

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**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**

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Gloria L. Jarmon
Deputy Inspector General

January 2013
A-04-12-04019

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 2009, CDC "obligated" PEPFAR funds totaling \$1.2 billion. 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 regulations that apply to Federal grants also apply to cooperative agreements.

Through a 5-year cooperative agreement (grant number 5U2GPS001094), CDC awarded PEPFAR funds totaling \$20,597,069 to the Republic of Namibia, Ministry of Health and Social Services (the Ministry) for the budget period September 30, 2009, through September 29, 2010. The Ministry's mission is to provide integrated, affordable, accessible, and quality health and social welfare services that are responsive to the needs of the Namibian population. The Ministry entered into a cooperative agreement with CDC to implement a coordinated national response to the HIV/AIDS epidemic. The goals of the cooperative agreement were to strengthen the Ministry's capacity to:

- deliver improved voluntary counseling and testing;
- support prevention of mother-to-child transmission of HIV;
- perform HIV/AIDS related surveillance; and
- provide comprehensive HIV/AIDS care, including anti-retroviral therapy.

OBJECTIVE

Our objective was to determine whether the Ministry managed PEPFAR funds and met program goals in accordance with the award requirements.

SUMMARY OF FINDINGS

The Ministry did not always manage PEPFAR funds or meet program goals in accordance with award requirements. With respect to financial management, specifically financial transaction testing, we found that \$3,730,182 of the \$3,972,835 reviewed was allowable, but \$242,653 was not. Of the 40 financial transactions tested:

- 34 transactions totaling \$3,730,182 were allowable and
- 6 transactions totaling \$242,653 were unallowable because they lacked adequate supporting documentation.

Additionally, the Ministry:

- used \$565,101 of PEPFAR funds to pay potentially unallowable value-added taxes (VAT) on purchases,
- did not accurately report PEPFAR expenditures for this cooperative agreement on its financial status report (FSR) submitted to CDC, and
- did not obtain an annual financial audit as required by Federal regulations.

Our program management review showed that, of the 30 accomplishments sampled from the annual progress report, 12 items were not related to the goals and objectives of the cooperative agreement. The remaining 18 accomplishments were related to the goals and objectives of the cooperative agreement. However, seven of those accomplishments were not supported by documentation and six were only partially supported. Also, the Ministry did not submit its annual progress report to CDC within the allotted time frame in accordance with Federal regulations.

The Ministry's policies and procedures did not ensure that it:

- maintained adequate supporting documentation for allowable expenditures under the cooperative agreement and accurately reported costs on its FSR,
- submitted its progress report timely and included only items related to the agreement that it could fully support, and
- obtained an annual financial audit and submitted the report as required by Federal regulations.

RECOMMENDATIONS

We recommend that the Ministry:

- refund to CDC \$242,653 of unallowable expenditures;
- work with CDC to resolve whether the \$565,101 of VAT was an allowable expenditure under the cooperative agreement;
- file an amended FSR for the budget period of the cooperative agreement that we reviewed;
- develop and implement policies and procedures for
 - reconciling the FSR to the accounting records prior to submission and
 - ensuring that it maintains adequate supporting documentation for expenditures of Federal funds;
- use the exchange rate in effect at the time it prepares the FSR;
- develop and implement policies and procedures for
 - creating an annual progress report that has goals and objectives related to the cooperative agreement and
 - submitting the report in a timely manner; and
- have an annual audit performed and submit it in a timely manner to the applicable United States Agency.

REPUBLIC OF NAMIBIA, MINISTRY OF HEALTH AND SOCIAL SERVICES COMMENTS

The Ministry generally concurred with our recommendations, describing efforts it had taken, or plans to take, to address our recommendations. In response to our first recommendation, the Ministry provided additional documentation to support \$12,262 of the \$12,672 of sampled travel expenditures that we had determined were unallowable.

OFFICE OF INSPECTOR GENERAL RESPONSE

We reviewed the additional documentation that the Ministry provided with its comments and determined that the documentation did not support the expenditures that we had determined were unallowable. The additional documentation consisted of a request for payment to individuals for travel and a trip report that described the activities conducted during the travel. However, this documentation does not adequately verify that the travel actually occurred. Therefore, we continue to recommend that the Ministry refund \$242,653 of unallowable expenditures.

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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). 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 Department of Health and Human Services (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.

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 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.

