

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE CENTERS FOR DISEASE CONTROL
AND PREVENTION DID NOT AWARD
PRESIDENT'S EMERGENCY PLAN FOR
AIDS RELIEF FUNDS FOR 2013 IN
COMPLIANCE WITH APPLICABLE HHS
POLICIES**

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Office of Inspector General

<http://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

The Centers for Disease Control and Prevention did not award the President's Emergency Plan for AIDS Relief program funds for fiscal year 2013 in compliance with applicable departmental policies. As a result, CDC did not fully support its funding decisions to award \$1.9 billion over the 5-year project period and may have treated applicants inconsistently.

WHY WE DID THIS REVIEW

The President's Emergency Plan for AIDS Relief (PEPFAR) program was authorized to receive \$48 billion in funding for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria. Additional funds were authorized to be appropriated through 2018.

The Act requires the Department of Health and Human Services (HHS), Office of Inspector General (OIG), among others, to provide oversight of the programs implemented under the Act, including PEPFAR. To meet this requirement, HHS OIG has conducted a series of audits of HHS, Centers for Disease Control and Prevention (CDC) PEPFAR grant administration and of organizations receiving PEPFAR funds from CDC.

Through these audits, we identified risks warranting an audit of the grant-award process.

The objective of our audit was to determine whether CDC awarded PEPFAR funds for fiscal year (FY) 2013 in compliance with HHS and internal policies.

BACKGROUND

CDC receives funds from the Department of State to implement PEPFAR with partners around the world. For FY 2013, CDC received PEPFAR funds totaling \$1.4 billion and awarded these funds through grants to its implementing partners.

Grants Policy Directives (GPDs) are the highest level of internal departmental grants policy within HHS, and Operating Divisions (OPDIVs) such as CDC are required to follow them. In addition, the HHS *Awarding Agency Grants Administration Manual* (AAGAM) provides more detailed instruction on how grants are to be administered. The AAGAM also provides policy in grant subject areas that are not covered in the GPDs (AAGAM 1.01.101-1 A.).

Two key documents that CDC uses in its grant-award process are the Funding Opportunity Announcement (FOA) and the Notice of Award (NOA). The FOA contains information related to the funding opportunity, requirements, and submission timeframes. The NOA contains information related to the terms and conditions of the award.

CDC awards PEPFAR funds using a multistep process that involves staff from CDC's Center for Global Health, Division of Global HIV/AIDS, and in-country offices. The process starts when CDC publishes the FOA or abstract on the grants.gov Web site. Next, applicants submit

applications, which CDC is then required to put through several layers of review. Before issuing an NOA, CDC must also conduct additional analyses of applicants selected for funding.

WHAT WE FOUND

CDC did not award PEPFAR funds for FY 2013 in compliance with HHS and internal policies. For all 30 FOAs in our judgmental sample, CDC did not comply with one or more HHS or internal policies in some awards:

- For 20 sampled FOAs (67 percent), CDC did not follow all HHS or internal policies for required reviews of the FOAs.
- For 19 of 19 applicable sampled FOAs (100 percent), CDC did not require FOA amendments to be reviewed by FOA review offices.
- For 10 sampled FOAs (33 percent), CDC accepted some of the applications that were submitted late, in hard copy, or both, without required prior approval. CDC did not maintain the required approval documentation that gave applicants permission to submit their applications late or in hard copy.
- For 19 of 19 applicable sampled FOAs (100 percent), CDC's objective reviews of applications did not comply with HHS or internal policies because the Grants Management Officers (GMOs) did not sign the rank order; retain conflict of interest forms; review, sign, and date the funding package; or avoid the appearance of conflict of interest.
- For 11 of 11 applicable sampled FOAs (100 percent), CDC's technical reviews of applications did not have the required number of reviewers.
- For 30 sampled FOAs (100 percent), CDC conducted either inadequate analyses or no analyses of financial and other management systems for the applicants it selected to fund.
- For 7 of 14 applicable sampled FOAs (50 percent), CDC did not follow HHS policies for sending approved but unfunded notices to the applicants.
- For 10 sampled FOAs (33 percent), CDC omitted specific reporting requirements in the related NOAs.

These instances of noncompliance occurred because CDC did not have effective monitoring in place to ensure that it awarded the Federal grant funds in accordance with HHS and internal policies.

As a result, CDC did not always adequately document its funding decisions to award \$1.9 billion over the 5-year project period and may have considered applications that it should not have or treated applicants inconsistently.

WHAT WE RECOMMEND

We recommend that CDC conduct quality assurance reviews of FOAs and funded grant applicant information to monitor compliance with HHS and internal policies when awarding PEPFAR funds. In addition, we recommend that CDC:

- thoroughly review FOAs, and abstracts before publishing them on [grants.gov](https://www.grants.gov);
- require FOA amendments to be subject to the same level of review as original FOAs;
- consistently require and maintain applicable documentation of requests from applicants and of its approvals for any late or hard-copy applications that it accepts;
- instruct GMOs to review and sign the rank order and retain conflict-of-interest forms for objective reviews;
- instruct GMOs to review, sign, and date the funding packages;
- avoid any appearance of conflict of interest;
- conduct technical reviews for Single Eligibility Justification applications;
- perform adequate cost analyses and business management evaluations of funded applicants;
- establish when the funding decision occurs;
- notify all applicants that will not be funded within 30 days of the funding decision date;
- include necessary and accurate requirements in the NOAs; and
- maintain required documentation in its grant-award files to support its funding decisions.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC officials concurred with our recommendations and described corrective actions they had taken or planned to take. For example, CDC stated that, to improve overall accountability of its grant-making process, it is implementing an electronic grant writing system used by more than 18 other Federal agencies and has put in place several standard operating procedures and internal controls to further strengthen the preaward grant process.

CDC also provided technical comments that we addressed as appropriate.

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GLOSSARY OF ACRONYMS

AAGAM	<i>Awarding Agency Grants Administration Manual</i>
ABU	approved but unfunded
CDC	Centers for Disease Control and Prevention
CFR	Code of Federal Regulations
CPI	Corruption Perception Index
FFR	Federal financial report
FOA	Funding Opportunity Announcement
FSR	financial status report
FY	fiscal year
GMO	Grants Management Officer
GMS	Grants Management Specialist
GPAM	Grants Policy Administration Manual
GPD	Grants Policy Directive
GPS	Grants Policy Statement
HHS	Department of Health and Human Services
HIV/AIDS	human immunodeficiency virus / Acquired Immunodeficiency Syndrome
LEJ	Limited Eligibility Justification
NGO	non-governmental organization
NOA	Notice of Award
OIG	Office of Inspector General
OPDIV	Operating Division
P.L.	public law
PEPFAR	President's Emergency Plan for AIDS Relief
PMS	Payment Management System
SEJ	Single Eligibility Justification
SME	subject matter expert
VAT	value added tax

INTRODUCTION

WHY WE DID THIS REVIEW

The President's Emergency Plan for AIDS Relief (PEPFAR) program was authorized to receive \$48 billion in funding for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria.¹ Additional funds were authorized to be appropriated through 2018.²

The Act requires the Department of Health and Human Services (HHS), Office of Inspector General (OIG), among others, to provide oversight of the programs implemented under the Act, including PEPFAR. To meet this requirement, HHS OIG has conducted a series of audits³ of HHS, Centers for Disease Control and Prevention (CDC) PEPFAR grant administration and of organizations receiving PEPFAR funds from CDC.

Through these audits, we identified risks warranting an audit of the grant-award process.

