

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE CENTERS FOR DISEASE CONTROL
AND PREVENTION'S VIETNAM OFFICE
GENERALLY MONITORED 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
Public.Affairs@oig.hhs.gov.*



**Gloria L. Jarmon
Deputy Inspector General**

**April 2013
A-04-12-04023**

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 (the 2003 Act) (P.L. No. 108-25), 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 (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 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 Hanoi, Vietnam (CDC Vietnam), is responsible for PEPFAR funds awarded to government agencies and profit and nonprofit organizations (recipients) in Vietnam. The main focus of the PEPFAR program in Vietnam 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 \$28.2 million to 19 recipients in Vietnam during FY 2009.

This audit focused on \$22.7 million that CDC awarded to four recipients in Vietnam 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 Vietnam monitored recipients' use of PEPFAR funds in accordance with HHS and other Federal requirements.

SUMMARY OF FINDINGS

Monitoring of Recipients' Program Performance

In general, CDC Vietnam monitored recipients' use of PEPFAR funds in accordance with HHS and other Federal requirements. Most of the recipients' cooperative agreement files included required evidence that CDC Vietnam had monitored the cooperative agreements. However, of the four recipient files that we reviewed, one file contained no evidence that CDC Vietnam had attempted to obtain the annual progress report, which it needed to determine whether the recipient had met the goals and objectives in its approved application.

Internal Controls for Monitoring

CDC Vietnam had supplemental guidance that outlined the responsibilities of team members for managing cooperative agreements. However, it did not have written policies and procedures for the monitoring process to assure that PEPFAR funds were used as intended by law.

RECOMMENDATION

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

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC concurred with our recommendation. CDC also described the corrective actions CDC Vietnam had taken to ensure continuous improvement in the cooperative agreement monitoring process.

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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 (the 2003 Act) (P.L. No. 108-25), 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 (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 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 those 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 Directive* (GPD) 1.02, the highest level of policy within HHS that governs grants.

Centers for Disease Control and Prevention in Vietnam

CDC has offices in many of the countries where it awards PEPFAR funds. CDC established an office in Hanoi, Vietnam (CDC Vietnam), in 2001. Since then, CDC Vietnam has focused its efforts on provinces where the most at-risk populations live. CDC Vietnam is working in partnership with the Vietnamese government to support programs that target those populations, which include injection drug users (IDUs), commercial sex workers, and men who have sex with men. For example, CDC Vietnam supports Vietnam in developing sustainable infrastructures to accurately and efficiently diagnose, stage, and monitor HIV treatment. Support activities include evaluating rapid HIV testing technologies for same day results, expanding capacity for testing viral loads, and monitoring HIV drug resistance. CDC Vietnam also works with the Vietnamese government to develop programs that target current and recovering IDUs. Those programs include: interventions to reduce the risk of IDUs contracting HIV/AIDS, medication-assisted therapy, and other support to help addicts recover. In addition, the programs make available critical HIV/AIDS interventions such as the provision of antiretroviral therapy.

CDC awarded \$28.2 million in PEPFAR Funds to 19 recipients, made up of government agencies and both profit and nonprofit entities (recipients), in Vietnam 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 Vietnam is responsible for managing five of the PEPFAR cooperative agreements in Vietnam.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*.

³ CDC Headquarters in Atlanta, Georgia, manages fourteen of the cooperative agreements in Vietnam.

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, 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 budget period 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 Vietnam monitored recipients’ use of PEPFAR funds in accordance with HHS and other Federal requirements.

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.

Scope

From October 1, 2008, through September 30, 2009, CDC obligated PEPFAR funds totaling \$1.2 billion. Our audit focused on \$22.7 million that CDC awarded to four recipients⁶ in Vietnam through cooperative agreements. These funds were for recipients' budget periods from April 1, 2009, through September 29, 2010.

We did not review the overall internal control structure of CDC Vietnam. We limited our review to CDC Vietnam's internal controls for monitoring recipients' use of PEPFAR funds. CDC Vietnam had supplemental guidance that outlined the responsibilities of team members 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 Vietnam in Hanoi, Vietnam, from January through February 2012.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS requirements and guidance, and CDC Vietnam's policies and procedures;
- analyzed all four cooperative agreements monitored by CDC Vietnam and reviewed the contents of CDC Vietnam'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, the FSR, progress reports, correspondence, and audit reports) that is required for each of the cooperative agreements;
- interviewed CDC Vietnam officials;
- reviewed CDC Vietnam's process for obtaining and reviewing the recipients' FSRs, annual progress reports, and audit reports;
- reviewed CDC Vietnam'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.