For fiscal year (FY) 2009, CDC obligated¹ PEPFAR funds totaling \$1.2 billion. CDC awarded these PEPFAR 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.² In response to a Funding Opportunity Announcement (FOA),³ CDC awarded the Republic of Namibia, Ministry of Health and Social Services (the Ministry) grant number 5U2GPS001094 through a cooperative agreement for the project period September 30, 2008, through September 29, 2013.

¹ "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* 1.02, the highest level of policy within HHS that governs grants.

² The regulations that apply to Federal grants also apply to cooperative agreements.

³ FOA Number CDC-RFA-PS07-752 is entitled: *Prevention of Mother to Child Transmission of HIV and Improving Access to Comprehensive HIV/AIDS Care in the Republic of Namibia Under the President's Emergency Plan for AIDS Relief*.

Republic of Namibia, Ministry of Health and Social Services

The Ministry's mission is to provide integrated, affordable, accessible, and quality health and social welfare services that are responsive to the needs of the Namibian population. The Ministry entered into a cooperative agreement with CDC to implement a coordinated national response to the HIV/AIDS epidemic. The goals of the cooperative agreement were to strengthen the Ministry's capacity to:

- deliver voluntary counseling and testing;
- support prevention of mother-to-child transmission of HIV;
- provide HIV/AIDS related surveillance; and
- provide comprehensive HIV/AIDS care, including anti-retroviral therapy.

Federal Requirements and Departmental Policies

The grant rules in 45 CFR part 92 apply to State, local, and tribal governments. The grant administration rules in 45 CFR part 74 apply 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 II-113). Thus, the rules in 45 CFR part 92 apply to a foreign government.

This cooperative agreement was subject to the grant administration rules in 45 CFR part 92 and the terms and conditions detailed in the notice of award (NOA). Furthermore, CDC incorporated by reference the FOA and the application that CDC received from the Ministry on June 25, 2009, as a part of this award.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Ministry managed PEPFAR funds and met program goals in accordance with the award requirements.

Scope

Our audit covered the budget period from September 30, 2009, through September 29, 2010. This budget period was the second year of a 5-year cooperative agreement. During the budget period under review, CDC awarded the Ministry \$20,597,069.

We limited our review of internal controls to those related to our objective. We conducted fieldwork at the Ministry's offices in Windhoek, Namibia, from October through November 2011.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS guidance, the FOA, the NOA, and the Ministry's policies and procedures;
- interviewed and conducted meetings with CDC Namibia officials to determine the extent of the technical assistance they provided to the Ministry;
- interviewed and conducted meetings with Ministry officials to determine their processes and procedures related to financial accounting and reporting, and program goals and accomplishments;
- reconciled to its accounting records the Ministry's financial status report (FSR)⁴ for the budget period under review;
- selected and reviewed a judgmental sample of 40 financial transactions with expenditures totaling \$3,972,835 from the grant award of \$20,597,069, and included expenditures such as:
 - restricted funds, if specified on the NOA;
 - unallowable costs, such as indirect costs, if specified on the NOA;
 - transactions above/below the average transaction amount in an expenditure category;
 - consulting and government fees; and
 - other unusual transactions;
- identified the amount of value-added taxes (VAT) that the Ministry paid with PEPFAR funds;
- compared the accomplishments described in the Ministry's annual progress report to the cooperative agreement's goals and objectives; and

⁴ Pursuant to 45 CFR § 92.41(b)(4), FSRs are due to the CDC Grants Management Office 90 days after the end of the budget period. FSRs provide information to CDC on current expenditures and on carryover balances (if any). In addition, these documents are considered in future funding decisions.

- selected a judgmental sample of 30 accomplishments described in the Ministry's annual progress report and reviewed supporting documentation to determine whether the Ministry met program goals and objectives.

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.

FINDINGS AND RECOMMENDATIONS

The Ministry did not always manage PEPFAR funds or meet program goals in accordance with award requirements. With respect to financial management, specifically financial transaction testing, we found that \$3,730,182 of \$3,972,835 reviewed was allowable, but \$242,653 was not. Of the 40 financial transactions tested:

- 34 transactions totaling \$3,730,182 were allowable and
- 6 transactions totaling \$242,653 were unallowable because they lacked adequate supporting documentation.

Additionally, the Ministry:

- used \$565,101 of PEPFAR funds to pay potentially unallowable VAT on purchases,
- did not accurately report PEPFAR expenditures for this cooperative agreement on its FSR submitted to CDC, and
- did not obtain an annual financial audit as required by Federal regulations.

