

SUPPORTING STATEMENT FOR
PAPERWORK REDUCTION ACT SUBMISSION

OMB Number 1405-0208, DS- 4213
PEPFAR Program Expenditures

A. JUSTIFICATION

1. *Why is this collection necessary and what are the legal statutes that allow this?*

The U.S. President's Emergency Plan for AIDS Relief (PEPFAR) was established through enactment of the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act (P.L. 108-25), as amended by the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act (P.L. 110-293), as amended by PEPFAR Stewardship and Oversight Act (P.L. 113-56), and as amended and reauthorized for a third time by the PEPFAR Extension Act (P.L. 115-305) to support the global response to HIV/AIDS. Continued authorization includes a plan for conducting cost studies in partner countries, as well as conducting a comprehensive and harmonized expenditure analysis by partner country. Treatment and other services for HIV/AIDS provided by PEPFAR through implementing partners who receive their funds via the U.S. Agency for International Development, the Department of Health and Human Services, the Department of Defense, Peace Corps, and the Department of State (DOS). The Office of the U.S. Global AIDS Coordinator and Health Diplomacy (S/GAC) within DOS leads, funds, and oversees the coordination and implementation of this interagency Presidential initiative.

Funding for global HIV/AIDS programs are appropriated at approximately \$6 billion per Fiscal Year and the legislation includes a mandate to report results by defined program areas to S/GAC. In particular, the HIV/AIDS Leadership Act authorizes the collection and analysis of program data, including data relevant to program costs, through "program monitoring." Section 3(11) defines "program monitoring" as the "collection, analysis, and use of routine program data to determine . . . [among other issues] program costs." Section 101(a)(8) specifies that PEPFAR's coordinated annual plans for oversight activity in each of the fiscal years 2009 through 2018 must include "a plan for program monitoring, operations research, and impact evaluation." Section 104A(d)(4) of the Foreign Assistance Act (FAA) of 1961, as amended, a provision added to the FAA by section 301(a) of the Leadership Act, authorizes the use of program funds for "program monitoring" and related activities. Finally, FAA Section 104A(f), also added by the Leadership Act, requires an annual report to specified Congressional Committees that includes "a detailed description of program monitoring" including "an analysis of cost-effectiveness models." Excerpts of these Leadership Act provisions are included in the Statement of Legal Authorities. The data collection is mandatory based on the authorities above and initial approval provided by the Office of Management and Budget (OMB) in November 2012. From 2013 and thereafter all PEPFAR funding agreements (grants, cooperative agreements, contracts) will contain explicit reporting requirements for this data.

In order to improve program effectiveness, PEPFAR reviews reporting of expenditure data by program area in conjunction with routine reporting of performance targets. Data collected from implementing partners, i.e., all entities receiving PEPFAR funds through contracts, grants, and cooperative agreements, in countries with PEPFAR programs using a standard tool (DS-4213) via an electronic interface. A phased rollout for collecting expenditure data began in 2012 and extended to all PEPFAR countries and regional programs in 2014. In 2018, a complete review was conducted of the expenditure reporting structure, content, and process, which resulted in a substantial simplification of the data collection. In 2020 data collection will be extended to subrecipients of implementing partners. The results of the 2018 analysis and impact of extending the data collection to subrecipients are discussed in Section 15.

2. *What business purpose is the information gathered going to be used for?*

The data collected is from all PEPFAR-funded implementing partners (non-governmental organizations, universities, contractors, subrecipients, multilateral organizations, host nation government departments, and others) that receive funds through the PEPFAR program. These entities receive funds through contracts, sub-awards, grants, or cooperative agreements with the PEPFAR funded U.S. government agencies listed in Section 1, above. The data collected are used to improve program efficiency, strategic budgeting and long-term planning for sustainable transition of HIV/AIDS services to host countries.

