



Office of Inspector General
United States Department of State

AUD-SI-19-43

Office of Audits

September 2019

Audit of Cooperative Agreement Sub-Award Recipients Supporting the U.S. President's Emergency Plan for AIDS Relief

SECURITY AND INTELLIGENCE DIVISION



HIGHLIGHTS

Office of Inspector General
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What OIG Audited

The U.S. President's Emergency Plan for AIDS Relief (PEPFAR) is focused on combating human immunodeficiency virus/Acquired Immunodeficiency Syndrome (HIV/AIDS). In 2016, the Department of State (Department) awarded a cooperative agreement to JSI Research and Training Institute, Inc. (JSI) valued at \$78,572,270 to disburse, manage, and monitor the use of funds for a PEPFAR project designed to identify and implement innovative solutions to reduce HIV infections. This audit focused on six Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe (DREAMS) Innovation Challenge sub-award recipients. The Office of Inspector General (OIG) performed audit fieldwork overseas for this audit in Malawi, Uganda, and Kenya.

OIG conducted this audit to determine whether sub-award recipients under JSI's cooperative agreement (1) accurately reported performance information and achieved performance goals, (2) accurately reported financial information, and (3) expended funds in accordance with requirements.

What OIG Recommends

OIG made 11 recommendations to address the issues identified during the audit. On the basis of the Department's responses to a draft of this report, OIG considers two recommendations closed; one recommendation unresolved; and eight recommendations resolved, pending further action. A synopsis of the Department's responses to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. The Department's responses to a draft of this report are reprinted in their entirety in Appendices C and D.

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What OIG Found

Sub-award recipients did not always report performance information accurately. Specifically, OIG found that four out of the six sub-award recipients it examined overreported or underreported performance information to JSI. OIG also concluded that four sub-award recipients generally achieved their goals. According to sub-award recipient officials, performance data were sometimes inaccurate for reasons such as human error and missing records. Nevertheless, to fully determine the impact of the projects and the activities funded, the Office of the U.S. Global AIDS Coordinator and Health Diplomacy, which is responsible for leading the U.S. Government's international HIV/AIDS efforts, must receive accurate performance data.

OIG also found that the six sub-award recipients accurately reported financial information but did not always submit timely financial reports. Specifically, OIG reviewed 137 financial reports and found that all were consistent with financial reporting requirements. Furthermore, OIG found that the data in 12 reports tested were mathematically accurate. However, OIG found that 38 of 137 (28 percent) financial reports were provided after the required deadlines. Delays occurred because staff members were not always available to complete the reports and collaboration with JSI was sometimes needed to finalize the reports. Nevertheless, when financial reports are not submitted in a timely manner, improper costs can go undetected and potentially jeopardize the overall award.

Finally, OIG found that the sub-award recipients generally expended funds in accordance with Federal requirements. OIG identified \$23,851 out of \$1,897,334 (1 percent) as unallowable. OIG attributes the nominal amount of questioned costs identified, in part, to the effective oversight of the award by Department personnel. However, because of the type of questioned costs identified, including value added taxes, OIG concludes that it is important for the Department to take additional steps to address these issues.

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OBJECTIVE

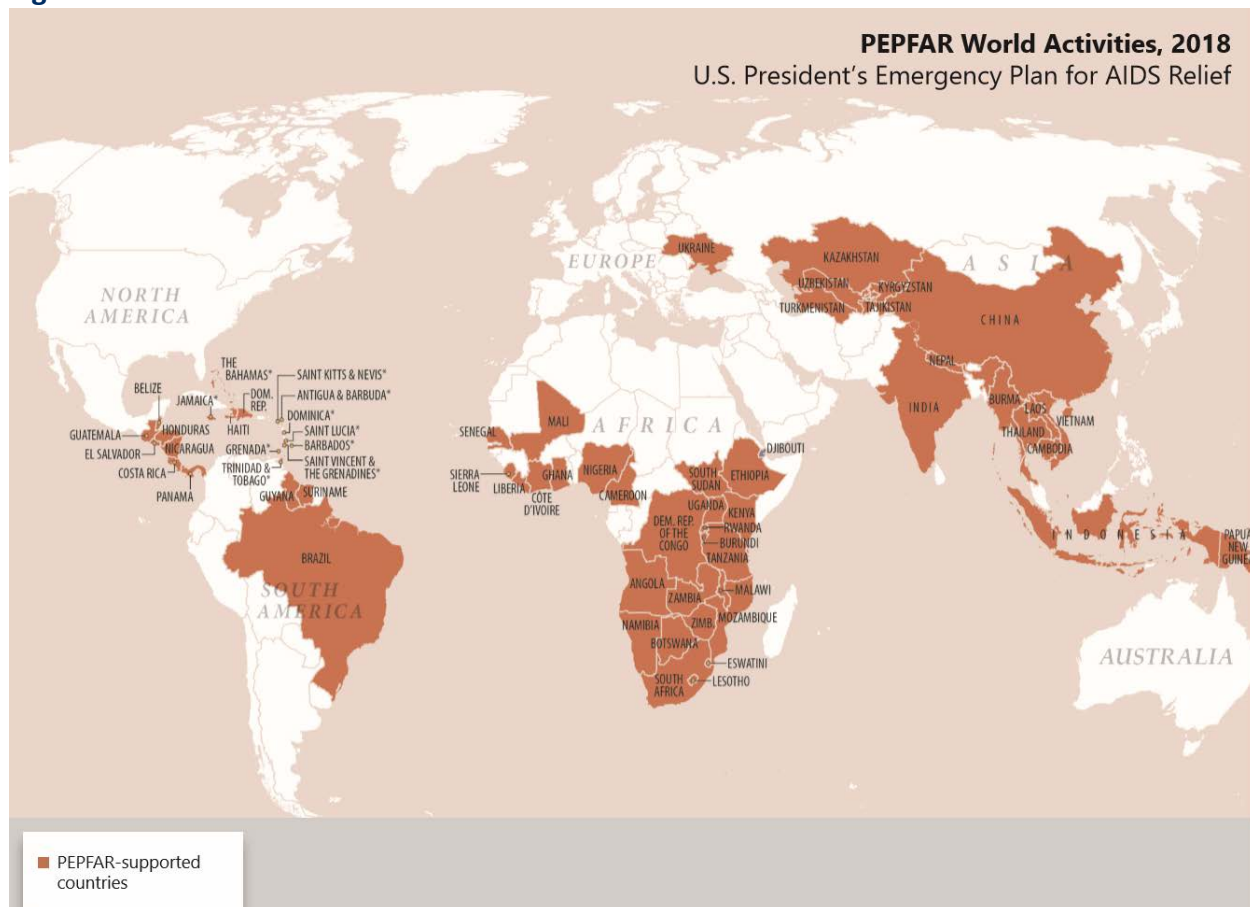
The Office of Inspector General (OIG) conducted this audit to determine whether sub-award recipients under the JSI Research and Training Institute, Inc. (JSI) cooperative agreement (1) accurately reported performance information and achieved performance goals, (2) accurately reported financial information, and (3) expended funds in accordance with requirements.

BACKGROUND

The United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003¹ launched the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) to combat human immunodeficiency virus/Acquired Immunodeficiency Syndrome (HIV/AIDS). The Act provided \$15 billion in foreign assistance over 5 years for the prevention, treatment, and control of HIV/AIDS. PEPFAR focuses on HIV/AIDS prevention and treatment efforts, which includes providing antiretroviral treatment and male circumcisions.

The Department of State's (Department) Office of the U.S. Global AIDS Coordinator and Health Diplomacy (OGAC) is responsible for leading the U.S. Government's international HIV/AIDS efforts. Since PEPFAR's inception, the U.S. Government has committed more than \$80 billion to PEPFAR, which as of 2018 covered more than 50 countries. Figure 1 shows the countries with PEPFAR activity in 2018.

¹ Pub. L. No. 108-25 (codified as amended at 22 U.S.C. § 7601 et. seq.).

Figure 1: PEPFAR Countries

Source: "U.S. President's Emergency Plan for AIDS Relief 2018 Progress Report: PEPFAR Strategy for Accelerating HIV/AIDS Epidemic Control (2017–2020)."

The Determined, Resilient, Empowered, AIDS-Free, Mentored, and Safe Partnership and Innovation Challenge

According to OGAC, as of 2017, girls accounted for 74 percent of new HIV infections among adolescents in Sub-Saharan Africa. In response, OGAC launched the Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe (DREAMS) partnership, which is supported by PEPFAR, the Bill & Melinda Gates Foundation, Girl Effect, Johnson & Johnson, Gilead Sciences, and ViiV Healthcare. The goal of the partnership is to help girls develop into determined, resilient, empowered, AIDS-free, mentored, and safe women by reducing new HIV infections in 10 Sub-Saharan African countries.² The DREAMS partnership seeks to deliver approaches that go beyond the health sector, addressing factors that increase HIV risk to girls, including poverty, gender inequality, sexual violence, and a lack of education.

To complement the DREAMS partnership, PEPFAR and its partners launched the DREAMS Innovation Challenge. The PEPFAR partnership selected 55 organizations to implement these

² The 10 countries are Kenya, Lesotho, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

innovative solutions to reduce HIV infections. Organizations selected were to implement solutions in the 10 DREAMS countries in the Innovation Challenge's 6 focus areas:

- Strengthen the leadership and capacity of community-based organizations to support the expansion of interventions.
- Ensure girls' enrollment in secondary school and address underlying retention issues.
- Link young and adult men to HIV testing and counseling, treatment, and voluntary medical circumcision services.
- Identify adolescent girls and young women appropriate for Pre-exposure Prophylaxis (PrEP) services.
- Provide a post-secondary school bridge to employment for women (ages 19–24) to decrease their risk for transactional sex and HIV.
- Increase the availability and use of data for DREAMS to inform policy, increase program impact, and help identify and support innovative solutions.

JSI Cooperative Agreement and Sub-Award Recipients

On June 27, 2016, the Department awarded a \$78,572,270 cooperative agreement to JSI to disburse, manage, and monitor the use of funds for the DREAMS Innovation Challenge over a 3-year period. Under the award, JSI issued sub-awards to 46 of the 55 DREAMS Innovation Challenge organizations.

JSI Sub-Award Recipients Selected for This Audit

For this audit, OIG selected 6 of JSI's 46 sub-award recipients for review,³ including the University of Washington; Ushahidi, Inc. (Ushahidi); Family Health International (FHI 360); World Education, Inc. (WEI); Mercy Corps; and World Vision, Inc. (World Vision).

The University of Washington

On October 1, 2016, the University of Washington received a 2-year sub-award from JSI with a ceiling amount of \$3,509,351. The University of Washington proposed to use the funds to build a PrEP program for 16,000 women (50 percent of whom were estimated to be 15–24 years old) in Kenya. The University of Washington proposed to accomplish the following:

- Train health care workers at clinics on partner HIV self-test administration; risk assessment tools; PrEP initiation; and adherence and follow-up laboratory testing.
- Deliver PrEP in clinics.
- Train clinic nurses to provide PrEP adherence support (e.g., provide encouragement, address concerns about side effects, and deliver appointment reminders) via a text messaging service.

³ See Appendix A: Purpose, Scope, and Methodology for information on the selection of recipients for review.

Ushahidi, Inc.

On October 1, 2016, Ushahidi received a 2-year sub-award from JSI with a ceiling amount of \$1,759,553. Ushahidi proposed to accomplish the following:

- Build a software tool for HIV awareness organizations that will (1) gather real-time feedback directly from young women to assess program effectiveness and (2) visualize this feedback data to inform decision making.
- Train organizations on how to use the tool to make their program efforts more efficient and effective.

Family Health International

On October 1, 2016, FHI 360 received a 2-year sub-award from JSI with a ceiling amount of \$11,084,158. FHI 360 proposed to use the funds to implement a variety of programs in Malawi focused on girls successfully transitioning to and completing secondary school. Some of the accomplishments that FHI 360 proposed include the following:

- Provide full scholarships for 16,600 girls (ages 10–24) enrolled in 62 public secondary schools to cover school fees, scholastic materials, uniforms, and menstrual hygiene kits.
- Establish opportunities for health care providers to deliver sexual and reproductive health and family planning education, as well as contraceptive methods to students and teachers at schools.
- Train teachers to provide comprehensive sexual and reproductive health education to girls and boys.

World Education, Inc.

On October 1, 2016, WEI received a 2-year sub-award from JSI with a ceiling amount of \$3,730,000. WEI proposed using the funds to focus on reaching 4,401 adolescent girls and young women (ages 15–20) who are pregnant and have dropped out of school, young mothers who recently dropped out of school, and adolescent girls with the greatest risk of becoming pregnant and dropping out of school in Tanzania, Zimbabwe, and Swaziland. Some of the accomplishments that WEI proposed include the following:

- Provide pregnant adolescents and adolescent mothers an alternative education pathway.
- Provide training on life skills, HIV prevention, comprehensive sexual education, financial literacy, and entrepreneurial skills.
- Train teachers to identify gender-based violence and refer cases for services.

