

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CDC'S CORRECTIVE ACTIONS  
IMPROVED PROGRAM  
OPERATIONS AT THE NATIONAL  
INSTITUTE OF HEALTH IN  
MOZAMBIQUE AND FACILITATED  
THE INSTITUTE'S  
IMPLEMENTATION OF PRIOR OIG  
AUDIT RECOMMENDATIONS**

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A-04-20-01019

# ***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.

## Report in Brief

Date: September 2022

Report No. A-04-20-01019

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



### Why OIG Did This Audit

The U.S. Congress authorized the President's Emergency Plan for AIDS Relief (PEPFAR) to receive \$48 billion in funding for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria. Congress authorized additional funds to be appropriated through 2023.

Federal law requires HHS-OIG, among others, to provide oversight of the programs implemented under the law, including PEPFAR. To meet this requirement, we have conducted PEPFAR audits of Centers for Disease Control and Prevention (CDC) and its recipients.

Our objectives were to (1) assess any corrective actions CDC has taken to improve program operations at the National Institute of Health in Mozambique (the Institute) and (2) determine whether the Institute implemented recommendations from our previous audit.

### How OIG Did This Audit

For our first objective, we reviewed supporting documents and conducted interviews to determine whether and how CDC completed the corrective actions it described in response to our November 2016 memorandum. For our second objective, we reviewed a judgmental sample of 30 transactions totaling \$828,685.

## CDC's Corrective Actions Improved Program Operations at the National Institute of Health in Mozambique and Facilitated the Institute's Implementation of Prior OIG Audit Recommendations

### What OIG Found

CDC's corrective actions, in response to our November 2016 memorandum, improved program operations at the Institute. Specifically, CDC took the following eight corrective actions, which we confirmed through our current audit: (1) designated the Institute a high-risk organization, (2) added special award conditions, (3) conducted a site visit in December 2016, (4) delayed new funding to the Institute, (5) conducted a risk and business system assessment in March 2018, (6) hired a project officer to manage the Government-to-Government portfolio in Mozambique, (7) worked with the Institute to ensure proper systems and practices are in place, and (8) employed a fiscal agent.

Of our 10 prior audit recommendations, 2 remained unimplemented when the current audit began: (1) refund to CDC \$431,458 of unallowable expenditures and (2) work with CDC to obtain value-added tax (VAT) reimbursement from the Government of Mozambique.

The Institute implemented the first recommendation by refunding \$5,287 per CDC's instruction. To implement the second, the Institute is seeking a refund from the Government of Mozambique of \$546,543 for the VAT it paid with PEPFAR funds from September 2012 through December 2015, when a new agreement was reached providing a framework for VAT reimbursement. During our audit period, the Institute tracked VAT payments and reported them to CDC quarterly for reimbursement requests.

### What OIG Recommends and CDC Comments

This report includes no recommendations.

CDC appreciates the acknowledgement that the agency has successfully implemented all corrective actions in the current report.

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## INTRODUCTION

### WHY WE DID THIS AUDIT

The U.S. Congress authorized the President's Emergency Plan for AIDS Relief (PEPFAR) to receive \$48 billion in funding for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria.<sup>1</sup> Congress authorized additional funds to be appropriated through 2023.<sup>2</sup>

The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (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, we have conducted PEPFAR audits of Centers for Disease Control and Prevention (CDC) and its recipients.<sup>3</sup>

We selected the National Institute of Health in Mozambique (the Institute) for review due to the significance of the findings in our prior audit.<sup>4</sup> Also, during that audit we identified certain preliminary findings that prompted us to issue a memorandum to CDC alerting it to the potential risks of fraud, waste, and abuse that PEPFAR funds could be subjected to in the event of future awards to the Institute. We suggested that CDC impose specific award conditions to mitigate such risks prior to making any future awards to the Institute.<sup>5</sup> In response, CDC described eight separate actions that it was taking to address the concerns expressed in our memorandum.<sup>6</sup> In our audit report to the Institute, we made 10 recommendations to address our findings. We performed this followup audit to assess CDC's corrective actions and to determine whether the Institute implemented our prior audit recommendations.

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<sup>1</sup> 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 (enacted July 30, 2008).

<sup>2</sup> PEPFAR Extension Act of 2018, P.L. No. 115-305 (enacted Dec. 11, 2018).

<sup>3</sup> Appendix B contains a list of related OIG reports issued in the past 5 years.