Collected expenditure data are used across all countries and regional programs to inform the formulation of the country operational plan/regional operational plan (COP/ROP) and assists countries in evidence-based budgeting. These data promote program management using expenditures linked to results and thus maximizes value for investment of public funds. In instances where responsibility of services transition to partner countries and their governments, costs of individual services are used to inform partner government of costs that will be needed to be absorbed through domestic sources

3. *Is this collection able to be completed electronically (e.g. through a website or application)?*

Expenditure data are collected via a web-based interface (<https://datim.org>), which is available to all implementing partners receiving funds under PEPFAR. After implementing Expenditure Reporting since 2012, we learned that implementing partners prefer the Microsoft Excel template-based data collection process. The requirements in the Excel template have been reduced with implementing partners input to only request critical information. By being able to download a template, implementing partners responsible to complete the submission are more effectively able to collaborate quickly with other key personnel and coordinate with their subrecipients to enter the data for the full amount of PEPFAR funding expended during the prior fiscal year. This approach also proves helpful where internet connectivity is not strong. After completing the Excel template, implementing partners upload the data to an automated system that further checks the data entered for quality and completeness. Automated checks reduce the time needed by IPs to complete the data cleaning process. Aggregate data are available in a central system for analysis.

4. *Does this collection duplicate any other collection of information?*

The collection of expenditure data does not duplicate any other collection of information

5. *Describe any impacts on small business.*

There will be no impact to small businesses in the United States.

6. *What are consequences if this collection is not done?*

PEPFAR is committed to the goal of accelerating HIV/AIDS epidemic control through strategic investments and partnerships with other donors and affected countries throughout the world. The provision of patient-centered HIV treatment and prevention services and careful monitoring of the PEPFAR investment requires sound data collection systems to ensure our resources are spent effectively and lead to better health outcomes for beneficiary patients. Data collected through expenditure reporting provides the basis for strategies to increase return on PEPFAR's investment and are essential for effective management and policy decision-making on a global level. Furthermore, our reporting of expenditures coincides with the reporting of program monitoring results. Without understanding expenditures at the subrecipient level where large portions of service delivery occur, program efficiency and effectiveness analysis and program transition activities are hampered by incomplete data.

7. *Are there any special collection circumstances?*

There are no special circumstances.

8. *Document publication (or intent to publish) a request for public comments in the Federal Register*

The Department will publish a *Federal Register* notice, soliciting public comment for 30 days.

On July 17, 2020., the Department of State published a 60-day notice in the Federal Register (Federal Register Number: 2020-20180) to solicit public comments. Two comments were received.

COMMENT 1 RECEIVED: "PEPFAR has had an enormous impact in reducing transmission of AIDS in Africa. Eliminating prostitutes as candidates for assistance, however, makes no sense, particularly if you look at one of the ways AIDS is transmitted. Please do not make this change in how PEPFAR works."

S/GAC Response: After reviewing the comment, the Department concurs that sex workers are a key part of the HIV epidemic response. PEPFAR does not have any intention of eliminating sex workers as candidates for assistance. Indeed, sex workers are defined by PEPFAR and many other donors and multilateral organizations as a "key population," and key populations continue to be a prominent part of HIV epidemic and response. PEPFAR programs for key populations seek to optimize programs and policies that maximize access to convenient treatment and prevention services, and reduce stigma and discrimination.

COMMENT 2 RECEIVED: "Collecting expenditure data is useful and admirable. It may be worth considering if the 4,000+ required number of submissions can be reduced by a threshold dollar amount or percentage of total award rather than requiring data from all subrecipients. There should also be a justification for why a grantee having a subrecipient requires additional reporting but not contractual or fee-for-service relationships. It is unclear if the expansion of data collection will require organizations to register for the System for Award Management (SAM) if otherwise not required to. There should be consideration if other federal standards, such as Circular No. A-122, should be incorporated into this data collection to avoid duplication of efforts. The existing data collection also includes definitions that appear needlessly different from USG-wide concepts, such as training, transportation, and travel under 2 CFR 472-474. It should also be considered if these requirements go beyond the Financial and Program Management requirements of OMB Circular A-110. It is also unclear if this proposed collection is in alignment with the rest of the U.S. Department of State. For example, 4 FAH-3 H-631 requires use of the SF-424, which uses completely different financial categories. An important foreign policy issue is "Anti-Corruption and Transparency," so it should be considered if the proposed financial reporting should be changed to better benefit US interests, such as through alignment of the financial reporting with approaches and definitions of the Financial Accounting Standards Board and/or the World Health Organization's Global Health Expenditure Database."