Our program management review showed that, of the 30 accomplishments sampled from the annual progress report, 12 were not related to the goals and objectives of the cooperative agreement. The remaining 18 accomplishments were related to the goals and objectives of the cooperative agreement. However, seven of those accomplishments were not supported by documentation and six were only partially supported. Also, the Ministry did not submit its annual progress report to CDC within the allotted time frame in accordance with Federal regulations.

The Ministry's policies and procedures did not ensure that it:

- maintained adequate supporting documentation for allowable expenditures under the cooperative agreement and accurately reported costs on its FSR,
- submitted its progress report timely and included only items related to the agreement that it could fully support, and

- obtained an annual financial audit and submitted the report as required by Federal regulations.

FINANCIAL MANAGEMENT

Financial Transaction Testing

Pursuant to 45 CFR § 92.20(b)(6), accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, and contracts and subgrant award documents. Also, Federal regulations (2 CFR part 225, Appendix B, § 8.h(1)) states that charges to awards for salaries and wages will be based on documented payrolls approved by a responsible official of the governmental unit.

Of the 40 transactions totaling \$3,972,835 that we reviewed, 34 transactions totaling \$3,730,182 were allowable, but 6 transactions totaling \$242,653 were not. (See Table 1.)

Table 1: Unallowable Financial Sample Items

Category	Sample Transactions	Total
Counselor Costs	5	\$ 229,981
Travel Costs	1	\$ 12,672
Total	6	\$ 242,653

For five sample transactions associated with payments to community counselors, the Ministry could not provide documentation showing that the community counselors worked on the cooperative agreement. For one travel-related transaction that we sampled, the Ministry was unable to provide supporting documentation for the expenditure.

Expenditures for Value-Added Tax

Pursuant to the HHS GPS (Section II-114), certain costs, including VAT,⁵ are unallowable under foreign grants and domestic grants with foreign components. Also, bilateral agreements with foreign governments may stipulate an exemption from paying the VAT for those contractors and grantees that are funded by the United States and providing foreign aid.⁶

During the audit period, the Ministry used \$565,101 of PEPFAR funds to pay the VAT, a potentially unallowable cost for this grant. It recorded the expenditures for the VAT in a

⁵ VAT is a form of consumption tax.

⁶ HHS is currently reexamining the applicability of the GPS provision; thus, we are not recommending a disallowance. Instead, we recommended that the Ministry work with CDC to resolve the issue.

separate general ledger account for PEPFAR funds and also included the VAT amount as part of total expenditures on its FSR.

The Ministry stated that it had applied to the Namibian government for exemption status and a refund of all the VAT expenditures previously disbursed. However, at the time of our audit the Namibian government had not yet approved the exemption status and refunded the VAT to the Ministry.

Financial Status Reports

Pursuant to 45 CFR § 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 NOA provides the due date for the FSRs.

Pursuant to 45 CFR § 92.20(b)(1), a grantee's financial management reporting system must be able to demonstrate an accurate, current, and complete disclosure of the financial results of grant funded activities in accordance with the financial reporting requirements of the grant. Pursuant to the GPS (Section II-114), financial reports must be stated in U.S. dollars using the currency rate in effect at the time of submission.

The FSR that the Ministry submitted did not agree with its accounting records. The Ministry used a Microsoft Excel spreadsheet to track by FY the Ministry's cooperative agreement transactions and to create the FSR. The FSR was not accurate because of errors made while recording the transactions from the accounting records to the spreadsheet. As a result, the Ministry underreported expenditures on the FSR for the cooperative agreement by \$1,565,811. Additionally, the Ministry did not use the applicable exchange rate in effect at the time it prepared the FSR. Instead, it used a standard exchange rate factor of 7. When recipients submit inaccurate FSRs, neither the recipient nor the awarding agency can properly manage the awards.

PROGRAM MANAGEMENT

Progress Report Testing

Pursuant to 45 CFR § 92.40(b)(2), progress reports should contain a comparison of actual accomplishments to the objectives established for the period. Also, progress reports should contain the reasons that any established objectives were not met and additional pertinent information, including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Pursuant to 45 CFR § 92.42, grantees are required to retain financial and programmatic records and supporting documents, both those required by the grant agreement and those "otherwise reasonably considered as pertinent to the regulations and grant agreement," for 3 years from the submission date of the final expenditure report for the funding period.

Additionally, the FOA states that the Ministry should have measurable outcomes that are in alignment with the performance goals.⁷

Of the 30 accomplishments that we sampled from the progress report, 12 did not relate to the goals and objectives of the cooperative agreement under review and should not have been included in the progress report.⁸ The 18 remaining accomplishments that we sampled related to the goals and objectives of the cooperative agreement (see Table 2).

