

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**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**

*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

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# *Office of Inspector General*

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## Report in Brief

Date: May 2018

Report No. A-04-17-01002

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



### Why OIG Did This Review

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

The act that implemented PEPFAR requires the Department of Health and Human Services (HHS), Office of Inspector General, to provide oversight of PEPFAR. We conducted a series of audits of organizations receiving PEPFAR funds from HHS, Centers for Disease Control and Prevention (CDC).

Our objectives were to determine whether the South African National Department of Health (the Ministry) (1) managed and expended PEPFAR funds in accordance with award requirements and (2) implemented recommendations from our prior audit. In addition to our objectives regarding the Ministry, we collaborated with the Global Fund OIG to determine whether the Global Fund and CDC funded the same PEPFAR activities.

### How OIG Did This Review

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

## The South African National Department of Health Did Not Always Manage and Expend the President's Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements

### What OIG Found

The Ministry did not always manage and expend PEPFAR funds in accordance with award requirements. Of the 50 financial transactions in our judgmental sample, 46 transactions totaling \$655,374 were allowable, but 4 transactions totaling \$14,656 were not. These transactions were unallowable because either the Ministry did not provide adequate supporting documentation, such as invoices or attendance rosters, or it paid unallowable value-added taxes (VAT) with PEPFAR funds.

Additionally, the Ministry did not accurately identify expenses between cooperative agreements in its financial management reporting system, did not submit an accurate Federal Financial Report (FFR), and filed one of its FFRs more than 5 months late. Furthermore, the Ministry did not implement corrective actions for one of the nine recommendations from our prior audit. The Ministry fully implemented two prior recommendations and partially implemented six other prior recommendations. Finally, we did not identify any instance in which the Global Fund and CDC funded the same PEPFAR activities. The Global Fund is a partnership among governments, civil society, the private sector, and people affected by diseases.

### What OIG Recommends and the Ministry's Comments

We recommend that the Ministry (1) refund to CDC \$12,374 for transactions that were not adequately documented and (2) work with CDC to obtain \$343,930 of VAT reimbursement from the South African Government. We also made recommendations from our prior audit, as well as procedural and policy recommendations.

Although the Ministry did not specifically concur with any of our recommendations in its written comments on our draft report, it described some actions that it had taken or planned to take to address some of our recommendations. Also, the Ministry provided additional supporting documentation for certain transactions and expenditures. We adjusted our findings and recommendations accordingly. We continue to recommend that the Ministry develop and implement policies and procedures to ensure that it submits accurate FFRs on time and obtains VAT reimbursement, implement internal controls to ensure expenditures are assigned to the correct budget code, and implement training on the VAT process.



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## 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 South African National Department of Health (the Ministry) for review because (1) CDC awarded it more PEPFAR funding than any other governmental entity in South Africa during our audit period and (2) a prior OIG audit determined<sup>4</sup> that the Ministry did not manage PEPFAR funds or meet program goals in accordance with award requirements.

### OBJECTIVES

Our objectives were to determine whether the Ministry (1) managed and expended PEPFAR funds in accordance with award requirements and (2) implemented recommendations from our prior audit. In addition to our objectives regarding the Ministry, we collaborated with the Global Fund OIG to determine whether the Global Fund and CDC funded the same PEPFAR activities.

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<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.

<sup>4</sup> The prior OIG audit included a judgmental sample of 30 financial transactions with expenditures totaling \$3,451,561. Of the 30 financial transactions tested, 3 transactions totaling \$3,734 were unallowable, and 5 transactions totaling \$1,448,399 were related to the previous cooperative agreement. Additionally, the Ministry used \$74,056 of PEPFAR funds to pay potentially unallowable value-added taxes (VAT). The prior audit report contained nine recommendations that required the Ministry to implement corrective actions. Seven of the nine recommendations remain unimplemented.

## **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.

For fiscal year 2015, CDC obligated 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 the objectives of the agreements.<sup>5</sup> In response to a Funding Opportunity Announcement (FOA),<sup>6</sup> CDC awarded the Ministry grant number 1U2GGH001172 through a cooperative agreement for the project period from April 1, 2014, through March 31, 2019.

### **Application of Federal Regulations**

For awards made prior to December 26, 2014, the grant administration rules in 45 CFR part 92 applied to State, local, and tribal governments. The grant administration rules in 45 CFR part 74 applied 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). On December 26, 2014, HHS issued a new rule—45 CFR part 75—which superseded parts 74 and 92 for awards made on or after that date. Our audit period spanned the period in which the transition

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

<sup>6</sup> FOA number GH13-1337 was entitled *Strengthening the South African National Department of Health (NDoH) to Implement and Evaluate Evidence-Based Public Health Program, Surveillance and Disease Control Efforts Under the President's Emergency Plan for AIDS Relief (PEPFAR)*.

occurred. Budget year 1 of our audit period was subject to part 92,<sup>7</sup> and budget year 2 was subject to part 75. Where our findings included errors throughout the audit period, we cited to the relevant provisions in both rules applicable during the audit period. When errors occurred only during the period in which one of the rules was in effect, we cited to the provision of the rule in effect during that period.

## **South African National Department of Health**

The Ministry is the South African government entity responsible for the health care of all South Africans. The Ministry's mission is to improve the health status of South Africans through the prevention of illnesses and the promotion of healthy lifestyles and to improve the health care delivery system by focusing on access, equity, efficiency, quality, and sustainability.

With support from CDC, the Ministry contributes to the improvement of public health in South Africa by responding to HIV/AIDS and tuberculosis, strengthening the public health system and Medicines Control Council regulatory processes, and supporting surveillance and outbreak investigations.

## **The Global Fund**

The Global Fund, founded in 2002, is a partnership among governments, civil society, the private sector, and people affected by diseases. The Global Fund raises and invests nearly \$4 billion a year to support programs run by local experts in countries and communities most in need. The mission of the Global Fund is to provide a 21st-century partnership organization designed to accelerate the end of AIDS, tuberculosis, and malaria as epidemics.

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<sup>7</sup> We were recently informed, after applying 45 CFR part 92 to ministries of health in five audit reports issued since 2013 without any CDC comment, that CDC intended to apply the grants administration rule at 45 CFR part 74 to foreign governmental entities, including Ministries of Health. We maintain, however, that 45 CFR part 92 applies to these governmental entities. 45 CFR part 74 contains uniform administrative requirements for awards made to institutions of higher education, hospitals, other nonprofit organizations, and commercial organizations. 45 CFR part 92 contains uniform administrative requirements for State, local, and tribal governments. Our interpretation is informed by clear Departmental policy. HHS grants policy for internal use states that "unless a specific exclusion or variation is indicated in this paragraph, HHS policy provides that the same administrative requirements that apply to grants to domestic recipients, including 45 CFR part 74 or 92 and cost principles *as appropriate for the type of entity*, apply equally to foreign grants" (HHS Grants Policy Directive 6.99.105, emphasis added). HHS's Grants Policy Statement (GPS), which provides general terms and conditions and HHS policies for grantees and others interested in the administration of HHS grants, also specifies that most HHS grants policies, "including the requirements of 45 CFR parts 74 or 92, apply to foreign entities, *as applicable to the type of foreign organization* and the cost principles incorporated by reference in those regulations" (GPS, section II-113, emphasis added). We note that both 45 CFR parts 74 and 92 were superseded by 45 CFR part 75, which applies to awards made on or after December 26, 2014.

## HOW WE CONDUCTED THIS REVIEW

Our audit covered the budget periods from April 1, 2014, through March 31, 2016. These budget periods were for years 1 and 2 of a 5-year cooperative agreement. During the budget period under review, CDC awarded the Ministry \$5,800,000, of which the Ministry expended \$2,562,654.<sup>8</sup> From these PEPFAR expenditures, we selected a judgmental sample of 50 transactions totaling \$670,030.

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, and Appendix C contains Federal requirements.