S/GAC Response: After reviewing the comment, the Department concurs with the initial suggestion in this comment and has decided to create a threshold dollar amount under which subrecipients will not be required to submit a separate expenditure template. After careful analysis, we have determined that any subrecipient with an annual expenditure of less than \$25,000 will not be required to submit a separate template detailing the cost category expenditures for each of their interventions. Instead, subrecipients with annual expenditures of less than \$25,000 will be reported by the prime recipient in the same template that the prime recipient uses to report their expenditures (this would be the same process that was used for reporting subrecipient expenditures in FY19 and FY20). In taking this approach, we would still account for all dollars expended by all subrecipients, however, only subrecipients with expenditures greater than \$25,000 during the fiscal year would provide a separate and more detailed expenditure template that provided cost category detail.

The general principle of a subrecipient being subject to additional reporting and regulatory requirements beyond what a contractor is subject to, is well established in the CFR, specifically 2 CFR § 200.330, 2 CFR § 200.331, and 2 CFR Part 25. Contractors are "not subject to compliance requirements of the Federal program as a result of the agreement" whereas subrecipients are "responsible for adherence to applicable Federal program requirements" The justification for these separate requirements is based on the nature of the work and the relationship with the prime recipient of a federal award. Specifically, subrecipients have their "performance measured in relation to whether objectives of a Federal program were met," and have "responsibility for programmatic decision making." Contractors, by contrast, are not held to these standards. Thus, since subrecipients are substantially involved in the programmatic work on the award, and share in the responsibility of the completion of the work of the award, PEPFAR believes the subrecipient expenditures are essential to understanding the complete picture of the expenditures that were made to accomplish the programmatic and epidemiological targets and strategies for each award. Additionally, while subrecipients are not disaggregated further in the cost categories, contractors are. Currently, there are three sub cost categories under contractors which provide additional detail around the nature of the expenditure. The three cost categories are: contracted healthcare workers, contracted interventions, and other. The other contractor category is indeed opaque, but it accounts for less than 8% of all spending, whereas subrecipients account for between 17-18%. For all of these reasons, it is critically important that we get additional detail on subrecipients.

This process would not require any organization-either a Prime or Sub award recipient- who is not already required to register at SAM to do so. According to 2 CFR Part 25, all entities applying for or receiving federal awards, including subrecipients, must register in SAM, however there are certain situation where some organizations may be exempt from this requirement. Specifically, a foreign entity applying for or receiving an award or subaward for a project or program outside the United States valued at less than \$25,000 may be exempt from this requirement. This collection would apply these same standards in determining which entities were required to register on Sam.gov and would make no additional requirements.

Circular A-122 as well as Circular A-21 were reviewed in the development of this proposal, and in the original expenditure reporting proposal, and we agree that all federal standards and cost principles outlined in these circulars as well as those outlined in 2 CFR Subpart E should be followed in the PEPFAR expenditure reporting process. Indeed, in our current Expenditure Reporting instructions to implementing partners, it states: "All submissions should comply with federal cost regulations, as outlined in Part 200, Subpart E of the Code of Federal Regulations. This section of the CFR describes cost principles for non-federal entities receiving federal awards, including cost principles related to the classification of direct and indirect costs, the allowability, reasonability and allocability of costs, as well as other cost principles." Going forward, we will expand this statement to specifically reference the relevant circulars and reaffirm our commitment to partners following these directives.

The cost categories/object classes utilized in expenditure reporting are designed to align as closely as possible with the object classes utilized in the standardized SF424a form.