OBJECTIVE

Our objective was to determine whether CDC awarded PEPFAR funds for fiscal year (FY) 2013 in compliance with HHS and internal policies.⁴

BACKGROUND

Centers for Disease Control and Prevention

With its scientific and technical expertise, CDC's Center for Global Health, Division of Global HIV/AIDS plays an essential role in implementing PEPFAR across the globe, working with Ministries of Health (Ministries) to establish and strengthen public health systems and services. CDC works in 60 countries to combat HIV/AIDS globally and provides critical technical assistance in 18 additional countries. Also, CDC collaborates with multilateral institutions and international organizations, including the World Health Organization, the United Nations Joint Program on HIV/AIDS, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

For FY 2013, CDC received \$1.4 billion in PEPFAR funds from the Department of State to implement HIV/AIDS relief with partners around the world. CDC awarded these PEPFAR funds

¹ 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 Act).

² The PEPFAR Stewardship and Oversight Act of 2013 (P.L. No. 113-56).

³ Appendix A contains a list of related OIG reports.

⁴ CDC policies address the Funding Opportunity Announcement (FOA) and the Notice of Award (NOA).

through grants⁵ during the FY. CDC generally funds discretionary grants from annual appropriations and must obligate grant funds from annual appropriations before the expiration of the FY for which the funds were appropriated (September 30).

Grant-Award Process

Grants policy directives (GPDs) are the highest level of internal departmental grants policy within HHS, and Operating Divisions (OPDIVs) such as CDC are required to follow them. In addition, the HHS *Awarding Agency Grants Administration Manual* (AAGAM) provides more detailed instruction on how grants are to be administered. The AAGAM also provides policy in subject areas that are not covered in the GPDs (AAGAM 1.01.101-1 A.).⁶

Two key documents that CDC uses in its grant-award process are the FOA and the NOA. The FOA contains information related to the funding opportunity, requirements, and submission timeframes. The NOA contains information related to the terms and conditions of the award.

CDC awards PEPFAR funds using a multistep process that involves staff from CDC’s Center for Global Health, Division of Global HIV/AIDS, and in-country offices.

Table 1: General Overview of CDC’s PEPFAR Grant-Award Process

Award Process Steps	Description
CDC publishes FOA or Abstract ⁷	The FOA invites applications and provides information related to the funding opportunity, such as eligibility and evaluation criteria, funding preferences and priorities, instructions for obtaining application materials, and the submission deadline (GPD 1.02 B. Funding Opportunity Announcement).
Applicants submit applications	Applicants must submit applications electronically through the grants.gov Web site by the submission deadline listed in the FOA (AAGAM 2.03.103-4 1. IV. 3. a. (2)).
CDC reviews applications to determine whether they meet the threshold	To be considered responsive, applications must be considered timely, complete, and within the scope of the FOA, and seek funding below the maximum funding amount. Any applications

⁵ CDC awarded the 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. The regulations that apply to Federal grants also apply to cooperative agreements. For simplicity in this report, the term “grants” refers to both grants and cooperative agreements.

⁶ On December 31, 2015, the Department released the Grants Policy Administration Manual (GPAM), which supersedes both GPDs and AAGAMs. The relevant GPAM chapters were not in effect during our audit period.

⁷ An abstract is a summary of an announcement used for a single eligibility decision.

Award Process Steps	Description
requirements for initial screening ⁸	that do not meet the threshold requirements will be returned without review (GPD 2.03 D. 1., GPS I-17 I-18, and AAGAM 2.04.104C-4 D. 1. and 3.).
CDC conducts an objective review of applications that meet the threshold requirements	The objective review process consists of a minimum of three independent reviewers scoring the applications and CDC ranking the applications by the cumulative scores. CDC is required to fund the highest ranked application(s) or provide a justification for funding out-of-rank order. Applications submitted in response to a Single Eligibility Justification (SEJ) ⁹ FOA undergo a review for scientific or technical merit (GPD 2.04 B, AAGAM 2.04.104C-2 A. 2., C-4 A., C-3 A., C-7 H. 1., and C-7 I. 5. b.).
CDC analyzes funded applicants	Once an applicant is selected for funding, CDC Grants Management Officers (GMOs) are required to assess the applicant’s business management capabilities and financial performance and ensure it is not excluded from Federal programs or indebted to the Federal Government (AAGAM 2.01.101-7 C. 1. and 2.).
CDC provides notice to approved but unfunded (ABU) applicants	CDC is required to notify ABU applicants ¹⁰ within 30 days of the decision (AAGAM 2.04.104C-8 A.).
CDC issues NOA	The NOA is the official document that notifies the applicant selected for funding that CDC has made the award. It contains or makes reference to the terms and conditions of the award, provides the documentary basis for recording the obligation, and notifies the Payment Management System (PMS) ¹¹ of funds authorized for payment (AAGAM 2.04.104D-3 A. 1.).

⁸ CDC’s initial screening is a review for responsiveness.

⁹ An SEJ is either a new, competing continuation or a competing supplemental award that, based on an approved, written justification, is not competed in either an open or limited competition.

¹⁰ An “approved but unfunded” application is an application that did not receive the top score in the objective review process but that is approved and, should funds become available, could receive funding (AAGAM 2.04.104C-7 I. 4. a.).

¹¹ The PMS is a centralized grants payment and cash management system used to transmit payment to either the Federal Reserve Bank or the U.S. Treasury for deposit into the grantee’s bank account and to record the transactions (http://www.dpm.psc.gov/about_us/about_us.aspx?explorer.event=true).

Corruption Perception Index

Transparency International, which describes itself as an independent and politically nonpartisan organization, has developed a Corruption Perception Index (CPI). According to Transparency International, the CPI ranks countries and territories on the basis of the perceived corruption using a scale of 0 to 100, where 0 indicates that a country is perceived as highly corrupt and 100 indicates that a country is perceived as very trustworthy. A country's rank also indicates its position relative to the other countries and territories included in the index. The index includes 177 countries and territories. No country has a perfect score, and two-thirds of countries scored below 50, which is an indication of pervasive corruption in those countries.

Sixteen of the eighteen countries included in our sample had CPI scores below 50. See Appendix B for the country score and rank related to the countries covered by our sample.

HOW WE CONDUCTED THIS REVIEW

Our audit covered 53 FOAs that CDC either issued or funded¹² from October 1, 2012, through September 30, 2013 (FY 2013). For the 53 FOAs, the approximate amount to have been awarded for the first budget year was \$423 million. The approximate amount to have been awarded for the 5-year project period was \$2.4 billion. From the 53 FOAs, we selected a judgmental sample of 30 for which CDC approved \$131 million for the first budget year of the project period. For these 30 sample items, the approximate 5-year funding was \$1.9 billion. We reviewed the approval process for each of the 30 FOAs. Also, for each of the 30 FOAs, we judgmentally selected one funded applicant and reviewed the remaining award process steps for that applicant. Our sample included a mix of the following types of applicants: nongovernmental organizations (NGOs), governmental (other than Ministries), Ministries, universities, private entities, multilateral organizations, and faith-based organizations. We reviewed CDC's official award file related to each applicant for compliance with HHS and internal policies for awarding Federal funds.

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

Appendix C contains the details of our scope and methodology.

¹² The term "funded" in this instance refers to the funding of an award that was related to a given FOA.

