

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**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**

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# *Office of Inspector General*

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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 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.*

### WHY WE DID THIS REVIEW

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

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). We selected the Ethiopian Public Health Association (EPHA) for review.

The objective of our audit was to determine whether EPHA managed PEPFAR funds and met program goals in accordance with the award requirements.

### BACKGROUND

Through a 5-year cooperative agreement (grant number 5U2GPS001229), CDC awarded PEPFAR funds totaling \$1,727,725 to EPHA for the budget period September 30, 2011, through September 29, 2012.

Under the cooperative agreement, EPHA's overall goal is to improve public-health practice and service delivery in the area of HIV/AIDS prevention and control in the Federal Democratic Republic of Ethiopia through the conduct of public-health evaluations and operations research and by developing capacity for designing and implementing evidence-based policies and interventions.

### WHAT WE FOUND

EPHA generally managed PEPFAR funds but did not always meet program goals in accordance with award requirements. Our financial management review showed that the 48 transactions tested, totaling \$1,231,702, were allowable. However, although allowable, 8 of the 48 transactions, totaling \$22,751, were recorded to incorrect expense accounts in the general ledger.

Additionally, EPHA:

- used \$68,194 of PEPFAR funds to pay potentially unallowable value-added taxes (VAT) on purchases and

- did not submit its annual financial audit report to the National External Audit Review Center in accordance with the award requirements.

Our program management review showed that, of the 121 goals from its cooperative agreement, EPHA reported accomplishments for 82 in its annual progress report. However, it did not report accomplishments for the remaining 39 goals. Our judgmental sample review of 32 reported accomplishments showed that 24 were fully supported by documentation, 5 were partially supported, and 3 were not supported. Also, EPHA submitted its annual progress report to CDC 6 months late.

These errors occurred because EPHA did not have adequate policies and procedures.

## **WHAT WE RECOMMEND**

We recommend that EPHA:

- work with CDC to resolve whether VAT was an allowable expenditure under the cooperative agreement and to seek reimbursement from the Ethiopian Government for the \$68,194 of VAT paid and
- develop and implement policies and procedures for:
  - recording expenditures to the correct expense accounts in the general ledger,
  - maintaining adequate supporting documentation for accomplishments included in the progress report,
  - preparing an annual progress report that includes all goals related to the cooperative agreement,
  - submitting the progress report in a timely manner, and
  - submitting its annual financial audit report in a timely manner to the applicable United States agency.

## **ETHIOPIAN PUBLIC HEALTH ASSOCIATION COMMENTS AND OUR RESPONSE**

In comments on our draft report, EPHA officials concurred with our recommendations. However, they asked us to reconsider our first recommendation to refund \$3,942 on the basis of additional documentation that they provided. EPHA officials also described corrective actions, such as developing policies and written procedures, they had taken or planned to take to address the recommendations.

We reviewed the explanations in EPHA's comments and the additional documentation provided with the comments. On the basis of the additional information, we removed our recommendations to refund to CDC \$3,942 in unallowable expenditures and to develop and

implement policies and procedures ensuring that only related expenditures are charged to the cooperative agreement.

## TABLE OF CONTENTS

INTRODUCTION .....	1
Why We Did This Review .....	1
Objective .....	1
Background .....	1
Centers for Disease Control and Prevention .....	1
Application of Federal Regulations .....	2
Ethiopian Public Health Association .....	2
How We Conducted This Review.....	3
FINDINGS .....	3
Financial Management.....	4
Some Financial Transactions Were Incorrectly Recorded.....	4
Expenditures for Value-Added Taxes Are Potentially Unallowable .....	4
Program Management.....	4
Some Cooperative Agreement Goals Not Reported or Partially Supported.....	4
Ethiopian Public Health Association Submitted Its Progress Report Late .....	5
Non-Federal Audit Reports.....	6
Inadequate Policies and Procedures.....	6
RECOMMENDATIONS .....	7
ETHIOPIAN PUBLIC HEALTH ASSOCIATION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE .....	7
Ethiopian Public Health Association Comments.....	7
Office of Inspector General Response .....	7
APPENDIXES	
A: Related Office of Inspector General Reports.....	9
B: Audit Scope and Methodology.....	11
C: Federal Requirements .....	13

D: Ethiopian Public Health Association Comments .....15

## INTRODUCTION

### WHY WE DID THIS REVIEW

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

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<sup>1</sup> of organizations receiving PEPFAR funds from HHS, Centers for Disease Control and Prevention (CDC).

