OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/BRAZIL'S HEALTH PROGRAM

AUDIT REPORT NO. 1-512-07-007-P
March 20, 2007

SAN SALVADOR, EL SALVADOR

Office of Inspector General

March 20, 2007

MEMORANDUM

TO: USAID/Brazil Director, Jennifer Adams

FROM: Acting RIG/San Salvador, Jerry Hintz /s/

SUBJECT: Audit of USAID/Brazil's Health Program (Report No. 1-512-07-007-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we carefully considered your comments and have included your comments in Appendix II.

The report includes 12 recommendations for USAID/Brazil's action. Based on your comments, we consider that a management decision has been reached on ten of the recommendations (Recommendations Nos. 1-6 and 9-12). Management decisions for Recommendations Nos. 7 and 8 can be recorded when USAID/Brazil has developed a firm plan of action, with target dates, for implementing the recommendations. The Audit Performance and Compliance Division (M/CFO/APC) will record final action on all the recommendations when planned actions have been completed.

I appreciate the cooperation and courtesy extended to my staff throughout the audit.

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SUMMARY OF RESULTS

The World Health Organization has identified 22 "high burden" countries world-wide responsible for 80 percent of all tuberculosis (TB) cases. Brazil ranks 16th among these countries and is one of the two countries responsible for 50 percent of all TB cases reported in Latin America. It is estimated that more than 50 million people in the country are infected with the bacterium that causes TB. (See page 3.)

The HIV/AIDS epidemic in Brazil is classified as "concentrated," meaning that it is found mostly in certain groups who exhibit risky sexual behavior (males who have sex with other males and female sex workers) and drug users who inject themselves with contaminated needles. Nevertheless, HIV/AIDS prevalence is estimated to be 0.65 percent of the adult population, which is higher than most other Latin American countries.

The Regional Inspector General/San Salvador, as part of its fiscal year (FY) 2007 audit plan, performed this audit to determine whether USAID/Brazil's health activities achieved the planned results described in USAID/Brazil's strategic plan, in the Congressional Budget Justifications, and in grant and contract documents and whether USAID/Brazil's reporting on its health activities provided stakeholders with complete and accurate information on the progress and the results achieved. (See page 5.)

USAID achieved important results with regard to its tuberculosis and HIV/AIDS program activities. However, we could not measure or evaluate the Mission's progress in achieving some targets because the Performance Management Plan, partner agreements, and work plans did not include results or baseline data. Also, delays in providing funding to two state TB programs impeded the activities they were expected to carry out. (See page 6.)

USAID/Brazil's reporting on its health activities did not provide stakeholders with complete and accurate information on the progress of the activities and the results achieved. USAID/Brazil reported incomplete or inaccurate results for its HIV/AIDS and tuberculosis activities in its FY 2005 Annual Report. In addition, the Mission did not maintain official files supporting reported data, and data quality assessments were not performed. (See page 12.)

Two other matters came to our attention during the course of the audit that require corrective action by USAID/Brazil. Specifically, required financial audits were not conducted (see page 15), and suspected fraud involving USAID funds was not reported to the Office of the Inspector General. (See page 17.)

This report contains the following 12 recommendations for USAID/Brazil:

- Update its Performance Management Plan for its health strategy with measurable indicators that include baseline data and targets, and include only those indicators that the Mission can materially affect through its activities. (See page 8.)

- Develop specific planned outputs that include targets and expected completion dates in partners' workplans. (See page 9.)

- Reassign or hire someone to take on the duties of the Cognizant Technical Officer (CTO) for health activities. (See page 10.)

- Provide partner organizations and USAID health officers and the CTO with training such that the partners are able to accurately report on their performance and maintain sufficient supporting documentation. (See page 11.)

- Develop a plan for avoiding the funding delays that have affected the state TB programs in Rio de Janeiro and Sao Paulo and verify that funds are received in a timely manner. (See page 12.)

- Maintain supporting documentation in official files relating to performance data reported in its annual reports. (See page 14.)

- Disclose the use of any limitations on data reported in its annual reports. (See page 15.)

- Perform validation and verification of partners reported results. (See page 15.)

- Perform a data quality assessment as required by the Automated Directive System. (See page 15.)

- Develop and maintain an inventory of awards to foreign recipients to determine required audits. (See page 17.)

- Conduct annual audits of its foreign recipients in accordance with the *Guidelines for Financial Audits Contracted by Foreign Recipients*. (See page 17.)

- Send a reminder to its CTOs to report suspected fraud to the Certifying Officer and the Office of the Inspector General. (See page 17.)

In its response, USAID/Brazil agreed with all 12 recommendations included in the draft audit report. The Mission included an action plan in its response with a schedule to complete implementation of the recommendations for ten (Recommendations Nos. 1-6 and 9-12) of the twelve recommendations made. Management decisions for these recommendations have been made and management decisions for Recommendations Nos. 7 and 8 can be recorded when USAID/Brazil has developed a firm plan of action, with target dates, for implementing the recommendations.

Management comments are included in their entirety in Appendix II.

BACKGROUND

Brazil ranks 16th among the 22 "high burden" countries that are responsible for 80 percent of all tuberculosis (TB) cases in the world. Brazil is one of the two countries responsible for 50 percent of all TB cases reported in Latin America. The World Health Organization (WHO) estimates that more than 50 million people in Brazil are infected with the TB bacilli that causes most cases of TB.[1] A rise in HIV infection levels and the neglect of TB control programs have caused a resurgence of TB, suggesting that the management of TB is a priority public health goal. The prevalence of HIV/AIDS is estimated to be 0.65 percent of the adult population, which is higher than most other Latin American countries. HIV/AIDS is found mostly in groups that exhibit risky sexual behavior (especially males who have sex with other males and commercial female sex workers).

