

Inspector General

United States
Department of Defense



Independent Auditor's Report of FY 2011 Department
of State Funds Transferred to DoD for Human
Immunodeficiency Virus / Acquired Immune
Deficiency Syndrome Prevention

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Acronyms and Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
ASD(Health Affairs)	Assistant Secretary of Defense for Health Affairs
DFAS	Defense Finance and Accounting Service
DHAPP	DoD HIV/AIDS Prevention Program
DoS	Department of State
FAD	Funding Authorization Document
HIV	Human Immunodeficiency Virus
HJF	Henry M. Jackson Foundation for the Advancement of Military Medicine
MHRP	Military HIV Research Program
MOA	Memorandum of Agreement
NHRC	Naval Health Research Center
OGAC	Office of the U.S. Global AIDS Coordinator
PEPFAR	President's Emergency Plan for AIDS Relief
USAMRAA	U.S. Army Medical Research Acquisition Activity
USD(Comptroller)	Under Secretary of Defense (Comptroller)
WRAIR	Walter Reed Army Institute of Research



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 9, 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE PERSONNEL AND
READINESS
ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
DEPARTMENT OF STATE OFFICE OF THE U.S. GLOBAL
AIDS COORDINATOR

SUBJECT: Independent Auditor's Report of FY 2011 Department of State Funds
Transferred to DoD for Human Immunodeficiency Virus / Acquired
Immune Deficiency Syndrome Prevention
(Report No. DODIG-2013-020)

We are providing this report for information and use. No written response to this report was required. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945 (DSN 329-5945).

Lorin T. Venable
Lorin T. Venable, CPA
Acting Assistant Inspector General
DoD Payments and Accounting Operations



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Public Law 111-117, "The Continuing Appropriations Act, 2010," under Division F, "Department of State, Foreign Operations, and Related Programs Appropriations Act of 2010," December 16, 2009, appropriated funds to the Department of State (DoS) for the purpose of Human Immunodeficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS) prevention, treatment, control, and research (to include development of programs and assisting communities). Further, this public law requires the inspector general of each agency receiving funds to perform periodic program and financial audits of the use of such funds.

The DoS Office of the U.S. Global AIDS Coordinator (OGAC) entered into a Memorandum of Agreement (MOA) with DoD to transfer FY 2011 funds appropriated under the DoS Foreign Operations and Related Programs Appropriations Act. The purpose of the MOA is to fund efforts to achieve the HIV/AIDS prevention, care, and treatment goals of the U.S. Leadership Act and the President's Emergency Plan for AIDS Relief (PEPFAR). Two DoD programs—the DoD HIV/AIDS Prevention Program (DHAPP) and the Military HIV Research Program (MHRP)—receive PEPFAR funds provided from DoS. See the Attachment for additional background and MOA information.

We performed this review-level attestation in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. Those standards require that we plan and perform the attestation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our attestation objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our attestation objective. A review-level attestation is substantially less in scope than an examination done to express an opinion on the subject matter. Accordingly, we do not express such an opinion.

We reviewed \$1,919,749 (99.7 percent) of the \$1,926,037 in DoD disbursements, as of May 30, 2012. We non-statistically selected \$504,584 (98.8 percent) of the \$510,872 in DHAPP disbursements and all \$1,415,165 (100 percent) of the MHRP disbursements. See the table below for a summary of DHAPP and MHRP funding, disbursements, and DoD Office of Inspector General (OIG) sample selection.

Table. Summary of DHAPP and MHRP FY 2011 Funding, Disbursements, and DoD OIG Sample Selection

Program	Total Funding	Total Disbursements*	DoD OIG Sample Selection
DHAPP	\$54,764,348	\$510,872	\$504,584
MHRP	\$83,737,405	\$1,415,165	\$1,415,165
Total	\$138,501,753	\$1,926,037	\$1,919,749

*As of May 30, 2012.

Based on our review of DHAPP and MHRP disbursements, nothing came to our attention that caused us to believe that FY 2011 funds transferred from DoS to DoD for HIV and AIDS prevention, care, and treatment were not disbursed in accordance with the goals set forth in the U.S. Leadership Act and PEPFAR.

However, during our testing at MHRP, we noted three minor weaknesses related to MHRP activity. These items did not affect our overall conclusions. Specifically, we noted:

- Walter Reed Army Institute of Research (WRAIR), MHRP, and U.S. Army Medical Research Acquisition Activity (USAMRAA) used an incorrect Line of Accounting in the cooperative agreement with the Henry M. Jackson Foundation for the Advancement of Military Medicine (HJF) from FY 2008 through FY 2011. Based on our review, USAMRAA and HJF modified the cooperative agreement on September 22, 2012, to correct the Line of Accounting.
- WRAIR and MHRP did not track PEPFAR funding by unique Accounting Process Code and fiscal year appropriations. This task of tracking funds to the correct Accounting Process Code and appropriation will prove to be essential as appropriations shift from no-year funds to 5-year funds in FY 2012.* Based on our review, USAMRAA and HJF modified the cooperative agreement on September 22, 2012, to correct how HJF submits invoices.