However, as is customary in many agencies and government programs, PEPFAR has slightly modified the standardized object classes to enable additional detail and visibility into the cost categories that are especially relevant for understanding how spending aligns to the unique programmatic work of our program and organization. By adding the object class of trainings, a critical cost for PEPFAR and one that is essential to understanding the strategy and programmatic approach taken by our implementing partners, and in adding customized disaggregates to travel and transportation, we enable greater transparency and accountability in tracking our program spending. Indeed, some of these modifications are already utilized by some of our implementing agencies in their agency-specific budget reporting requirements. Finally, these specialized cost categories have been utilized for the last three years in PEPFAR expenditure reporting, and thus PEPFAR partners are already using them and changing them would actually require additional work to accommodate new requirements on behalf of our partner organizations.

We have reviewed the OMB Circular A-110 and do not believe there are any inconsistencies with this collection.

The 4 FAH-3 H-631 establishes principles for accounting when the Department of State is the awarding agency. In most cases, in PEPFAR's expenditure reporting, the Department of state is not the awarding agency, and thus the principles stated in that document would not apply. For those awards where the Department of State is the awarding agency, the 4 FAH-3 H-361 states: "Offices and bureaus will require that applicants use the Form SF-424, Application for Federal Assistance, or alternative forms approved by the Office of Management and Budget (OMB) when applying for grants and cooperative agreements." The decision about whether to require the SF-424 form, or other alternative forms, would be made by the Department of State contracting officer, as deemed appropriate for each award.

Finally, an extensive alignment process was undertaken with the global fund and other key players in the HIV response when defining the PEPFAR financial classifications. The financial classifications were intended to provide a standardized set of HIV-specific reporting classifications that would best enable programmatic understanding and analysis of the effectiveness of PEPFAR's epidemic response.

9. *Are payments or gifts given to the respondents?*

There are no payments or gifts provided to respondents.

10. *Describe assurances of privacy/confidentiality*

There have been no assurances of confidentiality provided to respondents.

11. *Are any questions of a sensitive nature asked?*

There are no questions of a sensitive nature.

12. Describe the hour time burden and the hour cost burden on the respondent needed to complete this collection

Expenditure reporting data is collected from PEPFAR-funded implementing partners and subrecipient. Based on the most recent expenditure reporting submissions we estimate 1100 implementing partners and 2,945 subrecipients for a total of 4,045 entities will respond to this collection.

The data obtained under this collection are already maintained by these entities as part of routine program monitoring and routine accounting. It is estimated that the number of hours needed to complete this data collection range from 8 to 24 with an average of 16 hours per respondent per year, yielding an hour burden of 64,720 hours per year. This estimate depends on the amount of funding and number of program areas for which the respondent receives funding. The associated costs for completing this collection are from the hourly cost of the finance staff of PEPFAR-funded implementing partner and subrecipients. While these staff are already employed for this type of activity under their general scope of work, there are potential opportunity costs due to time spent responding to this requirement.

The actual cost of staff hours depends on the country of employment. To get a sense of the hourly rate of project accountants, samples were taken from FY2020 work plan budgets for PEPFAR funded implementing partners in four geographically disbursed countries – Nigeria, Cambodia, Kenya, El Salvador, and USG based headquarters offices. Staff completing this exercise are employees of USG agencies or PEPFAR-funded implementing partners.

Sample of Primary Implementing Partner Accounting Staff Salaries ¹

	Salary	Fringe	Total
Nigeria	18.77	3.78	22.55
Cambodia	7.01	1.00	8.01
Kenya	11.87	2.66	14.53
El Salvador	16.85	4.21	21.06
Headquarters (15/4 equivalent)	72.90	18.23	91.13
	25.4	5.	31.
Average	8	98	46

Using the average staff salary of \$31.46 and approximate 16 hours per respondent to complete the reporting the resulting cost is \$503.36. With 1,100 PEPFAR-funded primary implementing partners, the total cost burden is \$553,696.

¹ Country Operational Plan (COP 19) data of implementing partners in Nigeria, Cambodia, Kenya, El Salvador, and USG based headquarters offices.