## FINDINGS

The Ministry did not always manage and expend PEPFAR funds in accordance with award requirements. Of the 50 financial transactions in our judgmental sample, 46 transactions totaling \$655,374 were allowable, but 4 transactions totaling \$14,656 were not. These transactions were unallowable because either the Ministry did not provide adequate supporting documentation, such as invoices or attendance rosters, or it paid for unallowable VAT<sup>9</sup> with PEPFAR funds.

Additionally, the Ministry:

- did not accurately identify expenses between cooperative agreements in its financial management reporting system,
- did not submit an accurate FFR, and
- submitted one of its FFRs more than 5 months late.

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<sup>8</sup> For budget year 1, CDC awarded the Ministry \$3,100,000. On its year 1 Federal Financial Report (FFR), the Ministry reported expenditures totaling \$726,265 and an unobligated balance of \$2,373,735. For budget year 2, CDC approved funding for \$4,500,000. Of this amount, CDC awarded the Ministry \$2,700,000 for budget year 2 and applied \$1,800,000 in unobligated funds from budget year 1 as an offset to the approved funding level for budget year 2.

<sup>9</sup> One sampled transaction of \$2,282 related to VAT paid with PEPFAR funds. In addition to the VAT that the Ministry paid and that we identified in our sample review, the Ministry also used PEPFAR funds to pay the South African Government an additional \$341,648 for VAT during our audit period. Therefore, the Ministry paid a total of \$343,930 in VAT with PEPFAR funds.

Furthermore, the Ministry did not implement corrective actions for one of the nine recommendations from our prior audit. The Ministry fully implemented two prior recommendations and partially implemented six prior recommendations.

Finally, we did not identify any instance in which the Global Fund and CDC funded the same PEPFAR activities.

The errors that we identified occurred because the Ministry did not always follow Federal regulations, departmental policy, or its established policies; did not have adequate policies and procedures; and did not have adequate internal controls. As a result, the Ministry increased the risk of funds being mismanaged or misappropriated.

### **THE MINISTRY DID NOT PROVIDE ADEQUATE SUPPORTING DOCUMENTATION**

Grantees and subgrantees must maintain records that adequately identify the source and application of funds for federally funded activities. “These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation” (45 CFR § 75.302(b)(3)). Grantees are also required to maintain supporting documentation for 3 years after they submit their final FFRs<sup>10</sup> (45 CFR § 75.361).<sup>11</sup>

Of the four unallowable transactions, three transactions totaling \$12,374 were unallowable because the Ministry did not provide adequate supporting documentation, such as invoices or attendance rosters. For example, in two contractual-related transactions, the Ministry did not provide invoices from consultants or signed contracts reflecting the amounts charged to the award.

The Ministry did not provide adequate supporting documentation because it did not follow Federal regulations requiring the maintenance and accuracy of such documentation. As a result, the Ministry increased the risk of funds being mismanaged or misappropriated.

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<sup>10</sup> Grantees are required to submit final FFRs at the end of the project period. The project period for this cooperative agreement ends March 31, 2019.

<sup>11</sup> The errors that occurred in budget year 2 of our audit period are subject to 45 CFR part 75.

## THE MINISTRY INCORRECTLY PAID VALUE-ADDED TAXES TO THE SOUTH AFRICAN GOVERNMENT

*“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” (GPS, section II-114).<sup>12</sup> HHS granted CDC a deviation from internal grant policies from September 30, 2012, through December 25, 2014. Under the deviation, VAT was permitted as an allowable expense for certain CDC grantees that were operating in countries where no applicable tax exemption existed through a bilateral or other agreement. This policy change was communicated to applicable grantees by amended terms and conditions. However, the deviation did not apply to ministries of health.

For grant awards made on or after December 26, 2014, a new grant regulation at 45 CFR part 75 addressed VAT allowability. It stated that foreign taxes that a non-Federal entity is legally required to pay in-country are an allowable expense under Federal awards made on or after that date. The applicable provision states:

Value Added Tax (VAT) Foreign taxes charged for the purchase of goods or services that a non-Federal entity is legally required to pay in country is an allowable expense under Federal awards. Foreign tax refunds or applicable credits under Federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to Federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-Federal entity relate to allowable cost, these costs must be credited to the HHS awarding agency either as costs or cash refunds. If the costs are credited back to the Federal award, the non-Federal entity may reduce the Federal share of costs by the amount of the foreign tax reimbursement, or where Federal award has not expired, use the foreign government tax refund for approved activities under the Federal award with prior approval of the HHS awarding agency (45 CFR § 75.470(c)).<sup>13, 14</sup>

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<sup>12</sup> The VAT paid in budget year 1 of our audit period was unallowable pursuant to the GPS.

<sup>13</sup> CDC has interpreted this regulation to mean that, to the extent the grantee is exempted from the payment of VAT via a reimbursement mechanism, payments are allowable with the understanding that the host country will reimburse the amount paid.

<sup>14</sup> The VAT paid in budget year 2 of our audit period was unallowable under 45 CFR part 75.



Moreover, an agreement between the United States and South Africa, which was in effect during the entirety of our audit period, exempted United States grantees from VAT payments. The Economic, Technical and Related Assistance Agreement Between the Government of the United States of America and the Government of the Republic of South Africa (entered into December 5, 1995), Article 5, states:

Any supplies, materials, equipment, or funds introduced into or acquired in South Africa by the Government of the United States of America, or any contractor or grantee financed by that Government, for purposes of any program or project conducted hereunder or any Southern Africa Regional program financed by the United States Government, shall, whilst such supplies, materials, equipment or funds are used in connection with such a program or project, be exempt, including retroactively, from any taxes on ownership or use of property, and any other taxes, investment or deposit requirements, and currency controls in South Africa . . . .

Of the four unallowable transactions, one transaction totaling \$2,282 was unallowable because the Ministry paid VAT with PEPFAR funds for a service provided. Also, the Ministry paid an additional \$341,648 of PEPFAR funds to the South African Government in VAT for our audit period. The Ministry requested VAT exemption from the South African Revenue Service (SARS) but was denied. This payment of VAT and lack of reimbursement occurred because the Ministry understood neither the allowability of VAT nor its responsibilities regarding reimbursement.<sup>15</sup> Ministry officials stated that it was their understanding that VAT was unallowable only for commodity expenditures<sup>16</sup> and that they were unaware of how often they should have requested reimbursement from SARS. Because the Ministry spent PEPFAR funds on VAT, it may not have been able to carry out PEPFAR activities to the extent that the CDC funding would normally have allowed.

#### **THE MINISTRY’S FINANCIAL MANAGEMENT REPORTING SYSTEM DID NOT ACCURATELY IDENTIFY EXPENSES BETWEEN COOPERATIVE AGREEMENTS**

Grantees must maintain records that adequately identify the source and application of funds provided for financially assisted activities (45 CFR § 92.20(b)(2)), and their financial management reporting system must be able to demonstrate an accurate, current, and complete disclosure of the financial results of grant-funded activities (45 CFR § 92.20(b)(1)).<sup>17</sup>

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<sup>15</sup> Our prior audit contained a similar finding regarding VAT. The Ministry continues to pay unallowable VAT because of high staff turnover and its resulting contribution to a lack of understanding of VAT among Ministry staff.

<sup>16</sup> Commodities included supplies and equipment.

<sup>17</sup> Budget year 1 of our audit period is subject to 45 CFR part 92.

The grantee's financial management system must provide accurate, current, and complete disclosure of the financial results of each Federal award (45 CFR § 75.302(b)(2)). Grantees must maintain records that identify adequately the source and application of funds for federally funded activities (45 CFR § 75.302(b)(3)).<sup>18</sup>

The Ministry was not always able to distinguish in its accounting records which expenses were for the current cooperative agreement and which expenses were for the previous cooperative agreement. During budget year 1, the Ministry received funding from two separate CDC cooperative agreements.<sup>19</sup> The Ministry manually reconciled invoices to reports from its finance department to determine which cooperative agreement an expenditure belonged to; however, the reconciliations were not always accurate. For example, for a travel-related transaction, the accounting records stated that the expense was related to the current cooperative agreement under review, but the supporting documentation stated that the expense was funded by the previous cooperative agreement.

