

**REPORT
ON THE
LIMITED REVIEW**

**COUNTY OF SANTA CLARA
SAN JOSE, CALIFORNIA**

**PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD
AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

**Audits Section – Richmond
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Louise Wong
Audit Supervisor: David Mui
Auditor: Edmund Yee**



SANDRA SHEWRY
Director

State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

September 24, 2008

Rocio Luna, MPH
Division Director
Public Health Preparedness and Data Management
Santa Clara County Public Health Department
976 Lenzen Avenue, Suite 1800
San Jose, CA 95126

Dear Ms. Luna:

The claims for expenditures for services provided by County of Santa Clara, under the Public Health Emergency Preparedness Program, CDC Funding Grant Agreement, for the fiscal period of August 31, 2005 through August 30, 2006, have been audited by the Financial Audits Branch of the Department of Health Care Services. In addition, a review was made of the program's management and operational procedures.

Except as set forth in the following paragraph, our audit was made in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Accordingly, our audit included such tests of the accounting records and other audit procedures, as we considered necessary under the circumstances.

The financial statements of County of Santa Clara for the year ended June 30, 2006, were examined by other auditors whose report dated November 28, 2006 expressed an unqualified opinion on those statements.

The scope of our review was limited to specific contract or program requirements relating to financial compliance and did not include sufficient work to determine whether the financial statements present fairly the financial position and the results of the financial operations. We have not duplicated the work performed by the other auditors.

As noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial position referred above.

The program audit was conducted during the months of May through July, 2007. The exit conference was held on March 5, 2008 at which time the results of the engagement were discussed.

This Audit Report includes the:

1. Executive Summary of Findings
2. Fiscal Findings
3. Financial Schedules

The report concludes that no additional amount is due the State or Contractor.

Emergency Preparedness Office may require a corrective action plan in response to the findings in this report. If so, please send a copy of the corrective action plan to:

Diane Leung
Contract Manager
Emergency Preparedness Office
California Department of Public Health
1615 Capitol Avenue, Suite 73.373
P. O. Box 997413, MS 7002
Sacramento, CA 95899-7413

If you should have any further question, please contact Diane Leung, Contract Manager, at (916) 319-8192.

Original Signed By

Louise Wong, Chief
Audits Section – Richmond
Financial Audits Branch

cc: Betsey Lyman
Deputy Director

Diane Leung
Contract Manager
Planning and Policy Unit

Emergency Preparedness Office
California Department of Public Health
1615 Capitol Avenue, Suite 73.373
P. O. Box 997413, MS 7002
Sacramento, CA 95899-7413

Certified

TABLE OF CONTENTS

- I. EXECUTIVE SUMMARY OF FINDINGS
- II. INTRODUCTION
 - A. Description of Program
 - B. Description of Agency
 - C. Site Locations
 - D. Funding Sources
 - E. Contract Goals and Objectives
 - F. Regulations
 - G. Abbreviations in this Report
- III. SCOPE OF AUDIT
- IV. CONTRACT COMPLIANCE
- V. FISCAL FINDINGS
 - A. Federal CDC Grant Funds
 - B. Unexpended CDC Grant Funds
 - C. Trust Fund
 - D. Supplanting of Funds
 - E. Single Audit
 - F. Expenditure Review
- VI. SYSTEMS AND PROCEDURES
- VII. SCHEDULES
 - 1. SUMMARY OF AUDITED PROGRAM EXPENDITURES
 - 1A. SUMMARY OF PROGRAM EXPENDITURES
- VIII. CONTRACTOR'S RESPONSE TO AUDIT FINDINGS
- IX. PROGRAM'S RESPONSE TO AUDIT FINDINGS
- X. ATTACHMENT A

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

I. EXECUTIVE SUMMARY OF FINDINGS

The following information is a summary of our findings:

CONTRACT COMPLIANCE

Our report does not include an evaluation of the County's progress toward achieving the CDC Preparedness goals and objectives other than to note that the County submitted the reports required to document their activities related to the grant award. These reports are monitored by EPO or the Federal CDC.

