

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ALTHOUGH CDC IMPLEMENTED
OUR PRIOR AUDIT
RECOMMENDATIONS, ITS
CORRECTIVE ACTIONS DID NOT
EFFECTIVELY ADDRESS
FINDINGS RELATED TO 3 OF OUR
13 RECOMMENDATIONS**

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Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

Report in Brief

Date: August 2021

Report No. A-04-19-01014

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The U.S. Congress authorized the President's Emergency Plan for AIDS Relief (PEPFAR) to receive \$48 billion in funding for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria. Congress authorized additional funds to be appropriated through 2023.

Federal law requires the Department of Health and Human Services (HHS), Office of Inspector General (OIG), among others, to provide oversight of the programs implemented under the law, including PEPFAR. To meet this requirement, we have conducted 30 PEPFAR audits of Centers for Disease Control and Prevention (CDC) or recipients in 9 countries on 3 continents.

Our objective was to determine whether CDC implemented the recommendations from our prior audit.

How OIG Did This Audit

Our audit covered 33 Notices of Funding Opportunity (NOFOs) that CDC issued and funded from October 1, 2017, through September 30, 2018 (audit period). The 33 NOFOs resulted in 42 funded awards for a total of \$191 million awarded during FY 2018. From the 33 NOFOs, we selected a judgmental sample of 20, representing 27 of the 42 funded awards for \$178.6 million. We reviewed each of the 20 NOFOs and the 27 awards to determine whether CDC effectively implemented the prior audit recommendations.

Although CDC Implemented Our Prior Audit Recommendations, Its Corrective Actions Did Not Effectively Address Findings Related to 3 of Our 13 Recommendations

What OIG Found

CDC implemented the 13 recommendations from our prior audit; however, CDC's corrective actions for the following 3 recommendations were not effective in addressing our previous findings:

1. Conduct quality assurance reviews of NOFOs and funded grant applicant information to monitor compliance with HHS and CDC policies when awarding PEPFAR funds.
2. Perform adequate cost analyses and business management evaluations of funded applicants.
3. Include necessary and accurate requirements in the Notices of Award (NOAs).

For our current audit, CDC (1) did not comply with one or more HHS or CDC policies when awarding PEPFAR funds, (2) did not perform cost analyses before issuing some of the grant awards, and (3) issued several NOAs with missing or incorrect reporting requirements.

What OIG Recommends and CDC Comments

We recommend that CDC: (1) develop and implement a written policy requiring periodic internal review of PEPFAR award files for compliance with HHS and CDC policies; (2) fully implement its *Cost Analysis Standard Operating Procedure* (SOP) by establishing a formal date of effectiveness, updating the SOP periodically, and enforcing its use through regular compliance testing as part of the internal reviews of PEPFAR award files; and (3) establish a policy requiring periodic reviews of, and updates to, the NOA link to ensure functionality, accuracy, and relevance of the content.

In written comments on our draft report, CDC officials concurred with our recommendations. CDC stated that it has developed and implemented an updated internal control review process that includes a monthly review of sampled awards. CDC is currently updating the Cost Analysis SOP and developing cost analysis training. The SOP revision and the training are expected to be completed by September 2021. In accordance with CDC Web Policy's requirement to review and certify web content annually, CDC conducted a review of external facing web pages and documents including the terms and conditions, which are included in the NOA in June 2021.

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INTRODUCTION

WHY WE DID THIS AUDIT

The U.S. Congress authorized the President's Emergency Plan for AIDS Relief (PEPFAR) to receive \$48 billion in funding for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria.¹ Congress authorized additional funds to be appropriated through 2023.²

The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (the Act) requires the Department of Health and Human Services (HHS), Office of Inspector General (OIG), among others, to provide oversight of the programs implemented under the Act, including PEPFAR. To meet this requirement, we have conducted 30 PEPFAR audits of Centers for Disease Control and Prevention (CDC) or recipients in 9 countries on 3 continents (Africa, Asia, and North America).³ In one of those audits, we determined that CDC did not award PEPFAR funds for fiscal year (FY) 2013 in compliance with HHS and CDC policies for any of the 30 Funding Opportunity Announcements (FOAs) we reviewed.⁴ We made 13 recommendations to address CDC's noncompliance, and CDC generally concurred with those recommendations.⁵ To determine whether CDC implemented our prior recommendations, we performed this followup audit.

OBJECTIVE

Our objective was to determine whether CDC implemented the recommendations from our prior audit. As part of this audit, we reviewed the actions taken by CDC to implement our recommendations to determine whether they effectively addressed our previous findings.

BACKGROUND

Centers for Disease Control and Prevention

As an implementing agency of PEPFAR, CDC works side-by-side with ministries of health and other partners in more than 60 countries, leveraging its scientific and technical expertise to

¹ P.L. No. 110-293.

² The PEPFAR Extension Act of 2018 (P.L. No. 115-305).

³ Appendix B contains a list of related OIG reports.

⁴ Our prior audit report ([A-04-14-04021](#)) covered FOAs either issued or funded from October 1, 2012, through September 30, 2013 (FY 2013). FOAs are now referred to as Notices of Funding Opportunity (NOFOs). The two terms are interchangeable, so, to reduce confusion, we use NOFO throughout the remainder of this report.

⁵ Appendix C contains the 13 recommendations from our prior audit (A-04-14-04021) and a summary of CDC's corrective actions.

help deliver high impact, sustainable HIV prevention and treatment services to millions of people in the countries most affected by HIV.

Cooperative Agreements

CDC awarded PEPFAR funds through cooperative agreements (CoAgs), which CDC uses in lieu of grants when it anticipates the Federal Government’s substantial involvement with recipients in accomplishing the objectives of the agreements.⁶ As indicated in the Notices of Funding Opportunity (NOFOs), substantial involvement means that recipients can expect substantial CDC programmatic collaboration or participation, beyond normal grant monitoring activities, in managing the award throughout the performance period.

