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OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/BOLIVIA'S INTEGRATED HEALTH COORDINATION PROGRAM (PROCOSI)

AUDIT REPORT NO. 1-511-07-010-P
JULY 23, 2007

SAN SALVADOR, EL SALVADOR



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

July 23, 2007

MEMORANDUM

TO: USAID/Bolivia Director, Michael Yates

FROM: Acting Regional Inspector General/San Salvador, Jerry Hintz /s/

SUBJECT: Audit of USAID/Bolivia's Integrated Health Coordination Program (PROCOSI)
(Report No. 1-511-07-010-P)

This memorandum transmits our report on the subject audit. In finalizing the report, we carefully considered your comments on the draft report and we have included the Mission's comments in their entirety in Appendix II.

The report includes 14 recommendations for your action. Based on your comments and the documentation provided, we consider that final action has been taken on Recommendations Nos. 5 and 8 and that management decisions have been reached on Recommendation Nos. 1 and 10 through 13. When the Mission provides target dates for implementing the recommendations, management decisions for the Recommendation Nos. 2 through 4 and 6, 7, and 9 can be recorded. A management decision can be recorded on Recommendation No. 14 when the Mission reaches a firm decision on the amount to be reprogrammed. Determination of final action for the report recommendations will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

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

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SUMMARY OF RESULTS

USAID/Bolivia's Integrated Health Coordination Program (PROCOSI) is a network of 33 non-governmental organizations (NGOs). The network was ranked by ForeignAid Ratings as one of the best NGO networks in Latin America. PROCOSI has been a USAID/Bolivia partner in implementing health programs for almost 20 years (see page 5.)

The Regional Inspector General/San Salvador, as part of its fiscal year (FY) 2007 audit plan, performed this audit to determine whether USAID/Bolivia's PROCOSI program achieved planned results and whether USAID/Bolivia's reporting on PROCOSI provided stakeholders with complete and accurate information on the progress and the results achieved (see page 7.)

The social and political context and changes to USAID/Bolivia health strategy resulted in delays to the implementation of the Mission's health activities. The PROCOSI program underwent a significant realignment in 2006 in order to assure its consistency with shared Bolivian and the United States governments' strategic priorities. Consequently PROCOSI has not yet made any contribution to achieving the planned results of the USAID/Bolivia community health project. In spite of setbacks, PROCOSI, with the assistance of the Manoff Group, had made progress in the implementation of the community health project and in improving health program administration and institutional sustainability. (See page 8.) The audit identified opportunities to improve program performance by speeding implementation of project activities, developing a monitoring and evaluation system, and streamlining performance indicators (see pages 10 to 17.)

The audit found that USAID/Bolivia's reporting on the activities of PROCOSI did not provide stakeholders with complete information on the progress of the activities. We could not assess the accuracy of reported results related to PROCOSI because no quantifiable results were achieved or reported by USAID/Bolivia (see page 17.)

In addition, three other matters came to our attention during the course of the audit. The audit found that the Mission had not ensured that PROCOSI's sub-awards include the standard provisions (see page 18), had not verified reported results achieved by other USAID/Bolivia health partners (see page 19), and had not complied with forward funding requirements exceeding its forward funding limitation by \$12.7 million (see page 23.)

This report contains the following 14 recommendations for USAID/Bolivia:

- Develop and implement a plan for improving coordination between PROCOSI and the Manoff Group (see page 13.)
- Obtain from PROCOSI an implementation plan that takes into account all the key participants, identifies risks and constraints, and puts forward a complete project implementation timeline, including a baseline survey, census, facility preparation, delivery and installation of equipment, sensitization campaigns, training of site personnel, and a monitoring and evaluation plan (see page 14.)

- Coordinate with PROCOSI to address the financial realities of the Government of Bolivia's administration and make the necessary adjustments within the project budget to ensure that the housing improvement program can be completed as planned (see page 14.)
- Assist the sub-grantees to clarify with their sub-grant partners their respective roles and responsibilities to ensure smooth project implementation (see page 14.)
- Reduce the scope of the activities to be implemented by sub-grantees at the outset of the project, perhaps leaving the possibility of adding additional activities once basic health activities are underway (see page 14.)
- Ensure that PROCOSI, with technical assistance from the Manoff Group has established a monitoring and evaluation system for the program (see page 15.)
- Ensure that PROCOSI, with technical assistance from the Manoff Group, provides members and sub-grantees with training and guidance on the monitoring and evaluation system (see page 16.)
- Obtain evidence that PROCOSI has reduced the number of performance indicators for the project (see page 17.)
- Ensure that PROCOSI provides sub-grantees with training on how to accurately collect, maintain, and report performance data (see page 17.)
- Ensure that PROCOSI amend its sub-agreement documents to include the standard provisions (see page 18.)
- Require its partner Socios Para El Desarrollo to confirm the validity of the reported information with contributing partners prior to reporting the data to USAID/Bolivia (see page 22.)
- Conduct data quality assessment on its health indicators as required by USAID guidance (see page 22.)
- Put procedures in place to provide supervision to its Cognizant Technical Officers to ensure that they periodically sample and review their implementing partners' data for completeness, accuracy and consistency (see page 23.)
- Reprogram excess unexpended obligations totaling \$12.7 million to program areas where the funds can be used within the current fiscal year (see page 23.)

USAID/Bolivia generally agreed with the findings and recommendations in our draft audit report. The Mission planned to implement all of the recommendations, and the Mission has made specific plans for implementing Recommendation Nos. 1 and 10 through 13, and final action has been taken on Recommendation Nos. 5 and 8. The Mission's comments also provided some additional information on the complex country context and further clarified the reasons for the implementation delays. The Mission's comments also amplified the rationale for and impact of changes to the political and social content

of the Mission's strategy. Finally, the Mission suggested a change to Recommendation No. 3 which we have made.

We believe that USAID/Bolivia's comments and planned actions are responsive to the report recommendations. We have also modified the final report to reflect several of the clarifications included in the Mission's comments. Our evaluation of management comments is provided on page 24. USAID/Bolivia's comments in their entirety are included in Appendix II.

BACKGROUND

Bolivia, a nation of 9 million, is one of the poorest countries in the Western Hemisphere. The majority of the population is of indigenous ancestry, and Bolivia has three official languages: Spanish, Quechua, and Aymara. Almost 40 percent of the population lives in rural areas.

Bolivia has the second highest level of child and maternal mortality in Latin America and the Caribbean. However, there have been some important improvements in child and maternal health status from 1998 to 2003 as shown in Table 1 below:

Table 1: Selected Health Indicators

Indicator	1998	2003
Infant mortality rate per 1,000 live births	82	54
Percentage of children having received the third dose of a combined vaccine for diphtheria, hepatitis B, tetanus, and other childhood diseases	49%	71%
Maternal mortality rate per 100,000 live births	390 ¹	208

There are large differences between urban and rural areas in terms of health outcomes. For example, the infant mortality rate of 44 per 1,000 live births in urban areas increases to 67 per 1,000 in rural areas. Chronic malnutrition affects 18 percent of children less than five years old in urban areas but 37 percent in rural areas.

Bolivia is at a critical point in controlling its HIV/AIDS epidemic. The overall prevalence of HIV/AIDS is less than one percent but it is significantly higher among high-risk populations. Moreover, all five neighboring countries have higher prevalence rates and the risk of cross-border transmission remains a concern. Other related health problems that afflict the country include endemic diseases like Chagas,² malaria, and tuberculosis.

The USAID/Bolivia health strategy is designed to improve the health of Bolivians and address the gap between the health status of urban and rural indigenous populations. The strategy utilizes a three-pronged approach:

1. Promote behavioral changes and community empowerment.

¹ The most recent maternal mortality rate was taken from the Demographic and Health Survey of 1994, because no data was collected in 1998.