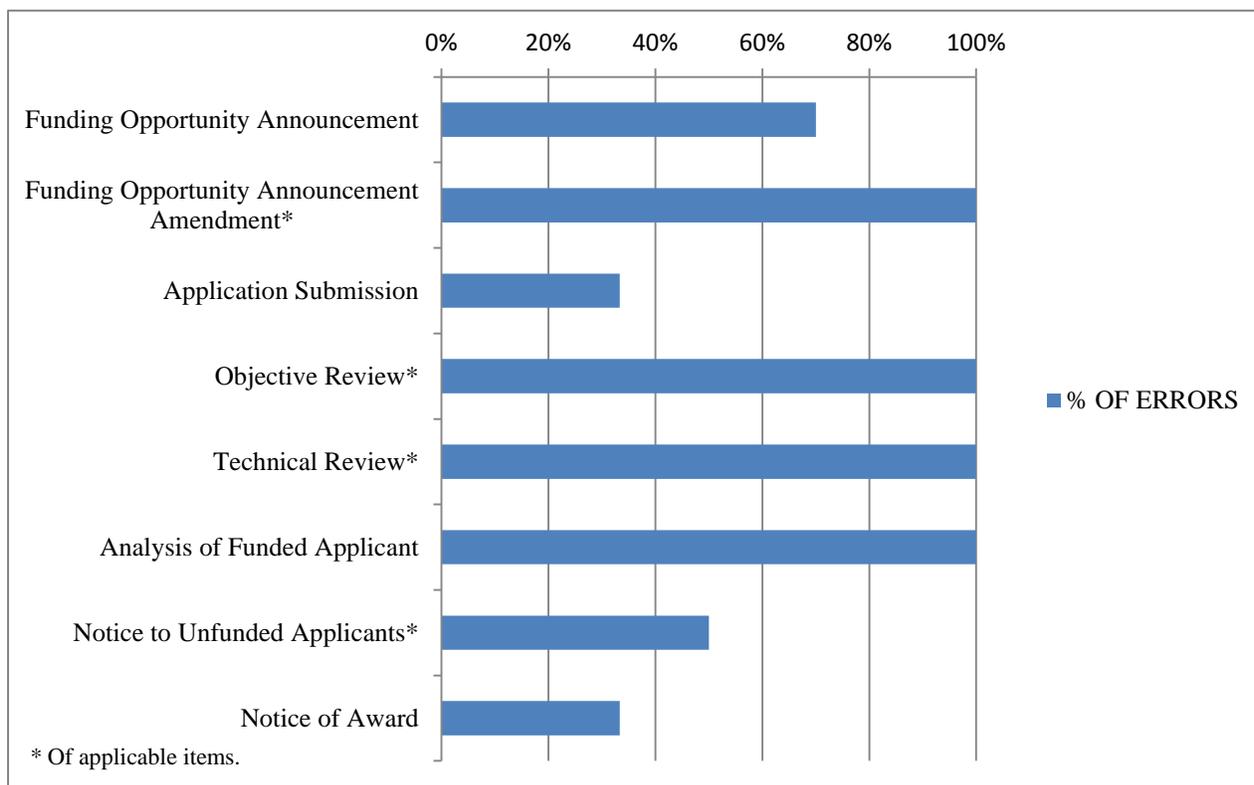
FINDINGS

CDC did not award PEPFAR funds for FY 2013 in compliance with HHS and internal policies. For all 30 FOAs in our judgmental sample, CDC did not comply with one or more HHS or internal policies in some awards:

- For 20 sampled FOAs (67 percent), CDC did not follow all HHS or internal policies for required reviews of the FOAs.
- For 19 of 19 applicable sampled FOAs (100 percent), CDC did not require FOA amendments to be reviewed by FOA review offices.
- For 10 sampled FOAs (33 percent), CDC accepted some of the applications that were submitted late, in hard copy, or both, without required prior approval. CDC did not maintain the required approval documentation that gave applicants permission to submit their applications late or in hard copy.
- For 19 of 19 applicable sampled FOAs (100 percent), CDC's objective reviews of applications did not comply with HHS or internal policies because the GMOs did not sign the rank order; retain conflict of interest forms; review, sign, and date the funding package; or avoid the appearance of conflict of interest.
- For 11 of 11 applicable sampled FOAs (100 percent), CDC's technical reviews of applications did not have the required number of reviewers.
- For 30 sampled FOAs (100 percent), CDC conducted either inadequate analyses or no analyses of financial and other management systems for the applicants it selected to fund.
- For 7 of 14 applicable sampled FOAs (50 percent), CDC did not follow HHS policies for sending ABU notices to the applicants.
- For 10 sampled FOAs (33 percent), CDC omitted specific reporting requirements in the related NOAs.

The figure on the next page identifies the grant-award-process errors by the award process step. Also, see Appendix D.

Figure: Percent of Errors in Our Sample by Award-Process Step



These instances of noncompliance occurred because CDC did not have effective monitoring in place to ensure that it awarded the Federal grant funds in accordance with HHS and internal policies.

As a result, CDC did not always adequately document its funding decisions to award \$1.9 billion over the 5-year project period and may have considered applications that it should not have or treated applicants inconsistently.

CDC DID NOT ALWAYS FOLLOW HHS OR INTERNAL POLICIES FOR REQUIRED REVIEWS OF FUNDING OPPORTUNITY ANNOUNCEMENTS

Project officers are responsible for developing FOAs; however, the GMO must work with the project officer to ensure that the FOA complies with HHS policies (GPD 2.03 B. 3.). Additionally, CDC’s policies require certain offices to provide written comments regarding the FOA. CDC clarified that the required offices are the Office of General Counsel, Office of Management and Budget, and GMO (New Grants—Funding Opportunity Announcement, 2.07).

CDC must publish FOAs that explicitly address all information integral to the competition, including eligibility, and eligibility information must address factors that make an application eligible or ineligible for objective review (AAGAM 2.03.103-4 1. and III.). Any FOA that proposes to limit competition must be justified in writing and approved by the Center for Global Health Management Officer (AAGAM 2.04.104A-5A. 3 b.). Approval of an FOA should be the result of a consultative process between the program office and the grants management office (AAGAM 2.03.103-3.).

For 20 of the 30 sampled FOAs,¹³ CDC did not provide adequate documentation to show that it followed HHS and internal policies for required reviews. Specifically, CDC did not provide documentation showing that the Office of General Counsel and the Office of Management and Budget had conducted required reviews of the FOAs or abstracts before the GMO's approval and the publication of the FOA.

CDC officials stated that CDC processed numerous FOAs simultaneously in FY 2013, which created a heavy workload and caused a backlog. To fund applicants, CDC officials stated that no comment from the required offices would be deemed as approval of the FOA.

As a result, CDC published FOAs that did not have the necessary approvals to comply with HHS and internal policies.

CDC POLICIES DID NOT REQUIRE FUNDING OPPORTUNITY ANNOUNCEMENT AMENDMENTS TO BE REVIEWED BY REVIEWING OFFICES

CDC policies require that Extramural Team leaders approve amendments to PEPFAR FOAs. The policies, however, do not require the offices that reviewed the original FOAs to review amendments to those FOAs.¹⁴

For all 19 of the sampled FOAs that contained an amendment, CDC did not provide documentation showing that certain of its offices reviewed amendments to the FOAs before the GMO's approval and the publication of the amendment. For 2 of 19 sampled FOAs, the amendments affected applicant eligibility:

- For one FOA, the amendment added an additional eligibility requirement, so CDC staff appropriately deemed as nonresponsive several applicants that did not comply with the new requirement. However, after receiving complaints from these applicants, CDC reversed its decision and awarded \$100 million for the 5-year project period to one of the applicants previously deemed as nonresponsive.
- For the other FOA that had limited competition, CDC published an amendment to add four applicants at the United States Embassy's¹⁵ request; however, CDC did not provide

¹³ Nineteen of the 30 were FOAs, and 11 were abstracts. CDC notifies the public about single-eligibility FOAs via an abstract.

¹⁴ "FY 2012 Program Budget and Extramural Management Branch Extramural Team Guidance on Amendments" and "FY 14 FOA Super Tracking Guidance." CDC did not have a policy in place addressing approval of FOA amendments for FY 2013.