GrantSolutions

GrantSolutions (GS) is a “grants and program management” shared service provider that supports Federal agencies throughout the full grant lifecycle, from forecast and funds planning to closeout.⁷ During our current audit period, CDC used two modules within the GS system: the Announcement Module (AM) and Grants Management Module (GMM). CDC began using the AM in October 2014 to cover its grant process from planning through NOFO publication.⁸ CDC phased in its use of the GMM during 2016 to cover the process from NOFO publication through grant closeout.⁹

Federal Requirements and CDC Guidance

For awards made through December 26, 2014, the grant administration rules in 45 CFR part 92 applied to State, local, and tribal governments. The grant administration rules in 45 CFR part 74 applied to nonprofit organizations, hospitals, institutions of higher education, and commercial organizations. The *HHS Grants Policy Statement* (GPS), which provides general terms and conditions and HHS policies for grantees and others interested in the administration of HHS grants, specifies that foreign grantees must comply with the requirements of 45 CFR parts 74 or 92, as applicable to the type of foreign organization (GPS, section II-113).¹⁰ On December 26, 2014, HHS issued a new rule—45 CFR part 75—that superseded parts 74 and 92 for awards made on or after that date. The Uniform Administrative Requirements, Cost Principles and

⁶ The regulations that apply to Federal grants also apply to CoAgs.

⁷ GrantSolutions website. Available online at <https://home.grantsolutions.gov/home/about/>. Accessed on June 25, 2021.

⁸ PEPFAR awards were the last to be shifted to the AM. The transition was not completed until 2015.

⁹ Neither of the GS modules was in effect for the period covered by our prior audit (FY 2013).

¹⁰ HHS GPS “Part II: Terms and Conditions of Award.”

Audit Requirements for HHS awards at 45 CFR part 75 apply to the awards made during our audit period.

As of December 31, 2015, the *Grants Policy Administration Manual* (GPAM) superseded both the *Awarding Agency Grants Administration Manual* (AAGAM)¹¹ and existing *Grants Policy Directives* (GPDs). The GPAM reflects the departmental policies that result from the implementing regulations at 45 CFR part 75.¹²

CDC implemented the GPAM through its internal guidance. CDC's internal guidance documents, as referred to in the report, also applied during the period.

HOW WE CONDUCTED THIS AUDIT

Our audit covered 33 NOFOs that CDC issued and funded from October 1, 2017, through September 30, 2018 (audit period). The 33 NOFOs resulted in 42 funded awards¹³ for a total of \$191,059,859 awarded during FY 2018. From the 33 NOFOs, we selected a judgmental sample of 20 NOFOs, representing 27 of the 42 funded awards for \$178,569,808 awarded during FY 2018.¹⁴ To determine whether CDC implemented our 13 prior recommendations, we evaluated CDC's actions with respect to each of the 20 NOFOs and the corresponding 27 awards.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our scope and methodology, and Appendix D contains Federal requirements.

¹¹ For awards made prior to December 31, 2015, the AAGAM was in effect.

¹² The AAGAM and GPDs were applicable criteria for our prior audit as the GPAM was not yet in effect.

¹³ The number of funded awards exceeds the number of NOFOs because some NOFOs are used to fund multiple awards.

¹⁴ We based our judgmental sample selection on the type of award (competitive vs non-competitive) and the dollar coverage (percentage of total awards funded). To reflect the distribution of 33 competitive and non-competitive NOFOs across the population (21 and 12, respectively), we selected 13 competitive and 7 non-competitive NOFOs for our sample of 20.

FINDINGS

CDC implemented the 13 recommendations from our prior audit; however, CDC's corrective actions for the following 3 recommendations were not effective in addressing our previous findings:

- Conduct quality assurance reviews of NOFOs and funded grant applicant information to monitor compliance with HHS and CDC policies when awarding PEPFAR funds.
- Perform adequate cost analyses and business management evaluations of funded applicants.
- Include necessary and accurate requirements in the Notices of Award (NOAs).

CDC'S CORRECTIVE ACTIONS EFFECTIVELY ADDRESSED FINDINGS RELATED TO 10 OF OUR 13 PRIOR AUDIT RECOMMENDATIONS

CDC effectively addressed our audit findings related to 10 of our 13 prior audit recommendations through its use of GS and its execution of other corrective actions. For example, in response to our recommendation to maintain required documentation in its grant-award files to support its funding decisions, CDC developed a standard operating procedure (SOP) that recognizes GS as the official repository for CDC's grant-related documents and incorporates GPAM requirements for the retention and protection of adequate records for all grant funding decisions.¹⁵ See Appendix C for a full list of our prior audit recommendations and the corresponding corrective actions that CDC took.

CDC'S CORRECTIVE ACTIONS DID NOT EFFECTIVELY ADDRESS FINDINGS RELATED TO 3 OF OUR 13 PRIOR AUDIT RECOMMENDATIONS

Prior Recommendation: Conduct Quality Assurance Reviews of NOFOs and Funded Grant Applicant Information To Monitor Compliance With HHS and CDC Policies When Awarding PEPFAR Funds

Prior Audit

For all 30 sampled NOFOs (100 percent) covered by our prior audit, CDC did not comply with one or more HHS or CDC policies when awarding PEPFAR funds. To better ensure future compliance, we recommended that CDC conduct quality assurance reviews of NOFOs and funded grant applicant information when awarding PEPFAR funds. In response, CDC established the Office of Grants Services (OGS), Office of the Director, Internal Review Process,

¹⁵ CDC revised its SOP, *The Official Electronic Grant File*, on April 12, 2017, and it became effective the same day. This SOP "establishes the Office of Grants Services (OGS) system for maintaining grant-related records electronically via GrantSolutions."

which is a written process outlining how award files should be selected and reviewed.¹⁶ The stated purpose of the process is “to assess the implementation of OGS . . . SOPs and [Procurement and Grants Office] policies throughout all operational branches.” CDC began conducting internal reviews of its award files in FY 2014.

Current Audit

For 8 of 20 sampled NOFOs (40 percent) covered by our current audit, CDC did not comply with one or more HHS or CDC policies when awarding PEPFAR funds. As part of its Internal Review Process, CDC conducted reviews of some PEPFAR award files,¹⁷ but the inclusion of PEPFAR award files in its reviews was only incidental because it selected award files for review based on award actions¹⁸ rather than on specific programs such as PEPFAR.

