

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**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**

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Gloria L. Jarmon  
Deputy Inspector General

July 2013  
A-05-12-00023

# *Office of Inspector General*

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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.

## EXECUTIVE SUMMARY

### BACKGROUND

The United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. No. 108-25) (the 2003 Act), 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 (P.L. No. 110-293) (the 2008 Act) 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 public health 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 2009, CDC "obligated" PEPFAR funds totaling \$1.2 billion. 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 regulations that apply to Federal grants also apply to cooperative agreements.

Through a 5-year cooperative agreement (grant number 5U2GPS001340), CDC awarded PEPFAR funds totaling \$12,952,887 to the Southern African Catholic Bishops' Conference AIDS Office (SACBC) for the budget period June 1, 2009, through May 31, 2010. SACBC's mission is to help coordinate the Catholic Church response to HIV and AIDS in South Africa, Swaziland, and Botswana. SACBC entered into a cooperative agreement with CDC to provide treatment, care, and education to those impacted by HIV and AIDS in South Africa. The goals of the cooperative agreement were to:

- provide new and existing patients with optimum quality anti-retroviral treatment (ART) and anti-retroviral care;
- provide orphans and vulnerable children with holistic care;
- provide technical, clinical, financial and managerial support to sites to ensure services are delivered efficiently and effectively; and
- maintain and strengthen relationships with other stakeholders to enable future sustainability and viability of the program.

## **OBJECTIVE**

Our objective was to determine whether SACBC managed PEPFAR funds and met program goals in accordance with the award requirements.

## **SUMMARY OF FINDINGS**

SACBC generally managed PEPFAR funds and met program goals in accordance with award requirements. With respect to financial management, of the 33 financial transactions totaling \$460,493 that we tested:

- 25 transactions totaling \$442,083 were allowable;
- 6 transactions totaling \$15,907 were unallowable because the expenditures were not allowable in accordance with Federal regulations; and
- 2 travel related transactions totaling \$2,503 were set aside because we were unable to determine whether the transactions were allowable.

Additionally, SACBC:

- used \$25,441 of PEPFAR funds to pay potentially unallowable value-added taxes (VAT) on purchases and
- did not submit the results of an annual financial audit to HHS's National External Audit Review Center (NEAR) as required by the notice of award (NOA).

Our program management review found that, of the 32 accomplishments sampled from the annual progress report, 2 accomplishments were only partially met. The remaining 30 accomplishments were adequately supported. However, SACBC did not address two of the program goals from its application in the progress report, and the progress report was not submitted on time.

SACBC's policies and procedures did not ensure that it:

- followed Federal regulations for reporting expenditures under the cooperative agreement,
- maintained supporting documentation for reported expenditures under the cooperative agreement,
- properly collected, verified, summarized, recorded, and reported performance information related to the cooperative agreement in a timely manner, and
- submitted the annual financial audit report to NEAR as required by the NOA.

## **RECOMMENDATIONS**

We recommend that SACBC:

- refund to CDC \$15,907 of unallowable expenditures;
- work with CDC to determine the allowability of the \$2,503 related to potentially unallowable travel expenses;
- work with CDC to resolve whether the \$25,441 of VAT was an allowable expenditure under the cooperative agreement;
- develop and implement policies and procedures to ensure that:
  - expenditures reported under the cooperative agreement are allowable in accordance with Federal regulations and
  - it maintains adequate supporting documentation for expenditures of Federal funds;
- develop and implement policies and procedures covering:
  - the overall process of collecting, verifying, summarizing, recording, and reporting performance information related to the cooperative agreement and
  - the timely submission of the progress report to CDC; and
- submit annual audit reports to NEAR in accordance with the NOA.

## **SOUTHERN AFRICAN CATHOLIC BISHOPS' CONFERENCE AIDS OFFICE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

SACBC generally concurred with our recommendations and described actions it has taken to address them. We continue to recommend SACBC refund the unapproved international travel costs.

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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 (P.L. No. 108-25) (the 2003 Act), 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 (P.L. No. 110-293) (the 2008 Act), 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 Department of Health and Human Services (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.

#### **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 public health 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.

For fiscal year (FY) 2009, CDC obligated<sup>1</sup> PEPFAR funds totaling \$1.2 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.<sup>2</sup> In response to a Funding Opportunity Announcement (FOA),<sup>3</sup> CDC awarded the Southern African Catholic Bishops' Conference AIDS Office (SACBC) grant number 5U2GPS001340 through a cooperative agreement for the project period September 30, 2008, through May 31, 2013.