Sample of Subrecipient Accounting Staff Salaries			
	Salary	Fringe	Total
Nigeria	18.77	3.78	22.55
Cambodia	7.01	1.00	8.01
Kenya	11.87	2.66	14.53
El Salvador	16.85	4.21	21.06
Average	13. 63	2. 91	16. 54

The calculation of the hourly rate of subrecipient accountants is based on the sample used to determine primary implementing partner accounting staff salaries. Given that subrecipients are primarily indigenous entities in the countries where PEPFAR works, the cost of headquarters staff is removed from the calculation.

Using the average staff salary of \$16.54 and approximate 16 hours per respondent to complete the reporting the resulting cost is \$264.46. The total cost burden for 2,945 subrecipients is \$778,835.

13. *Describe the monetary burden to respondents (out of pocket costs) needed to complete this collection.*

There are no costs to respondents beyond normal and customary business practices.

14. *Describe the cost incurred by the Federal Government to complete this collection.*

Based upon the actual annualized cost to the Federal Government in FY2019, the FY 2020 to FY 2022 projected annual cost is approximately \$4,544,076. These estimates are based on the costs of activities conducted during the past fiscal year. While implementing partners have gained a lot of experience reporting expenditures since 2012, the continued investment in technical support and assistance for implementing partners has proved highly valuable for execution and acceptability of the data collection and supported local capacity building and ownership.

The cost incurred by the Federal Government has three components – agency field staff review, agency headquarter staff review, and S/GAC management of the reporting process and system maintenance. The level of effort for agency field staff is estimated to be about half that of the implementing partners at an approximate cost of \$1,141,661.

The table below describes how the agency field staff reviewer costs were derived.

Agency Field Staff Reviewers

% Average burden

Salary -- Locally Employed Staff		\$	25.00
	20.0		
Fringe benefits as % of compensation	%	\$	5.00
Total Compensation		\$	30.00
	17.6		
ICASS cost	%	\$	5.28
Fully loaded hourly rate		\$	35.28
Hours of effort 50% of average IP LOE			8.00
Cost of Agency Field Staff LOE		\$	282.24
Number of reporting mechanisms			4,045
Total cost of Agency Field Staff		\$	1,141,661

The agency headquarters assigned 14 staff members to serve as expenditure reporting points of contact. These individuals assist their field colleagues and implementing partners in complying with the expenditure reporting requirements. The expenditure reporting process takes about three months, from September 15 to December 20 when the data is completely loaded in the DATIM system. The estimated cost for the agency points of contact during this period is approximately \$376,000.

	Number of Staff	Agency Headquarters' Points of Contact ²					Total
		Hourly rate (Grade 13/1)*	# Hours	Salary	Fringe	Travel	
HHS-HRSA	1	47.52	480	22,810	5,018	3,500	\$31,328
							\$62,6
CDC	2	47.52	480	45,619	10,036	7,000	55
							\$62,6
DOD	2	47.52	480	45,619	10,036	7,000	55
							\$125,3
USAID	4	47.52	480	91,238	20,072	14,000	11
Peace Corp	2	47.52	480	45,619	10,036	7,000	\$62,6
							55
SAMHSA	1	47.52	480	22,810	5,018	3,500	\$31,3
							28
							\$375,9
							33

- ❖ ² SALARY TABLE 2020-DCB INCORPORATING THE 2.6% GENERAL SCHEDULE INCREASE AND A LOCALITY PAYMENT OF 30.48% FOR THE LOCALITY PAY AREA OF WASHINGTON-BALTIMORE-ARLINGTON, DC-MD-VA-WV-PA TOTAL INCREASE: 3.52% EFFECTIVE JANUARY 2020

Finally, are the cost incurred by S/GAC to plan and manage the expenditure reporting process and maintenance the system.