CDC did not design its written process for internal reviews to ensure the review of PEPFAR award files. Instead, CDC designed the process to cover a range of award actions, regardless of the program. Further, CDC established the process in 2014¹⁹ and has only updated it once (effective January 1, 2021).²⁰ The updated internal review process also involves the selection of award files based on award actions and does not target award files from any specific program for internal review.

Without a process designed to capture PEPFAR award files in its internal reviews, CDC cannot ensure that PEPFAR award files are consistently reviewed or that PEPFAR award files comply with HHS and CDC policies.

¹⁶ The GPAM requires OPDIVs to create an award file for each grant that it awards. The award file is an official, formal file and must contain a complete record of the history of an award (GPAM part C, chapter 2 b. 3). The GPAM further states that the contents and quality of the file must remain under the control of the Grants Management Officer (GMO) (GPAM part C, chapter 2 b. 18).

¹⁷ In FY 2018, from a total of 8,384 (571 PEPFAR and 7,813 other) awards, CDC conducted internal reviews of 18 PEPFAR awards and 28 other awards. In FY 2019, from a total of 7,630 (798 PEPFAR and 6,832 other) awards, CDC conducted internal reviews of 3 PEPFAR awards and 17 other awards.

¹⁸ Award actions are events such as the issuance of a new award, continuation of an existing award, or an award closeout.

¹⁹ The effective date of CDC’s Internal Review Process during our audit period was February 18, 2014, and it specified grant files “from FY 2010 – FY 2014” for review. In response to our questions about the fixed period of FY 2010 – FY 2014, CDC officials stated that, although the written process was not kept current, the practice of conducting internal reviews was not intended to be a one-time event.

²⁰ CDC’s use of the GMM, which began in 2016, was not addressed in this process until the update for 2021.

Prior Recommendation: Perform Adequate Cost Analyses and Business Management Evaluations of Funded Applicants

Prior Audit

For all 30 sampled NOFOs (100 percent) covered by our prior audit, CDC performed either an inadequate analysis or no analysis for some of the applicants it selected to fund.²¹ For these applicants, CDC did not conduct business management evaluations²² in accordance with HHS policy. Because CDC performed only a cursory examination of the applicants' financial management and accountability qualifications, it did not know whether the applicants were able to comply with the financial requirements of the applicable regulations and policies.²³

In response to our prior audit recommendation, CDC developed a *Cost Analysis SOP*²⁴ requiring the performance of a cost analysis²⁵ prior to award issuance.²⁶ The *Cost Analysis SOP* was last revised in 2017 but indicated "TBD [To Be Determined]" for effective date.

²¹ In the prior audit, the 30 sampled NOFOs resulted in 49 funded applicants. Of the 49 funded applicants, we tested 30 (one from each sampled NOFO) and found CDC's analysis to be inadequate or absent for all 30 funded applicants.

²² The term "business management evaluation" used in the prior recommendation was used in AAGAM 2.01.101-7 C., which was the applicable audit criterion at the time. This term does not appear in the GPAM. The purpose of a business management evaluation was sufficiently addressed through the cost analysis process in effect at CDC during our audit period, so we do not refer to business management evaluations when discussing the current audit.

²³ We described the examination process as cursory because CDC's focus was mainly limited to checking boxes indicating that a certain step had been completed. For example, CDC checked the box that a cost analysis had been performed when we found evidence that a cost analysis actually had not been performed. Another example includes CDC checking the box that the applicant had an accounting system adequate to account for Federal funds but could not provide documentation supporting this assertion. A more detailed examination would have involved a substantive evaluation of the elements listed on the cost analysis checklist.

²⁴ In its *Cost Analysis SOP*, CDC acknowledged the GPAM pre-award requirement of thorough budget reviews for grant applications that have been recommended for funding (GPAM, part G, chapter 1. b. 41-47). The GPAM defines a budget review as "the process of reviewing the categorical budget, including federal funds requested and any required matching or cost sharing, and accompanying budget justification/narrative submitted as part of an application, in order to ensure proper categorization of costs, identify unallowable costs, verify rates, and check arithmetic accuracy" (GPAM part B, chapter 2).

²⁵ A cost analysis is defined in the GPAM as "the process of obtaining detailed cost breakdowns, verifying cost data, evaluating specific elements of cost, and examining source data to determine necessity, reasonableness, and appropriateness of the costs reflected in a grant application budget" (GPAM part B, chapter 2).

²⁶ The CDC *Cost Analysis SOP* states, "Before making an award for a new, competing or supplemental grant application, the Grants Management Officer/Specialist (GMO/GMS) assigned to the award must perform a cost analysis."

Current Audit

For 4 of 20 sampled NOFOs (20 percent) covered by our current audit, CDC did not perform cost analyses before issuing 5 of the 27 awards captured in our sample.

In each case, rather than performing cost analyses before issuing awards as required by its *Cost Analysis SOP* (which did not include an effective date), CDC stated that it performed cost analyses on the revised budgets after it had issued the initial awards. CDC elected to fund the awards using the component funding structure,²⁷ but the applicants' proposed budgets did not include components because CDC did not solicit applications for components. Instead, CDC issued the awards and then, after issuance, requested that within 30 days the awardees submit revised budgets that included components. CDC exposed PEPFAR funds to an increased level of risk by funding awards before evaluating the allowability, allocability, and reasonableness of the applicants' proposed costs.

Prior Recommendation: Include Necessary and Accurate Requirements in the NOAs

Prior Audit

For 10 of the 30 sampled NOFOs (33 percent) covered by our prior audit, CDC issued NOAs that either included incorrect due dates for Federal financial reports (FFRs) or omitted information relating to progress report requirements, audit requirements, or value added tax.

In response to our prior audit recommendation, CDC updated its standard template for NOA terms and conditions,²⁸ and continued to update it at least annually or when necessary.²⁹ In July 2018, CDC updated the NOA template by adding a link to a public internet page where it posted award terms and conditions, including reporting requirements.

²⁷ In its *Guidance for Supplementing Grant Awards*, CDC described a component as a discrete set of activities with an associated award budget and stated that a component may be used as an "option to provide funding for activities proposed in an application that received merit review but were not selected for funding in the initial award" A budget using the component funding structure would be divided into sections, called components, showing budgeted amounts for each affected cost category for a given component. Under this structure, CDC may select a certain component to fund during the current budget period and another to fund in a future budget period.

