonable. Given a total claim submission of \$171,440 minus \$5911.05 for unallowable costs for binders, manuals, travel, supplies etc., the 10% indirect should be based on \$165,528.95; therefore there should not be a negative balance for administrative salaries.

OIG Finding. *“SORT claimed \$2,221 in unsupported costs for student binders. SORT claimed \$5,800 for student binders. However, we calculated that the cost of providing 160 copies of the 500 – page binders would be \$3,579; therefore, we question the \$2,221.”*

DHHS Response. The response for this item has been combined with the response regarding gas mask fittings, manuals and certifications since the manuals and binders are included as one cost.

OIG Finding. *“SORT claimed travel costs and supply costs of \$2,032 more than it could support.”*

DHHS Response. The auditor is correct in that SORT claimed \$1,840 more in travel costs than it could support. SORT did account for a total of \$244 in supplies, e.g. survival cards in instead of \$208 reported by the auditor, therefore SORT claimed \$156 more than it could support. The amount of unallowable cost for travel and supplies for this finding is \$1,996.

Subrecipient Monitoring Finding

The Department disagrees with the following audit finding:

OIG Finding. *“These conditions occurred because the State did not have controls to ensure that subrecipients claimed only necessary, reasonable, allocable, and allowable costs. Subrecipients did not submit financial reports containing sufficient detailed information to permit the State to assess the allowability of costs charged to the Program or to relate those costs to Program activities actually performed by the subrecipients.”*

DHHS Response. The contracts with the subrecipients indicated that financial and progress reports were due for reimbursement purposes. The contracts further described the deliverables that were expected to be completed for reimbursement purposes. Departmental staff attended the training sessions offered by SORT and were able to conduct on-site monitoring on activities such as gas mask fittings and certifications. Departmental staff also was on-site to review draft documents of the instructor training materials and to evaluate the courses conducted by SORT. The Department does recognize that individual financial reports will need to be supported by more precise documentation.

Conclusion

The North Carolina Department of Health and Human Services agrees with the audit findings regarding the recording and reporting of HRSA Program funds awarded, expended, obligated, and unobligated by priority area, by critical benchmark, and by funds allocated to hospitals and other health care entities as required by the cooperative agreement. The Department further agrees with the audit findings regarding costs incurred by the State for administering the Program were necessary, reasonable, allocable, and allowable and that no evidence was found that the State supplanted State or local expenditures with Program funds.

The Department further agrees with the audit findings regarding the unallowable costs for the University of North Carolina at Chapel Hill totaling \$640.20 (\$582 for travel costs and \$58.20 for indirect costs associated with the travel). However, the Department disagrees with the remaining audit findings regarding unallowable costs, totaling \$155,970.80 (\$69,534 in salary costs and \$86,436.80 in other costs) for the University of North Carolina at Chapel Hill.

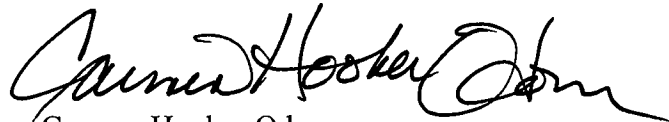
In regards to SORT, the Department agrees that SORT has unallowable costs totaling \$5,911.05 for travel, supplies, binders, manuals, and certifications. The Department is willing to work with SORT to facilitate repayment of these funds. However, the Department disagrees with the remaining audit findings regarding unallowable costs totaling \$86,646.95 for SORT.

We trust that the foregoing response addresses the various report recommendations. If additional information is needed, please contact Dan Stewart, Assistant DHHS Secretary (Acting) at (919) 733-4534 or Dan.Stewart@ncmail.net. Lastly, we would like to express our appreciation to the audit staff that worked on this project. Although there are some points on which we disagree, the

Ms. Lori S. Pilcher
July 5, 2005
Page 9 of 46

audit staff was professional in working with the State and subrecipients. We are also appreciative of the opportunity to provide the above comments and hope that the State and HRSA can reach an amicable agreement as to the settlement of these questioned costs.

Sincerely,

A handwritten signature in black ink, appearing to read "Carmen Hooker Odom". The signature is fluid and cursive, with the first name "Carmen" being the most prominent.

Carmen Hooker Odom

Cc: Dr. Leah Devlin
Dr. Steve Cline
Dan Stewart
Bob Fitzgerald

Appendix A

Appendix A contains a copy of the original contract executed between North Carolina Office of EMS and the University of North Carolina, Chapel Hill Department of Emergency Medicine for July 1, 2002 to June 30, 2003. The purpose of this contract was to appoint a qualified physician, Greg Mears, MD to serve as Medical Director of the Office of North Carolina EMS and provide medical guidance to the system implementation of the statewide bioterrorism preparedness program. This contract was amended annually and addresses the time period through March 2004. The amendments were not included in Appendix A, however they are on file and can be provided upon request.

**CONTRACT #AD03-9074
P.O. #2790000257**

Between

The North Carolina Department of Health and Human Services

**Division of Facility Services
Office of Emergency Medical Services
and**

**University of North Carolina at Chapel Hill, School of Medicine,
Department of Emergency Medicine**

FEDERAL TAX ID # 56-600-1393

1. Parties to the Contract:

This Contract is entered into by and between the North Carolina Department of Health and Human Services, Division of Facility Services, Office of Emergency Medical Services, hereinafter referred to as the "Division", and the University of North Carolina at Chapel Hill, School of Medicine, Department of Emergency Medicine, hereinafter referred to as the "Contractor", for the activities specified herein.

2. Contract Documents:

This document is the entire Contract between the parties.

3. Assignment:

No assignment of the Contractor's obligations nor the Contractor's right to receive payment hereunder shall be permitted. However, upon written request approved by the issuing purchasing authority, the State may:

A. Forward the contractor's payment check(s) directly to any person or entity designated by the Contractor, or

B. Include any person or entity designated by Contractor as a joint payee on the Contractor's payment check(s).

In no event shall such approval and action obligate the State to anyone other than the Contractor and the Contractor shall remain responsible for fulfillment of all contract obligations.

4. Effective Period:

This Contract is effective upon execution for period July 1, 2002 to June 30, 2003 with the option to extend, if mutually agreed upon, through a written amendment as provided for below.

5. Subcontracting:

The Contractor shall not subcontract any of the work contemplated under this Contract without prior written approval from the Division. Any approved subcontract shall be subject to all conditions of this contract. Only the subcontractors specified in the Contractor's proposal are to be considered approved upon award of the contract. The Contractor shall be responsible for the performance of any subcontractor.

6. Independent Contractor:

The Contractor is and shall be deemed to be an independent contractor in the performance of this contract and as such shall be wholly responsible for the work to be performed and for the supervision of its employees. The Contractor represents that it has, or shall secure at its own expense, all personnel required in performing the services under this agreement. Such employees shall not be employees of, or have any individual contractual relationship with, the Division.

7. Key Personnel:

The Contractor shall not substitute key personnel assigned to the performance of this contract without prior written approval by the Division. The individuals designated as key personnel for purposes of this contract are those specified as such in the Contractor's Proposed Budget and such others as the parties may agree.

8. Beneficiary:

Except as herein specifically provided otherwise, this Contract shall inure to the benefit of and be binding upon the parties hereto and their respective successors. It is expressly understood and agreed that the enforcement of the terms and conditions of this Contract and all rights of action relating to such enforcement, shall be strictly reserved to the State and the named Contractor. Nothing contained in this document shall give or allow any claim or right of action whatsoever by any other third person. It is the express intention of the State and Contractor that any such person or entity, other than the State or the Contractor, receiving services or benefits under this Contract shall be deemed an incidental beneficiary only.

9. Administrators for the Contract:

The persons named below shall be administrators for the respective parties and shall be the persons to whom notices provided for in this Contract shall be given and to whom matters relating to administration or interpretation of this Contract shall be addressed. Either party may change its administrator or his address or his telephone number by written notice to the other party.

For the Division:

Mike Eddinger, Assistant Chief OEMS
Division of Facility Services
701 Barbour Drive
2707 Mail Service Center
Raleigh, North Carolina 27699-2707
Phone (919) 855-3945 Fax (919) 733-7021

For the Contractor:

Charlotte Weaver, PreMIS Project Director
UNC Department of Emergency Medicine
10002 Main Street, Southern Village
Chapel Hill, North Carolina 27516
Phone (919) 843-0201 Fax (919)

10. Choice of Law:

The validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties of this Contract, are governed by the laws of North Carolina. The Contractor, by signing this Contract, agrees and submits, solely for matters concerning this Contract, to the jurisdiction of the courts of North Carolina and agrees, solely for such purpose, that the venue for any legal proceedings shall be Wake County, North Carolina. The place of all contracts, transactions, agreements, their situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in contract or tort, relating to the validity, construction, interpretation, and enforcement shall be determined.