¹⁵ The United States Embassy is a State Department entity, not an HHS Program Office.

documentation to show that it modified the associated Limited Eligibility Justification (LEJ)¹⁶ to include the additional applicants.

CDC policies do not require review of FOA amendments by the offices that reviewed the original FOA. Because of this gap in policy, significant changes may be made to the FOA without appropriate input. For example, amendments affecting applicant eligibility may be approved without consultation with appropriate offices. Because of the gap in its internal policies, CDC issued some amended FOAs that may have resulted in applicants being treated inconsistently.

CDC ACCEPTED SOME APPLICATIONS SUBMITTED LATE OR IN HARD COPY

To be considered timely, applicants must send applications to the address specified in the FOA on or before the deadline date (AAGAM 2.03.103-4.1. IV. 3.(2)). CDC's standard PEPFAR FOA template requires applicants to submit applications electronically through the [grants.gov](https://www.grants.gov) Web site. In certain instances, according to CDC's standard FOA template language, CDC may grant applicants permission to submit their application late, in hard copy, or both.

CDC's standard PEPFAR FOA template includes language stating that an applicant's request to submit a hard-copy application must describe the difficulties that prevented electronic submission and be submitted to the GMO or Grants Management Specialist (GMS) at least 3 calendar days before the application deadline. CDC's FOAs state that paper applications submitted without prior approval will not be considered, applications that do not meet the deadline will not be eligible for review, and late submissions will be considered nonresponsive. If a single-source justification is approved, the GMO should forward the guidance/instructions to the intended recipient with a stipulated due date for the response. That due date must be observed unless the GMO grants an extension (AAGAM 2.04.104A-5 A. 1.e. (5)).

HHS OPDIVs must maintain appropriate file documentation to support decisions in the financial assistance process, including decisions related to competition, eligibility, monitoring approach, application review results, and funding decisions (AAGAM 3.06.106-5 A. 3.).

For 10 of 30 FOAs, CDC accepted applications that were submitted late, in hard copy, or both, without required prior approval. CDC did not maintain the required approval documentation that gave applicants permission to submit their applications late or in hard copy:

- For one FOA, with eight applicants, seven responded before the deadline and through [grants.gov](https://www.grants.gov) as specified in the FOA. However, CDC ultimately funded the only applicant that had not submitted its application through [grants.gov](https://www.grants.gov) before the deadline.
- For 10 FOAs, CDC did not provide adequate documentation that some of the applicants had submitted required justifications and requests to submit their applications late or in

¹⁶ When an FOA has limited competition (sole source or limited to a specific group of applicants by name, location, etc.), the AAGAM requires that a written justification, the LEJ, be approved by the appropriate program official (AAGAM 2.04.104A-5 A. 3. b. and 2.04.104A-5A. 1.e.(2)).

hard copy. CDC funded 8¹⁷ of the 10 applicants that submitted applications either late or in hard copy.

For most of the applications that CDC accepted late or in hard copy, CDC explained that it was because of registration issues and outages with the System for Award Management. However, CDC did not provide documentation to support this explanation. Additionally, for the SEJ FOAs, which were not exempt from electronic or timely submission, a CDC official stated, “This is the way it is,” and, after further discussion, the official continued, “We can’t get them to comply, even after 10 years.”

As a result, CDC treated some applicants inconsistently and created the appearance of preferential treatment for certain applicants. Also, CDC funded some applicants that were not eligible to participate in the remainder of the application process because their applications were submitted late or in hard copy without required approval.

CDC’S OBJECTIVE REVIEWS OF APPLICATIONS DID NOT COMPLY WITH HHS OR INTERNAL POLICIES

“Objective review is a process that involves the thorough and consistent examination of applications based on an unbiased evaluation of scientific or technical merit or other relevant aspects of the proposal” (AAGAM 2.04.104C-3 A.).

In the review process, CDC must avoid all circumstances that might introduce any conflict of interest or the appearance of conflict of interest (AAGAM 2.04.104C-6 C. 1). A potential reviewer also must sign a statement attesting to the absence of a conflict of interest (AAGAM 2.04.104C-6 C. 9.). Evidence of compliance with the conflict-of-interest requirements must be maintained (AAGAM 2.04.104C-9 C. 4.).

Before signing the NOA, the GMO must review and sign the rank order resulting from completion of the independent review process to ensure that the results of the review and the funding decision are adequately documented and that actions taken are consistent with published evaluation criteria and the outcome of the independent review process (AAGAM 1.04.104-3 C. 1. a.).

HHS OPDIVs must maintain appropriate documentation to support decisions in the financial assistance process, including decisions related to competition, eligibility, monitoring approach, application review results, and funding decisions (AAGAM 3.06.106-5 A. 3.).

For all 19¹⁸ of the sampled FOAs that required an objective review, the GMO did not sign the rank order for the objective review, and the rank order was not part of the funding package. CDC stated that GMOs across its Office of Grants Services signed the funding package as

¹⁷ Of the eight applicants, four were SEJ FOAs and four were competitive FOAs.

¹⁸ Nineteen of thirty FOAs were either “full and open competition” or “limited eligibility justification” and required an objective review. The remaining 11 FOAs were “single eligibility justification,” which did not require an objective review.

concurrence with the rank order. However, for 6 of the 19 sampled FOAs, the GMO did not sign or date the funding package.

For two sampled FOAs, CDC proceeded with the objective review process despite the appearance of a conflict of interest:

- For one sampled FOA, there were only two applicants. The reviewer's spouse was employed by one of the applicants. The reviewer did not review that application; however, he reviewed the competing application. This created the appearance of a conflict of interest because the reviewer would have had an interest in scoring the competing application lower than the other applicant. CDC stated that it followed HHS policy in managing the conflict of interest because the reviewer did not review the application with which he had a conflict.
- For the other sampled FOA, an employee of a country's Ministry served as the subject matter expert (SME) for the objective review. An SME receives the FOA and all corresponding applications and responds to technical questions during the objective review. At the time, the Ministry was a recipient of CDC PEPFAR awards. By having its employee serve as an SME, the Ministry could have gained access to proprietary information¹⁹ belonging to applicants in the same country as the SME. CDC's policies²⁰ recommend that a CDC official serve as the SME. CDC said that it used an employee of a Ministry as an SME because the CDC in-country office requested that a representative from the Ministry participate as the SME.

For two other sampled FOAs, CDC could not provide conflict-of-interest forms signed by the objective reviewers. In both cases, CDC provided a signed Chairperson's Report²¹ that included a statement confirming that no reviewer had a conflict of interest or that reviewers would abstain from voting on any application for which a conflict might exist. CDC stated that it could not provide missing conflict-of-interest forms signed by the objective reviewers because the GMS did not retain them.

As a result, CDC may have compromised the objective review process because there were appearances of conflicts of interest and the GMOs did not sign the rank order. Because the GMOs did not sign the rank order, and in some instances did not sign the funding package, we do not know if they reviewed it. If they did not review the rank order, the GMOs may not have known whether the applicant undergoing analysis to be funded was the highest ranked applicant or that all appropriate actions had taken place, including rank-order assignment.

¹⁹ This includes budget information, staffing, and details pertaining to how the applicants plan to accomplish the objectives of the FOA.

²⁰ SME Guidance for Objective Review Panels, provided by CDC.

²¹ A Chairperson's Report is part of CDC's standard documentation of an objective review. It identifies the reviewers and includes the results of the review. The report is signed by the Chairperson, who moderates and facilitates the review (CDC's Objective Review Panels: Chairperson Responsibilities and Chairperson Report Template, provided by CDC).