Mercy Corps

On October 1, 2016, Mercy Corps received a 2-year sub-award from JSI with a ceiling amount of \$1,960,000. Mercy Corps proposed using the funds to address the growing rate of HIV/AIDS among young women (ages 19–24) who engage in transactional sex in Uganda. Mercy Corps

proposed to target 4,500 young women who are actively engaged in transactional sex or vulnerable to becoming involved. Some of the accomplishments that WEI proposed include the following:

- Connect young women to a Vocational Training Institute partner and provide 50 percent of the vocational training registration fees.
- Provide vouchers for business start-up or expansion costs, such as supplies.

World Vision, Inc.

On October 1, 2016, World Vision received a 2-year sub-award from JSI with a ceiling amount of \$3,685,000. World Vision proposed using the funds to work in more than 130 schools in 10 districts throughout Uganda to reduce secondary school dropout rates among 45,000 adolescent girls (ages 15–19). Some of the accomplishments that World Vision proposed to accomplish include the following:

- Establish an adolescent girl-led Early Warning System to identify vulnerabilities and risk factors and trigger quick actions to support the girls and reduce school dropout rates.
- Launch “Stay in School Committees” that will tackle the causes of absenteeism and monitor and support girls via a variety of mechanisms.

Requirements for Administering Cooperative Agreement Awards

The recipient of a Department cooperative agreement award is required to comply with the terms and conditions of the award. In addition, award recipients must comply with Federal and Department requirements governing the administration of the award. Specifically, Department awards are subject to requirements set forth in Title 2 of the Code of Federal Regulations (C.F.R.), Part 200,⁴ and the U.S. Department of State Standard Terms and Conditions (Department’s Standard Terms and Conditions). Furthermore, the Department’s policies and procedures pertaining to the administration of cooperative agreement awards can be found in its Federal Assistance Policy Directive.⁵

Federal Requirements

The requirements of 2 C.F.R. § 200 provide the principles for determining whether costs associated with cooperative agreements awarded to non-Federal entities are allowable, reasonable, and allocable. To be allowable, award costs must be necessary and reasonable for performing the award⁶ and “be adequately documented.”⁷ In addition, 2 C.F.R. § 200:

⁴ “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”

⁵ Department, “Federal Assistance Policy Directive,” January 14, 2016.

⁶ 2 C.F.R. § 200.403(a), “Factors affecting allowability of costs.”

⁷ 2 C.F.R. § 200.403(g).

- Sets forth cost principles for award recipients (e.g., the recipients are responsible for the efficient and effective administration of the Federal award through the application of sound management practices).⁸
- Requires award recipients assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.⁹
- Establishes that award recipients are responsible for oversight of the operations supported by the Federal award supported activities.¹⁰

Department Requirements

The Department's Standard Terms and Conditions describes the roles and responsibilities of U.S. Government personnel who award, administer, and oversee cooperative agreements. The two individuals with primary oversight and monitoring responsibilities for any cooperative agreement award are the Grants Officer (GO) and the Grants Officer Representative (GOR). The GO is responsible for all action on behalf of the Department to enter into, change, or terminate an award. The GOR, delegated by the GO, is responsible for the programmatic, technical, and scientific aspects of the award.¹¹ The GOR assists the GO in ensuring that the Department exercises prudent management and oversight of the award through monitoring and evaluation of the recipient's performance.¹²

Sub-Award Recipient Requirements

Each of the six sub-award recipients selected for this audit was required to submit monthly financial reports detailing current and to-date costs by major budget line item. In addition, all incurred costs that were reasonable, allocable, and allowable were to be covered in accordance with the terms and conditions of the C.F.R.¹³ Furthermore, the sub-award recipients were required to submit regular technical reports, including monthly performance data using the DREAMS Innovation Challenge database, in accordance with the approved monitoring and evaluation plan.

AUDIT RESULTS

Finding A: Sub-Award Recipients Did Not Always Accurately Report Performance Information but Generally Achieved Goals

OIG found that sub-award recipients did not always report performance information accurately. Specifically, OIG found that four out of six sub-award recipients overreported or underreported

⁸ 2 C.F.R. § 200.400(a), "Policy Guide."

⁹ 2 C.F.R. § 200.400(b).

¹⁰ 2 C.F.R. § 200.328(a), "Monitoring and report program performance."

¹¹ Department, "Standard Terms and Conditions," revised April 8, 2016, at 3.

¹² Department, "Federal Assistance Policy Directive," at 20.

¹³ 2 C.F.R. § 200.403.

performance information to JSI.¹⁴ To assess whether the sub-award recipients achieved goals, OIG used available performance data, including supporting documentation, in conjunction with interviews of the beneficiaries of the Federal assistance. On the basis of the information obtained and analyzed, OIG concluded that four sub-award recipients generally achieved their goals.¹⁵ According to sub-award recipient officials, performance data were sometimes inaccurate for reasons such as human error and missing records. Nevertheless, to fully determine the impact of the projects and the activities funded, OGAC must receive accurate performance data.

Reporting Performance Information

OIG found that four out of six sub-award recipients did not always report accurate performance information to JSI. Specifically, of the nine performance indicators reviewed,¹⁶ OIG found discrepancies with eight (89 percent). For many of the performance indicators reviewed, OIG found that the data were overreported or underreported. According to the C.F.R.,¹⁷ sub-award recipients must monitor their activities under Federal awards to assure that performance expectations are being achieved. Additionally, the award agreement between JSI and each sub-award recipient requires that sub-award recipients submit performance indicator data to track progress and evaluate the results attained over the life of the program.

The University of Washington

OIG performed testing to determine whether the University of Washington provided accurate performance information to JSI related to two performance indicators: (1) the number of individuals who have been newly enrolled on (oral) antiretroviral PrEP to prevent HIV infection in the reporting period and (2) the number of individuals who received HIV testing services and received their test results. OIG compared the data submitted for January through March 2018 to the source documentation maintained at four clinics in Kenya. OIG found discrepancies between the data reported and the supporting documentation for both indicators. For example, for the first performance indicator tested related to PrEP enrollment, the clinics provided medical records for 112 individuals, but the University of Washington reported 140 individuals, thereby overreporting 28 individuals. For the second performance indicator reviewed, the clinics provided medical records for 116 individuals, but the University of

¹⁴ One sub-award recipient, Mercy Corps, accurately reported performance information, and one sub-award recipient, Ushahidi, could not provide performance data to OIG for testing because it no longer had access to the data. Specifically, to report performance information to JSI, Ushahidi used a contracted software tool to clean raw data by removing duplicate and incomplete participant data. Ushahidi then used the same tool to apply its established methodology to determine the total number of beneficiaries per partner. However, once the sub-award ended in 2018, Ushahidi no longer had access to the contracted software tool used to count beneficiaries or to the validated performance data. Therefore, OIG could not compare the original performance data recorded by Ushahidi with the performance information reported to JSI.

¹⁵ One sub-award recipient, Mercy Corps, did not achieve all of its stated goals, and OIG could not test whether another sub-award recipient, WEI, had achieved its goals because of the lapse in OIG's appropriations that occurred December 21, 2018, through January 25, 2019. See WEI section for additional information.

¹⁶ See Appendix A: Purpose, Scope, and Methodology for details on how OIG selected the performance indicators.

¹⁷ 2 C.F.R. § 200.328.

Washington reported 109 individuals, thereby underreporting 7 individuals. Table 1 shows the discrepancies between the data reported and the supporting documentation reviewed for both indicators.

Table 1: OIG Testing Results – The University of Washington Performance Reporting

Indicator	Reported	OIG Count	Difference
Newly Enrolled – PrEP			
Females 15–19 Years	40	28	12
Females 20–24 Years	100	84	16
Total	140	112	28
Results of HIV Test			
Females 15–19 Years	27	27	0
Females 20–24 Years	82	89	(7)
Total	109	116	(7)

Source: OIG generated using January through March 2018 performance data reported by the University of Washington and OIG testing at four clinics in Kenya.

According to University of Washington officials, the discrepancies may have occurred because clinic staff misfiled patient medical records.

The University of Washington’s goal was to build a PrEP program for 16,000 women. On the basis of the clinic records reviewed and interviews with clinic staff, OIG concluded that the University of Washington established a PrEP program. OIG interviewed 17 health providers in Kenya who received training on how to assess women who were at risk of contracting HIV, how to counsel them effectively, and how to provide HIV self-test kits to women, so the women can provide the kits to their partners. Of 17 clinic staff interviewed, 16 (94 percent) stated that, as a result of the training, they knew how to assess women who were at risk of contracting HIV. Furthermore, all clinic staff stated that, as a result of training, they understood how to effectively counsel women, although only 9 of 17 (53 percent) stated that they understood how to dispense HIV self-test kits to women to provide to their partners.

Family Health International

OIG performed testing to determine whether FHI 360 provided accurate performance information to JSI related to two performance indicators: (1) the number of service providers trained who serve vulnerable persons and (2) the percentage of participants that view gender-based violence as less acceptable after participating in or being exposed to U.S. Government programming. OIG compared the data submitted for September 2017 to the source documentation maintained at FHI 360’s office in Lilongwe, Malawi. OIG found discrepancies between the data reported and the supporting documentation for both indicators. For example, for the first performance indicator regarding the number of service providers trained in Machinga, the training attendance sheets showed 30 participants; however, FHI 360 reported 28 participants to JSI, thereby underreporting 2 participants. For the second

performance indicator regarding the acceptance of gender-based violence in Zomba, the tests identified 13 participants scoring better on the post-training test; however, FHI 360 reported to JSI 22 participants scoring better on the post-training test, thereby overreporting 9 participants. OIG also noted discrepancies with the gender recorded for some of the participants. Table 2 shows the discrepancies between the data reported by FHI 360 and the supporting documentation reviewed for both indicators.

Table 2: OIG Testing Results - FHI 360 Performance Reporting

Indicator	Machinga District			Zomba District		
	Reported	OIG Count	Difference	Reported	OIG Count	Difference
Service Providers Trained						
Male	23	11	12	39	^b	^b
Female	5	19	(14)	19	^b	^b
Total	28	30	(2)	58	^b	^b
Acceptance of Gender-Based Violence						
Male	12	^a	^a	16	7	9
Female	13	^a	^a	6	6	0
Total	25	^a	^a	22	13	9

^a OIG could not verify the gender data reported because some participants listed one gender on one document and a different gender on another document.

^b FHI 360 could not locate these training attendance sheets during OIG's site visit. Therefore, OIG could not validate these data.

Source: OIG generated using September 2017 performance data reported by FHI 360 and OIG testing in Malawi.

With respect to the discrepancy between the number of service providers trained, an FHI 360 official stated that employees may have miscounted the attendance records for both the number of participants and their gender. With respect to the gender-based violence indicator discrepancies, an FHI 360 official stated that they could have been the result of a misunderstanding on the part of the participant because the documents were in English and English is not the training participants' primary language.

FHI 360's goal was to implement a variety of programs focused on girls successfully transitioning to and completing secondary school. On the basis of scholarship records, training attendance records, and interviews with teachers and students, OIG concluded that FHI 360 implemented programs as described in its sub-award. Of the 76 female students from 4 secondary schools in Malawi who benefitted from FHI 360 training and scholarships that OIG interviewed, 71 (93 percent) stated that FHI 360's efforts helped reduce the number of girls who drop out of secondary school.

World Education, Inc.

OIG performed testing to determine whether WEI provided accurate performance information to JSI related to three performance indicators: (1) the number of learners in secondary schools or equivalent non-school-based settings reached with U.S. Government education assistance,

(2) the number of beneficiaries served by PEPFAR orphans and vulnerable children programs for children and families affected by HIV, and (3) the proportion of individuals referred for service(s) that completed the referral. Specifically, OIG compared the data submitted for January through March 2018 to the source documentation. For the first two indicators, OIG compared the data submitted to club attendance (sign-in) sheets. For the third indicator, OIG compared the data submitted to referral forms. OIG found discrepancies between the data reported and the supporting documentation. For the first performance indicator regarding the number of students reached with U.S. Government education assistance, WEI provided attendance sheets listing 236 students but reported 229, thereby underreporting 7 students. For the second performance indicator regarding those served by orphans and vulnerable children programs, WEI provided attendance sheets listing 350 students but reported 348, thereby underreporting 2. For the third performance indicator regarding the number of completed service referrals, WEI reported 97, which matched the referral forms provided by WEI. However, OIG identified some discrepancies in the gender identification. Table 3 shows the discrepancies between the data reported by WEI and the supporting documentation reviewed.