11. Entire Agreement:

This Contract and any documents incorporated specifically by reference represent the entire agreement between the parties and supersede all prior oral or written statements or agreements.

12. Survival of Promise

All promises, requirements, terms, conditions, provisions, representations, guarantees, and warranties contained herein shall survive the contract expiration or termination date unless specifically provided otherwise herein, or unless superseded by applicable Federal or State statutes of limitation.

13. Availability of Funds:

The parties to this contract agree and understand that the payment of the sums specified in this contract is dependent and contingent upon and subject to the appropriation, allocation, and availability of funds for this purpose to the Division.

14. Responsibilities of the Division:

- A. Pay to the Contractor a sum not to exceed \$93,204 as sole consideration for the Contractor's performance of all its obligations which are set forth in this contract.
- B. Upon receipt of approved invoice, issue payment of the amount specified in Paragraph 14A above in four (4) quarterly payments of \$23,301 each. Final payment is due by June 30, 2003.
- B. Monitor the Contractor for compliance with the terms of this Contract; and
- C. Specify all reports and other deliverables required from the Contractor.

15. Responsibilities of the Contractor:

A. Appoint a qualified physician to:

- 1) Serve as Medical Director of the Office of Emergency Medical Services.
- 2) Serve as the Department's liaison with the medical community, including obtaining input from the various medical groups with an interest in EMS and keeping them abreast of the activities of the program.
- 3) Provide assistance to the regional medical directors and local medical directors with the development and implementation of the medical aspects of their EMS system, particularly in the areas of rules compliance, protocols, and medical oversight.
- 4) Consult with the OEMS staff as required on the medical aspects of the various agency programs.
- 5) Represent the agency at local, regional, state and national conferences and seminars and carry out other functions as deemed appropriate by the Chief of the agency.
- 6) Provide medical guidance to the system implementation of the statewide bioterrorism preparedness program to include:
 - a) development and monitoring of educational programs;
 - b) development of a communication infrastructure among responding agencies;
 - c) development of treatment, triage, and operational protocols, policies, and procedures;
 - d) development and evaluation of bioterrorism drills;
 - e) monitoring and surveillance of EMS personnel and equipment;
 - f) development of a system to monitor biological symptoms of the EMS patient population for surveillance and notification of public health personnel in the event an abnormality is detected; and
 - g) providing assistance to State coordinating bodies for domestic preparedness.

B. It is understood that if the appointed physician is unable to fulfill the duties under this contract, the Contractor will, with mutual consent of the Office of Emergency Medical Services, appoint another qualified physician to serve the remaining term of this contract;

C. Perform the services described in Paragraphs 15A and 15B above in accordance with the terms of this Contract;

D. Make available all records, papers, vouchers, books, correspondence or other documentation or evidence at reasonable times for review, inspection or audit by duly authorized officials of the Division, the North Carolina State Auditor, or applicable federal agencies;

C. Submit to the Division all plans, reports, documents or other products that the Division may require, in the form specified by the Division, including without limitation the following:

- 1) a quarterly report of the contracted services and activities of the Contractor as specified by the Division within thirty days of each quarter;

16. Amount of Reimbursement:

The total reimbursement from the Division to the Contractor for provision of services in this contract shall not exceed \$93,204. This amount consists of \$55,000 in state appropriation and \$38,204 in federal funds from the HRSA Bioterrorism Hospital Preparedness Program, CFDA #93.003.

Check a or b as applicable.

a. There are no matching requirements from the Contractor.

b. The Contractor's matching requirement is \$ _____, which shall consist of:

- | | |
|---|--|
| <input type="checkbox"/> In-kind | <input type="checkbox"/> Cash |
| <input type="checkbox"/> Cash and In-kind | <input type="checkbox"/> Cash and/or In-kind |

The contributions from the Contractor shall be sourced from non-Federal funds.

17. Travel Expenses:

Reimbursement to the Contractor for travel mileage, meals, lodging and other travel expenses incurred in the performance of this Contract shall not exceed the rates published in applicable State regulations. International travel shall not be reimbursed under this Contract.

18. Payment for Services:

Upon execution of this Contract, the Contractor shall submit to the Division a quarterly reimbursement request and, upon approval by the Division, receive payment within 30 days. The Contractor shall have up to 60 days for close out, completion and submission of the final quarterly expenditure report related to this contract period. If this contract is terminated, the Contractor shall complete a final accounting report and return any unearned funds to the Division within 60 days of the contract termination date. All payments are contingent upon fund availability. The Division shall have no obligation for payments based on expenditure reports submitted later than 60 days after termination or expiration of the Contract period."

19. Notice of Certain Reporting and Audit Requirements

Each corporation, organization and institution that receives, uses or expends any state funds shall use or expend the funds only for the purposes for which they were appropriated by the General Assembly or collected by the State. State funds include federal funds that flow through the state. If the Contract entity is a governmental entity, such entity is subject to the requirements of OMB Circular A-133 and the N.C. Single Audit Implementation Act of 1987. If the Contract entity is a nongovernmental entity, such entity is subject to the provisions of G.S. 143-6.1. Additionally, any nongovernmental entity except a for-profit corporation is subject to the provisions of OMB Circular A-133.

A Contractor who receives, uses, or expends between fifteen thousand dollars (\$15,000.00) and three hundred thousand dollars (\$300,000.00) in State funds annually, except when the funds are for the purchase of goods or services, shall file annually with the State agency that disbursed the funds a sworn accounting of receipts and expenditures of the State funds. This accounting format shall be in the form prescribed by the State Auditor and shall be attested to by the treasurer of the Contractor and one other authorizing officer of the Contractor. The accounting shall be filed within six (6) months after the end of the Contractor's fiscal year in which the State funds were received. For purposes of the required report, the Contractor's fiscal year is used in determining the amount received, used or expended.

A Contractor who receives, uses, or expends State funds in the amount of three hundred thousand dollars (\$300,000.00) or more annually, except when the funds are for the purchase of goods or services, shall file annually with the State Auditor and the funding agency a financial statement in the form and on the schedule prescribed by the State Auditor. The financial statement shall be audited in accordance with standards prescribed by the State Auditor to assure that State funds are used for the purposes provided by law. Contractors (except nongovernmental for-profit corporations) that expend three hundred thousand dollars (\$300,000.00) or more in federal funds for the fiscal year shall have an audit conducted in accordance with the provision of OMB Circular A-133. An audit performed in accordance with OMB Circular A-133 will satisfy the reporting requirements identified in G.S. 143-6.1. **AUDIT REPORTS SHOULD BE FILED WITH THE STATE AUDITOR AND THE FUNDING STATE AGENCIES WITHIN 30 DAYS AFTER ISSUANCE BY THE AUDITOR BUT NO LATER THAN NINE MONTHS AFTER THE CONTRACTOR'S FISCAL YEAR.**

The State Auditor has audit oversight of every Contractor who receives, uses or expends State funds. Such a Contractor shall, upon request, furnish to the State Auditor for audit all books, records, and other information necessary for the State Auditor to account fully for the use and expenditure of state funds. The Contractor shall furnish any additional financial or budgetary information requested by the State Auditor.

If the Contractor disburses or transfers any state funds to other organizations, except for the purchase of goods or services, the Contractor shall require such organizations to file with it similar reports and statements as required by G.S. 143-6 and the Office of State Auditor's Audit Advisory #2.

The Division has determined this contract to be a purchase of goods or services not subject to G.S. 143-6.1.

20. Sales/Use Tax:

If applicable the Contractor shall request the sales/use tax refund from the North Carolina Department of Revenue as permitted under G.S. 105-164.14 and shall ensure all subcontractors request the sales/use tax refund from the North Carolina Department of Revenue as permitted under G.S. 105-164.14. The Contractor shall exclude all refundable sales/use tax from all reportable expenditures before they are entered on the monthly report of expenditures submitted to the Division and shall ensure all subcontractors eligible to receive sales/use tax refunds exclude sales/use tax from all reportable expenditures before they are entered on the monthly report of expenditures submitted to the Contractor.