² The Chagas disease is a parasitical illness spread by an insect that lives in poorly constructed houses: e.g., in the cracks of adobe walls or underneath straw roofs. It is a major health problem in Latin America, where as many as 11 million people are infected.

2. Expand the delivery of quality, high-impact health services through health networks.
3. Strengthen institutional capacity with respect to sustainable health care management.

The strategy focuses on strengthening the presence of the state at the municipal level of the public health care system, empowering communities to play meaningful roles in health program planning and implementation, and overcoming intercultural barriers to health care access and quality. The approach contributes to conflict prevention and promotes a more stable environment in which health care systems can respond more effectively to the needs of the communities they serve.

Programa de Coordinación en Salud Integral (PROCOSI) has been an important partner in implementing USAID/Bolivia’s health strategy since 1988 and has collaborated with the Ministry of Health, particularly in serving rural areas with the least health service coverage. PROCOSI, a network of 33 U.S. and local health and community service non-governmental organizations, (NGOs; see list in Appendix III), provides health-related services through inter-institutional coordination, strengthening of member organizations and advocating policies that influence the health and the quality of life of the Bolivian population. PROCOSI’s work improves the health of the population by providing support to programs to educate women in sexual and reproductive health, mobilize communities against Chagas disease, and provide basic primary health care services.

PROCOSI was founded in 1988 when USAID/Bolivia had seven to nine different child survival grant recipients. USAID/Bolivia and its grant recipients decided that it would be more efficient and effective to have one single point of contact and interface for program implementation. PROCOSI was created in order to (1) alleviate the administrative burden for USAID/Bolivia, (2) share best practices, and (3) improve the quality and scale of service provision. Later, PROCOSI expanded its mission to become an integrated health network. In order to give PROCOSI a solid financial foundation, in 1995, USAID/Bolivia and the Ministry of Health provided PROCOSI with an endowment fund totaling \$8 million. The endowment fund of PROCOSI provided an annual stream of income that covered overhead expenses.

In mid-2006, USAID/Washington sponsored a study to examine NGO networks. This study evaluated and compared 11 NGO networks in Latin America to determine the key organizational development and programmatic traits that make an effective, transparent, and sustainable NGO network. PROCOSI received a rating of 8.1 out of 10 for large NGO networks as shown in Table 2 below.³

Table 2: Rating Components Summary

Component	PROCOSI	Average
Socio-Economic Impact	8.5	7.9
Institutional Development	9.6	8.0
Financial Efficiency	7.2	7.2

³ ForeignAid Ratings LLC, “Organizational Development Traits of Successful NGO Networks: A Framework to Evaluate the Sustainability, Effectiveness, and Accountability of NGO Networks,” September 11, 2006.

Component	PROCOSI	Average
Accountability and Transparency	7.8	6.7
External Relations	7.4	6.7
<i>PROCOSI weighted score</i>	<i>8.1</i>	<i>7.4</i>

Overall, PROCOSI had the third highest score among 11 NGO networks. PROCOSI ranks higher than average for four of the five components. However, for both accountability and transparency, and external relations PROCOSI had the following weaknesses: (1) program expenses of the network are only 54 percent of the budget while administrative costs consume 46 percent of the budget; (2) PROCOSI depends mainly on one main donor, USAID; (3) there is limited focus on monitoring and evaluation; (4) PROCOSI does not have a functioning website; and (5) the evaluators experienced difficulty in getting a needed financial analysis.

Under previous cooperative agreements with PROCOSI, USAID/Bolivia provided \$35 million in financing. Under the current five-year \$13 million agreement signed on May 31, 2005⁴, USAID/Bolivia provides assistance to PROCOSI to improve health outcomes through the implementation of a community-based health project in 40 rural municipalities in four of the nine departments of Bolivia through sub-grants to members of the PROCOSI network. The project will be implemented at the local level to build capacities of volunteer health promoters in an integrated health services package including: birth preparedness, community-based growth promotion, promotion of breastfeeding and oral rehydration use, referrals for antenatal care, severe illness including malaria and tuberculosis, and obstetric/newborn complications. The project will also include additional activities on education and empowerment of women PROCOSI will finance eight sub-grants to member organizations to cover 40 municipalities.

PROCOSI will also implement a program in three departments of Bolivia to contain and reduce the spread of the Chagas disease by building or improving 7,400 houses. PROCOSI also provides technical assistance and training and sub-grants to the network to strengthen the institutional capacity of its member organizations to provide integrated health services by increasing their capacity to provide better coverage and services.



A vinchuca, the insect causing the Chagas disease. Photograph provided by Esperanza Bolivia, Chuquisaca, Bolivia.

Since August 26, 2005, USAID/Bolivia has also financed a contract with the Manoff Group to provide technical assistance and capacity building to PROCOSI, its members,

⁴ In November 2006 the total funding for this agreement was increased to \$18 million.

and sub-grantees. The technical assistance supports (1) strengthening the management and institutional capacity of PROCOSI, coordinating and implementing an integrated, standardized package of community-based health interventions and implementing an institutional approach to monitoring and evaluation; and, (2) strengthening the technical capacity of the PROCOSI network to improve health program administration and institutional sustainability.

During the period covered by this audit, October 2005 through March 2007, USAID/Bolivia obligated \$9.7 million and expended \$2.7 million in support of PROCOSI's health-related activities, including the technical assistance provided by the Manoff Group.

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/Bolivia's Integrated Health Coordination Program (PROCOSI) achieve planned results?
- Did USAID/Bolivia's reporting on the activities of PROCOSI provide stakeholders with complete and accurate information on the progress and the results achieved?

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

AUDIT FINDINGS

Did USAID/Bolivia's Integrated Health Coordination Program (PROCOSI) achieve planned results?

After the December 2005 presidential elections in Bolivia, agreements reached with previous GOB administrations were reexamined, leading to a realignment of USAID/Bolivia's health strategy. As a result of this realignment, a decision was made to focus on a different set of geographical areas and required additional planning and coordination, thus PROCOSI had not yet completed any activities that would directly contribute to achieving the planned results of the Mission's community health project. (These issues are discussed in the following report section.) However, with assistance from the Manoff Group, PROCOSI has completed several startup activities as of March 31, 2007, as follows:

- Developed a standard package of health services, and the methodology for the community health project implementation.
- Produced the materials for startup training.
- Conducted baseline surveys.
- Selected seven of eight sub-grantees.
- Conducted two of eight startup training courses and trained 39 persons.
- Produced a video (and a manual) on the Chagas disease and prevention strategies to be aired nationally.

With regard to institutional sustainability, the contractor assisted PROCOSI to achieve the following:

- Registered as a U.S. non-profit organization. (Also, PROCOSI is in the process of obtaining 501(c)(3) status, which will make donations to PROCOSI tax deductible in the U.S. and open new fund-raising opportunities for PROCOSI.)
- Conducted an institutional assessment of all members in order to provide them with specific training addressing their needs.
- Developed standard procedures concerning PROCOSI governance to reinforce the principles of transparency, equality, and quality.

One of the success stories of USAID/Bolivia through PROCOSI has been to provide support to a unique public-private partnership which has, through housing improvements and community education, succeeded in reducing the level of vinchuca⁵ infestation and the risk of Chagas transmission among poor rural populations in Bolivia. The

⁵ Vinchuca is the insect that causes the Chagas disease.

Government of Bolivia, through its National Program for Housing Subsidies, provided partial funding for the purchase of essential construction materials such as cement, roofing tiles, and lime. Municipal governments contributed a share of the cost as well. Communities contributed in-kind resources which were locally available, such as stones, sand, and timber. Also, families joined together to provide the labor to make the necessary improvements to the housing foundations, walls, and roofs, which eliminated breeding places for vinchucas and created physical barriers to re-infestation. The Ministry of Health supported the effort by providing periodic free insecticide spraying of the homes and surrounding grounds.