Table 3: OIG Testing Results - WEI Performance Reporting

Indicator	Reported	OIG Count	Difference
Secondary School Students Reached			
Males 10–14 Years	97	99	(2)
Males 15–19 Years	132	137	(5)
Total	229	236	(7)
Served by Orphans and Vulnerable Children Programs			
Males 10–14 Years	97	99	(2)
Females 10–14 Years	251	251	0
Total	348	350	(2)
Completed Service Referral			
Males	97	95	2
Females	0	2	(2)
Total	97	97	0

Source: OIG generated using January through March 2018 performance data reported by WEI and results of OIG testing in Boston, MA.

According to WEI officials, the underreporting and the gender discrepancies were likely due to human error when WEI staff counted and reported performance data taken from the source documentation.

WEI's goals were to provide an alternative pathway to education for pregnant adolescents and adolescent mothers; to provide training on life skills, HIV prevention, comprehensive sexual education, financial literacy, and entrepreneurial skills; and to train teachers to identify gender-based violence and refer cases for services. OIG could not test whether WEI achieved its performance goals because of the lapse in OIG's appropriations that occurred December 21, 2018, through January 25, 2019. Specifically, OIG was unable to travel to Tanzania during the

lapse and could not reschedule a site visit to Tanzania before WEI finished performance and closed its office in Dar es Salaam.

World Vision, Inc.

OIG tested one performance indicator to determine whether World Vision provided accurate performance information to JSI: the number of parent-teacher associations or community-based school governance structures engaged in primary or secondary education supported with U.S. Government assistance. Specifically, OIG compared the data submitted for September 2017 to trip reports and school leadership workshop attendance sheets maintained at World Vision's office in Kampala, Uganda. OIG found discrepancies between the data reported and the supporting documentation for four locations. Specifically, World Vision underreported associations engaged in education for two districts (Gomba and Mityana) and overreported for two districts (Oyam and Lira). Table 4 shows the discrepancies between the data reported by World Vision and the supporting documentation at the four districts tested by OIG.

Table 4: OIG Testing Results - World Vision Performance Reporting

Indicator	Reported	OIG Count	Difference
Associations Engaged in Education			
Oyam District	19	10	9
Gomba District	5	7	(2)
Lira District	23	13	10
Mityana District	5	18	(13)
Mukono District	5	*	*
Total	57	48	4

* World Vision could not locate the training attendance sheets for the Mukono District during OIG's site visit. Therefore, OIG could not test these performance data.

Source: OIG generated using September 2017 performance data reported by World Vision and results of OIG testing in Uganda.

World Vision officials stated that the discrepancies OIG identified were due to World Vision's methodology for counting and reporting parent-teacher associations. For example, if the training attendance sheet included three signatures (e.g., head teacher, parent-teacher association representative, and Board of Governors representative) from the same school, these individuals were only counted as one unit reported in the performance indicator report. However, OIG applied World Vision's methodology, and as shown in Table 4, the results did not match the reported data.

World Vision's goal was to reduce secondary school dropout rates among 45,000 adolescent girls by establishing an adolescent girl-led Early Warning System and "Stay in School Committees." On the basis of training reports, attendance sheets, and interviews with beneficiaries, OIG concluded that World Vision established an Early Warning System and launched "Stay in School Committees" at four schools where OIG performed audit fieldwork. Of the 62 students, teachers, and community members who received training from World Vision that OIG interviewed, 62 (100 percent) stated that the training was effective.

Ushahidi, Inc.

Ushahidi could not provide performance data to OIG for testing. To report performance information to JSI, Ushahidi used a contracted software tool to clean raw data by removing duplicate and incomplete participant data. However, Ushahidi no longer had access to the contracted software tool used to count beneficiaries or to the validated performance data. Therefore, OIG could not compare the performance data recorded by Ushahidi with the performance information reported to JSI. OIG held interviews with implementing partners to assess whether Ushahidi achieved its stated goals. Ushahidi's goal was to develop a software tool for HIV awareness organizations to receive immediate feedback from beneficiaries on the effectiveness of their programs. OIG confirmed that Ushahidi had developed a software tool, which sent text messages in batches from implementing partners to beneficiaries, and trained implementing partner officials on how to use the tool. OIG interviewed officials from five implementing partners that used Ushahidi's tool, and all stated that the tool helped them engage directly with beneficiaries, receive feedback from beneficiaries on their activities, and ensure that beneficiaries received information on their activities. For example, one partner used the tool to send a message to its beneficiaries asking if they were experiencing gender-based violence. The partner received feedback about gender-based violence issues directly from the beneficiaries. Officials from two partners also stated that the immediate feedback helped them adjust their programming to be more effective. For example, one official stated that they began offering vocational training to girls who texted that they were unemployed.

Mercy Corps

OIG tested one performance indicator to determine whether Mercy Corps reported accurate information in its performance report submitted to JSI for September 2017: the number of persons actively participating in community mobilization activities. Specifically, OIG compared the data submitted to training attendance sheets maintained at the Mercy Corps office in Kampala, Uganda. As shown in Table 5, OIG did not identify any discrepancies.

Table 5: Testing Results - Mercy Corps Performance Reporting

Indicator	Reported	OIG Count	Difference
Community Mobilization Activities			
Females 15–19 Years	114	114	0
Females 20–24 Years	117	117	0
Total	231	231	0

Source: OIG generated using September 2017 performance data reported by Mercy Corps and results of OIG testing in Uganda.

Mercy Corps set a goal of assisting 4,500 young women who are actively engaged in transactional sex or vulnerable to becoming involved in transactional sex via training and supply vouchers. Of the 45 beneficiaries who received training at three vocational training institutions that OIG interviewed, 41 (91 percent) reported that the Mercy Corps training was adequate. According to its sub-award agreement, Mercy Corps was to provide vocational training and a

total of \$252,000 in supply vouchers¹⁸ to training participants. However, Mercy Corps did not provide supply vouchers for business items, such as sewing machines for tailors, to training participants. Mercy Corps officials stated that voucher implementation was delayed and that when Mercy Corps did not receive an award extension, it did not provide the vouchers to training participants. Because training participants did not receive supply vouchers, they were unable to purchase materials for their businesses and may be more likely to return to risky practices, such as transactional sex, and increase their risk of contracting HIV. That is, the failure to provide these young women with the promised vouchers undercuts the premise of the program.

Conclusion

To fully determine the effects of the projects and the activities funded by OGAC, OGAC must ensure the accuracy of performance reporting at the sub-award recipient level. The inaccurate reporting OIG identified in this audit was typically due to human error and missing records. In addition, Mercy Corps did not fully achieve its sub-award goals because, as described previously, although participants completed training, Mercy Corps did not provide supply vouchers. OIG notes that the \$252,000 obligated to provide supply vouchers and fully implement the purpose of the sub-award remains available. To realize the benefits of the training, OIG concludes that the U.S. Government should fulfill the program's commitment to training participants and provide the supply vouchers. Doing so is important in part to comply with the representations made to the program participants. Moreover, without ensuring that the participants receive these vouchers, the monies expended up to this point may well have been wasted if the participants do not have the resources to find alternatives to transactional sex. OIG is therefore offering the following recommendations to improve performance reporting at the sub-award recipient level and to fulfill the objective of the Mercy Corps program in Uganda.

Recommendation 1: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and implement quality control guides such as quality control checklists to facilitate accurate performance reporting and record retention at the sub-award recipient level for future cooperative agreements and grants, in accordance with the U.S. Department of State Standard Terms and Conditions.

Management Response: OGAC concurred with the recommendation, stating that it will adapt "existing checklists to facilitate accurate performance reporting and record retention" for future cooperative agreements and grants.

OIG Reply: On the basis of OGAC's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation

¹⁸ Supply vouchers would cover 80 percent of the average startup costs for small equipment. Mercy Corps planned to provide 1,260 supply vouchers (\$80 each) during the first year of performance and 1,890 supply vouchers (\$80 each) during the second year of performance.

demonstrating that OGAC has implemented quality control guides to facilitate accurate performance reporting and record retention for future cooperative agreements and grants.

Recommendation 2: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy—to the extent practicable and for the purpose of fulfilling the vocational training related to the Mercy Corps Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe Partnership Innovation Challenge project in Uganda—provide supply vouchers to the young women who successfully completed the vocational training.

Management Response: OGAC concurred with the recommendation, stating that it will “facilitate a discussion” with AQM “on the extent to which providing supply vouchers to the young women who successfully completed the vocational training related to the Mercy Corps [DREAMS] project in Uganda, is practicable and feasible” given that the sub-award agreement issued ended in September 2018.

OIG Reply: On the basis of OGAC’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that, to the extent practicable, OGAC provided supply vouchers to the young women who successfully completed the vocational training related to the Mercy Corps DREAMS project in Uganda.

Finding B: Sub-Award Recipients Accurately Reported Financial Information but Did Not Always Submit Timely Financial Reports

OIG found that the six sub-award recipients accurately reported financial information in their respective financial reports but did not always submit timely financial reports. Specifically, OIG reviewed 137 financial reports and found them all to be consistent with financial reporting requirements. OIG also traced the financial information in six financial reports (one from each sub-award recipient) to separately provided data and found no discrepancies. Furthermore, OIG found that the data in 12 reports tested were mathematically accurate. OIG concluded that financial reporting was proven to be accurate because sub-award recipients understood all required elements for financial reporting and submitted their monthly financial reports using the same reporting format based on instructions provided by JSI. However, of the 137 financial reports OIG reviewed, OIG found that 38 (28 percent) were provided after the required deadlines established by JSI. According to officials representing the sub-award recipients, delays in submitting financial reports primarily occurred because staff members were not always available to complete the reports and because collaboration with JSI was sometimes needed to finalize the reports. Nevertheless, when financial reports are not submitted in a timely manner, unallowable costs can go undetected and potentially jeopardize the overall award.

Reporting Financial Information

The sub-awards required recipients to submit a certified monthly financial report detailing current and to-date costs by major budget line item, following specific instructions provided by

JSI. Additionally, the sub-awards required the sub-award recipient to submit a copy of the cost/activity ledger or a detailed list of costs. OIG reviewed 137 financial reports¹⁹ and found that all were consistently reported using the same format, included a cost/activity ledger or a detailed list of costs, and were certified. In addition, OIG confirmed that the financial reporting in 12 reports tested (2 from each sub-award recipient) was mathematically accurate.

OIG also reviewed the 137 reports to determine whether they had been provided in a timely manner. OIG found that the sub-award recipients submitted 38 (28 percent) of 137 financial reports after the due date. The original sub-awards required that sub-award recipients submit monthly financial reports by the tenth day of the following month. However, at the request of five of the six sub-award recipients included in the audit,²⁰ JSI changed the reporting requirement to the tenth day of the second month. As shown in Table 6, of the 38 reports, 16 (12 percent) were submitted more than 10 days late.

Table 6: Timeliness of Sub-Award Recipients' Financial Reports

Sub-award Recipients	Number of Reports Tested	Number (Percentage) of Late Reports	Number (Percentage) of Reports Submitted More Than 10 Days Late
FHI 360	23	12 (52)	11 (48)
WEI	22	2 (9)	0 (0)
World Vision	23	2 (9)	0 (0)
The University of Washington	23	5 (22)	3 (13)
Mercy Corps	23	7 (30)	0 (0)
Ushahidi	23	10 (43)	2 (9)
Total	137	38 (28)	16 (12)

Source: OIG generated using data from JSI and its sub-award recipients and results of OIG testing of financial reports from October 2016 through August 2018.

OIG found that delays in submitting financial reports primarily occurred because sub-award recipient staff were not always available to complete the reports and collaboration with JSI was sometimes needed to finalize the reports. For example, FHI 360 officials stated that they submitted financial reports before the deadline. However, JSI required revisions to the submitted financial reports and the revised reports were not finalized until after the due date.²¹ Furthermore, the required revisions affected subsequent reports that had already been submitted and that had to be revised as well, thereby causing a ripple effect of delays. WEI

¹⁹ For 5 sub-award recipients, OIG reviewed 23 financial reports for each, dated between October 2016 and August 2018. For 1 sub-award recipient, OIG reviewed 22 financial reports dated between November 2016 and August 2018 because this sub-award recipient did not have costs in October 2016. See Appendix A (Purpose, Scope, and Methodology) for details about the process OIG used to select items for testing.

²⁰ For FHI 360, Mercy Corps, and World Vision, JSI agreed to change the reporting requirement to the tenth day of the second month at the time of the sub-award (October 2016). WEI received approval for the change for its November 2016 report and the University of Washington received approval for its January 2017 report. Ushahidi did not request a change to its reporting due date.

²¹ JSI provided to OIG the final version of the financial reports, and OIG used that date to calculate timeliness.

officials stated that one report was late because WEI was working with JSI to determine how to categorize certain costs. Both World Vision and University of Washington officials stated that the unavailability of staff members affected timeliness for some reports. University of Washington officials also stated that delays in JSI's funding of the sub-award delayed some of the submissions.

