



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

June 15, 2011

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

FROM: /Daniel R. Levinson/
Inspector General

SUBJECT: 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 (A-04-10-04006)

The attached final report provides the results of our 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. We look forward to receiving your final management decision within 6 months. Please refer to report number A-04-10-04006 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**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**



Daniel R. Levinson
Inspector General

June 2011
A-04-10-04006

Office of Inspector General

<http://oig.hhs.gov>

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

Office of Audit Services

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

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

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THIS REPORT IS AVAILABLE TO THE PUBLIC
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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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 (the 2003 Act), P.L. No. 108-25, is the legislative authorization for the President's Emergency Plan for AIDS Relief (PEPFAR). The 2003 Act also provides for 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 (the 2008 Act), P.L. No. 110-293, 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 & Human Services (HHS), and the United States Agency for International Development to provide oversight of the programs implemented under the 2008 Act.

The 2008 Act gives HHS's Centers for Disease Control and Prevention (CDC) a leadership role in HIV/AIDS program monitoring, impact evaluation research and analysis, and operations research. Through its Global AIDS Program, CDC implements PEPFAR, working with ministries of health and other public health 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. During fiscal years 2007 through 2009, CDC obligated PEPFAR funds totaling \$2.9 billion.

CDC awarded these funds through cooperative agreements, which are used in lieu of grants when substantial Federal involvement with recipients in accomplishing agreements' objectives is anticipated. The laws and regulations applicable to grants also apply to cooperative agreements.

According to HHS's grant management requirements, the awarding agency, CDC, is required to maintain an official award file for each award recipient. The award file should contain documentation pertaining to postaward administration and monitoring. Federal regulations require that award recipients file periodic progress reports, financial status reports, and audit reports.

OBJECTIVE

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

SUMMARY OF FINDINGS

CDC did not always monitor recipients' use of PEPFAR funds in accordance with departmental and other Federal requirements. There was evidence that CDC performed some monitoring of recipients' use of PEPFAR funds. However, most of the award files did not include all required documents or evidence to demonstrate that CDC performed required monitoring on all cooperative agreements. Of the 30 cooperative agreements in our sample, the award file for only 1 agreement contained all required documents. The remaining 29 award files were incomplete. Specifically, of the 30 award files:

- 20 files (67 percent) had progress reports that were either submitted after they were due (delinquent) or missing,
- 13 files (43 percent) had interim progress reports that were either delinquent or missing, and
- 14 files (47 percent) had financial status reports that were either delinquent or missing.

In addition, 14 of 21 files (67 percent) were missing audit reports. (A report was not yet due for 9 of the 30 cooperative agreements.)

The lack of required documentation in the award files demonstrates that CDC has not exercised proper stewardship over Federal PEPFAR funds because it did not consistently follow departmental and other Federal requirements in monitoring PEPFAR recipients.

RECOMMENDATION

We recommend that CDC follow departmental and other Federal requirements in monitoring recipients' use of PEPFAR funds.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC concurred with our recommendation. CDC also described the corrective actions it had taken to strengthen internal controls and to foster a strong internal control environment. CDC's comments are included in their entirety as the Appendix.

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CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

INTRODUCTION

BACKGROUND

President's Emergency Plan for AIDS Relief

The United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (the 2003 Act), P.L. No. 108-25, is the legislative authorization for the President's Emergency Plan for AIDS Relief (PEPFAR). The 2003 Act also provides for 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.

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Centers for Disease Control and Prevention

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CDC awarded these funds through cooperative agreements, which are used in lieu of grants when substantial Federal involvement with recipients in accomplishing agreements' objectives is anticipated. The laws and regulations applicable to grants also apply to cooperative agreements.

Documentation Requirements Related to Recipient Monitoring

The HHS *Awarding Agency Grants Administration Manual* (the Manual) provides detailed guidance for departmental staff involved in the management of grants and cooperative agreements. It implements the policies and procedures required by HHS's Grants Policy Directives (GPD), the highest level of internal departmental grants policy.

Chapter 3.06.106-5 of the Manual requires the awarding agency, CDC, to maintain an official award file for each award recipient. The award file should contain documentation pertaining to postaward administration and monitoring. 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).¹ These documents must be filed by a specific date or within the period specified in the notice of award. The notice of award may also require an interim progress report. According to chapter 3.06.106-5 of the Manual, FSRs, progress reports, and interim progress reports, if required, must be in the official award file, among other documentation.