<sup>4</sup> *The National Institute of Health in Mozambique Did Not Always Manage and Expend the President's Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements* ([A-04-16-04051](#)) Apr. 10, 2018, covered the budget periods from Sept. 30, 2011, through Mar. 31, 2016. Among our findings in that report were the Institute's lack of an adequate accounting system and inability to reconcile its accounting records to the \$8.5 million in expenditures claimed on its Federal Financial Report (FFR) for the audit period.

<sup>5</sup> Specific award conditions may include, among others: "requiring payments as reimbursements rather than advances"; "requiring additional, more detailed financial reports"; and "requiring additional project monitoring" (45 CFR § 75.207(b)).

<sup>6</sup> Our memorandum was issued to CDC on Nov. 15, 2016, and CDC provided a response on Jan. 3, 2017. Both are included as appendices in our prior audit report ([A-04-16-04051](#)).

## **OBJECTIVES**

Our objectives were to (1) assess any corrective actions CDC has taken to improve program operations at the Institute and (2) determine whether the Institute implemented recommendations from our previous audit.

## **BACKGROUND**

### **Centers for Disease Control and Prevention**

As an implementing agency of PEPFAR, CDC works side by side with ministries of health and other partners in more than 60 countries, leveraging its scientific and technical expertise to help deliver high-impact, sustainable HIV prevention and treatment services to millions of people in the countries most affected by HIV.

### **Cooperative Agreements**

CDC awarded PEPFAR funds through cooperative agreements (CoAgs), which CDC uses in lieu of grants when it anticipates the Federal Government's substantial involvement with recipients in accomplishing the objectives of the agreements.<sup>7</sup> As indicated in the Notices of Funding Opportunity, substantial involvement means that recipients can expect substantial CDC programmatic collaboration or participation, beyond normal grant-monitoring activities, in managing the award throughout the performance period.<sup>8</sup>

### **The National Institute of Health in Mozambique**

The Institute is a public technical-scientific institution, being the entity of management, regulation, and supervision of activities related to the generation of scientific evidence in health to ensure better health and well-being in Mozambique. Its mission is to participate in improving the well-being of the Mozambican people by generating and promoting the incorporation of scientific and technological solutions to the main health conditions and problems in Mozambique. At the time of our prior audit, the Institute was a component of the Mozambique Ministry of Health (MOH). The Institute is now a separate legal entity established through a change in Mozambican law.<sup>9</sup>

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<sup>7</sup> The regulations that apply to Federal grants also apply to CoAgs.

<sup>8</sup> A Notice of Funding Opportunity is an awarding office's formally issued announcement of the availability of Federal funding. The announcement invites applications and provides such information as eligibility and evaluation criteria, funding preferences, and the submission deadline.

<sup>9</sup> The Institute was established as an autonomous Government public health institution with the passage of Decree 57/2017 in Nov. 2017.

## **Federal Requirements**

The Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS awards at 45 CFR part 75 apply to the awards made during our audit period.

The Grants Policy Administration Manual (GPAM) applied to CDC during our audit period.<sup>10</sup> The GPAM establishes HHS policies for the administration of grants and cooperative agreements and reflects the departmental policies that result from the implementing regulations at 45 CFR part 75.

## **HOW WE CONDUCTED THIS AUDIT**

Our audit covered the budget period from September 30, 2018, through September 29, 2019. During the budget period under review, CDC awarded the Institute \$4,989,000, of which the Institute reported \$3,557,915 in expenditures.

For our first objective, we reviewed supporting documents and conducted interviews to determine whether and how CDC completed the corrective actions it described in response to our November 2016 memorandum. The memorandum we issued to CDC, which is included in our prior report, provided our preliminary findings and potential risks of making future awards to the Institute. For our second objective, we selected a judgmental sample of 30 transactions totaling \$828,685 from the Institute's total reported expenditures for the period.<sup>11</sup> We reviewed supporting documents related to these transactions and conducted interviews to determine whether the Institute had implemented the recommendations from our prior audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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<sup>10</sup> The GPAM applies to HHS Operating Divisions (OpDivs) with grant-awarding authority (CDC in this instance) but does not apply directly to applicants or recipients.

<sup>11</sup> We based our judgmental sample selection on dollar amount, transaction description, and budget category. Our sample of 30 transactions covered all 5 budget categories and about 23 percent of the total expenditures reported for the period.



