

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ARIEL FOUNDATION AGAINST PEDIATRIC  
AIDS MANAGED AND EXPENDED THE  
PRESIDENT'S EMERGENCY PLAN FOR  
AIDS RELIEF FUNDS IN ACCORDANCE  
WITH AWARD REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



**Gloria L. Jarmon**  
Deputy Inspector General  
for Audit Services

June 2017  
A-04-16-04052

# *Office of Inspector General*

<https://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <https://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **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.

## Report in Brief

Date: June 2017

Report No. A-04-16-04052

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



### Why OIG Did This Review

The President's Emergency Plan for AIDS Relief (PEPFAR) was authorized to receive \$48 billion in funding for the 5-year period beginning October 1, 2008, to assist foreign countries in combating HIV/AIDS, tuberculosis, and malaria. Additional funds were authorized to be appropriated through 2018.

The act that implemented PEPFAR requires HHS, OIG, among others, to provide oversight of PEPFAR. To meet this requirement, we have conducted a series of audits of organizations receiving PEPFAR funds from HHS, Centers for Disease Control and Prevention (CDC).

Our objective was to determine whether the Ariel Foundation Against Pediatric AIDS (Ariel) managed and expended PEPFAR funds in accordance with the award requirements.

### How OIG Did This Review

Our audit covered the budget periods from September 30, 2011, through September 29, 2015. These budget periods were for years 1 through 4 of a 5-year cooperative agreement. During the budget periods under review, CDC awarded Ariel \$35.8 million, of which Ariel expended \$29.6 million. From these PEPFAR fund expenditures, we selected a judgmental sample of 60 transactions totaling \$2.7 million. Our sample included transactions for travel expenses, vehicle purchases, salaries, and consultation fees.

## Ariel Foundation Against Pediatric AIDS Managed and Expended the President's Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements

### What OIG Found

Ariel managed PEPFAR funds in accordance with award requirements.

### What OIG Recommends

This report contains no recommendations.

**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

        Ariel Foundation Against Pediatric AIDS.....2

    How We Conducted This Review .....2

FINDINGS.....3

APPENDIXES

    A: Audit Scope and Methodology .....4

    B: Related Office of Inspector General Reports.....5

## INTRODUCTION

### WHY WE DID THIS REVIEW

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 2018.<sup>2</sup>

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).<sup>3</sup> We selected the Ariel Foundation Against Pediatric AIDS (Ariel) for review because it was one of the largest recipients of PEPFAR funds in Mozambique.

### OBJECTIVE

The objective of our audit was to determine whether Ariel managed and expended PEPFAR funds in accordance with the award requirements.

### BACKGROUND

#### Centers for Disease Control and Prevention

As the U.S. science-based public health and disease prevention agency, CDC plays an essential role in implementing PEPFAR. CDC uses its technical expertise in public health science and longstanding relationships with ministries of health across the globe to work side by side with countries to build strong national programs and sustainable public health systems that can respond effectively to the global HIV/AIDS epidemic and to other diseases that threaten the health and prosperity of the global community.

Funded through PEPFAR, CDC's highly trained scientists work together with ministries of health and other partners in 60 countries to combat HIV/AIDS globally. Furthermore, CDC provides critical technical assistance to 18 additional countries.

---

<sup>1</sup> 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).

<sup>2</sup> The PEPFAR Stewardship and Oversight Act of 2013 (P.L. No. 113-56).

<sup>3</sup> Appendix B contains a list of related OIG reports.

For fiscal year (FY) 2015, CDC obligated<sup>4</sup> PEPFAR funds totaling \$1.7 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>5</sup> In response to a Funding Opportunity Announcement (FOA),<sup>6</sup> CDC awarded Ariel grant number 1U2GGH000151 through a cooperative agreement for the period September 30, 2011, through September 29, 2016.

## **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.<sup>7</sup> 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).

## **Ariel Foundation Against Pediatric AIDS**

Ariel is an independent Mozambican foundation, established in 2011, whose mission is the elimination of pediatric HIV/AIDS in Mozambique. Ariel began by implementing projects to support national organizations to implement and expand HIV/AIDS prevention and care services. Currently, Ariel is supporting the Ministry of Health structures in both Maputo and Cabo Delgado provinces to roll out the HIV Prevention, Care, and Treatment Acceleration Plan for scaling up HIV services.