²⁸ Each NOA must include general terms and conditions (GPAM part H, chapter 1 b. 16), and those terms and conditions must include reporting requirements, i.e., the name of the form/format, any formatting instructions, due date(s), submission instructions, and, as applicable, a website for further information (GPAM part H, chapter 1 b. 17 v.).

²⁹ CDC updated the standard NOA template in 2016, 2017, and 2018. The template included the statement, "This template will be updated, as needed, as statutes, regulations, and policies evolve."

Current Audit

For 5 of 20 sampled NOFOs (25 percent) covered by our current audit, CDC issued 7 NOAs with missing or incorrect reporting requirements, including due dates, for FFRs and progress reports.

Our sample of 20 NOFOs resulted in 27 NOAs, 6 of which CDC had issued after the July 2018 update, and 3 of those 6 were among the 7 NOAs with missing or incorrect reporting requirements.³⁰ Two of those three had the link to the public internet page added but included incorrect reporting requirements.³¹ CDC issued the third NOA to a Public International Organization (PIO), and the NOA was missing some language from the PIO NOA template.³²

Although CDC used templates to complete its NOAs, in certain instances, CDC entered the due dates incorrectly or inadvertently omitted portions of the template language. CDC officials described these instances as errors but did not explain why they occurred. By issuing NOAs with incorrect or missing information, such as due dates for reporting, CDC increased the risk of grant recipients failing to report in a timely manner or failing to report at all.

RECOMMENDATIONS

We recommend that CDC:

- develop and implement a written policy requiring periodic internal review of PEPFAR award files for compliance with HHS and CDC policies;
- fully implement its *Cost Analysis SOP* by establishing a formal date of effectiveness, updating the SOP periodically, and enforcing its use through regular compliance testing as part of the internal reviews of PEPFAR award files; and
- establish a policy requiring periodic reviews of, and updates to, the NOA link to ensure functionality, accuracy, and relevance of the content.

³⁰ The remaining 3 of the 6 NOAs issued after July 2018 had the link added and had no erroneous information regarding reporting requirements.

³¹ CDC's internal communications to staff as well as the template itself made clear that the link was meant to serve as a replacement for certain terms and conditions being stipulated in the body of the NOA. In these two cases, the link was added, but the NOAs still included some incorrect reporting requirements.

³² CDC used a dedicated NOA template for PIOs that was different from the non-PIO NOA template and did not include a link for terms and conditions like the one described above. CDC stated that it created the PIO NOA template with different terms and conditions to accommodate PIO exemptions from any country's policies, laws, or regulations. This PIO NOA omitted the subsections "Annual Federal Financial Report (FFR, SF-425)" and "Performance Reporting" from the "Reporting Requirements" section of the template.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In written comments on our draft report, CDC officials concurred with our recommendations.

CDC stated that in January 2021, it developed and implemented an updated internal control review process that includes a monthly review of sampled awards. CDC is currently updating the Cost Analysis SOP and developing training for the agency's grants management staff who are responsible for conducting cost analyses. The SOP revision and the training are expected to be completed by September 2021. In accordance with CDC Web Policy's requirement to review and certify web content annually, CDC conducted a review of external facing web pages and documents including the terms and conditions, which are included in the NOA in June 2021.

CDC's comments are included as Appendix E.³³

³³ CDC included two exhibits as part of its comments. The exhibits included the CDC Web Policy and OGS Internal Control Review Process. Although we did not include the exhibits as appendices in this final report, we considered the entirety of these documents in preparing our final report.

OTHER MATTERS

We identified two separate instances during our audit period (discussed in the two subsections below) in which CDC's actions during the grant-making process resulted in unequal treatment of grant applicants. One instance related to CDC's issuance of an award after reviewing only one of six competitive applications; the other instance involved CDC issuing an award before soliciting or reviewing an application from the recipient.

First Instance: CDC Issued an Award After Reviewing Only One of Six Competitive Applications

In the first instance in which CDC's actions during the grant-making process resulted in unequal treatment of grant applicants, 6 applicants submitted applications in response to 1 of the 20 sampled NOFOs, but CDC initially accepted³⁴ only 1 of those applications, and that application was ultimately the only 1 that CDC funded.

CDC discovered the additional five applications more than 5 months after the application submission deadline when one of the unsuccessful applicants inquired about the status of its application, by which time CDC had already issued the award.³⁵ Upon discovering the other five applications, CDC made the decision to review them in accordance with the GPAM requirements.³⁶ The GPAM requires that, as a general matter, an OPDIV "must ensure that its actions do not inhibit competition"³⁷ and further that OPDIVs process competitive NOFOs and their respective applications in a fair and equitable manner.³⁸

According to CDC, after this incident, it performed a review of all NOFOs from September 2017 to April 2018 and confirmed that this was the only occurrence of its kind during that period. CDC described this circumstance as an error in logging applications but did not provide specifics as to how the error occurred. As a result of this error, CDC created an Application Receipt

³⁴ OGS staff members accept applications by logging into GS, performing a search for applications submitted to a given NOFO, and selecting "Accept Application." Once accepted, the application is made available for further processing.

³⁵ The application deadline was October 16, 2017. CDC issued the award on March 21, 2018, and the other five applications were discovered the week of March 26, 2018.

³⁶ The GPAM requires that any application submitted in response to a NOFO be accepted for review unless the application does not pass initial screening or fails to meet a responsiveness criterion (GPAM part G, chapter 1 b. 9).

³⁷ "If an OPDIV does not administratively limit eligibility to compete, it must ensure that its actions do not inhibit competition" (GPAM part F, chapter 2 b. 5).

³⁸ "All OPDIVs are responsible for conducting the process leading to the public notification of a competing funding opportunity and the activity during the time up to, and including, receipt of applications in a fair and equitable manner to ensure the integrity of the process" (GPAM part F, chapter 3 b. 13).