Conclusion

The timely submission of financial reports is important to ensure that improper costs are detected and addressed promptly. To facilitate this endeavor, OIG concludes that OGAC should develop quality control guides, such as quality control checklists, that can be employed by sub-award recipients. The intent of the quality control guides will be to avoid the situations identified in this audit in which the sub-award recipient struggled to categorize costs and finalize the financial report, which caused cascading delays. OIG is therefore offering the following recommendation to improve the timely submission of financial reports.

Recommendation 3: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and implement quality control guides such as quality control checklists to facilitate the timely submission of financial reports at the sub-award recipient level for future cooperative agreements and grants, in accordance with the U.S. Department of State Standard Terms and Conditions.

Management Response: OGAC concurred with the recommendation, stating that it will adapt "existing checklists to facilitate the timely submission of financial reports" for future cooperative agreements and grants.

OIG Reply: On the basis of OGAC's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that OGAC has implemented quality control guides to facilitate the timely submission of financial reports for future cooperative agreements and grants.

Finding C: Sub-Award Recipients Generally Expended Funds in Accordance With Requirements

OIG found that the sub-award recipients generally expended funds in accordance with Federal requirements award terms and conditions, the budget, and the sub-award recipient's policies. According to the C.F.R., the total cost of a Federal award is the sum of allowable direct and

allocable indirect costs less applied credits.²² The costs must be allowable,²³ reasonable,²⁴ and allocable.²⁵ For the six sub-award recipients audited, OIG tested 307 costs, valued at \$1,897,334, and is questioning 17 costs (e.g., safari costs, food costs, and sole-source contracts), valued at \$23,851 (1 percent), made by three sub-award recipients. In addition, OIG identified \$1,288 in scholarships that FHI 360 provided to students who were not authorized by the GOR. OIG also found that the Department has not included language on recovering value added taxes (VAT) in grants and cooperative agreements. In turn, JSI did not require that sub-award recipients submit VAT reimbursement requests to host governments. As a result, substantial VAT costs were charged to the U.S. Government. OIG attributes the nominal amount of questioned costs identified, in part, to the effective oversight of the GO and the GOR assigned to oversee these awards. Generally, the sub-award recipients claimed these costs, in part, because they believed that they were justified and allowable. However, because of the type of questioned costs identified, including VAT costs, OIG concludes that it is important for the Department to take additional steps. Table 7 shows the questioned costs OIG identified as a result of its testing.

²² 2 C.F.R. § 200.402, “Composition of costs.”

²³ According to 2 C.F.R. § 200.403, to be allowable, the cost must (1) be necessary and reasonable for the performance, (2) conform to any limitations or exclusions in the C.F.R. or the award, (3) be consistent with policies and procedures of the entity for the work performed, (4) be accorded consistent treatment, (5) be determined in accordance with generally accepted accounting principles, (6) not be included as a cost or used to meet cost sharing or matching requirements of any other federally funded program, and (7) be adequately documented.

²⁴ According to 2 C.F.R. § 200.404, to be reasonable, the cost must (1) be generally recognized as ordinary and necessary for the operation of the entity; (2) follow sound business practice; (3) be arm’s length bargaining and follow Federal, state, and other laws and regulations and adhere to the terms and conditions of the award; (4) fall within market prices for comparable goods or services for the geographic area; (5) be determined by individuals acting with prudence; and (6) not deviate from the method normally used by the entity regarding the incurrence of such costs.

²⁵ According to 2 C.F.R. § 200.405, to be allocable, the cost must be (1) incurred specifically for the Federal award, (2) distributed proportionally if it benefits both the Federal award and other work, and (3) necessary for the overall operation of the entity and is assignable in part to the Federal award.

Table 7: Questioned Costs As a Result of OIG Testing

Sub-Award Recipient	Number Tested	Amount Tested	Number (Percentage) Questioned	Amount (Percentage) Questioned
Ushahidi	43	\$73,244	13 (30)	\$14,877 (20)
FHI 360	27	\$1,172,247	1 (4)	\$81 (<1)
WEI	45	\$99,716	3 (7)	\$8,894 (9)
The University of Washington	108	\$356,364	0 (0)	0 (0)
Mercy Corps	34	\$50,740	0 (0)	0 (0)
World Vision	50	\$145,021	0 (0)	0 (0)
Total*	307	\$1,897,334	17 (6)	\$23,851 (1)

* Dollar amounts may not add due to rounding.

Source: OIG generated using data from October 2016 through August 2018 for the six sub-award recipients and OIG testing results.

Testing of Costs

For Ushahidi, OIG tested 43 costs with a total value of \$73,244 and is questioning 13 costs (30 percent) totaling \$14,877 (20 percent). For example, OIG questioned costs for a safari trip (including a game drive, breakfast, dinner, and hotel rooms) that occurred during an annual strategy meeting. OIG also determined that Ushahidi inappropriately awarded a sole-source contract and incorrectly calculated and charged employees' salaries. For WEI, OIG tested 45 costs with a total value of \$99,716 and is questioning 3 costs (7 percent) totaling \$8,894 (9 percent). For example, OIG questioned costs for a sole-source contract and for food for office staff. For FHI 360, OIG tested 27 costs totaling \$1,172,247 and identified 1 cost (4 percent) with a value of \$81 that was a duplicate charge (see Appendix B for details relating to the costs OIG is questioning).

In addition to the 307 costs tested, OIG found that FHI 360 provided scholarships to male students, contrary to the GOR's instructions. FHI 360's sub-award agreement states that it will support approximately 16,600 girls in secondary school. In a footnote within the agreement, FHI 360 stated that this estimate also considered 2,200 boys. In September 2017, in advance of the second year of performance, the GOR instructed JSI, in writing, that scholarships needed to focus on adolescent girls and young women and not male students. Nevertheless, OIG found that, after September 2017, FHI 360 provided 105 scholarships to male students, totaling \$1,288. JSI officials stated that they do not have any documentation confirming that they explicitly conveyed this instruction to FHI 360 officials in the second year of performance. FHI

360 officials also stated that they did not receive “formal communication” from JSI instructing FHI 360 to stop issuing scholarships to male students.

The Department’s Oversight Efforts

A cooperative agreement requires substantial involvement between the Department and the award recipient during performance. According to JSI’s award agreement, substantial involvement includes the following requirements:

- OGAC will approve the finalized work plan and the monitoring and evaluation plan.
- OGAC and the Department will approve sub-award agreements.
- OGAC will review and approve all program publicity and other outreach materials.
- OGAC and the GO will approve all significant changes to sub-award recipient project activities.
- OGAC will approve all decisions related to special circumstances or problems throughout the duration of the program.

OIG found that the GO (with his team) and the GOR generally met the substantial involvement requirements. For example, the GO and the GOR approved JSI’s work plan and monitoring and evaluation plan. The GO and GOR also reviewed budgets and statements of work in sub-award agreements.²⁶ The GOR provided the GO with quarterly reports on monitoring performance and tracking the amount of funds disbursed to sub-award recipients. The GOR stated that she reviewed materials prepared by the sub-award recipients for content. Finally, OIG found that changes to the sub-award recipients’ projects, such as a revision to the University of Washington’s budget and changes to World Vision’s scope of work and performance indicators, were approved by the GO and the GOR.

The Foreign Affairs Manual provides guidance on monitoring methods such as: 1) telephone conversations with grantees, 2) site visits, 3) review of reports prepared by grantees, 4) meetings with grantees, and 5) correspondence with grantees.²⁷ Both the GO and the GOR held weekly teleconferences with JSI to discuss implementation, and the GOR reviewed JSI’s quarterly reports and provided JSI with written feedback. The GO and the GOR also visited sub-award recipients to review program and financial performance. In total, the GO performed site visits of 25 sub-award recipients, including the 6 sub-award recipients audited by OIG, and the GOR performed site visits of 13 sub-award recipients.

The GO and the GOR generally met the award’s substantial involvement requirements because they understood their roles and responsibilities and implemented detailed monitoring plans. As a result of the GO’s and the GOR’s monitoring efforts, the Department identified deficiencies and issued requests for corrective action. For example, in August 2017, as a result of site visits, the GO documented deficiencies, such as insufficient monitoring and late reporting, that

²⁶ The original GO left AQM before the sub-awards were awarded. The subsequent GO was assigned after the sub-awards were awarded.

²⁷ 10 Foreign Affairs Manual 236.7-1, “Monitoring Methods.”

required action from JSI. The GO issued a corrective action plan for JSI, and, in November 2017, the GO determined that JSI was progressively working to address the issues identified. In August 2018, the GO reported to OIG that the performance of JSI and the sub-award recipients had improved. OIG credits, in part, the GO's and the GOR's oversight efforts for the nominal amount in identified questioned costs.

Value Added Tax

OIG also found that the Department did not require that JSI include language in the sub-awards instructing sub-award recipients to submit VAT reimbursement requests to host governments. As a result, from 2016 through 2019, FHI 360 charged \$403,687 and WEI charged \$9,680 in VAT charges to the Department. Although the C.F.R.²⁸ permits VAT as an allowable cost, some Federal agencies have procedures for Federal assistance recipients to apply for a VAT refund from the host government, which reduces the cost to the U.S. Government. For example, according to an Embassy Dar es Salaam official, the United States Agency for International Development established processes to assist its implementing partners in Tanzania with obtaining a VAT refund from the Government of Tanzania. An Embassy Lilongwe official stated that similar procedures were in place for United States Agency for International Development and Centers for Disease Control and Prevention award recipients. According to Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM) officials, the Bureau of Administration has not included language on recovering VAT in grants and cooperative agreements but plans to add a standard provision on VAT reimbursements starting in FY 2020.

OIG is questioning the \$403,687 in VAT costs charged by FHI 360 because they were unnecessary costs incurred as a result of the Department not including a VAT reimbursement clause in JSI's prime award that would have flowed down to the sub-awards. Furthermore, OIG is questioning the \$9,680 charged by WEI because WEI also requested reimbursement from the Government of Tanzania. WEI officials stated that WEI would refund JSI for any VAT reimbursements received.

Conclusion

OIG found that the sub-award recipients generally expended funds in accordance with requirements. This was due, at least in part, to the engaged and effective oversight of the GO and the GOR assigned to oversee these awards. OIG nonetheless identified some questioned costs. Sub-award recipients generally claimed these costs, in part, because they believed they were justified and allowable. However, some costs that were submitted and paid were associated with a safari, food costs, and specific sole-source contracts and should have been recognized as unallowable. Because of the type of unallowable costs identified, OIG concludes that it is important for the Department to take additional steps to ensure sub-award recipients fully understand the principles for determining whether incurred costs are allowable. Furthermore, the Department missed an opportunity to recoup VAT reimbursement because it

²⁸ 2 C.F.R. § 200.470(c), "Taxes (including Value Added Tax)."

did not require JSI to include language in the sub-awards instructing sub-award recipients to submit VAT reimbursement requests to host governments. As a result, the Department unnecessarily incurred costs that could have been covered by host governments. To address these issues, OIG is offering the following recommendations.

Recommendation 4: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and issue guidance to inform current and future award and sub-award recipients about the cost principles for award recipients outlined in the Code of Federal Regulations.

Management Response: OGAC concurred with the recommendation, stating that it will adapt “existing guidance to inform current and future award and sub-award recipients about the cost principles” outlined in the Code of Federal Regulations.

OIG Reply: On the basis of OGAC’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that OGAC has issued guidance to inform current and future award and sub-award recipients about the cost principles outlined in the Code of Federal Regulations.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$14,877—of which \$1,999 is unsupported—in questioned costs for personnel, supplies, other direct costs, and travel incurred by Ushahidi, Inc. (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response: The Bureau of Administration, Office of the Procurement Executive (A/OPE) concurred with the recommendation, stating that it will review the identified unsupported costs, make a determination, and, if applicable, recover costs determined to be unallowable.

OIG Reply: On the basis of A/OPE’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM has taken action regarding the \$14,877 in questioned costs incurred by Ushahidi under award S-LMAQM-16-CA-1103, including the recovery of the costs determined to be unallowable.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$1,288 in questioned costs for other direct costs incurred by Family Health International (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response: A/OPE concurred with the recommendation, stating that it will review the identified unsupported costs, make a determination, and, if applicable, recover costs determined to be unallowable.

OIG Reply: On the basis of A/OPE's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM has taken action regarding the \$1,288 in questioned costs incurred by FHI 360 under award S-LMAQM-16-CA-1103, including the recovery of the costs determined to be unallowable.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$8,894 in questioned costs for personnel, supplies, and other direct costs incurred by World Education, Inc. (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response: A/OPE concurred with the recommendation, stating that it will review the identified unsupported costs, make a determination, and, if applicable, recover costs determined to be unallowable.