## **HOW WE CONDUCTED THIS REVIEW**

Our audit covered the budget periods from September 30, 2011 through September 29, 2015. These budget periods were for years 1 through 4 of a 5-year cooperative agreement. During the budget period under review, CDC awarded Ariel \$35,776,811, of which Ariel expended

---

<sup>4</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.

<sup>5</sup> The regulations that apply to Federal grants also apply to cooperative agreements.

<sup>6</sup> FOA number CDC-RFA-GH11-1130 was entitled "Supporting Indigenous Organizations to Implement and Expand Comprehensive HIV/AIDS Prevention, Care and Treatment in the Republic of Mozambique under the President's Emergency Plan for AIDS Relief (PEPFAR)."

<sup>7</sup> The grant administration rules at 45 CFR parts 74 and 92 were superseded by 45 CFR part 75, which applies to grant awards made on or after December 26, 2014. The new grants rule does not apply to any of the awards in our audit period.

\$29,597,336.<sup>8</sup> From these PEPFAR fund expenditures, we selected a judgmental sample of 60 transactions totaling \$2,735,317. Our sample included transactions for travel expenses, vehicle purchases, salaries and consultation fees.

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 scope and methodology.

## **FINDINGS**

Ariel managed PEPFAR funds in accordance with the award requirements for the areas in our review. Accordingly, this report contains no recommendations.

---

<sup>8</sup> According to Ariel, it did not spend the total amount awarded because of expenditure approval delays from CDC, as well as a favorable exchange rate.

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

### **SCOPE**

Our audit covered \$29,597,336 in PEPFAR funds expended by Ariel for the budget period September 30, 2011, through September 29, 2015. We selected for review a judgmental sample of 60 financial transactions with PEPFAR expenditures totaling \$2,735,317.

We limited our review of internal controls to those related to our objective. We conducted fieldwork at the Ariel office in Maputo, Mozambique, in August 2016.

### **METHODOLOGY**

To accomplish our objective, we:

- reviewed relevant Federal laws and regulations, HHS guidance, Mozambique's bilateral agreement for Value-Added Tax , the FOA, the Notice of Award, and Ariel's policies and procedures;
- interviewed and conducted meetings with CDC Mozambique officials to determine the extent of the technical assistance they provided to Ariel;
- interviewed and conducted meetings with Ariel officials to determine their policies, processes, and procedures related to financial accounting and reporting;
- reconciled Ariel's Federal Financial Report to its accounting records;
- selected a judgmental sample of 60 financial transactions totaling \$2,735,317 from the general ledger that Ariel expended for the budget period September 2011 through September 2015;
- reviewed Ariel's time and attendance system;
- determined the Value-Added Tax process that Ariel followed; and
- discussed preliminary results with Ariel.

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**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Mildmay Uganda Did Not Always Manage the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<a href="#"><u>A-04-15-04039</u></a>	3/2017
<i>Medical Access Uganda Limited Generally Managed the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<a href="#"><u>A-04-15-04040</u></a>	6/2016
<i>The Centers for Disease Control and Prevention Did Not Award President’s Emergency Plan for AIDS Relief Funds for 2013 in Compliance With Applicable HHS Policies</i>	<a href="#"><u>A-04-14-04021</u></a>	5/2016
<i>The Ethiopian Public Health Institute 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-04-13-04017</u></a>	1/2015
<i>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</i>	<a href="#"><u>A-04-13-04016</u></a>	10/2014
<i>The Centers for Disease Control and Prevention Generally Achieved Its Main Goals Related to Certain HIV/AIDS Prevention, Treatment, and Care Activities Under the Partnership Framework in Ethiopia</i>	<a href="#"><u>A-04-13-04011</u></a>	10/2014
<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 (in Zambia) 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

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>National Health Laboratory Service Did Not Always Manage President's Emergency Plan for AIDS Relief Funds or Meet Program Goals in Accordance With Award Requirements</i>	<a href="#">A-05-12-00024</a>	8/2013
<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="#">A-05-12-00021</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="#">A-05-12-00022</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="#">A-05-12-00023</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="#">A-06-11-00057</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="#">A-04-12-04023</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="#">A-06-11-00056</a>	4/2013
<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

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<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