Table 2: Progress Report Accomplishments Summary

Accomplishments	Sample Transactions
Not Related to the Cooperative Agreement	12
Related Items Were:	
Supported	5
Not Supported	7
Partially Supported	6
Total	30

Documentation supported only 5 of the 18 accomplishments. However, no documentation supported 7 of the 18 accomplishments that were related to the goals and objectives of the cooperative agreement. There was no supporting documentation for these types of activities: distributing condoms, training healthcare workers, and using anti-retroviral prophylaxis treatments. For example, the Ministry could not provide documentation to support the number of healthcare workers that it reported as trained in the progress report.

The remaining six accomplishments, which were for these types of activities—National HIV Testing Day statistics, counseling and testing services, procurement of HIV/AIDS related drugs, and equipment—were only partially supported by documentation. For example, the Ministry provided support for the procurement of some equipment but could not support all equipment purchases that were in the sample item. Additionally, when the Ministry tried to recreate statistics used in the progress report, it could not reconcile the figures.

Progress Report Submission

Pursuant to 45 CFR § 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 semiannual reports are due 30 days after the

⁷ Section IV of the NOA—*Special Terms and Conditions*—makes the requirements found in the FOA part of the award by reference.

⁸ The 12 items were related to the PEPFAR program, but not to the goals and objectives of the cooperative agreement.

reporting period. Final progress reports are due 90 days after the expiration or termination of the award. The NOA provides the specific due dates for progress reports.⁹

The Ministry did not meet the 90-day Federal requirement for submitting an annual progress report because it submitted its report to CDC 9 months late. The Ministry's grant year ended September 29, 2010. Therefore, the annual progress report was due on December 29, 2010. However, the Ministry did not submit the progress report to CDC until September 28, 2011. Without progress reports, CDC could not determine whether the recipient met program goals in accordance with award requirements.

NON-FEDERAL AUDIT REPORT

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 45 CFR § 74.26(d)(1), recipients that are commercial organizations are required to file one of the following types of audits 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.

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 FY, unless a longer period of time is agreed to by the agency (subpart B §__.200 and subpart C §__.320).¹⁰

The Ministry did not have an independent audit finalized for FY 2010. On November 11, 2011, the Ministry provided a copy of the draft audit report for FY 2010 prepared by an independent auditor. The draft independent audit report stated that the audit findings and recommendations from prior periods had remained unchanged. Without an annual audit, CDC cannot fully assess the risks of awarding funds to a recipient, and Federal funds could be at risk for mismanagement.

INADEQUATE POLICIES AND PROCEDURES

Although the Ministry followed the State Finance Act¹¹ with respect to its operations, this Act did not address United States Funds or United States Cooperative Agreements. The Ministry also did not formally document its financial and programmatic processes and procedures to ensure that it:

⁹ 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 in the award files that we reviewed any evidence that CDC granted waivers or allowed for extensions.

¹⁰ 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).

¹¹ The State Finance Act 31 of 1991 provides for the regulation of State monies, the powers and duties of the Treasury and the Auditor General, as well as the determination of interest rates, and the raising and repayment of loans by the State.

- maintained adequate supporting documentation for allowable expenditures under the cooperative agreement and accurately reported costs on its FSR,
- submitted its progress report timely and included only items related to the agreement that it could fully support, and
- obtained an annual financial audit and submitted the report as required by Federal regulations.

RECOMMENDATIONS

We recommend that the Ministry:

- refund to CDC \$242,653 of unallowable expenditures;
- work with CDC to resolve whether the \$565,101 of VAT was an allowable expenditure under the cooperative agreement;
- file an amended FSR for the budget period of the cooperative agreement that we reviewed;
- develop and implement policies and procedures for
 - reconciling the FSR to the accounting records prior to submission and
 - ensuring that it maintains adequate supporting documentation for expenditures of Federal funds;
- use the exchange rate in effect at the time it prepares the FSR;
- develop and implement policies and procedures for
 - creating an annual progress report that has goals and objectives related to the cooperative agreement and
 - submitting the report in a timely manner; and
- have an annual audit performed and submit it in a timely manner to the applicable United States agency.