⁶ CDC Vietnam managed the cooperative agreements for 5 of the 19 recipients, but we reviewed only 4 because 1 recipient received only a supplemental payment of \$100.

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 RECOMMENDATION

In general, CDC Vietnam monitored recipients' use of PEPFAR funds in accordance with HHS and other Federal requirements. Most of the recipients' cooperative agreement files included required evidence that CDC Vietnam had monitored the cooperative agreements. However, of the four recipients' files that we reviewed, one recipient's file contained no evidence that CDC Vietnam had attempted to obtain the required annual progress report.

CDC Vietnam had supplemental guidance that outlined the responsibilities of team members for managing cooperative agreements. However, it did not have written policies and procedures for the monitoring process to assure 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 should 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,
- reviewing progress reports,
- reviewing financial reports, and
- reviewing other items requiring approval.

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 post-award administration of projects (the *Manual*, chapter 1.04.104 (E)(1)).

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, 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.

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.

CDC Vietnam's files contained evidence that it had evaluated the annual progress reports for three recipients in accordance with HHS and other Federal requirements. However, CDC Vietnam had not obtained the progress report from one recipient, and there was no evidence in its files that it had attempted to obtain the progress report. CDC Vietnam could not determine whether the recipient had met the goals and objectives in its approved application without reviewing the annual progress report.

Monitoring Recipients' Financial Performance

A program official is responsible for evaluating and obtaining any delinquent FSRs¹⁰ per the *Manual*, chapter 1.04.104, Attachment 1, *Overview of Responsibilities*. Also, per the FOA, program officials are responsible for monthly monitoring of grantees' expenditures to determine whether expenditures relate to the cooperative agreement.

CDC Vietnam's cooperative agreement files contained evidence that it had reviewed the FSRs for all four recipients in accordance with HHS and other Federal requirements.

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).

CDC Vietnam's files contained evidence that it reviewed the audit reports of all four recipients in accordance with HHS and other Federal requirements.

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 Vietnam's files contained evidence that it had conducted site visits of all four recipients in accordance with HHS and other Federal requirements.

INTERNAL CONTROLS FOR MONITORING RECIPIENTS' COOPERATIVE AGREEMENTS

CDC Vietnam had supplemental guidance that outlined the responsibilities of team members for managing cooperative agreements. However, it did not have written policies and procedures for the monitoring process to assure that PEPFAR funds were used as intended by law.

¹⁰ The annual FSR is the mechanism that is used to monitor grantee expenditures.

RECOMMENDATION

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

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC concurred with our recommendation. CDC also described the corrective actions CDC Vietnam had taken to ensure continuous improvement in the cooperative agreement monitoring process. The actions CDC described included:

- establishing procedures to track the timeliness of progress report submissions, which include following up on delinquent reports and confirming documentation on the review of and response to submitted reports and
- developing standard operating procedures (SOPs) for review of progress reports and finalizing SOPs for all activities related to cooperative agreement management.

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

APPENDIX



APPENDIX: CENTERS FOR DISEASE CONTROL AND
PREVENTION COMMENTS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Public Health Service

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

TO: Inspector General, Department of Health and Human Services

FROM: Director, Centers for Disease Control and Prevention

DATE: March 19, 2013

SUBJECT: Office of Inspector General's Draft Report: "The Centers for Disease Control and Prevention's Vietnam Office Generally Monitored Recipient's Use of the President's Emergency Plan for AIDS Relief Funds," (A-04-12-04023)

The Centers for Disease Control and Prevention (CDC) appreciates the opportunity to review the subject draft report.

The Office of Inspector General (OIG) recommends that CDC/Vietnam implement standard operating procedures (SOPs) for monitoring recipients' use of PEPFAR funds, including, but not limited to, documenting its review of progress reports.

CDC Response: CDC concurs with this recommendation. Prior to the OIG review, CDC headquarters conducted a Country Management Support (CMS) review of the CDC/Vietnam office in July 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 from the 2011 assessment are consistent with OIG's findings. CDC/Vietnam began implementing corrective actions in response to the CMS findings prior to the OIG visit. CDC/Vietnam has taken the following actions to ensure continuous improvement in the cooperative agreement (CoAg) monitoring process:

- Established procedures to track the timeliness of progress report submissions, which includes follow up on delinquent reports, and to confirm documentation of review and response to submitted reports.
- Developed SOPs for review of progress reports and is finalizing SOPs for all activities related to CoAg management.

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 by telephone at (404) 639-7009 or by e-mail at iggao@cdc.gov.

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