FISCAL FINDINGS

1. The County requested a total of \$2,385,541 of federal funds, and had expenditures and encumbrances totaling \$1,790,154. The unexpended federal program funds totaled \$595,387 as of August 31, 2006, representing 25% of the \$2,385,541 federal funds awarded. (See Section V.A)
2. The County requested a carryover of unexpended funds to the 06/07 grant period. The carryover request submitted in April 2007 was approved by the EPO on August 24, 2007. (See Section V.B)
3. The County did not meet requirements to deposit the grant funds in a special local public health preparedness trust fund established exclusively for emergency preparedness. (See Section V.C)
4. The agreement requires that the County not use the CDC funds to supplant existing levels of services in the County. During the course of our review, we did not detect any situations in which funds from this agreement were used to fund other pre-existing programs or other new programs. (See Section V.D)
5. The County did not submit statements and receive written approval from EPO for travel lodging and per diem rates that exceeded Department of Personnel Administration (DPA) rates. In addition, the County did not submit and receive written approval from EPO when actual out-of-state travel occurred. (See Section V.F)

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

II. INTRODUCTION

A. DESCRIPTION OF PROGRAM

The Public Health Emergency Preparedness Program is funded by the Federal Center for Disease Control and Prevention (CDC) under the authority of 42 U.S.C. 247d-3. The purpose of this program is to upgrade and integrate State and local public health jurisdictions' preparedness for and response to bioterrorism and other public health emergencies with Federal, State, local and tribal governments, the private sector, and Non-Governmental Organizations. These emergency preparedness and response efforts are intended to support the National Response Plan and the National Incident Management System.

B. DESCRIPTION OF AGENCY

The Public Health Department is a local governmental agency, which is a part of the County of Santa Clara government.

The mission of the Public Health Department is to serve all people of Santa Clara County by protecting health; preventing disease, injury, premature death and disability; promoting health lifestyles, behaviors and environments; and responding to disasters, disease outbreaks and epidemics.

The Public Health Department, aka Local Health Department (LHD), has a Public Health Emergency Preparedness Program grant agreement with the California Department of Public Health (CDPH), to receive CDC base funding, Level B Reference Laboratory and Trainee, Cities Readiness Initiative (CRI) funding, and State Pandemic Influenza funding.

C. SITE LOCATIONS

The County of Santa Clara Public Health Department has various administrative and medical offices located throughout the county.

Office of Disaster Medical Services
645 South Bascom Avenue
San Jose, CA 95128

North County Public Health – Region 1
660 S. Fair Oaks Avenue
Sunnyvale, CA 94086

East Valley Public Health – Region 2
1989 McKee Road
San Jose, CA 95116

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

Downtown San Jose Public Health – Region 3
976 Lenzen Avenue
San Jose, CA 95126

West Valley Public Health – Region 4
577 Salmar
San Jose, CA 95008

Narvaez Public Health – Region 5
614 Tulley Road
San Jose, CA 95111

South County Public Health – Region 6
80 Highland Avenue
San Martine, CA 95046

D. FUNDING SOURCES

The following is a summary of the County of Santa Clara's expenditures of federal awards for the fiscal year ended June 30, 2006.

	<u>Expenditures</u>
U.S. Department of Health and Human Services	\$286,311,810
U.S. Department of Agriculture	89,012,058
U.S. Department of Housing and Urban Development	12,529,710
U.S. Department of Homeland Security	6,224,154
U.S. Department of Justice	4,078,163
U.S. Department of Transportation	2,700,809
U.S. Department of Education	172,933
U.S. Department of Interior	<u>73,658</u>
Total Expenditures of Federal Awards	<u>\$401,103,295</u>

Public Health Emergency Preparedness Grant Funding

Public Health Emergency Preparedness Program grant funding agreement for the project period, August 31, 2005 through August 30, 2006, totaled \$2,546,763 as follows:

• Federal CDC Emergency Preparedness Allocation	
CDC Base Allocation	\$1,858,990
Reference Laboratory and Trainee Allocation	331,846
Cities Readiness Initiative Allocation	<u>194,705</u>
Total	<u>\$2,385,541</u>

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

E. CONTRACT GOALS AND OBJECTIVES

The Centers for Disease Control and Prevention (CDC) has developed Preparedness Goals designed to measure urgent public health system response performance parameters that are directly linked to health protection of the public.