The Ministry stated that its accounting system did not allow it to create new budget codes for the new cooperative agreement while there was an existing cooperative agreement. In addition, the Ministry did not have internal controls to ensure that it matched expenditures to the correct cooperative agreement. Furthermore, the Ministry's inability to charge expenditures to the correct cooperative agreement precluded it from filing accurate FFRs.

As a result, CDC may not have been able to accurately fund the next budget period for the Ministry or to determine whether the Ministry expended Federal funds in accordance with award requirements.

## **THE MINISTRY DID NOT SUBMIT AN ACCURATE FEDERAL FINANCIAL REPORT**

The financial management systems of grantees and subgrantees must meet the following standards for financial reporting: "accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant" (45 CFR § 92.20(b)(1)).

The grantee's financial management system must provide accurate, current, and complete disclosure of the financial results of each Federal award in accordance with reporting requirements (45 CFR § 75.302(b)(2)).

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<sup>18</sup> Budget year 2 of our audit period is subject to 45 CFR part 75.

<sup>19</sup> The Ministry had a previous cooperative agreement with CDC under grant number U2GPS002062. The project period for grant number U2GPS002062 began September 30, 2009, and ended September 29, 2015, because of a 1-year no-cost extension of the last budget year. Budget year 1 of the current cooperative agreement, grant number U2GGH001172, began April 1, 2014, and ended March 31, 2015.

The FFR that the Ministry submitted to CDC did not reconcile to the Ministry's accounting records. The FFR did not reconcile because the Ministry did not have written policies and procedures for performing monthly reconciliations. Absent written policies and procedures, the Ministry did not use a consistent methodology for performing the monthly reconciliation. Additionally, the Ministry used a spreadsheet to track financial transactions related to the cooperative agreement and to calculate the amounts reported on the FFRs.<sup>20</sup> The Ministry underreported expenditures on its FFR by \$43,772 for budget year 1 and by \$26,075 for budget year 2.

As a result of inaccurate FFRs, CDC may not have been able to accurately fund the next budget period for the Ministry or to determine whether the Ministry expended Federal funds in accordance with award requirements.

### **THE MINISTRY DID NOT SUBMIT ITS FEDERAL FINANCIAL REPORT ON TIME**

Financial information must be collected with the frequency required by the terms and conditions of the Federal award (45 CFR § 75.341).

The budget year 2 notice of award (NoA) states: "[T]he Annual Federal Financial Report (FFR) SF-425 is required and must be submitted through [the electronic research administration (eRA)] Commons no later than 90 days after the end of the calendar quarter in which the budget period ends. The FFR for this budget period is due to the GMS/GMO by June 30, 2016. Reporting timeframe is April 1, 2015, through March 31, 2016" (year 2 NoA dated May 11, 2015).

The Ministry submitted its budget year 2 FFR to CDC more than 5 months late. The Ministry submitted its FFR late because it had to consult with its subrecipient regarding submitted invoices. The consultation process took longer than expected, which caused a delay in the submission of the FFR. Late FFRs may result in mismanagement of Federal funds. FFRs should be submitted timely to track and match expenditures to the correct budget period.

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<sup>20</sup> By using a spreadsheet to track financial transactions, the Ministry increased the risk of inaccuracies in the amounts reported on the FFRs because of human error during the data entry process.

## UNIMPLEMENTED PRIOR RECOMMENDATIONS

Our prior audit report<sup>21</sup> covering the budget period from September 30, 2009, through September 29, 2010, stated that the Ministry did not always manage PEPFAR funds or meet program goals in accordance with award requirements. The prior audit report contained nine recommendations that required the Ministry to implement corrective actions (below). The Ministry fully implemented corrective actions for two and partially implemented corrective actions for six of the nine recommendations from our prior audit report. However, the Ministry did not implement corrective actions for our remaining recommendation.

The prior report also contained a finding regarding progress report errors; however, we did not perform a programmatic review to determine whether the Ministry met program goals in accordance with the award requirements.

*Prior recommendation 1: Refund to CDC \$3,734 of unallowable expenditures.*

Three transactions totaling \$3,734 associated with travel were unallowable because the Ministry was unable to provide documentation to support the expenditures.

However, the Ministry did not refund \$3,734 to CDC. In a letter<sup>22</sup> to CDC Atlanta, the Ministry requested to use the funds to purchase backup compact disks for the monitoring and evaluation program in lieu of returning the funds to CDC, but CDC did not respond to the Ministry's request. Furthermore, in another letter<sup>23</sup> to CDC Atlanta, the Ministry requested not to refund \$3,734 to CDC because it had already spent the funds on "intended activities." CDC did not respond to the Ministry's request.

As noted earlier in this report, the Ministry continues to be unable to provide adequate supporting documentation for some expenditures.

*Prior recommendation 2: Work with CDC to resolve whether the \$74,056 of VAT was an allowable expenditure under the cooperative agreement.*

The Ministry paid \$74,056 in PEPFAR funds for potentially unallowable VAT.

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<sup>21</sup> We issued the prior OIG audit report (A-05-12-00022) on August 23, 2013.

<sup>22</sup> The letter submitted to CDC Atlanta was dated February 21, 2014.

<sup>23</sup> The letter submitted to CDC Atlanta was dated May 11, 2017.

The Ministry partially implemented this recommendation. Based on discussions with CDC, the Ministry determined that VAT was an unallowable expense. The Ministry stated that it requested reimbursement from SARS for VAT paid with PEPFAR funds; however, the Ministry did not provide documentation showing that it received reimbursement. In a letter to CDC Atlanta, the Ministry requested CDC consider VAT an allowable expenditure because it is legally required to pay tax to the South African government. The Ministry stated that it would have to “carry the burden” of paying VAT if the expenditure is considered unallowable. The Ministry also requested that CDC provide guidance regarding the payment of VAT. CDC did not respond to the Ministry’s requests.

As noted earlier in this report, the Ministry continues to pay VAT to the South African Government without seeking reimbursement.

*Prior recommendation 3: File an amended financial status report (FSR)<sup>24</sup> for the budget period of the cooperative agreement that we reviewed.*

The Ministry fully implemented this recommendation. However, the Ministry did not provide any general ledgers or other accounting records to support the revised FSR.

*Prior recommendation 4: Develop and implement policies and procedures for reconciling the FSR to the accounting records prior to submission.*

The Ministry partially implemented this recommendation. The Ministry stated that it developed written policies and procedures for reconciling the FSR to the accounting records. As noted earlier in this report, the Ministry continues to lack policies and procedures for ensuring the accuracy of FFRs submitted to CDC.

*Prior recommendation 5: Develop and implement policies and procedures for differentiating in the accounting records between CDC cooperative agreements and years within those agreements.*

The Ministry partially implemented this recommendation. The Ministry stated that it developed written policies and procedures for differentiating between CDC cooperative agreements and the years within those agreements. As noted earlier in this report, the Ministry continues to lack policies and procedures for accurately identifying expenses between CDC cooperative agreements.

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<sup>24</sup> Prior to the implementation of the FFR, grantees reported financial expenditure data using the FSR. The Office of Management and Budget consolidated the FSR and the Federal Cash Transaction Report into a single form known as the FFR. The FFR expenditure data elements are the same as the FSR data elements, except that only cumulative data is reported on the FFR. Beginning February 1, 2011, grantees were required to use the FFR to report financial expenditure data.

*Prior recommendation 6: Develop and implement policies and procedures for ensuring that it maintains adequate supporting documentation for expenditures of Federal funds.*

The Ministry partially implemented this recommendation. It stated that it followed the South African regulations for maintaining supporting documentation for Federal funds. However, as noted earlier in this report, the Ministry continues to lack policies and procedures for providing adequate supporting documentation for its expenditures.

*Prior recommendation 7: Use the exchange rate in effect at the time the Ministry prepares the FSR.*

The Ministry fully implemented this recommendation.