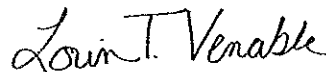
* Congress established the FY 2011 funds as no-year funds; however, subsequent years will be established as 5-year funds.

- USAMRAA did not submit invoices received in April and May 2012 to the Defense Finance and Accounting Service (DFAS) for payment, as of August 30, 2012. The cooperative agreement states, “[i]nvoices will be forwarded to DFAS and payments will be made within 30 days from the date of receipt at the billing office of a proper invoice.”

According to USAMRAA personnel, they did not submit the invoices to DFAS for payment because they were working with MHRP and HJF to modify the cooperative agreement to correct the Line of Accounting and update how HJF prepares invoices. On September 22, 2012, USAMRAA and HJF modified the cooperative agreement to correct the Line of Accounting and update how HJF prepares the invoices. DFAS paid the April and May 2012 invoices, as of October 23, 2012.

We coordinated a discussion draft of this report with officials from Assistant Secretary of Defense (Health Affairs) (ASD [Health Affairs]), U.S. Army Medical Research Materiel Command, USAMRAA, WRAIR, and the Naval Health Research Center (NHRC). They provided editorial and technical comments on the contents of the report. We made minor revisions to the report as necessary based on the comments.

This report is intended solely for the information and use of the ASD (Health Affairs), WRAIR, and NHRC and is not intended to be and should not be used by anyone else. However, this report is a matter of public record, and its distribution is not limited.



Lorin T. Venable, CPA
Acting Assistant Inspector General
DoD Payments and Accounting Operations

Attachment:
As stated

Attachment. Program Background and Flow of Funds From DoS OGAC to DoD

Public Laws

Public Law 108-25, “United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act, 2003,” May 27, 2003, establishes a 5-year emergency plan for AIDS relief, known as the PEPFAR, to confront HIV/AIDS with the goals of preventing, treating, and providing humane care for millions of people suffering from HIV/AIDS.

Public Law 110-293, “Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act, 2008,” July 30, 2008, amended Public Law 108-25. The purpose of this public law is to strengthen and enhance the United States response to the HIV/AIDS pandemic and other preventable infectious diseases.

Public Law 111-117, “The Continuing Appropriations Act, 2010,” under Division F, “Department of State, Foreign Operations, and Related Programs Appropriations Act of 2010,” December 16, 2009, appropriates funds to DoS for the purpose of HIV/AIDS prevention, treatment, control, and research (to include development of programs and assisting communities). Further, this public law requires the inspector general of each agency receiving funds to perform periodic program and financial audits of the use of such funds.

FY 2011 Memorandum of Agreement Between DoS and DoD

The MOA requires DoD to contribute to a number of reports on the progress of their PEPFAR programs and the use of the funds allocated to DoD. Additionally, the MOA requires DoD to keep thorough records and use the funds in accordance with generally accepted U.S. Government accounting principles.

DoS OGAC provided initial funding in the MOA and additional funding in subsequent amendments. See the table below for a summary of the amount of funding provided from DoS to DoD.

Table. Summary of the Dates and Funding Amounts for the FY 2011 MOA and Subsequent Amendments

	Date Signed	Funding Amount	Cumulative Funding
Original MOA	April 11, 2011	\$7,462,620	\$7,462,620
Amendment 1	July 11, 2011	\$51,515,113	\$58,977,733
Amendment 2	September 28, 2011	\$79,524,020	\$138,501,753
Amendment 3*	May 25, 2012	\$9,530,095	\$148,031,848

*As of May 30, 2012, DHAPP and MHRP had not yet received the funding from Amendment 3.

DoD HIV/AIDS Prevention Program

DHAPP is the DoD PEPFAR executive agent. In this capacity, DHAPP is the day-to-day director of DoD PEPFAR programs and its responsibilities include budget guidance and oversight, acquisition and contracting programs, and the submission of periodic reports to OGAC. DHAPP's mission is to reduce the incidence of HIV/AIDS among uniformed personnel and to maximize their programs impact to support the development of interventions and programs that address the causes of the HIV/AIDS military epidemic in select countries.

DHAPP is under the command of NHRC in San Diego, California. In addition, DHAPP used the Naval Supply Systems Command Fleet Logistics Centers to administer their contracts and grant agreements.

As of May 30, 2012, DHAPP received \$54,764,348 in funding for their PEPFAR activities under the FY 2011 MOA. DHAPP obligated \$609,484 and disbursed \$510,872 of the funds.

U.S. Military HIV Research Program

MHRP, the second program receiving funds, is a partner in international efforts to combat HIV and it has a dual mission to develop a preventive HIV vaccine for U.S. military personnel and for the global community. The program provides prevention, care, and treatment through the PEPFAR, including international laboratory and clinical research capabilities. DHAPP provides oversight of the MHRP.

MHRP fell under the command of WRAIR in Silver Spring, Maryland. MHRP used a cooperative partner, HJF, to obligate FY 2011 Army PEPFAR funds. In addition, MHRP used USAMRAA for contracting and assistance agreement purposes.

