Why OIG Did This Review
The President’s Emergency Plan for AIDS Relief (PEPFAR) 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 that implemented PEPFAR requires the Department of Health and Human Services (HHS), Office of Inspector General, to provide oversight of PEPFAR. We conducted a series of audits of organizations receiving PEPFAR funds from HHS, Centers for Disease Control and Prevention (CDC).

Our objectives were to determine whether the South African National Department of Health (the Ministry) (1) managed and expended PEPFAR funds in accordance with award requirements and (2) implemented recommendations from our prior audit. In addition to our objectives regarding the Ministry, we collaborated with the Global Fund OIG to determine whether the Global Fund and CDC funded the same PEPFAR activities.

The South African National Department of Health Did Not Always Manage and Expend the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements

What OIG Found
The Ministry did not always manage and expend PEPFAR funds in accordance with award requirements. Of the 50 financial transactions in our judgmental sample, 46 transactions totaling $655,374 were allowable, but 4 transactions totaling $14,656 were not. These transactions were unallowable because either the Ministry did not provide adequate supporting documentation, such as invoices or attendance rosters, or it paid unallowable value-added taxes (VAT) with PEPFAR funds.

Additionally, the Ministry did not accurately identify expenses between cooperative agreements in its financial management reporting system, did not submit an accurate Federal Financial Report (FFR), and filed one of its FFRs more than 5 months late. Furthermore, the Ministry did not implement corrective actions for one of the nine recommendations from our prior audit. The Ministry fully implemented two prior recommendations and partially implemented six other prior recommendations. Finally, we did not identify any instance in which the Global Fund and CDC funded the same PEPFAR activities.

What OIG Recommends and the Ministry’s Comments
We recommend that the Ministry (1) refund to CDC $12,374 for transactions that were not adequately documented and (2) work with CDC to obtain $343,930 of VAT reimbursement from the South African Government. We also made recommendations from our prior audit, as well as procedural and policy recommendations.

Although the Ministry did not specifically concur with any of our recommendations in its written comments on our draft report, it described some actions that it had taken or planned to take to address some of our recommendations. Also, the Ministry provided additional supporting documentation for certain transactions and expenditures. We adjusted our findings and recommendations accordingly. We continue to recommend that the Ministry develop and implement policies and procedures to ensure that it submits accurate FFRs on time and obtains VAT reimbursement, implement internal controls to ensure expenditures are assigned to the correct budget code, and implement training on the VAT process.

The full report can be found at https://oig.hhs.gov/oas/reports/region4/41701002.asp.