*Prior recommendation 8: Develop and implement policies and procedures for submitting the annual progress report in a timely manner.*

The Ministry submitted its grant year 2010 progress report to CDC 6 months late.

The Ministry partially implemented this recommendation. It stated that it had created policies and procedures for the timely submission of the annual progress reports and that they were pending CDC approval. During our current audit, we determined that the Ministry did not submit an annual progress report for budget year 2.<sup>25</sup>

*Prior recommendation 9: Have annual independent audits performed and submitted in a timely manner to the applicable United States agency.*

The Ministry had not had an independent audit performed since 2005.

The Ministry partially implemented this recommendation. It stated that it had since implemented annual independent audits and provided a copy of the independent audit report covering from April 1, 2014, through March 31, 2015 (budget year 1). However, the Ministry did not have an independent audit conducted for budget year 2.

## **THE GLOBAL FUND AND CDC DID NOT FUND THE SAME PEPFAR ACTIVITIES**

We collaborated with the Global Fund's OIG auditors to determine whether the Global Fund and CDC funded the same PEPFAR activities. Neither audit team found any instance in which the Global Fund and CDC funded the same PEPFAR activities.<sup>26</sup>

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<sup>25</sup> The official award file obtained from CDC Atlanta did not contain an annual progress report for budget year 2.

<sup>26</sup> The audit report entitled *Global Fund Grants to the Republic of South Africa* can be found at [https://www.theglobalfund.org/media/6586/oig\\_gf-oig-17-014\\_report\\_en.pdf](https://www.theglobalfund.org/media/6586/oig_gf-oig-17-014_report_en.pdf).

## RECOMMENDATIONS FROM OUR CURRENT AUDIT

We recommend that the Ministry:

- refund to CDC \$12,374 for transactions that were not adequately documented;
- maintain adequate supporting documentation for expenditures;
- work with CDC to obtain \$343,930 of VAT reimbursement from the South African Government;
- develop and implement policies and procedures to ensure that it:
  - submits accurate FFRs on time and
  - obtains VAT reimbursement;
- implement policies and procedures to ensure that it:
  - prepares accurate FFRs,
  - maintains adequate supporting documentation for expenditures, and
  - determines which cooperative agreement costs are assigned to;
- implement internal controls to ensure expenditures are assigned to the correct budget code;
- implement training on the VAT process; and
- implement the unimplemented recommendations from our prior audit report.

## **SOUTH AFRICAN NATIONAL DEPARTMENT OF HEALTH COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

Although the Ministry did not specifically concur with any of our recommendations in its written comments on our draft report, it described some actions that it had taken or planned to take to address some of our recommendations. In its comments, the Ministry primarily addressed the unimplemented recommendations from our prior audit without addressing all of the recommendations from our current audit. Along with its comments on the unimplemented prior recommendations, the Ministry provided additional supporting documentation for certain transactions and expenditures. We adjusted our findings and recommendations accordingly.

We included the Ministry's comments as Appendix D. However, we did not include all of the Ministry's additional supporting documentation because it was too voluminous.

### **MINISTRY COMMENTS ON RECOMMENDATIONS FROM OUR CURRENT AUDIT**

The Ministry provided a brief explanation and additional supporting documentation for 10 transactions and expenditures.

With regard to our VAT recommendation, the Ministry stated that it requested funding for tax consulting services in the budget year 5 continuation application. According to the Ministry, the tax consultant would be responsible for seeking and obtaining VAT reimbursement from SARS. At the time of this report, CDC had not approved funding for this position.

However, the Ministry did not address the following recommendations from our current audit:

- develop and implement policies and procedures to ensure that it:
  - submits accurate FFRs on time and
  - obtains VAT reimbursement;
- implement internal controls to ensure expenditures are assigned to the correct budget code; and
- implement training on the VAT process.

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

On the basis of our review of the additional documentation that the Ministry provided, we reduced the unallowable amount from \$44,612 to \$14,656. We now recommend that the Ministry refund to CDC \$12,374 for the three transactions that were not adequately documented and work with CDC to obtain \$2,282 of VAT reimbursement for one transaction.



As previously stated, the Ministry did not address recommendations from our current audit except for its submission of additional documentation for financial transactions and some communication regarding VAT.

We continue to recommend that the Ministry develop and implement policies and procedures to ensure that it submits accurate FFRs on time and obtains VAT reimbursement, implement internal controls to ensure expenditures are assigned to the correct budget code, and implement training on the VAT process.

### **MINISTRY COMMENTS ON UNIMPLEMENTED PRIOR RECOMMENDATIONS**

In regard to unimplemented prior recommendations, the Ministry described actions that it had taken, or planned to take, to address them, such as developing policies and procedures for:

- reconciling the FSR to the accounting records prior to submission,
- differentiating in the accounting records between CDC cooperative agreements and years within those agreements, and
- maintaining adequate supporting documentation for expenditure of Federal funds.

The Ministry indicated that, to address one unimplemented and one partially implemented prior recommendation, it sent a letter to CDC in May 2017, which it included in its comments, requesting the following:

- \$3,734 in unallowable expenditures “not be paid back as the intended activities have been completed” and
- \$74,056 in VAT be deemed allowable expenditures because the Ministry was legally required to pay VAT during the prior audit period, and its previous attempt to receive the SARS registration necessary to obtain a VAT refund was deemed “fruitless as the CDC NDoH Cooperative Agreement does not operate independently from the systems of the NDoH as a whole.”

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

We continue to recommend that the Ministry refund to CDC \$3,734 of unallowable expenditures and work with CDC to resolve whether the \$74,056 of VAT was an allowable expenditure under the cooperative agreement.

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

### **SCOPE**

Our audit covered \$2,562,654 in PEPFAR funds expended by the Ministry for the budget period from April 1, 2014, through March 31, 2016. We selected for review a judgmental sample of 50 financial transactions with PEPFAR expenditures totaling \$670,030.

We limited our review of internal controls to those related to our objective. We conducted fieldwork at the Ministry's office in Pretoria, South Africa, in February 2017.

### **METHODOLOGY**

To accomplish our objectives, we:

- reviewed relevant Federal laws and regulations; HHS guidance; the Economic, Technical and Related Assistance Agreement Between the Government of the United States of America and the Government of the Republic of South Africa; the FOA; the NoA; the Ministry's policies and procedures; the prior OIG audit report; and the Official Clearance Document;
- interviewed CDC South Africa officials to determine the extent of the technical assistance they provided to the Ministry;
- interviewed Ministry officials to determine their policies, processes, and procedures related to financial accounting and reporting;
- interviewed Ministry officials to determine whether they implemented recommendations from our prior audit report and, if so, the corrective actions taken;
- attempted to reconcile the Ministry's FFRs to its accounting records;
- selected a judgmental sample of 50 financial transactions totaling \$670,030 that the Ministry expended for the budget period from April 2014 through March 2016;
- held meetings with officials from the Global Fund to determine areas of overlap in PEPFAR funding;
- determined the VAT process that the Ministry followed; and
- discussed preliminary results with Ministry officials.

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

Report Title	Report Number	Date Issued
<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>	4/2018
<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>	3/2018
<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>	8/2017
<i>Ariel Foundation Against Pediatric AIDS Managed and Expended the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<a href="#"><u>A-04-16-04052</u></a>	6/2017
<i>Management and Development for Health Did Not Always Manage the President’s Emergency Plan for AIDS Relief Funds in Accordance With Award Requirements</i>	<a href="#"><u>A-04-16-04045</u></a>	6/2017
<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

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<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="#">A-04-13-04011</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="#">A-04-13-04015</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="#">A-04-13-04004</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="#">A-04-13-04010</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="#">A-04-13-04005</a>	3/2014
<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

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

## **APPENDIX C: FEDERAL REQUIREMENTS**

### **45 CFR Part 92**

The grant administration rules in 45 CFR part 92 apply to State, local, and tribal governments.

#### **45 CFR § 92.20(b)(1)**

“Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.”