Audit Requirements

Pursuant to 45 CFR § 74.26(a), recipients that are institutions of higher education or nonprofits are required to file an audit report if they expended more than \$500,000 in one or more Federal awards during a FY according to Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Pursuant to 45 CFR § 74.26(d)(1), recipients that are commercial organizations are required to file one of the following types of audit if they expended more than \$500,000 in one or more Federal awards during a FY: a financial-related audit or an audit that meets the requirements of OMB Circular A-133. The GPS, page II-115, states that foreign recipients are subject to the same audit requirements as commercial organizations specified in 45 CFR § 74.26(d).

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

Our audit covered the period October 1, 2007, through September 30, 2009 (FYs 2007 through 2009). For this period, CDC obligated PEPFAR funds totaling \$2.9 billion. Our audit focused on \$2.6 billion of the \$2.9 billion, representing 574 cooperative agreements with obligations greater than or equal to \$1 million each. Of the \$2.6 billion, \$1.3 billion was awarded to foreign recipients, and \$1.3 billion was awarded to domestic recipients.²

¹ 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 *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 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.

² The domestic recipients may have issued subawards to foreign subrecipients. At CDC's request, this report presents information separately for domestic and foreign operations.

We did not review the overall internal control structure of CDC. We limited our review to CDC's internal controls for monitoring recipients' use of PEPFAR funds.

We conducted fieldwork at CDC offices in Atlanta, Georgia, from March through June 2010.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, as well as departmental requirements and guidance and CDC's policies and procedures;
- interviewed CDC officials concerning award file documentation;
- created a sampling frame of 574 cooperative agreements totaling \$2.6 billion with obligations greater than or equal to \$1 million each for FYs 2007 through 2009;
- selected a judgmental sample of 30 cooperative agreements (10 from each FY) with obligations totaling \$193,522,060 (20 were awarded to foreign recipients and 10 were awarded to domestic recipients);
- reviewed the official award file for required reporting documentation and monitoring for each of the 30 cooperative agreements;
- discussed missing documentation with CDC officials and asked them to locate the missing documentation;
- reviewed CDC's process for obtaining audit reports from recipients;
- reviewed CDC's audit resolution process for independent audits of PEPFAR recipients; and
- conducted a physical review of the award file location at CDC in Atlanta.

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

FINDINGS AND RECOMMENDATION

CDC did not always monitor recipients' use of PEPFAR funds in accordance with departmental and other Federal requirements. There was evidence that CDC performed some monitoring of recipients' use of PEPFAR funds. However, most of the award files did not include all required documents or evidence to demonstrate that CDC performed required monitoring on all

cooperative agreements. Of the 30 cooperative agreements in our sample, the award file for only 1 agreement contained all required documents. The remaining 29 award files were incomplete. Specifically, of the 30 award files:

- 20 files (67 percent) had progress reports that were either submitted after they were due (delinquent) or missing,
- 13 files (43 percent) had interim progress reports that were either delinquent or missing, and
- 14 files (47 percent) had FSRs that were either delinquent or missing.

In addition, 14 of 21 files (67 percent) were missing audit reports.³

The lack of required documentation in the award files demonstrates that CDC has not exercised proper stewardship over Federal PEPFAR funds because it did not consistently follow departmental and other Federal requirements in monitoring PEPFAR recipients.

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

Departmental Requirements and Policies

HHS GPD 3.06 outlines HHS policies for grant-related files and documentation to be created and maintained by HHS awarding offices, on both a programwide basis and an award-by-award basis. GPD 3.06 particularly emphasizes required documentation related to postaward monitoring and oversight of grantee performance. It also specifies the responsibilities of grants management staff and program officials/project officers in these areas. This GPD supplements the provisions of 45 CFR parts 74 and 92 and applies to discretionary grants⁴ only.

Section C of GPD 3.06 states that “awarding offices shall create and maintain files that allow for a third party to follow the paper trail; beginning with program initiation through closeout of individual awards, and decisions made and actions taken in between.” Official files must be created for each grant and must contain the following types of documentation, as applicable: all notices of grant award, site-visit reports, records of telephone calls, postaward technical assistance provided, required financial and performance reports and evidence of review and acceptability, and the status of A-133 audit report receipt and disposition.