SOP,³⁹ which required staff to wait 1 business day after the NOFO closing date before retrieving applications.⁴⁰

Although this SOP may aid in preventing CDC staff from accepting applications before the NOFO deadline (to the exclusion of applications submitted after the time of acceptance but still prior to the deadline), it is unclear how it would have prevented this specific case because the application that CDC funded was not the first to be submitted. CDC's application receipt logs include a date and time stamp, and the log for this NOFO showed that the first application was submitted more than 24 hours prior to the application that was funded.⁴¹

In issuing a competitive award to a single applicant before considering all eligible applicants, CDC compromised the competitive nature of the grant-making process and may not have awarded funds to the most qualified applicant. In fact, when CDC reviewed the other five applications, two of them scored higher than the one that was funded.⁴²

Second Instance: CDC Issued an Award Before Soliciting or Reviewing an Application From the Recipient

The second instance in which CDC's actions during the grant-making process resulted in unequal treatment of grant applicants involved three separate entities (referred to here as Parties A, B, and C) aligned as a consortium.⁴³ Party A applied on behalf of the consortium to one of the 20 sampled NOFOs and CDC chose its application for funding.⁴⁴ However, rather than issuing the award to Party A, CDC directed the award to Party B without requiring Party B

³⁹ After recognizing this issue in March 2018, CDC stated that it responded by publishing the Application Receipt SOP in October 2018. However, the SOP included neither a date of publishing nor of effectiveness.

⁴⁰ The SOP broke the application receipt process into 7 steps and prescribed a timeframe for each. The first three steps dealt with searching for applications that were submitted to grants.gov and accepting them into GS.

⁴¹ The deadline for application submission for this NOFO was October 16, 2017, no later than 11:59 PM Eastern Time. The first application was submitted on October 14th at 1:46 PM while the application that was funded was submitted on October 15th at 4:30 PM. The remaining 4 applications were all submitted later, but before the deadline.

⁴² The GPAM includes a provision for funding awards out of rank order which requires a justification that ties to factors documented in the NOFO (GPAM part G, chapter 1 b. 56. ii.). Because CDC funded this award after it reviewed only one application, no such justification was applicable.

⁴³ A consortium agreement is defined in CDC's online Grants Dictionary of Terms as a "formal agreement whereby a project is carried out by a recipient and one or more other organizations that are separate legal entities. Under the agreement, the recipient must perform a substantive role in the conduct of the planned project or program activity and not merely serve as a conduit of funds to another party or parties. Consortium agreements are considered subawards for purposes of this policy statement."

⁴⁴ From 11 applications it received in response to this NOFO, CDC selected 2 for funding, including the 1 from Party A. CDC did not fund the other nine applications.

to submit an application for review. The GPAM requires OPDIVs to ensure that a grant recipient does not serve as a conduit for passing funds to other parties.⁴⁵

The application that Party A submitted on behalf of the consortium identified Party A as the “prime”⁴⁶ applicant, and the summary statement⁴⁷ from CDC’s review of the application indicated that Party A planned to devote a greater percentage of staff time to the consortium’s effort than did the other two parties. The summary statement also highlighted Party A’s experience with managing large budgets and the other parties’ lack of such experience. However, Party A was on a corrective action plan at the time, and, therefore, an award made to Party A would have been subject to additional award conditions.⁴⁸ Given this, CDC directed Party A to relinquish its role as prime recipient in favor of Party B to move forward without the additional award conditions intended to mitigate risk. Without soliciting or reviewing an application from it, CDC issued the award to Party B.

CDC’s decision to shift the role of prime recipient from Party A to Party B was an apparent effort to avoid adding specific award conditions that are intended to mitigate risk to Federal funds. CDC may have exposed funds to an increased level of risk by: (1) awarding funds to a consortium that included a high-risk entity (Party A) without adding special award conditions intended for awards to such recipients and (2) awarding funds to a recipient without soliciting or reviewing an application from that recipient.

⁴⁵ “OPDIVs must ensure that the recipient is not serving as a conduit for passing funds to other parties and, as applicable, any limitations related to the amount of pass-through are observed” (GPAM part D. chapter 5 b. 7).

⁴⁶ A prime recipient is “an entity that receives funds in the form of a grant, cooperative agreement, or loan directly from the Federal Government” (Federal Funding Accountability and Transparency Act Questions and Answers, Q-5). Party A applied directly to this NOFO, so we refer to it here as the prime applicant.

⁴⁷ The GPAM defines a summary statement as “a written review of each application, which identifies the strengths and weaknesses by criterion, scores, and ranking” (GPAM part B, chapter 2).

⁴⁸ Additional award conditions may include, among others: “requiring payments as reimbursements rather than advances”; “requiring additional, more detailed financial reports”; and “requiring additional project monitoring” (45 CFR § 75.207 (b)).

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 33 NOFOs that CDC issued and funded from October 1, 2017, through September 30, 2018 (audit period). The 33 NOFOs resulted in 42 funded awards for a total of \$191,059,859 awarded during FY 2018. From the 33 NOFOs, we selected a judgmental sample of 20 NOFOs, representing 27 of the 42 funded awards for \$178,569,808 awarded during FY 2018. We reviewed each of the 20 NOFOs and the corresponding 27 awards to determine whether CDC implemented the prior audit recommendations.

We conducted our audit work at CDC offices in Atlanta, Georgia, from January 2019 to June 2021.

METHODOLOGY

To accomplish our objective, we:

- reviewed relevant Federal laws, Departmental regulations, HHS guidance, CDC policies and procedures, and our prior OIG audit report;
- developed questionnaires for CDC officials, reviewed their responses to the questionnaires, and interviewed CDC officials to determine whether CDC had implemented the recommendations from our prior audit report and, if so, the corrective actions taken;
- selected and reviewed a judgmental sample of 20 NOFOs out of 33 issued and funded in FY 2018 that included:
 - 7 non-competitive and 13 competitive NOFOs and
 - NOFOs representing 27 funded awards across 26 unique recipients in 14 countries; and
- discussed our audit results with CDC officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