We selected the Ethiopian Public Health Association (EPHA) for review.

### OBJECTIVE

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

### BACKGROUND

#### Centers for Disease Control and Prevention

The Act gives 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) 2011, CDC obligated<sup>2</sup> PEPFAR funds totaling \$1.3 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

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<sup>1</sup> Appendix A contains a list of related OIG reports.

<sup>2</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* 1.02. HHS internal departmental grants guidance is in the process of being updated in a new Grants Policy Administration Manual.

the objectives of the agreements.<sup>3</sup> In response to a Funding Opportunity Announcement (FOA),<sup>4</sup> CDC awarded EPHA grant number 5U2GPS001229 through a cooperative agreement for the project period September 30, 2008, through September 29, 2013.

### **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). Thus, the rules in 45 CFR part 74 apply to a nonprofit organization.

### **Ethiopian Public Health Association**

Under the cooperative agreement, EPHA's overall goal is to improve public-health practice and service delivery in the area of HIV/AIDS prevention and control in the Federal Democratic Republic of Ethiopia through the conduct of public-health evaluations and operations research and by developing capacity for designing and implementing evidence-based policies and interventions by:

- building local capacity in Ethiopia for “evidence-based decision making,” including the generation, dissemination, and utilization of related strategic information related to HIV/AIDS, sexually transmitted diseases, and tuberculosis;
- expanding and strengthening HIV/AIDS prevention, care, and treatment in Ethiopia to the most at-risk populations, including men who have sex with men and men who are abusers of alcohol and illicit substances;
- extending support for public health evaluations related to Ethiopian HIV/AIDS prevention, care, and treatment programs;
- ensuring safe medical practice, in general, and the prevention and control of the transmission of HIV and other diseases in health care settings; and
- expanding HIV/AIDS prevention, care, and treatment in private health institutions in Ethiopia.

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<sup>3</sup> The regulations that apply to Federal grants also apply to cooperative agreements.

<sup>4</sup> FOA Number CDC-RFA-PS08-832 is entitled Improving Public Health Practices and Service Delivery in the Federal Democratic Republic of Ethiopia with a Focus on HIV, Sexually Transmitted Infections, and Tuberculosis Under PEPFAR.

## HOW WE CONDUCTED THIS REVIEW

Our audit covered the budget period from September 30, 2011, through September 29, 2012. This budget period was the fourth year of a 5-year cooperative agreement. During the budget period under review, CDC awarded EPHA \$1,727,725.

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 contains the details of our scope and methodology, and Appendix C contains Federal requirements.

## FINDINGS

EPHA generally managed PEPFAR funds but did not always meet program goals in accordance with award requirements. Our financial management review showed that the 48 transactions tested, totaling \$1,231,702, were allowable. However, although allowable, 8 of the 48 transactions, totaling \$22,751, were recorded to incorrect expense accounts in the general ledger.

Additionally, EPHA:

- used \$68,194 of PEPFAR funds to pay potentially unallowable value-added taxes (VAT) on purchases and
- did not submit its annual financial audit report to the National External Audit Review Center (NEAR) in accordance with the award requirements.

Our program management review showed that, of the 121 goals from its cooperative agreement, EPHA reported accomplishments for 82 in its annual progress report.<sup>5</sup> However, it did not report accomplishments for the remaining 39 goals. Our judgmental sample review of 32 reported accomplishments showed that 24 were fully supported by documentation, 5 were partially supported, and 3 were not supported. Also, EPHA submitted its annual progress report to CDC 6 months late.

These errors occurred because EPHA did not have adequate policies and procedures.