A house in the municipality of Icla, Bolivia before being renovated. Photograph taken by Esperanza Bolivia in October 2006.



A house in Icla after renovation by Esperanza Bolivia's Chagas prevention housing improvement program. Photograph taken by a USAID/Bolivia employee during the OIG's visit to Chuquisaca, Bolivia on April 23, 2007.

With USAID/Bolivia funding, the PROCOSI NGO network has provided partial funding for essential construction materials and complementary community education and construction training to support the housing improvement program. Building local awareness of how Chagas disease is transmitted, how communities can work together to prevent disease transmission, and how communities can implement effective monitoring mechanisms to promptly detect and control re-infestations are key elements to ensuring the long-term impact of housing improvements. The NGO network also played a critical role in organizing and coordinating resources from the various partners and ensuring quality work in the rehabilitation of infested homes.

In the participating communities, the housing improvement program reduced the transmission of Chagas disease, the frequency of cases of child diarrhea and the frequency of child respiratory diseases. Concurrently, the housing improvement program improved hygiene-related behaviors, the use of wood as a cooking resource, and the overall quality of life.

While no results have been achieved with respect to the Mission's health indicators, PROCOSI has made progress towards the implementation of the community health project. The following sections of the audit report discuss the reasons why results were not achieved and identifies opportunities to improve project implementation and achievement of program objectives.

Project Activities Were Delayed

Summary: USAID Automated Directive System (ADS) 200.3.2.1 encourages USAID to manage for results and states that USAID should assist in implementation by signaling when impact was less than anticipated and identifying possible problems. According to the contract, the Manoff Group was to expedite the award of sub-grants in support of a community health project lead by PROCOSI. However, twenty-one months elapsed before seven of eight envisaged sub-grants were awarded and implementation of two sub-grants had begun. Many factors contributed to the slow implementation of the project including a complex country context which compelled the Mission to change its health strategy and targeted project areas, poor coordination between PROCOSI and the Manoff Group, the lack of an implementation plan, and the complexity of the mechanisms for implementing project activities. Consequently, PROCOSI did not contribute to USAID/Bolivia's program results during FY 2006 and FY 2007 to date.

ADS 200.3.2.1 states that USAID should manage for results and should improve implementation by signaling when impact is less than anticipated and identifying possible problems. The Manoff Group was to provide PROCOSI with technical assistance in an effort to achieve a rapid startup of project activities. As stated in the contract, the assistance would be delivered expeditiously to the PROCOSI health team so that PROCOSI could award grants as early as possible in calendar year 2006. PROCOSI's agreement states that \$9.2 million will be provided as sub-grants to member organizations that will implement the project and PROCOSI's workplan indicates that sub-grants will be issued early in FY 2006.

The first request for proposals for sub-grants was sent in May 2006; almost one year after the agreement was signed. However, in mid-2006, the Mission was compelled to change its rural health strategy and to focus on 48 municipalities in remote areas of Bolivia. As a result, on August 1, 2006 the process of selecting recipients of project sub-grants was stopped.

By October 2006, USAID/Bolivia had revised its health strategy and had identified 48 targeted municipalities. The factors that were considered in identifying geographic areas included the political environment, the presence of health partners, the incidence of tuberculosis, the perceived willingness of the local governments and communities to participate in the program, and the density of the indigenous population.

A second request for proposals was issued on November 6, 2006. Fourteen proposals were received and 7 of 8 sub-grants to be awarded were signed on February 23, 2007. In total, 21 months passed between the signing of the agreement and the awarding of sub-grants in support of project implementation. At the end of March 2007, only two sub-grants that support the community health project had received startup training and \$38,000 had been spent in support of sub-grants. During this period, PROCOSI did not make any contribution to the results of the health program of USAID/Bolivia.

According to the agreement between USAID/Bolivia and PROCOSI, \$9.2 million (71 percent of the total budgeted amount) should be spent on eight sub-grants. To date, PROCOSI has awarded seven of eight sub-grants for a total amount of \$6.5 million representing 70 percent of the total amount to be allocated.

The most important factors contributing to the delays in implementing the community health project activities includes:

- A complex country context and a change of USAID/Bolivia health strategy. The PROCOSI program underwent a significant realignment in 2006 in order to assure its consistency with shared Bolivian and the United States governments' strategic priorities. With the election of a new national government in December 2005, many of the agreements reached with the prior Government of Bolivia administrations during the design/award of the project had to be re-examined, leading to a realignment of the USAID/Bolivia health strategy. Successful realignment was achieved through delicate negotiations with the Ministry of Health. As part of this realignment, the Mission and the Ministry of Health agreed to close the bilateral project for the health sector. Although ultimately successful, these negotiations produced a significant but unavoidable delay in the original implementation schedule for the PROCOSI program. In addition, the new GOB administration decided to shift the focus of some of its donor support, bringing new donor financing and technical assistance to the regions that USAID/Bolivia had planned to support through the PROCOSI project. To avoid duplication of effort, USAID was compelled to re-define the geographic focus of its programs after PROCOSI had already undertaken baseline assessments and issued the first Request for Applications for sub-grants in the original geographic areas covered under the project. The shift to new geographic areas ensures that USAID resources are reaching needy areas of the country that are not receiving significant support from other donors. It also protects against any inappropriate commingling of USAID resources with those of other donors that would make appropriate attribution impossible. Although the priority actions of the PROCOSI basic health package remain, the shift in the targeted geographic areas required adjustment to the integrated health package and the repetition of some activities including the baseline survey and the procurement of NGO services. Addressing these issues, although creating significant implementation delays, was unavoidable.
- A change in the health strategy of the Bolivian Government. During the last few months of calendar year 2006 and in early 2007, the Ministry of Health (MOH) national and regional programs were restructured resulting in a change not only to the health programs but also to the personnel responsible for the programs. Two of many changes were the introduction of a universal health insurance and the manner in which the MOH will implement its nutrition program. These changes, and changes to the MOH indicators, interventions, and management of the child nutrition program further delayed the implementation of the integrated health project with PROCOSI.
- A lack of coordination between PROCOSI and the contractor as well as their inability to agree upon specific technical assistance needed. The contractor and PROCOSI did not develop their work plans jointly because PROCOSI had not finished its work plan. According to the contractor, several activities were not achieved because of a misunderstanding with PROCOSI over the type of technical assistance to be provided.
- The lack of an operational implementation plan. Neither PROCOSI nor the Manoff Group developed an implementation plan that included the steps necessary to ensure rapid implementation of the project. For example, the lack of the necessary

materials had prevented the sub-grantees from conducting the census in their respective communities. There were efforts to coordinate the work of all sub-grantee organizations, but there was not a comprehensive implementation plan to ensure rapid implementation of project activities. Without a well-defined implementation plan, PROCOSI was not able to clearly plan, coordinate, and monitor the implementation of the project by the member organizations.