According to the Manual, chapter 3.06.106-5, CDC must maintain appropriate award file documentation. The award file serves as the official record of an award. An award file must be

³ A report was not yet due for 9 of the 30 cooperative agreements.

⁴ HHS generally categorizes its grants as either discretionary or mandatory. Discretionary grants are those for which the Operating Division may exercise judgment (discretion) in determining both the recipient and the amount of the award. Mandatory grants are those that an Operating Division must award to a specific recipient (usually a State) if the recipient submits an acceptable plan or application and meets the eligibility and compliance requirements for the program.

created for each cooperative agreement and must contain documentation pertaining to postaward administration and monitoring, including FSRs, progress reports, interim progress reports, site-visit reports, and other reports required by the terms and conditions of the award.

According to the Manual, chapter 3.06.106-2, each monitoring action must result in written documentation that the monitoring has taken place. If monitoring results in negative findings, the type of followup action recommended and taken must be documented and placed in the award file.

Progress Reports

Pursuant to Federal regulations (45 CFR §§ 74.51(b) and 92.40(b)(1)), recipients are required to submit annual progress reports unless the awarding agency requires quarterly or semiannual reports. Annual reports are due 90 days after the end of the grant year. Quarterly and/or semiannual reports are due 30 days after the reporting period. Final progress reports are due 90 days after the expiration or termination of the award.⁵ The notices of award provide the due dates for progress reports.⁶

For the 30 sampled award files, 10 progress reports were timely or not yet due, 2 were delinquent, and 18 were not in the award files. The delinquent progress reports were from foreign recipients. Of the 18 reports missing from the award files, 8 were from domestic recipients and 10 were from foreign recipients. Table 1 shows the number of delinquent and missing progress reports.

Table 1: Delinquent and Missing Progress Reports

TYPE OF GRANTEE	DAYS DELINQUENT				MISSING	TOTAL
	0-100	101-200	>200	Total		
Domestic	0	0	0	0	8	8
Foreign	1	0	1	2	10	12
Total	1	0	1	2	18	20

Interim Progress Reports

According to the CDC *Grantee's Financial Reference Guide for Managing CDC Grants and Cooperative Agreements*, the interim progress report provides information on programmatic and fiscal activities conducted during the current budget period and documents the proposed activities and objectives for the upcoming budget period. Recipients may be required, as stated in the notice of award, to submit interim progress reports throughout the budget period.

⁵ The HHS awarding agency may require annual reports before the anniversary dates of multiyear awards in lieu of these requirements (45 CFR § 74.51(b)).

⁶ The grant rules allow for extensions of progress report due dates and waivers in some instances, at the agency's discretion (45 CFR § 92.40(b)(1)). We did not see any evidence that CDC granted waivers or allowed for extensions in the award files we reviewed.

For the 30 sampled award files, 17 interim progress reports were timely, not yet due, or not required; 12 were delinquent; and 1 was not in the award file. Of the 12 delinquent reports, 4 were from domestic recipients and 8 were from foreign recipients. The interim progress report missing from the award file was from a foreign recipient. Table 2 shows the number of delinquent and missing interim progress reports.

Table 2: Delinquent and Missing Interim Progress Reports

TYPE OF GRANTEE	DAYS DELINQUENT				MISSING	TOTAL
	0-100	101-200	>200	Total		
Domestic	4	0	0	4	0	4
Foreign	4	0	4	8	1	9
Total	8	0	4	12	1	13

Financial Status Reports

Pursuant to 45 CFR §§ 74.52(a)(1)(iv) and 92.41(b)(4), recipients must submit an FSR no later than 30 days after the end of each specified report period for quarterly and semiannual reports and 90 calendar days after the end of the specified report period for annual and final reports. The notice of award provides the due date for the FSRs.⁷

For the 30 sampled award files, 16 FSRs were timely or not yet due, 7 were delinquent, and 7 were not in the award files. Of the 7 delinquent FSRs, 4 were from domestic recipients and 3 were from foreign recipients. Of the 7 FSRs missing from the award file, 3 were from domestic recipients and 4 were from foreign recipients. Table 3 shows the number of delinquent and missing FSRs.