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<sup>5</sup> Recipients are required to submit an annual progress report that should contain, for each grant or cooperative agreement, information on the comparison of actual accomplishments to objectives established for the period.

## **FINANCIAL MANAGEMENT**

### **Some Financial Transactions Were Incorrectly Recorded**

Accounting records, including cost accounting records, must be supported by source documentation (45 CFR § 74.21(b)(7)).

Our financial management review showed that the 48 transactions tested, totaling \$1,231,702, were allowable. However, EPHA recorded 8 of the 48 transactions, totaling \$22,751, to incorrect expense accounts in the general ledger.

By not recording transactions properly, EPHA did not ensure that it spent the funds in accordance with award requirements.

### **Expenditures for Value-Added Taxes Are Potentially Unallowable**

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

During the audit period, EPHA used \$68,194 of PEPFAR funds to pay VAT, a potentially unallowable cost for this cooperative agreement. EPHA is not a business organization according to the Ethiopian Government, and therefore, EPHA does not have a VAT identification number. EPHA maintains a record of VAT transactions, which it provides to CDC Ethiopia. CDC Ethiopia submits the VAT documentation for reimbursement on behalf of EPHA.

As of August 2013, neither EPHA nor CDC Ethiopia had received any VAT reimbursement for EPHA from the Ethiopian Government.

## **PROGRAM MANAGEMENT**

### **Some Cooperative Agreement Goals Not Reported or Partially Supported**

Progress reports must contain, among other things, “a comparison of actual accomplishments with the goals ... established for the period .... Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs” (45 CFR § 74.51(d)(1)).

Recipients are required to retain financial records, supporting documents, statistical records, and all “other records pertinent to an award” for 3 years from the submission date of the final expenditure report for the funding period (45 CFR § 74.53(b)). Additionally, the FOA states that

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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 recommend that EPHA work with CDC to resolve the issue.

EPHA should have measurable outcomes that are in alignment with the goals of PEPFAR activities that have been implemented.<sup>7</sup>

Our program management review showed that, of the 121 goals from its cooperative agreement, EPHA reported accomplishments for 82 in its annual progress report. However, it did not report accomplishments for the remaining 39 goals. Our sample review of 32 reported accomplishments showed that 24 were fully supported by documentation, 5 were partially supported, and 3 were not supported.

- The five partially supported accomplishments were for supervision of the Demographic and Health Surveillance System (DHSS) sites, DHSS event registration, training of peer leaders, peer education for youths, and social networking sessions. For example, EPHA provided attendance sheets for some of the peer leaders and youth reached through the peer education program but could not support all training that was part of the sampled accomplishment.
- The three unsupported accomplishments consisted of the following activities: purchases of equipment and furnishings, recruitment of research personnel, and training of personnel on the basics of HIV/AIDS surveillance. These unsupported accomplishments were related to the “Surveillance of HIV, Syphilis and Related Risk Behaviors among Men Who Have Sex with Men in Addis Ababa” program. EPHA indicated that the sensitivity of the topic caused delays in the implementation of activities. As a result, EPHA included year-4 accomplishments in the year-3 progress report because that was the year in which the activities were originally planned to occur.

EPHA lacked policies and procedures for reporting its annual progress. This lack of policies and procedures led to missing or inadequate documentation to support the progress included in the progress report. It also led to EPHA not reporting progress for some goals. As a result, CDC did not have sufficient information to focus its monitoring efforts and assist EPHA in achieving the goals of the cooperative agreement.

### **Ethiopian Public Health Association Submitted Its Progress Report Late**

Recipients are required to submit annual progress reports 90 days after the grant year (45 CFR § 74.51(b)). The NOA provides the specific due dates for progress reports.

EPHA did not meet the 90-day Federal requirement for submitting its annual progress report. EPHA’s grant year ended September 29, 2012. Therefore, the annual progress report was due to CDC on December 29, 2012. However, EPHA submitted its progress report 6 months late on July 2, 2013.

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

EPHA indicated the annual progress report was submitted late because of human error. The EPHA director said that he thought he had submitted the progress report prior to the due date when he had not done so. A grants management specialist from CDC Atlanta requested the year-4 annual progress report on July 1, 2013. Without timely progress reports, CDC could not determine whether the recipient met program goals in accordance with award requirements.

