

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



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.

How OIG Did This Review

Our audit covered the budget periods from April 1, 2014, through March 31, 2016. These budget periods were for years 1 and 2 of a 5-year cooperative agreement. During the budget period under review, CDC awarded the Ministry \$5.8 million, of which the Ministry expended \$2.6 million. From these PEPFAR expenditures, we selected a judgmental sample of 50 financial transactions totaling \$670,030.

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. The Global Fund is a partnership among governments, civil society, the private sector, and people affected by diseases.

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.