Ariel Foundation Against Pediatric AIDS Managed and Expended the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements

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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.
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What OIG Found
Ariel managed PEPFAR funds in accordance with award requirements.

What OIG Recommends
This report contains no recommendations.
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INTRODUCTION

WHY WE DID THIS REVIEW

The U.S. Congress authorized the President’s Emergency Plan for AIDS Relief (PEPFAR) 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.\(^1\) Congress authorized additional funds 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 audits of organizations receiving PEPFAR funds from HHS, Centers for Disease Control and Prevention (CDC).\(^3\) We selected the Ariel Foundation Against Pediatric AIDS (Ariel) for review because it was one of the largest recipients of PEPFAR funds in Mozambique.

OBJECTIVE

The objective of our audit was to determine whether Ariel managed and expended PEPFAR funds in accordance with the award requirements.

BACKGROUND

Centers for Disease Control and Prevention

As the U.S. science-based public health and disease prevention agency, CDC plays an essential role in implementing PEPFAR. CDC uses its technical expertise in public health science and longstanding 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 and to other diseases that threaten the health and prosperity of the global community.

Funded through PEPFAR, CDC’s highly trained scientists work together with ministries of health and other partners in 60 countries to combat HIV/AIDS globally. Furthermore, CDC provides critical technical assistance to 18 additional countries.

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\(^1\) 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 B contains a list of related OIG reports.
For fiscal year (FY) 2015, CDC obligated PEPFAR funds totaling $1.7 billion. CDC awarded these PEPFAR funds through cooperative agreements, which it uses in lieu of grants when it anticipates the Federal Government’s substantial involvement with recipients in accomplishing the objectives of the agreements. In response to a Funding Opportunity Announcement (FOA), CDC awarded Ariel grant number 1U2GGH000151 through a cooperative agreement for the period September 30, 2011, through September 29, 2016.

Application of Federal Regulations

The grant administration rules in 45 CFR part 92 apply to State, local, and tribal governments. The grant administration rules in 45 CFR part 74 apply to nonprofit organizations, hospitals, institutions of higher education, and commercial organizations. The HHS Grants Policy Statement (GPS), which provides general terms and conditions and HHS policies for grantees and others interested in the administration of HHS grants, specifies that foreign grantees must comply with the requirements of 45 CFR parts 74 or 92, as applicable to the type of foreign organization (GPS, section II-113).

Ariel Foundation Against Pediatric AIDS

Ariel is an independent Mozambican foundation, established in 2011, whose mission is the elimination of pediatric HIV/AIDS in Mozambique. Ariel began by implementing projects to support national organizations to implement and expand HIV/AIDS prevention and care services. Currently, Ariel is supporting the Ministry of Health structures in both Maputo and Cabo Delgado provinces to roll out the HIV Prevention, Care, and Treatment Acceleration Plan for scaling up HIV services.

HOW WE CONDUCTED THIS REVIEW

Our audit covered the budget periods from September 30, 2011 through September 29, 2015. These budget periods were for years 1 through 4 of a 5-year cooperative agreement. During the budget period under review, CDC awarded Ariel $35,776,811, of which Ariel expended

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4 “Obligated” funds are amounts for which the recipient has made binding commitments for orders placed for property and services, contracts and subawards, and similar transactions during a funding period that will require payment during the same or a future period, per HHS’s Grants Policy Directives 1.02.

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

6 FOA number CDC-RFA-GH11-1130 was entitled “Supporting Indigenous Organizations to Implement and Expand Comprehensive HIV/AIDS Prevention, Care and Treatment in the Republic of Mozambique under the President’s Emergency Plan for AIDS Relief (PEPFAR).”

7 The grant administration rules at 45 CFR parts 74 and 92 were superseded by 45 CFR part 75, which applies to grant awards made on or after December 26, 2014. The new grants rule does not apply to any of the awards in our audit period.
$29,597,336. From these PEPFAR fund expenditures, we selected a judgmental sample of 60 transactions totaling $2,735,317. Our sample included transactions for travel expenses, vehicle purchases, salaries and consultation fees.

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 A contains the details of our scope and methodology.

**FINDINGS**

Ariel managed PEPFAR funds in accordance with the award requirements for the areas in our review. Accordingly, this report contains no recommendations.

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8 According to Ariel, it did not spend the total amount awarded because of expenditure approval delays from CDC, as well as a favorable exchange rate.
APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered $29,597,336 in PEPFAR funds expended by Ariel for the budget period September 30, 2011, through September 29, 2015. We selected for review a judgmental sample of 60 financial transactions with PEPFAR expenditures totaling $2,735,317.

We limited our review of internal controls to those related to our objective. We conducted fieldwork at the Ariel office in Maputo, Mozambique, in August 2016.

METHODOLOGY

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS guidance, Mozambique’s bilateral agreement for Value-Added Tax, the FOA, the Notice of Award, and Ariel’s policies and procedures;
- interviewed and conducted meetings with CDC Mozambique officials to determine the extent of the technical assistance they provided to Ariel;
- interviewed and conducted meetings with Ariel officials to determine their policies, processes, and procedures related to financial accounting and reporting;
- reconciled Ariel’s Federal Financial Report to its accounting records;
- selected a judgmental sample of 60 financial transactions totaling $2,735,317 from the general ledger that Ariel expended for the budget period September 2011 through September 2015;
- reviewed Ariel’s time and attendance system;
- determined the Value-Added Tax process that Ariel followed; and
- discussed preliminary results with Ariel.

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 B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

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

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<td><strong>Medical Access Uganda Limited Generally Managed the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</strong></td>
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<td><strong>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</strong></td>
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<td>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</td>
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<td>Potentia Namibia Recruitment Consultancy Generally Managed the President’s Emergency Plan for AIDS Relief Funds and Met Program Goals in Accordance with Award Requirements</td>
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<td>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</td>
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