- The lack of PROCOSI members' involvement in project design and implementation. According to the Manoff officials, they had limited direct relations with the member organizations and PROCOSI has had minimal interaction with its members regarding project design and implementation.
- The complexity of the project implementation arrangements. There are 11 sub-grantees and each sub-grant will be implemented by at least two PROCOSI members and two sub-grants will be implemented by as many as four members. Moreover, sub-grantee officials said that the project areas are remote and unknown to most of the sub-grantees. We interviewed 9 of the 11 sub-grantees and all of them mentioned the challenges of working in new, remote areas as well as defining the role and responsibilities of each partner. Only one of seven groups of sub-grantees had signed an agreement with the sub-grant partners. In the other cases, no agreement had been made between members implementing the projects to define their role and responsibilities. Also, all the sub-grantees were concerned about retaining personnel to work in remote areas. Three sub-groups of grantees interviewed said that five project staff decided to leave after receiving the startup training because they did not want to work in the project area. The linkages between the sub-grantees of PROCOSI, the concerned communities, and government health facilities are also complex. Through John Snow International and Engender Health, USAID/Bolivia is providing assistance to the MOH health facilities in improving the quality of their services in municipalities where the integrated health project will be implemented. The sub-grantees are not health service providers and do not dispense health services. The sub-grantees rely on government health facilities to deliver health services through a referral system. Thus, the success of the project depends largely on the relationships between health facility and sub-grantee personnel and the community. These relationships are essential to the project's success. At the same time, the basic health package that the project will deliver includes not only health services but also education and women empowerment components. As a result, the sub-grantees are required not only to implement the standard health package but also other activities that Mission officials said are time consuming and expensive to implement.
- PROCOSI required the contractor to follow a lengthy process for hiring foreign consultants even though the consultancies had been included in the work plan and approved. In several instances, the planned visits of consultants had to be postponed by PROCOSI, in some cases up to five times, delaying project activities.
- Other factors. The high turnover of PROCOSI personnel, flooding in two of the four project departments, and delays in identifying the basic health services to be delivered. Among the 34 staff members at PROCOSI at the end of our audit period, only 12 had been there since June 2005. Also, only 12 of the 20 employees that had

joined PROCOSI prior to June 2005, were still employed as of March 2007 (60 percent).

In addition to the more narrow health-related activities described above, the housing component through Esperanza Bolivia in one municipality of Chuquisaca, designed to prevent Chagas disease has been significantly delayed. The target was to improve 800 houses during FY 2006, but no houses were completed during FY 2006. With financial assistance from USAID/Bolivia, 354 houses were completed by April 24, 2007. The second phase of the program was still on hold because the Government of Bolivia had not contributed promised funds. The startup activities were completed but because of a lack of funding 446 houses could not be improved. According to Esperanza Bolivia, the amount of funds needed totaled \$700,000. The most important reasons for the delay include:

- The new Government of Bolivia did not make planned contributions.
- Flooding in project areas, difficult access to some communities, and the limited number of vehicles with which to transport materials on rough dirt roads and a lack of available labor.
- The increased price of roofing materials and cost of transporting materials to project areas.
- The length of time required for a family to build its house. The project contributes a standard amount of funds towards materials, design, and construction. However, the beneficiary is responsible for contributing labor to construct the house. According to Esperanza Bolivia, it takes an average of 14 months for the beneficiary to improve/build his house in normal conditions because the beneficiary also has to work his land and earn money to be able to survive during the construction. Beneficiaries are not able to obtain a loan to finance the construction of their house due to a lack of collateral.

By the end of our audit period, the Mission and PROCOSI were in the process of evaluating the proposals for building or improving an additional 7,400 houses. Considering the above-mentioned delays and the length of time required for housing construction by beneficiaries, it might be prudent for PROCOSI to accept a relatively large number of proposals so that each sub-grantee selected to implement this new component will have relatively few houses to complete. Implementation will need to start as soon as possible to complete the goal of constructing or improving 7,400 additional homes by the end-date of the program scheduled for May 2010.

As a result of the delays and problems mentioned above, the Mission did not report any results related to the agreement with PROCOSI in FY 2006 and the progress achieved in FY 2007 has been limited.

Recommendation No. 1: We recommend that USAID/Bolivia, in coordination with PROCOSI and the Manoff Group, develop and implement an action plan to improve coordination between PROCOSI and the Manoff Group.

Recommendation No. 2: We recommend that USAID/Bolivia obtain from PROCOSI an implementation plan that takes into account all the key participants, identifies risks and constraints, and puts forward a complete project implementation timeline, including a baseline survey, census, facility preparation, delivery and installation of equipment, sensitization campaigns, training of site personnel, and a monitoring and evaluation plan.

Recommendation No. 3: We recommend that USAID/Bolivia, in coordination with PROCOSI, address the financial realities of the Government of Bolivia's administration and make the necessary adjustments within the project budget to ensure that the housing improvement program can be completed as planned.

Recommendation No. 4: We recommend that USAID/Bolivia, in cooperation with PROCOSI, assist the sub-grantees to clarify with partner sub-grantees their respective roles and responsibilities to ensure smooth project implementation.

Recommendation No. 5: We recommend that USAID/Bolivia, in coordination with PROCOSI and the Manoff Group, reduce the scope of the activities to be implemented by sub-grantees at the outset of the project, perhaps leaving the possibility of adding additional activities once basic health activities are underway.

Lack of Monitoring and Evaluation System

Summary: The contract and grant documents and program work plans state that PROCOSI, with technical assistance from the contractor, will develop and establish a monitoring and evaluation (M&E) system for the benefit of PROCOSI and its member organizations and related training. However, PROCOSI did not develop or implement an M&E system. A modification to the USAID/Bolivia rural health strategy, changes in targeted geographic areas, and the efforts of PROCOSI to select grantees as well as a lack of PROCOSI M&E personnel precluded, in part, the establishment of a monitoring and evaluation system for the program. As a result, USAID/Bolivia and PROCOSI could not fully measure the efficiency and effectiveness of the program and improve implementation.

The contract with the Manoff Group states that technical assistance will be provided to the PROCOSI network to develop and implement an institutional approach to program monitoring and evaluation. It states that the contractor will build the capacity of the community health program, the program's sub-grantees and PROCOSI members to not only collect relevant and meaningful information, but also, and most importantly, to analyze, report, and use information in strengthening the program and to manage, implement, monitor, and evaluate the integrated health project. In addition, the work plans of the contractor and PROCOSI include the development and implementation of a program monitoring system and related training to sub-grantees and member organizations.

Although the contractor provided some technical assistance, PROCOSI has not yet established a monitoring and evaluation system as envisaged in award documents. By the end of the audit period, PROCOSI, with the assistance from a local consultant, had designed a software program to assist PROCOSI and its members to collect and report information to USAID/Bolivia. However, the consultant's contract was terminated in March and PROCOSI staff members expressed concerns about bugs and fixes that will be needed to fine tune the program before it can be used. Also, although the software has been designed the indicators have to be set up and data entered to evaluate whether or not the software can be placed in operation.

A study on the PROCOSI network⁶ states that PROCOSI had limited focus on monitoring and evaluation and that M&E was not emphasized beyond its reporting function. The study also states that, while PROCOSI produced qualitative and some quantitative M&E reports, the evaluations were mainly for reporting purposes with limited integration into the strategic planning process. At the time of our visit, PROCOSI had no monitoring and evaluation department, there was only one person formally involved in M&E activities who was also in charge of program management and thus, only able to devote a fraction of his time to M&E activities.

During our visit and interviews of member organizations, we found that no training on M&E, or related assistance, was provided to the member organizations by PROCOSI during fiscal years 2006 or 2007. The members were spending a lot of time and effort collecting and analyzing the data required by USAID/Bolivia. We also found that the collected data for other USAID partners included transcription errors and was not accurate (see finding on page 19.)

Several delays in implementing the project, including the need to disseminate a second request for proposals, and the lack of coordination between PROCOSI and the Manoff Group negatively impacted the development of an M&E system. Manoff Group needed PROCOSI to develop an M&E system. However, PROCOSI had other priorities, perhaps more important given the delays in starting project activities, which took precedence over developing the M&E system. Examples include evaluating proposals, conducting a baseline survey, and conducting an institutional assessment of its member organizations. As a result USAID/Bolivia and PROCOSI could not fully determine whether the project was achieving its objectives and improve implementation. Without a monitoring and evaluation system, PROCOSI cannot measure the efficiency and effectiveness of the program.

