

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**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**

*Inquiries about this report may be addressed to the Office of Public Affairs at
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Gloria L. Jarmon
Deputy Inspector General

February 2013
A-04-12-04022

Office of Inspector General

<https://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

The United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. No. 108-25) (the 2003 Act), authorized the President's Emergency Plan for AIDS Relief (PEPFAR). PEPFAR's initial authorization of \$15 billion expired on September 30, 2008. The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (P.L. No. 110-293) (the 2008 Act) authorized an additional \$48 billion for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria.

The 2008 Act gives the Department of Health and Human Services (HHS) Centers for Disease Control and Prevention (CDC) a leadership role in several key areas of research and evaluation in implementing HIV/AIDS programs, including program monitoring, impact evaluation, and operations research. Through its Global HIV/AIDS Program, CDC implemented PEPFAR, working with ministries of health and other in-country partners to combat HIV/AIDS by strengthening health systems and building sustainable HIV/AIDS programs in more than 75 countries in Africa, Asia, Central and South America, and the Caribbean.

HHS receives PEPFAR funds from the Department of State through a memorandum of agreement, pursuant to the Foreign Assistance Act of 1961 (P.L. No. 87-195), as amended, and the 2003 Act, as amended. For fiscal year (FY) 2009, CDC "obligated" PEPFAR funds totaling \$1.2 billion.

CDC has established offices in many of the countries where it awards PEPFAR funds. CDC's office in Pretoria, South Africa (CDC South Africa) is responsible for PEPFAR funds awarded to government agencies and for-profit and nonprofit organizations (recipients) in South Africa. The main focus of the PEPFAR program in South Africa is to strengthen health systems, prevent new HIV and tuberculosis (TB) infections, provide care and treatment services, support HIV and TB programs, and establish a global disease detection program. CDC awarded \$127.6 million to 37 recipients in South Africa during FY 2009.

This audit focused on \$42.6 million that CDC awarded to 10 recipients in South Africa during FY 2009. CDC awarded these funds through cooperative agreements, which it uses in lieu of grants when it anticipates the Federal Government's substantial involvement with recipients in accomplishing the objectives of the agreements. The laws and regulations that apply to Federal grants also apply to cooperative agreements.

HHS's *Awarding Agency Grants Administration Manual* states that the program official has primary responsibility for the postaward administration phase and must document each monitoring action. The program official must document the adequacy of the recipients' performance at least annually during the project period.

OBJECTIVE

Our objective was to determine whether CDC South Africa monitored recipients' use of PEPFAR funds in accordance with HHS and other Federal requirements.

SUMMARY OF FINDINGS

CDC South Africa did not always monitor recipients' use of PEPFAR funds in accordance with HHS and other Federal requirements. There was evidence that CDC South Africa performed some monitoring of recipients' use of PEPFAR funds. However, most of the recipient cooperative agreement files did not include required documents or evidence that CDC South Africa had monitored all cooperative agreements. Of the 10 files reviewed:

- Nine contained no evidence that CDC South Africa had evaluated the recipients' annual progress reports. In addition, CDC South Africa had not obtained the annual progress report from one recipient.
- Ten contained no evidence that CDC South Africa had reviewed the recipients' annual financial status reports (FSRs).
- Seven contained no evidence that CDC South Africa had reviewed the annual audit reports. In addition, CDC South Africa had not obtained the annual audit report from three recipients.
- Four contained no evidence that CDC South Africa had performed any site visits during the recipient's budget period.

CDC South Africa did not have written policies and procedures to help ensure that it consistently monitored the cooperative agreements for the 10 recipients in accordance with HHS and other Federal requirements. As a result, CDC South Africa did not have assurance that PEPFAR funds were used as intended by law. Subsequent to the audit period that we reviewed, CDC South Africa drafted standard operating procedures for managing cooperative agreements, including monitoring. We did not test these procedures and cannot comment on their effectiveness.

RECOMMENDATION

We recommend that CDC South Africa implement standard operating procedures for monitoring recipients' use of PEPFAR funds. These procedures should include, but are not limited to, documenting its:

- review of progress reports;
- review of expenditures and FSRs;
- receipt and review of audit reports; and

- site visits, discussions, and meetings with recipients.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC concurred with our recommendation. CDC described the corrective actions that CDC South Africa had taken to develop and implement “policies, procedures, and systems to improve and standardize cooperative agreement management practices,” including thoroughly documenting grantee oversight activities.