At the beginning of 2004, the Government of Brazil officially adopted the Direct Observed Therapy Short-Course (DOTS), the internationally-recommended TB control strategy, in the new National TB Control Program. In this program, the government adopted the WHO goals of 70 percent case detection, 85 percent cure rate and a discontinued treatment rate of 5 percent. The National TB Program also prioritized the implementation and expansion of DOTS in 315 municipalities in the country where 70 percent of all TB cases occur. The National TB Control Program is jointly implemented by the Ministry of Health and health authorities at state and municipal levels. Among other interventions, the program provides anti-TB drugs to patients free of charge.

USAID/Brazil's strategy for reducing the transmission of TB is to increase the use of DOTS in targeted areas. To achieve this goal, USAID/Brazil has invested in activities which support all five elements of DOTS:

1. Government commitment to ensure sustained and comprehensive TB control activities.

2. Case detection by sputum smear microscopy[2] among symptomatic patients self-reporting to health services.

3. Directly observed therapy during the intensive phase of treatment for all newly infected TB cases.

4. A regular uninterrupted supply of all essential anti-TB drugs.

5. A standardized recording and reporting system that allows assessment of case-finding and treatment results.

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[1] TB is a contagious disease. Only people who are sick with TB in their lungs are infectious. Not everyone who is infected develops the disease. However, one in ten latent infections will progress to active TB disease which, if left untreated, will kill more than half of its victims. When infectious people cough, sneeze, talk or spit, they propel TB germs, known as bacilli, into the air. A person needs only to inhale a small number of bacilli to be infected.

[2] Sputum smear microscopy examines matter coughed up from the respiratory tract for TB bacilli.

More specifically, USAID/Brazil is providing technical assistance to the Ministry of Health Program through *Sociedade Civil Bem Estar Familiar no Brasil* (BEMFAM) and four other organizations supported by USAID/Washington global field initiatives:

- BEMFAM is a Brazilian non-governmental-organization (NGO) engaged in sexual and reproductive health activities. It provides support to the MOH for the expansion of the DOTS strategy in 6 of the 15 targeted priority municipalities in the state of Pernambuco by providing training to health professionals and developing informational and educational materials.

- The Pan American Health Organization (PAHO) is an international public health agency that serves as the regional office for the Americas of the World Health Organization. It strengthens the national TB program by conducting training and monitoring the implementation and expansion of DOTS.

- The U.S. Centers for Disease Control and Prevention (CDC) provides technical assistance to improve the management of the five components of DOTS. It also conducts training, expands the distribution of incentives to assist patients in completing treatment, and strengthens laboratories' capacity and information systems in the states of Rio de Janeiro and Sao Paulo.

- Management Sciences for Health – Rational Pharmaceutical Plus (RPM) provides technical assistance to the Helio Fraga TB Reference Center, which is responsible for developing, analyzing and transferring technologies to combat TB in the country and to monitor approximately 1,300 cases of multi-drug resistant TB. More specifically, it evaluates the appropriateness of current drug regimens used for treating TB cases, decentralizes the diagnosis and treatment of multi-drug resistant TB, and improves the quality of TB medicines.

- The Tuberculosis Coalition for Technical Assistance (TBCTA), which is an umbrella organization that includes the World Health Organization, PAHO, and others, provides consultation and technical assistance to the federal TB program and to USAID/Brazil's project areas in the state of Rio de Janeiro. It also accelerates the implementation and expansion of the DOTS strategy and improves the design, implementation, monitoring, and evaluation of TB programs at all three levels of government.

With regard to HIV/AIDS activities, USAID/Brazil's program was implemented by Private Agencies Coordinating Together (PACT). PACT is a non-profit international organization that aims to contribute to social development by forming networks and partnerships with local organizations and the government. PACT's program aimed at preventing HIV/AIDS infection among the most vulnerable groups and reducing the incidence and prevalence of HIV/AIDS among vulnerable populations. PACT implemented its activities under two awards.

The HIV/AIDS component of USAID/Brazil's Strategic Plan suffered a serious setback in fiscal year (FY) 2005 when the Brazilian Government disagreed with USAID policies concerning HIV/AIDS prevention activities. As a result, no FY 2004, 2005 and 2006 obligated funds were disbursed for HIV/AIDS activities and FY 2003 funds continued to be used during this period.

During the period between October 1, 2004 through September 30, 2006, USAID/Brazil obligated $20.7 million for its TB and HIV/AIDS program activities and disbursed a total of $14.2 million.

AUDIT OBJECTIVES

As part of its fiscal year 2007 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following questions:

- Did USAID/Brazil's health activities achieve the planned results described in USAID/Brazil's strategic plan, in Congressional Budget Justifications, and in grant and contract documents?

- Did USAID/Brazil's reporting on its health activities provide stakeholders with complete and accurate information that measured progress and the results achieved?

Appendix I contains a discussion of the audit's scope and methodology.

AUDIT FINDINGS

Did USAID/Brazil's health activities achieve the planned results described in USAID/Brazil's strategic plan, in Congressional Budget Justifications, and in grant and contract documents?

USAID achieved important results with regard to its tuberculosis and HIV/AIDS program activities. However, we could not measure or evaluate the Mission's progress in achieving some targets because the Performance Management Plan, partner agreements, and work plans did not include results or baseline data. Also, delays in providing funding to two state TB programs impeded the activities they were expected to carry out.

Tuberculosis - USAID/Brazil has played a major role in the adoption and expansion of the Direct Observed Treatment Short-Course (DOTS) strategy, especially in 3 of Brazil's 26 states. USAID/Brazil provided support to 35.6 percent of Brazil's municipalities identified as priority by the Brazilian government. In 2004, the Ministry of Heath reported that 54 percent of health facilities were implementing DOTS.[3] In 2006, 66 percent of health facilities were using DOTS. The number of health facilities implementing DOTS in the 315 priority municipalities had reached 83 percent in 2006. The percentage of new infectious TB patients[4] that were treated using DOTS has also increased significantly. Based on the results reported by the national tuberculosis control program, this percentage has increased from 53 percent in 2004 to 62 percent in 2005. In some USAID/Brazil assisted areas, very positive results were achieved as shown in Table 1 below.