21. Care of Property:

The Contractor agrees that it shall be responsible for the proper custody and care of any property furnished it for use in connection with the performance of this Contract or purchased by it for this

Contract and will reimburse the Division for loss or damage of such property. At the termination of this contract the contractor shall contact the Division for instructions as to the disposition of such property and shall comply with these instructions.

22. Access to Persons and Records

The Contractor agrees to provide the North Carolina State Auditor, the Division, the Department of Health and Human Services, all applicable federal agencies, or their agents, with access to persons and records for the purpose of monitoring, evaluating, or auditing this Contract and the Contractor's performance, and for all other purposes required by law, regulation or policy.

23. Record Retention

The Department of Health and Human Services' basic records retention policy requires all records related to this Contract to be retained for a minimum of three years following completion or termination of the contract. Policy further requires records to be retained for a period of three years following submission of the final Federal Financial Status Report, if applicable, or three years following the submission of a revised final Federal Financial Status Report. Also, if any litigation, claim, negotiation, audit, disallowance action, or other action involving this contract has been started before expiration of the three year retention period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three year period, whichever is later. Therefore, the Contractor shall not destroy, purge or dispose of records related to this Contract or the Contractor's performance without the express prior written consent of the Division.

24. Copyrights and Distribution of Material:

Any information, data, instruments, documents, studies or reports given to or prepared or assembled by the Contractor under this agreement may be published by the Contractor or its employees, or distributed by the Contractor to any other individual or organization. The Contractor shall acknowledge the Division's funding role in all publications. The Contractor at all times agrees to protect confidentiality of all records and information in accordance with Section 24. Any deliverables resulting from this contract shall be the property of the DIVISION and the Contractor shall not distribute or reproduce for profit or allow others to profit from the deliverables of this contract. Any and all copyrights resulting from work under this agreement, other than deliverables, shall belong to the Contractor. For non-deliverables, the Contractor hereby grants to the DIVISION a perpetual, royalty-free, non-exclusive, paid-up license to use, publish and distribute results of work under this agreement **for North Carolina State Government purposes only.**

25. Liabilities and Legal Obligations:

Each party hereto agrees to be responsible for its own liabilities and that of its officers, employees, agents or representatives arising out of this Contract including fiscal responsibility for deviation from this contract.

26. Confidentiality:

Any medical records, personnel information or other items exempt from the NC Public Records Act or otherwise protected by law from disclosure given to the Contractor under this contract shall be kept confidential and not divulged or made available to any individual or organization without the prior written

approval of the Division. Subject to the foregoing provisions, Contractor reserves the right to use the results of all services provided under this Contract for its teaching, research and publication purposes.

27. Equal Employment Opportunity

The Contractor shall comply with all federal and State laws relating to equal employment opportunity.

28. Compliance with Laws:

The Contractor shall comply with all laws, ordinances, codes, rules, regulations, and licensing requirements that are applicable to the conduct of its business, including those of federal, state, and local agencies having jurisdiction and/or authority.

29. Advertising:

The Contractor shall not use the award of this contract as a part of any news release or commercial advertising.

30. Amendment:

This Contract may not be amended orally or by performance. Any amendment must be made in written form and executed by duly authorized representatives of the Division and the Contractor.

31. Performance and Default:

If, through any cause, the Contractor shall fail to fulfill in timely and proper manner the obligations under this agreement, the Division shall thereupon have the right to terminate this contract by giving written notice to the Contractor and specifying the effective date thereof. In that event, all finished or unfinished deliverable items under this contract prepared by the Contractor shall, at the option of the Division, become its property subject to the provisions of Article 24, and the Contractor shall be entitled to receive just and equitable compensation for any satisfactory work completed on such materials. Notwithstanding, the Contractor shall not be relieved of liability to the Division for damages sustained by the Division by virtue of any breach of this agreement, and the Division may withhold any payment due the Contractor for the purpose of setoff until such time as the exact amount of damages due the Division from such breach can be determined.

Neither party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations by any act of war, hostile foreign action, nuclear explosion, riot, strikes, civil insurrection, earthquake, hurricane, tornado, or other catastrophic natural event or act of God.

32. Termination:

The Division may terminate this agreement at any time by *30 days'* notice in writing from the Division to the Contractor. In that event, all finished or unfinished deliverable items prepared by the Contractor under this contract shall, at the option of the Division, become its property. If the contract is terminated by the Division as provided herein, the Contractor shall be paid for services satisfactorily completed, less payment or compensation previously made.

33. Waiver of Default:

Waiver by the Division of any default or breach in compliance with the terms of this contract by the Provider shall not be deemed a waiver of any subsequent default or breach and shall not be construed to be modification of the terms of this contract unless stated to be such in writing, signed by an authorized representative of the Department and the Contractor and attached to the contract.

34. Federal Certifications:

The Contractor agrees to execute the following federal certifications that are attached to this agreement (applicable when receiving federal funds).

- A. Certification Regarding Lobbying.
- B. Certification Regarding Debarment.

In addition, the following federal certifications shall be executed if required:

- C. Certification Regarding Drug-Free Workplace Requirements.
- D. Certification Regarding Environmental Tobacco Smoke.

35. Time of the Essence

Time is of the essence in the performance of this Contract.

36. Severability

In the event that a court of competent jurisdiction holds that a provision or requirement of this Contract violates any applicable law, each such provision or requirement shall be enforced only to the extent it is not in violation of law or is not otherwise unenforceable and all other provisions and requirements of this Contract shall remain in full force and effect.

37. Federal Intellectual Property Bankruptcy Protection Act:

The Parties agree that the Division shall be entitled to all rights and benefits of the Federal Intellectual Property Bankruptcy Protection Act, Public Law 100-506, codified at 11 U.S.C. 365(n), and any amendments thereto.

38. Originals:

In witness whereof, the Contractor and the Division have executed this Agreement in duplicate originals, one of which is retained by each of the parties.

39. Signature Warranty

Each individual signing below warrants that he or she is duly authorized by the party to sign this Contract and to bind the party to the terms and conditions of this Contract.

**University of North Carolina at Chapel Hill,
School of Medicine,
Department of Emergency Medicine**

Witness

BY: _____
Nancy Sutfenfiled

TITLE: Vice Chancellor for Business and Finance

DATE: _____

Division of Facility Services, North Carolina Department of Health and Human Services

BY: _____
Robert J. Fitzgerald Director

_____ Drexdal Pratt, Chief OEMS

DATE: _____

DATE: _____

Appendix B

Appendix B contains a printout of the HRSA account with a detailed justification of the supply costs which were applied to the account during the last month of the contract. These transactions although applied in March of 2003 were items which were purchased and put into use between July 1, 2003 and May 31, 2004 within a reasonable timeframe to either complete or become a part of the HRSA contract deliverables.

HRSA Contract (UNC Account 5-46169)
Supply Expenditures: 2311 object code for the period July 1, 2003 - May 31, 2004

Object	Description	Code	Reference	Date	Transaction Description	Amount	2nd Reference	Offset Account	Justification
2311	EDUCATIONAL SUPPLIES	69		22-Aug	SPLS STATEMENT	\$285.42	081419N		Office Supplies from Staples. Supplies included pens, file folders, and printer/fax/copier paper. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	69		22-Aug	MMD STATEMENT	(\$18.67)	081419N	- -	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	48	K065206	25-Aug	MICHAEL TODD*HATLEY	\$113.00	E74725		Reference Books purchased for statistics associated with Surveillance program. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	60		15-Aug	SSR ADJ T5254 D0730	\$98.98	SSR08	3-17341-0506	Office Supplies
2311	EDUCATIONAL SUPPLIES	60		15-Aug	SSX ADJ T5254 D0730	(\$6.48)	SSR08	0-10416-1329	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	48	K065315	3-Sep	JENNY*KAGARISE	\$22.20	E75762		Reimbursement for postage stamps. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K067664	17-Sep	JENNY*KAGARISE	\$34.42	E77085		Reimbursement for postage stamps. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K065961	19-Sep	CDW LOGISTICS INC	\$1,320.78	478231		Hardware/software (photoshop, vmware, palm pda, kvm cable). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.