#### **45 CFR § 92.20(b)(2)**

Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. “These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.”

#### **45 CFR § 75.302(b)(2)**

The financial management system of each non-Federal entity must provide for the following:

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. If an HHS awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

#### **45 CFR § 75.302(b)(3)**

The financial management system of each non-Federal entity must provide for the following:

Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

#### **45 CFR § 75.341**

Unless otherwise approved by OMB, the HHS awarding agency may solicit only the standard, OMB-approved government-wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

#### **45 CFR § 75.361**

“Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report . . . .”

#### **45 CFR § 75.470(c)**

(c) Value Added Tax (VAT) Foreign taxes charged for the purchase of goods or services that a non-Federal entity is legally required to pay in country is an allowable expense under Federal awards. Foreign tax refunds or applicable credits under Federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to Federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-Federal entity relate to allowable cost, these costs must be credited to the HHS awarding agency either as costs or cash refunds. If the costs are credited back to the Federal award, the non-Federal entity may reduce the Federal share of costs by the amount of the foreign tax reimbursement, or where Federal award has not expired, use the foreign government tax refund for approved activities under the Federal award with prior approval of the HHS awarding agency.

#### **Notice of Award, Section IV GH Special Terms and Conditions, Reporting Requirements, Annual Federal Financial Report (FFR, SF-425) (Year 2, page 7)**

The Annual Federal Financial Report (FFR) SF-425 is required and must be submitted through eRA Commons no later than 90 days after the end of the calendar quarter in which the budget period ends. The FFR for this budget period is due to the GMS/GMO by June 30, 2016. Reporting timeframe is April 1, 2015, through March 31, 2016.



## **Economic, Technical and Related Assistance Agreement Between the Government of the United States of America and the Government of the Republic of South Africa, Article 5**

2. Any supplies, materials, equipment, or funds introduced into or acquired in South Africa by the Government of the United States of America, or any contractor or grantee financed by that Government, for purposes of any program or project conducted hereunder or any Southern Africa Regional program financed by the United States Government, shall, whilst such supplies, materials, equipment or funds are used in connection with such a program or project, be exempt, including retroactively, from any taxes on ownership or use of property, and any other taxes, investment or deposit requirements, and currency controls in South Africa, and the import, export, purchase, use, or disposition of any such supplies, materials, equipment or funds in connection with such a program or project shall be exempt, including retroactively, from any tariffs, customs duties, import and export taxes, taxes on purchase or disposition of property, and other taxes or similar charges in South Africa. The exemption from currency control shall not apply to funds acquired in the Republic of South Africa for purposes not related to the official functions of the Government of the United States of America. No tax (whether in the nature of an income, profits, business or other tax), duty or fee of whatsoever nature shall be imposed upon any contractor in respect of work financed by the Government of the United States of America hereunder.

### **HHS Grants Policy Statement, Section II-113**

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.

### **HHS Grants Policy Statement, 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.”

Unimplemented Prior Recommendations

**Prior recommendation 1: Refund to CDC \$3,734 of unallowable expenditures.**

Please refer to the attached letter to The Audit Resolution Team dated May 11,2017. The NDoH has not yet received a response.

**Prior recommendation 2: Work with CDC to resolve whether the \$ 74,056 of VAT was an allowable expenditure under the cooperative agreement.**

Please refer to the attached letter to The Audit Resolution Team dated May 11,2017. The NDoH has yet to receive a response.

Furthermore, Please refer to the VAT response of the recent OIG Audit.

**Prior recommendation 3: File an amended financial status report for the budget period of the cooperative agreement that we reviewed.**

Please see the attached FSR submitted and communication.

**Prior recommendation 4: Develop and implement policies and procedures for reconciling the FSR to the accounting records prior to submission.**

The NDoH has since drafted a CDC NDoH Cooperative Reconciliation Policy

**Prior recommendation 5: Develop and implement policies and procedures for differentiating in the accounting records between CDC cooperative agreements and years within those agreements.**

Noted. Procedures for differentiating accounting records between CDC cooperative agreements and years within those agreements will be included in the CDC NDoH Cooperative Reconciliation Policy.

**Prior recommendation 6: Develop and implement policies and procedures for ensuring that it maintains adequate supporting documentation for expenditure of Federal funds**

OIG noted that the Ministry has partially implemented this recommendation. The NDoH will further develop a document control policy.

**Prior recommendation 7: Use the exchange rate in effect at the time the Ministry prepares the FSR.**

The Ministry fully implemented this recommendation.

**Prior recommendation 8: Develop and implement policies and procedures for submitting the annual progress report in a timely manner.**

Noted.

**Prior recommendation 9: Have annual independent audits performed and submitted in a timely manner to the applicable United States agency.**

Noted.

## **Prior recommendation 1 &2 Attachment**



health

Department:  
Health  
REPUBLIC OF SOUTH AFRICA

Enquiries: [REDACTED]  
Office No: N718  
Tel: 012 392 8078  
Date: May 11, 2017

The Audit Resolution Team  
Procurement & Grants Office (E-14) U.S Centers for Disease Control and Prevention  
2920 Brandywine Road  
Atlanta, GA 30341

**Reference:** *Management Decision on OIG Audit A-05-12-00022 dated August 23rd 2013  
National Department of Health (NDoH) South Africa (EIN 900216130)  
Audit of award PS002062-01*

Dear Sir/ Madam,

This letter serves as a response to the correspondence dated May 8, 2015, provided by the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), for the Management Decision on OIG Audit A-05-120002 dated August 23, 2013 National Department of Health (NDoH) – South Africa (EIN 900216130) Audit of Award PS002062-01 for Budget Year Ended September 29, 2010.

Kindly note that the NDoH did not receive the MDL correspondence hence never had an opportunity to review and to duly respond to the decision taken by the Centers for Disease Control and Prevention (CDC) management to recover the \$3,734 and \$77,790 of disallowable costs from the NDoH. The NDoH hereby requests to appeal this decision.

**A. Monetary Recommendations**

**OIG Recommendation 099-009-01-1-PHS-CDC- \$3,734**

Recommendation:

The OIG recommended that the NDoH refund \$3,734 in unallowable expenditure.

A letter to this effect dated 24/02/2014 was signed and submitted by the Principal Investigator to CDC-SA and a response has not been received by the NDoH.

The NDoH is now requesting the amount not be paid back as the intended activities have been completed.

**Office of Inspector General Note**—The deleted text has been redacted because it is personally identifiable information.



**OIG Recommendation 077-009-18-1-PHS-CDC-\$74,056**

Recommendation:

The OIG recommended that the NDoH work with CDC to resolve whether the \$74,056 of Value-Added Tax (VAT) was an allowable expenditure under the cooperative agreement (CoAg).

NDoH response:

In order for the NDoH CoAg Unit to obtain refunds from SARS, a VAT registration is needed. The CDC/NDoH CoAg then registered with SARS as a "FOREIGN DONOR: CENTER FOR DISEASE CONTROL". (See Annexure A) However, it was deemed fruitless as the CDC NDoH Cooperative Agreement does not operate independently from the systems of the NDoH as a whole. The NDoH is a state department and is treated in its entirety. The result of this, at that time, was that the CoAG did not qualify to have VAT paid with donor funding be reimbursed by SARS.

The HHS Grants Policy Statement of January 1, 2007, page II-41 states that taxes are allowable. Such costs include taxes that an organization is required to pay as they relate to employment, services, travel, rental, or purchasing for a project. Recipients must avail themselves of any tax exemptions for which activities supported by Federal funds may qualify.

The NDoH is paying for VAT on all goods and services charged by its respective service providers. Such services include the procurement of supplies, equipment, rental and travel etc. This also applies to all departmental activities that are funded through the CoAg. If VAT is to be exempted from CoAg funded activities, the NDoH will have to undertake an administrative process of deducting VAT from goods and services and carry the burden of the payment thereof.