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INTRODUCTION

BACKGROUND

President's Emergency Plan for AIDS Relief

The United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. No. 108-25) (the 2003 Act), authorized the President's Emergency Plan for AIDS Relief (PEPFAR). The 2003 Act also requires the establishment of a Coordinator of United States Government Activities to Combat HIV/AIDS Globally within the Office of the Secretary of State and gives the Coordinator primary responsibility for coordination and oversight of all Federal Government activities to combat the HIV/AIDS pandemic internationally. PEPFAR's initial authorization of \$15 billion expired on September 30, 2008.

The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (P.L. No. 110-293) (the 2008 Act), authorized an additional \$48 billion for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria. The 2008 Act requires the Offices of Inspector General of the Department of State and Broadcasting Board of Governors, the Department of Health and Human Services (HHS), and the United States Agency for International Development to provide oversight of the programs implemented under the 2008 Act.

Centers for Disease Control and Prevention

The 2008 Act gives HHS's Centers for Disease Control and Prevention (CDC) a leadership role in several key areas of research and evaluation in implementing HIV/AIDS programs, including program monitoring, impact evaluation, and operations research. Through its Global HIV/AIDS Program, CDC implemented PEPFAR, working with ministries of health and other in-country partners to combat HIV/AIDS by strengthening health systems and building sustainable HIV/AIDS programs in more than 75 countries in Africa, Asia, Central and South America, and the Caribbean.

HHS receives PEPFAR funds from the Department of State through a memorandum of agreement, pursuant to the Foreign Assistance Act of 1961 (P.L. No. 87-195), as amended, and, the 2003 Act, as amended.¹ For fiscal year (FY) 2009, CDC "obligated"² PEPFAR funds totaling \$1.2 billion.

¹ In addition to the funds CDC receives from the Department of State, it also receives direct HHS funding for its Global HIV/AIDS Program. We did not review these funds.

² "Obligated" funds are amounts for which the recipient has made binding commitments for orders placed for property and services, contracts and subawards, and similar transactions during a funding period that will require payment during the same or a future period per HHS's *Grants Policy Directives* (GPD) 1.02, the highest level of policy within HHS that governs grants.

Centers for Disease Control and Prevention in South Africa

CDC has offices in many of the countries where it awards PEPFAR funds. CDC established an office in Pretoria, South Africa (CDC South Africa), in 2000. Since then, CDC South Africa has assisted the South African National Department of Health (South Africa's Ministry of Health) to develop a comprehensive package of HIV/AIDS prevention, care, and treatment activities. The main focus of the PEPFAR program in South Africa is to strengthen health systems, prevent new HIV and TB infections, provide care and treatment services, support TB and HIV programs, and establish a global disease detection program.

CDC awarded \$127.6 million in PEPFAR funds to 37 recipients, made up of government agencies and both for-profit and nonprofit entities (recipients), in South Africa during FY 2009. CDC awarded these funds through cooperative agreements, which it uses in lieu of grants when it anticipates the Federal Government's substantial involvement with recipients in accomplishing the objectives of the agreements. The laws and regulations that apply to Federal grants also apply to cooperative agreements. CDC South Africa is responsible for managing 36 of the PEPFAR cooperative agreements in South Africa.³

Internal Controls

Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

Circular A-123 states that “[c]ontrol activities include policies, procedures, and mechanisms in place to help ensure that agency objectives are met.... Monitoring the effectiveness of internal control should occur in the normal course of business.” In addition, the Circular states that periodic reviews and reconciliations or comparisons of data should be included as part of the regular assigned duties of personnel.

Department of Health and Human Services Requirements and Policies

The HHS *Awarding Agency Grants Administration Manual* (the *Manual*) provides detailed guidance for HHS staff members who manage grants and cooperative agreements. It implements the policies and procedures required by HHS's *GPD*.

The *GPD* 1.02 defines stewardship as:

... the responsible management of Federal grant funds by Federal officials. This involves ensuring adequate separation of responsibilities and internal controls, written policies and procedures and assessment of compliance with them, oversight of the process of evaluating and awarding grants, and active postaward management of grants to ensure that performance is satisfactory,

³ CDC Headquarters in Atlanta, Georgia, manages one of the cooperative agreements in South Africa.

funding is properly and prudently utilized, and applicable laws and regulations are followed....