## RESULTS OF AUDIT

CDC took eight corrective actions in response to our memorandum. CDC's actions led to improved program operations at the Institute and facilitated the Institute's implementation of the 10 recommendations from our previous audit.

### **CDC'S CORRECTIVE ACTIONS LED TO IMPROVED PROGRAM OPERATIONS AT THE INSTITUTE**

The November 2016 memorandum we issued to CDC detailed the preliminary findings from our prior audit, including the Institute's lack of an adequate accounting system, failure to separately track PEPFAR funds, inability to support reported expenditures, and its use of PEPFAR funds to repay loans absent any support for the costs covered by the loans. In January 2017, CDC responded to our memorandum and described the following eight corrective actions, which we confirmed through our current audit.

#### **Corrective Action 1: CDC Designated the MOH as a High-Risk Organization**

##### *CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it designated the MOH as a high-risk organization by letter dated November 22, 2016.

##### *Current Audit:*

CDC provided us a copy of the letter and, based on our review, we verified that CDC designated the MOH as a high-risk organization.<sup>12</sup> The letter stated that the designation was made because the MOH:

- lacked an accounting system that complied with the applicable regulation,<sup>13</sup>
- was unable to support all of the expenditures reported on the Federal Financial Report (FFR),

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<sup>12</sup> The high-risk designation applied to the MOH because the Institute was part of the MOH at the time. In Oct. 2019, the MOH requested, and CDC approved, the removal of its designation. However, the high-risk designation remained with the Institute when it was established as a separate entity and was in place during our audit period.

<sup>13</sup> CDC's letter specified 45 CFR part 74; however, 45 CFR parts 74 and 92 were superseded by part 75 on Dec. 26, 2014, for awards made on or after that date.

- directed PEPFAR funds to non-PEPFAR CoAgs, and
- was late in submitting its Single Audits.<sup>14</sup>

## **Corrective Action 2: CDC Added Special Award Conditions**

### *CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it added special award conditions to all CoAgs with the MOH and the Institute, effective November 22, 2016, which included manual drawdown, a corrective action plan (CAP), and additional monitoring.

### *Current Audit:*

Through our review of Notices of Award (NoAs), the CAP, site visit reports, and documentation of meetings between CDC and the Institute, we verified that CDC added the following special award conditions requiring the Institute to:<sup>15</sup>

- receive payment via manual drawdown, which called for the Institute to provide additional supporting documentation to CDC for approval prior to receiving funds,
- meet the terms of a CAP that addressed organization infrastructure, internal controls, budgetary systems, budget execution, and accounting systems, and
- undergo additional monitoring by CDC, including conference calls, requests for documentation, and if needed, in-person site visits.<sup>16</sup>

## **Corrective Action 3: CDC Conducted a Site Visit in December 2016**

### *CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it conducted a followup site visit December 6–9, 2016, and performed an assessment of all MOH CoAgs impacted by the high-risk designation.

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<sup>14</sup> Single Audits were previously known as A-133 audits. CDC used the term “A-133 audits” in its letter.

<sup>15</sup> The NoA is the official legally binding award document that notifies the recipient of the award, contains or references all the terms and conditions of the grant and Federal funding limits, and provides the documentary basis for recording the obligation of Federal funds in the agencies’ accounting systems.

<sup>16</sup> CDC’s response to our memorandum indicated that these award conditions were added to all its CoAgs with the MOH and the Institute. The scope of this audit was limited to the Institute’s PEPFAR CoAg funded during our audit period. As such, we verified that the conditions were added to this CoAg.

#### *Current Audit:*

We reviewed CDC's site visit report and determined that CDC conducted a site visit at the MOH December 5–9, 2016. The stated objective of the visit was to “evaluate the financial risks posed by the grantee through conducting an analysis of their compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.”

Among CDC's findings were some that mirrored the findings from our prior audit, including the lack of an adequate accounting system and the use of a single Payment Management System (PMS) account for all MOH projects. CDC concluded that the operational and financial management system at the MOH was deficient and recommended a CAP be developed to correct the deficiencies identified during this site visit.

#### **Corrective Action 4: CDC Delayed New Funding**

##### *CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it delayed any new funding to the MOH and the Institute. CDC further stated that it would extend the Institute's current award for 1 year to address the audit findings and ensure successful completion of the action items within the CAP before issuing a new award.