OIG Reply: On the basis of A/OPE's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM has taken action regarding the \$8,894 in questioned costs incurred by WEI under award S-LMAQM-16-CA-1103, including the recovery of the costs determined to be unallowable.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive finalize its effort to include a standard provision related to obtaining reimbursements for value added taxes in all grants and cooperative agreements to prevent the unnecessary expenditure of funds.

Management Response: A/OPE concurred with the recommendation to finalize a standard provision related to VAT.

OIG Reply: On the basis of A/OPE's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has established, for inclusion in all grants and cooperative agreements, a standard provision related to obtaining reimbursements for VAT.²⁹

²⁹ On the basis of A/OPE's response to a draft of this report, OIG separated Recommendation 8 into two distinct recommendations to promote their implementation (Recommendations 8 and 9 of this report).

Recommendation 9: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Office of U.S. Foreign Assistance Resources, Resources and Appropriations Division, calculate an estimate of the anticipated savings within the first year of including the standard provision related to obtaining reimbursements for value added taxes in grants and cooperative agreements.

Management Response: A/OPE requested that OIG assign this recommendation to the Office of U.S. Foreign Assistance Resources, Resources and Appropriations Division. A/OPE stated that the Office of U.S. Foreign Assistance Resources is “best positioned . . . to establish a methodology and estimate of any anticipated savings.” A/OPE stated that it does not have access to all authorized budgets contained in Department assistance awards, which A/OPE believes are necessary to implement this recommendation. It also states that the Office of U.S. Foreign Assistance Resources has a “historical perspective” that will help it establish a reasonable basis for an estimate.

OIG Reply: OIG separated Recommendation 8 in a draft of this report into two distinct recommendations to promote implementation of the recommendations (Recommendations 8 and 9 of this final report). In addition, OIG updated this recommendation to include the Office of Foreign Assistance Resources, Resources and Appropriations Division as a coordinating entity. However, OIG believes that A/OPE is the correct entity, in coordination with the Office of U.S. Foreign Assistance Resources, to lead implementation of the recommendation. As OIG discussed with A/OPE officials, A/OPE has access to basic information that OIG believes can be used to address this recommendation. To the extent that more specific or historical information is needed, A/OPE can and should coordinate with the Office of U.S. Foreign Assistance Resources to obtain that data. However, A/OPE should remain the action entity because of its leadership role over the Department’s procurement services. Therefore, OIG currently considers this recommendation unresolved and will work with A/OPE during the audit compliance process to foster collaboration with the Office of U.S. Foreign Assistance Resources and ensure the recommendation is fully implemented. This recommendation will be considered resolved when A/OPE provides details on the steps it, in coordination with the Office of Foreign Assistance Resources, will take to identify the estimated savings from establishing a standard provision in grants and cooperative agreements related to obtaining reimbursements for VAT. This recommendation will be closed when OIG receives and accepts documentation that A/OPE, in coordination with the Office of Foreign Assistance Resources, calculated an estimate of the anticipated savings within the first year of including the standard provision related to obtaining reimbursements for VAT in grants and cooperative agreements.

Recommendation 10: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$403,687 in questioned costs for value added taxes incurred by Family Health International under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response: The Bureau of Administration, Office of the Procurement Executive concurred with the recommendation,³⁰ stating that the GO had reviewed the amount in question and determined that the questioned costs were allowable.

OIG Reply: On the basis of AQM's concurrence with the recommendation and the GO's determination on VAT (see Appendix E), OIG considers the recommendation closed and no further action is required.

Recommendation 11: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$9,680 in questioned costs for value added taxes incurred by World Education, Inc. under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response: AQM concurred with the recommendation,³¹ stating that the GO had reviewed the amount in question and determined that the questioned costs were allowable.

OIG Reply: On the basis of AQM's concurrence with the recommendation and the GO's determination on VAT (see Appendix E), OIG considers the recommendation closed and no further action is required.

³⁰ Recommendation 8, presented in a draft of this report, was separated into two distinct recommendations in this final report to promote implementation of the recommendations (Recommendations 8 and 9 of this final report). Therefore, AQM's response to a draft of this report (see Appendix E) addressed Recommendation 9, which is now Recommendation 10 in this final report.

³¹ Recommendation 8, presented in a draft of this report, was separated into two distinct recommendations in this final report to promote implementation of the recommendations (Recommendations 8 and 9 of this report). Therefore, AQM's response to a draft of this report (see Appendix E) addressed Recommendation 10, which is now Recommendation 11 in this final report.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and implement quality control guides such as quality control checklists to facilitate accurate performance reporting and record retention at the sub-award recipient level for future cooperative agreements and grants, in accordance with the U.S. Department of State Standard Terms and Conditions.

Recommendation 2: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy—to the extent practicable and for the purpose of fulfilling the vocational training related to the Mercy Corps Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe Partnership Innovation Challenge project in Uganda—provide supply vouchers to the young women who successfully completed the vocational training.

Recommendation 3: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and implement quality control guides such as quality control checklists to facilitate the timely submission of financial reports at the sub-award recipient level for future cooperative agreements and grants, in accordance with the U.S. Department of State Standard Terms and Conditions.

Recommendation 4: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and issue guidance to inform current and future award and sub-award recipients about the cost principles for award recipients outlined in the Code of Federal Regulations.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$14,877—of which \$1,999 is unsupported—in questioned costs for personnel, supplies, other direct costs, and travel incurred by Ushahidi, Inc. (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$1,288 in questioned costs for other direct costs incurred by Family Health International (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$8,894 in questioned costs for personnel, supplies, and other direct costs incurred by World Educaion, Inc. (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive finalize its effort to include a standard provision related to obtaining

reimbursements for value added taxes in all grants and cooperative agreements to prevent the unnecessary expenditure of funds.

Recommendation 9: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Office of U.S. Foreign Assistance Resources, Resources and Appropriations Division, calculate an estimate of the anticipated savings within the first year of including the standard provision related to obtaining reimbursements for value added taxes in grants and cooperative agreements.

Recommendation 10: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$403,687 in questioned costs for value added taxes incurred by Family Health International under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Recommendation 11: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$9,680 in questioned costs for value added taxes incurred by World Education, Inc. under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether sub-award recipients under the JSI Research and Training Institute, Inc. (JSI) cooperative agreement (1) accurately reported performance information and achieved performance goals, (2) accurately reported financial information, and (3) expended funds in accordance with requirements.

The Office of Audits conducted this audit from October 2018 through June 2019. Issuance of this report was delayed because of the lapse in OIG's appropriations that occurred from 11:59 p.m. December 21, 2018, through January 25, 2019. Audit work was performed in the Washington, DC, metropolitan area; Boston, MA; Portland, OR; Seattle, WA; Kenya; Malawi; and Uganda. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To obtain background information, including criteria, OIG reviewed Federal regulations, including Title II of the Code of Federal Regulations, Part 200 (2 C.F.R. § 200); sub-award agreements between JSI and its sub-award recipients; sub-award recipients' monitoring and evaluation plans; and Department of State (Department) policies relating to Federal assistance awards, such as the Foreign Affairs Manual, the Foreign Affairs Handbook, and the U.S. Department of State Standard Terms and Conditions. To obtain an understanding of how each sub-award recipient reported financial and performance data, OIG reviewed the sub-award agreements and discussed reporting requirements with Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), officials; Office of the U.S. Global AIDS Coordinator and Health Diplomacy officials; JSI officials; and officials representing the sub-award recipients. OIG also reviewed the sub-award recipients' internal policies to gain an understanding of their operations related to administering the awards, including financial and procurement processes associated with costs.

OIG selected six sub-award recipients to audit: the University of Washington; Ushahidi, Inc. (Ushahidi); Family Health International (FHI 360); World Education, Inc. (WEI); Mercy Corps; and World Vision, Inc. (World Vision). To determine whether the selected sub-award recipients accurately reported performance information, OIG reviewed monthly and quarterly performance reports (October 2016 through September 2018) submitted to JSI by the six sub-award recipients.¹ For each sub-award recipient, OIG selected 1 month or 1 quarter of performance data and tested their accuracy against supporting source documentation (e.g., participant sign-in sheets, patient records, health service referrals, and training reports).

To determine whether the sub-award recipients achieved stated performance goals, OIG reviewed supporting documentation related to program implementation and interviewed

¹ Not all six sub-recipients submitted performance reports for every month or quarter.

beneficiaries of the sub-award recipients' programs in Kenya, Malawi, and Uganda.² For the University of Washington, OIG conducted site visits to clinics in Kenya and interviewed 17 clinic technicians, nurses, pharmacists, and administrators. For Ushahidi, OIG conducted site visits to 5 Kenyan nongovernmental organizations that used Ushahidi's software tool and interviewed 15 users. For FHI 360, OIG conducted site visits to secondary schools in Malawi and, using training and scholarship records, interviewed 14 teachers and 76 students. For Mercy Corps, OIG conducted site visits to vocational training institutes in Uganda and, using training records, interviewed 45 training participants. For World Vision, OIG conducted site visits to secondary schools in Uganda and interviewed 62 teachers, students, faith leaders, and community leaders.

To determine whether sub-award recipients accurately reported financial information, OIG reviewed financial reports submitted to JSI by the sub-award recipients from October 2016 through August 2018. OIG tested whether financial reports were consistent with requirements (i.e., completed using instructions provided by JSI, all fields completed, and certified by an authorized representative) and were submitted by the JSI-established deadline. OIG also traced the financial information in six financial reports (one from each sub-award recipient) to separately provided data. In addition, OIG tested two reports from all sub-award recipients for mathematical accuracy.

To determine whether sub-award recipients claimed costs that were allowable, reasonable, allocable, and made in accordance with Federal assistance requirements and the terms and conditions of the award, OIG tested a selection of 307 costs. OIG reviewed supporting documentation, such as invoices, purchase orders, receiving documents, and timesheets; reviewed sub-award recipients' human resources, travel, and procurement policies; verified mathematical accuracy; and verified calculations used to allocate costs among different projects. OIG also discussed costs with the officials representing the sub-award recipients.

To determine whether value added tax costs were allowable, OIG reviewed the C.F.R. and discussed value added taxes with sub-award recipient officials, embassy officials, and AQM officials.

To determine whether the Grants Officer (GO) and the Grants Officer Representative (GOR) were substantially involved with the award, OIG met with the GO and the GOR to discuss the award and the performance of JSI and the sub-award recipients. OIG also reviewed email communications between the Department and JSI; meeting minutes in which the GO, the GOR, and JSI were present; the GO's and the GOR's site visit reports; the GOR's review of quarterly reports submitted by JSI; documentation of the GO's and the GOR's approval of sub-awards; and corrective action letters sent by JSI at the request of the GO to sub-award recipients.

² Because of the lapse in OIG's appropriations that occurred from 11:59 p.m. December 21, 2018, through January 25, 2019, OIG was unable to travel to Tanzania and fully assess whether WEI achieved its stated goals. OIG could not reschedule a site visit to Tanzania before WEI finished performance and closed its office in Dar es Salaam, Tanzania.

Prior Reports

OIG reviewed three previously issued reports to identify information related to Department of State grants and cooperative agreements under the U.S. President's Emergency Plan for AIDS Relief (PEPFAR). Although OIG had issued other reports on various aspects of PEPFAR, none specifically covered grants or cooperative agreements.³

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls for award management for each sub-award recipient. Specifically, OIG reviewed awardee documentation, including sub-award agreements between each sub-award recipient and JSI, and held interviews with the sub-award recipients' finance and program officials. In addition, OIG reviewed sub-award recipient procurement, travel, and human resources policies. OIG chose not to rely solely on or to test specifically those controls to determine the allowability of costs. For program performance, OIG was able to verify, through supporting documentation and interviews, that the sub-award recipients generally complied with performance requirements for Federal assistance awards. Details of the internal control deficiencies identified during the audit are presented in the Audit Results section of this report.

Use of Computer-Processed Data

OIG obtained and used computer-generated data provided by JSI and AQM. Specifically, OIG obtained a list of sub-award recipients from AQM and financial and performance reports provided by JSI for each of the six sub-award recipients.

Universe of Sub-Award Recipients

OIG received a list of 46 sub-award recipients and the sub-award amounts from AQM. To verify the completeness and accuracy of these data, OIG performed a search of the USASpending.gov website⁴ for awards by the Department. The search provided data related to the cooperative agreement awarded to JSI. However, the search results included only 41 of 46 sub-award recipients on AQM's list. OIG compared the data from USASpending.gov to the data provided by AQM and identified five sub-award recipients not listed on USASpending.gov. OIG searched the State Assistance Management System⁵ and retrieved the sub-awards for these five sub-award recipients. The sub-awards' information matched the information included on the list from AQM. OIG therefore concluded that the data were sufficiently reliable for the purposes of this audit.