According to the *GPD* 1.02, “monitoring” is a process for reviewing the performance of programmatic and business management aspects of a grant by collecting and assessing information from reports, audits, site visits, and other sources.

The *Manual*, chapter 3.06.106, emphasizes the documentation required for postaward monitoring and oversight of grantee performance. Chapter 1.04.104 provides HHS staff members with detailed guidance for managing grants.

Reports That Recipients Are Required to File

Pursuant to 45 CFR §§ 74.51(b) and 74.52(a)(1)(iv) and 45 CFR §§ 92.40 and 92.41(b)(4), recipients are required to file periodic progress reports and financial status reports (FSR).⁴ Annual reports must be filed within 90 days after the award year ends as specified in the regulation.⁵

The *Grants Policy Statement (GPS)* states that foreign recipients are subject to the audit requirements specified in 45 CFR § 74.26(d). This regulation requires recipients that are commercial organizations to file either a financial-related audit or an audit that meets the requirements of OMB Circular A-133, if they expend more than \$500,000 on one or more Federal awards during a FY.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether CDC South Africa monitored recipients’ use of PEPFAR funds in accordance with HHS and other Federal requirements.

Scope

From October 1, 2008, through September 30, 2009, CDC obligated PEPFAR funds totaling \$1.2 billion. Our audit focused on \$42.6 million that CDC awarded to 10 recipients in South Africa through cooperative agreements. These funds were for recipients’ budget periods from April 1, 2009, through September 29, 2010.

⁴ The grant rules in 45 CFR part 74 apply to nonprofit organizations, hospitals, institutions of higher education, and commercial organizations. The grant rules in 45 CFR part 92 apply to State, local, and tribal governments. The HHS *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 and 92, as applicable to the type of foreign organization (*GPS* II-113). Thus, the rules in 45 CFR part 74 apply to a foreign nonprofit organization or university, and the rules in 45 CFR part 92 apply to a foreign government.

⁵ The grant rules allow for extensions of due dates for financial reports in certain instances, upon agency approval (45 CFR § 74.52(a)(1)(iv)). We did not see any evidence that CDC approved any extensions in the award files we reviewed.

We did not review the overall internal control structure of CDC South Africa. We limited our review to CDC South Africa's internal controls for monitoring recipients' use of PEPFAR funds. Subsequent to the audit period that we reviewed, CDC South Africa drafted standard operating procedures for managing cooperative agreements, including monitoring. We did not test these procedures and cannot comment on their effectiveness.

We conducted fieldwork at CDC's offices in Atlanta, Georgia, from May through July 2011 and CDC South Africa in Pretoria, South Africa, from January through February 2012.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS requirements and guidance, and CDC South Africa's policies and procedures;
- analyzed 10⁶ of the 36 cooperative agreements monitored by CDC South Africa and reviewed the contents of CDC South Africa's cooperative agreement files;
- interviewed CDC officials about award files for the cooperative agreements reviewed;
- reviewed the official award file at CDC for the reporting and monitoring documentation (e.g., the notice of award (NOA), the FSR, progress reports, correspondence, and audit reports) that is required for each of the cooperative agreements;
- interviewed CDC South Africa officials;
- reviewed CDC South Africa's process for obtaining and reviewing the recipients' FSRs, annual progress reports, and audit reports;
- reviewed CDC South Africa's process for conducting and documenting site visits, meetings, and discussions with award recipients; and
- visited three recipients (awarded PEPFAR funds through cooperative agreements) that provided education, counseling, or treatment on HIV/AIDS prevention.

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.

⁶ We judgmentally selected for review 10 of the 26 recipients that received awards from CDC of more than \$1 million during FY 2009.

FINDINGS AND RECOMMENDATIONS

CDC South Africa did not always monitor recipients' use of PEPFAR funds in accordance with HHS and other Federal requirements. There was evidence that CDC South Africa performed some monitoring of recipients' use of PEPFAR funds. However, most of the recipient cooperative agreement files did not include required documents or evidence that CDC South Africa had monitored all cooperative agreements. Of the 10 files reviewed:

- Nine contained no evidence that CDC South Africa had evaluated the recipients' annual progress reports. In addition, CDC South Africa had not obtained the annual progress report from one recipient.
- Ten contained no evidence that CDC South Africa had reviewed the recipients' annual FSRs.
- Seven contained no evidence that CDC South Africa had reviewed the annual audit reports. In addition, CDC South Africa had not obtained the annual audit report from three recipients.
- Four contained no evidence that CDC South Africa had performed any site visits during the recipient's budget period.