Table 1: Selected TB Related Indicators, in the USAID/Brazil assisted municipalities of Carapicuiba in Sao Paulo State and Itaborai in Rio de Janeiro State, 2005

Indicator	Carapicuiba	Itaborai
Percentage of health facilities with DOTS	75.0%	82.5%
Percentage of new infectious TB patients in DOTS	92.8%	88.8%
Cure rate of new infectious TB patients in DOTS	88.3%	77.3%
Percentage that discontinued treatment	9.1%	3.4%
Percentage of HIV/AIDS Testing among TB patients	72.0%	80.1%

Source: MOH information system

HIV/AIDS - With regard to the HIV/AIDS activities, during the life of the project, PACT provided managerial and technical support to 22 local non-governmental organizations to carry out over 25,000 HIV/AIDS prevention activities reaching more than one million

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[3] This percentage was calculated based on the Ministry of Health World Health Organization's definition of percentage of health service units with the TB program that have at least one sputum smear positive case in DOTS.

[4] Infectious TB patients are those that are pulmonary sputum smear positive.

people and distributing 3.5 million condoms. PACT also facilitated the expansion and coverage of HIV/AIDS services and implemented a social marketing program through a U.S. sub-contractor – the Futures Group – and two additional sub-contractors (John Snow International and BEMFAM) and sub-grantees. The program expanded condom distribution and sold 4.7 million condoms through traditional and non-traditional outlets.

Even though USAID/Brazil contributed to important results, as outlined above, we could not evaluate whether USAID/Brazil's health activities achieved planned results because of the limitations described in the following sections.

Performance Management Plan Should Have Baseline Data And Targets

Summary: According to USAID's Automated Directives System (ADS), performance indicators should be precisely defined in the PMP and should measure changes that are clearly and reasonably attributable, at least in part, to USAID efforts. Of the four performance indicators listed in the Mission's PMP, none contained annual targets or baseline data. In addition, the performance indicators selected by the Mission were not significantly influenced by Mission activities and not clearly defined. This occurred because Mission staff were unaware of the ADS requirements, and Mission management did not verify that the requirements were met. It is difficult to ascertain if results were actually achieved if targets are not clearly defined and influenced by Mission activities.

According to ADS 203.3, performance indicators should be (1) precisely defined in the PMP and (2) should measure changes that are clearly and reasonably attributable, at least in part, to USAID/Brazil efforts. Furthermore, objectives should be manageable in that they can be materially affected by USAID assistance. In addition, ADS 201.3.7.6 states that missions must prepare a PMP that contains baseline data and targets.

USAID/Brazil included four indicators in its PMP. These indicators were as follows:

- Indicator 1 - Percent condom use with last non-regular sex partner among key populations.

- Indicator 2 - Percent condom use at last sex act.

- Indicator 3 - Percentage of priority municipalities in target areas that have adopted DOTS as their universal TB control strategy.

- Indicator 4 - Percentage increase in case detection through bacilloscopy.[5]

USAID/Brazil's PMP did not include baseline data and targets for its performance indicators relating to its HIV/AIDS and TB activities. Furthermore, the PMP was not updated with actual results to track progress on an annual basis.

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[5] This is a method of identifying TB bacterium by examining a sample of sputums through microscopy.

In addition, it was unclear if the performance indicators selected are significantly influenced by Mission activities because they were not clearly defined. For example, the Mission did report on one indicator in the FY 2005 annual report that stated that as a result of capacity building in DOTS, 64 percent of Brazil's 315 priority municipalities now have supervised treatment compared to less than 10 percent at the beginning of USAID/Brazil's present strategy. However, USAID/Brazil's direct assistance for FY 2005 TB activities was limited to 15 out of 315 priority municipalities, in 3 of 26 Brazilian states (Rio de Janeiro, Sao Paulo and Pernambuco.) The Mission should report results that are attributable to USAID efforts in the geographical areas where USAID/Brazil provided assistance.

The responsible Mission staff member stated that he was unaware of the ADS requirements, and Mission management did not ensure that the requirements were met. It is difficult to ascertain if results were actually achieved if targets are not clearly defined and influenced by Mission activities. Further, without a well-defined strategy and PMP with measurable indicators, the Mission will be unable to clearly plan, coordinate, and monitor the implementation of its TB and HIV/AIDS program through its partner organizations.

To improve the accuracy of reporting on the health program, we are making the following recommendation:

> *Recommendation No. 1: We recommend that USAID/Brazil (a) update its Performance Management Plan for its health strategy with measurable indicators that include baseline data and targets, and (b) include only those indicators that the Mission can materially affect through its activities.*

Outputs in Partners' Work Plans
Lacked Performance Targets

Summary: ADS Guidance states that specific outputs are critical to achieving results. Based on a review of partners' work plans we found that 55 percent of outputs in partners' work plans lacked performance targets. The Mission was unaware of the ADS guidance on developing outputs. As a result, the Mission could not benchmark and measure progress and lacked a valuable management tool.

Automated Directives System (ADS) 202.3.6 states that in order to monitor the quality and timeliness of outputs produced by implementing partners, outputs should be specific. The guidance also states that outputs are critical to achieving results. ADS 200.3.2.1 states that performance outputs need to be explicit in order to manage for results. Our review of partners' work plans found that 55 percent of the outputs did not contain well defined, specific targets as shown in Table 2 below:

Table 2: Partner Work Plans, Outputs and Targets, FY 2005 and FY 2006

Partner/Program	Number of Outputs	Number of Outputs Without Targets
PACT NGO Program	11	9
PACT Social Marketing Program	6	4
BEMFAM	8	1
MSH-RPM Plus	4	2
PAHO	1	0
TBCTA	4	3
CDC Sao Paulo	9	4
CDC Rio de Janeiro	6	4
Total	49	27

The health team was unaware of the ADS guidance on developing outputs. As a result, the Mission could not benchmark and measure progress and lacked a valuable management tool.