## **NON-FEDERAL AUDIT REPORTS**

The GPS (section 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: a financial-related audit or an audit that meets the requirements of Office of Management and Budget (OMB) Circular A-133.

OMB Circular A-133 states that 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 the agency agrees to a longer period of time (subpart B §\_\_.220 and subpart C §\_\_.320).<sup>8</sup>

Although EPHA had an A-133 audit covering the year ended September 30, 2012, it did not submit its annual financial audit report to NEAR in accordance with the award requirements. According to EPHA officials, EPHA forwarded the audit report to CDC because it mistakenly thought that CDC forwarded the audit reports to NEAR on EPHA's behalf. Because EPHA did not submit the audit report, NEAR was unable to monitor recipient findings.

## **INADEQUATE POLICIES AND PROCEDURES**

EPHA did not have adequate financial and programmatic policies and procedures to ensure that it:

- recorded expenditures to the correct expense accounts in the general ledger,
- maintained adequate supporting documentation for accomplishments included in its progress report,
- submitted its progress report in a timely manner and included all goals related to the agreement, and
- submitted its annual financial audit report to NEAR as required by Federal regulations.

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<sup>8</sup> If a foreign entity chooses to have a financial-related audit, 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, January 11, 2006).

## RECOMMENDATIONS

We recommend that EPHA:

- work with CDC to resolve whether VAT was an allowable expenditure under the cooperative agreement and to seek reimbursement from the Ethiopian Government for the \$68,194 of VAT paid and
- develop and implement policies and procedures for:
  - recording expenditures to the correct expense accounts in the general ledger,
  - maintaining adequate supporting documentation for accomplishments included in the progress report,
  - preparing an annual progress report that includes all goals related to the cooperative agreement,
  - submitting the progress report in a timely manner, and
  - submitting its annual financial audit report in a timely manner to the applicable United States agency.

## ETHIOPIAN PUBLIC HEALTH ASSOCIATION COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

### Ethiopian Public Health Association Comments

In comments on our draft report, EPHA officials concurred with our recommendations. However, they asked us to reconsider our first recommendation to refund \$3,942 on the basis of additional documentation that they provided. EPHA officials also described corrective actions they had taken or planned to take to address the recommendations, such as developing a comprehensive Monitoring and Evaluation manual to ensure that they reported progress toward all goals in accordance with the cooperative agreement. In addition, EPHA officials said that they planned to revise their existing financial policies to properly document all expenditures and to use a monitoring database to record, document, and track all program accomplishments against goals.

EPHA's comments are included as Appendix D. However, we did not include the attachments because they were too voluminous.

### Office of Inspector General Response

We reviewed the explanations in EPHA's comments and the additional documentation provided with the comments. On the basis of the additional information provided, we removed our recommendations to refund to CDC \$3,942 in unallowable expenditures and to develop and

implement policies and procedures ensuring that only related expenditures are charged to the cooperative agreement.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

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

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<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>	<a href="#"><u>A-04-13-04015</u></a>	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>	<a href="#"><u>A-04-13-04004</u></a>	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>	<a href="#"><u>A-04-13-04010</u></a>	4/2014
<i>The University Teaching Hospital Generally Managed the President’s Emergency Plan for AIDS Relief Funds and Met Program Goals in Accordance With Award Requirements</i>	<a href="#"><u>A-04-13-04005</u></a>	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>	<a href="#"><u>A-05-12-00021</u></a>	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>	<a href="#"><u>A-05-12-00022</u></a>	8/2013
<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 href="#"><u>A-05-12-00023</u></a>	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 href="#"><u>A-06-11-00057</u></a>	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 href="#"><u>A-04-12-04023</u></a>	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 href="#"><u>A-06-11-00056</u></a>	4/2013

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<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 href="#">A-04-12-04022</a>	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 href="#">A-04-12-04019</a>	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 href="#">A-04-12-04020</a>	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 href="#">A-04-10-04006</a>	6/2011

## APPENDIX B: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit covered the budget period from September 30, 2011, through September 29, 2012. This budget period was the fourth year of a 5-year cooperative agreement. During the budget period under review, CDC awarded EPHA \$1,727,725.