CDC CONDUCTED INADEQUATE TECHNICAL REVIEW OF APPLICATIONS

Applications submitted in response to an SEJ FOA must be reviewed for scientific or technical merit (AAGAM 2.04.104C-3 A. and C-2. A.). CDC staff stated that CDC uses the term “technical review” for this process. CDC staff also stated that CDC uses the criteria for “objective review” as the basis for the technical review.

A minimum of three qualified reviewers must review applications that require objective review (AAGAM 2.04.104C-4 G.). CDC’s Program Office uses three reviewers within the applicable country.

For all 11 of the applications submitted in response to sampled SEJ FOAs that required a technical review, fewer than the three required reviewers signed the technical review documentation forms.

CDC officials stated that there were fewer than three signatures on the technical review forms because the only officials it required to sign a technical review were the Project Officer and the Country Director.

By CDC not documenting three reviewers, there was a greater risk that CDC awarded funding to applicants that did not have the technical or scientific means to adequately perform under the requirements of the FOAs.

CDC CONDUCTED INADEQUATE ANALYSES OF FUNDED APPLICANTS

Before making a new or competing continuation award, CDC must determine both the adequacy of financial management systems and whether potential recipients have the ability to properly administer Federal funds (AAGAM 6.99.103-2 A. 2.). By determining that the financial management systems are adequate, the GMO is attesting that the applicant has the financial systems necessary to properly administer Federal funds (AAGAM 6.99.103-2 B. 3.). Once an applicant is approved for funding, CDC GMOs are responsible for ensuring that Federal programmatic and financial interests are protected by assessing business management capabilities and financial performance (AAGAM 2.01.101-7 C and C.1) and consulting the “List of Parties Excluded from Federal Procurement and Non-Procurement Programs” (AAGAM 2.01.101-7 C. 2.). CDC must, “at a minimum, review the excluded parties list just prior to award” (GPD 2.01 B).

The GMO’s signature certifies that the applicant organization has or is expected to have adequate business management capability to administer the award (AAGAM 1.04.104-3 C. 1.b. (2)). The awarding office should use information such as audit reports, previous experience, and other information to determine whether an award requires special award conditions (AAGAM 2.01.101-5 A. 1.).

CDC included an additional requirement in the sampled FOAs in the section titled Administrative and National Policy Requirements. The services of a certified public accountant

licensed by the State Board of Accountancy or the equivalent must be retained throughout the project as a part of the recipient's staff or as a consultant to the recipient's accounting personnel. These services may include the design, implementation, and maintenance of an accounting system that will record receipts and expenditures of Federal funds in accordance with accounting principles, Federal regulations, and terms of the grant (*Accounting System Requirements* is Additional Requirement 14).²²

HHS OPDIVs must maintain appropriate documentation on file to support decisions in the financial assistance process, including decisions related to competition, eligibility, monitoring approach, application review results, and funding decisions (AAGAM 3.06.106-5 A. 3.).²³

For all 30 sampled FOAs, CDC performed either an inadequate analysis or no analysis for some of the applicants it selected to fund. For these applicants, CDC did not conduct business management evaluations in accordance with HHS policy. Below are examples of CDC's inadequate analysis:

- Eight applicants, in applying under FOAs, did not submit signed self-certifications (required by the FOA) attesting that they were in compliance with the applicable financial requirements, and CDC did not request them before issuing the awards. CDC checked a box²⁴ on the cost analysis form even when it had not performed the analysis. For these applicants, CDC relied solely on applicants' self-certifications that CDC could not produce or placed full reliance on its existing relationship with applicants. For one sample item, CDC stated, "The grantee has a long standing career history of successful projects, and this was a major factor in the viability of the grantee, see attached." However, the attachment consisted only of pages from the application, and CDC provided no other evidence to support this claim.

No evidence showed that CDC had considered the results of our previous audits conducted on some of these applicants or other independent audits. For example, we had previously conducted an audit²⁵ that found that one applicant had unsupported transactions totaling \$242,653, an inaccurate Financial Status Report (FSR), and inadequate policies and procedures, but CDC awarded the applicant \$4 million in the first year of the award and anticipates awarding up to \$20 million to this applicant over the 5-year project period.

²² The HHS Operating Division selects which Additional Requirements to put in the FOA for applicant compliance.

²³ CDC uses documents such as a cost analysis form, budget discussion checklist, or new awardee discussion checklist to document the business management capabilities and financial performance of applicants.

²⁴ The boxes to be checked on the cost analysis form indicated, for example, that the applicant has an accounting system adequate to account for Federal funds and that its financial condition is adequate for it to perform under the award.

²⁵ See report number A-04-12-04019.

- In none of the 30 sampled applicants did CDC document whether the applicants had retained the services of a certified public accountant.
- In several instances, the box indicating that the applicants had accounting systems adequate to account for Federal funds was checked. However, CDC could not provide documentation of how it determined that the applicants' accounting systems were adequate. For example, for several applicants, CDC did not document the type of accounting system the applicants had. In another example, a CDC official stated that the applicant's "accounting system complied with CFR 74/92"²⁶; however, CDC did not provide evidence to support that statement.
- For one applicant, CDC checked the box on the cost analysis form indicating that the accounting system was "good." However, the grant file contained a report from a site visit that CDC conducted 3 months before the application, which stated that the accounting system was not fully implemented, accounting transactions were not up to date, the chart of accounts needed to be realigned, and the financial management systems required additional resources and expertise. An independent auditor's report and an HHS OIG audit report²⁷ indicated similar issues. No evidence suggested that the applicant corrected these issues before the award.
- For eight applicants with no prior CDC cooperative agreements, CDC checked the boxes on the cost analysis form indicating that the applicants' accounting systems were adequate to account for Federal funds. However, CDC did not provide supporting documentation to substantiate that.
- For two sampled applications, CDC was unable to provide the cost analysis and documentation on budget discussions.
- For 25 of the 30 sampled FOAs, CDC did not perform a check of the System for Award Management²⁸ before making the awards, and CDC did not perform a System for Award Management check on all foreign recipients. CDC officials said that "SAM.gov only reports domestic organizations." However, we were able to locate all the foreign recipients in our sample on SAM.gov.

These examples demonstrate a culture of "checking the boxes" without adequate supporting documentation or relying on undocumented past performance. Because it did not perform an adequate analysis of funded applicants, CDC made awards to applicants that might not have been able to provide adequate financial management and accountability. Furthermore, CDC awarded

²⁶ During our audit period, HHS grant awards were subject to the provisions of 45 CFR parts 74 and 92, as applicable. These rules have been superseded by 45 CFR part 75, which applies to grant awards made on or after December 26, 2014.

²⁷ See report number A-04-12-04019.

²⁸ The System for Award Management combines Federal procurement systems and the Catalog of Federal Domestic Assistance into one system encompassing, among others, the Excluded Parties List System.

funds to applicants that might have been excluded from receiving Federal funds thus exposing Federal dollars to higher risks.

Because CDC performed only a cursory examination of the applicants’ financial management and accountability qualifications, it did not know whether the applicant was able to comply with the financial requirements of the applicable regulations and policies. This possible inability to comply is important because many countries receiving grants from CDC are perceived as highly corrupt, as evidenced by their low CPI indexes. (See the CPI index of the countries in our sample for FY 2013 in Appendix B.) CDC officials claimed a “lack of resources” prevented it from complying with HHS policy.

Prior OIG audits found numerous financial issues that could have been avoided if CDC had performed adequate business management evaluations and costs analyses that would have identified applicants’ inability to comply with Federal regulations. We reported the following issues regarding funded applicants’ financial management and accountability in our previous audits. Four of these recipients were included in this report’s sample.