#### *Current Audit:*

The award we reviewed in our prior audit was set to end March 31, 2017, and a new award was to begin April 1, 2017. Through our review of NoAs relating to each of these awards, we verified that CDC extended the prior award for 1 year through a no-cost extension that pushed the end of the former award's period from March 31, 2017, to March 31, 2018.<sup>17</sup> We also verified that CDC delayed the new award, pushing the start of the project period from April 1, 2017, to September 30, 2018.

#### **Corrective Action 5: CDC Conducted a Risk and Business System Assessment**

##### *CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it would conduct a risk and business systems assessment in the fall of 2017 and prior to any new award to the MOH or the Institute.

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<sup>17</sup> A no-cost extension extends the project period but does not include additional funds. The no-cost extension was later updated to extend the former award's period to Sept. 30, 2018.

*Current Audit:*

Through our review of CDC's site visit report, we determined that CDC conducted a risk and business systems assessment on site at the MOH and the Institute from March 5–16, 2018.<sup>18</sup> The objectives of the visit were to (1) review and verify the status of the Institute's response to our draft report (issued November 28, 2017) and (2) determine the risk level associated with continued funding to the MOH and the Institute.

Among CDC's observations were that the MOH and the Institute:

- had not fully implemented its accounting system,
- had support for a portion of the unallowable expenditures identified in our draft report, and
- were working with the Government of Mozambique on a reimbursement process for value-added tax (VAT) expenditures paid with PEPFAR funds.<sup>19</sup>

CDC recommended that, should a new award be made to the MOH or the Institute, special award conditions, including manual drawdown and use of a fiscal agent, be applied.<sup>20</sup>

**Corrective Action 6: CDC Employed a United States Direct-Hire Project Officer To Manage the Government-to-Government Portfolio in Mozambique**

*CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it "[e]stablished and has on-boarded a U.S. Direct Hire Project Officer to manage the government-to-government portfolio in Mozambique with full-time oversight responsibility."

*Current Audit:*

Through CDC's written responses to us regarding our prior audit findings, we determined that CDC created this new position due to the complex nature of managing Government-to-

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<sup>18</sup> The Institute had earlier been co-located with the MOH but moved to its own dedicated facility in 2017.

<sup>19</sup> VATs are foreign taxes charged for the purchase of goods or services that a non-Federal entity is legally required to pay in country.

<sup>20</sup> CDC's Standard Operating Procedure (SOP) for Applying a Fiscal Agent Requirement defines a fiscal agent as "a qualified and/or accredited agency with certified financial and management standards." According to the SOP, a fiscal agent requirement may be applied "when necessary to mitigate risk and execute oversight and monitoring of federal assistance funds."

Government CoAg. The project officer formally acknowledged responsibility for oversight in Mozambique through a letter dated December 29, 2016, which CDC provided. The responsibilities outlined in the letter included, among others, assisting the grantee with FFR submissions, conducting site visits, and providing technical guidance to the grantee.

**Corrective Action 7: CDC Worked With the Institute To Assess Business Management Practices and Develop and Implement a Plan To Ensure Proper Systems and Practices Are In Place**

*CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it was “[w]orking with the grantee to assess business management practices and develop and implement a plan to ensure proper systems and practices are in place.” CDC went on to state that this included ensuring the purchase and use of proper accounting software and reviewing “the grantee’s business management staffing and development and implementation of an appropriate staffing structure.”

*Current Audit:*

We verified that the Institute had implemented an electronic accounting system through our sample testing and reconciliations, which relied on reports driven out of the system to support the transactions in our sample and the total expenditures reported on the FFRs for our audit period. We found through our review of the CAP that the accounting system does not track time and attendance. According to the CAP, the ultimate goal was to implement a timekeeping function as a component of the accounting system, but that has been delayed due to a lack of resources.<sup>21</sup>

Additionally, CDC told us that it worked with the Institute to revise its staffing structure to better manage U.S. Government funds and that the Institute added two new staff members with “greater grant management competencies.” The new staff members’ titles were Financial and Systems Manager and CoAg Manager.

**Corrective Action 8: CDC Employed a Fiscal Agent**

*CDC Response to OIG Memorandum:*

CDC stated in its response to our memorandum that it had “. . . initiated a procurement action for a contractor to work closely with the grantee to assess systems challenges and support development and implementation of sustainable business systems and accountability

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<sup>21</sup> According to the CAP, the accounting system was “ready” in Mar. 2017, and had the budgeting, accounting, treasury, human resources, and logistics modules installed by Jan. 2018. The procurement module was expected to be fully operational by Mar. 2019.

practices.” Additionally, CDC stated that its staff would be responsible for monitoring and evaluating implementation of the business improvement plan on an ongoing basis.