REPUBLIC OF NAMIBIA, MINISTRY OF HEALTH AND SOCIAL SERVICES COMMENTS

The Ministry generally concurred with our recommendations, describing efforts it had taken, or plans to take, in response to our recommendations. In response to our first recommendation, the

Ministry provided additional documentation to support \$12,262 of the \$12,672 of sampled travel expenditures that we had determined were unallowable. The Ministry's comments are included as the Appendix; however, we did not include the additional documentation that the Ministry provided because it was too voluminous. Also, we redacted certain sensitive information from the comments.

OFFICE OF INSPECTOR GENERAL RESPONSE

We reviewed the additional documentation that the Ministry provided with its comments and determined that the documentation did not support the expenditures that we had determined were unallowable. The additional documentation consisted of a request for payment to individuals for travel and a trip report that described the activities conducted during the travel. However, this documentation does not adequately verify that the travel actually occurred. Therefore, we continue to recommend that the Ministry refund \$242,653 of unallowable expenditures.

APPENDIX

**APPENDIX: REPUBLIC OF NAMIBIA, MINISTRY OF HEALTH AND
SOCIAL SERVICES COMMENTS**



REPUBLIC OF NAMIBIA

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Date: 02 November 2012

**OFFICE OF THE DIRECTOR
DIRECTORATE OF SPECIAL PROGRAMMES**

US Department of Health and Human Services
Office of the Inspector General
Washington, DC 20201

Dear Ms. Jarmon,

Enclosed is the Ministry of Health and Social Services (MOHSS) response to the US Department of Health and Human Services, Office of the Inspector General's review of our management of President's Emergency Plan for AIDS Relief Funds (PEPFAR).

On behalf of the MOHSS, I would like to convey our appreciation for the professionalism and thoroughness of the DHHS OIG audit team and the quality of the assessment and report. In addition, we appreciate the feedback received and the opportunity to respond and share corrective action already under taken since the OIG team was in Namibia in November 2011.

Please do not hesitate to contact me with your questions about our report or additional follow-up needed.

Thank you.

Sincerely,

Anne-Marie Nitschke, Deputy Director
Ministry of Health and Social Services
Directorate of Special Programs



The Ministry of Health and Social Services
Response to the
United States Department of Health and Human Services
Office of the Inspector General's Report
November 2011

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The Ministry of Health and Social Services (MOHSS) appreciates the opportunity to review and comment on the Office of the Inspector General's (OIG) draft report entitled, "*The Republic of Namibia, Ministry of Health and Social Services, Did not Always Manage President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance with Award Requirements*".

Sections 1.0 to 7.0 of this document respond to each recommendation by the OIG.

In summary, the MOHSS concurs with the recommendations of the OIG report. The MOHSS appreciates your consideration of the comments contained in this response. The following responses address each OIG recommendations noting areas of improvement and enhancements already in place.

MOHSS RESPONSE TO OIG RECOMMENDATIONS

1.0 OIG RECOMMENDATION: REFUND TO CDC \$242,653 OF UNALLOWABLE EXPENDITURES

MOHSS Response:

1.1 Community Counsellor (CC) Related Transactions - \$229,981

Currently, CCs are the backbone of the HCT program because they are primary personnel at health facilities responsible for HIV counselling and testing (HCT); adherence or care and support counselling, prevention, and male circumcision counselling; nutritional counselling and provide referral services. CCs play a major role in supporting clinical PMTCT providers in antenatal clinics. CCs support provider initiated HTC in TB, STI clinics and other settings through provision of counselling and conducting rapid HIV testing to patients. In addition, CCs distribute condoms, promote and conduct couples HCT, and encourage all of their clients, but particularly people living with HIV and AIDS (PLWHA), to reduce high-risk behaviours through faithfulness to a single partner. Through counselling CCs address cultural norms that factor into HIV transmission, including lack of health care seeking behaviour by men, multiple sex partners, transactional and trans-generational sex, power inequities between men and women, and alcohol abuse. Six hundred of 650 Community Counsellor positions are filled. They receive an allowance of about [REDACTED].

The MOHSS has undertaken several action steps to ensure receipt of attendance registers from all community counsellors across the 13 regions in Namibia.