Table 2: Findings in OIG Audits of the President’s Emergency Plan for AIDS Relief

Issue Identified	Audit Report Numbers
Comingled Funds	A-05-12-00022, A-04-13-04017
Restricted Funds Spent	A-04-13-04015, A-04-13-04010,* A-05-12-00021*
Transactions Not Supported	A-04-13-04015, A-04-13-04004, A-04-13-04010,* A-05-12-00022, A-04-12-04019*
Transactions Not Related to the PEPFAR Grant	A-04-13-04015, A-04-13-04004
Transactions Not Allowable in Accordance With Federal Regulations	A-05-12-00023
Did Not Accurately Report PEPFAR Expenditures on the FSR/Federal Financial Report (FFR)	A-04-13-04015, A-05-12-00021, A-05-12-00022, A-04-12-04019,* A-04-13-04017
Did Not Use the Correct Exchange Rate To Prepare the FSR/FFR	A-05-12-00022, A-05-12-00024
Maintained Excessive Cash Balances	A-05-12-00021*
OIG Was Unable To Reconcile PEPFAR Expenditures	A-04-12-04019,* A-05-12-00021,* A-05-12-00022, A-05-12-00023
Did Not Comply or May Not Have Complied With HHS Regulations Regarding Value Added Tax (VAT)	All HHS OIG PEPFAR recipient reports (including A-06-11-00057*)
Had Either Inadequate or No Policies and Procedures Related to the Management of PEPFAR Funds	All HHS OIG PEPFAR recipient reports

*Note: includes recipients that are in our current sample

CDC DID NOT ALWAYS FOLLOW HHS POLICIES FOR SENDING NOTICES TO APPROVED BUT UNFUNDED APPLICANTS

CDC is required to notify ABU applicants within 30 days of its funding decision (AAGAM 2.04.104C-8. A).

For 7 of 14²⁹ applicable sampled FOAs, CDC did not follow HHS policies for sending ABU notices to applicants:

- For 4 of 14 applicable sampled FOAs, it was unclear whether CDC sent the ABU letters within 30 days of the funding decision because the GMO did not initial or date the funding package.
- For 2 of 14 applicable sampled FOAs, CDC did not send ABU letters.
- For 1 of 14 applicable sampled FOAs, CDC sent the ABU letters before the funding decision.

CDC did not have a clear policy defining when it considered that it had made the funding decision, and CDC staff did not agree on when the funding decision had occurred. CDC officials initially stated that it made the funding decision when it issued the NOA. CDC officials later stated that funding decisions occurred at the time of the budget discussion. Finally, CDC officials stated that funding decisions occurred when the GMO initialed and dated the funding package. However, for 9 of the remaining 16 sampled FOAs, the GMO did not initial or date the funding package.

While CDC's policies for conducting an objective review included instructions for sending an ABU letter, they did not definitively specify when the funding decision occurred or how the GMO should document the decision.

Without timely notice from CDC, unfunded applicants remain uncertain about their applications, which interferes with their ability to plan for HIV/AIDS treatment, care, and prevention services.

CDC OMITTED CERTAIN REQUIREMENTS WHEN ISSUING SOME NOTICES OF AWARD

The NOA is the official document that notifies the recipient that CDC has made the award. The NOA contains or makes reference to the terms and conditions of the award, provides the documentary basis for recording the obligation, and notifies the PMS it must contain identifying information³⁰ and the general and specific terms and conditions of the award (AAGAM 2.04.104 D-3 A. 5. d. (1)). General terms and conditions should reflect current policies and include but

²⁹ Only 14 of the 30 sampled FOAs required ABU notices. For the remaining 16, there were no ABU applicants.

³⁰ Identifying information includes items such as awarding office name and address, grant number, and project title.

not be limited to HHS administrative requirements (45 CFR part 74 and 92), applicable cost principles, reporting requirements for financial and progress reporting, and instructions on how program income earned under the award must be used (AAGAM 2.04.104 D-3 A. 5. c. (1)(2)(5)(7)).

For 10 sampled FOAs,³¹ CDC issued related NOAs that omitted one or more of the following items:

- progress report requirements (8),
- audit requirements (2), and
- VAT requirements (1).³²

Additionally, 2 of the 10 sampled FOAs had related NOAs that were funded but did not include the correct due dates for the FFR.

CDC stated that it inadvertently omitted these requirements from the NOAs.

Recipients may neglect to report progress related to finances and programs if CDC does not require it in the terms and conditions of the award. For example, in prior OIG audits of PEPFAR-funded applicants, 10 of 13 (77 percent) recipients submitted progress reports late or not at all.³³

RECOMMENDATIONS

We recommend that CDC conduct quality assurance reviews of FOAs and funded grant applicant information to monitor compliance with HHS and internal policies when awarding PEPFAR funds. In addition, we recommend that CDC:

- thoroughly review FOAs and abstracts before publishing them on [grants.gov](https://www.grants.gov);
- require FOA amendments to be subject to the same level of review as original FOAs;
- consistently require and maintain applicable documentation of requests from applicants and of its approvals for any late or hard-copy applications that it accepts;
- instruct GMOs to review and sign the rank order and retain conflict-of-interest forms for objective reviews;

³¹ One of the 10 sampled FOAs included a NOA missing both audit and VAT requirements.

³² The VAT is a form of consumption tax and is addressed in current HHS policy.

³³ We identified progress reports that were submitted late in the following audit reports: A-04-13-04016, A-04-13-04004, A-04-13-04010, A-05-12-00022, A-05-12-00023, A-06-11-00057, A-04-12-04019, and A-04-13-04017. The recipient did not submit progress reports in the following audit reports: A-04-13-04005 and A-06-11-0056.

- instruct GMOs to review, sign, and date funding packages;
- avoid any appearance of conflict of interest;
- conduct technical reviews for SEJ applications;
- perform adequate cost analyses and business management evaluations of funded applicants;
- establish when the funding decision occurs;
- notify all applicants that will not be funded within 30 days of the funding decision date;
- include necessary and accurate requirements in the NOAs; and
- maintain required documentation in its grant-award files to support its funding decisions.

CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS

In comments on our draft report, CDC officials concurred with our recommendations and described corrective actions they had taken or planned to take. For example, CDC stated that, to improve overall accountability of its grant-making process, it is implementing an electronic grant writing system used by more than 18 other Federal agencies and put in place several standard operating procedures and internal controls to further strengthen the preaward grant process.

CDC also provided technical comments that we addressed as appropriate. CDC's comments, excluding technical comments, are included as Appendix E.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

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

Report Title	Report Number	Date Issued
<i>The Ethiopian Public Health Institute Did Not Always Manage the President’s Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	<u>A-04-13-04017</u>	1/2015
<i>In Ethiopia, the Centers for Disease Control and Prevention Generally Achieved Its Main Goals Related to Certain HIV/AIDS Prevention, Treatment, and Care Activities Under the Partnership Framework and Collaborated With The United States Agency for International Development To Reduce PEPFAR Redundancies</i>	<u>A-04-13-04011</u>	10/2014
<i>The Ethiopian Public Health Association Generally Managed the President’s Emergency Plan for AIDS Relief Funds but Did Not Always Meet Program Goals in Accordance With Award Requirements</i>	<u>A-04-13-04016</u>	10/2014
<i>The Federal Democratic Republic of Ethiopia, Ministry of Health, Did Not Always Manage President’s Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	<u>A-04-13-04015</u>	9/2014
<i>The Republic of Zambia, Ministry of Health, Did Not Always Manage the President’s Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	<u>A-04-13-04004</u>	6/2014
<i>The University of Zambia School of Medicine Did Not Always Manage President’s Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	<u>A-04-13-04010</u>	4/2014
<i>The University Teaching Hospital (in Zambia) Generally Managed President’s Emergency Plan for AIDS Relief Funds and Met Program Goals in Accordance With Award Requirements</i>	<u>A-04-13-04005</u>	3/2014
<i>Aurum Institute for Health Research Did Not Always Manage President’s Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	<u>A-05-12-00021</u>	8/2013
<i>The South African National Department of Health Did Not Always Manage President’s Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	<u>A-05-12-00022</u>	8/2013
<i>National Health Laboratory Service Did Not Always</i>	<u>A-05-12-00024</u>	8/2013