AUDITS OF THE PRESIDENT’S EMERGENCY PLAN FOR AIDS RELIEF FUNDS

Report Title	Report Number	Date Issued
<i>Although CDC Implemented Corrective Actions To Improve Oversight of the President's Emergency Plan for AIDS Relief Recipients, Some Internal Control Weaknesses Remained</i>	<u>A-04-18-01010</u>	12/11/2020
<i>The Centers for Disease Control and Prevention’s South Africa Office Generally Implemented Our Prior Audit Recommendation</i>	<u>A-04-18-01009</u>	4/25/2019
<i>The Centers for Disease Control and Prevention’s Namibia Office Implemented Our Prior Audit Recommendations</i>	<u>A-04-18-01008</u>	10/30/2018
<i>The South African National Department of Health Did Not Always Manage and Expend the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<u>A-04-17-01002</u>	5/16/2018
<i>The National Institute of Health in Mozambique Did Not Always Manage and Expend the President's Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<u>A-04-16-04051</u>	4/10/2018
<i>Aurum Institute Generally Managed and Expended the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<u>A-04-17-01003</u>	3/14/2018
<i>The Ministry of Health and Social Welfare National AIDS Control Program Did Not Always Manage and Expend the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<u>A-04-16-04044</u>	8/10/2017
<i>Ariel Foundation Against Pediatric AIDS Managed and Expended the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<u>A-04-16-04052</u>	6/20/2017
<i>Management and Development for Health Did Not Always Manage the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<u>A-04-16-04045</u>	6/9/2017
<i>Mildmay Uganda Did Not Always Manage the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<u>A-04-15-04039</u>	3/21/2017

Report Title	Report Number	Date Issued
<i>Medical Access Uganda Limited Generally Managed the President's Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	A-04-15-04040	6/29/2016
<i>The Centers for Disease Control and Prevention Did Not Award President's Emergency Plan for AIDS Relief Funds for 2013 in Compliance With Applicable HHS Policies</i>	A-04-14-04021	5/19/2016
<i>The Ethiopian Public Health Institute Did Not Always Manage the President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-04-13-04017	1/20/2015
<i>The Ethiopian Public Health Association Generally Managed the President's Emergency Plan for AIDS Relief Funds but Did Not Always Meet Program Goals in Accordance With Award Requirements</i>	A-04-13-04016	10/20/2014
<i>The Centers for Disease Control and Prevention Generally Achieved Its Main Goals Related to Certain HIV/AIDS Prevention, Treatment, and Care Activities Under the Partnership Framework in Ethiopia</i>	A-04-13-04011	10/17/2014
<i>The Federal Democratic Republic of Ethiopia, Ministry of Health, Did Not Always Manage President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-04-13-04015	9/11/2014
<i>The Republic of Zambia, Ministry of Health, Did Not Always Manage the President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-04-13-04004	6/5/2014
<i>The University of Zambia School of Medicine Did Not Always Manage President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-04-13-04010	4/8/2014
<i>The University Teaching Hospital (in Zambia) Generally Managed the President's Emergency Plan for AIDS Relief Funds and Met Program Goals in Accordance With Award Requirements</i>	A-04-13-04005	3/13/2014
<i>Aurum Institute for Health Research Did Not Always Manage President's Emergency Plan For AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-05-12-00021	8/23/2013

Report Title	Report Number	Date Issued
<i>The South African National Department of Health Did Not Always Manage President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-05-12-00022	8/23/2013
<i>National Health Laboratory Service Did Not Always Manage President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-05-12-00024	8/15/2013
<i>The Southern African Catholic Bishops' Conference AIDS Office Generally Managed President's Emergency Plan for AIDS Relief Funds and Met Program Goals in Accordance With Award Requirements</i>	A-05-12-00023	7/23/2013
<i>The Vietnam Administration for HIV/AIDS Control Did Not Always Manage the President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-06-11-00057	6/10/2013
<i>The Centers for Disease Control and Prevention's Vietnam Office Generally Monitored Recipients' Use of the President's Emergency Plan for AIDS Relief Funds</i>	A-04-12-04023	4/22/2013
<i>Potentia Namibia Recruitment Consultancy Generally Managed the President's Emergency Plan for AIDS Relief Funds and Met Program Goals in Accordance with Award Requirements</i>	A-06-11-00056	4/19/2013
<i>The Centers for Disease Control and Prevention's South Africa Office Did Not Always Properly Monitor Recipients' Use of the President's Emergency Plan for AIDS Relief Funds</i>	A-04-12-04022	2/12/2013
<i>The Republic of Namibia Ministry of Health and Social Services Did Not Always Manage the President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	A-04-12-04019	1/14/2013
<i>The Centers for Disease Control and Prevention's Namibia Office Did Not Always Properly Monitor Recipients' Use of the President's Emergency Plan for AIDS Relief Funds</i>	A-04-12-04020	11/19/2012
<i>Review of the Centers for Disease Control and Prevention's Oversight of the President's Emergency Plan for AIDS Relief Funds for Fiscal Years 2007 Through 2009</i>	A-04-10-04006	6/15/2011

APPENDIX C: PRIOR RECOMMENDATIONS AND CDC CORRECTIVE ACTIONS

Prior Recommendation	CDC Corrective Action	Effective
Conduct quality assurance reviews of NOFOs and funded grant applicant information to monitor compliance with HHS and CDC policies when awarding PEPFAR funds.	CDC established a written process for conducting internal reviews of award files and began performing the reviews in FY 2014. However, the process did not specify that PEPFAR award files should be reviewed.	No
Thoroughly review NOFOs and abstracts before publishing them on grants.gov.	CDC implemented the announcement module within GS, which is an electronic system for drafting, reviewing, approving, and publishing its NOFOs to www.grants.gov.	Yes
Require NOFO amendments to be subject to the same level of review as original NOFOs.	CDC put a process in place for amending NOFOs within GS. While the process is different from the one used for original NOFOS, each step is captured in GS, including date and time stamping for each level of review and approval.	Yes
Consistently require and maintain applicable documentation of requests from applicants and of its approvals for any late or hard-copy applications that it accepts.	In addition to its Standard Operating Procedure (SOP) for late applications, CDC issued the <i>Grant File and Program Book SOP</i> , which provides guidance to CDC's grants management officers and specialists (GMOs and GMSs) on required procedures to document application submission problems and approvals of late applications in the award files.	Yes
Instruct GMOs to review and sign the rank order ⁴⁹ and retain conflict-of-interest forms for objective reviews.	<p>CDC issued <i>GrantSolutions Grants Management Module Guidance: The Ranking List</i>. This guidance provides specific instructions, consistent with GPAM requirements, on who should sign the ranking list and where it should be filed within the electronic grant file.</p> <p>CDC's SOP, <i>The Official Electronic Grant File</i>, requires that conflict of interest forms be uploaded to the GS grants management module as a part of the objective review panel documentation.</p>	Yes

⁴⁹ Rank order is the sequence in which competitive applications are arranged after being reviewed and scored.