We limited our review of internal controls to those related to our objective. We conducted fieldwork at EPHA's offices in Addis Ababa, Ethiopia, in August 2013.

### METHODOLOGY

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS guidance, the FOA, the NOA, and EPHA's policies and procedures;
- interviewed and conducted meetings with CDC Ethiopia officials to determine the extent of the technical assistance they provided to EPHA;
- interviewed and conducted meetings with EPHA officials to determine their policies and procedures related to financial accounting and reporting and program goals and accomplishments;
- reconciled EPHA's FSR<sup>9</sup> to its accounting records for the budget period under review;
- selected and reviewed a judgmental sample of 48 financial transactions with expenditures totaling \$1,231,702 from the grant award of \$1,727,725 that included types of expenditures such as:
  - transactions that may include restricted funds,
  - transactions that may include unallowable costs,
  - transactions above or below the average transaction amount in an expenditure category, and
  - at least one item within each program area;
- compared the accomplishments described in EPHA's annual progress report with the cooperative agreement's goals;

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<sup>9</sup> FSRs are due to the CDC Grants Management Office 90 days after the end of the budget period (45 CFR § 74.52(a)(1)(iv)). FSRs provide information to CDC on current expenditures and on carryover balances (if any). In addition, these documents are considered in future funding decisions.

- selected a judgmental sample of 32 accomplishments described in EPHA’s annual progress report and reviewed supporting documentation to determine whether EPHA met program goals; and
- reviewed EPHA’s annual financial audit report.

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: FEDERAL REQUIREMENTS

### 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 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). Thus, the rules in 45 CFR part 74 apply to a nonprofit organization.

#### 45 CFR § 74.21(b)(7)

*Recipients' financial management systems shall provide for the following:* Accounting records, including cost accounting records, that are supported by source documentation.

#### 45 CFR § 74.26(d)(1)

*Recipients and subrecipients that are commercial organizations (including for-profit hospitals) have two options regarding audits:* A financial related audit or an audit that meets the requirements of OMB Circular A-133.

#### 45 CFR § 74.51(b)

*Monitoring and Reporting Program Performance.* The HHS awarding agency will prescribe the frequency with which the performance reports shall be submitted. Performance reports will not be required more frequently than quarterly or less frequently than annually. Annual reports shall be due 90 calendar days after the award year; quarterly or semi-annual reports shall be due 30 days after the reporting period.

#### 45 CFR § 74.51(d)(1)

*Monitoring and Reporting Program Performance.* Performance reports shall generally contain, for each award, brief information on each of the following: A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.

#### 45 CFR § 74.52(a)(1)(iv)

*Financial Reporting.* Recipients shall submit the SF-269 and SF-269A (an original and two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for the annual and final reports.

Extensions of reporting due dates may be approved by the HHS awarding agency upon request of the recipient.

**45 CFR § 74.53(b)**

*Retention and access requirements for records.* Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.

**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 §\_\_.220 and subpart C §\_\_.320).

**HHS, Grants Policy Statement, January 1, 2007, Audit Requirements, Section II-114**

*Customs and import duties.* These costs, which include consular fees, customs surtax, value-added taxes, and other related charges, are unallowable under foreign grants and domestic grants with foreign components.

**HHS, GRANTS POLICY STATEMENT, JANUARY 1, 2007, AUDIT REQUIREMENTS, SECTION II-115**

*Audit.* Foreign recipients are subject to the same audit requirements as commercial organizations specified in 45 CFR § 74.26(d).