> *Recommendation No. 2: We recommend that USAID/Brazil requires its partners to develop specific, planned outputs that include targets and expected completion dates.*

Partners' Data Not Reliable

Summary: According to ADS guidance, performance data should be accurate and reliable and missions should take steps to ensure that submitted data is adequately supported. The progress reports submitted by partners to USAID/Brazil did not always include complete and useful information that described progress achieved during the reporting period. The Mission lacked a clear understanding of the responsibilities of Cognizant Technical Officers (CTO), which includes systematically verifying reported data. Mission management relied on Mission staff to comply with ADS requirements, but the staff was unaware of the requirements. As a result, USAID/Brazil could not reliably determine whether partners were meeting their objectives. Without accurate and reliable data, sound management decisions cannot be made.

As stated in ADS 202.3.6.1, assessing performance refers to whether the outputs produced by the contractor or grantee are of acceptable quality. According to ADS 203.3.5 and USAID TIPS 12, (supplemental guidance referenced by the ADS) performance data should be accurate and reliable, and missions should take steps to ensure that submitted data is adequately supported.

The USAID Cognizant Technical Officers (CTOs) Guidebook on USAID Acquisition and Assistance states that CTOs are charged with the responsibility of ensuring that data reported by implementing partners are accurate. Accordingly, CTOs are required to perform data verification procedures to assess the accuracy of reported results.

A review of progress reports submitted by the various partners revealed that some of the progress reports were incomplete, unsupported, and did not measure progress towards achieving the program's objectives. Also, the information contained in progress reports

was sometimes too vague to be of any utility in measuring progress made toward achieving program objectives. For example, there was no mention in the progress reports of the dates on which training was conducted, or the number of participants trained, even though training was a major activity for all partners. Also, partners reported on the number of meetings organized and processes rather than on actual performance targets. Several specific examples of inaccurate or incomplete results, and inadequate supporting documentation follows:

- One grantee's 2005 annual report reported on the number of people reached through prevention activities as well as the number of educational materials produced and the number of materials distributed. However, we could not validate this data for the two sub-grantees visited because they could not provide supporting documentation for the numbers reported.

- This same grantee's semi-annual report ending March 2006 did not include results achieved during the reporting period. Instead, the report included cumulative results for the period of October 2004 to March 2006. As a result, an assessment of progress made during the reporting period was precluded.

- Even though an inter-agency agreement required a partner agency to submit quarterly reports on its activities, no quarterly reports were submitted to USAID/Brazil that described the progress of its activities. Instead, the Ministry of Health's TB coordinators for the states of Rio de Janeiro and Sao Paulo submitted a report to USAID/Brazil on the progress made in their respective areas when requested by the Mission. Progress reports did not report results on all the indicators defined in the work plans and the periods covered were not clearly defined.

- Another organization did not report in its FY 2006 Annual Report on three of eight performance indicators included in its annual work plan, and on the number of infectious TB patients under supervised treatment.

Prior Mission management relied on the health team staff to comply with ADS requirements, but the staff was unaware of the requirements. The Mission's health team leader as well as two other Mission officials left Brazil during the summer of 2006. The new Mission Director has taken on CTO responsibilities for the health program but her other duties do not allow her sufficient time to take on these responsibilities.

Without a review of performance data submitted by its partners, USAID/Brazil could not reliably determine if partners were progressing towards objectives. Further, because the partner organizations did not always have records supporting their progress reports, reported results were often difficult to verify. Finally, the poor quality of results-related information increased the probability of USAID/Brazil and its implementing partners making funding and programmatic decisions based on incorrect information. To correct the above deficiencies we are making the following recommendations.

> *Recommendation No. 3: We recommend that USAID/Brazil reassign or hire someone to take on the duties of the Cognizant Technical Officer for health activities.*

Recommendation No. 4: We recommend that USAID/Brazil provide partner organizations and USAID/Brazil health officers with training such that they are able to accurately report on their performance, maintain sufficient supporting documentation and ensure the accuracy and reliability of the reported results.

Delays in Providing Advances to State
TB Program Impeded Program Activities

Summary: ADS guidance states that managing for results entails ensuring agreement among partners and stakeholders and making intended results explicit. In support of the TB programs in the states of Rio de Janeiro and Sao Paulo, USAID awarded a contract to U.S. Centers for Disease Control and Prevention (CDC). In turn, CDC awarded a contract to Tulane University, which then awarded a contract to two local contractors. The local contractors were responsible for ensuring that the two state TB programs received timely financial support. However, the state TB programs did not receive funds for several months and did not know when funds would be made available. The delay in providing funds to the programs was due to the fact that how and when the funding should be provided was never clearly defined. Consequently, the local contractors could not release funds to the programs. Ultimately, the lack of funding impeded the state programs' efforts to achieve the activities described in their work plans.

ADS 200.3.2.1 states that managing for results means defining and organizing work around end results. This means making intended results explicit, ensuring agreement among partners and stakeholders that proposed results are worthwhile, and organizing day to day work and interactions to achieve results as effectively as possible. The contracts between Tulane University and the Brazilian contractors state that Tulane University will disburse advances of 25 percent of the funds committed after receiving an expenditure report.

In fiscal year 1999, USAID signed an inter-agency agreement with CDC. During fiscal years 2005 and 2006, USAID/Brazil obligated $1.9 million to CDC in support of tuberculosis-related activities. CDC sub-contracted the management of the funds to Tulane University of New Orleans. Tulane University channeled the funds for the two state programs to two Brazilian organizations that were responsible for managing the funds and reimbursing the states for expenses incurred in implementing the TB-related activities defined in the associated work plans. During the audit, we noted that the program in Sao Paulo had not received funds since April 2006 even though several requests for funds were put forward by both USAID/Brazil and the state TB Program Coordinator. The state program was finally funded in late December 2006, after Tulane University had been contacted several times by USAID/Brazil and the Ministry of Health's National Program Coordinator and because of our audit.