Object	Description	Code	Reference	Date	Transaction Description	Amount	2nd Reference	Offset Account	Justification
2311	EDUCATIONAL SUPPLIES	48	K066039	24-Sep	CDW LOGISTICS INC	\$1,193.61	480238		Hardware/software (GFI languard network scanner, GFI languard selm 5 svr). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K066038	24-Sep	CDW LOGISTICS INC	\$729.06	480238		Hardware/software (Wacom intuos2 9/12 usb plat tablet, mmd studio for windows, logitech key case keyboard, plam tungsten case). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	60		16-Sep	SSR R624 T0113 D0909	\$53.49	SSR09	3-17341-0506	Office Supplies
2311	EDUCATIONAL SUPPLIES	60		16-Sep	SSX R624 T0113 D0909	(\$3.50)	SSR09	0-10416-1329	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	60	X337661	7-Oct	SECURID CARD BILL	\$119.46	5000358	3-17164-0506	Required replacement for secure access to university mainframe system. Necessary for maintaining the financial and human resource records for the project.
2311	EDUCATIONAL SUPPLIES	48	K070762	20-Oct	CDW LOGISTICS INC	\$1,508.52	491798		Hardware/software (sony clie, palm case*2, palm pda*4). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K071777	22-Oct	GREGORY D*MEARS	\$39.99	E81196		Reimbursement for hardware (keyboard). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K071792	22-Oct	GREGORY D*MEARS	\$85.50	E81196		Reference Books purchased for by Dr. Greg Mears (Healthy People 2010). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	60	X349027	24-Oct	SPLS 081419N	(\$266.75)	6000763	5-51973-2311	Supply costs shared with other project; the other project's supplies are deducted.

Object	Description	Code	Reference	Date	Transaction Description	Amount	2nd Reference	Offset Account	Justification
2311	EDUCATIONAL SUPPLIES	60	X349027	24-Oct	K065315 E75762	(\$22.20)	6000763	5-51973-3211	Supply costs shared with other project; the other project's supplies are deducted.
2311	EDUCATIONAL SUPPLIES	60		24-Oct	SSX R111 T3058 D0916	(\$7.00)	SSR10	0-10416-1329	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	60		24-Oct	SSR R111 T3058 D0916	\$106.94	SSR10	3-17341-0506	Office Supplies
2311	EDUCATIONAL SUPPLIES	48	K071525	28-Oct	CDW LOGISTICS INC	\$361.09	495634		Hardware (palm pda). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	60	X349026	28-Oct	SPLS 111422N	(\$946.04)	5000435	5-51973-2311	Supply costs shared with other project; the other project's supplies are deducted.
2311	EDUCATIONAL SUPPLIES	69		28-Oct	MMD STATEMENT	(\$24.23)	101560N	- -	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	69		28-Oct	SPLS STATEMENT	\$370.34	101560N		Office Supplies from Staples. Supplies included labels, printer ink, binders, easel pad, file folders and highlighters. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K073838	10-Nov	GREGORY D*MEARS	\$96.11	E83155		Reimbursement for printer ink. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	69		21-Nov	SPLS STATEMENT	\$182.42	111422N		Office Supplies from Staples. Supplies included pens, batteries, CD-Rs, post-it notes, file folders, and printer/fax/copier paper. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	69		21-Nov	MMD STATEMENT	(\$11.93)	111422N	- -	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	48	K074875	3-Dec	CDW LOGISTICS INC	\$139.28	E85895		Software (Metworks codewarior). This item was used in support of the OEMS/HRSA contract and

Object	Description	Code	Reference	Date	Transaction Description	Amount	2nd Reference	Offset Account	Justification
									were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K077302	9-Dec	ALTOVA INC	\$697.00	513419		Software (XMLSpy). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K075951	10-Dec	GREGORY D*MEARS	\$419.49	E86905		Reimbursement for hardware (Treo 600). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	69		17-Dec	MMD STATEMENT	(\$16.00)	121307N	- -	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	69		17-Dec	SPLS STATEMENT	\$244.54	121307N		Office Supplies from Staples. Supplies included pens, legal pads, CD-Rs, post-it notes, file folders, and printer/fax/copier paper. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K081660	21-Jan	CDW LOGISTICS INC	\$164.95	E90913		Hardware (MBO/IGO Palm Universal Connector). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	69		27-Jan	MMD STATEMENT	(\$3.54)	011381N	- -	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	69		27-Jan	SPLS STATEMENT	\$54.09	011381N		Office Supplies from Staples. Supplies included CD-Rs, binder clip and PDA accessory. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	60	K065869	30-Jan	TRS DELL MKTG LP	\$635.01	6001501	5-42540-2311	Hardware (Purchased from Dell 8-03). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.

Object	Description	Code	Reference	Date	Transaction Description	Amount	2nd Reference	Offset Account	Justification
2311	EDUCATIONAL SUPPLIES	48	K083522	9-Feb	GREGORY D*MEARS	\$229.90	E92760		Reimbursement for software (Documents to Go for Windows PC). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K083488	9-Feb	GREGORY D*MEARS	\$110.93	E92760		Reimbursement for hardware (Treo 600 keyboard and headphone). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K083516	9-Feb	GREGORY D*MEARS	\$34.99	E92760		Reimbursement for software (Palm versamail for Windows PC). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	69		20-Feb	MMD STATEMENT	(\$24.55)	021414N	- -	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	69		20-Feb	SPLS STATEMENT	\$375.16	021414N		Office Supplies from Staples. Supplies includes fax/printer/copier paper, file folders, batteries, pens and printer ink. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K085553	1-Mar	GREGORY D*MEARS	\$68.48	E95410		Reimbursement for hardware (Palm docking cradle and case). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K085523	1-Mar	GREGORY D*MEARS	\$45.61	E95410		Reimbursement for supplies (ink and USB AA EXT). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K083914	1-Mar	CDW LOGISTICS INC	\$493.81	E95460		Hardware/software ordered 2.03.04 (Mobile Portsmouth Ethernet Cradle for Palm III, Mobile Portsmouth Ethernet Cradle for Palm M500, and VMWare for Linux). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.

Object	Description	Code	Reference	Date	Transaction Description	Amount	2nd Reference	Offset Account	Justification
2311	EDUCATIONAL SUPPLIES	48	K087281	10-Mar	CDW LOGISTICS INC	\$226.44	E96466		Hardware (Raritan Guardian Virtual Keyboard/mouse 3 of 5 ordered 1.26.04). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K087269	10-Mar	CDW LOGISTICS INC	\$1,162.78	E96466		Hardware/software ordered 1.22.04 (red hat linux, pda case and keyboard). These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K082842	10-Mar	CDW LOGISTICS INC	\$159.00	E96466		Hardware (Raritan Guardian Virtual Keyboard/mouse 2 of 5 ordered 1.26.04). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K087105	11-Mar	ESCAL INSTITUTE	\$62.74	552671		Reimbursement for Reference Book purchased for improved HIPAA compliance. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	48	K087658	17-Mar	GREGORY D*MEARS	\$13.96	E97315		Reimbursement for supplies (paper). This item was used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	60	X022250	24-Mar	MOVING TRANSACTION	\$721.02	JV02538	6-66251-2611	Includes: Office Supplies from Staples were purchased on 9-25-03. The transaction was moved to 5-46169 in March of 2004. Supplies included batteries for support pager, ink pens and printer cartridge. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date. Software and computer equipment were purchased from CDW Logistics on 9-2-03. The transaction was moved to 5-46169 in March of 2004. The materials purchased were Palm Bluetooth SDIO Card, ACAD Adobe Acrobat 6 Professional for Windows, a Belkin Bluetooth Access Port,

Object	Description	Code	Reference	Date	Transaction Description	Amount	2nd Reference	Offset Account	Justification
									Logistics Optical Mouse, and a surge protector. All of these items were used in support of the OEMS/HRSA contract, principally PDA software development and testing and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	69		26-Mar	MMD STATEMENT	(\$7.08)	031525N	- -	Taxes Deducted
2311	EDUCATIONAL SUPPLIES	69		26-Mar	SPLS STATEMENT	\$108.20	031525N		Office Supplies from Staples. Supplies includes fax/printer/copier paper, and file folders. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
2311	EDUCATIONAL SUPPLIES	60	X031704	30-Mar	MOVING TRANSACTIONS	\$26,436.19	JV02613	5-46184-2311	See the Table below for Justification
						\$37,966.93			

Detailed Justification for X031704

- Office cubicles and relocation was purchased from Business Resource Group on 2-26-03. A portion of the transaction was moved to 5-46169 in March of 2004. The cubicles and designed space were in a new building to better accommodate the project as no space was available on campus. The materials were used extensively prior to the end of the contract date.