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Ethiopian Public Health Association  
(EPHA)

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Ref.No. EPHA/OG/1538/14  
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Date August 8, 2014

**Gloria L. Jarmon**  
Department of Health and Human Services  
Deputy Inspector General for Audit Services  
Washington, DC 20201

Dear Ms Jarmon,

**Re: Response to Draft Audit Report:-The Ethiopian Public Health Association (A-04-13-04016).**

We provide responses to the OIG Draft Audit Report of both Financial and Programmatic issues as follows:

**Responses to the OIG recommendations**

No	Recommendations	Responses	Reasons, actions taken and planned
1	Refund to CDC \$3,942 in unallowable expenditures	Concur	EPHA agrees to refund unallowable expenditures. We respectfully request the OIG to reconsider its decision of reimbursing CDC \$ 3,942 taking into account that this action was done in accordance to the EPHA personnel policy which approved use of UN per diem rate as flat rate and does not require traveler to settle advances issued for meals and lodging. Traveler is required to submit report and provide supportive documents for ground transport, communication and other incidental costs. Based on comments from CDC-E and OIG, the manual is now revised. Annex 3,4 and 5
2	Work with CDC to resolve whether VAT was an allowable expenditure under the cooperative agreement and to seek reimbursement from the Ethiopian Gov't for the \$68,194 of VAT paid	Concur	VAT refund request in the amount of \$68,194 has been submitted to CDC-E for processing. EPHA has discussed the status of refund. CDC-E has submitted partners VAT refund request to Ethiopian Revenue and Customs Authority and is following up the reimbursement. Annex 8
3	Develop and implement policies and procedures for;		

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3.1	Recording expenditures to the correct expense accounts in the general ledger,	Concur	EPHA has been improving its financial system and handling of transactions by introducing different software (Sun System) and arranging capacity building to its personnel to improve efficiency. EPHA has developed payment requisition form which indicates the exact budget line and account title. Annex 1,2 and 7
3.2	Maintaining adequate supporting documentation for expenditures of Federal funds and accomplishments included in the progress report ,	Concur	In addition to the existing financial policy, EPHA is striving to develop additional manuals such as Grant management and documentation and plan to revise the existing one in October 2014 to properly document all expenditures systematically. EPHA also plans to develop a monitoring database in order to record, document and track all program accomplishments against the goals in October 2014.
3.3	Ensuring that only related expenditures are charged to the cooperative agreement ,	Concur	Efficient payment approval processes have been implemented so far involving all concerned bodies as per to their designations and getting their approvals. Annex 6
3.4	Preparing an annual progress report that includes all goals related to the cooperative agreement,	concur	EPHA developed a comprehensive Monitoring and Evaluation manual to ensure all goals to be reported as per the cooperative agreement. The manual is attached in Annex 10, 11, & 15. Furthermore, EPHA plans to develop a database in order to record, document and track all program goals.
3.5	Submitting the progress report in a timely manner and	Concur	We have noticed the delay in reporting; EPHA has developed a tool for tracking all reporting due dates (Annex 10) and is committed to submit the progress report on time guided by the policy and procedures that indicated in the newly developed M and E manual.
3.6	Submitting its annual financial audit report in a timely manner to the US agency	Concur	Annual Audit report has been submitted to NEAR and feedback received. Annex 9

**A) RESPONSE TO THE FINANCIAL MANAGEMENT FINDINGS**

**1. Financial Transactions Were Not Adequately Supported or Recorded**

1.1. Incorrectly Recorded Expenditures: Eight (8) transactions totaling \$22,751 were allowable but the expenditures were recorded to incorrect expense account in the general ledger;



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We fully accept the comment given regarding transactions recorded in an incorrect expense account. The problem was identified during the audit and corrective action was taken immediately. Correcting entries were recorded to transfer the expenses into the correct expense accounts. To ensure that doesn't happen again, EPHA is using strong coding system to record transaction in the correct expense accounts. EPHA is using the attached payment requisition form to identify and indicate the correct title account during the approval process. Payment requisition form (annex 1) and the journal voucher (annex 2) in which we record the correcting entries attached herewith.

**1.2. Unallowable Transactions:** Three (3) transactions totaling \$3,942 were unallowable because the expenditures were not supported by adequate documentation or related to the cooperative agreement.