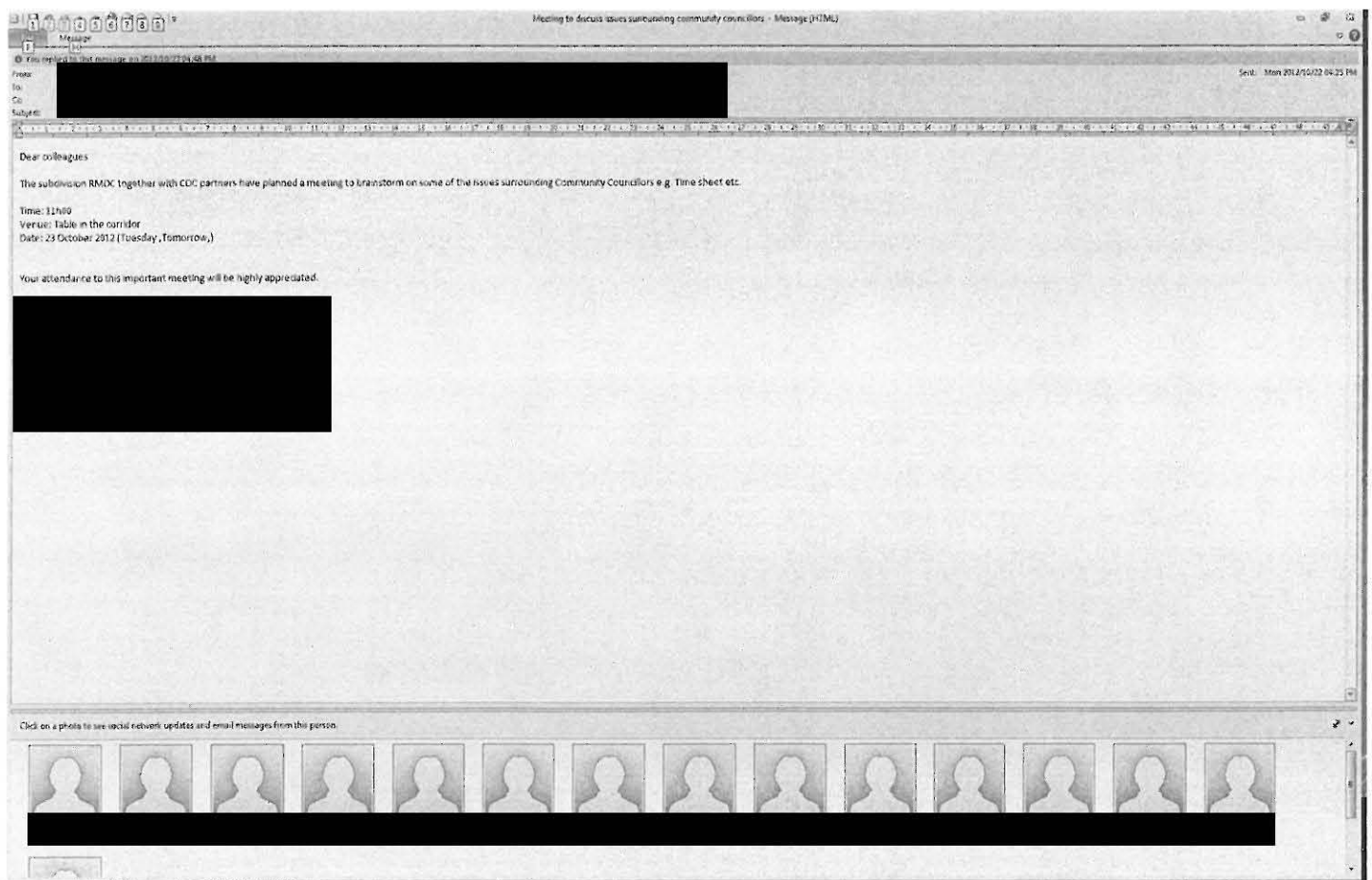
- a. Established a Human Resource Program Manager position in the Directorate of Special Programs. This new position was filled on July 16, 2012 and is dedicated to strengthening payroll processes for the Community Counsellors and other CDC funded MOHSS staff.
- b. Distributed a circular on July 24, 2012 to the Community Counsellors and other CDC funded staff and supervisors (see Appendix A). This circular stated:

"Attendance Register accompanied by all approved leave forms be submitted to the HR Unit, the latest on the 10th of each month for community councillors and the 20th for all other CDC-MOHSS personnel. It is important to note that non-compliance could lead to disciplinary action and therefore it is advised that in cases of technical problems, such as the non-functioning of fax lines, printers etc, be communicated well in advance"

- c. Distributed another circular dated October 22, 2012 to the Community Counsellors (see Appendix A). Although receipt of time sheets has significantly improved since the circular from July 12, 2012 was released, this circular states that if time sheets are not received, payment will be withheld:

“Based on the agreement reached between the MOHSS and CDC (as the funding partners) the salaries of community counsellors will from now onwards only be paid upon the successful receipt of attendance registers, starting with the Payroll for October 2012. It is important for all to note that ‘Attendance Register’ serves to firstly; certify the existence of employees in general and secondly to verify the dates and time worked by individual counsellors for the purposes of effecting their salaries. Hence, the absence of attendance register could mean, either that an employee is not employed or that the employee was absent for the entire period for which no records were received.”