The Goals are intended to measure urgent public health system response performance for terrorism and non-terrorism events including infectious disease, environmental and occupation related emergencies. The primary intent of this cooperative agreement is to fund the active participation of awardees in the immediate establishment, use, and continuous improvement of a national system using the CDC Preparedness Goals to measure public health system response performance.

The CDC Preparedness Goals the County of Santa Clara contracted to meet are:

CDC Preparedness Goal 1: PREVENT

Increase the use and development of interventions known to prevent human illness from chemical, biological, radiological agents, and naturally occurring health threats.

CDC Preparedness Goal 2: PREVENT

Decrease the time needed to classify health events as terrorism or naturally occurring in partnership with other agencies.

CDC Preparedness Goal 4: DETECT/REPORT

Improve the timeliness and accuracy of information obtained from routine surveillance and where applicable, from analysis of non-traditional sources of health data, regarding threats to the public's health.

CDC Preparedness Goal 6: CONTROL

Decrease the time needed to provide countermeasures and health guidance to those affected by threats to the public's health.

CDC Preparedness Goal 9: IMPROVE

Decrease the time needed to implement recommendations from after-action reports following threats to the public's health.

F. REGULATIONS

This program is governed by the following regulations:

- Public Health Service Act, Section 319C (42 USC 247 d-3)
- 45 CFR Part 92 (Under the Public Welfare section) (Under the Grant requirements for State, Local and Tribal Governments)

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

- OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)
- California Health and Safety Code, Sections 101315 to 101320

G. ABBREVIATIONS IN THIS REPORT

CDC	Centers for Diseases Control and Prevention
CDHS	California Department of Health Services
CDPH	California Department of Public Health
CFR	Code of Federal Regulations
CRI	Cities Readiness Initiative
DHS	Department of Health Services (California)
EPO	Emergency Preparedness Office (California Department of Public Health Program Office)
FICA	Federal Insurance Contributions Act
LHD	Local Health Department (Santa Clara County Public Health Department)
OMB	U.S. Office of Management and Budget
PERS	Public Employees Retirement System

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

III. SCOPE OF AUDIT

The Financial Audits Section's review of the County of Santa Clara (herein referred to as the County) was restricted to the Public Health Emergency Preparedness Program.

The audit consisted of the review of the financial records to ensure the existence of proper documentation and the propriety of claims submitted to the State for reimbursement. Such review included substantive testing:

- To determine that recorded and reported program funds awarded are expended in accordance with terms of the grant agreement with the CDPH;
- To determine that payments are for actual costs and reflect amounts billed to the State;
- To determine that payments are for services rendered;
- To determine that grant funds did not supplant existing levels of State and local funding for this program.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

IV. CONTRACT COMPLIANCE

Our report does not include an evaluation of the County's progress toward achieving the CDC Preparedness goals and objectives other than to note that the County submitted the reports required to document their activities related to the grant award. These reports are monitored by EPO or the Federal CDC.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

V. FISCAL FINDINGS

The following is a discussion of the fiscal findings relating to our examination of the County and to the Public Health Emergency Preparedness Program - CDC grant agreement. The details of these amounts are included on Schedules 1 and 1A of this report.

A. FEDERAL CDC GRANT FUNDS

The County requested a total of \$2,385,541 of federal funds, and had expenditures and encumbrances totaling \$1,790,154. The federal grant award includes CDC base funding, Level B Reference Laboratory and Trainee, Cities Readiness Initiative (CRI) funding as shown in Section VII – Schedule 1A.

B. UNEXPENDED CDC GRANT FUNDS

Exhibit B2.C - Budget Detail and Payment Provisions, Accountability Requirements, states "The LHD shall return unexpended funds from Project Period 05/06 unless carry over of such funds is approved by CDHS and CDC."

Our review disclosed unexpended funds for 05/06 of \$595,387, which represented 25% of the federal funds awarded of \$2,385,541. The County's explanations for not expending approved funds were for various reasons, such as several positions vacant, unable to hire qualified applicants; original budget did not match actual needs, overestimated need for certain types of supplies, county discounts, etc.