In summary, PROCOSI did not have an M&E system in place and its member organizations did not receive needed technical assistance on monitoring and evaluation. The longer the program continues to be implemented without an M&E system in place, the less likely that the program will be a success.

Recommendation No. 6: We recommend that USAID/Bolivia ensure that PROCOSI, with technical assistance from the Manoff Group, establishes a monitoring and evaluation system for the program.

⁶ ForeignAID Ratings, Programa de Coordinación en Salud Integral (PROCOSI) Rating Report, July 2006.

Recommendation No. 7: We recommend that USAID/Bolivia ensure that PROCOSI, with technical assistance from the Manoff Group, provides the members with training and guidance on the monitoring and evaluation system.

Performance Indicators Should Be Streamlined

Summary: USAID guidance states that more information is not necessarily better, since it is costly to collect information. The contract with the Manoff Group states that the project should collect relevant and meaningful information to monitor the project. However, the sub-grants listed a total of 90 separate performance indicators and the logical framework included an additional 24 indicators, some of which are unnecessary. Measuring such a large number of performance indicators increases workload and reduces overall project efficiency. The Manoff Group has only provided limited technical assistance to PROCOSI in developing performance indicators because PROCOSI has been preoccupied with other tasks that need to be completed to begin implementation of the community health project. As a result, project efficiency may be negatively impacted.

ADS Section 203.3.2.1.d notes that “more information is not necessarily better because it markedly increases the management burden and cost to collect and analyze data.” According to the contract with the Manoff Group, the contractor was responsible for building the capacity of the program’s sub-grantees and PROCOSI members to collect relevant and meaningful information and, most importantly, to analyze, report on, and use the information in strengthening the program. The contract emphasizes that it is more important to have a handful of meaningful indicators than to have a long list of indicators. The contract also states that part of the Manoff Group’s assistance to PROCOSI was to ensure that PROCOSI fulfilled its responsibility to develop indicators with which to monitor the project. In spite of the emphasis placed on identifying a small number of key indicators with which to monitor the project, the sub-awards state that the sub-grantees will monitor the impact of the project by reporting on 90 indicators, as shown in Table 3 below.

Table 3: Number of Indicators and Frequency of Measurement

Frequency	Number of Indicators	
	In Sub-Awards	In Logical Framework
Before and after project	49	0
Annually	17	3
Quarterly	7	11
Monthly	17	10
Total	90	24

In addition, the three data collection instruments included in the project’s logical framework also require the sub-grantees to report on 52 indicators of which 24 indicators were not required in the sub-awards. Needless to say that the increase in the number of indicators has made the design of a functional monitoring system a daunting task, especially when it comes to data collection, data entry and consolidation.

Eight of ninety indicators are derived from calculations based on reported data and these can be eliminated with no loss of information to the project. Also, one indicator for tuberculosis (“percentage of persons that complete treatment”), cannot be calculated because the data collection instrument does not include the number of persons that completed treatment or the total number of TB cases notified. There is no indicator that measures whether a child with diarrhea had been given oral rehydration therapy. The indicator for measuring reproductive health does not permit the calculation of couple-years of protection or identify the type of contraceptives being used. Another weakness is that three indicators in the Mission Performance Management Plan (PMP) (number of houses improved to reduce Chagas disease, number of people trained, and the number of couple-years of protection) were not included in the list of 90 indicators.

Nine of eleven sub-grantees visited during the course of the audit expressed concerns about monitoring so many indicators. They also mentioned the need to receive training to ensure that the indicators are properly understood and assessed correctly. The PROCOSI staff member responsible for the data collection also expressed concerns regarding the need for such a large number of indicators.

According to the Manoff Group, only limited technical assistance was provided to PROCOSI in support of developing the performance indicators because PROCOSI was focused on reviewing the proposals of member organizations and developing the standard health package and baseline survey. The consultant assisting PROCOSI had suggested a list of 36 indicators, some of which were not in PROCOSI’s list of indicators.

The number of indicators to be reported on and analyzed directly impacts workloads, and reduces project efficiencies. Efforts should be made to reduce the number of indicators and to simplify data collection instruments and ensure that the data collected will be consistent with the performance indicators with which the sub-grantees will report on the impact of the project.

Recommendation No. 8: We recommend that USAID/Bolivia obtain evidence that PROCOSI has reduced the number of performance indicators for the program to a reasonable number.

Recommendation No. 9: We recommend that USAID/Bolivia ensure that PROCOSI provides sub-grantees training on how to accurately collect, maintain, and report performance data.

Did USAID/Bolivia’s reporting on PROCOSI program activities provide stakeholders with complete and accurate information on the progress of the activities and the results achieved?

USAID/Bolivia’s reporting on its health program did not provide stakeholders with complete information on the progress and results achieved by PROCOSI because the Mission did not report the problems with project implementation, the challenges faced in expending allocated funds, or the fact that PROCOSI had not achieved any results to date. We could not assess the accuracy of PROCOSI reported results related to child health and infectious diseases because no quantifiable results were achieved or reported to USAID/Bolivia.

Other Matters

During the course of the audit, three other matters that require corrective action by USAID/Bolivia came to our attention. First, PROCOSI sub-awards did not comply with ADS guidance. Second, although PROCOSI did not achieve any quantifiable results related to child health and infectious diseases prior to our audit, we reviewed PROCOSI's most recent quarterly progress reports as well as reports on the results achieved by other USAID/Bolivia partners. We found that the Mission did not follow ADS guidance to ensure that reported data concerning its other health partners was reliable. Finally, the Mission did not comply with forward funding requirements. These issues are discussed in the following pages.

Standard Provisions Were Omitted from Sub-Awards

Summary: ADS guidance indicates that the standard provisions should be incorporated into all sub-agreements. However, PROCOSI did not include the standard provision on accounting, audits, and records in its sub-awards. Although USAID/Bolivia reviewed the sub-awards, Mission staff did not notice the omission. As a result, misunderstandings over record-keeping and audit requirements may arise and proper accountability may not be maintained. Also, it would be difficult for USAID/Bolivia or PROCOSI to enforce these requirements on the sub-grantees in case of non-compliance.

ADS 303.2d states that it is the Agreement Officer's responsibility to ensure that awards contain all the appropriate terms and conditions necessary for proper administration and implementation of the program, including all reporting requirements which would include the mandatory standard provisions. Also, PROCOSI's agreement requires that standard provision C-2 (Accounting, Audits and Records), in its entirety, be incorporated into all sub-awards with non-U.S. organizations. It also states that sub-awards with U.S. organizations shall include that they are subject to the audit requirements contained in OMB Circular A-133; however, the sub-awards did not contain this provision.

The auditors' review of PROCOSI's sub-grants signed in February 2007 indicated that the sub-grant documents did not include the standard provisions as required by the ADS. The sub-grant documents state that Annexure 3 includes USAID standard provisions. However, Annexure 3 contained the OMB Circular A-122 and not the standard provisions.

Although USAID/Bolivia staff reviewed the sub-awards, they did not notice that the standard provisions were not included. As a result, it would be difficult for USAID/Bolivia or PROCOSI to enforce these requirements on the sub-grantees in case of non-compliance. Also, misunderstandings over record-keeping and audit requirements may arise and proper accountability may not be maintained.

Recommendation No. 10: We recommend that USAID/Bolivia ensure that PROCOSI amend its sub-agreement documents to include the standard provisions.

Mission Did Not Follow ADS Guidance to Ensure That Reported Data Was Reliable

Summary: According to USAID guidance, performance data should be precise and reliable. It also suggests that periodic data quality reviews be completed to ensure the completeness, accuracy, and consistency of data. However, USAID/Bolivia did not periodically verify the quality of data and complete a data quality assessment. Instead, the Mission relied on secondary sources of information. As a result, reported figures were inaccurate and misleading; this could lead to less than optimal management decisions.