- Office Supplies from Staples were purchased on 3-26-03. The transaction was moved to 5-46169 in March of 2004. Supplies included pens, CD-Rs and cases for media storage, printer ink, post-it notes, labels, inter/fax/copier paper, batteries, legal pads, dry erase board and markers, file folders, stapler, desk tray, and drawer organizers. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Office Supplies from Staples were purchased on 5-27-03. The transaction was moved to 5-46169 in March of 2004. Supplies included pens, binder clips, printer ink, post-it notes, pens, printer/fax/copier paper, envelopes, and easel pad and paper. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Dell Power Edge 2650 was purchased on 6-15-03. The transaction was moved to 5-46169 in March of 2004. The hardware purchased was part of the PreMIS PDA project. The hardware was used extensively prior to the end of the contract date.
- Dell Latitude D400 was purchase on 6-17-03. The transaction was moved to 5-46169 in March of 2004. The hardware purchased was part of the PreMIS project. The hardware was used extensively prior to the end of the contract date.
- Dell D-port Monitor was purchase on 6-15-03. The transaction was moved to 5-46169 in March of 2004. The hardware purchased was part of the PreMIS project. The hardware was used extensively prior to the end of the contract date.
- Office Supplies from Staples were purchased on 6-18-03. The transaction was moved to 5-46169 in March of 2004. Supplies included legal pads, labels, file folders and 3-ring binders. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Hardware from CDW-G was purchased on 7-20-2003. The transaction was moved to 5-46169 in March of 2004. Hardware was a printer, a PDA and a PDA cradle. These items were used in the design and testing of the PreMIS Mobile. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.

- Hardware from CDW-G was purchased on 7-24-2003. The transaction was moved to 5-46169 in March of 2004. Hardware was a KVM Switch used in the production server rack at the secure facility. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Hardware from CDW-G was purchased on 7-24-2003. The transaction was moved to 5-46169 in March of 2004. Hardware was a 1GB memory used in the production server rack at the secure facility, mouse, Viking 128 MB Smartmedia card, and 256 MB Sandisk Cruzer. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Hardware from CompUSA was purchase by Dr. Mears on 6-25-03 and reimbursed to him. The transaction was moved to 5-46169 in March of 2004. Hardware was Belkin Cat5 cables and a Belkin USB KVM. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- A reference book was purchased from Borders by Dr. Mears on 6-25-03 and reimbursed to him. The transaction was moved to 5-46169 in March of 2004. Reference book was "LDAP Directories Explained" for use in improving the enrollment and security protocols for PreMIS. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Hardware from CompUSA was purchase by Dr. Mears on 6-10-03 and reimbursed to him. The transaction was moved to 5-46169 in March of 2004. Hardware was TARF Wireless Presenter and Kensington Mouse. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Hardware from CDW-G was purchased on 6-27-2003. The transaction was moved to 5-46169 in March of 2004. Hardware was a Mobile Portsmith Ethernet Cradle for PDA. This item was used in the design and testing of the PreMIS Mobile. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Hardware from CDW-G was purchased on 6-20-2003. The transaction was moved to 5-46169 in March of 2004. Hardware was a KVM monitor, cable kit for the KVM and a Cisco Switch used in the production server rack at the secure facility. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.

- Office Supplies from Staples were purchased on 7-25-03. The transaction was moved to 5-46169 in March of 2004. Supplies included pens, post-it notes, pens, batteries, binder clips and printer ink. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Office Supplies from Staples were purchased on 8-22-03. The transaction was moved to 5-46169 in March of 2004. Supplies included printer/fax/copier paper and labels. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.
- Office Supplies from Staples were purchased on 9-25-03. The transaction was moved to 5-46169 in March of 2004. Supplies included binder clips, pens, post-it notes. These items were used in support of the OEMS/HRSA contract and were expended prior to the end of the contract date.

Appendix C

Appendix C contains a print out of all of Dr. Mears salary and benefit transactions from the HRSA account. This documentation does show transactions from Dr. Mears time on the account which have all been removed. At this time the account shows a negative balance of \$(154) for Dr. Mears time.

Object	Description	Code	Reference	Date	Transaction Description	Amount	I	2nd Reference	Offset Account
1112	EPA NON-TEACH - ON	42		2/28/2003	G D MEARS	\$3,239.17		M08 REG	
1112	EPA NON-TEACH - ON	42	JE7274	2/28/2003	G D MEARS 0103M08	\$3,239.17			
1112	EPA NON-TEACH - ON	42	JE7275	2/28/2003	G D MEARS 1202M08	\$3,239.17			
1112	EPA NON-TEACH - ON	42	JE7276	2/28/2003	G D MEARS 1102M08	\$3,239.17			
1112	EPA NON-TEACH - ON	42	JE7277	2/28/2003	G D MEARS 1002M08	\$3,239.17			
1112	EPA NON-TEACH - ON	42		3/31/2003	G D MEARS	\$3,239.17		M09 REG	
1112	EPA NON-TEACH - ON	42		4/30/2003	G D MEARS	\$3,239.17		M10 REG	
1112	EPA NON-TEACH - ON	42	JE7135	5/30/2003	G D MEARS 0403M11	(\$3,239.17)	C		
1112	EPA NON-TEACH - ON	42	JE7136	5/30/2003	G D MEARS 0303M11	(\$3,239.17)	C		
1112	EPA NON-TEACH - ON	42		8/29/2003	G D MEARS	\$16.67		M02 119	
1112	EPA NON-TEACH - ON	42	JE2638	8/29/2003	G D MEARS 0703M02	\$1,408.33			
1112	EPA NON-TEACH - ON	42		8/29/2003	G D MEARS	\$1,425.00		M02 REG	
1112	EPA NON-TEACH - ON	42		9/30/2003	G D MEARS	\$1,425.00		M03 REG	
1112	EPA NON-TEACH - ON	42		10/31/2003	G D MEARS	\$55.00		M04 BON	
1112	EPA NON-TEACH - ON	42		10/31/2003	G D MEARS	\$1,425.00		M04 REG	
1112	EPA NON-TEACH - ON	42		11/26/2003	G D MEARS	\$1,425.00		M05 REG	
1112	EPA NON-TEACH - ON	42	JE7185	12/19/2003	G D MEARS 1103M06	(\$1,425.00)	C		
1112	EPA NON-TEACH - ON	42		12/19/2003	G D MEARS	\$2,850.00		M06 REG	
1112	EPA NON-TEACH - ON	42	JE7185	12/19/2003	G D MEARS 1103M06	\$2,850.00			
1112	EPA NON-TEACH - ON	42	JE7480	1/30/2004	G D MEARS 1203M07	(\$2,850.00)	C		
1112	EPA NON-TEACH - ON	42	JE7481	1/30/2004	G D MEARS 1103M07	(\$2,755.01)	C		
1112	EPA NON-TEACH - ON	60	I400603	6/30/2004	GD MEARS FEB-DEC03	(\$22,045.84)		JV03712	6-66251-1112
1812	SOCIAL SECURITY	42		2/28/2003	G D MEARS	\$195.62		M08 REG	
1812	SOCIAL SECURITY	42	JE7274	2/28/2003	G D MEARS 0103M08	\$195.62			
1812	SOCIAL SECURITY	42		3/31/2003	G D MEARS	\$198.66		M09 REG	
1812	SOCIAL SECURITY	42		4/30/2003	G D MEARS	\$192.58		M10 REG	
1812	SOCIAL SECURITY	42	JE7136	5/30/2003	G D MEARS 0303M11	(\$198.66)	C		
1812	SOCIAL SECURITY	42	JE7135	5/30/2003	G D MEARS 0403M11	(\$192.58)	C		
1812	SOCIAL SECURITY	42	JE2638	8/29/2003	G D MEARS 0703M02	\$27.16			
1812	SOCIAL SECURITY	60	I400603	6/30/2004	GD MEARS FEB-DEC03	(\$418.40)		JV03712	6-66251-1812
1813	SOC SECUR - HOSP INS	42		2/28/2003	G D MEARS	\$45.75		M08 REG	
1813	SOC SECUR - HOSP INS	42	JE7274	2/28/2003	G D MEARS M08	\$45.75			