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

**APPENDIX B: CORRUPTION PERCEPTION INDEX RANKINGS AND SCORES³⁴
FOR COUNTRIES REPRESENTED IN OUR SAMPLE**

COUNTRY	COUNTRY RANK	COUNTRY SCORE³⁵	NO. OF PRIOR OIG AUDITS OF PEPFAR
Haiti	163	19	
Cambodia	160	20	
Zimbabwe	157	21	
Democratic Republic of Congo	154	22	
Nigeria	144	25	
Cote d'Ivoire	136	27	
Kenya	136	27	
Guatemala	123	29	
Mozambique	119	30	
Vietnam	116	31	2
Ethiopia	111	33	4
Tanzania	111	33	
India	94	36	
Zambia	83	38	3
South Africa	72	42	5
Namibia	57	48	3
Botswana	30	64	
United States	19	73	

³⁴ Available online at www.transparency.org. Accessed on January 5, 2016.

³⁵ According to the CPI, two thirds of countries scoring below 50 indicates a serious corruption problem. Sixteen of the eighteen countries in our audit scored below 50.

APPENDIX C: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 53 FOAs that CDC either issued or funded from October 1, 2012, through September 30, 2013 (FY 2013). For the 53 FOAs, the approximate amount to have been awarded for the first year was \$423 million. The approximate amount to have been awarded for the 5-year project period was \$2.4 billion. From the 53 FOAs, we selected a judgmental sample of 30 for which CDC approved \$131 million for the first year of the project period. For these 30 sample items, the approximate 5-year funding was \$1.9 billion.

We limited our review of internal controls to those related to our objective. We conducted fieldwork at CDC's offices in Atlanta, Georgia, from March 2014 through February 2015.

METHODOLOGY

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS guidance, and CDC policies and procedures;
- interviewed and conducted meetings with CDC officials to determine their policies for FOAs, application submission and reviews, analysis of funded applicants, notices to unfunded applicants, and issuance of NOAs;
- reconciled CDC's list of FOAs issued in FY 2013 with those FOAs listed in the Tracking Accountability in Government Grants System and resolved any discrepancies;
- selected a judgmental sample of 30 FOAs out of 53 either issued or awarded in FY 2013 that included:
 - applicants from all 3 country identifier categories that CDC uses: U.S., foreign, international, and multilateral;
 - a mix of the following types of applicants: NGOs, governmental (other than Ministries), Ministries, universities, private entities, multilateral organizations, and faith-based organizations; and
 - FOAs representing SEJs, LEJs, and full and open FOAs;
- judgmentally selected one funded application from each of the 30 FOAs and reviewed the remaining award process steps;
- reviewed all available CDC documents, including CDC's official award file and FOA binder, for each selected grant for compliance with HHS and internal policies for awarding Federal funds; and

- discussed our findings with CDC officials.

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

APPENDIX D: SAMPLE RESULTS

SAMPLE ITEM	ERROR CATEGORY							
	Funding Opportunity Announcement	Funding Opportunity Announcement Amendment	Application Submission	Objective Reviews	Technical Reviews	Analysis of Funded Applicant	Notice to Unfunded Applicants	Notice of Award
Sample 1	X				X	X		
Sample 2	X				X	X		
Sample 3	X			X		X		
Sample 4	X	X		X		X		
Sample 5	X	X	X	X		X		
Sample 6		X		X		X		
Sample 7				X		X		
Sample 8				X		X	X	
Sample 9	X	X			X	X		
Sample 10	X	X	X	X		X	X	
Sample 11				X		X		
Sample 12		X	X	X		X		
Sample 13	X	X	X		X	X		
Sample 14	X	X		X		X	X	
Sample 15	X				X	X		
Sample 16		X		X		X		
Sample 17	X		X		X	X		
Sample 18	X				X	X		
Sample 19	X	X		X		X	X	
Sample 20		X		X		X		
Sample 21	X	X		X		X		X
Sample 22	X		X		X	X		X
Sample 23	X	X		X		X	X	X
Sample 24		X		X		X	X	X
Sample 25	X	X			X	X		X
Sample 26		X	X	X		X		X
Sample 27	X	X	X	X		X		X
Sample 28		X	X	X		X	X	X
Sample 29	X	X	X		X	X		X
Sample 30	X				X	X		X
TOTAL	20	19	10	19	11	30	7	10

APPENDIX E: CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Public Health Service

Centers for Disease Control
and Prevention (CDC)
Atlanta GA 30329-4027

TO: Deputy Inspector General for Audit Services, U.S. Department of Health and Human Services (HHS)

FROM: Director, Centers for Disease Control and Prevention (CDC)

DATE: MAR 2 2 2016

SUBJECT: Office of Inspector General's (OIG) Draft Report: The Centers for Disease Control and Prevention Did Not Award President's Emergency Plan for AIDS Relief Funds for FY 2013 in Compliance With Applicable HHS Policies (A-01-14-04021)

CDC appreciates the opportunity to review and comment on OIG's draft report, "The Centers for Disease Control and Prevention Did Not Award President's Plan for AIDS Relief Funds for FY2013 in Compliance with Applicable HHS Policies."

As stated in the draft report, the objective of this review was to determine whether CDC awarded the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) funds for fiscal year (FY) 2013 in compliance with HHS and internal policies. The draft identified eight findings and included 12 recommendations to address these findings. CDC concurs with OIG's recommendations and reports that the agency has implemented many improvements since this audit was conducted several years ago. As reflected in the comments below, CDC has launched efforts to improve overall accountability in the grant-making process by implementing GrantSolutions (GS), an electronic grant-writing system developed by HHS's Administration for Children and Families and used by more than 18 other federal agencies. In addition, CDC has put in place several standard operating procedures (SOP) and internal controls to further strengthen the pre-award grant processes detailed in the comments below.

CDC plays an essential role in implementing PEPFAR, a cornerstone of the U.S. government's foreign assistance portfolio since 2003. Through the PEPFAR initiative, CDC uses its technical expertise in public health science and long-standing relationships with ministries of health across the globe to work side-by-side with countries to build strong national programs and sustainable public health systems that can respond effectively to the global HIV/AIDS epidemic. In addition to CDC's commitment to improving global health through the PEPFAR program, CDC is equally committed to continuously strengthening our approach in how we work with PEPFAR grantees, as well as strengthening our own internal processes and procedures. CDC would like to thank HHS OIG for their thorough review and constructive feedback with which we have used and will continue to use in improving our program.

OIG Recommendation: Thoroughly review funding opportunity announcements (FOAs) and abstracts before publishing them on www.grants.gov.

CDC Response: CDC concurs with this recommendation and has implemented it. As of October 1, 2014, CDC has improved processes for publishing FOAs by implementing an electronic system for drafting, reviewing, approving, and publishing CDC's FOAs to www.grants.gov. This system is the announcement module within GS. This system enabled CDC to move away from reliance on a less integrated approval process to an electronic system that requires full review of FOAs by all required parties. FOAs may not be posted without each required review being performed.

OIG Recommendation: Require FOA amendments to be subject to the same level of review as original FOAs.