Contactor	January-December 2020 (actual and projected)
Accenture - Personnel	\$1,558,784
Accenture - Hosting	\$10,500
Guidehouse	\$1,605,657
TOTAL	\$3,174,941

In summary, the estimated total costs to conduct expenditure reporting is estimated at:
\$ 6 million annually

Cost breakdown:

PEPFAR-funded Implementing Partner Review: \$553,696

PEPFAR-funded Subrecipients: \$778,835

USG Agency Field Staff Reviewers: \$1,141,661

USG Agency HQ Staff Review: 375,933

S/GAC Cost for Expenditure Reporting: \$ 3,174,941

15. Explain any changes/adjustments to this collection since the previous submission

In 2018, a complete review was conducted of the expenditure reporting structure, content, and process. The review resulted in the development of: (1) a standard financial classification structure used across budget formulation, execution and expenditure reporting; (2) a simplified data collection template; (3) the consolidation of the collection of expenditure reporting in the DATIM system that is used for the collection of program performance data; and (4) the expansion of expenditure data collection to subrecipients, defined as “A non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; but does not include transformation an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.”

Revising expenditure data collection has taken place in two stages. The first stage included the introduction of the financial classification structure, the collection template and moving

the data collection to the existing DATIM system. The second stage expands the collection to include subrecipients.

In the first stage a seven-tab data entry data collection template with over 2,800 data entry elements was replaced with a single template with a maximum of 460 data entry elements. This reduced the amount of data collected by over 83%. We estimated this simplification of the data collection template reduced the level of effort by a minimum of 50%. In this stage we also determined the number of respondents was approximately 1,100 rather than the original estimate of 1,600. This resulted in the hourly burden decreasing from 39,048 to 17,600. As described in Section 12, the hourly rates of the staff completing and uploading to DATIM the expenditure data template were recalculated. The average, fully loaded hourly rate is \$31.46 for primary implementing partners and \$16.54 for subrecipients for a weighted average hourly rate of \$20.59. This is a 64% reduction from the previous hourly rate of \$57.11. Overall, the cost of responding to the annual expenditure reporting requirement in the first stage resulted in a decrease from over \$6 million to about \$2.7 million. The Office of Management and Budget approved the information collection for the first stage on June 1, 2020.

In the second stage of this information collection, PEPFAR will expand the expenditure data collection requirement to entities that are subrecipients of the primary implementing partners. Subrecipients are usually indigenous entities contracted by the primary implementing partners to administer services directly to the HIV/AIDS patients at the site level. At this point the primary implementing partners must identify their subrecipients and their spending by intervention, which is a combination of program area and targeted beneficiary population. Going forward, PEPFAR wants to get more detailed expenditure data on the subrecipients at the cost category. The classification cost category captures information on what is being purchased, including: personnel, travel, equipment, supplies, contractual services, construction, training, subrecipient, other costs, and indirect cost. Given most subrecipients deliver ongoing program services, collecting this data on the direct cost of the indigenous subrecipients will be used by PEPFAR to eventually plan for and transition the delivery of HIV/AIDS services to the host countries, which is its ultimate goal.

The cost of complying with this expenditure reporting requirement will be approximately \$6 million. The transitional first stage of revising expenditure data collection briefly reduced the cost of this collection to \$2.7 million. Extending the expenditure data collection to subrecipients increases the number of respondents from 1,100 to 4,045. This will increase the hour burden from 17,600 hours to 56,304 and the respondents' costs from \$553,696 to \$1,332,531. Assuming no efficiencies in reporting, review and oversight, the increases in the number of expenditure reporting submissions will increase the hourly burden of agency field staff from 8,800 hours to 32,360 hours and the respondents' costs from \$310,464 to \$1,141,661. Finally, S/GAC costs to plan for and manage the increased number of submissions will increase from \$1.4 million to \$3.2 million.

16. Specify if the data gathered by this collection will be published.

Data collection occurs at the end of the U.S. government fiscal year and all data are reported by November 21. Submission deadlines allow for a reasonable amount of time to reconcile accounts at the end of the fiscal year. Compilation of the data into standardized reports by country occurs in December. Reports will be utilized by S/GAC, its implementing agencies, and U.S. government country teams for the applications listed in Section 2. above. Summary reports will be posted to www.state.gov/pepfar for public access.

17. If applicable, explain the reason(s) for seeking approval to not display the OMB expiration date.

S/GAC will display the OMB expiration date.

18. Explain any exceptions to the OMB certification statement below.

There are no exceptions to the certification statement.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not employ statistical methods.