In addition, in January 2007, we were informed that the program in Rio de Janeiro had not yet received the 25 percent advance as called for in the contract between Tulane University and the local contractor despite many inquiries from the Brazilian sub-contractor on the status of the reimbursement. Apparently, the invoice submitted was lost during processing by Tulane University. Therefore, the state TB Program Coordinator was unaware of when the funds would be made available for program activities.

The delays in providing financial support to the state TB programs occurred primarily because the contract between Tulane University and the local contractors did not define how and when the funds should be made available to the programs. Ultimately, a lack of timely funding impeded the ability of the TB control programs of both Rio de Janeiro and Sao Paulo to achieve the goals and targets set out in their respective work plans. In this regard, it should be noted that, as training and other activities were canceled or postponed due to a lack of funding, the concerned staff became discouraged and, in some cases, the state coordinators lost credibility with the municipalities and the local health facilities.

> *Recommendation No. 5: We recommend that USAID/Brazil in conjunction with U.S. Centers for Disease Control and Prevention and Tulane University, (a) develop a plan for avoiding the funding delays that have affected the state TB programs in Rio de Janeiro and Sao Paulo and (b) verify that funds are received in a timely manner.*

Did USAID/Brazil's reporting on its health activities provide stakeholders with complete and accurate information that measured progress and the results achieved?

USAID/Brazil's reporting on its health activities did not provide stakeholders with complete and accurate information on the progress of the activities and the results achieved. Our review of partner information and progress reports indicated that USAID/Brazil provided incomplete or inaccurate results on its HIV/AIDS and tuberculosis activities in its FY 2005 Annual Report. In addition, the Mission did not maintain official files supporting reported data and did not perform data quality assessments. These issues are discussed in the following sections.

USAID/Brazil Can Improve
Its Reporting

Summary: USAID guidance requires performance data to be precise and reliable and also requires missions to take steps to ensure that submitted data is adequately verified and supported. However, USAID/Brazil reported incomplete or inaccurate information on HIV/AIDS and TB activities in its FY 2005 Annual Report. This occurred because the Mission did not verify results reported by partners or maintain supporting documentation in official files for the results reported by the Mission. Consequently, USAID/Brazil could not reliably determine if program activities were meeting their objectives, addressing the information needs of the Agency's stakeholders, and ensuring that sound funding or programmatic decisions are taken.

In order to manage for results and to produce credible reporting, ADS 203.3.5.1 requires performance data to be precise and reliable. ADS 203.3.8.2 states that Missions should use the U.S. fiscal year for reporting data in the Annual Report. If performance data are not available on a quarterly or U.S. fiscal year basis, the local fiscal year or calendar year may be used, but should be reported in the "data limitations" as not conforming to the U.S. fiscal year.

USAID guidance, TIPS 12, *Analyzing Performance Data*, states that even valid indicators have little value if the data collected does not correctly measure the variable or characteristic encompassed by the indicator. TIPS 12 also emphasizes the importance of documentation to maintenance of quality performance indicators and data.

We validated the results reported by USAID/Brazil in its FY 2005 Annual Report by comparing the reported results to the results contained in documentation maintained by the Ministry of Health's national TB control program, by USAID/Brazil grantees, and by the Mission staff. (We could not review USAID/Brazil reported results for FY 2006 because USAID missions had not yet reported on FY 2006 results). We found that USAID/Brazil reported incomplete or inaccurate results in reporting on its HIV/AIDS and TB activities. More specifically, we noted the following problems:

- The Mission reported that 22 percent of priority municipalities in 2004 and 64 percent of priority municipalities in 2005 were implementing DOTS. However, based on a review of supporting documentation, 72 percent and 85 percent of priority municipalities offered DOTS in 2004 and 2005, respectively. In addition, a municipality may include many health facilities that may or may not have DOTS services. A more relevant indicator of DOTS coverage would be to measure health facilities with DOTS. Within the priority municipalities, 64 percent and 83 percent of health facilities were implementing DOTS in 2004 and 2005, respectively.

- The Mission reported that, as a result of its assistance to one partner, fixed dose combination tablets had been developed to increase treatment compliance. However, the tablets had not yet been produced and made available to patients.

- The Mission reported that during the first phase of the project, the number of pills that patients need to take was decreased from six to four during the first two months of treatment. However, no such reduction took place, and patients are still taking six pills.

- The Mission reported that 32,000 health professionals were trained on the DOTS system, including 800 laboratory technicians and 200 laboratory managers. The Mission had no supporting documentation for these results, and information collected from USAID/Brazil partners did not reconcile with the Mission-reported figure. The partners' documentation suggested that roughly 10,000 persons were trained (no breakdown between the number of laboratory technicians and laboratory managers was available).

- The FY 2005 Annual Report stated that the cure rate level in the Sao Paulo and Rio de Janeiro project sites exceeded 80 percent. However, according to information contained in the MOH information system, the cure rate was greater than 80 percent in only one of the nine USAID/Brazil project sites.

- The Mission reported that the average HIV/AIDS testing rate in Rio de Janeiro and Sao Paulo state project sites was 60 percent. However, for all USAID/Brazil assisted areas the average percentage of HIV/AIDS testing was greater than 70 percent and was near or above 80 percent in five of the nine project areas.

- The Mission incorrectly reported that 4,440 condoms were sold through the social marketing program's non-traditional outlets. However, according to PACT's records, 4.7 million condoms were sold through traditional and non-traditional outlets, with an estimated 40% of these sales being made through non-traditional outlets.

- The Mission reported that 2 prevention street campaigns were conducted. However, information collected from partners indicated that 24 prevention street campaigns were conducted.