ADS 203.3.5.2 states that the Operating Unit and Strategic Objective (SO) Teams should be aware of the strengths and weaknesses of their data and to what extent 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 (GPRA) reporting purposes or for reporting externally on Agency performance must have had a data quality assessment at some time within the three years before submission. Additionally, USAID's *Performance Management Toolkit* supplementary guidance states that the goal of assessing data from implementing partners and secondary sources is to be aware of data strengths and weaknesses and the extent to which data can be trusted when making management decisions and reporting. It further states that a practical approach to planning data quality assessments includes an initial data quality assessment and periodic reviews for completeness, accuracy and consistency. As stated in ADS 202.3.6.1, assessing performance refers to whether the outputs produced by the contractor or grantee are timely and are of acceptable quality. The USAID Guidebook for Managers and Cognizant Technical Officers (CTOs) on Acquisition and Assistance states that CTOs are charged with the responsibility of ensuring that data reported by implementing partners is accurate and supported.

A review of PROCOSI's progress report for the quarter ending March 31, 2007 indicated that the report did not convey a complete and accurate picture of the progress made towards achieving the planned outputs. Some deficiencies noted are listed below:

Table 4: PROCOSI Quarterly Report for the Period of January to March 2007

Reported Activity	Reported Status	Documented Status
Coordinate activities between the various actors to ensure smooth project implementation.	Completed	Only 2 of 8 sub-grants have received training and conducted coordination activities.
NGOs that were assisted in improving financial sustainability.	Completed	No training or assistance provided for financial sustainability.
Regional Office in Tarija rented.	Completed	The office space had not been rented.
A monitoring and evaluation system was designed.	Completed	The system was not operational and the person that designed the system was no longer working for PROCOSI.
10 Community drugstores established.	Completed	No drugstores established.

Reported Activity	Reported Status	Documented Status
8 sub-grantees selected/contracted to implement the community health project	Completed	Only 7 of 8 have been selected.
Educational materials produced and reproduced with distribution plan.	Completed	Only the materials related to startup activities have been produced. The materials to conduct the census and implement other project components had not been produced by the end of our audit period. Also, the distribution plan was still being revised and partners were awaiting these materials for project implementation.

As mentioned above, the project had planned to open ten community pharmacies. PROCOSI reported that this activity was achieved because a plan to define the products to be sold or how it would be implemented was prepared. However, none of the pharmacies had been established. Also, the progress report did not include any progress made towards implementing the component related to the Chagas prevention-related housing improvement program, even though the request for proposals and letters of interest were received.

These problems described above are symptomatic of PROCOSI not having the capacity to measure and report on progress accurately. PROCOSI was negatively impacted by a lack of guidance and on-site mentoring by the USAID/Bolivia CTO who did not assess the validity of the information contained in the progress reports during field visits or meetings. The CTO's attempts to ensure the quality of the information were insufficient. Because the information reported by PROCOSI was incomplete and unsupported, USAID/Bolivia could not reliably determine if program activities were meeting their objectives or addressed related problems. Finally, the lack of quality information could lead to less than optimal funding or programmatic decisions.

In addition, we found that the information reported by USAID/Bolivia in its FY 2007 Congressional Budget Justification, and its Performance Management Plan (PMP) concerning other health partners' achievements during FY 2006 were inaccurate as shown in Table 5 below.

Table 5: Comparison of Reported and Documented Results for FY 2006

Document/Indicator	Reported Results	Documented Results	Percent Over (Under) Reported
Congressional Budget Justification			
Percentage of malnourished children	34%	39%	(13%)
FY 2006 PMP			
Number of individuals receiving voluntary counseling and testing for HIV/AIDS	1,410	1,827	(23%)
Percentage of individuals that completed TB treatment under DOTS	95.2%	80.1%	19%
Number of houses improved to reduce Chagas disease	255	190	34%

Several specific examples of inaccurate or incomplete results follow:

- The number of individuals tested for HIV/AIDS and that received post-test counseling was under-reported by 23 percent because some months were not reported and some persons tested with rapid tests had not been included in the reports.

Table 6: HIV/AIDS Reported and Documented Results in FY 2006

Organization	Reported	Documented	Percent Over (Under) Reported
CIES La Paz	101	238	(58%)
Sexsalud	592	755	(22%)
PROSALUD (3 centers)	717	834	(14%)
Total	1,410	1,827	(23%)

- In terms of tuberculosis, the results reported were inconsistent, unsupported and inaccurate. The number of new infectious TB patients in direct observed therapy short-course (DOTS)⁷ in the 2005 cohort was under-reported by 38 percent and the percentage of patients cured was over reported by 19 percent because the data had not been verified. Moreover, the total number of new infectious TB patients diagnosed in FY 2006 by PROSALUD was over reported by 41 percent.

Table 7: Tuberculosis Reported and Documented Results in FY 2006

Result	Reported	Documented	Percent Over (Under) Reported
New infectious TB patients in DOTS	377	607	(38%)
Number of patients cured	359	486	(26%)
Cure rate of new infectious TB patients in DOTS	95.2%	80.1%	19%
Number of new infectious TB patients diagnosed by PROSALUD in FY 2006	274	194	41%

- With regard to children with adequate growth, the Mission did not calculate the percentage of children with adequate growth correctly. To arrive at the percentage of children with adequate growth, the number of children monitored each month was summed and then averaged for the year. However, because the same children were repeatedly measured, over time, the monthly figures should not have been simply summed. Therefore, instead of reporting a rate of 34 percent for children malnutrition, the Mission should have reported 39 percent.

⁷ Infectious TB patients are those that are pulmonary sputum smear positive.



A baby receiving a vaccine at a PROSALUD clinic in Tarija, Bolivia. Photograph taken by a USAID/Bolivia employee, during the OIG's visit on April 30, 2007.

The Mission reported that 255 houses were improved during FY 2006. However the PMP indicator was defined as the number of houses improved to reduce Chagas. The number of houses improved to reduce Chagas was 190, a difference of 34 percent. Also, no reference was made to the target of 1,500 houses, which was not achieved.

Socios Para el Desarrollo, the partner organization responsible for validating the data, did not have a control review process and did not confirm the accuracy of the information reported by communicating with the contributing partner. For example, Socios reported that the cure rate for new infectious TB patients for John Snow International (JSI) was 99.1 percent because of a transcription error. If Socios had confirmed this information by communicating with JSI, they would have found out that the actual rate was 78 percent.

Also, the CTO did not conduct periodic testing and verification of the quality of the information they were being provided with and relied too heavily on secondary sources without verifying the quality and completeness of the data. Also, the Mission had not conducted a data quality assessment (DQA) on three reported performance indicators as required by USAID guidance. In addition, the Mission was without a Health Officer for more than six months, and was busy with the review of the new rural health strategy. The lack of periodic review and an appropriate DQA on reported program performance results data contributed to the weakness of the data collection, analysis, and reporting procedures. Periodic verification of performance data provided by the partners would have allowed the CTO to recognize that some of the information was inaccurate and incomplete. Without data quality assessments and periodic reviews decision makers can draw erroneous conclusions regarding the performance of their programs leading to improper management decisions and the reporting of incorrect information.

Recommendation No. 11: We recommend that USAID/Bolivia require Socios Para El Desarrollo to confirm the validity of the information with contributing partners prior to reporting the data to USAID/Bolivia.

Recommendation No. 12: We recommend that USAID/Bolivia develop and implement time bound procedures to conduct data quality assessments on its health indicators as required by USAID guidance.

Recommendation No. 13: We recommend that USAID/Bolivia put procedures in place to provide supervision to its Cognizant Technical Officers to ensure that they sample and review their implementing partners' data for completeness, accuracy and consistency.