1813	SOC SECUR - HOSP INS	42	JE7276	2/28/2003	G D MEARS	M08	\$45.81	
1813	SOC SECUR - HOSP INS	42	JE7275	2/28/2003	G D MEARS	M08	\$51.83	
1813	SOC SECUR - HOSP INS	42	JE7277	2/28/2003	G D MEARS	M08	\$51.83	
1813	SOC SECUR - HOSP INS	42		3/31/2003	G D MEARS		\$46.46	M09 REG
1813	SOC SECUR - HOSP INS	42		4/30/2003	G D MEARS		\$45.04	M10 REG
1813	SOC SECUR - HOSP INS	42	JE7136	5/30/2003	G D MEARS	M11	(\$46.46)	C
1813	SOC SECUR - HOSP INS	42	JE7135	5/30/2003	G D MEARS	M11	(\$45.04)	C
1813	SOC SECUR - HOSP INS	42		8/29/2003	G D MEARS		\$0.24	M02 119
1813	SOC SECUR - HOSP INS	42		8/29/2003	G D MEARS		\$20.14	M02 REG
1813	SOC SECUR - HOSP INS	42	JE2638	8/29/2003	G D MEARS	M02	\$23.16	
1813	SOC SECUR - HOSP INS	42		9/30/2003	G D MEARS		\$20.04	M03 REG
1813	SOC SECUR - HOSP INS	42		10/31/2003	G D MEARS		\$0.78	M04 BON
1813	SOC SECUR - HOSP INS	42		10/31/2003	G D MEARS		\$20.06	M04 REG
1813	SOC SECUR - HOSP INS	42		11/26/2003	G D MEARS		\$20.21	M05 REG
1813	SOC SECUR - HOSP INS	42	JE7185	12/19/2003	G D MEARS	M06	(\$20.21)	C
1813	SOC SECUR - HOSP INS	42		12/19/2003	G D MEARS		\$8.32	M06
1813	SOC SECUR - HOSP INS	42		12/19/2003	G D MEARS		\$40.08	M06 REG
1813	SOC SECUR - HOSP INS	42	JE7185	12/19/2003	G D MEARS	M06	\$40.42	
1813	SOC SECUR - HOSP INS	42	JE7480	1/30/2004	G D MEARS	M07	(\$48.40)	C
1813	SOC SECUR - HOSP INS	42	JE7481	1/30/2004	G D MEARS	M07	(\$39.05)	C
1813	SOC SECUR - HOSP INS	60	I400603	6/30/2004	GD MEARS FEB-DEC03		(\$342.72)	JV03712 6-66251-1813
1832	MEDICAL INSURANCE	42	JE7276	2/28/2003	G D MEARS	M08	\$53.67	
1832	MEDICAL INSURANCE	42		2/28/2003	G D MEARS		\$56.21	M08 REG
1832	MEDICAL INSURANCE	42	JE7274	2/28/2003	G D MEARS	M08	\$56.21	
1832	MEDICAL INSURANCE	42	JE7275	2/28/2003	G D MEARS	M08	\$56.21	
1832	MEDICAL INSURANCE	42	JE7277	2/28/2003	G D MEARS	M08	\$56.21	
1832	MEDICAL INSURANCE	42		3/31/2003	G D MEARS		\$56.21	M09 REG
1832	MEDICAL INSURANCE	42		4/30/2003	G D MEARS		\$56.21	M10 REG
1832	MEDICAL INSURANCE	42	JE7135	5/30/2003	G D MEARS	M11	(\$56.21)	C
1832	MEDICAL INSURANCE	42	JE7136	5/30/2003	G D MEARS	M11	(\$56.21)	C
1832	MEDICAL INSURANCE	42		8/29/2003	G D MEARS		\$0.28	M02 119
1832	MEDICAL INSURANCE	42		8/29/2003	G D MEARS		\$24.15	M02 REG
1832	MEDICAL INSURANCE	42	JE2638	8/29/2003	G D MEARS	M02	\$24.44	

1832	MEDICAL INSURANCE	42		9/30/2003	G D MEARS		\$28.59	M03 REG
1832	MEDICAL INSURANCE	42		10/31/2003	G D MEARS		\$28.59	M04 REG
1832	MEDICAL INSURANCE	42		11/26/2003	G D MEARS		\$28.59	M05 REG
1832	MEDICAL INSURANCE	42	JE7185	12/19/2003	G D MEARS M06		(\$28.59)	C
1832	MEDICAL INSURANCE	42		12/19/2003	G D MEARS		\$57.18	M06 REG
1832	MEDICAL INSURANCE	42	JE7185	12/19/2003	G D MEARS M06		\$57.18	
1832	MEDICAL INSURANCE	42	JE7480	1/30/2004	G D MEARS M07		(\$57.18)	C
1832	MEDICAL INSURANCE	42	JE7481	1/30/2004	G D MEARS M07		(\$55.27)	C
1832	MEDICAL INSURANCE	60	I400603	6/30/2004	GD MEARS FEB-DEC03		(\$386.47)	JV03712 6-66251-1832
1873	TIAA-HEALTH PLAN BEN	42		2/28/2003	G D MEARS		\$92.96	M08 REG
1873	TIAA-HEALTH PLAN BEN	42	JE7274	2/28/2003	G D MEARS M08		\$92.96	
1873	TIAA-HEALTH PLAN BEN	42	JE7275	2/28/2003	G D MEARS M08		\$92.96	
1873	TIAA-HEALTH PLAN BEN	42	JE7276	2/28/2003	G D MEARS M08		\$92.96	
1873	TIAA-HEALTH PLAN BEN	42	JE7277	2/28/2003	G D MEARS M08		\$92.96	
1873	TIAA-HEALTH PLAN BEN	42		3/31/2003	G D MEARS		\$92.96	M09 REG
1873	TIAA-HEALTH PLAN BEN	42		4/30/2003	G D MEARS		\$92.96	M10 REG
1873	TIAA-HEALTH PLAN BEN	42	JE7135	5/30/2003	G D MEARS M11		(\$92.96)	C
1873	TIAA-HEALTH PLAN BEN	42	JE7136	5/30/2003	G D MEARS M11		(\$92.96)	C
1873	TIAA-HEALTH PLAN BEN	42		8/29/2003	G D MEARS		\$0.53	M02 119
1873	TIAA-HEALTH PLAN BEN	42	JE2638	8/29/2003	G D MEARS M02		\$45.07	
1873	TIAA-HEALTH PLAN BEN	42		8/29/2003	G D MEARS		\$45.60	M02 REG
1873	TIAA-HEALTH PLAN BEN	42		9/30/2003	G D MEARS		\$45.60	M03 REG
1873	TIAA-HEALTH PLAN BEN	42		10/31/2003	G D MEARS		\$1.76	M04 BON
1873	TIAA-HEALTH PLAN BEN	42		10/31/2003	G D MEARS		\$45.60	M04 REG
1873	TIAA-HEALTH PLAN BEN	42		11/26/2003	G D MEARS		\$45.60	M05 REG
1873	TIAA-HEALTH PLAN BEN	42	JE7185	12/19/2003	G D MEARS M06		(\$45.60)	C
1873	TIAA-HEALTH PLAN BEN	42		12/19/2003	G D MEARS		\$91.20	M06 REG
1873	TIAA-HEALTH PLAN BEN	42	JE7185	12/19/2003	G D MEARS M06		\$91.20	
1873	TIAA-HEALTH PLAN BEN	42	JE7480	1/30/2004	G D MEARS M07		(\$91.20)	C
1873	TIAA-HEALTH PLAN BEN	42	JE7481	1/30/2004	G D MEARS M07		(\$88.16)	C
1873	TIAA-HEALTH PLAN BEN	60	I400603	6/30/2004	GD MEARS FEB-DEC03		(\$652.00)	JV03712 6-66251-1873
1875	ORP VALIC	42		2/28/2003	G D MEARS		\$221.56	M08 REG
1875	ORP VALIC	42	JE7274	2/28/2003	G D MEARS 0103M08		\$221.56	