CDC South Africa did not have written policies and procedures to help ensure that it consistently monitored the cooperative agreements for 10 recipients in accordance with HHS and other Federal requirements. As a result, CDC South Africa did not have assurance that PEPFAR funds were used as intended by law.

MONITORING OF RECIPIENTS' USE OF PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF FUNDS

Department of Health and Human Services Requirements and Policies

The *Manual*, chapter 1.04.104-3(E), *Program Officials Responsibilities*, lists the activities that program officials⁷ are responsible for in the postaward administration phase. These activities include, but are not limited to, the following:

- monitoring the recipient's performance to ensure compliance with technical requirements,
- conducting site visits that are thoroughly documented,

⁷ "Program official" refers to the project officer assigned to the cooperative agreement. The project officer has primary responsibility for defining programmatic objectives; detailing objectives in program announcements; providing advice on the suitability of applications for funding; and guiding the postaward administration of projects (the *Manual*, chapter 1.04.104 (E)(1)).

- reviewing progress reports,
- reviewing financial reports, and
- reviewing other items requiring approval.

The *Manual*, chapter 3.06.106-5, *Grant Related Documentation and Files*, lists the documentation for postaward administration and monitoring that must be included in the award file. That documentation includes:

- all financial, performance, and other reports required by the terms and conditions of the award and evidence of program officials’ review and acceptability;
- site visit reports; and
- monitoring and assessment of financial performance.

According to the *Manual*, chapter 3.06.106-2(I)(1) and (J)(2), written documentation is required for each monitoring action that has taken place, and the program official must document the adequacy of the recipients’ performance at least annually during the project period.

Also, the Funding Opportunity Announcement (FOA)⁸ states that “[i]n a cooperative agreement, HHS staff are substantially involved in program activities, above and beyond routine grant monitoring” by engaging in activities such as:

- monitoring project and budget performance,
- meeting on a monthly basis to assess expenditures in relation to the approved work plan,
- meeting on a quarterly basis to assess financial progress reports, and
- meeting on an annual basis to review the annual progress.

Evaluating Recipients’ Program Performance

Program officials are responsible for evaluating annual progress reports and obtaining delinquent ones.⁹ They also are responsible for determining whether the progress reports contain sufficient information to adequately evaluate program performance (the *Manual*, chapter 1.04.104,

⁸ The FOA is a formal published announcement of the availability of Federal funding under one or more Federal financial assistance programs. The announcement invites applications and provides information about the funding opportunity, such as eligibility and evaluation criteria, funding preferences/priorities, how to obtain application materials, and the submission deadline. HHS grant monitoring activities vary by program.

⁹ The main purpose of the progress report is to explain the recipient’s progress (or lack thereof) toward goals established in the approved application.

Attachment 1, *Overview of Responsibilities*, and 1.04.104(E)(4)(b)(3)). Recipients must complete and submit annual progress reports no later than 90 days after the award year, according to 45 CFR § 74.51(b) and 92.40(b)(1). The annual progress report is for the recipients' 12-month budget period.

CDC South Africa's files did not contain evidence that it had evaluated the annual progress reports in accordance with HHS and other Federal requirements. The progress reports for 9 of the 10 recipients contained no evidence that CDC South Africa had reviewed them. We noted that the progress reports for 2 of the 10 recipients were submitted more than 90 days after the budget period. Both were about 3 months late. In addition, CDC South Africa had not obtained, nor was there evidence that it had attempted to obtain, the progress report from the 10th recipient.

CDC South Africa could not determine whether recipients met the goals and objectives in their approved applications without reviewing the annual progress reports. Although there was no evidence that CDC South Africa reviewed annual progress reports, it had reviewed interim progress reports¹⁰ for all 10 recipients.