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<sup>1</sup> "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* (GPD) 1.02, the highest level of policy within HHS that governs grants.

<sup>2</sup> The regulations that apply to Federal grants also apply to cooperative agreements.

<sup>3</sup> FOA Number PS08-871 is entitled: *Inter-Agency PEPFAR Annual Program Statement for USG to the Republic of South Africa*.

## **Southern African Catholic Bishops' Conference AIDS Office**

SACBC's mission is to help coordinate the Catholic Church response to HIV and AIDS in South Africa, Swaziland, and Botswana. SACBC entered into a cooperative agreement with CDC to provide treatment, care, and education to those impacted by HIV and AIDS in South Africa. The goals of the cooperative agreement were to:

- provide new and existing patients with optimum quality anti-retroviral treatment (ART) and anti-retroviral care;
- provide orphans and vulnerable children with holistic care;
- provide technical, clinical, financial and managerial support to sites to ensure services are delivered efficiently and effectively; and
- maintain and strengthen relationships with other stakeholders to enable future sustainability and viability of the program.

## **Federal Requirements and Departmental Policies**

The grant 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 II-113). Thus, the rules in 45 CFR part 74 apply to a foreign nonprofit organization.

This cooperative agreement was subject to the grant administration rules in 45 CFR part 74 and the terms and conditions detailed in the notice of award (NOA). Furthermore, CDC incorporated by reference the FOA and the application that CDC received from SACBC on April 2, 2009, as a part of this award.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether SACBC managed PEPFAR funds and met program goals in accordance with the award requirements.

### **Scope**

Our audit covered the budget period from June 1, 2009, through May 31, 2010. This budget period was the second year of a 5-year cooperative agreement. During the budget period under review, CDC awarded SACBC \$12,952,887.

We limited our review of internal controls to those related to our objective. We conducted fieldwork at SACBC's offices in Pretoria, South Africa.

## Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS guidance, the FOA, the NOA, and SACBC's policies and procedures;
- interviewed and conducted meetings with SACBC officials to determine their processes and procedures related to financial accounting and reporting, and program goals and accomplishments;
- reconciled to its accounting records SACBC's financial status report (FSR)<sup>4</sup> for the budget period under review;
- selected and reviewed a judgmental sample of 33 financial transactions with expenditures totaling \$460,493 from the cooperative agreement award of \$12,952,887, and included expenditures such as:
  - restricted funds, if specified on the NOA;
  - unallowable costs, such as indirect costs, if specified on the NOA;
  - transactions above/below the average transaction amount in an expenditure category;
  - consulting and government fees; and
  - other unusual transactions;
- identified the amount of value-added taxes (VAT)<sup>5</sup> that SACBC paid with PEPFAR funds for the sample transactions;
- compared the accomplishments described in SACBC's annual progress report to the cooperative agreement's goals and objectives;

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<sup>4</sup> Pursuant to 45 CFR 74.52(a)(1), FSRs are due to the CDC Grants Management Office 90 days after the end of the budget period. FSRs provide information to CDC on current expenditures and on carryover balances (if any). In addition, these documents are considered in future funding decisions.

<sup>5</sup> VAT is a form of consumption tax.

- selected a judgmental sample of 32 accomplishments described in SACBC’s annual progress report and reviewed supporting documentation to determine whether SACBC met program goals and objectives; and
- conducted site visits at the Nazareth House in Johannesburg and Tapologo Program in Rustenburg, South Africa.

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 RECOMMENDATIONS**

SACBC generally managed PEPFAR funds and met program goals in accordance with award requirements. With respect to financial management, of the 33 financial transactions totaling \$460,493 that we tested:

- 25 transactions totaling \$442,083 were allowable;
- 6 transactions totaling \$15,907 were unallowable because the expenditures were not allowable in accordance with Federal regulations; and
- 2 travel related transactions totaling \$2,503 were set aside because we were unable to determine whether the transactions were allowable.

Additionally, SACBC:

- used \$25,441 of PEPFAR funds to pay potentially unallowable VAT on purchases, and
- did not submit the results of an annual financial audit to HHS’s National External Audit Review Center (NEAR) as required by the NOA.