- The Mission significantly misstated some FY 2005 accomplishments for its HIV/AIDS prevention activities by not reporting data for the complete fiscal year. The partner responsible for implementing HIV/AIDS activities indicated in its annual performance report that results only covered the period through June 2005. However, the Mission did not disclose in its FY 2005 Annual Report that the data reported did not cover the entire fiscal year. The Mission was not aware that data provided by the grantee did not include the entire fiscal year because Mission officials did not review or validate the data or maintain supporting documentation in official files. As a result, the Mission failed to report fourth quarter activities, which, in certain cases, was quite significant as shown in Table 3 below:

Table 3: Comparison of HIV/AIDS Reported and Documented Results for FY 2005

Selected Indicator	Results As Per Annual Report	Documented Results
Number of vulnerable people reached through prevention messages	395,000	605,731
Field-based prevention activities carried out	4,362	9,365
Persons trained on HIV/AIDS prevention	3,730	5,288
Educational materials distributed	810,127	1,243,100
Condoms distributed through traditional and non-traditional outlets	1,233,928	1,693,434

This occurred because the Mission did not track and record partner results submitted through progress reports. Also, the Mission did not maintain supporting documentation in official files for its reported results. In addition, the misstatements were attributable to the CTOs not verifying the quality of information received from the partners, as required by the ADS guidance.

Because the results reported by the Mission were incomplete and inaccurate, USAID/Brazil could not reliably determine if program activities were meeting their objectives or assess the progress of the program. Also, inaccurately reported results could lead to misinformed funding or programmatic decisions. Therefore, we are making the following recommendations.

Recommendation No. 6: We recommend that USAID/Brazil maintain supporting documentation in official files relating to performance data reported in its annual reports.

Recommendation No. 7: We recommend that USAID/Brazil disclose any limitations on the use of data reported in its annual reports.

Recommendation No. 8: We recommend that USAID/Brazil's Cognizant Technical Officers periodically perform validation and verification of partners reported results.

Data Quality Assessments
Were Not Performed

Summary: USAID guidance requires that data quality assessments be conducted on select indicators to ensure that the Mission and other users are aware of the strengths and weaknesses of the data. However, the Mission did not complete a data quality assessment for its health indicators. Mission staff was unaware of this requirements and Mission management did not verify that the requirements was met. As a result, program results for FY 2005 were not accurately reported.

USAID provides its operating units with a great deal of guidance to assist with their ability to manage for results. Among the guidance is ADS 203.3.5.2, which states that the purpose of a data quality assessment is to ensure that the Operating Unit and Strategic Objective Teams are aware of the strengths and weaknesses of the data and the extent to which the data integrity can be trusted to influence management decisions. The ADS mandates that data reported to USAID/Washington for Government Performance and Results Act reporting purposes or for reporting externally on Agency performance must have had a data quality assessment conducted not more than three years before submission. However, USAID/Brazil did not perform any data quality assessments on reported health indicators. As with other findings reported in the above sections, Mission staff was unaware of this requirements and Mission management did not verify that the requirements were met.

A data quality assessment ensures consistent and reliable data for decision-making and reporting purposes. The lack of an appropriate data quality assessment on reported program performance indicators contributed to the weakness of the data collection, analysis and reporting procedures. This created a vulnerability in which decision makers could come to erroneous conclusions regarding the performance of USAID/Brazil's programs. To correct this deficiency we are making the following recommendation.

Recommendation No. 9: We recommend that USAID/Brazil conduct data quality assessments on its health performance indicators as required by Automated Directive System 203.

Other Matters

During the course of the audit, two other matters that require corrective action by USAID/Brazil came to our attention. More specifically, required financial audits were not conducted and a suspected case of fraud involving USAID funds was not reported to the Office of Inspector General (OIG). These issues are discussed in the following pages in detail.

Annual Audits of Foreign
Recipient Not Completed

Summary: According to ADS guidance, foreign non-profit organizations that expend $300,000 or more in USAID funds annually must have an annual audit. A Brazilian non-profit organization which spent more than $300,000 annually during the period of 2003-2005 did not have annual audits conducted according to the OIG's *Guidelines for Financial Audits Contracted by Foreign Recipients (Guidelines)*. This occurred because USAID/Brazil officials were unaware that this non-profit was required to have an annual audit. In the absence of annual financial audits, the Mission increased its risks of financial loss and could not ensure that funds were accounted for and used for intended purposes in accordance with applicable laws and regulations.

ADS 591.3.2.1 states that foreign organizations that expend $300,000 or more in USAID funds in one fiscal year must have an annual audit conducted in accordance with the requirements detailed in the *Guidelines*. The ADS also states that contract/grant officers must ensure that the responsible Regional Inspector General receives audits of foreign recipients within nine months after the end of the fiscal year in which expenditures were incurred. ADS 591.3.4.2 and 591.2c require that missions develop and maintain an inventory of foreign organizations and ensure that required audits are conducted.

BEMFAM (*Bem-Estar Familiar no Brazil*), a Brazilian non-profit organization which spent more than $300,000 annually during the period of 2003-2005, did not have annual audits conducted according to the *Guidelines* and did not submit annual audit reports to RIG/San Salvador. While USAID/Brazil requested BEMFAM to submit their annual financial audits for the organization as a whole, no audit of USAID funds was performed in accordance with the *Guidelines*.[6]

USAID/Brazil officials were unaware that BEMFAM was required to have annual audits conducted in accordance with the *Guidelines*. USAID/Brazil's FY 2005 risk assessment stated that the Mission does not yet have a plan in place for non-federal audits. It also incorrectly states that a non-federal audit has not been required because no local grantees have expended $300,000 over a 12-month period. In addition, for long periods between 2003 and 2005, the Mission did not have a financial analyst available to help ensure that required audits were performed.