#### *Current Audit:*

We verified this action through CDC’s response to our questions and through our review of the contract. CDC contracted with a fiscal agent from July 2017 through September 2019 to provide technical assistance to the MOH and the Institute in managing funds in accordance with HHS/CDC grant management rules and regulations.

The contractor was charged with the following:

- conducting assessments to determine the Institute’s capacity to effectively manage and use HHS/CDC funds;
- developing and implementing plans to build the Institute’s capacity in the areas of finance, organization, and administrative and grant management;
- providing monthly progress reports to CDC; and
- providing a report at the end of the project detailing the activities accomplished with respect to the tasks outlined in the contract.

#### **THE INSTITUTE IMPLEMENTED OUR PRIOR AUDIT RECOMMENDATIONS**

To determine whether the Institute implemented recommendations from our prior audit report, we tested 30 transactions totaling \$828,685. Of those, we found four that were not fully supported and two that included costs unrelated to the PEPFAR CoAg.<sup>22</sup> The amounts in question for these transactions totaled \$14,622, or less than 2 percent of the total tested, which we considered immaterial.

Of the 10 recommendations from our prior audit, 8 were implemented prior to the start of the current audit. We determined through this audit that the Institute implemented the remaining 2 recommendations:

- refund to CDC \$431,458 of unallowable expenditures: \$379,243 that it could not adequately support and \$52,215 that it used to support non-PEPFAR activities and
- work with CDC to obtain VAT reimbursement from the Government of Mozambique.

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<sup>22</sup> All six of these transactions were at least partially supported and, for five of the six, the errors we found affected only a portion of the transaction amounts.

The table below lists each of our 10 prior audit recommendations along with the corresponding corrective actions taken by the Institute.

**Table: OIG Prior Audit Recommendations and the Institute's Implemented Corrective Actions**

<b>OIG Prior Audit Recommendations</b>		<b>The Institute's Corrective Actions</b>
1	Refund to CDC \$431,458 of unallowable expenditures.	The Institute refunded \$5,287 as instructed by CDC.
2	Implement an adequate accounting system that complies with 45 CFR § 92.20(b)(1). <sup>23</sup>	The Institute implemented an adequate electronic accounting system, which was in use during the current audit period.
3	Work with CDC to determine the allowability of the \$1,289,859 in personnel costs expended during the audit period.	The Institute worked with CDC, which "reviewed and substantiated the cost as valid."
4	Maintain documentation to fully support expenditures.	The Institute developed a financial management manual and SOPs to provide guidance in maintaining supporting documentation related to expenditures.
5	Adhere to Federal regulations and Government of Mozambique policies when procuring assets with PEPFAR funds.	The Institute developed a purchase requisition template and a Cost Principles SOP providing guidance on the allowability, allocability, and reasonableness of costs.
6	Allocate expenses across all projects to ensure that award funds are used solely for authorized purposes.	The Institute developed a financial management manual and a Cost Principles SOP with guidance on the allocability of costs.
7	Implement a time and attendance system that can adequately document and allocate the time that employees work on PEPFAR-funded activities.	The Institute began using spreadsheet-based timesheets to calculate and record the total working hours spent on a particular project or task, such as PEPFAR.
8	Work with CDC to obtain VAT reimbursement from the Government of Mozambique.	The Institute calculated the total amount of VAT paid with CoAg funds from September 2012 through December 2015 and began to submit VAT reimbursement reports on a quarterly basis.
9	Establish a PMS account that will be used only for PEPFAR funds.	The Institute established a PMS account dedicated to PEPFAR funds and made its first draw from the account in December 2018.
10	Implement policies and procedures that address the payment of VAT using PEPFAR funds.	The Institute implemented internal policies and procedures for VAT payments in its September 2019 <i>Manual of Procedures for Financial Management</i> .

<sup>23</sup> This criterion has been superseded by 45 CFR § 75.302(b)(2).