Since all the requested funds were not expended during the project period, the County requested a carryover of unexpended funds to the 06/07 grant period, instead of returning the unexpended funds. The County's Carryover Budget submitted to the program was for \$595,686, and requested re-distribution of fund among line items. The carryover request of \$595,686 submitted in April 2007 was approved on August 24, 2007 by the EPO.

A difference of \$299 (\$595,686 - \$595,387) was noted between the Carryover Budget request of \$595,686 and our summary of unexpended funds of \$595,387. This difference of \$299 was due to Labs travel encumbrance of \$29, and a transposition error on the Carryover Budget request for unexpended CRI Personnel funds for \$270 (\$47,417 instead of \$47,147).

The carryover funds to the 06/07 grant period are to be spent on approved items as listed on the County's request for funds carryover. The carryover funds are separate and not part of the next year Emergency Preparedness grant funds awarded.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

C. TRUST FUND

The County did not meet the grant requirement, Exhibit B8 provisions and the Health and Safety Code, Section 101317(f) to deposit the grant funds in a special local public health preparedness trust fund established solely for this purpose before transferring or expending the funds for any of the uses allocated for Emergency Preparedness. The County deposited the grant funds in a commingled pool, and interest earnings allocated to the respective funds in the pool. An accounting fund number designate the use of these funds to exclusively be used for the Emergency Preparedness Program. The County's methodology for depositing the funds into a commingled pool by designating the funds specifically for the CDC contract does not fulfill requirements of this contract provision.

Recommendation:

The County shall establish a Local Public Health Preparedness Trust Fund to comply with the contract requirements and provide to the EPO supporting documentation of compliance with the special trust fund requirement.

D. SUPPLANTING OF FUNDS

The agreement requires that the County not use the CDC funds to supplant existing levels of services in the County. The duty statements of the employees funded by this agreement (which comprises 74% of this agreement's expenditures) were initially reviewed by the EPO prior to acceptance of the County's agreement application in part to determine if supplanting of funds might occur. During the course of our review, we did not detect any situations in which funds from this agreement were used to fund other pre-existing programs or other new programs.

E. SINGLE AUDIT

In accordance with OMB Circular A-133, Non-Federal entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

We were provided with the Single Audit Reports for Fiscal Year Ended June 30, 2006, issued by Macias, Gini & O'Connell, LLP, whose report was dated November 29, 2006. The independent auditor's opinion was that the County complied, in all material respects, with the requirements to each of the major federal programs for the fiscal year ended June 30, 2006, with the exception of certain eligibility and special test and provisions applicable to its Temporary

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

Assistance for Needy Families (CFDA 93.558) program. No exceptions were disclosed in the Single Audit Reports regarding the Public Health Emergency Preparedness Program.

F. EXPENDITURE REVIEW

1) Personnel and Fringe Benefits

- a. Personnel (salaries) and fringe benefits represented 74% (\$1,761,144/\$2,385,541) of the total emergency preparedness federal allocation of funds awarded for the 05/06 grant period. The County requested \$1,225,096 for personnel expenditures and \$536,048 for fringe benefits. The County did not fully expend the personnel and fringe benefits funds awarded.
- b. Personnel expenditures for the 05/06 grant period were \$904,243. We reviewed payroll summary records, personnel job descriptions, and salary ranges for class specifications for the requested program personnel. Fringe benefits expenditures for the 05/06 grant period were \$391,074. Fringe benefits costs were based on actual amounts from the payroll summary records. The fringe benefits were for insurance, FICA, Public Employees Retirement Service (PERS) and workers' compensation.

2) Travel Reimbursement Requirements

The total travel expense budget for this grant award period was \$11,257. Travel expense represents less than one percent of the total budget.

We judgmentally selected a sample of travel expenditures for review which were principally related to the CDC base allocation funds. Based on this review, we identified that the County's own travel reimbursement per diem rates are different than the DPA rates. When per diem rates are claimed without receipts, they did not exceed the DPA maximum per diem in total (e.g., County \$30, DPA maximum - \$40). However, when county employees were claiming per diem with itemized receipts, the rates sometimes exceeded DPA rates during the term of the agreement.