Without annual financial audits, the Mission increased its risks of financial loss and could not ensure that funds were accounted for and used for intended purposes and in accordance with applicable laws and regulations. In February 2006, USAID/Brazil took steps to conduct an audit of BEMFAM for the period of 2002-2005. The preliminary audit report had several findings which USAID/Brazil will not be able to act upon since the agreement has ended. In order to ensure compliance with ADS audit requirements we are making the following recommendations.

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[6] Audits performed in accordance with the Guidelines include the auditor's opinion on a fund accountability statement showing how USAID funds were used, a report on internal controls, a report on compliance with the USAID grant, contract, or agreement, and a review report on cost sharing contributions.

Recommendation No. 10: We recommend that USAID/Brazil develop and maintain an inventory of awards to foreign recipients to determine required audits.

Recommendation No. 11: We recommend that USAID/Brazil conduct annual audits of its foreign recipients in accordance with the Guidelines for Financial Audits Contracted by Foreign Recipients.

Suspected Fraud Not Reported
To Office of Inspector General

Summary: According to ADS guidance, when there is reason to suspect that a voucher presented for payment contains fraudulent information, the Certifying Officer must refer the matter to the OIG. An allegation was made that a former director of a sub-grantee to a U.S. non-profit organization stole about $19,000 in USAID funds. However, the Mission failed to pass this information to the OIG. This occurred because Mission officials were not aware of the requirements for passing on information relating to fraud the OIG. If the OIG is not notified of allegations, a determination of fraud cannot be made, corrective actions may not be taken, and further losses may occur.

ADS 630.3.5.1 states that when there is reason to suspect that a voucher presented for payment contains fraudulent information, the Certifying Officer must refer the matter to the OIG. This requirement applies regardless of the dollar value of the suspected fraud.

A former Director of a sub-grantee to a U.S non-profit organization allegedly stole $19,000 in USAID/Brazil funds (equivalent to 31,411 Brazilian Reales). The organization was informed and in turn informed the Mission's CTO about this matter. The sub-grantee hired an audit firm to conduct an audit and to reconcile the accounts. It then suggested in November 2005 to reimburse the stolen funds in the form of an in-kind shared contribution. While USAID/Brazil agreed with this decision, it never informed the OIG of this theft. The CTO did not know that the OIG should be informed. In addition, he did not pass this information to the Certifying Officer when forwarding the NGO's vouchers for payment. If the Mission does not inform the OIG of an allegation of impropriety, then a determination of fraud will likely not be made, corrective actions may not be taken, and further losses may occur.

Recommendation No. 12: We recommend that USAID/Brazil send a reminder to its Cognizant Technical Officers of their responsibilities in reporting suspected fraud to the Certifying Officer and the Office of Inspector General.

EVALUATION OF MANAGEMENT COMMENTS

In its response, USAID/Brazil agreed with all 12 recommendations included in the draft report. The Mission included an action plan in its response with a schedule to complete implementation of ten recommendations (Recommendation Nos. 1-6 and 9-12). For example, regarding Recommendation No. 2, the Mission's health team is working with implementing partners to establish specific targets and completion dates in their work plans. In addition, for Recommendation No. 3, the Mission is finalizing the revision of the Position Description document in order to announce the position and begin the selection process to hire a CTO for the Health Program. We consider that a management decision has been made for these recommendations. However, a management decision has not been reached on Recommendation Nos. 7 and 8; the Mission acknowledged the recommendations but did not propose specific actions to address them.

Management decisions on these two audit recommendations can be recorded once USAID/Brazil has developed a firm plan of action, with target dates, for addressing the recommendations. The determination of final action for all the recommendations will be made by the Audit Performance and Compliance Division (M/CFO/APC).

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/San Salvador conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine whether USAID/Brazil's health activities achieved the planned results described in USAID/Brazil's Strategic Plan, in the Congressional Budget Justifications, and in grant and contract documents and whether USAID/Brazil's reporting on its health activities provides stakeholders with complete and accurate information on the progress and the results achieved.

In planning and performing the audit, we reviewed and assessed the effectiveness of USAID/Brazil's management controls related to its tuberculosis (TB) and HIV/AIDS program activities. The USAID/Brazil management controls identified included the Mission's Performance Monitoring Plan, the Mission's self assessment of management controls through its Annual Federal Managers Financial Integrity Act, and the Portfolio Review. Interviews were conducted with staff at the Mission, implementing partner organizations, and sub-grantees.

In Brazil, the USAID-funded HIV/AIDS activities were implemented by Private Agencies Coordinating Together (PACT.) PACT implemented its HIV/AIDS prevention related activities under two awards and two program components: the NGO program providing 22 sub-grants to non-governmental organizations and the condom social marketing program through the Future group via two sub-contractors John Snow International and *Sociedade Civil Bem Estar Familiar no Brasil* (BEMFAM) as well as seven sub-grantees. We visited PACT's and two NGO sub-grantees' HIV/AIDS prevention activities aimed at high risk groups. We also visited BEMFAM, which was PACT's major contributor to the condom social marketing program.

With regard to TB activities, USAID/Brazil was providing technical assistance to the Ministry of Health TB Control Program through BEMFAM, and other organizations supported by USAID/Washington global field initiatives including the Pan American Health Organization (PAHO), the U.S. Centers for Disease Control and Prevention (CDC), Management Sciences for Health – Rational Pharmaceutical Plus (RPM), and Tuberculosis Coalition for Technical Assistance (TBCTA). We judgmentally selected Ministry of Health (MOH) TB sites to visit in the three states assisted by USAID/Brazil and HIV/AIDS related organizations as shown in Table 4 below.

Table 4: Sampled Sites

USAID/Brazil Assisted HIV/AIDS/TB Program	Population	Sample
PACT NGO HIV/AIDS prevention program	22	2
PACT condom social marketing program	2	1
USAID/Brazil assisted municipalities with DOTS	15	6
USAID/Brazil assisted health facilities with DOTS	130	6

Fieldwork for this audit was performed in Brazil from November 27, 2006 through December 14, 2006, at USAID/Brazil in Brasilia and in the three states assisted by USAID/Brazil (Pernambuco, Rio de Janeiro and Sao Paulo).