Table 3: Delinquent and Missing Financial Status Reports

TYPE OF GRANTEE	DAYS DELINQUENT				MISSING	TOTAL
	0-100	101-200	>200	Total		
Domestic	2	1	1	4	3	7
Foreign	2	1	0	3	4	7
TOTAL	4	2	1	7	7	14

Audit Reports

Pursuant to 45 CFR § 74.26(a), recipients that are institutions of higher education or nonprofits are required to file an audit report if they expended more than \$500,000 in one or more Federal awards during a FY according to OMB Circular A-133.

⁷ 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.

Pursuant to 45 CFR § 74.26(d)(1), recipients that are commercial organizations are required to file one of the following types of audit report if they expended more than \$500,000 in one or more Federal awards during a FY: a financial-related audit or an audit that meets the requirements of OMB Circular A-133. The GPS, page II-115, states that foreign recipients are subject to the same audit requirements as commercial organizations specified in 45 CFR § 74.26(d).

Pursuant to OMB Circular A-133, 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 fiscal year, unless a longer period of time is agreed to by the agency (subpart B §__.200 and subpart C §__.320).⁸

For the 30 sampled award files, 21 had an audit report due. Seven of the twenty-one had the required audit report in the award file, and 14 did not. Of the 14 that did not have an audit report, 4 were from domestic recipients and 10 were from foreign recipients. None of the award files contained evidence that CDC staff followed up with recipients to obtain missing audit reports.

CONCLUSION

The lack of required documentation in the award files demonstrates that CDC has not exercised proper stewardship over Federal PEPFAR funds because it did not consistently follow departmental and other Federal requirements in monitoring PEPFAR recipients.

RECOMMENDATION

We recommend that CDC follow departmental and other Federal requirements in monitoring recipients' use of PEPFAR funds.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC concurred with our recommendation. CDC also described corrective actions it had taken to strengthen internal controls and to foster a strong internal control environment. CDC's comments are included in their entirety as the Appendix.

OTHER MATTERS

AUDIT REPORTS

During our fieldwork, CDC staff notified us that they had 140 audit reports for the years ended July 2003 through September 2009 that they needed to forward to the HHS OIG National External Audit Review Center for review in accordance with OMB Circular A-133. CDC did

⁸ 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).

not record the dates it received the audit reports, so we could not determine how long CDC had held each report without action.

AUDIT RESOLUTION

OMB Circular A-50, section 8a(2), requires the audit followup official to resolve audit findings within 6 months. GPD 4.01 requires that audit findings under A-133 or equivalent audits must be resolved within 6 months of transmission (issuance) of the audit report by HHS OIG; however, corrective action and collection of any monetary disallowances, which are debts subject to the HHS claims collection regulation at 45 CFR part 30, may be completed over an agreed-upon period that goes beyond this 6-month period.

In July 2009, the Government Accountability Office issued report number GAO-09-666, *President's Emergency Plan for AIDS Relief: Partner Selection and Oversight Follow Accepted Practices but Would Benefit from Enhanced Planning and Accountability*, noting that "CDC does not have clear procedures for collecting required audit information or ensuring that audit findings are resolved, limiting CDC oversight officials' ability to effectively monitor partners' activities" (page 38).

In May 2010, we issued the report *Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations* (A-07-09-03131) and noted that CDC did not resolve all audit recommendations in a timely manner. According to the report, CDC resolved 815 of the 1,167 audit recommendations that were outstanding during FYs 2007 through 2009. In its response to our report, CDC stated that it would "develop standard operating procedures to assist stakeholders with the development and monitoring of corrective action plans related to OIG's recommendations as well as their final resolution."

At the time of our fieldwork for the present audit, CDC had not established formal guidance to ensure that audit findings for recipients would be resolved in a timely manner.

APPENDIX



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

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

TO: Daniel R. Levinson, Inspector General,
Department of Health and Human Services

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

DATE: May 6, 2011

SUBJECT: Office of Inspector General's Draft Report: "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," (A-04-10-04006)

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

As stated in the draft report, the objective of the OIG's review was to determine whether CDC monitored recipients' use of President's Emergency Plan for AIDS Relief (PEPFAR) funds in accordance with departmental and other federal requirements. The OIG reported that CDC did not always monitor recipients' use of funds in accordance with departmental and other federal requirements and also provided the following recommendation:

OIG Recommendation: CDC [should] follow departmental and other federal requirements in monitoring recipients' use of PEPFAR funds.