We identified cases where the amount claimed for lodging exceeded the DPA reimbursement limits. For example, the DPA lodging limit per night for San Diego County is \$110 per night plus tax. In the travel expense reviewed, the lodging rate claimed was \$204 per night plus tax which is in excess of the DPA lodging limit for San Diego County. In another example, the DPA lodging limit per night for Fresno County is \$84 per night plus tax. In the travel expense reviewed, the lodging rate claimed

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

was \$109 per night plus tax which is in excess of the DPA lodging limit for Fresno County. In both of these cases, the County did not have supporting documents of either a statement that DPA rates were not available to County or prior approval from EPO.

Other than the out-of-state travel estimate on the budget justification, the County did not receive prior written approval by EPO for the actual out-of-state travel that occurred. Out-of-state travel expense was noted for trips to Atlanta, Georgia and Florida.

Recommendation:

Exhibit D(F), Section 2 requires that the travel and per diem expenses be the rates currently in effect as established by the California Department of Personnel Administration (DPA) and that no travel outside the State of California be reimbursed without prior written approval.

All CDC program related travel should be monitored to ensure compliance with program and contract requirements. The County may want to issue a policy letter or reminder to employees conducting program related travel of contract and program requirements. Written approval should be obtained from EPO prior to travel for exceptions to DPA rates and out-of-state travel.

3) Supplies Expenditures

The County requested \$186,249 for supplies expenditures such as general office supplies, duplication, laptops, training and exercise materials, and laboratory supplies. The County incurred expenditures and encumbrances totaling \$176,571 for supplies during the 05/06 grant period. No exceptions were identified in our judgmental sample review of the supporting documents for the County's supplies expenditures.

4) Contractuals

The County requested \$97,500 for services from a subcontractor to assist San Benito County in coordination with Santa Clara's Office of Disaster Medical Services (ODMS) for CRI (Cities Readiness Initiative) planning (Mass Prophylaxis and Vaccination). All invoices for these expenditures were provided for our review. The base funding of \$97,500 was fully expended for subcontractor services.

5) Other Expenditures

The County requested \$158,780 for other expenditures for miscellaneous items such as cell phone costs for specific staff to conduct disaster preparation work, copying, mailing, room rental for training sessions, etc.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

The County incurred \$78,946 in other expenditures and encumbrances during the 05/06 grant period. No material exceptions were identified in our judgmental sample review of the supporting documents for these expenditures.

6) Indirect Costs

The County's fiscal personnel, indirect costs budgeted under the grant agreement was 10% of personnel (salaries) and fringe benefits. The County stated their actual indirect costs are higher than the percentage claimed. Our review of the Countywide Cost Allocation Indirect Cost Rate showed the county's Public Health Department's indirect cost rate calculated to 29.01% of salaries and benefits, and 19.75% of total public health program costs.

Further, based on our examination, nothing came to our attention to indicate that the County has not complied with the material terms and conditions of the contract beyond the findings noted above.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

VI. SYSTEMS AND PROCEDURES

The management of the County of Santa Clara is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance the assets are safeguarded against loss, from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We did not review the County of Santa Clara's overall internal control structure. We limited our internal control review to the County's procedures to account for emergency preparedness program funds, and the County's preparation of the required filing of the program financial status reports.

Further, the CPA's Comprehensive Audited Financial Report (CAFR) of the County of Santa Clara disclosed no material weaknesses related to the overall internal control structure.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

VII. SCHEDULES

Schedules of financial data have been included in this report to summarize the amounts claimed and paid under the grant agreement as presented on Schedules 1 and 1A.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

VIII. CONTRACTOR'S RESPONSE TO AUDIT FINDINGS

The audit findings were discussed at the exit conference on March 5, 2008. A copy of the County's response is included as Attachment A.

No revisions were made to this report as a result of the Contractors response.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

IX. PROGRAM'S RESPONSE TO AUDIT FINDINGS

EPO has responded to the findings of this report. No material revisions were made to this report as a result of EPO's response. EPO will work with the LHDs through guidance documents and agreements to ensure these issues are corrected in the future.