During the period covered by our audit, October 1, 2004 through September 30, 2006, USAID/Brazil obligated $20.7 million for its TB and HIV/AIDS program activities and expended a total of $14.2 million.

Methodology

To answer the audit objectives, we interviewed Mission officials, staff of partner organizations, and Ministry of Health National TB control program officials. We reviewed the Mission strategic plans, Performance Management Plan, Congressional Budget Justifications and annual reports. We also reviewed agreements, work plans and progress reports of implementing partners to confirm progress reported towards achieving planned results. We also conducted site visits, observed the program's operations, and tested reported data. Testing consisted of reviewing the supporting documentation for selected months for selected activities. For example, for selected training activities, we reviewed the attendance lists signed by the participants. At the MOH TB sites visited, testing consisted of reviewing the register of patients tested for TB and diagnosed TB positive by the patient register and the treatment card, and verifying that the data reported by the health facility reconcile with the data reported by the municipality and the state for the number of persons tested, the number of TB positive patients, the number of persons under supervised treatment, the number of persons cured, and the number of persons who discontinued treatment. We also compared the MOH SINAN information system data with the information reported by USAID/Brazil. Additionally, for selected months, we reviewed, among other items, the number of persons reported as being tested for HIV/AIDS among the tuberculosis patients.

With regard to PACT and its sub-grantees, during our field visits, we verified the accuracy of the reported data by comparing the information contained in their progress reports to the supporting documentation with respect to the number of condoms distributed, the number of educational materials produced and distributed, and the prevention activities conducted among high risk groups as well as the list of participants for training conducted.

To determine the significance of our findings, we judged that the Mission met planned results if all of the conditions stipulated in indicator definitions included in the Mission's Strategic Plan and Annual Report were completed as described based on our review of supporting documentation and our observations during site visits. In judging the significance of variances found during the audit between reported accomplishments and supporting documentation, we considered variances of five percent or more to be significant and reportable.

MANAGEMENT COMMENTS

DATE: March 20, 2007

TO: Acting RIG/San Salvador, Lyne Paquette

FROM: Jennifer Adams, USAID/Brazil Director

SUBJECT: Audit of USAID/Brazil's Health Program (Report No. 1-512-07-006-P)

As per your memorandum sent on January 31st, this to inform that USAID/Brazil agrees with all 12 recommendations included in the USAID/Brazil's Health Program Audit Draft Report.

The Mission set the enclosed action plan in order to implement the referred recommendations.

ACTION PLAN – AUDIT OF USAID/BRAZIL'S HEALTH PROGRAM				
#	Recommendation	USAID/Brazil Action	Due Date	Resp.
1	Update its Performance Management Plan for its health strategy with measurable indicators that include baseline data and targets, and include only those indicators that the Mission can materially affect through its activities.	The Program Officer and the Health Team are working together to review and update the Health strategy PMP.	March 2007	Health Team Program Officer
2	Develop specific planned outputs that include targets and expected completion dates in partners' work plans.	The Health team is working with implementing partners to establish specific targets and completion dates in their work plans. This action will take into consideration the indicators set at the PMP and the Operational Plan 2007.	February 2007	Health Team
3	Reassign or hire someone to take on the duties of the Cognizant Technical Officer (CTO) for health activities.	The Mission is finalizing the revision of the Position Description document in order to announce the position and begin the selection process to hire a CTO for the Health Program.	March 2007	Program Officer Health Team HR
4	Provide partner organizations and USAID health officers and the CTO with training such that the partners are able to accurately report on their performance and maintain sufficient supporting documentation.	Based on meetings with the implementing partners and on the Audit's Report findings, the Health Team and the Program Officer are assembling a training needs matrix on A&A, reporting and performance management issues. Suitable training will be provided to the Health Team and partners' key personnel.	March 2007 (Matrix) December 2007 (trainings)	Program Officer Health Team
5	Develop a plan for avoiding the funding delays that have affected the state TB programs in Rio de Janeiro and Sao Paulo and verify that funds are received in a timely manner.	The Health Team has warned CDC about this situation and to set a calendar of payments with Tulane University to expedite the payments to TB programs and avoid future delays.	March 2007	Health Team CDC
6	Maintain supporting documentation in official files relating to performance data reported in its annual reports.	The Program Officer will be working together with the new Health CTO in order to have supporting documentation for implementing mechanism and reporting organized and available in official files.	May 2007	Program Officer Health CTO

#	Recommendation	USAID/Brazil Action	Due Date	Resp.
7	Disclose the use of any limitations on data reported in its annual reports.	Acknowledged		
8	Perform validation and verification of partners reported results.	Acknowledged. This will be highlighted as a key responsibility for the new Health CTO.		
9	Perform a data quality assessment as required by the Automated Directive System.	The Mission will be scheduling the financial audit and data quality assessment exercise with the Health Program implementing partners	June 2007	Health CTO
10	Develop and maintain an inventory of foreign recipients that require audits.	The Mission is developing an inventory of all USAID/Brazil foreign recipients that received more than $ 300,000 in their fiscal year. The Procurement Specialist will be responsible to maintain the inventory and follow-up audits with the CTOs.	February 2007	Program Officer Procurement Specialist
11	Conduct annual audits of its foreign recipients in accordance with the *Guidelines for Financial Audits Contracted by Foreign Recipients.*	The Mission is developing an inventory of audits and Data Quality Assessments and a tracking calendar for all USAID/Brazil programs.	February 2007	Program Officer
12	Send a reminder to its CTOs to report suspected fraud to the Certifying Officer and the Office of the Inspector General.	The Mission will be issuing a Memo to all USAID/Brazil CTOs reminding them of mandatory reporting to the Office of Inspector General of any suspected fraud involving USAID awardees.	February 2007	Program Officer