Our program management review found that, of the 32 accomplishments sampled from the annual progress report, 2 accomplishments were only partially met. The remaining 30 accomplishments were adequately supported. However, SACBC did not address two of the program goals from its application in the progress report, and the progress report was not submitted on time.

SACBC’s policies and procedures did not ensure that it:

- followed Federal regulations for reporting expenditures under the cooperative agreement,
- maintained supporting documentation for reported expenditures under the cooperative agreement,

- properly collected, verified, summarized, recorded, and reported performance information related to the cooperative agreement in a timely manner, and
- submitted the annual financial audit report to NEAR as required by the NOA.

## **FINANCIAL MANAGEMENT**

### **Federal Regulations**

Pursuant to 2 CFR part 230, Appendix B, § 8.b(1), compensation is allowable to the extent that total compensation is reasonable for the services rendered. Additionally, 2 CFR part 230, Appendix B, § 8.m states, the distribution of salaries and wages must be supported by personnel activity reports, which reflect an after-the-fact distribution of the actual activity and account for the total activity for which each employee is compensated. Federal regulations (2 CFR part 230, Appendix B, § 8.h) also state that the portion of cost of organization-furnished automobiles that related to personal use by employees (including transportation to and from work) is unallowable as fringe benefits or indirect costs regardless of whether the cost is reported as taxable income to the employees.

Federal regulations (2 CFR part 230, Appendix B, § 51(e)) state that direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Pursuant to 45 CFR § 74.21(b)(7), accounting records must be supported by source documentation. Federal regulations (2 CFR part 230, Appendix A, § A.2) state that costs must be adequately documented to be allowable under an award.

Pursuant to the HHS GPS (Section II-114), certain costs, including VAT, are unallowable under foreign grants and domestic grants with foreign components. Also, bilateral agreements with foreign governments may stipulate an exemption from paying the VAT for those contractors and grantees that are funded by and providing foreign aid from the United States.<sup>6</sup>

### **Financial Transaction Testing**

Of 33 transactions totaling \$460,493, 25 transactions totaling \$442,083 were allowable, but 6 transactions totaling \$15,907 were unallowable (table below). We were unable to make a determination on the allowability of two transactions totaling \$2,503.

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<sup>6</sup> HHS is currently reexamining the applicability of the GPS provision; thus, we are not recommending a disallowance. Instead, we recommended that SACBC work with CDC to resolve the issue.

### Unallowable Financial Transactions

Category	Sample Transactions	Total
Salary Costs	2	\$12,705
Vehicle Cost	1	2,327
Travel Costs	2	477
Communication Cost	1	398
<b>Total</b>	<b>6</b>	<b>\$15,907</b>

For one salary-related transaction, based on our review of monthly time reports, the employee failed to work the hours required by his contract. This employee was paid \$10,130 for hours not worked as agreed upon in the employment contract. For an additional salary-related transaction totaling \$2,575, SACBC could not provide supporting documentation, including personnel activity reports. For one vehicle-related transaction, SACBC allowed individuals to use PEPFAR-purchased vehicles for personal use and those vehicle expenses totaling \$2,327 were allocated to the PEPFAR program. For one travel-related transaction totaling \$455, SACBC allowed a subcontractor to travel internationally without gaining approval from the awarding agency. For another travel-related transaction, SACBC paid an employee per diem for meals and also reimbursed the exact amount of a meal of \$22 on the same day. For one communication-related transaction including telephone charges totaling \$398, SACBC could not provide documentation to support the expense.

### Potentially Unallowable Travel Expenses

For two sample items, SACBC reimbursed travel expenses amounting to \$2,503 for kilometers traveled to an employee who submitted questionable travel vouchers. This employee submitted invoices that could not be verified to document travel related to the PEPFAR program. SACBC could not determine whether the employee actually traveled to the sites documented on the travel vouchers. Because SACBC dismissed the employee and is still working to resolve this matter, we set aside the \$2,503.

### Expenditures for Value-Added Tax

During the audit period, SACBC used \$25,441 of PEPFAR funds to pay the VAT, a potentially unallowable cost for this grant. It recorded the expenditures for the VAT as part of total expenditures on its FSR.