## **Refund to CDC \$431,458 of Unallowable Expenditures**

The Institute implemented the first of these two recommendations by returning \$5,287 to CDC. In communications CDC had with the Institute in November 2018 and October 2019, CDC advised the Institute to refund \$334,977 of the \$431,458 specified in this recommendation.<sup>24</sup> On June 3, 2020, CDC notified the Institute of the revised refund amount totaling \$5,287.<sup>25</sup>

According to CDC, it arrived at the revised figure through a review of supporting documents submitted by the Institute. We found that some of the supporting documents were requests for retrospective redirection of funds for the costs we identified as unallowable in our prior audit.<sup>26</sup> The \$431,458 of unallowable costs from our prior audit was related to 14 transactions. Of those, six, for \$148,433, were cleared by CDC through requests for retrospective redirection of funds; five, for \$177,552, were cleared through additional documentation provided by the Institute; two, for \$103,326, were cleared without any additional documentation being provided; and for one, for \$2,147, which CDC agreed was unallowable, the Institute returned the funds.<sup>27</sup>

## **Work With CDC To Obtain VAT Reimbursement From the Government of Mozambique**

The Institute took two separate actions as a means of implementing the second of these two recommendations.

First, the Institute calculated the amount of VAT it paid with PEPFAR funds from September 2012, when the payments began, through December 2015.<sup>28</sup> We found in our prior audit that the Institute did not track the amount of PEPFAR funds it used to pay VAT; to seek a refund, it was first necessary to determine how much VAT had been paid. According to the Institute, the total from September 2012 through December 2015 was \$546,543. As of the end of our

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<sup>24</sup> CDC determined through its Mar. 2018 site visit that \$96,481 of the \$431,458 was resolved, reducing the total to be refunded to \$334,977.

<sup>25</sup> CDC instructed the Institute to return funds related to two sample items from our prior audit in the amounts of \$3,140 and \$2,147 for a total of \$5,287. The first sample item (\$3,140) was cleared by documentation provided in the Institute's draft response and was not reflected in the final report. The second sample item was included in the final report as part of the \$431,458 in unallowable expenditures.

<sup>26</sup> The GPAM allows for OpDivs to accept retroactive requests and still grant prior approval but requires OpDivs to review such requests in the same manner as requests submitted in advance (GPAM part H, chapter 3 b. 34).

<sup>27</sup> For the two transactions totaling \$103,326, the supporting documentation CDC used to clear these costs was the same documentation we reviewed in our prior audit.

<sup>28</sup> The Agreement for Economic and Technical Cooperation Between the United States Government and the Government of the Republic of Mozambique (GRM) was signed in Dec. 2015, providing the framework for refunding all taxes levied by the GRM on United States assistance to Mozambique.



fieldwork, the Institute was in the process of seeking reimbursement for this amount from the Government of Mozambique.

Second, the Institute began tracking its VAT payments and reporting them to CDC on a quarterly basis for the purpose of including those costs on the reimbursement requests.<sup>29</sup> The first VAT charges related to the current award took place in April 2019; from that point through the end of our audit period (September 29, 2019), the Institute reported approximately \$71,264 in total VAT expenditures.<sup>30</sup>

## **CONCLUSION**

Based on our audit results, this report includes no recommendations.

## **CENTERS FOR DISEASE CONTROL AND PREVENTION COMMENTS**

CDC appreciates the acknowledgement that the agency has successfully implemented all corrective actions in the current report.

CDC's comments are included as Appendix D.

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<sup>29</sup> Per CDC guidance, the Institute tracked and reported its VAT expenditures during our current audit period.

<sup>30</sup> VAT payments were tracked and reported in terms of local currency via VAT Tracking Sheets, which are itemized by vendor invoice. Because exchange rates fluctuate over time, we approximated this total using historical exchange rates provided by the Institute and the invoice amounts and dates from the VAT Tracking Sheets.

## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

We reviewed the corrective actions CDC described in its response to our November 2016 memorandum. Our audit covered \$3,557,915 in PEPFAR funds expended by the Institute for the budget period September 30, 2018, through September 29, 2019. We selected for review a judgmental sample of 30 financial transactions totaling \$828,685 in PEPFAR expenditures. We conducted our audit work from January 2020 through March 2022.

### **METHODOLOGY**

To accomplish our objectives, we:

- reviewed relevant Federal laws, HHS regulations and guidance, CDC policies and procedures, and our prior OIG audit report;
- developed questionnaires for CDC and the Institute, reviewed their responses to the questionnaires, and interviewed officials from both to determine whether the Institute had implemented the recommendations from our prior audit report and whether CDC had carried out the corrective actions outlined in its response to our memorandum;
- selected and reviewed a judgmental sample of 30 financial transactions totaling \$828,685 that included at least 1 transaction from each of the 5 budget categories; and
- discussed our audit results with officials from the Institute and CDC.