³ OIG reports reviewed include: Inspection of Embassy Addis Ababa, Ethiopia (ISP-I-18-18, May 2018); Inspection of the Bureau of African Affairs (ISP-I-18-01, October 2017); and Compliance Followup Audit of Department of State Actions To Address Weaknesses in the Ownership, Award, Administration, and Transfer of Overseas Construction Funded by the President's Emergency Plan for AIDS Relief (AUD-ACF-14-32, August 2014).

⁴ <https://www.usaspending.gov/Pages/AdvancedSearch.aspx>.

⁵ The State Assistance Management System is used to manage all Department awards.

Performance Reports

OIG obtained performance reports from JSI for October 2016 through September 2018 for the selected sub-award recipients. OIG found that the performance reports provided by JSI did not raise any additional questions and were sufficiently reliable for the purposes of the audit. OIG also compared information provided by the Department with performance indicator data included in the January through March 2018 quarterly report for each of the six selected sub-award recipients and found that the data matched. OIG concluded that the performance data were sufficiently reliable for the purposes of this audit.

Financial Reports

OIG obtained the selected sub-award recipients' monthly financial reports from JSI for October 2016 through August 2018, except for WEI, which did not submit a financial report for October 2016.⁶ OIG reviewed and verified that it received a financial report for each month within the timeframe described for each of the six sub-award recipients, attesting to the completeness of the number of financial reports. Additionally, OIG used the financial reports to select costs to test for allowability. To verify the reliability of the data presented in the two financial reports, OIG obtained a copy of the sub-award recipient's ledger or a detailed list of costs from the sub-award recipient and summed the costs by major budget line item and compared the summation to the budget line item included in the monthly financial report submitted to JSI. All summations matched the monthly financial reports for September 2017 and February 2018. OIG also used financial data to select costs to determine whether the costs were allowable, reasonable, allocable, and supported and made in accordance with the award's terms and conditions, budget, and Federal requirements. OIG concluded that the financial data were sufficiently reliable for the purposes of this audit.

Detailed Sampling Methodology

The objectives of the sampling process were to determine whether sub-award recipients achieved performance goals, accurately reported performance information, and claimed costs that were allowable, reasonable, allocable, and made in accordance with Federal assistance requirements and the terms and conditions of the award. To accomplish this, OIG reviewed 6 sub-award recipients that performed work at 4 locations and examined 9 performance indicators and 307 costs.

Selection of Sub-Award Recipients

To select a sample of sub-award recipients, OIG obtained from AQM a universe of 46 sub-award recipients that received a total of \$64,733,065 in sub-awards. OIG scoped down the universe to sub-awards greater than \$1.75 million. This resulted in 10 sub-award recipients that were performing work in 7 countries. From these 10 sub-award recipients, OIG selected the 4 sub-award recipients with the highest dollar value awards: FHI 360, WEI, World Vision, and the University of Washington. For those four sub-award recipients, OIG planned to conduct audit

⁶ According to JSI officials, WEI did not have financial costs for that time period.

fieldwork in Malawi, Tanzania⁷, Uganda, and Kenya. From the remaining six sub-award recipients, OIG elected to select an additional two sub-award recipients that performed work in Tanzania, Uganda, or Kenya for logistical reasons.⁸ As a result, on the basis of the next largest sub-award amounts, OIG selected Mercy Corps and Ushahidi because they performed work in Uganda and Kenya, respectively.⁹ Therefore, OIG selected a total of six sub-awards totaling \$25,728,062 for testing. Table A.1 lists the sub-award recipients selected for testing, along with the corresponding award amount and countries of operation.

Table A.1: Selected Sub-award Recipients

Sub-award Recipients	Award Amount	Countries of Operation
FHI 360	\$11,084,158	Malawi
WEI	\$3,730,000	Tanzania, Swaziland, Zimbabwe
World Vision	\$3,685,000	Uganda
The University of Washington	\$3,509,351	Kenya
Mercy Corps	\$1,960,000	Uganda
Ushahidi	\$1,759,553	Kenya, Tanzania, Uganda
Total	\$25,728,062	

Source: Generated by OIG using data from JSI's Quarter 7 Report, January 1–March 31, 2018, and data obtained from the Grants Officer.

Selection of Performance Metrics

OIG obtained performance reports from JSI for October 2016 through September 2018. OIG selected performance data reported in the month of September 2017 or the January through March 2018 quarter for testing. OIG selected these reports to be consistent with the reports selected for financial cost testing. Table A.2 shows the universe of performance indicators that each sub-award recipient reported to JSI and the performance indicators OIG selected for testing.

⁷ OIG selected Tanzania as the country of performance for WEI because, of the three countries, Tanzania had the largest budget amount: Tanzania - \$1.7 million, Zimbabwe - \$1.1 million, Swaziland - \$935,000.

⁸ OIG chose not to select a second sub-award recipient performing work in Malawi because FHI 360 had the largest sub-award and all funds were to be spent in Malawi.

⁹ OIG selected Kenya as the country of performance for Ushahidi because, of the three countries, Kenya had the largest budget amount: Kenya - \$1.5 million, Tanzania - \$133,300, Uganda - \$125,300.

Table A.2: Performance Indicators Reported to JSI and Selected by OIG

Indicator Code	FHI 360	Mercy Corps	Ushahidi	University of Washington	WEI	World Vision
PP_PREV	X	X				X
REF_COMP				X	X	X
PREP_NEW				X		
HTS_TST				X		X
PREV_KNOW	X	X				X
EG.6-1		X				
EG.6-3		X				
EG.3-2.3		X				
EG.3-2.5		X				
ES.4-3		X				
ES.1-13	X					X
ES.1-4	X				X	X
ES.4-2	X					X
STIR-11			X			
GNDR-4						X
GNDR-7	X	X				
SCH_RET	X				X	X
DRP_REEN	X					
HYG_PROD	X					X
COMM_MOB	X	X			X	X
OVC_SERV					X	
D4D_IND			X			
Total (OIG Selected)	10 (2)	9 (1)	2 (1)	3 (2)	5 (3)	11 (1)

X – OIG Selected

Source: OIG generated using performance data reported by each of the sub-award recipients and OIG testing of September 2017 or January through March 2018 performance data.

The University of Washington

For the University of Washington, OIG selected two performance indicators (PREP_NEW¹⁰ and HTS_TST)¹¹ of three in the quarterly performance report covering January through March 2018. OIG selected the two performance indicators because they included new data for females ages 15 to 24 years old (the Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe Innovation Challenge target group). Of 37 clinics, OIG selected 6 clinics because the team determined that it could visit 2 clinics a day during a 3-day trip. This timeframe allowed sufficient time to review documentation supporting the performance data and interview staff on the work performed and training provided by University of Washington staff. The University

¹⁰ PREP_NEW reported the number of individuals who have been newly enrolled on (oral) antiretroviral PrEP to prevent HIV infection in the reporting period. See Finding A, Table 1 for the results.

¹¹ HTS_TST reported the number of individuals who received HIV testing services and received their test results. See Finding A, Table 1 for the results.

of Washington categorized clinics as (1) Pre-exposure Prophylaxis Implementation in Young Women and Adolescents sites, (2) mentorship sites, and (3) clinics that offered HIV self-test kits to patients. OIG used a random number generator to select the six clinics (one public and one private from each of the three categories). The six clinics selected were Ahero County Hospital, Maseno Mission Hospital, Manywanda Sub-County Hospital, Nightingale Medical Center, Nyahera Sub-County Hospital, and Ojolla Health Center. Table A.3 shows the number and type of clinics in which the University of Washington performed work and trained staff members.

Table A.3: University of Washington Clinics

Criteria for Selection	Number of Public Clinics	Number of Private Clinics	Totals
Pre-exposure Prophylaxis Site	6	2	8
Mentorship Site	19	2	21
Site Offering HIV Self-test Kits	5	3	8
Total	30	7	37

Source: OIG generated using data provided by the University of Washington.

Ushahidi, Inc.

For Ushahidi, OIG selected one of two performance indicators from the quarterly performance report covering January through March 2018 because Ushahidi reported new performance data for performance indicator D4D_IND¹² during that time period. Ushahidi worked with five implementing partners¹³ in Nairobi, Kenya, and three implementing partners in Kisumu, Kenya. OIG elected to review performance data for the five implementing partners in Nairobi because Ushahidi's headquarters office, where it maintains supporting documentation for both the financial and performance data, is in Nairobi.

Family Health International

For FHI 360, OIG selected to test two performance indicators reported in the September 2017 performance report: ES.4-2¹⁴ and GNDR-7.¹⁵ FHI 360 reported data for two districts in Malawi: Machinga and Zomba. OIG selected schools in the Zomba district because that district had a larger number of schools (44 schools in Zomba versus 21 schools in Machinga). Using a list of all secondary schools that received scholarship assistance from FHI 360, OIG selected the four schools with the most scholarship recipients to conduct site visits: Likangala Secondary School,

¹² D4D_IND reported the number of individuals reached with improved data platforms. See Finding A for results.

¹³ The implementing partners were the African Centre For Women in ICT [Information and Communications Technology], the Ananda Marga Universal Relief Team, the Bar Hostess Empowerment and Support Programme, Global Communities, and Hope Worldwide Kenya. These implementing partners were other non-governmental organizations performing work for the DREAMS program who entered into an agreement with Ushahidi to use Ushahidi's tool.

¹⁴ ES.4-2 reported the number of service providers trained who serve vulnerable persons. See Finding A, Table 2 for the results.

¹⁵ GNDR-7 reported the percentage of participants that view gender-based violence as less acceptable after participating in or being exposed to U.S. Government programs. See Finding A, Table 2 for the results.

Malindi Secondary School, St. Mary's Secondary School, and Zomba Urban Secondary School. OIG selected 15 beneficiaries at each school to interview on the basis of student availability. Because of the availability of additional scholarship recipients, OIG interviewed 76 training participants. Table A.4 shows the number of scholarship recipients selected at each school.

Table A.4: FHI 360 Scholarship Recipients Sample

School	Total Scholarship Recipients	Total Sample	Total Interviewed
Likangala Secondary School	379	15	20
Malindi Secondary School	378	15	21
St. Mary's Secondary School	360	15	16
Zomba Urban Secondary School	316	15	19
Total	1,433	60	76

Source: OIG generated using data provided by FHI 360.

World Education, Inc.

WEI reported new data on four of five performance indicators reported in the quarterly performance report covering January through March 2018.¹⁶ For these 4 performance indicators, WEI reported data for 20 disaggregated categories. OIG used a random number generator and selected five categories to test:

- OVC_SERV¹⁷ (males, ages 10–14)
- OVC_SERV (females, ages 10–14)
- ES.1-4¹⁸ (males, ages 10–14)
- ES.1-4 (males, ages 15–19)
- REF_COMP¹⁹ (males)

Mercy Corps

For Mercy Corps, OIG selected performance indicators for September 2017 because this performance period included new data. OIG selected one performance indicator of three for testing. Specifically, OIG selected new performance data reported for COMM_MOB²⁰ in all three districts in which Mercy Corps performed work. Of eight training institutes, OIG selected one training institute from each district in Uganda: Gulu, Lira, and Oyam. In Lira, OIG selected

¹⁶ In September 2017, WEI reported new data for two performance indicators.

¹⁷ OVC_SERV reported the number of beneficiaries serviced by PEPFAR Orphans and Vulnerable Children programs for children and families affected by HIV. See Finding A, Table 3 for the results.

¹⁸ ES.1-4 reported the number of learners in secondary schools or equivalent non-school based settings reached with U.S. Government education assistance. See Finding A, Table 3, for the results.

¹⁹ REF_COMP reported the proportion of individuals referred for service(s) that completed the referral. See Finding A, Table 3, for the results.

²⁰ COMM_MOB reported the number of persons actively participating in community mobilization activities. See Finding A, Table 4, for the results.

the Lira Mobile Vocational Training Institute because, of the two institutes in the district, it served the highest number of training participants. In Gulu, OIG selected the Gulu War Affected Training School because, of the three institutes in the district, it served the highest number of training participants. In Oyam, OIG selected the Lillian Beauty Salon because OIG wanted to select at least one private business and this private business served the highest number of training participants.²¹ Using a random number generator, OIG selected 20 beneficiaries from each training institute to interview. Because of the availability of training participants, OIG interviewed 45 training participants. Table A.5 provides the universe of training participants at each institute selected.

Table A.5: Mercy Corps Training Participants Sample

Training Institute	Total Training Participants	Total Sample	Total Interviewed
Lira Mobile Vocational Training Institute	51	20	16
Gulu War Affected Training School	81	20	15
Lillian Beauty salon (Oyam)	30	20	14
Total	162	60	45

Source: OIG generated using data provided by Mercy Corps.