Prior Recommendation	CDC Corrective Action	Effective
Instruct GMOs to review, sign, and date funding packages.	<p>The process for submission and approval of funding packages was automated through the implementation of the grants management module within GS.</p> <p>Reviews and approvals are recorded in the system with date and time stamps.</p>	Yes
Avoid any appearance of conflict of interest.	<p>CDC issued <i>Objective Review Guidance: Selecting Internal Reviewers</i>, which included a section devoted to avoiding conflicts of interest. Additionally, CDC's SOP, <i>The Official Electronic Grant File</i>, requires that conflict of interest forms be uploaded to the GS grants management module as a part of the objective review panel documentation.</p>	Yes
Conduct technical reviews for single eligibility justification applications.	<p>CDC established a policy for merit review that follows HHS guidance as it is listed in the GPAM, which states that scientific or technical aspects of the grant application are evaluated through the merit review process.</p>	Yes
Perform adequate cost analyses and business management evaluations of funded applicants.	<p>CDC developed a <i>Cost Analysis SOP</i> to provide guidance for reviewing an applicant's budget and conducting a proper cost analysis. However, CDC in some instances did not follow the guidance in the SOP.</p>	No
Establish when the funding decision occurs.	<p>Funding decisions are automatically documented as of the date a program office enters the rank list and funding memo.</p>	Yes
Notify all applicants that will not be funded within 30 days of the funding decision date.	<p>CDC's <i>The Electronic Grant File SOP</i> requires that approved but unfunded notices be uploaded to the GS grants management module as part of the official award file.</p>	Yes
Include necessary and accurate requirements in the NOAs.	<p>CDC updated its standard template for its NOA terms and conditions which is reviewed for necessary updates annually at a minimum or as necessary when policies and procedures are updated. However, CDC did not always follow the template in publishing NOAs.</p>	No

Prior Recommendation	CDC Corrective Action	Effective
Maintain required documentation in its grant-award files to support its funding decisions.	CDC's SOP, <i>The Official Electronic Grant File</i> , incorporates GPAM requirements for the retention and protection of adequate records for all grant funding decisions and requires the use of a checklist to ensure the presence of certain documents in the award file.	Yes

APPENDIX D: FEDERAL REQUIREMENTS

45 CFR § 75.207 SPECIFIC AWARD CONDITIONS

- (a) The HHS awarding agency or pass-through entity may impose additional specific award conditions as needed in accordance with paragraphs (b) and (c) of this section, under the following circumstances:
- (1) Based on the criteria set forth in § 75.205;
 - (2) When an applicant or recipient has a history of failure to comply with the general or specific terms and conditions of a Federal award;
 - (3) When an applicant or recipient fails to meet expected performance goals as described in § 75.210; or
 - (4) When an applicant or recipient is not otherwise responsible.
- (b) These additional Federal award conditions may include items such as the following:
- (1) Requiring payments as reimbursements rather than advance payments;
 - (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
 - (3) Requiring additional, more detailed financial reports;
 - (4) Requiring additional project monitoring;
 - (5) Requiring the non-Federal entity to obtain technical or management assistance; or
 - (6) Establishing additional prior approvals.

GRANTS POLICY ADMINISTRATION MANUAL

Part B, Chapter 2: Definitions

Budget review

“[T]he process of reviewing the categorical budget, including federal funds requested and any required matching or cost sharing, and accompanying budget justification/narrative submitted as part of an application, in order to ensure proper categorization of costs, identify unallowable costs, verify rates, and check arithmetic accuracy.”

Cost analysis

“[T]he process of obtaining detailed cost breakdowns, verifying cost data, evaluating specific elements of cost, and examining source data to determine necessity, reasonableness, and appropriateness of the costs reflected in a grant application budget.”

Part C, Chapter 2 b. (3)

“An OPDIV must create an award file for each grant it awards. The award file is an official, formal file and must contain a complete record of the history of an award.”

Part C, Chapter 2 b. (18)

“File contents and quality must remain under Grants Management Officer (GMO) control (including files maintained by contractors), as the records custodian, and the GMO must ensure that file contents are protected but can be accessed by those who need access.”

Part D, Chapter 5 b. (7)

“OPDIVs must ensure that the recipient is not serving as a conduit for passing funds to other parties and, as applicable, any limitations related to the amount of pass-through are observed.”

Part F, Chapter 2 b. (5)

“Decisions regarding eligibility to compete for grant awards must be made prior to issuance of the FOA is published. If an OPDIV does not administratively limit eligibility to compete, it must ensure that its actions do not inhibit competition.”

Part F, Chapter 3 b. (13)

“All OPDIVs are responsible for conducting the process leading to the public notification of a competing funding opportunity and the activity during the time up to, and including, receipt of applications in a fair and equitable manner to ensure the integrity of the process.”

Part G, Chapter 1 b. (9) i. and ii.

Any application submitted in response to an FOA must be accepted for review unless the application does not pass initial screening (received on time, signed by the authorized organizational representative, meets eligibility requirements) or, fails to meet a responsiveness criterion.

Part G, Chapter 1 b. (41) – (47)

Once an application has been scored, ranked, and approved on a funding list or memorandum, the grants management office, in consultation with the program office, evaluates the organization’s eligibility, management systems, proposed budget, and financial capability. The grants management office, in coordination with program staff, leads the negotiations with the applicant and resolves any issues regarding the scope of work, budget, and terms and conditions of the award.

The appropriate grants official must perform a thorough review and evaluation of the applicant’s proposed budget for allowability, allocability and reasonableness. All applications that include a categorical budget must undergo a budget review. The program office can assist grants management, as

requested, to assess the impact and reasonableness of costs on the technical aspects of the grant.