On August 25, 2022, we provided CDC with our draft audit report, and on September 9, 2022, CDC provided a response.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

### AUDITS OF THE PRESIDENT’S EMERGENCY PLAN FOR AIDS RELIEF FUNDS ISSUED IN THE PAST FIVE YEARS

Report Title	Report Number	Date Issued
<i>Although CDC Implemented Our Prior Audit Recommendations, Its Corrective Actions Did Not Effectively Address Findings Related to 3 of Our 13 Recommendations</i>	<a href="#"><u>A-04-19-01014</u></a>	8/20/2021
<i>Although CDC Implemented Corrective Actions To Improve Oversight of the President's Emergency Plan for AIDS Relief Recipients, Some Internal Control Weaknesses Remained</i>	<a href="#"><u>A-04-18-01010</u></a>	12/11/2020
<i>The Centers for Disease Control and Prevention’s South Africa Office Generally Implemented Our Prior Audit Recommendation</i>	<a href="#"><u>A-04-18-01009</u></a>	4/25/2019
<i>The Centers for Disease Control and Prevention’s Namibia Office Implemented Our Prior Audit Recommendations</i>	<a href="#"><u>A-04-18-01008</u></a>	10/30/2018
<i>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</i>	<a href="#"><u>A-04-17-01002</u></a>	5/16/2018
<i>The National Institute of Health in Mozambique Did Not Always Manage and Expend the President's Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<a href="#"><u>A-04-16-04051</u></a>	4/10/2018
<i>Aurum Institute Generally Managed and Expended the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<a href="#"><u>A-04-17-01003</u></a>	3/14/2018
<i>The Ministry of Health and Social Welfare National AIDS Control Program Did Not Always Manage and Expend the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<a href="#"><u>A-04-16-04044</u></a>	8/10/2017

## **APPENDIX C: FEDERAL REQUIREMENTS**

### **45 CFR § 75.207 Specific award conditions.**

- (a) The HHS awarding agency or pass-through entity may impose additional specific award conditions as needed in accordance with paragraphs (b) and (c) of this section, under the following circumstances:
  - (1) Based on the criteria set forth in § 75.205;
  - (2) When an applicant or recipient has a history of failure to comply with the general or specific terms and conditions of a Federal award;
  - (3) When an applicant or recipient fails to meet expected performance goals as described in § 75.210; or
  - (4) When an applicant or recipient is not otherwise responsible.
- (b) These additional Federal award conditions may include items such as the following:
  - (1) Requiring payments as reimbursements rather than advance payments;
  - (2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
  - (3) Requiring additional, more detailed financial reports;
  - (4) Requiring additional project monitoring;
  - (5) Requiring the non-Federal entity to obtain technical or management assistance; or
  - (6) Establishing additional prior approvals.

### **45 CFR § 75.302 Financial management and standards for financial management systems.**

- (b) The financial management system of each non-Federal entity must provide for the following:
  - (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 75.342.

## **GRANTS POLICY ADMINISTRATION MANUAL**

### **Part H, Chapter 3.b. (34)**

“An OPDIV can accept a retroactive request and still grant prior approval. OPDIVs must review such requests in the same manner as requests submitted in advance.”



TO: Amy Frontz  
Deputy Inspector General

FROM: Centers for Disease Control and Prevention (CDC)

DATE: September 9, 2022

SUBJECT: Office of the Inspector General (OIG) A-04-20-01019 Draft Report

CDC appreciates OIG's audit of the National Institutes of Health in Mozambique and the opportunity to review the draft report prior to the final release.

We are pleased OIG has no further recommendations for CDC. Further, CDC appreciates the acknowledgement that the agency has successfully implemented all corrective actions in the current report, "CDC's Corrective Actions Improved Program Operations at the National Institute of Health in Mozambique and Facilitated the Institute's Implementation of Prior OIG Audit Recommendations" (A-04-20-01019), and initial OIG report, "The National Institute of Health in Mozambique Did Not Always Manage and Expend the President's Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements" (A-04-16-04051).

Sincerely,

A handwritten signature in black ink, appearing to read "Rochelle P. Walensky", with a stylized flourish at the end.

Rochelle P. Walensky, MD, MPH  
Director, CDC