World Vision, Inc.

For World Vision, OIG chose to test performance indicators for September 2017 because this performance period included new data. OIG used a random number generator to select 5 districts (out of 10) to test one performance indicator (ES.1-13).²² The districts in Uganda selected were Gomba, Mukono, Lira, Mityana, and Oyam. Because of travel logistics, OIG determined that it could only visit schools in the Mukono and Mityana districts. The 2 districts had a total of 40 schools. Drawing on a list of training provided by World Vision in schools in the Mukono and Mityana districts, OIG used a random number generator to select four schools (two in each district) to conduct site visits: Namasumbi Secondary School, Namutamba Secondary School, Seeta College, and Sekanyonyi Secondary School.

Using lists provided by World Vision of beneficiaries who received training, OIG initially selected 2 beneficiaries from each training section for each of the 4 schools for a total of 58 beneficiaries to interview. Because of the availability of additional training participants, OIG interviewed 62 training participants. Table A.6 provides the universe of training participants at each school selected.

²¹ Of eight training institutes, two were private businesses (both located in Oyam).

²² ES.1-13 reported the number of parent-teacher associations or community-based school governance structures engaged in primary or secondary education supported with U.S. Government assistance. See Finding A, Table 5 for the results.

Table A.6: World Vision Training Participants Sample

School	Total Training Participants	Total Sample	Total Interviewed
Namasumbi Secondary School	186	16	13
Namutamba Secondary School	219	16	18
Seeta College	178	14	19
Sekanyonyi Secondary School	141	12	12
Total	724	58	62

Source: OIG generated using data provided by World Vision.

Selection of Costs

OIG obtained financial data for all six sub-award recipients for October 2016 through August 2018. The total amount of costs for that period was \$15,676,011. OIG selected costs from the months of September 2017 and February 2018. These 2 months were selected because each sub-award recipient made costs pertaining to the sub-award recipients' performance goals (e.g., scholarship payments or training costs) or another category of interest to OIG: payments to sub-sub-award recipients, personnel costs, travel costs, and other direct costs. In addition, OIG selected costs considered high risk, such as multiple payments to the same payee on the same day.

The University of Washington

For the University of Washington, OIG initially selected 114 costs, valued at \$493,244, for testing. However, because of time constraints during the overseas audit fieldwork, OIG ultimately tested 108 costs, valued at \$356,364. The 108 costs reviewed were haphazardly selected.²³ Table A.7 indicates the types of costs (by budget line item included in financial reports submitted to JSI), the criteria used for selection, and the amount of costs selected and tested.

²³ Haphazard sampling is a sampling method that does not follow any systematic way of selecting samples. It attempts to approximate a random selection by selecting sampling units without any conscious bias, that is, without any special reason for including or omitting units from the sample. This terminology does not imply that the units are selected in a careless manner. Rather, the units are selected in a manner that the team expects will result in a sample representative of the sampling frame. Haphazard selection is permitted when the auditor believes it produces a fairly representative sample.

Table A.7: Selected and Tested Costs for the University of Washington

Cost Type	Selection Criteria	Number Selected	Amount Selected	Number Tested	Amount Tested
Personnel	First 20 unique individuals	20	\$17,369	20	\$17,369
Travel ^a	> \$100/ \$300	16	\$13,587	16	\$13,587
Supplies	> \$100	21	\$28,991	21	\$28,991
Other Direct Costs	> \$500	13	\$210,482	8	\$88,089
Indirect Costs	> \$500	8	\$60,198	8	\$60,198
High Risk Selection ^b	Multiple factors	36	\$162,618	35	\$148,130
Total^c		114	\$493,244	108	\$356,364

^a OIG used a threshold of \$300 for University of Washington – Seattle travel expenses and \$100 for University of Washington – Kenya travel expenses.

^b Some types of high-risk payment identified by OIG were multiple payments made to the same payee for the same amount on the same day, high dollar amounts, and costs that did not have a clear purpose.

^c Dollar amounts may not add due to rounding.

Source: OIG generated using financial reports between October 2016 and August 2018 provided by JSI and the University of Washington.

Ushahidi, Inc.

For Ushahidi, OIG initially selected 53 costs, valued at \$84,059, for testing. However, because of time constraints during the overseas audit fieldwork, OIG ultimately tested 43 costs, valued at \$73,244. The 43 costs reviewed were haphazardly selected. Table A.8 indicates the types of costs (by budget line item included in financial reports submitted to JSI), the criteria used for selection, and the amount of costs selected and tested.

Table A.8: Selected and Tested Costs for Ushahidi

Cost Type	Selection Criteria	Number Selected	Amount Selected	Number Tested	Amount Tested
Personnel	> \$500	13	\$16,676	13	\$16,676
Travel	> \$100	7	\$2,719	6	\$2,572
Supplies	> \$20	8	\$1,185	6	\$1,006
Other Direct Costs	> \$200	2	\$756	1	\$204
High-Risk Selection ^a	Multiple factors	23	\$62,724	17	\$52,787
Total^b		53	\$84,059	43	\$73,244

^a Some types of high-risk payment identified by OIG were costs with unusual descriptions (such as safari costs), payments to individuals not included in the work plan, multiple payments to employees that seem out of the ordinary, and outreach items purchased close to the end of the program.

^b Dollar amounts may not add due to rounding.

Source: OIG generated using financial reports between October 2016 and August 2018 provided by JSI and Ushahidi.

Family Health International

For FHI 360, OIG initially selected 58 costs, valued at \$1,528,449, for testing. However, because of time constraints during the overseas audit fieldwork, OIG ultimately tested 27 costs, valued at \$1,172,247. The 27 costs reviewed were haphazardly selected. Table A.9 indicates the types of costs (by budget line item included in financial reports submitted to JSI), the criteria used for selection, and the amount of costs selected and tested.

Table A.9: Selected and Tested Costs for FHI 360

Cost Type	Selection Criteria	Number Selected	Amount Selected	Number Tested	Amount Tested
Personnel	> \$2,000	8	\$22,577	5	\$15,030
Travel	Multiple factors ^a	3	\$14,323	2	\$9,678
Other Direct Costs	Multiple factors ^b	14	\$176,541	5	\$112,907
High-Risk Selection	Multiple factors ^c	33	\$1,315,009	15	\$1,034,632
Total^d		58	\$1,528,449	27	\$1,172,247

^a OIG selected the two largest dollar value expenses from February 2018 and the largest dollar value expense from September 2017.

^b OIG selected different types of other direct costs expenses in order to obtain a varied sample. Selecting expenses \$10,000 and up would only provide OIG with a sample of five school fees/scholarships and one procurement of reusable sanitary pads. OIG selected different types of expenses (e.g., value added taxes, office supplies, vehicle lease, meetings, etc.) with a dollar amount greater than \$500.00 in order to obtain a good representation of the other direct cost expenses for testing.

^c Some types of high-risk payment identified by OIG were high dollar amounts, large costs for training venues and events, and multiple costs for scholarships for girls in different schools, and costs that did not have a clear purpose.

^d Dollar amounts may not add due to rounding.

Source: OIG generated using financial reports from October 2016 through August 2018 provided by JSI and FHI 360.

World Education, Inc.

For WEI, OIG initially selected 47 costs, valued at \$100,827, for testing. However, because of time constraints during the overseas audit fieldwork, OIG ultimately tested 45 costs, valued at \$99,716. The 45 costs reviewed were haphazardly selected. Table A.10 indicates the types of costs (by budget line item included in financial reports submitted to JSI), the criteria used for selection, and the amount of costs selected and tested.

Table A.10: Selected and Tested Costs for World Education, Inc.

Cost Type	Selection Criteria	Number Selected	Amount Selected	Number Tested	Amount Tested
Personnel	All	9	\$20,358	7	\$19,248
Travel	> \$300	11	\$7,677	11	\$7,677
Supplies	> \$100	6	\$1,258	6	\$1,258
Other Direct Costs	> \$300	10	\$17,664	10	\$17,664
High Risk Selection ^a	Multiple factors	11	\$53,870	11	\$53,870
Total^b		47	\$100,827	45	\$99,716

^a Some types of high-risk payment identified by OIG were high dollar amounts, payments for value added taxes, and negative dollar amounts.

^b Dollar amounts may not add due to rounding.

Source: OIG generated using financial reports between October 2016 and August 2018 provided by JSI and WEI.

World Vision, Inc.

For World Vision, OIG initially selected 85 costs, valued at \$146,265, for testing but, because of time constraints during the overseas audit fieldwork, ultimately tested 50 costs, valued at \$145,021. The 50 costs reviewed were haphazardly selected. Table A.11 indicates the types of costs (by budget line item included in financial reports submitted to JSI), the criteria used for selection, and the amount of costs selected and tested.

Table A.11: Selected and Tested Costs for World Vision

Cost Type	Selection Criteria	Number Selected	Amount Selected	Number Tested	Amount Tested
Personnel	> \$1,000	8	\$14,490	5	\$8,732
Travel	Multiple factors ^a	2	\$423	0	\$0
Supplies	> \$100	1	\$463	1	\$463
Contractual	> \$5,000	5	\$46,581	5	\$46,581
Other Direct Costs	> \$1,000	33	\$92,759	23	\$73,678
High-Risk Selection	Multiple factors ^b	36	(\$8,451)	16	\$15,568
Total^c		85	\$146,265	50	\$145,021

^a OIG selected the highest dollar value for September 2017 and February 2018.

^b Some types of high-risk payments identified by OIG were high dollar amounts and procurement of off-road motorcycles.

^c Dollar amounts may not add due to rounding.

Source: OIG generated using financial reports between October 2016 and August 2018 provided by JSI and World Vision.

Mercy Corps

For Mercy Corps, OIG initially selected 58 costs, valued at \$54,523, for testing but, because of time constraints during the overseas audit fieldwork, ultimately tested 34 costs, valued at \$50,740. The 34 costs reviewed were haphazardly selected. Table A.12 indicates the types of costs (by budget line item included in financial reports submitted to JSI), the criteria used for selection, and the dollar values for the costs selected and the costs tested.

Table A.12: Selected and Tested Costs for Mercy Corps

Cost Type	Selection Criteria	Number Selected	Amount Selected	Number Tested	Amount Tested
Personnel	> \$100	10	\$3,684	9	\$3,554
Travel	> \$50	18	\$1,582	1	\$140
Supplies	All	3	\$113	0	\$0
Contractual	All	2	\$1,651	1	\$825
Other Direct Costs	> \$500	10	\$9,575	9	\$9,005
High Risk Selection ^a	Multiple factors	15	\$37,919	14	\$37,216
Total^b		58	\$54,523	34	\$50,740

^a Some types of high-risk payment identified by OIG were high dollar amounts and multiple purchases for the same items.

^b Dollar amounts may not add due to rounding.

Source: OIG generated using financial reports from October 2016 through August 2018 data provided by JSI and Mercy Corps.

APPENDIX B: DETAILED RESULTS OF OIG COST TESTING

The Office of Inspector General (OIG) tested a total of 307 costs valued at \$1,897,334 for the six sub-award recipients audited and is questioning 17 costs (6 percent), valued at \$23,851 (1 percent), made by three sub-award recipients. The details of the questioned costs resulting from OIG's testing is included below.

Ushahidi, Inc. Costs

OIG tested 43 costs with a total value of \$73,244 for Ushahidi, Inc. (Ushahidi). Of the amount tested, OIG is questioning 13 costs (30 percent) totaling \$14,877 (20 percent).

- The Code of Federal Regulations (C.F.R.) does not allow entertainment costs to be reimbursed.¹ OIG found that Ushahidi claimed \$4,230 in costs for a safari trip (game drive, breakfast, dinner, and hotel rooms) that occurred during an annual strategy meeting. Ushahidi officials stated that the team spent the day working, but an agenda from the meeting lists the day as a "Play Day."
- The C.F.R. sets parameters on the allowable use of sole-source contracts.² Furthermore, Ushahidi's procurement policy requires three quotes for procurements from \$10,000 to \$20,000. Ushahidi claimed \$6,518³ for a facilitator under a contract that was not competed. Ushahidi officials stated that it did not compete the contract because the facilitator had worked with Ushahidi for 6 years and his experience with the organization made him a logical choice.
- According to the C.F.R., charges for salaries must be based on records that accurately reflect the work performed.⁴ Ushahidi billed an incorrect number of hours worked for 4 of 13 employees reviewed. OIG determined that Ushahidi had overcharged by \$701. Ushahidi officials believed that the overcharge was a mistake, perhaps because an employee did not record the correct number of hours.
- According to the C.F.R., an employee may be reimbursed for temporary lodging during the transition period for a maximum period of 30 calendar days.⁵ Ushahidi paid one employee for 30 days of temporary lodging during relocation and then provided an additional \$1,260 for temporary lodging.