Monitoring Recipients' Financial Performance

A program official is responsible for evaluating and obtaining any delinquent FSRs¹¹ per the *Manual*, chapter 1.04.104, Attachment 1, *Overview of Responsibilities*. Recipients must complete and submit annual FSRs no later than 90 days after the award year, according to 45 CFR § 74.52(a)(1)(iv) and 92.41(b)(4). The annual FSR is for the recipients' 12-month budget period. Also, per the FOA, program officials are responsible for monthly monitoring of grantees' expenditures to determine whether expenditures relate to the cooperative agreement.

CDC South Africa's cooperative agreement files did not contain evidence that it had evaluated any of the FSRs in accordance with HHS and other Federal requirements. We noted that the FSR for one of the recipients was submitted 30 days before its budget period ended. Therefore, the recipient may not have included correct amounts for its total expenditures during the project period of the cooperative agreement. For seven of the FSRs, there was no evidence that CDC South Africa met with recipients either monthly or quarterly to assess expenditures or financial progress. In addition, two of the FSRs were submitted more than 90 days after the budget period. One was submitted about 7 months late and the other was submitted about 8 months late.

In the absence of CDC South Africa's review of the annual FSRs, it might not be aware of a recipient's expenditures of PEPFAR funds.

¹⁰ The interim progress report is due 90 days prior to the end of the budget period and can be used in lieu of the non-competing continuation application for the next budget period, per the *NOA*. The interim progress report does not cover the entire budget period.

¹¹ The annual FSR is the mechanism that is used to monitor grantee expenditures.

Reviewing Audit Reports

The *Manual*, chapter 1.04.104(E)(b)(3), requires program officials to evaluate “programmatic performance, progress, and any requested changes in scope or objectives from the approved application using information in progress and financial reports, site visits, correspondence, and other sources.” Program officials are required to provide input to the Grants Management Office on findings in audits of recipients, including those conducted under OMB Circular A-133, per the *Manual*, chapter 1.04.104(E)(b)(14).

OMB Circular A-133 states that audits must be completed annually and submitted for review within the earlier of 30 days after receipt of the auditor’s report or 9 months after the end of the organization’s FY, unless a longer period of time is agreed to by the agency (subpart B § __.220 and subpart C § __.320).¹²

CDC South Africa’s files did not contain evidence that it had evaluated the recipients’ audit reports in accordance with HHS and other Federal requirements. The files for 7 of the 10 recipients contained no evidence that CDC South Africa had reviewed the audit reports. CDC South Africa did not receive two of these seven audit reports until 15 to 18 months after the end of recipients’ FY. Also, CDC South Africa had not obtained, nor was there evidence that it had attempted to obtain, the audit reports for three of the recipients.

CDC South Africa did not have written policies or procedures from CDC Headquarters on processing and reviewing recipients’ audit reports. Without an audit report to review, CDC South Africa would not be aware of the financial condition of the recipient, and, therefore, could not determine whether the recipient would be able to meet its obligations under the cooperative agreement.

Conducting Site Visits

The *Manual*, chapter 1.04.104(E)(b)(2) and (9), requires program officials to conduct site visits to substantiate progress and compliance with the award or to provide postaward technical assistance. They also are responsible for thoroughly documenting onsite reviews and any discussions with the recipient that may influence the project’s administration.

CDC South Africa’s files did not contain evidence that it had conducted site visits at 4 of the 10 recipients. Site visits are an important way to evaluate the progress being made towards the goals and objectives of the recipient’s cooperative agreement.

¹² If a foreign entity chooses to have a financial-related audit pursuant to 45 CFR § 74.26(d), the same due dates apply. (See *Clarification of Audit Requirements of For-Profit Organizations Including SBIR/STTR Grantees*, issued by the HHS National Institutes of Health, Jan. 11, 2006).

INADEQUATE INTERNAL CONTROLS FOR MONITORING RECIPIENTS' COOPERATIVE AGREEMENTS

CDC South Africa did not have written policies and procedures to help ensure that it consistently monitored the cooperative agreements for the 10 recipients in accordance with HHS and other Federal requirements. As a result, CDC South Africa did not have assurance that PEPFAR funds were used as intended by law. Subsequent to the audit period that we reviewed, CDC South Africa drafted standard operating procedures for managing cooperative agreements including monitoring. We have not analyzed or tested these procedures.