CDC Response: CDC concurs with this recommendation and has implemented it as of October 1, 2014. While HHS does not have a policy requirement for reviewing FOA amendments, CDC's migration to using the announcement module of GS from FY 2015 onward now requires FOA amendments to go through the same prior approval process as original FOAs.

OIG Recommendation: Consistently require and maintain applicable documentation of requests from applicants and of its approvals for any late or hard-copy applications that it accepts.

CDC Response: CDC concurs with this recommendation. At times, CDC has allowed flexibilities to countries who do not have the ability to submit electronically, and in compliance with HHS policies, CDC has accepted hard-copy and/or late applications. CDC acknowledges that consistent documentation, which demonstrates approval, is necessary. Therefore, CDC issued in October 2014 the *Grant File and Program Book SOP*, which provides guidance to CDC's grants management officers and specialists (GMOs and GMSs) on required procedures to document application submission problems and approvals of late application in the award files. Further, CDC is in the process of implementing the grants management module (GMM), which is the second component of GS and will be fully implemented in June 2016. This module is used to make awards, receive and review prior approval requests, and conduct post-award monitoring. As CDC fully implements GMM, this standard practice will be updated to reflect where documentation is located within the electronic award system. Finally, in fiscal year 2014, CDC began conducting quarterly internal control reviews of the grant files to test compliance with current procedures. This is a control step that is tested with each review. When deficiencies are found within this internal review, grants management staff are notified and must rectify the problem.

OIG Recommendation: Instruct GMOs to review and sign the rank order and retain conflict-of-interest forms for objective reviews.

CDC Response: CDC concurs with this recommendation. With implementation of the GMM of GS, CDC has issued updated guidance, *GrantSolutions Grants Management Module Guidance: The Ranking List*, which provides specific instructions on who should sign the ranking list and where it should be filed within the electronic grant file. This places stronger emphasis on using the HHS Grants Policy Administration Manual (GPAM), which replaced the previous HHS Awarding Agency Grants Administration Manual (AAGAM) in January 2016, to review and sign the rank order and funding decision memos. Also, as stated earlier, in FY 2014, CDC began conducting quarterly internal control reviews of the grant file to test compliance, including the reviewing and signing of rank order and retention of conflict-of-interest forms.

OIG Recommendation: Instruct GMOs to review, sign, and date the funding packages.

CDC Response: CDC concurs with this recommendation. With full implementation of the GMM of GS this year, CDC will automate the submission and approval of funding packages. In the meantime, in FY 2014, CDC revised the funding memo to include a more prominent signature block, and all GMOs were instructed, via trainings and e-mail communications, to review and sign the rank and funding memos.

OIG Recommendation: Avoid any appearance of conflict of interest.

CDC Response: CDC concurs with this recommendation. HHS policy requires a conflict-of-interest and confidentiality certification be included in each objective review file; therefore, CDC has delineated this requirement in its own *Grant File and Program Book SOP*. Current procedures state that CDC's GMOs will collect the conflict-of-interest forms prior to starting an objective review and place the forms in the official award file. CDC continuously communicates to grants staff the responsibilities during the objective review, including, but not limited to providing a charge to the panel, explaining the conflict-of-interest and confidentiality requirements, and giving guidance on what to do if a conflict arises.

OIG Recommendation: Conduct technical reviews for Single Eligibility Justification (SEJ) applications.

CDC Response: CDC concurs with this recommendation. CDC follows HHS guidance as it is listed in GPAM, which states that scientific or technical aspects of the grant application are evaluated through the merit review process. GPAM also states that the objective review process must involve the thorough and consistent examination of applications based on standard criteria and an unbiased evaluation of scientific or technical merit or other relevant aspects of the applications. In addition, the objective review process must be performed by persons expert in the field of endeavor for which support is requested. Further, the objective review is intended to provide advice to the individuals responsible for making award decisions and specifies that the evaluation criteria for which applications are reviewed against are published in the FOA. Current CDC procedures follow this review guidance. The current CDC standard practice requires that objective reviewers must sign, date, and submit all evaluation forms at the conclusion of each

application review and that the objective review panel chairperson and manager must confirm that all evaluation forms are scored accurately, signed, and dated at the time of submission.

OIG Recommendation: Perform adequate cost analyses and business management evaluations of funded applicants.

CDC Response: CDC concurs with this recommendation. CDC has provided additional cost analysis and evaluation trainings since September 2014, including subsequent regular refresher trainings. In addition, CDC is in the process of finalizing a Pre-award Checks: Cost Analysis and Financial Capability Assessment SOP. This document provides updated and expanded guidance on conducting a thorough cost analysis and business review and is expected to be issued later in 2016. In addition to the trainings on cost analysis, CDC's Office of Grants Services established a Financial Assessment and Audit Resolution (FAAR) unit in 2015. This unit provides staff to support the implementation of select pre-decisional site visits and/or desk reviews and financial capability assessments, and provides subject matter expertise to grants management staff on financial and accounting matters.

OIG Recommendation: Establish when the funding decision occurs.

CDC Response: CDC concurs with this recommendation. As stated earlier, CDC is implementing GMM, the second module of GS. Once fully implemented in June 2016, funding decisions will be automatically documented as of the date a program office enters the rank list and funding memo.

OIG Recommendation: Notify all applicants that will not be funded within 30 days of the funding decision date.

CDC Response: CDC concurs with this recommendation. CDC follows GPAM guidance, which states that unsuccessful applicants must be notified within 30 days after the approving official signs the funding memo. Further, CDC's *Grant File and Program Book SOP* includes the requirement to record approved but unfunded (ABU) applicant letters. A GMO-review checklist will also be updated to ensure the documents are included in the official grant file. Also, as stated earlier, in FY 2014, CDC began conducting quarterly internal control reviews of the grant file to test compliance related to ABU notices being sent in a timely manner and sufficiently documented.

OIG Recommendation: Include necessary and accurate requirements in the NOAs.

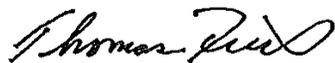
CDC Response: CDC concurs with this recommendation. A standard template for CDC's Notice of Awards (NOAs) terms and conditions exists and is reviewed for necessary updates annually at a minimum, or as necessary when policies and procedures are updated. The template includes language that is applicable to PEPFAR awards and was last updated February 2016. CDC's grants management staff receive guidance when updates are made to the terms and

conditions templates. The notifications are made available to staff through email, electronic newsletter, and intranet postings. Grants management staff are reminded to always use the template posted on the intranet site when developing the terms and conditions for their awards to ensure the most recent policy guidance is included. Further, CDC's Office of Grants Services established a workgroup to develop tools to ensure that all GMOs are reviewing awards consistently. Use of the current NOA terms-and-conditions template was included in the required documents that GMOs will confirm prior to signing the award.

OIG Recommendation: Maintain required documentation in its grant-award files to support its funding decisions.

CDC Response: CDC concurs with this recommendation. In 2014, CDC revised the *Grant File and Program Book SOP* and checklist to provide detailed instructions on the documents to be included in the official grant file and the order and handling of the file. In addition, pre-printed tabs were purchased and distributed to staff so that key documents can be readily identified. The SOP is being updated to reflect where, within the electronic system, documents will be filed. Also, as stated earlier, in FY 2014, CDC began conducting quarterly internal control reviews of the grant files to ensure they are complete and include all required documentation for funding decisions.

Attached please find technical comments on the draft report. We appreciate your consideration of the comments in this memo and the technical comments as you develop the final report. We are happy to discuss any of these comments with you. Please direct any questions regarding these comments to Priscilla Patin, OIG CDC Liaison, at (404) 639-7094 or iggao@cdc.gov.



Thomas R. Frieden, MD, MPH

Attachment