¹ 2 C.F.R. § 200.438, "Entertainment costs."

² 2 C.F.R. § 200.320(f), "Methods of procurement to be followed," states that sole-source procurement can only be used when (1) the item is available only from a single source; (2) the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; (3) the Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or (4) after solicitation of a number of sources, competition is determined inadequate.

³ The total cost of the contract to design interactive sessions for, run, and facilitate a 5-day retreat was \$16,000. The cost of the facilitator's contract was split between different projects.

⁴ 2 C.F.R. § 200.430(i), "Standards for Documentation of Personnel Expenses."

⁵ 2 C.F.R. § 200.464, "Relocation costs of employees."

- According to the C.F.R., travel costs are the costs incurred by employees who are in travel status on official business of the non-Federal entity.⁶ Ushahidi overcharged by \$118 because it paid one individual's transportation costs who had to leave and return to an annual strategy retreat for personal reasons.
- According to the C.F.R., to be allocable, a cost must be incurred specifically for the Federal award.⁷ Ushahidi charged \$50 for an individual's transportation costs that were not allocable to the Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe Innovation Challenge project. The individual worked on a different project for Ushahidi.

The 13 costs questioned include 5 costs totaling \$1,999 that OIG found were not supported. According to 2 C.F.R. 200.403, to be allowable, the cost must be adequately documented.

- Ushahidi officials were unable to provide a contract to support transcription services costing \$204. According to Ushahidi officials, the work was required on an emergency basis to meet reporting requirements.
- Ushahidi officials did not provide documentation for \$37 in travel-related costs.
- Ushahidi officials were unable to provide a receipt for \$308 related to a lunch strategy meeting.
- Ushahidi spent \$81 for food provided during partner meetings. However, Ushahidi officials could not provide attendance sheets or other documentation to support the costs.
- Ushahidi officials were unable to provide documentation related to the purchase of wristbands, which contained contact information, costing \$1,368.

Family Health International Costs

OIG tested 27 costs totaling \$1,172,247 for Family Health International (FHI 360). Of the amount tested, OIG identified one cost (4 percent) with a value of \$81 that was a duplicate. According to the C.F.R., a cost must be necessary to be allowable.⁸ FHI 360 billed for nine students twice, which was not necessary. According to FHI 360 officials, this occurred because FHI 360 paid all students' fees in one transaction, which made it difficult to properly review for accuracy. FHI 360 officials recognized that this was a weakness in their process and so began tracking the scholarship payments separately. OIG questioned this cost at the time of audit fieldwork. As a result, FHI 360 credited the amount back to JSI.

World Education, Inc. Costs

OIG tested 45 costs with a total value of \$99,716. Of the amount tested, OIG is questioning three costs (7 percent) totaling \$8,894 (9 percent).

⁶ 2 C.F.R. § 200.474, "Travel costs."

⁷ 2 C.F.R. § 200.405, "Allocable costs."

⁸ 2 C.F.R. § 200.403, "Factors affecting allowability of costs."

- Both the C.F.R.⁹ and World Education, Inc's (WEI) procurement policy require competition for procurement and state that sole-source is allowed if competition is attempted but only one proposal is received, therefore confirming that the service is unique and available from only one responsible source. WEI used a sole-source contract totaling \$7,600 to revise and update manuals. WEI officials stated that they decided to use a sole-source award because they believed it would be challenging to find one individual with the combination of skills required.
- According to the C.F.R., to be allocable, a cost must be incurred specifically for the Federal award.¹⁰ WEI included \$1,221 for two employees' time worked on a different project. According to a WEI official, this was a mistake due to a clerical error. Furthermore, according to the C.F.R, to be allowable, a cost must be determined consistently with the non-Federal entity's policies and procedures.¹¹ WEI incorrectly calculated an employee's salary and overcharged \$6 for time worked on the Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe Innovation Challenge project.
- According to the C.F.R., the costs of goods for personal use by the non-Federal entity's employees are not allowed.¹² WEI claimed \$67 for food for office staff. A WEI official stated that they purchased the items to improve employee morale and performance, citing various Tanzanian laws and regulations such as the Tanzanian Occupational Safety and Health Administration regulations.¹³

⁹ 2 C.F.R. § 200.320.

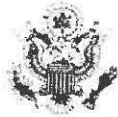
¹⁰ 2 C.F.R. § 200.405.

¹¹ 2 C.F.R. § 200.403(c)

¹² 2 C.F.R. § 200.445, "Goods or services for personal use."

¹³ The Occupational Health and Safety Act, 2003, Part V, Health and Welfare Provisions.

APPENDIX C: OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR AND HEALTH DIPLOMACY RESPONSE



United States Department of State

Washington, D.C. 20520

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September 17, 2019

MEMORANDUM TO NORMAN P. BROWN – OIG/AUD

FROM: S/GAC – Ambassador Deborah L. Birx, MD, Coordinator of the U.S.
Government Activities to Combat HIV/AIDS and U.S. Special Representative for
Global Health Diplomacy

SUBJECT: Draft Report on the Audit of Cooperative Agreement Sub-Award Recipients
Supporting the U.S. President's Emergency Plan for AIDS Relief; Report No.
AUD-SI-19-XX, September 2019

The Secretary's Office of the Global AIDS Coordinator's response to recommendations #1-4 of the subject report.

OIG Recommendation 1: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and implement quality control guides such as quality control checklists to facilitate accurate performance reporting and record retention at the sub-award recipient level for future cooperative agreements and grants, in accordance with the U.S. Department of State Standard Terms and Conditions.

S/GAC Response, September 2019: S/GAC concurs with this recommendation. For future cooperative agreements and grants issued directly by S/GAC, the Office will adapt any relevant existing checklists to facilitate accurate performance reporting and record retention at the sub-award recipient level. Specifically, any recipients of future cooperative agreements and grants issued directly by S/GAC would be subject to the same guidance as all current U.S. government agencies that implement PEPFAR (e.g., USAID, CDC), pursuant to the Country Operational Guidance developed by S/GAC.

OIG Recommendation 2: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy—to the extent practicable and for the purpose of fulfilling the vocational training related to the Mercy Corps Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe Partnership Innovation Challenge project in Uganda—provide supply vouchers to the young women who successfully completed the vocational training.

S/GAC Response, September 2019: S/GAC concurs with this recommendation. The Office will facilitate a discussion both internally and with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management on the extent to which providing supply vouchers to the young women who successfully completed the vocational training related to the Mercy Corps project in Uganda, is practicable and feasible, given

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the sub-award agreement between JSI Research and Training Institute, Inc. and Mercy Corps ended in September 2018.

OIG Recommendation 3: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and implement quality control guides such as quality control checklists to facilitate the timely submission of financial reports at the sub-award recipient level for future cooperative agreements and grants, in accordance with the U.S. Department of State Standard Terms and Conditions.

S/GAC Response, September 2019: S/GAC concurs with this recommendation. For future cooperative agreements and grants issued directly by S/GAC, the Office will adapt any relevant existing checklists to facilitate the timely submission of financial reports at the sub-award recipient level as required by this Office to all agencies receiving State funding.

OIG Recommendation 4: OIG recommends that the Office of the U.S. Global AIDS Coordinator and Health Diplomacy develop and issue guidance to inform current and future award and sub-award recipients about the cost principles for award recipients outlined in the Code of Federal Regulations.

S/GAC Response, September 2019: S/GAC concurs with this recommendation. For future cooperative agreements and grants issued directly by S/GAC, the Office will adapt any relevant existing guidance to inform current and future award and sub-award recipients about the cost principles for award recipients outlined in the Code of Federal Regulations. This is already required in all of our Memorandum of Agreements with all agencies receiving our resources.

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APPENDIX D: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE, RESPONSE



United States Department of State

Washington, D.C. 20520

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September 20, 2019

MEMORANDUM

TO: OIG/AUD – Norman Brown

FROM: A/OPE – Cathy J. Read 

SUBJECT: Draft Report on *Audit of Cooperative Agreement Sub-Award Recipients Supporting the U.S. President's Emergency Plan for AIDS Relief*

Thank you for the opportunity to provide a response to the subject draft report.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$14,877—of which \$1,999 is unsupported—in questioned costs for personnel, supplies, other direct costs, and travel incurred by Ushahidi, Inc. (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response to Draft Report (09/20/2019): The Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM) concurs with the recommendation to review OIG identified unsupported costs, make a determination, and, if applicable, recover costs determined unallowable.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$1,288 in questioned costs for other direct costs incurred by Family Health International (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response to Draft Report (09/20/2019): AQM concurs with the recommendation to review OIG identified unsupported costs, make a determination, and, if applicable, recover costs determined unallowable.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of \$8,894 in questioned costs for personnel, supplies, and other direct costs incurred by World Education, Inc. (see Appendix B) under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

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Management Response to Draft Report (09/20/2019): AQM concurs with the recommendation to review OIG identified unsupported costs, make a determination, and, if applicable, recover costs determined unallowable.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, (a) finalize its effort to include a standard provision related to obtaining reimbursements for value added taxes in all grants and cooperative agreements to prevent the unnecessary expenditure of funds and (b) calculate an estimate of the anticipated savings within the first year of including the standard provision in grants and cooperative agreements.

Management Response to Draft Report (09/20/2019): The Bureau of Administration, Office of the Procurement Executive (OPE) concurs with the recommendation to finalize a standard provision related to subpart (a). OPE respectfully requests part (b) of the recommendation be removed from the recommendation and assigned to the Office of Foreign Assistance Resources, Resources and Appropriations Division (F/RA) as a new, standalone recommendation.

The intent of the foreign assistance provision referenced in Recommendation 8 subpart (a) is to better inform recipients of the need to report to the Grants Officer any taxation of goods and services purchased under foreign assistance agreements. The provision is expected to result in increased reporting related to taxation to F and may result in passing recipient cost avoidance to the Department as savings. However, posts remain separately responsible for coordinating foreign assistance tax reporting to F/RA. As such, F/RA is best positioned within the Department to establish a methodology and estimate of any anticipated savings to the Department in accordance with subpart (b). Neither A/OPE's Federal Assistance Policy Division (FA) nor AQM's Grants Officers have access to all authorized budgets contained in Department federal assistance awards, and OPE believes it necessary to access recipient budget information in order to offer even the most approximate estimate of potential savings. The current reporting process in place for F/RA allows a historical perspective regards the amount of VAT paid and not recovered from host countries, which could provide the basis for a more reasonable estimate.

Recommendation 9: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$403,687 in questioned costs for value added taxes incurred by Family Health International under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Management Response to Draft Report (09/20/2019): AQM concurs with the recommendation to review OIG identified unsupported costs, issue a determination, and, if applicable, recover costs determined unallowable. The Grants Officer determination is attached.

Recommendation 10: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$9,680 in questioned costs for value added taxes incurred by World Education, Inc. under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

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Management Response to Draft Report (09/20/2019): AQM concurs with the recommendation to review OIG identified unsupported costs, issue a determination, and, if applicable, recover costs determined unallowable. The Grants Officer determination is attached.

Attachment:

Grants Officer Determination on VAT for SLMAQM16CA1103.

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APPENDIX E: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE, OFFICE OF ACQUISITIONS MANAGEMENT, GRANTS OFFICER DETERMINATION ON VAT

AQM MEMORANDUM

From: A/OPE/AQM – Joanna P. Sncarly, Grants Branch Chief
To: File
Subject: A/OPE Tasker 19-066 (AFO 1153): Draft Report - Audit of Cooperative Agreement Sub-Award Recipients Supporting the U.S. President's Emergency Plan for AIDS Relief

Background:

AQM has determined that these costs are allowable under the following provision, per 2 CFR 200.470 Taxes - (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.

Response to Recommendations 9 & 10:

- **Recommendation 9:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$403,687 in questioned costs for value added taxes incurred by Family Health International under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Response: Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management has determined the questioned costs to be allowable per 2 CFR 200.470 Taxes.

- **Recommendation 10:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, (a) determine the allowability of the \$8,691 in questioned costs for value added taxes incurred by World Education, Inc. under award S-LMAQM-16-CA-1103 and (b) recover all costs determined to be unallowable.

Response: Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management has determined the questioned costs to be allowable per 2 CFR 200.470 Taxes.

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ABBREVIATIONS

AQM	Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management
C.F.R.	Code of Federal Regulations
DREAMS	Determined, Resilient, Empowered, AIDS-free, Mentored, and Safe
FHI 360	Family Health International
GO	Grants Officer
GOR	Grants Officer Representative
HIV/AIDS	human immunodeficiency virus/Acquired Immune Deficiency Syndrome
JSI	JSI Research and Training Institute, Inc.
OGAC	Office of the U.S. Global AIDS Coordinator and Health Diplomacy
OIG	Office of Inspector General
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
PrEP	Pre-exposure Prophylaxis
VAT	value added taxes
WEI	World Education, Inc.

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