Pre-award risk evaluation must include a review of the applicant's history in all available systems; including OMB-designated repositories government-wide eligibility and financial integrity (see 45 CFR 75.205(a)) and other sources of historical information. These systems include, but are not limited to:

- i. the Federal Awardee Performance and Integrity Information System (FAPIIS)(<https://www.fapiis.gov/>), including past performance on federal contracts as per Duncan Hunter National Defense Authorization Act of 2009;
- ii. System for Award Management (SAM) exclusions;
- iii. credit reports from Dun and Bradstreet;
- iv. Do Not Pay list; and
- v. advisories issued by the HHS Office of Inspector General, an applicant's indication that it is indebted to the federal government, and federal databases related to debt status.

The appropriate grants official may determine a review of the organization's business management systems is necessary in order to ensure the applicant is capable of managing federal funds.

A financial capability review is required for newly established organizations, organizations that have not received an award from a federal agency within the preceding 36 months, and organizations that are experiencing financial difficulty as evidenced by financial reports. In these instances, the appropriate grants official evaluates the organization's financial statements and verifies that the organization's financial stability can support its operations without using federal funds for non-authorized purposes.

The grants management office, in consultation with the program office, makes the final decision to fund an application based on the aforementioned reviews and in being consistent with published policies.

The CGMO [(Chief Grants Management Officer)] has the authority to obligate the federal government to the expenditure of funds under grants and may assign grants management responsibilities to one or more individuals from the grants management office based on the OPDIV's resources and organizational structure.

Part G, Chapter 1 b. (56) ii.

“[I]f the application’s position in the list of applications approved for funding is different from its position in the ranking list, a statement of the specific reasons for the difference that influenced the judgment of the approving official. This must include a justification for funding of the particular application and tie to factors documented in the FOA”

Part H, Chapter 1 b. (16)

Each NOA must include general terms and conditions whether the terms and conditions are:

- i. preprinted on the NOA;
- ii. incorporated by reference to the HHS Grants Policy Statement (GPS) by reference through inclusion of the HHS GPS as a term and condition of award;
- iii. included in whole or in part in full text;
- iv. posted on a public internet page; or
- v. a combination of these methods.

Part H, Chapter 1 b. (17) v.

The potential burden of inclusion of comprehensive terms and conditions in non-competing continuation and supplemental awards can be eased by posting general terms and conditions on an OPDIV’s website and making reference to that website in the award. The general terms and conditions must include:

- v. reporting requirements, including the name of the form/format, any formatting instructions, due date(s), submission instructions and, as applicable, a website for further information (including financial reporting, progress reporting and, as applicable, subaward reporting, tangible personal property and real property reporting, and invention reporting).

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT QUESTIONS AND ANSWERS, Q-5, PRIME RECIPIENT

Prime Recipient: Means an entity that receives funds in the form of a grant, cooperative agreement, or loan directly from the Federal Government. Note: No definition was provided in either Federal Register Notice noted above for the other definitions. As such, this definition was derived from a similar use in section 1512 of the American Recovery and Reinvestment Act – Public Law 111-5.

APPENDIX E: CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Public Health Service

Centers for Disease Control
and Prevention (CDC)
Atlanta GA 30333

MEMORANDUM

TO: Inspector General
U.S. Department of Health and Human Services

FROM: Director, Centers for Disease Control and Prevention
Administrator, Agency for Toxic Substances and Disease Registry

DATE: July 28, 2021

SUBJECT: OIG Draft Report (A-04-19-01014)

Attached is the Centers for Disease Control and Prevention's (CDC) response detailing actions taken regarding recommendations contained in the draft report, "Although CDC Implemented Our Prior Audit Recommendations, Its Corrective Actions Did Not Effectively Address Findings Related to 3 of Our 13 Recommendations (A-04-19-01014)".

CDC appreciates the opportunity to review and comment prior to the release of the final report.

A handwritten signature in black ink, appearing to read "Rochelle P. Walensky".

—
Rochelle P. Walensky, MD, MPH
Director, CDC

Enclosures:
CDC Web Policy
OGS Internal Control Review Process

CDC Response for the Record

CDC appreciates the Office of Inspector General’s (OIG) work on this President’s Emergency Plan for AIDS Relief (PEPFAR) report. The objective of this review was to determine whether CDC implemented the recommendations from prior audits. OIG found CDC implemented thirteen recommendations from prior audits; however, the agency’s corrective actions for three recommendations were not effective in addressing the previous findings. Based on these findings, OIG issued three recommendations for the current audit. CDC submits the following in response to the recommendations:

Recommendation 1

OIG recommends CDC develop and implement a written policy requiring periodic internal review of PEPFAR award files for compliance with HHS and CDC policies. CDC concurs with OIG’s recommendation. In January 2021, CDC developed and implemented an updated internal control review process. As part of the updated internal control review process, CDC’s Office of Grants Services (OGS) samples awards monthly, if transactions have occurred, from the branch responsible for PEPFAR awards. The PEPFAR awards selected for review may include new, continuation, supplemental, and/or closeout actions. The responsible branch in CDC’s OGS is comprised of three teams with two dedicated to managing PEPFAR awards. The OGS Internal Control Review Process is included for reference and provides an overview of the process for all OGS branches, including the branch managing PEPFAR awards. CDC considers this recommendation implemented.

Recommendation 2

OIG recommends CDC fully implement its *Cost Analysis Standard Operating Procedure (SOP)* by establishing a formal date of effectiveness, updating the SOP periodically, and enforcing its use through regular compliance testing as part of the internal reviews of PEPFAR award files. CDC concurs with OIG’s recommendation and is currently updating the *Cost Analysis SOP* and developing training for the agency’s grants management staff, who are responsible for conducting cost analysis. Completing the SOP revision and hosting a training is expected by September 2021. In addition, the agency’s new internal control review process, mentioned above, includes testing awards monthly for compliance with the cost analysis requirement. The SOP will be reviewed annually.

Recommendation 3

OIG recommends CDC establish a policy requiring periodic reviews of, and updates to, the Notice of Award (NoA) link to ensure functionality, accuracy, and relevance of the content. CDC concurs with OIG’s recommendation. In June 2021, OGS conducted a review of external facing webpages and documents including the terms and conditions, which are included (by reference) in the NoA. This review was conducted in accordance with the *CDC Web Policy*, which requires web content to be reviewed and certified annually. This policy is included for reference. CDC considers this recommendation implemented.