Forward Funding Limitations Were Exceeded

Summary: USAID guidance states that missions should not forward fund obligations for more than 12 months beyond the end of the fiscal year in which the obligation takes place. Based on its expected expenditures for FY 2007, USAID/Bolivia's health-related strategic objective exceeded this requirement by \$12.7 million, or 46 percent of obligations as of September 30, 2006. This occurred mainly because of delays in the implementation of the community health project, which caused actual expenditures to fall short of those planned. As a result, \$12.7 million of funding that could have been used by USAID/Bolivia to fund other activities during the current year remained idle.

ADS Section 602.3.2 states that program managers should not forward fund obligations for more than 12 months beyond the end of the fiscal year in which the obligation takes place. However, as of September 30, 2006, USAID/Bolivia exceeded this requirement in funding its health-related strategic objective. In FY 2006, unexpended obligations amounted to \$27.6 million while the USAID/Bolivia projected expenditures for FY 2007 were \$14.9 million, leaving \$12.7 million in obligations that exceed the forward funding limitations.

Table 8: Unexpended Obligations by Year of Obligation

Pipeline	Amount	Percent
2002 and before	\$10,034	0.04%
2003	\$87,949	0.32%
2004	\$3,708,563	13.43%
2005	\$7,340,872	26.59%
2006	\$16,457,617	59.62%
Total	\$27,605,034	100.00%

Furthermore, of the total \$27.6 million in unexpended obligations as of September 2006, 11.1 million or 46 percent of the total amount relates to obligations occurring in 2005 to as far back as 1999. The non-compliance with USAID forward funding requirements occurred mainly because of the change of the Mission health strategy and resulting delays in implementing the related community health program, which caused the program to be implemented more slowly than expected. As a result, excess funds totaling \$12.7 million that could be used by USAID/Bolivia to fund activities during the current fiscal year remain idle.

Recommendation No. 14: We recommend that USAID/Bolivia reprogram excess unexpended obligations totaling \$12.7 million to program areas where the funds can be used within the current fiscal year.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Bolivia generally agreed with the findings and recommendations in our draft report. The Mission plans to implement all of the recommendations in the report.

The Mission did not believe that it could implement Recommendation No. 3 as stated in the draft audit report. Based on the Mission's comments, we modified Recommendation No. 3 to address the Mission's concerns.

In response to Recommendation No. 5, USAID/Bolivia reduced the scope of the program by requesting PROCOSI to eliminate the women's empowerment activity and other additional activities from the implementation agreements of the sub-grantees. In addition, the latest budget realignment submitted by PROCOSI did not include these activities. Therefore, we consider that final action has been taken on this recommendation.

With regard to Recommendation No 8, with technical assistance from the Manoff Group, PROCOSI has revised the performance indicators list and reduced the number of indicators from 90 to 49. Of these, 23 will be monitored and reported on by sub-grantees either quarterly or annually. The other 26 will be obtained through specific surveys, such as the baseline survey. The reduction in the number of indicators eliminates the excessive reporting requirements of PROCOSI. We reviewed the Mission's new indicators and found them to be sufficient to address the recommendation. Accordingly, final action has been taken on this recommendation.

We believe that USAID/Bolivia's comments and planned actions are responsive to the report's recommendations. Based on the information provided in the Mission's comments, management decisions have been reached for Recommendation No. 1 and Nos. 10 through 13. Management decisions for Recommendation Nos. 2, 3, 4, 6, 7 and 9 can be recorded when the Mission provides target dates for implementing the recommendations. For Recommendation No. 14 on reprogramming excess obligations totaling \$12.7 million, a management decision can be recorded when USAID/Bolivia has reach a decision on the amount to be reprogrammed.

In its comments, USAID/Bolivia also provided some additional information to amplify the rationale and impact of changes to the political and social content on the Mission's strategy. The Mission suggested that a description of this process which unfolded in a complex country context be included in the report in order to clarify the reasons for the implementation delays. We have modified the final report to reflect several of the clarifications included in the Mission's comments. The comments in their entirety are presented in Appendix II.

A determination of final action with regard to the measures taken by the Mission to address the recommendations will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/San Salvador (RIG/SS) conducted this audit in accordance with generally accepted government auditing standards. As part of its fiscal year 2007 audit plan, RIG/SS designed this audit to answer two audit objectives: 1) determine whether PROCOSI's program achieved planned results, and 2) determine if the Mission reported complete and accurate information to stakeholders on PROCOSI's program.

In planning and performing the audit, we obtained an understanding of and assessed the Mission's controls related to the management of its health program and the reporting of performance results. The management controls identified included performance management plans; the Mission's annual self-assessment of management controls through its annual Federal Managers Financial Integrity Act; cognizant technical officers' field visits; reviews of progress reports; and regular contact with USAID/Bolivia's partners.

We performed our fieldwork at USAID/Bolivia, and at the offices of PROCOSI, the Manoff Group, John Snow International, and Socios Para El Desarrollo which is the USAID/Bolivia partner responsible for data collection. In addition, we conducted fieldwork at PROCOSI's member organizations' offices and at the offices of sub-grantees in three departments of Bolivia: Santa Cruz, Tarija, and Chuquisaca. Fieldwork was performed from April 16 to May 5, 2007.

PROCOSI is comprised of a network of 33 organizations. For the implementation of the community health project funded by USAID/Bolivia, PROCOSI plans to carry out activities in 40 municipalities of Bolivia in 4 of the 9 departments. As of the date of our audit, PROCOSI had signed seven of the eight sub-grants among its member organizations. We judgmentally selected a sample of 14 member organizations to visit in three of the four departments where the integrated health project will be implemented to review a sample of local and U.S nongovernmental organizations and PROCOSI sub-grantees. Our sample included 9 of the 11 sub-grantees responsible for implementing the integrated health project.

Table 9: Sampled Sites

Type of Member	Universe	Sample
U.S. PROCOSI Members	11	5
Local PROCOSI Members	22	9
Sub-Grantees on the Integrated Health Project	11	9

During the audit period August 28, 2005 through March 31, 2007, USAID/Bolivia obligated \$9.7 million and expended \$2.7 million for PROCOSI-related activities.

Methodology

To answer the audit objectives, we visited and conducted interviews at USAID/Bolivia, and the offices of the PROCOSI, its partner organizations, the Manoff Group and other USAID/Bolivia partners. We also collected and analyzed health-related data on HIV, TB, nutritional status and the Chagas prevention housing improvement program. We reviewed documentation produced by USAID/Bolivia, PROCOSI, the Manoff Group, and PROCOSI member organizations including awards and sub-awards, general program documents, work plans, progress reports, relevant studies, and documents concerning the program's health-related indicators.

Because PROCOSI did not report any results, we selected the indicators to review for the other USAID health partners from the Mission's Performance Management Plan, the Operational Plan and the Congressional Budget Justifications. The PMP included 13 health-related indicators and we selected four of them for verification. No current information was available for three other indicators: under-5 child mortality, the total fertility rate and the contraceptive prevalence rate. The information was not available because the most recent National Demographic and Health Survey was completed in 2003 and the next survey will not be conducted until 2008. We also did not include four family planning indicators because they had been audited in a prior audit.⁸ We did not include the indicator that assessed the number of children under age one who received the third dose of pentavalent vaccine because the partner responsible for more than 80 percent of the associated results no longer exists and hence we could not verify the information. We also did not review the information related to the number of persons that had been trained on health-related subjects because of the large number of partners that contributed to the results and because of time constraints.

To validate the accuracy of results reported by other USAID partners, we evaluated the following performance indicators:

1. Number of individuals receiving voluntary counseling and testing for HIV/AIDS.
2. Percentage of individuals that completed TB treatment under DOTS.
3. Number of houses improved to reduce the Chagas disease.
4. Percentage of children under age two with adequate growth.