As of May 30, 2012, MHRP received \$83,737,405 in funding for their PEPFAR activities under the FY 2011 MOA. MHRP obligated \$26,707,267 and disbursed \$1,415,165 of the funds.

Flow of Funds

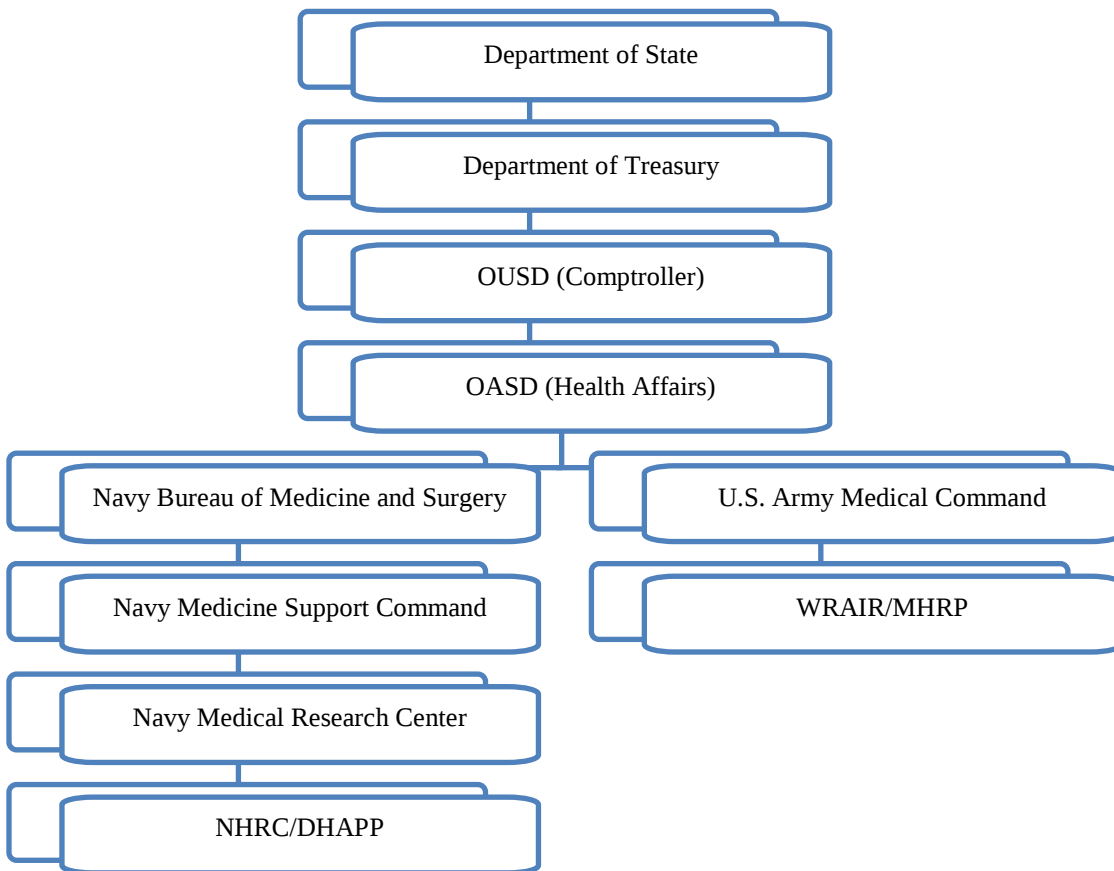
DoS officials submitted a Standard Form 1151, "Non-Expenditure Transfer Authorization," to the Department of Treasury, which started the transfer of FY 2011 PEPFAR funds from DoS to DoD. DoD transferred funds within the department through funding authorization documents (FADs).

To be specific, the DoS used the SF 1151 to transfer the FY 2011 PEPFAR funds to the Under Secretary of Defense (Comptroller) [USD (Comptroller)]. The USD (Comptroller) transferred the funds to ASD (Health Affairs) using a FAD. At the ASD (Health Affairs) level, the FY 2011 PEPFAR funds were split between the Navy and Army based on the MOA. Utilizing another FAD, the ASD (Health Affairs) transferred the Navy's funds to the Navy Bureau of Medicine and, then, Surgery and transferred the Army's funds to the U.S. Army Medical Command. The Navy and Army used additional FADs to transfer funds within their organizations. For example, the Navy Bureau of

Medicine and Surgery used a FAD to transfer funds to the Navy Medicine Support Command and the Navy Medical Research Center. The Navy Medical Research Center then transferred the FY 2011 PEPFAR funds to NHRC using a memorandum referred to as the Operational Target Authority memo. In contrast, U.S. Army Medical Command used only one FAD for each transfer of funds to WRAIR.

The figure below illustrates the flow of funds from DoS to the DoD programs at NHRC and WRAIR.

Figure. Flow of Funds to DHAPP and MHRP



Source: DoD OIG



Inspector General Department of Defense