It is therefore requested that VAT be deemed allowable for the NDoH as it was legally required of it to pay VAT on the OIG Audit A-05-120002 dated August 23, 2013 National Department of Health (NDoH) – South Africa (EIN 900216130) Audit of Award PS002062-01 for Budget Year Ended September 29, 2010.

It is further requested that VAT for goods and services be deemed allowable for the NDoH CoAg as is payable to all service providers. The CoAG unit is operating under the NDoH systems and is governed by the laws of the department.

The NDoH will attempt claim back from SARS for the period under review and give feedback on the outcome. The NDoH further requests guidance on how to handle payment of VAT to service providers for the current and future CoAg.

Sincerely,



Principal Investigator  
CDC-NDOH Cooperative Agreement  
Date: 12/15/17



Business official  
CDC-NDOH Cooperative Agreement  
Date: 12/05/2017





VALUE-ADDED TAX  
BELASTING OP TOEGEVOEGDE WAARDE

VAT 103i

Notice of registration - OFFICE ISSUE  
Kennisgewing van registrasie - KANTOOR UITREIKING

Enquiries should be addressed to SARS Pretoria  
Navraag moet gerig word aan SARS: Pretoria

Branch office Takkantoor ASHLEA GARDENS

FOREIGN DONOR: CENTER FOR DISEASE

PRIVATE BAG X 828

PRETORIA

Tel 0800 00 7277

Fax  
Faks

E-mail  
E-pos

Date Datum 2012-06-28

0001

Trading or other name  
Handels- of ander naam

FOREIGN DONOR: CENTER FOR DISEASE CONTROL

This registration number must be indicated on all tax invoices issued by you and quoted in correspondence or visits to any SARS branch office.  
Hierdie registrasienommer moet op alle belastingfakture wat u uitreik, vertrek word en gebruik word in u korrespondensie of besoeke aan enige SARS takkantoor.

Your registration number is:

4960260653

U registrasienommer is:

Date of registration:

20/06/2012

Datum van registrasie:

Nature of business:

FOREIGN DONOR FUNDED PROJECTS

Aard van besigheid:

The VAT103 Notification of Registration will be issued in due course.  
Die VAT103 Kennisgewing van Registrasie sal binnekort uitgereik word.

I confirm that the above-mentioned enterprise has been registered as a vendor for VAT purposes.  
Ek bevestig dat die bogenoemde onderneming as 'n ondernemer vir BTW-doeleindes geregistreer is.

Name & Surname (Team Member)  
Naam & Van (Spanlid)

Signature (Team Member)  
Handtekening (Spanlid)

Name & Surname (Team Leader)  
Naam & Van (Spanleier)

Signature (Team Leader)  
Handtekening (Spanleier)

Office Stamp (with date)



Kantoorstempel (met datum)

2003/05/18 SP V3.002

for SARS branch office  
n. SARS takkantoor



## **Prior recommendation 3 Attachment**



**DEPARTMENT OF HEALTH  
DEPARTEMENT VAN GESONDHEID**

*Private Bag X828  
PRETORIA, 0001*

**REPUBLIC OF SOUTH AFRICA**



**UMNYANGO WEZEMPILO  
LEFAPHA LA MAPHELO**

*Privaatsak X828  
PRETORIA, 0001*

**REPUBLIEK VAN SUID-AFRIKA**

*Fax : [REDACTED]*

*Enquiry : [REDACTED]*

*Telephone : [REDACTED]*

*E-mail : [REDACTED]*

[REDACTED]  
Centers for Disease Control & Prevention (CDC)  
Grant Management Specialist  
PGO, Branch VII  
Atlanta

**RE: SUBMISSION OF THE REVISED YEAR 2 FINANCIAL STATUS REPORT (FSR) FOR CORPORATIVE AGREEMENT NO: PS002062-02 STRENGTHENING CAPACITY OF NATIONAL DEPARTMENT OF HEALTH TO SCALE UP PHC SERVICES TO IMPROVE THE MANAGEMENT OF HIV/AIDS SERVICE**

This letter serves to request for the resubmission of the year 2 FSR for the above mentioned Cooperative Agreement. After a careful review and reconciliation of the budget and expenditures, some corrections were made to the FSR. Attached please find the revised year FSR.

Kind Regards

[REDACTED]

DDG: HIV/AIDS, TB and MCWH  
Date: 6/6/12



Aids Helpline  
0800 013 22

# FINANCIAL STATUS REPORT

(Short Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted CDC		2. Federal Grant or Other Identifying Number Assigned By Federal Agency 5U2GPS002062-03		OMB Approval No. 0348-0039	Page of pages
3. Recipient Organization (Name and complete address, including ZIP code)  NATIONAL DEPARTMENT OF HEALTH, PRIVATE BAG X828 PRETORIA, SOUTH AFRICA					
4. Employer Identification Number 1900216130A1		5. Recipient Account Number or Identifying Number B1602G1		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual
8. Funding/Grant Period (See instructions) From: (Month, Day, Year) 09/30/2009		To: (Month, Day, Year) 09/29/2014		9. Period Covered by this Report From: (Month, Day, Year) 09/30/2011 To: (Month, Day, Year) 09/30/2012	
10. Transactions:		I Previously Reported		II This Period	
				III Cumulative	
a. Total outlays				2,192,728.00	
b. Recipient share of outlays		0.00		0.00	
c. Federal share of outlays		0.00		2,192,728.00	
d. Total unliquidated obligations				603,198	
e. Recipient share of unliquidated obligations				0.00	
f. Federal share of unliquidated obligations				603,198	
g. Total Federal share (Sum of lines c and f)				2,795,926.00	
h. Total Federal funds authorized for this funding period				2,912,714.00	
i. Unobligated balance of Federal funds (Line h minus line g)				116,788.00	
11. Indirect Expense		a. Type of Rate (Place "X" in appropriate box) Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input checked="" type="checkbox"/> Fixed <input type="checkbox"/>			
		b. Rate 0.00	c. Base	d. Total Amount 0.00	e. Federal Share
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purpose set forth in the award documents.					
Typed or Printed Name and Title  [REDACTED]				Telephone (Area code, number and extension) +2712 395 8386	
Signature of Authorized Certifying Official  [REDACTED]				Date Report Submitted 10/13/2010	

NSN 7540-01-218-4387

269-202

Standard Form 269A (Rev. 7-97)  
Prescribed by OMB Circulars A-102 and A-110



## FINANCIAL STATUS REPORT (Short Form)

Public reporting burden for this collection of information is estimated to average 90 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0039), Washington, DC 20503.

PLEASE **DO NOT** RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET, SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

Please type or print legibly. The following general instructions explain how to use the form itself. You may need additional information to complete certain items correctly, or to decide whether a specific item is applicable to this award. Usually, such information will be found in the Federal agency's grant regulations or in the terms and conditions of the award (e.g., how to calculate the Federal share, the permissible uses of program income, the value of in-kind contributions, etc.). You may also contact the Federal agency directly.

Item	Entry	Item	Entry
1, 2 and 3.	Self-explanatory.	10b.	Self-explanatory.
4.	Enter the Employer Identification Number (EIN) assigned by the U.S. Internal Revenue Service.	10c.	Self-explanatory.
5.	Space reserved for an account number or other identifying number assigned by the recipient.	10d.	Enter the total amount of unliquidated obligations, including unliquidated obligations to subgrantees and contractors.  Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred, but for which an outlay has not yet been recorded.  Do not include any amounts on line 10d that have been included on lines 10a, b or c.  On the final report, line 10d must be zero.
6.	Check yes only if this is the last report for the period shown in item 8.	10e, f, g, h, and i.	Self-explanatory.
7.	Self-explanatory.	11a.	Self-explanatory.
8.	Unless you have received other instructions from the awarding agency, enter the beginning and ending dates of the current funding period. If this is a multi-year program, the Federal agency might require cumulative reporting through consecutive funding periods. In that case, enter the beginning and ending dates of the grant period, and in the rest of these instructions, substitute the term "grant period" for "funding period."	11b.	Enter the indirect cost rate in effect during the reporting period.
9.	Self-explanatory.	11c.	Enter the amount of the base against which the rate was applied.
10.	The purpose of columns I, II and III is to show the effect of this reporting period's transactions on cumulative financial status. The amounts entered in column I will normally be the same as those in column III of the previous report in the same funding period. If this is the first or only report of the funding period, leave columns I and II blank. If you need to adjust amounts entered on previous reports, footnote the column I entry on this report and attach an explanation.	11d.	Enter the total amount of indirect costs charged during the report period.
10a.	Enter total program outlays less any rebates, refunds, or other credits. For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct costs for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient for goods and other property received, for services performed by employees, contractors, subgrantees and other payees, and other amounts becoming owed under programs for which no current services or performances are required, such as annuities, insurance claims, and other benefit payments.	11e.	Enter the Federal share of the amount in 11d.
		Note:	If more than one rate was in effect during the period shown in item 8, attach a schedule showing the bases against which the different rates were applied, the respective rates, the calendar periods they were in effect, amounts of indirect expense charged to the project, and the Federal share of indirect expense charged to the project to date.