SCHEDULE 1

COUNTY OF SANTA CLARA
 PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
 CDC FUNDING GRANT AGREEMENT
 FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006

SUMMARY OF AUDITED PROGRAM EXPENDITURES

	Budget Category	Audit Adjustment No.	2005/2006 Expenditures		
			As Reported	Audit Adjustments	As Audited
1.	CDC Base				
	Financial Assistance				
	A. Personnel		\$742,369		\$742,369
	B. Fringe		\$329,987		\$329,987
	C. Travel		\$3,935		\$3,935
	D. Equipment		\$0		\$0
	E. Supplies		\$104,573		\$104,573
	F. Contractual		\$0		\$0
	G. Other		\$71,221		\$71,221
	Total Direct FA		\$1,252,085		\$1,252,085
	H. Indirect		\$107,236		\$107,236
	Total Financial Assistance		\$1,359,321		\$1,359,321
	I. Personnel				
	J. Federal Contract				
	K. Other				
	Total Direct Assistance		\$0		\$0
	Grand Total		\$1,359,321		\$1,359,321
2.	LABS Only				
	Financial Assistance				
	A. Personnel		\$153,391		\$153,391
	B. Fringe		\$60,240		\$60,240
	C. Travel		\$1,358		\$1,358
	D. Equipment		\$0		\$0
	E. Supplies		\$51,556		\$51,556
	F. Contractual		\$0		\$0
	G. Other		\$0		\$0
	Total Direct FA		\$266,545		\$266,545

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

SUMMARY OF AUDITED PROGRAM EXPENDITURES

	Budget Category		Audit Adjustment No.	2005/2006 Expenditures		
				As Reported	Audit Adjustments	As Audited
	H.	Indirect		\$21,363		\$21,363
	Total Financial Assistance			\$287,908		\$287,908
	I.	Personnel				
	J.	Federal Contract				
	K.	Other				
	Total Direct Assistance			\$0		\$0
	Grand Total			\$287,908		\$287,908
3.	CRI Only					
	Financial Assistance					
	A.	Personnel		\$8,483		\$8,483
	B.	Fringe		\$847		\$847
	C.	Travel		\$1,039		\$1,039
	D.	Equipment		\$0		\$0
	E.	Supplies		\$2,550		\$2,550
	F.	Contractual		\$78,857		\$78,857
	G.	Other		\$1,919		\$1,919
		Total Direct FA		\$93,695		\$93,695
	H.	Indirect		\$933		\$933
	Total Financial Assistance			\$94,628		\$94,628
	I.	Personnel				
	J.	Federal Contract				
	K.	Other				
	Total Direct Assistance			\$0		\$0
	Grand Total			\$94,628		\$94,628
	GRAND TOTAL			\$1,741,857		\$1,741,857

SCHEDULE 1A

COUNTY OF SANTA CLARA
 PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
 CDC FUNDING GRANT AGREEMENT
 FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006

SUMMARY OF PROGRAM EXPENDITURES

	Budget Category	Base Funding Source	05/06 Expenditures	05/06 Encumbrances	Total Unspent Funds *
1.	CDC Base				
	Financial Assistance				
	A. Personnel	\$1,003,341	\$742,369	\$0	\$260,972
	B. Fringe	\$440,814	\$329,987	\$0	\$110,827
	C. Travel	\$4,940	\$3,935	\$5,775	(\$4,770)
	D. Equipment	\$0	\$0	\$0	\$0
	E. Supplies	\$110,000	\$104,573	\$0	\$5,427
	F. Contractual	\$0	\$0	\$0	\$0
	G. Other	\$155,480	\$71,221	\$5,160	\$79,099
	Total Direct FA	\$1,714,575	\$1,252,085	\$10,935	\$451,555
	H. Indirect	\$144,415	\$107,236	\$0	\$37,179
	Total Financial Assistance	\$1,858,990	\$1,359,321	\$10,935	\$488,734
	I. Personnel				
	J. Federal Contract				
	K. Other				
	Total Direct Assistance	\$0	\$0	\$0	\$0
	Grand Total	\$1,858,990	\$1,359,321	\$10,935	\$488,734
2.	LABS Only				
	Financial Assistance				
	A. Personnel	\$166,125	\$153,391	\$0	\$12,734
	B. Fringe	\$68,804	\$60,240	\$0	\$8,564
	C. Travel	\$4,597	\$1,358	\$29	\$3,210
	D. Equipment	\$0	\$0	\$0	\$0
	E. Supplies	\$70,957	\$51,556	\$17,892	\$1,509
	F. Contractual	\$0	\$0	\$0	\$0
	G. Other	\$0	\$0	\$0	\$0
	Total Direct FA	\$310,483	\$266,545	\$17,921	\$26,017
	H. Indirect	\$21,363	\$21,363	\$0	\$0
	Total Financial Assistance	\$331,846	\$287,908	\$17,921	\$26,017