## **PROGRAM MANAGEMENT**

### **Federal Regulations and Funding Opportunity Announcement**

Pursuant to 45 CFR § 74.51(d), progress reports should generally compare actual accomplishments to the established objectives for the period. Also, progress reports should contain the reasons objectives were not met and, when appropriate, explanations of cost overruns or high unit costs.

Pursuant to 45 CFR § 74.53, grantees are required to retain financial and statistical records, supporting documents, and all other records pertinent to an award for 3 years from the submission date of the final expenditure report for the funding period.

Additionally, the FOA states that SACBC should have measurable outcomes that are in alignment with the performance goals.<sup>7</sup>

### **Progress Report Testing**

Of the 32 accomplishments sampled from the annual progress report, 2 were only partially met. These two accomplishments related to the goal to provide 15,602 patients not qualifying for ART with quality care and support services. Of the 15,602 patients, only 5,733 patients actually received these services. However, SACBC reported that 20,645 received these services because the number reported included patients who received ART. The remaining 30 accomplishments were adequately supported.

### **Goals Not Addressed in Progress Report**

SACBC did not address two of its program goals from its application in the progress report. These goals related to both providing technical, clinical, financial, and managerial support to sites and maintaining and strengthening relationships with other stakeholders to enable future sustainability and viability. Despite not addressing these two program goals in its progress report, SACBC accomplished them.

### **Progress Report Submission**

Pursuant to 45 CFR § 74.51(b), recipients are required to submit annual progress reports, unless the awarding agency requires quarterly or semiannual reports. Annual reports are due 90 days after the end of the grant year. Quarterly and semiannual reports are due 30 days after the reporting period. Final progress reports are due 90 days after the expiration or termination of the award. The NOA provides the specific due dates for annual progress reports.

SACBC submitted its report to CDC 1 month late. SACBC's grant year ended May 31, 2010; therefore, the annual progress report was due on August 31, 2010. However, SACBC did not

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<sup>7</sup> Section IV of the NOA—*Special Terms and Conditions*—makes the requirements found in the FOA part of the award by reference.

submit the progress report to CDC until October 5, 2010. Without timely progress reports, CDC may not be able to effectively monitor whether the recipient met program goals in accordance with award requirements.

## **NON-FEDERAL AUDIT REPORT**

The GPS, page II-115, states that foreign recipients are subject to the same audit requirements as commercial organizations specified in 45 CFR § 74.26(d). Pursuant to 45 CFR § 74.26(d)(1), recipients that are commercial organizations are required to file one of the following types of audits if they expended more than \$500,000 in one or more Federal awards during a FY: a financial-related audit or an audit that meets the requirements of Office of Management and Budget (OMB) Circular A-133.

Pursuant to OMB Circular A-133, audits must be completed annually and submitted for review within the earlier of 30 days after receipt of the auditor's report or 9 months after the end of the organization's FY, unless a longer period of time is agreed to by the agency (subpart B §\_\_.200 and subpart C §\_\_.320).<sup>8</sup>

Pursuant to section IV, part 15 of the NOA, SACBC is instructed to submit audits completed in accordance with OMB Circular A-133 to NEAR.

SACBC had an A-133 audit covering the period June 1, 2009, through May 31, 2010; however, SACBC did not submit the audit report to NEAR as required by the NOA.<sup>9</sup> Without submitting the audit report, HHS's NEAR was unable to monitor recipient audit findings.

## **INADEQUATE POLICIES AND PROCEDURES**

SACBC's policies and procedures did not ensure that it:

- followed Federal regulations for expenditures under the cooperative agreement,
- maintained supporting documentation for allowable expenditures under the cooperative agreement,
- properly collected, verified, summarized, recorded, and reported performance information related to the cooperative agreement in a timely manner, and
- submitted the annual financial audit report to NEAR as required by the NOA.

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<sup>8</sup> If a foreign entity chooses to have a financial-related audit pursuant to 45 CFR § 74.26(d), the same due dates apply. (See *Clarification of Audit Requirements of For-Profit Organizations Including SBIR/STTR Grantees*, issued by the HHS National Institutes of Health, Jan. 11, 2006).

<sup>9</sup> SACBC submitted its A-133 audit report to NEAR while the OIG was onsite.