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U.S. Government Printing Office: 1993 - 342-197/81289

**VAT = \$341,647.91 for both years 1 and 2 as follows :**

**Year 1 =\$280,768.10**

**Year 2 =\$60,879.81**

**OIG query:** 1. why was VAT paid with CDC funds?

**OIG query:** 2. is VAT an allowable PEPFAR expense. Please explain.

**OIG comment:** VAT is an unallowable PEPFAR expense.

NDoH stated that in terms of SA Taxation Law there are certain goods and services that are Value Added Tax (tax payable on goods and services) payable.

**NDoH response:** Funding request for services of service provider tasked with claiming of VAT –related transactions -tax consultant – has been submitted as part of year 5 Continuation Application after series of engagements and consultation with the CDC-SA. Once the funds are approved and/available, service provider will be appointed so that all funds related to VAT are claimed.

The tax consultant will be able to focus on and engage with the South African Revenue Services on a daily basis to claim all the VAT paid to suppliers.

Enclosed with the response, please find funding application document submitted to the CDC for year 5 including funding for appointment of VAT service provider:

- Budget justification (Part of Continuation Application for year 5) with reference to page 12 under cost category: Other.

<b>National Department of Health</b>	Year 05 Continuation Application for Funding of USD 176 631 550
<b>Opportunity Number:</b>	CDC-RFA-GH13-133704 -CONT17
<b>Budget Period</b>	4/1/2018 - 3/31/2019
<b>Date Budget Prepared</b>	2017/11/23

Application		
Salaries and wages	\$	1 829 191
Fringe Benefits	\$	795 261
Personnel Subtotal	\$	2 624 452
Supplies	\$	969 749
Equipment	\$	402 500
Travel	\$	129 600
Other	\$	150 543 555
Contractual	\$	21 961 694
<b>TOTAL</b>	<b>\$</b>	<b>176 631 550</b>

**SUPPLIES**

Item	Unit Cost	Quantity	Total	Justification
Office supplies	\$ 8 749	1	8 749	General office supplies for the PMU & PFIP (paper, etc).
			<b>8 749</b>	

**TRAVEL**

Program me	Title	Number of Participants per training/workshop/meeting	Number of Meetings/Workshops	Cost per person/day	Number of days per meeting/workshop/training	Total	Justification
PMU	Sites visits (Accommodation + flights)	3	3	\$ 300	2	\$ 5 400	To ensure that programmes funded by CDC are yielding results in terms of NDoH strategic plans and cooperative agreement between NDoH and the CDC. To provide support to those provinces in need and to ensure that assets acquired through CDC in provinces/districts/facilities are well managed.
PFIP	Sites-visits (Accommodation + flights)	3	4	\$ 300	2	\$ 7 200	As the coordination unit for all PEPFAR activities in the country, the unit is also tasked in ensuring that the activities of the developmental partners support the strengthening of the health system in the country. The unit will have to conduct the supportive site visits to the priority districts as and when the PEPFAR needs arise.
						<b>\$ 12 600</b>	

**Other**

Item	Unit Cost	Quantity	Total	Justification
Annual Audit	\$ 40 000.00	1	\$ 40 000.00	Annual auditing of federal funds awarded to the National Department of Health: South Africa as specified by the OMB circular.
Technical assistance on VAT to the PMU	\$ 30 000.00	1	\$ 30 000.00	In view of the limited capacity and experience in NDoH in respect of VAT administration, the PMU has identified the need to source an external service provider to support the PMU with VAT administration by compiling all outstanding VAT claims, ensure that VAT is paid in the correct period and against the prescribed percentage, ensure that monthly reconciliations are performed as recommended by the OIG during their visit in the country in February 2017.
			<b>\$ 70 000.00</b>	

**CONTRACTUAL**

Sub-contractual	Total	Justification
Integrated wellness communication campaign for HIV/AIDS	\$ 4 388 592.00	To implement an integrated wellness communication campaign aimed at initiating positive health-related behaviour at the individual and collective level. The campaign presents behavior change options and activities that encourage individuals to take steps toward a positive and long term wellness trajectory, which culminates into a "revolution" of a healthy culture in South Africa. The ultimate goal will be to respond to quadruple burden of diseases
<b>\$ 4 388 592.00</b>		



### **Sample 17 - Contractual – Female Health Company**

**OIG query 1:** An invoice was not attached with the submission made on March 29, 2017.

**OIG query 2:** No evidence of monitoring provided.

**NDoH response:** Documents relating to the proof of payment from NDoH through the Female Health Company are attached. Counselling and Testing, Female Health Company was contracted to provide stipend payment process/system for the two officials who were contracted by the NDoH but but were not on the department 's payroll system. The officials were working under direct supervision of the NDoH HIV Prevention Strategy programme.

Both payments relate to the sample under review = R110 000 (two tranches of R55 000 each). Funds only relate to the financial year 2015/16. In financial year 2016/17 there was no contract.

As it was contractual, payments were made twice in two tranches of R55 000 each with same payment details and invoice number (please refer to the memo named: CONFIRMATION OF CDC AS A SOURCE OF FUNDING).

Enclosed with the response, please find documents relating to the transfer of payments made to the contractual through Female Health Company:

- December 2015
- January 2016
- February 2016
- March 2016
- Performance Management reports

### **Sample 20 - Contractual – Female Health Company**

**OIG query:** A rejected payment should not be included as an expense in the accounting records.

**NDoH response:** The NDoH has noted the comments from the OIG and will accordingly implement the recommendation in the future records.

The rejected payment for the Female Health Company was recorded both in the debit and credit side to reflect all transaction as the reconciliation records are compiled using departmental detail report, in this case, detail report for the period 1<sup>st</sup> of December to 31<sup>st</sup> of December 2016. The net effect was nil (Please refer to page 4 of the attached report)

Enclosed with the response, please find document/report reflecting how the transactions were recorded:

- 1<sup>st</sup> to 31<sup>st</sup> of December 2015 detail report



## **Sample 21 - Contractual – Female Health Company**

**OIG query:** Invoice provided only supported R22 000. No supporting documentation provided for the remaining R33 000.

The total amount for the contractual is R110 000. The amount was transferred in two totals of R55 000.

**NDoH response:** Documents relating to the proof of payment from NDoH through the Female Health Company are attached. As the contractual were not on the payroll systems of the department, however, reporting directly to the Director: HIV Counselling and Testing within the department, Female Health Company was appointed to facilitate administration process for the transfer of payments to the contractual. There was an administration fee charged for the services by the Female Health Company.

Both payments relate to the sample under review = R110 000 (two tranches of R55 000 each).

Enclosed with the response, please find documents relating to the transfer of payments made to the contractual through Female Health Company for the remaining balance:

- December 2015
- January 2016
- February 2016
- March 2016
- Letter confirming the total amount for the contractual

### Sample 35 - Travel - DIP

**OIG query:** The sample relates to travel for [REDACTED] to attend the South Africa AIDS Conference. [REDACTED] is not on the listing of employees funded by CDC.