1875	ORP VALIC	42	JE7275	2/28/2003	G D MEARS	1202M08		\$221.56	
1875	ORP VALIC	42	JE7276	2/28/2003	G D MEARS	1102M08		\$221.56	
1875	ORP VALIC	42	JE7277	2/28/2003	G D MEARS	1002M08		\$221.56	
1875	ORP VALIC	42		3/31/2003	G D MEARS		M09 REG	\$221.56	
1875	ORP VALIC	42		4/30/2003	G D MEARS		M10 REG	\$221.56	
1875	ORP VALIC	42	JE7135	5/30/2003	G D MEARS	0403M11	C	(\$221.56)	
1875	ORP VALIC	42	JE7136	5/30/2003	G D MEARS	0303M11	C	(\$221.56)	
1875	ORP VALIC	42		8/29/2003	G D MEARS		M02 119	\$1.14	
1875	ORP VALIC	42	JE2638	8/29/2003	G D MEARS	0703M02		\$96.33	
1875	ORP VALIC	42		8/29/2003	G D MEARS		M02 REG	\$97.47	
1875	ORP VALIC	42		9/30/2003	G D MEARS		M03 REG	\$97.47	
1875	ORP VALIC	42		10/31/2003	G D MEARS		M04 BON	\$3.77	
1875	ORP VALIC	42		10/31/2003	G D MEARS		M04 REG	\$97.47	
1875	ORP VALIC	42		11/26/2003	G D MEARS		M05 REG	\$97.48	
1875	ORP VALIC	42	JE7185	12/19/2003	G D MEARS	1103M06	C	(\$97.46)	
1875	ORP VALIC	42		12/19/2003	G D MEARS		M06 REG	\$194.94	
1875	ORP VALIC	42	JE7185	12/19/2003	G D MEARS	1103M06		\$194.94	
1875	ORP VALIC	42	JE7480	1/30/2004	G D MEARS	1203M07	C	(\$194.94)	
1875	ORP VALIC	42	JE7481	1/30/2004	G D MEARS	1103M07	C	(\$188.44)	
1875	ORP VALIC	60	1400603	6/30/2004	GD MEARS FEB-DEC03		JV03712	(\$1,507.95)	6-66251-1875
1892	COMPOSITE BENEFITS	60	1400603	6/30/2004	GD MEARS FEB-DEC03		JV03712	(\$138.27)	6-66251-1892
	BALANCE							(\$154.21)	

Appendix D

Appendix D contains a print out of all of Cindy Mears salary and benefit transactions from the HRSA account. This documentation does show transactions for Cindy Mears time on the account based on her level of activity associated with the North Carolina Hospital Status System. The auditor identified \$17,942 in salary and fringe benefit costs associated with Cindy Mears. Our records reveal only \$13,456.26 in costs associated with Cindy Mears. This may reflect corrections which were made to the account after the auditor left and before the contract ended.

Regardless of the amount, these salary and benefit costs were associated with work on the North Carolina Hospital Status System which was a component of the HRSA contract. A letter of recommendation for Cindy Mears by Dr. Tintinalli, MD indicating Cindy Mears participation with the North Carolina Hospital Status System is included as documentation.

Appendix D also contains a print out of Cindy Mears travel associated with the HRSA account. The \$582.20 was for another project and should not be associated with this account, as the auditor noted.

UNC

SCHOOL OF MEDICINE

DEPARTMENT OF
EMERGENCY MEDICINE

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May 11, 2004

Re: Cindy Mears, MA, BSN

I am pleased to provide this letter of recommendation for Cindy Mears, MA, BSN.

Ms. Mears received the BSN in nursing from the University of Maryland, followed by an MA in 1999 from the College of Notre Dame in Baltimore, Maryland. She began her professional career as an emergency department and aeromedical nurse, moving quickly into leadership and educational positions. From 1999-2002 she was Project Director for the Emergency Medical Services for Children (EMS-C), an important position within the Health Resources Services Administration. In June, 2003, she relocated from Washington DC to the Chapel Hill area. She was appointed Visiting Clinical Instructor in the Department of Emergency Medicine, where her primary responsibilities were development and management of contracts and grants in the area of Emergency Medical Services.

While faculty at UNC, her projects included the North Carolina Hospital Status System; the Rural EMS Survey Project; serving as consultant for the North Carolina EMS for Children initiative; and the EMS Quality Resource Center. She managed projects with funding from a variety of sources, including the American Heart Association, the Office of Rural Health Policy, and the Duke Endowment.

Ms. Mears has a unique and substantial skill set in the areas of project management and directorship. The quality and quantity of her work in these areas are exceptional. I predict continued achievements in these areas and am pleased to recommend her highly to you.

Sincerely,

Judith E. Tintinalli, MD, MS
Professor and Chair

Object	Description	Code	Reference	Date	Transaction Description	Amount	I	2nd Reference	Offset Account
1112	EPA NON-TEACH - ON	42		6/30/2003	C R MEARS	\$4,166.67		M12 REG	
1112	EPA NON-TEACH - ON	42		7/31/2003	C R MEARS	\$4,166.67		M01 REG	
1112	EPA NON-TEACH - ON	42		8/29/2003	C R MEARS	\$4,166.67		M02 REG	
1112	EPA NON-TEACH - ON	42		9/30/2003	C R MEARS	\$4,166.67		M03 REG	
1112	EPA NON-TEACH - ON	42	JE7118	10/31/2003	C R MEARS 0803M04	(\$4,166.67)	C		
1112	EPA NON-TEACH - ON	42	JE7119	10/31/2003	C R MEARS 0703M04	(\$4,166.67)	C		
1112	EPA NON-TEACH - ON	42		10/31/2003	C R MEARS	\$4,166.67		M04 REG	
1112	EPA NON-TEACH - ON	42		11/26/2003	C R MEARS	\$4,166.67		M05 REG	
1112	EPA NON-TEACH - ON	42		12/19/2003	C R MEARS	\$4,166.67		M06 REG	
1112	EPA NON-TEACH - ON	42		1/30/2004	C R MEARS	\$4,166.67		M07 REG	
1112	EPA NON-TEACH - ON	42		2/27/2004	C R MEARS	\$4,166.67		M08 REG	
1112	EPA NON-TEACH - ON	42	JE1014	3/31/2004	C R MEARS 1203M09	(\$4,166.67)	C		
1112	EPA NON-TEACH - ON	42	JE1015	3/31/2004	C R MEARS 1103M09	(\$4,166.67)	C		
1112	EPA NON-TEACH - ON	42	JE1016	3/31/2004	C R MEARS 1003M09	(\$4,166.67)	C		
1112	EPA NON-TEACH - ON	42	JE1017	3/31/2004	C R MEARS 0903M09	(\$4,166.67)	C		
1112	EPA NON-TEACH - ON	42		3/31/2004	C R MEARS	\$4,166.67		M09 REG	
1112	EPA NON-TEACH - ON	42	JE1054	4/30/2004	C R MEARS 0304M10	(\$4,166.67)	C		
1812	SOCIAL SECURITY	42		6/30/2003	C R MEARS	\$258.33		M12 REG	
1812	SOCIAL SECURITY	42		7/31/2003	C R MEARS	\$258.33		M01 REG	
1812	SOCIAL SECURITY	42		8/29/2003	C R MEARS	\$258.33		M02 REG	
1812	SOCIAL SECURITY	42		9/30/2003	C R MEARS	\$258.33		M03 REG	
1812	SOCIAL SECURITY	42	JE7118	10/31/2003	C R MEARS 0803M04	(\$258.33)	C		
1812	SOCIAL SECURITY	42	JE7119	10/31/2003	C R MEARS 0703M04	(\$258.33)	C		
1812	SOCIAL SECURITY	42		10/31/2003	C R MEARS	\$258.33		M04 REG	
1812	SOCIAL SECURITY	42		11/26/2003	C R MEARS	\$258.33		M05 REG	
1812	SOCIAL SECURITY	42		12/19/2003	C R MEARS	\$258.33		M06 REG	
1812	SOCIAL SECURITY	42		1/30/2004	C R MEARS	\$258.33		M07 REG	
1812	SOCIAL SECURITY	42		2/27/2004	C R MEARS	\$258.33		M08 REG	
1812	SOCIAL SECURITY	42	JE1014	3/31/2004	C R MEARS 1203M09	(\$258.33)	C		
1812	SOCIAL SECURITY	42	JE1015	3/31/2004	C R MEARS 1103M09	(\$258.33)	C		
1812	SOCIAL SECURITY	42	JE1016	3/31/2004	C R MEARS 1003M09	(\$258.33)	C		
1812	SOCIAL SECURITY	42	JE1017	3/31/2004	C R MEARS 0903M09	(\$258.33)	C		
1812	SOCIAL SECURITY	42		3/31/2004	C R MEARS	\$258.33		M09 REG	