RECOMMENDATION

We recommend that CDC South Africa implement standard operating procedures for monitoring recipients' use of PEPFAR funds. These procedures should include, but are not limited to, documenting its:

- review of progress reports;
- review of expenditures and FSRs;
- receipt and review of audit reports; and
- site visits, discussions, and meetings with recipients.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC concurred with our recommendation. CDC described the corrective actions that CDC South Africa had taken to develop and implement “policies, procedures, and systems to improve and standardize cooperative agreement management practices,” including thoroughly documenting grantee oversight activities.

The actions CDC described included, but were not limited to, the following:

- establishing an Extramural Branch in the CDC South Africa office and adding five staff positions dedicated to oversight in the planning and administration of cooperative agreements;
- developing a manual of standard operating procedures (SOP) that CDC would review and update annually for continued quality improvement;
- developing a cooperative agreement tracking system that triggers automated alerts to staff when FSRs, annual progress reports, and audit reports are due;
- creating a site visit strategy and site visit SOPs to ensure uniformity in site monitoring, including comprehensive documentation of site visits; and

- establishing a rigorous training program to ensure staff has attended a full complement of classroom instruction, including periodic refreshers on grants management and administration, partner monitoring, and technical oversight.

CDC's comments are included in their entirety as the Appendix.

APPENDIX



APPENDIX: CENTERS FOR DISEASE CONTROL AND
PREVENTION COMMENTS

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

TO: Inspector General, Department of Health and Human Services

FROM: Director, Centers for Disease Control and Prevention

DATE: December 20, 2012

SUBJECT: Office of Inspector General's Draft Report: "The Centers for Disease Control and Prevention's South Africa Office Did Not Always Properly Monitor Recipient's Use of the President's Emergency Plan for AIDS Relief Funds," (A-04-12-04022)

The Centers for Disease Control and Prevention (CDC) appreciates the opportunity to review the Office of Inspector General's (OIG) draft report.

OIG recommends that CDC-South Africa implement standard operating procedures for monitoring recipients' use of PEPFAR funds, including but not limited to, documenting its review of annual progress reports (APRs); review of expenditures and financial status reports (FSRs); receipt and review of audit reports; and site visits, discussions, and meetings with recipients.

CDC Response: CDC concurs with these recommendations. Prior to the OIG review, CDC headquarters conducted a Country Management Support (CMS) review of the CDC-South Africa office in June 2011. This review involved a comprehensive assessment of both programmatic and fiscal management activities, including extensive on-site reviews of fiscal policies, procedures, controls, and records. Findings and recommendations from the CMS review align with those of OIG. Plans to address the CMS findings were initiated before the OIG visit. CDC South Africa has developed and implemented policies, procedures, and systems to improve and standardize cooperative agreement management practices, including thorough documentation of grantee oversight activities. Of the urgent concerns identified during the CMS review, most have been fully resolved. Because CDC-South Africa's systematic grants management improvements were made in late FY2011 and in FY2012, these changes were not well reflected in the FY2009 records examined by OIG.

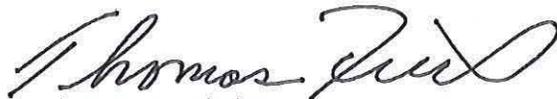
CDC-South Africa began implementing corrective action in response to the CMS visit. Many of these actions address each of OIG's recommendations which include, but are not limited to:

- Establishing an Extramural Branch in the CDC-South Africa office and adding five staff positions dedicated to oversight in the planning and administration of cooperative agreements.
 - Developing a manual of standard operating procedures (SOP) that is reviewed and updated annually for continued quality improvement.
 - Developing a cooperative agreement tracking system that triggers automated alerts to staff when FSRs, APRs, and audit reports are due.
 - Creating a site visit strategy and SOPs to ensure uniformity in site monitoring, including comprehensive documentation of site visits.
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- Establishing a rigorous training program to ensure staff has attended a full complement of classroom instruction—including periodic refreshers on grants management and administration, partner monitoring, and technical oversight. Monthly in-house sponsored trainings are also conducted to review key aspects of cooperative agreement management and proper use of SOP tools and automated systems.

CDC appreciates the opportunity to respond to the recommendations put forth by the OIG report and remains committed to continuing its proactive efforts to achieve and sustain the highest levels of fiscal and grants management accountability.

Please direct any questions regarding this response to Mike Tropauer at (404) 639-7009 or iggao@cdc.gov.



Thomas R. Frieden, M.D., M.P.H.