## **RECOMMENDATIONS**

We recommend that SACBC:

- refund to CDC \$15,907 of unallowable expenditures;
- work with CDC to determine the allowability of the \$2,503 related to potentially unallowable travel expenditures;
- work with CDC to resolve whether the \$25,441 of VAT was an allowable expenditure under the cooperative agreement;
- develop and implement policies and procedures to ensure that:
  - expenditures reported under the cooperative agreement are allowable in accordance with Federal regulations, and
  - it maintains adequate supporting documentation for expenditures of Federal funds;
- develop and implement policies and procedures covering:
  - the overall process of collecting, verifying, summarizing, recording, and reporting performance information related to the cooperative agreement, and
  - the timely submission of the progress report to CDC; and
- submit annual audit reports to NEAR in accordance with the NOA.

## **SOUTHERN AFRICAN CATHOLIC BISHOPS' CONFERENCE AIDS OFFICE COMMENTS**

In its comments on our draft report, SACBC generally concurred with our recommendations and described actions it has taken to address them.

SACBC generally agreed with our first recommendation, except for \$455 in international travel costs. SACBC's comments included email correspondence between SACBC and CDC describing a conference in Tanzania.

In addressing our second recommendation regarding potentially unallowable travel expenses, SACBC stated that prior to our review, it had taken corrective action with respect to the travel claims made by the former employee and had refunded the program for inappropriate or unsubstantiated travel expenses. However, SACBC acknowledged that the amount repaid did not include the \$2,503 in mileage reimbursement identified in our report.

In response to our third recommendation regarding VAT, SACBC stated that subsequent to our review, it reclaimed approximately \$216,270 in VAT and credited it to the program. SACBC

concurrent with our fourth, fifth, and sixth recommendations and described actions it has taken to address them.

SACBC's comments, excluding the email correspondence, are included in the appendix.

#### **OFFICE OF INSPECTOR GENERAL RESPONSE**

We reviewed the email correspondence that SACBC provided with its comments. In response to the \$455 in international travel costs we determined that the documentation did not support the unallowable expenditures. Therefore, we continue to recommend that SACBC refund \$455 in unapproved international travel costs.

SACBC voluntarily reclaimed \$216,270 in VAT; OIG did not verify this amount has been credited to the program. We commend SACBC for its actions taken in response to our audit.

# **APPENDIX**

## APPENDIX: SOUTHERN AFRICAN CATHOLIC BISHOPS' CONFERENCE AIDS OFFICE COMMENTS



### Southern African Catholic Bishops' Conference

Ms. Sheri Fulcher  
Regional inspector General for Audit Services  
Office of Audit Services, Region V  
233 North Michigan Suite 1360  
Chicago, IL 60601

June 11, 2013

Dear Ms. Fulcher

This letter serves as a response to your letters dated April 9, 2013 and May 28, 2013 regarding the "Draft Report for the Southern African Catholic Bishops' Conference AIDS Office (A-05-12-00023)."

The Southern African Catholic Bishops' Conference (SACBC) AIDS Office accepts and acknowledges the recommendations made by the Office of the Inspector General (OIG) and submits the following detail responses related to our corrective actions:

- OIG recommendation that SACBC refund to CDC \$15,907 of unallowable expenditures.
  - Salary Costs of \$10,130. SACBC concurs that an SACBC AIDS Office Project Coordinator at one of its sites did not work the number of hours as stated in the Contract of Employment with the site. SACBC AIDS Office has instigated new policies and procedures to ensure that all claims are checked and supported by the correct documentation (Section 4, Statement of Operating Practice Manual) and the documentation is checked on a monthly basis with the site only being reimbursed once all documentation is in order.
  - Salary Costs of \$2,575 SACBC concurs that a time and effort report was not available for the individual listed for the month selected. SACBC AIDS Office has instigated new policies and procedures to ensure that all timesheets are submitted and checked on a monthly basis.
  - Vehicle Cost of \$2,327. SACBC concurs that it was overcharged for vehicle costs from its subcontractor, Catholic Relief Services (CRS), in relation to the claim made for CRS in April 2010. In April 2010, CRS in apportioning vehicles expenses to SACBC failed to take account of the personal mileage. SACBC was charged 88 % of the total vehicle costs of R72,966.40 as opposed to 64 % resulting in an overcharge of R17,521.96. SACBC has instigated new policies and procedures to ensure that all claims are checked and supported by the correct documentation (Section 4, Statement of Operating Practice Manual) and the documentation is checked on a monthly basis with the site only being reimbursed once all documentation is in order. SACBC checked the CRS Vehicle claims for February 2010 and for May 2010 and the CRS policy for allocation of vehicle costs was properly applied.
  - Travel Cost of \$22. SACBC concurs that a Project Coordinator at one of the site was paid at per diem for attending a workshop provided by SACBC at which meals were provided.