- d. Strengthen supervisory and reporting structures at the national and regional levels for the Community Counsellors. The MOHSS will be convening a meeting on October 23, 2012 between the national MOHSS HR Unit and the HIV Testing and Counselling Program to review, discuss, and improve supervisory and reporting systems between regional and national levels. After this national level meeting, regional staff will be consulted to determine additional ways to strengthen supervisory structures the field and the National offices. See e-mail confirmation below for this meeting.



1.2 Travel Expenditures = \$12, 672

This travel expense was to support two teams of Health Information System Technical Support Visits from April 6 2010 to April 23, 2010. One team travel to the northern regions and the other travelled to southern regions.

At the time of the OIG audit, the trip report was not attached to the expenditures. The MOHSS Program Official had a copy of the trip report. Both the expenditure documents and trip reports are included in Appendix B. Please consider this attached travel report as substantiating evidence of the travel under taken.

The MOHSS would like to request refunding the unallowable expenditures for the Community Counsellors by reducing the current grant award 5U2GPS001094-03 by \$229,981. The MOHSS will wait for the feedback from the OIG if the \$12,672 still needs to be refunded based on their review of attached documents in Appendix B.

2.0 OIG RECOMMENDATION: WORK WITH CDC TO RESOLVE WHETHER THE \$565,101 OF VAT WAS AN ALLOWABLE EXPENDITURE UNDER THE COOPERATIVE AGREEMENT

MOHSS Response:

The MOHSS is working with CDC on this matter and CDC is reviewing its grants policy to address the issue of allowability of VAT expenditures. Further, the MOHSS is currently actively seeking a reimbursement of grant funds used to pay VAT on behalf of CDC, which should address any further concerns.

The MOHSS has taken several action steps to s apply for a refund of all the VAT expenditures. Below is a summary of each action taken with supporting evidence in Appendix C. On October 22, 2012, the Ministry of Finance, Legal Services Division approved the MOHSS' VAT Reimbursement Request. The method of reimbursement is now under discussion between the MOHSS and the MOF.

SUMMARY OF ACTION TAKEN FOR VAT REIMBURSEMENT	
Date	Action
January 19, 2007	CDC and MOHSS registered to claim refund for VAT
February 03, 2009	MOHSS submitted first Claim forms for refund of VAT paid by CDC COAG funds.
April 27, 2009	Ministry of Finance Inland Revenue VAT Audit Findings rejected MOHSS VAT paid by CDC refund claims.
April 15, 2010	MOHSS submitted second Claim Forms for refund of VAT paid by CDC COAGs.
June 12, 2012	MOHSS followed up on the VAT account status of the CDC COAGs with the Ministry of Finance, Receiver of Revenue.
June 29, 2012	MOHSS wrote Memorandum from Pharmaceutical Services to CDC explaining why invoices for payment for ARVs and RTKs are not addressed to CDC
July 27, 2012	MOHSS wrote a Memorandum to the MOHSS of Finance Request providing all requested justification.

3.0 OIG RECOMMENDATION: FILE AN AMENDED FSR FOR THE BUDGET PERIOD OF THE COOPERATIVE AGREEMENT THAT WE REVIEWED

MOHSS Response:

The MOHSS has provided an amended draft FSR for FY09 (see Appendix D). This draft FSR will be finalized upon receipt of response from the OIG on the exchange rate used to determine the expenditures for this FY.