**1.2.1 Lack of documentation:**

- The expenditures in question were for lodging and per diem for two travelers. It doesn't include other incidental costs like ground transport and communications.
- The lodging and per diem costs were as per UN guidelines at a flat rate as per EPHA's HR manual page 25 Article 5.4.9 (attach as Annex 3).
- During the audit period, EPHA's international travel policy did not require the travelers to provide supporting documentation of actual expenses for meal and lodging. However, attached is the payment voucher in which the travelers acknowledged receipt of the lodging and per diem received for the travel. (attach as annex 4)
- After this issue was highlighted during the OIG audit, EPHA revised its international travel policies. As per the revised policy, all travelers must provide supportive documentation for lodging expenses. Supporting documents are not required for meals. The revised policy is attached as annex 5.

**1.2.2 Not allowable \$95:**

**Response \$95:-** The Ethiopian public health association publishes and disseminates strategic information for members and partner organization. The purchase of leather coat (uniform) amounting \$95 was for EPHA motorist (drive a motorbike) who is responsible to deliver publications and other information kits published by PEPFAR fund to different partners, members and institutions as well as post office to be sent to different regions. As per our HR manual the motorist is entitled for safety items such as helmet and annual closing allowance including shoes. We purchased the Leather Coat to fulfill this requirement. As an employer, EPHA should safeguard its employees while they are working. We provide him as a protective gear while he is performing the aforementioned activities. Part of HR manual which shows closing allowance attached as annex 6

**1.2.3 Improper expensed and unrecorded items for the 13<sup>th</sup> World Congress held in Addis Ababa , Ethiopia, EPHA**

**Response \$860:** Following the OIG audit, we have corrected unrecorded expenses to the appropriate expense accounts by recording correcting entries. Correcting entry was



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recorded for wrong underpayment of the tax and fuel advance amounting of \$879 and \$57 respectively. However, the vertical blinds (Curtain) and vacancy announcement expenses amounting \$253 was paid from the allocated and approved budget of PAPFAR EPHA-CDC project. We utilized the vertical blind for the room assigned for the project in our office and the vacancy announcement expenses was used for the recruitment of the office employees. Since the budget was allocated and approved by PGO we utilized the indicated amount for the above activities. An over payment recorded of \$3 for mobile card was amended and recorded correctly. Correcting entries to recognize the above transactions attached her with. See annex 7

## 2. Expenditures for Value- Added Tax Are Potentially Unallowable

2.1 EPHA used \$68,194 of PEPFAR funds to pay potentially unallowable value added taxes (VAT) on purchases

**Response \$ 68,194 of VAT:** As per the VAT refund process, EPHA has submitted all necessary documents to CDC Ethiopia in order to request VAT refund from the concerned government body. CDC-Ethiopia is working with the Government of Ethiopia to expedite pending reimbursements. See annex 8

2.2 EPHA did not submit its annual financial audit report to the National External Audit Review Center (NEAR) in accordance with the award requirements

**Response:** Though we recognized it is delayed EPHA has submitted the audit report to National External Audit review Center (NEAR). Accordingly, we received feedback from NEAR as no findings to be resolved by HHS. Attached please find the feedback in annex 9. EPHA will ensure the submission of all future audit reports to NEAR as per the terms and conditions of the CoAg.

## B) RESPONSE TO THE PROGRAM MANAGEMENT FINDINGS

### 1. Some Cooperative Agreement Goals Not Reported or Partially Supported

1.1 Five partially supported accomplishments

EPHA has taken actions to ensure correct and proper supporting documents for reporting in the future. For this purpose EPHA has recently developed a Monitoring and Evaluation Manual by hiring an independent consultant with effective date from March 2014 onwards (Annex 11 &13).

We respectively request the OIG to review the additional information and documentation provided as follows: that EPHA has planned to supervise five DHSS sites in the audit year including Kersa DHSS in Haramaya University, Gilgel Gibe in Jimma University, Butajira DHSS site in Addis Ababa University, Arbaminch Zuria HDSS site in Arbaminch University and Dabat DHSS in Gondar University. However, EPHA found that the Kildeawlalo DHSS site in Mekelle University needs more attention because it is a newly established site. We shifted the supervision plan to Kildeawlalo DHSS site instead of supervising Dabat DHSS site and time also



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restricted us to visit Dabat site as planned. We attached the supervision report as evidence in Annex 12. EPHA has been conducting periodic site visits and review meetings with partners and program focal persons to re-planning and ensuring the performance of activities as planned.