CDC Response: CDC concurs with this recommendation and has taken corrective actions to strengthen internal controls including:

- CDC's Procurement and Grants Office (PGO) has completed a comprehensive grant file review of 668 active international cooperative agreements, to assess whether required documentation is included in the agency grant file. This documentation includes grant recipient financial reports, progress reports, audit reports, and resolution of associated audit findings. CDC will update standard operating procedures based on the results of this review, and conduct training or meetings, as necessary, for involved staff.
- To address existing grant files, PGO is engaged in a file restoration effort with staff from CDC's Center for Global Health (CGH). The priority of this effort is to post the essential, aforementioned documents to the agency grant file. To ensure the continuation

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of this effort, PGO is implementing independent quality control checks and rigorous committee review of grant files.

- CDC has committed, and plans to continue committing, additional resources to ensure receipt of recipient audit reports, review, and resolution of associated findings for its global health grantees.
- CDC is currently drafting policy to address audits of international grantees, to bridge any oversight requirements not specified by the OIG National External Audit Review Center and the Federal Audit Clearinghouse. Additionally, PGO will continue to maintain a database of these audits, track associated findings, and report audit resolution to the HHS OIG. Procedures for including these activities in the official grant file are in development.

Importantly, to foster a strong internal control environment for PEPFAR programs, CDC has recently engaged in the following activities in support of its global programs:

- Established the Global Management Taskforce within the Office of the Director to provide intra-agency support and oversight of all global operational processes and procedures.
- Fully staffed the new Overseas Operations Office within CGH Office of the Director, which is responsible for providing guidance on overseas operations to the CGH Director. This unit is also responsible for recommending overseas management improvements to standard operating procedures and the development of business systems in conjunction with CDC's Financial Management Office (FMO), PGO, CDC's Global Programs, and CDC Country Offices (international locations).
- Established the Program Budget and Extramural Management Branch (PBEMB) within the Division of Global HIV/AIDS (DGHA) liaises with PGO and FMO to oversee program activities including working directly with staff involved in monitoring recipients' use of funds.
- Developed the International Acquisition and Assistance Branch within PGO to help assure sufficient resources are dedicated to overseeing the large volume of cooperative agreement actions.
- Developed and deployed an integrated and comprehensive approach to fiscal, personnel, grants, and programmatic oversight. CDC employs a comprehensive country management and support strategy, using interdisciplinary teams from across CDC's business units, to ensure systematic, comprehensive reviews, and ongoing assistance from headquarters to country offices related to the management of operations, budget, and portfolios of DGHA's programs with particular emphasis on programmatic and fiscal

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monitoring of PEPFAR funding recipients. These systematic reviews include the examination of extramural funds, intramural resources, and public health impact in all CDC PEPFAR-supported countries. These reviews are scheduled to be completed by March 2012, and all findings will be presented to the Global Management Taskforce.

- Customized training including courses for CDC grant project officers working in the international setting and for CDC's country directors and deputy directors to ensure CDC meets requirements related to financial management and oversight. Related efforts also include on-the-job training such as providing opportunities for less experienced public health managers to work along-side experienced overseas staff.
- Expansion of the number of public health managers and technical advisors embedded within partner organizations, i.e. Ministries of Health, which allows CDC staff to be closely involved in partner programmatic, operational, and financial monitoring and reporting.

The OIG also reported related information under the heading of "Other Matters," involving CDC efforts to resolve recommendations resulting from audits of recipient, domestic entities (see OMB A-133), as well as direct financial audits of the agency. According to the OIG Office of Audit Services recent Stewardship Report (4/5/2011) *Outstanding Audits Over Six Months Old*, CDC has only 14 recommendations listed. These recommendations are related only to audits of recipient, domestic entities, of which only one involves a monetary finding.

Although CDC has made significant progress in this area, as a preventative control activity, CDC is exploring the viability of conducting pre-award, recipient capability assessments for those global recipients identified as high risk and to provide technical assistance in resolving any findings identified as a result of these assessments (such as the development of adequate business systems related to procurement, financial reporting, and property). Additionally, CDC has conducted 12 international site visits thus far in FY 2011 for purposes of post-award monitoring and providing technical assistance. CDC is currently planning its FY 2012 schedule of international site visits.

We are happy to discuss any of these comments with you. Please direct any questions regarding these comments to Mr. Mike Tropauer by telephone at (404) 639-7009 or by e-mail at iggao@cdc.gov.



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