NDoH stated this travel was related to the South African AIDS Conference held in Durban. However the traveller was flying to Johannesburg, not Durban. Also the date of the travel does not align with the dates of the conference.

**NDoH response:** The NDoH made an error in responding to this sample query as it confused it with the SA AIDS Conference where external people were sponsored to attend.

The travel actually pertained to the District Implementation Plan (DIP) meeting that were conducted by the NDoH for the provincial counterparts. The DIP meetings came about as a national response by the NDoH to the plan for the UNAIDS 90 90 90 targets for TB and HIV. The South African Department of Health further integrated the Prevention of Mother to Child Transmission (PMTCT) programme to the targets of the 90 90 90 approach.

In an attempt to move swiftly with the implementation plans, the NDoH had to engage all the stakeholders and converge them to meetings at a central places to discuss the DIP plans and get inputs from all interested parties. In this regards, the NDoH made provision to include all the provincial stakeholders to the DIP meetings to familiarise them with this initiative.

The provincial counterparts were invited to a central venue in Gauteng to present the DIP concept and get their buy-in and support. [REDACTED] was one of the chosen delegates from Limpopo province. The meeting was held in Gauteng province at the Southern Sun Hotel from the 29th - 31th March 2015.

Enclosed with the response, please find the DIP information that was presented around the country for the provincial and all the key stakeholders of the department.

- The invitation to the province from the NDoH Deputy Director General (who is also the PI for the CoAG)
- NDoH DIP presentation
- The initial concept note for the 90 90 90 DIP
- [REDACTED] Travel Authorization forms
- Invoice from the travel agency
- Email trail between the NDoH and CDC-SA approving support to the provincial delegates
- The CoAg Unit letter to indicate the availability of funds

### **Sample 36 - Travel - DIP**

**OIG query:** What was the travel for and was it related to PEPFAR

Please provide information about meeting notes, agenda or PowerPoint presentations from the District Implementation Plans (DIP). What were the dates for the meeting. Provide the attendance roster from the DIP meeting.

**NDoH response:** The DIPs were the initiative of the Department of Health to put in place innovations and plans to achieve the UNAIDS 90 90 90 target for TB and HIV. The department worked with PEPFAR partners to develop costed and prioritised plans for all the 52 districts in the country. The concept note states clearly the involvement of PEPFAR in initiating and supporting the NDoH to implement the 90 90 90. The DIP process is a fully supported PEPFAR activity as it relates to HIV and TB management.

In the initial stages of the District Implementation Plans, all stakeholders would be invited to converge at a central venue to have presentation on the DIP initiative. The CoAg supported the travel for several key NDoH personnel to attend the DIP meetings.

The DIP 90 90 90 Facilitator Guidelines, (page 4) has been developed by the PEPFAR partners in the country for implementation by the NDoH. The 90 90 90 concept note was also developed with the assistance of PEPFAR in the country.

Enclosed with the response, please find

- The initial concept note for the 90 90 90 DIP
- The Facilitator Toolkit for bottleneck analysis (main document for the DIP)

## Sample 37 - Travel

**OIG query:** Please provide information about the SA AIDS Conference. Supporting documentation includes dates, location, agenda, PowerPoint presentation, meeting notes, attendance roster, certificate of completion, etc.

The hotel receipt includes room service in the amount of ZAR 114. Were CDC funds used to pay for room service

**NDoH response** [REDACTED] was sponsored by the CDC\_NDoH CoAg to attend the South Africa Aids conference held in Durban from the 12th - 15 June 2015. He is not an employee of the NDoH but was part of the Civil Society representative who attended the conference as a request for the CoAg Principal Investigator, [REDACTED]. The representatives were from all the Civil society association affiliates to the South African National AIDS Council (SANAC). [REDACTED] was a representative for people living disability.

An amount of R114 was indeed paid for room service as part of the special arrangement made for his travel. He is wheelchair bound and had limited movement.

Accompanying the response above, please find enclosed:

- An email paper trail between CDC and the NDoH regarding approval for this travel and sponsor for the conference
- Payment invoices
- The NDoH CoAg letter indicating availability of funds to sponsor the conference
- List of all the Civil Society Representatives who were sponsored ([REDACTED]' name appearing there.)

### **Sample 38 - Travel - DIP**

**OIG query:** Please provide information about meeting notes, agenda or PowerPoint presentations from the District Implementation Plans (DIP). What were the dates for the meeting. Provide the attendance roster from the DIP meeting.

**NDoH response** The DIP were the initiative of the department of health to put in place innovations and plans to achieve the UNAIDS 90 90 90 target for TB and HIV. The department worked with PEPFAR partners to develop costed and prioritised plans for all the 52 districts in the country.

In an attempt to move swiftly with the implementation plan, the national department of health had to engage all the stakeholders and converge them to meetings at a central place to discuss the DIP plans and get inputs from them. All the key stakeholders in the department.

In the sample, the travel pertained to [REDACTED] who travelled to London on the 12th - 13th December to attend the provincial DIP meeting as part of the delegate from the National Department of Health

Enclosed with the response, please find the DIP information that was presented around the country for the PEPFAR and all the key stakeholders of the department.

- NDoH DIP presentation
- The initial concept note for the 90 90 90 DIP
- [REDACTED] Travel Authorization form
- Invoice from the travel agency

## **Sample 47 – Personnel**

### **(1) Support for non-pensionable all oth(res) ZAR 6,600.22 (\$ 550)**

Non-pensionable income is that part of the income which does not attract a compulsory contribution to your employer's pension or provident fund.

For further clarity on non-pensionable cash, please refer to attached

The supporting documentation comprises of:

- PERSAL BETP
  - 53-0428 NP CASH (SMS/MMS) (ZAR 4600.22)
  - 53-0423 Motor Car (SMS/MMS) (ZAR 2000.00)
- PERSAL report page.
- (Annexure A) **Inclusive flexible remuneration package system (dispensation) for members of the middle management service (MMS) on levels 11 and 12.** For further clarity on non-pensionable cash.

### **(2) Travel costs ZAR 14,938.01 (\$ 1,244.83)**

The supporting documentation comprises of:

- PERSAL BETP **ZAR 250**
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 250)
- PERSAL BETP **ZAR 870**
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 250)
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 310)
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 310)
- PERSAL BETP **ZAR 13,818.01**
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 310)
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 294)
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 351.90)
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 609.20)
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 328.90)
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FOEM (ZAR 379.90)
  - o BAS PRIVATE VEHICLE CLAIM FORM FOR SMS AND MMS MEMBERS (ZAR 11,250.12)

**(1) Support for employee funded by the CDC Cooperative agreement**

On the "Salaries and wages approved budget" the official was incorrectly referred to as [REDACTED]

-The official on "Employees Records –NDOD – CDC" spreadsheet in "2015-2016".

- The official on the Salaries and wages approved budget.

- An email statement from the employee.

- The employment contract of the employee.

(2) Travel Reimbursement – ZAR 961.23 for [REDACTED]

- PERSAL BETP **ZAR 387.17**
  - o BAS PRIVATE VEHICLE CLAIM FORM FOR SMS ANS MMS MEMBERS
- PERSAL BETP **ZAR 557.06**
  - o BAS TRAVEL AND SUBSISTENCE CLAIM FORM

## **Sample 50 – Personnel**

### **(1) Support for employee funded by the CDC Cooperative agreement**

██████████ Assistant Director: PMTCT, is the fully funded and approved by CDC CoAg. The budget was submitted prior March 2015 (fiscal year start) and ██████████ was only appointed on July 2015, thus, when the budget was submitted, the post was noted as vacant. (See Salaries and wages approved budget).

The supporting documentation comprises of:

- The official on “Employees Records –NDOD – CDC” spreadsheet in “2015-2016”.
- The official on the Salaries and wages approved budget.
- The PERSAL BETP Enquiry SUSP File Transact
- The employment contract of the employee.