4.0 OIG RECOMMENDATION: DEVELOP AND IMPLEMENT POLICIES AND PROCEDURES FOR:

- 4.1 Reconciling the FSR to the accounting records prior to submission and
- 4.2 Ensure that it maintains adequate supporting documentation for expenditures of Federal funds

MOHSS Response:

The MOHSS Finance Team has taken several steps to strengthen overall fiscal management of the CDC Cooperative Agreements including ensuring that the FSR is reconciled prior to submission and that there is adequate supporting documentation for expenditures of Federal funds. The following action steps have been taken thus far:

- a. Drafted Standard Operating Procedures for Financial Management (see Appendix E).
 - *Financial Reporting*: The section reviews entire process and obligation for financial reporting.
 - *Verification of Documents*: This section ensures that the proper documentation is collected at the time of the procurement request.
 - *Payment Requirements*: This section outlines the type of supporting documentation required including quotes, formal request from the department for activity, bank details, and VAT Registration – VAT Registered companies
- b. Established regular meetings between the MOHSS Finance Team and CDC-Namibia to discuss, implement, and trouble shoot financial and procurement challenges (see Appendix F for meeting minutes)
- c. Installed a new financial accounting, budget management, and fixed asset software commonly used in South African and Namibia called PASTEL. This software will allow the MOHSS to move away from using Microsoft spread sheets. In PASTEL, financial expenditures can be tracked at the activity-level under customized cost centres.

5.0 OIG RECOMMENDATION: USE THE EXCHANGE RATE IN EFFECT AT THE TIME IT PREPARES THE FSR**MOHSS Response:**

The MOHSS is eliminating the Microsoft excel spread sheets to track expenditures against the budget by purchasing the Pastel accounting software. This software includes a module that calculates the exchange rate and therefore, the system should be able to accurately report the expenditure at the correct exchange rate when the FSR is created.

6.0 OIG RECOMMENDATION: *DEVELOP AN ANNUAL PROGRESS REPORT THAT HAS GOALS AND OBJECTIVES RELATED TO THE COOPERATIVE AGREEMENT AND SUBMIT THE REPORT IN A TIMELY MANNER***MOHSS Response:**

The MOHSS and CDC-Namibia worked together to establish a standardized template and a process to develop quality and accurate annual progress reports. For the annual progress report requirement for FY 2010 -2012, the MOHSS and CDC-Namibia worked together to address weakness identified in the Annual Progress Report reviewed by the OIG through the following action steps:

- a. Developed a standardized template for Annual Progress Reports (see Appendix G)
- b. Received a training from CDC-Namibia on the purpose and core components of annual progress reports (see Appendix H)
- c. Developed a process, in collaboration with CDC-Namibia, to ensure that all program activities included in the annual progress report are supported by evidence (i.e. financial expenditures, trip reports, ect.)
- d. Developed a template for annual work plans so that progress reports can be more easily updated (see Appendix I)
- e. Established Monthly Monitoring Meetings so that annual work plans and progress reports can be routinely updated for each program area (see Appendix J).
- f. Established Annual Review Meetings to review year-end budget execution and jointly finalize the annual progress reports for both Cooperative Agreements. The first meeting will be Thursday, Nov. 1st and Friday, Nov. 2nd (see agenda in Appendix K).
- g. Merge COAG # 001094 and COAG # 003014 in FY 2014. The Scope of Work (SOW) under COAG #003014 fits under the SOW in COAG #001094. To reduce administrative burden of writing two separate Annual Progress Reports, the MOHSS and CDC are planning to merge the two COAGs into one in FY 2014

7.0 OIG RECOMMENDATION: *HAVE AN ANNUAL AUDIT PERFORMED AND SUBMIT IT IN A TIMELY MANNER TO THE APPLICABLE UNITED STATES AGENCY*

MOHSS Response:

Annual audits were performed in 2004, 2005, and 2006. There was a gap during 2007, 2008, and 2009 when no audits occurred. To ensure compliance with the auditing requirement, all 3 years were then audited at the same time and completed by July 2011. Currently, the MOHSS is up to date with the auditing requirement. The last audit year reviewed was the fiscal year of August 2010 to July 2011. The Notice of Award stipulates that audits should occur no later than 9 months after the end of the grantees fiscal year (August to July). Therefore, the next audit is scheduled to begin with Price Water House Cooper in February 18, 2013 (see Appendix L for e-mail confirmation from Price Water House Cooper).

APPENDICES

- A. Circular on Community Counsellor Attendance Registers
- B. \$12,262 Travel Expense Documents and Corresponding Trip Report
- C. Memos Related to VAT Reimbursement
- D. Draft Amended FSR FY 2009
- E. Standard Operating Procedures for Financial Management
- F. Procurement and Finance Meeting Minutes
- G. Annual Progress Report Template
- H. Power Point Presentation on Annual Progress Reports
- I. CDC COAG Annual Work Plan Template
- J. Monthly Monitoring Meeting Template
- K. MOHSS and CDC Annual Review Meeting Agenda
- L. PWC E-mail Confirmation on Feb. 18, 2013 Audit Start Date