EPHA also recognized that a statistical disparity of DHSS events registration was created. It was due to human error introduced at the stage of report compilation. We take the advantages of these recommendations and EPHA shall give due attention to establish and strengthen efficient monitoring and documentation databases for all planned and performed activities of each project.

The Ethiopian Public Health Association has sub-contracted to the Save Your Generation (locally supported organization), activities related to HIV prevention in school youths of Addis Ababa. During OIG period, this sub-granted organization submitted documents including attendance sheets related to the training for peer leaders, peer education for youths and social networking sessions. EPHA understands as lessons learned all activity outputs to be monitored, timely reported, and documented by establishing its M&E database system.

#### 1.2 Three unsupported accomplishments:

**Response:-**The Ethiopian Public Health Association sub-contracted these activities for consultants to conduct assessments of men who have sex with men (MSM) in Addis Ababa and the recruitment of personnel was processed through the consultants. Activities including purchasing of equipment and furnishing the study center related to surveillance of HIV, Syphilis, and risk behaviors among men who have sex with men in Addis Ababa were purchased through EPHA during year three of the CoAG. However, the program activities (data collection and analysis) originally planned in the audit period from September 30, 2011 to September 29, 2012 were not accomplished due to the very sensitive nature of the study assessment, so an adjustment plan was made to be shifted in subsequent year and well performed in the year after the period selected for audit.

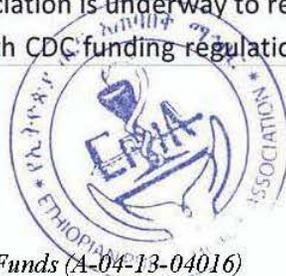
### 2. EPHA Submitted Its Report Late

2.1 EPHA did not submit its progress report timely and no proper documentation system

**Response:** We agree this is important. EPHA has developed reporting policies and procedures that clearly indicated in the M&E manual to be implemented in the association. EPHA has greatly improved its reporting requirements for programmatic administration. The Monitoring and Evaluation unit, under the supervision of Executive Director, keeps timetables and schedules for all reports and reminders are sent to individual programs as required. EPHA now submits reports within the stated deadlines.

### 3. EPHA did not have adequate financial and programmatic policies and procedures

**Response:** Although EPHA has its own financial manual, we recognized that some procedures indicated in the manual should be revised and aligned with Ethiopian government policies and funding partners' rule and regulations. The Association is underway to revise its program and financial reporting procedures in accordance with CDC funding regulations. To mention few,



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EPHA has performed a flat per diem rate of international travels as we provided and indicted in the existing EPHA financial manual but should be revised as per the recommendations provided. EPHA has been working to develop a standardized reporting policies and procedures as well as proper documentations in accordance with its M&E manual to accommodate all grants within the association. The manual is attached in Annex 11 &13. EPHA also developed reporting format for the purpose of producing standardized information as attached in Annex 14.

## CONCLUSION

The Ethiopian Public Health Association sincerely appreciates CDC for sending the Draft Auditor Report. The OIG Auditors' visit benefited EPHA so that we had an opportunity to pay attention to the detailed requirements and expectations of your office in managing PEPFAR funds and meeting program goals. The in-depth audit of our accounting, internal control and programmatic systems has helped the Association to improving the overall performances in the near future. We undertake to continue improving these systems in this dynamic environment. We have taken all the recommendations seriously and applying them to manage the PEPFAR funds more efficiently to benefit the intended beneficiaries and be in compliance with U.S. government regulations. We believe that our explanations would be sufficient to consolidate your final conclusion for this audit.

Sincerely,

Hailegnaw Eshete

CC: **ሃይለኛው ጸሐፊ**  
**Hailegnaw Eshete (MS, MPH)**  
**ዋና ዳይሬክተር**  
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Jeffrey Hanson  
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