### Southern African Catholic Bishops' Conference

- Communication Cost of \$398. SACBC concurs that there is insufficient supporting documentation available in respect of this transaction. The transaction in question refers to costs incurred by an OVC site, Gethsemane Health Care Centre, previously supported by SACBC under this Program. This site could not adhere to the reporting requirements of SACBC and, consequently, SACBC withdrew its support. SACBC has instigated new policies and procedures to ensure that all claims are checked and supported by the correct documentation (Section 4, Statement of Operating Practice Manual) and the documentation is checked on a monthly basis with the site only being reimbursed once all documentation is in order.

SACBC acknowledges and accepts that in line with the recommendations of the OIG and in order to fully address this matter it may be required to repay these funds listed above.

- Travel Cost of \$455. SACBC concurs that it did not receive prior approval in connection with this trip. As the trip was taken at the invitation of CDC, prior approval was not requested and was assumed.

The emails from HRSA and CDC are attached. These had not previously been made available to the OIG team.

- OIG recommendation that SACBC work with CDC to determining the allowability of the \$2,503 related to potentially unallowable travel expenses.
  - This is a determination made by OIG in respect of fraudulent claims made by a former SACBC employee. SACBC, prior to the OIG visit, had already identified and taken corrective action in respect of the claims made by this former employee. The former employee was subject to a disciplinary hearing. Travel claims both in terms of mileage claims and travel expense reimbursement claims were reviewed over the period January 2009 to February 2011. Invoices identified as inappropriate or unsubstantiated were reversed resulting in SACBC repaying to the Program the sum of R57,746. SACBC can confirm that the amount of R57,746 repaid to the program did not include the amount of R19,140 (\$2,503) for mileage claims. SACBC has instigated new policies and procedures to ensure that all claims are checked and supported by the correct documentation including a Trip Report (Section 2.7 and 2.8, Statement of Operating Practice Manual).
- OIG recommendation that SACBC work with CDC to resolve whether the \$25,441 of VAT was an allowable expenditure under the cooperative agreement.
  - SACBC historically had reclaimed VAT on invoices for Drugs and Lab tests where the Invoices were addressed to SACBC and displayed the SACBC VAT number in line with the South African Revenue Service (SARS) requirement. Subsequent to the OIG visit, SACBC reviewed the invoices and documentation it received from its sites and other invoices on which SACBC had not claimed VAT. Commencing in February 2012, SACBC AIDS Office has reclaimed VAT totaling R1,622,029.00 (approx. \$216,270.00) for the period under review (June 1, 2009, to May 31, 2010) by OIG as part of its monthly VAT return. SACBC now claims VAT from SARS for



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all Vatable expenses on a monthly basis. SACBC credits the VAT reclaimed to the Program.

- OIG recommendation that SACBC develop and implement policies and procedures to ensure that expenditures reported under the cooperative agreement are allowable in accordance with Federal regulations and it maintains adequate supporting documentation for expenditures of Federal funds.
  - SACBC on the recommendation of the OIG team, developed and prepared a Statement of Operating Procedures Manual (SOP). The SOP has been made available to CDC South Africa and SACBC welcomes any comments that CDC may have.
- OIG recommendation that SACBC develop and implement policies and procedures covering the overall process of collecting, verifying, summarizing, recording, and reporting performance information related to the cooperative agreement and the timely submissions of the progress report to CDC.
  - SACBC on the recommendation of the OIG team, developed and prepared a Statement of Operating Procedures Manual (SOP). The SOP has been made available to CDC South Africa and SACBC welcomes any comments that CDC may have.
- OIG recommendation that SACBC submit annual audit reports to NEAR in accordance with the NOA.
  - Prior to the departure of the OIG Visit, SACBC submitted outstanding audited Financial Reports to NEAR. SACBC has instigated new policies and procedures to ensure that it complies with all its Grant Requirements (Section 7, Statement of Operating Procedures). Confirmation correspondence has been received from NEAR verifying that these reports were received.

Yours sincerely



Sr Alison Munro  
Director, SACBC AIDS Office