1812	SOCIAL SECURITY	42	JE1054	4/30/2004	C R MEARS	0304M10	(\$258.33)	C		
1813	SOC SECUR - HOSP INS	42		6/30/2003	C R MEARS		\$60.42		M12 REG	
1813	SOC SECUR - HOSP INS	42		7/31/2003	C R MEARS		\$60.42		M01 REG	
1813	SOC SECUR - HOSP INS	42		8/29/2003	C R MEARS		\$60.42		M02 REG	
1813	SOC SECUR - HOSP INS	42		9/30/2003	C R MEARS		\$60.42		M03 REG	
1813	SOC SECUR - HOSP INS	42	JE7118	10/31/2003	C R MEARS	M04	(\$60.42)	C		
1813	SOC SECUR - HOSP INS	42	JE7119	10/31/2003	C R MEARS	M04	(\$60.42)	C		
1813	SOC SECUR - HOSP INS	42		10/31/2003	C R MEARS		\$60.42		M04 REG	
1813	SOC SECUR - HOSP INS	42		11/26/2003	C R MEARS		\$60.42		M05 REG	
1813	SOC SECUR - HOSP INS	42		12/19/2003	C R MEARS		\$60.42		M06 REG	
1813	SOC SECUR - HOSP INS	42		1/30/2004	C R MEARS		\$60.42		M07 REG	
1813	SOC SECUR - HOSP INS	42		2/27/2004	C R MEARS		\$60.42		M08 REG	
1813	SOC SECUR - HOSP INS	42	JE1014	3/31/2004	C R MEARS	M09	(\$60.42)	C		
1813	SOC SECUR - HOSP INS	42	JE1015	3/31/2004	C R MEARS	M09	(\$60.42)	C		
1813	SOC SECUR - HOSP INS	42	JE1016	3/31/2004	C R MEARS	M09	(\$60.42)	C		
1813	SOC SECUR - HOSP INS	42	JE1017	3/31/2004	C R MEARS	M09	(\$60.42)	C		
1813	SOC SECUR - HOSP INS	42		3/31/2004	C R MEARS		\$60.42		M09 REG	
1813	SOC SECUR - HOSP INS	42	JE1054	4/30/2004	C R MEARS	M10	(\$60.42)	C		
BALANCE								\$13,456.26		

Appendix E

Appendix E contains a printout of the HRSA account reflecting the salary, travel, and other direct costs which were identified by the auditor and UNC as occurring prior to the inception of the contract. As noted in the printout, all of these transactions were removed from the account during the contract period.

Object	Description	Code	Reference	Date	Transaction Description	Amount	I	2nd Reference	Offset Account
1413	TEMP SER INTERNAL	62	X101303	12/31/2003	B07THEELTEMP-BENDER	\$532.40		6001324	5-57576-1413
1413	TEMP SER INTERNAL	62	X101303	12/31/2003	B06THEELTEMP-CHU	\$958.32		6001324	5-57576-1413
1413	TEMP SER INTERNAL	62	X101303	12/31/2003	B06THEELTEMP-WALDREP	\$1,064.80		6001324	5-57576-1413
1413	TEMP SER INTERNAL	62	X101303	12/31/2003	B06THEELTEMP-BENDER	\$1,064.80		6001324	5-57576-1413
1413	TEMP SER INTERNAL	62	X101303	12/31/2003	B06THEELTEMP-POWELL	\$1,086.44		6001324	5-57576-1413
1413	TEMP SER INTERNAL	60	2004527	6/30/2004	CORR ACCT #	(\$4,706.76)		JV 3629	6-65110-1413

\$0.00

SALARY BALANCE

Object	Description	Code	Reference	Date	Transaction Description	Amount	I	2nd Reference	Offset Account
3115	IN-STATE SUBS-MEALS	62	X101303	12/31/2003	T695593 E41362	\$21.00		6001324	5-57576-3115
3115	IN-STATE SUBS-MEALS	62	X101303	12/31/2003	T695593 E41362	\$69.96		6001324	5-57576-3115
3115	IN-STATE SUBS-MEALS	62	X101303	12/31/2003	T695598 E41362	\$82.00		6001324	5-57576-3115
3115	IN-STATE SUBS-MEALS	62	X101303	12/31/2003	T695594 E41362	\$88.50		6001324	5-57576-3115
3115	IN-STATE SUBS-MEALS	62	X101303	12/31/2003	T695596 E41362	\$118.00		6001324	5-57576-3115
3115	IN-STATE SUBS-MEALS	60	2004527	6/30/2004	CORR ACCT #	(\$379.46)		JV 3629	6-65110-3115

\$0.00

TRAVEL BALANCE

Object	Description	Code	Reference	Date	Transaction Description	Amount	I	2nd Reference	Offset Account
3112	IN-STATE TRAN-GROUND	62	X101303	12/31/2003	4266130	\$1,281.00		6001324	5-57576-3112
3112	IN-STATE TRAN-GROUND	60	2004527	6/30/2004	CORR ACCT #	(\$1,281.00)		JV 3629	6-65110-3112

OTHER DIRECT COSTS

\$0.00

The identified \$47 charge was a portion of this larger invoice which was removed in its entirety to eliminate any further confusion

Appendix F

Appendix F contains a printout of the HRSA account reflecting the travel costs which were identified by the auditor and UNC as related to another project. As noted in the printout, all of these transactions were removed from the account during the contract period.

Object	Description	Code	Reference	Date	Transaction Description	Amount	I	2nd Reference	Offset Account
3121	OUT/STATE TRANS-AIR	48	T693507	11/10/2003	CINDY*MEARS	\$388.50	P	E83105	
3121	OUT/STATE TRANS-AIR	62	X101303	12/31/2003	T695597 E41362	\$50.50		6001324	5-57576-3121
3121	OUT/STATE TRANS-AIR	60	2004527	6/30/2004	CORR ACCT #	(\$439.00)		JV 3629	6-65110-3121
3125	OUT/STATE SUB-MEALS	48	T693507	11/10/2003	CINDY*MEARS	\$123.25	P	E83105	
3125	OUT/STATE SUB-MEALS	60	2004527	6/30/2004	CORR ACCT #	(\$123.25)		JV 3629	6-65110-3125
TRAVEL BALANCE						\$0.00			

Appendix G

Appendix G contains a printout of the HRSA account reflecting the other direct costs to reimburse an employee for course materials for a professional exam which were identified by the auditor and UNC. As noted in the printout, this transaction was removed from the account during the contract period.

Description	Code	Reference	Date	Transaction Description	Amount	I	2nd Reference
EDUCATIONAL SUPPLIES	48	K065206	8/25/2003	MICHAEL TODD*HATLEY	\$113.00	F	E74725
EDUCATIONAL SUPPLIES	60	2004527	6/30/2004	CORR ACCT #	(\$113.00)		JV 3629
EDUCATIONAL SUPPLIES					\$0.00		

**SUMMARY OF UNALLOWABLE SUBRECIPIENT COSTS, OIG ADJUSTMENTS
AND STATE CONCURRENCE OR NONCONCURRENCE**

Unallowable Costs - Draft Report **\$ 249,169**

Cost Supported After Audit

PI's Wife's Salary - UNC	\$ 17,942	
Related Indirect Costs - UNC	1,794	
Professional Certifications - SORT	750	
Administrative Time - SORT	279	
Binders - (Attache Cases) - SORT	702	
Supplies - SORT	36	
	36	
		<u>\$ (21,503)</u>

Unallowable Costs - Final Report

\$ 227,666

ADJUSTED UNALLOWABLE COSTS - DETAIL

State Concurred - UNC:

Unrelated Travel	\$ 582	
Related Indirect Costs	58	
	640	\$ 640

State Concurred - SORT:

Gas Masks/Binders	(1) 3,915	
Travel	1,996	
	5,911	

Total State Concurred

\$ 6,551

Subsequent Adjustments - UNC

Incorrectly Charged Salaries & Fringe	\$ 25,337	
Costs Incurred Prior to Contract	5,184	
Travel Related to Another Project	512	
Other Direct Costs	113	
Related Indirect Costs	3,115	
	34,261	\$ 34,261

Total State Adjusted

\$ 34,261

Balance With Which State Does Not Agree

Uncertified Time of PI - UNC	\$ 69,534	
Supplies Transferred after Contract End - UNC	29,491	
Related Indirect Costs - UNC	2,949	
Labor of Volunteers - SORT	51,160	
Labor Charged at Higher Rates - SORT	22,958	
Manuals, Gas Mask Fitting, Certification	\$ 6,365	
Less Gas Masks/Binders - State Agreed	(3,915) (1)	
	2,450	
Balance - Gas Masks - SORT	6,793	
Administrative Time - SORT	1,519	
Unsupported Binders - SORT	1,519	
	186,854	

Total State Does Not Agree

186,854

Balance - Adjustments and State Does Not Agree

221,115

Adjusted Questioned Costs

\$ 227,666