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

SUMMARY OF PROGRAM EXPENDITURES

	Budget Category		Base Funding Source	05/06 Expenditures	05/06 Encumbrances	Total Unspent Funds *
	I.	Personnel				
	J.	Federal Contract				
	K.	Other				
	Total Direct Assistance		\$0	\$0	\$0	\$0
	Grand Total		\$331,846	\$287,908	\$17,921	\$26,017
3.	CRI Only					
	Financial Assistance					
	A.	Personnel	\$55,630	\$8,483	\$0	\$47,147
	B.	Fringe	\$26,430	\$847	\$0	\$25,583
	C.	Travel	\$1,720	\$1,039	\$160	\$521
	D.	Equipment	\$0	\$0	\$0	\$0
	E.	Supplies	\$1,919	\$2,550	\$0	(\$631)
	F.	Contractual	\$97,500	\$78,857	\$18,635	\$8
	G.	Other	\$3,300	\$1,919	\$646	\$735
	Total Direct FA		\$186,499	\$93,695	\$19,441	\$73,363
	H.	Indirect	\$8,206	\$933	\$0	\$7,273
	Total Financial Assistance		\$194,705	\$94,628	\$19,441	\$80,636
	I.	Personnel				
	J.	Federal Contract				
	K.	Other				
	Total Direct Assistance		\$0	\$0	\$0	\$0
	Grand Total		\$194,705	\$94,628	\$19,441	\$80,636
	GRAND TOTAL		\$2,385,541	\$1,741,857	\$48,297	\$595,387

* To be rolled-over to 2006/07 grant period.

**COUNTY OF SANTA CLARA
PUBLIC HEALTH EMERGENCY PREPAREDNESS PROGRAM
CDC FUNDING GRANT AGREEMENT
FISCAL PERIOD: AUGUST 31, 2005 THROUGH AUGUST 30, 2006**

CONTRACTOR'S RESPONSE LETTER

Administration
976 Leitzen Avenue, 2nd Floor | San Jose, CA 95126
408.732.5040 | 408.732.5041 fax
www.sccphd.org

Public Health Department
Santa Clara Valley Health & Hospital System



September 17, 2008

Edmund Yee
DHCS, State of California
Audits Section - Richmond
850 Marina Bay Parkway
Building P, 2nd Floor, MS 2104
Richmond, CA 94804-6403

RE: 05/06 Fiscal Audit County of Santa Clara

Dear Mr. Yee,

We are in receipt of the report summarizing the findings from the fiscal audit for the period August 31, 2005 through August 30, 2006 of the County of Santa Clara's Public Health Emergency Preparedness Program. We are in agreement with three of the four findings including:

1. Lack of statements and failure to receive approval from DHCS for travel lodging and per Diem rates exceeding PDA rates.
2. Lack of receipt and documentation of out of state travel by DHCS.
3. Carryover funds in the amount of \$595,387 which were approved by the State Public Health Emergency Preparedness Office for carryover to the 06/07 period.

We do not agree with the finding that grant funds were not deposited in a special public health preparedness trust fund established solely for emergency preparedness. The County of Santa Clara does indeed deposit emergency preparedness funds into dedicated trust funds. Each grant area requiring a separate trust fund has one established and funds are deposited according to the terms and conditions set forth in the contract between the County of Santa Clara and the California Department of Public Health through the Emergency Preparedness Office. We would like to request further information that supports this conclusion by your office.

Sincerely,

A handwritten signature in cursive script that reads "Rocio G. Luna".

Rocio G. Luna
Division Director
Public Health Preparedness and Data Management
Santa Clara County Public Health Department