To validate performance results we compared reported to documented results for a judgmentally selected sample of results submitted by implementing members. Our testing consisted of tracing health-related data contained in the members' reports to the health facility registers, laboratory registers, and other relevant source documents. We verified the results of the PROCOSI housing program by tracing reported results to related construction records and visiting a sample of 18 houses improved in five of the seven communities of the municipality of Icla in the Chuquisaca department. With regard to HIV/AIDS data, we reviewed the data of the three partners and five health centers that contributed to the results achieved by reviewing the laboratory registers of HIV tests conducted and the registers that recorded the number of persons that had received post-test counseling. With regard to tuberculosis, we reviewed the data of both partners contributing to the results. We reviewed supporting information from JSI and visited 8 of the 22 PROSALUD clinics with a TB program in Santa Cruz, Tarija and La

⁸ *Audit of USAID/Bolivia's Family Planning Program*, Audit Report No. 1-511-07-005-P dated January 22, 2007.

Paz. These three departments represented 90 percent of PROSALUD total TB cases in FY 2006. With regard to the number of children with adequate growth, we reviewed the data for three of the four partners that represented 83 percent of all the children measured during FY 2006.

To determine whether performance results were accurately reported, we used a five percent accuracy threshold considering the reported results and the results attested to by our audit.

MANAGEMENT COMMENTS

UNITED STATES GOVERNMENT
Memorandum
HSOT-GRAL-007/2007

DATE: June 26, 2007

REPLY TO: Michael Yates, Mission Director, USAID/Bolivia

TO: Timothy E. Cox, RIG/San Salvador

SUBJECT: USAID/Bolivia's response to the draft audit report of the Integrated Health Coordination Program – PROCOSI (Report No. 1-511-07-010-P)

Under cover of this memorandum, USAID/Bolivia transmits its response to the subject draft audit report, as requested by Lyne Paquette by email on June 1, 2007. We appreciate the opportunity to review and comment on the draft report before it is formally issued.

USAID/Bolivia has supported PROCOSI for nearly two decades. As noted in the audit report, a recent external evaluation showed that this NGO network ranks among the three most successful networks in the Latin American region. USAID/Bolivia and PROCOSI have developed a successful partnership that has led to significant improvements in the health status of women and children in underserved rural and peri-urban communities. The partnership has also contributed to the longer-term goal of building the capacity of civil society organizations to expand access to well-managed and high-quality health care throughout the country.

USAID/Bolivia congratulates the RIG team that undertook this audit. In general, we are pleased with the results and acknowledge that the set of recommendations provided by the auditors will help us to improve the impact of the program in the future. The recommendations will guide USAID/Bolivia and PROCOSI in rectifying implementation delays and strengthening the monitoring and evaluation of the program.

We have organized our comments into three sections. Section A is intended to amplify the rationale and impact of changes to the political and social content on the Mission's strategy. The PROCOSI program underwent a significant realignment in 2006 in order to assure its consistency with shared GOB and USG strategic priorities. It is suggested that a description of this process which unfolded in a complex country context be included in the report in order to further clarify the reasons for the implementation delays. It also includes a suggestion to modify the wording of Recommendation No. 3 to ensure that it is within the Mission's management control. Section B describes our plan for closing selected audit recommendations. And finally, Section C requests the closure of two audit recommendations with the corresponding rationale for the proposed closure.

As requested, we are providing an original signed copy of this memorandum as well as an electronic version.

Section A: General Comments

1. Implementation Context:

USAID/Bolivia appreciates the comments by the RIG in the draft audit report but requests that a greater explanation of the critical political and social context for this program, and that implementation was delayed in large part for reasons beyond our management control. In addition to the comments contained in the draft report we request that the report also incorporates the following additional information:

- Building on past successes and lessons learned, USAID/Bolivia designed this five year project (2005 -2010) in 2004 and awarded a Cooperative Agreement with PROCOSI in June, 2005. We then awarded a contract with The Manoff Group in August 29, 2005 to provide technical support to PROCOSI.
- With the election of a new national government in December 2005, many of the agreements reached with prior GOB administrations during the design/award of the project had to be re-examined, leading to a realignment of the USAID/Bolivia health strategy. Successful realignment was achieved through delicate negotiations with the Ministry of Health. Although ultimately successful, these negotiations took six to eight months, producing a significant but unavoidable delay in the original implementation schedule for the PROCOSI program.
 - As part of this re-alignment, the Mission and the Ministry of Health agreed to close the bilateral project for the health sector. The project had provided a solid avenue for ongoing coordination with the Minister and her highest level advisors. While the closure of the bilateral project did not lead to a breakdown in the relationship with the Ministry of Health, it did introduce delays and complications in the negotiation of the strategy realignment.
 - The new GOB administration decided to shift the focus of some of its donor support, bringing new donor financing and technical assistance to the regions that USAID/Bolivia had planned to support through the PROCOSI project. To avoid duplication of effort, USAID was compelled to re-define the geographic focus of its programs. This occurred between March and July, 2006, after PROCOSI had already undertaken baseline assessments and issued the first Request for Applications for sub-grants in the original geographic areas covered under the project. USAID/Bolivia instructed PROCOSI to cancel the Request for Applications and to re-do the baseline surveys once the new geographic areas were approved by the Ministry.
 - The shift to new geographic areas ensures that USAID resources are reaching needy areas of the country that are not receiving significant support from other donors. It also protects against any inappropriate commingling of USAID resources with those of other donors that would make appropriate attribution impossible. Addressing these issues, although creating significant implementation delays, was unavoidable.

2. Comment on Recommendation No. 3

In the draft audit report, Recommendation No. 3 states: *We recommend that USAID/Bolivia, in coordination with PROCOSI, develop a plan **to ensure** that the*

agreed-upon contributions from the Government of Bolivia are received in a timely manner so that the housing improvement program may be completed as planned.

Comment: While USAID/Bolivia and PROCOSI can develop a plan to advocate for the timely release of GOB contributions for the housing program, there is no guarantee that these funds will ultimately be received. Based on our and ample other donor experience in other sectors, it is increasingly unlikely that the GOB will have the financial resources to release funds in a timely manner. We suggest that this recommendation be re-worded to remove the word “ensure”. The recommendation should recommend that USAID and PROCOSI address the financial realities of the GOB administration and make necessary adjustments within the project budget to ensure that the housing improvement program can be completed as planned. A recommendation to this effect is within the Mission’s management control.

Section B: Proposed actions to close specific audit recommendations

USAID/Bolivia has developed a plan to implement a series of actions in order to address each of the specific audit recommendations. The actions are described below.

Recommendation No. 1 We recommend that USAID/Bolivia, in coordination with PROCOSI and the Manoff Group, develop and implement an action plan to improve coordination between PROCOSI and the Manoff Group.

In coordination with PROCOSI and The Manoff Group, USAID/Bolivia is implementing the following actions to address and close the recommendation:

1. In response to a request from the Health Team, the Mission’s Acquisition and Assistance Office (AAO) has put both awards under the management of a single CTO beginning in May 2007. This will facilitate internal coordination of the projects.
2. USAID/Bolivia will organize on a biweekly basis joint meetings of PROCOSI and The Manoff Group on a regular basis to promote better coordination and consensus about key management and technical matters.
3. Based on the verbal recommendation of the head auditor during the exit conference with USAID/Bolivia, The Manoff Group Chief of Party and the PROCOSI Project Director have been removed from their positions effective June 1, 2007. As per Modification No. 6 to the contract with Manoff, a new Chief of Party has been named and will assume the role on August 27, 2007. Meanwhile, USAID and PROCOSI have agreed on an interim Acting Project Director, pending the identification of a permanent one through a full and open search process.

Recommendation No. 2. We recommend that USAID/Bolivia obtain from PROCOSI an implementation plan that takes into account all the key participants, identifies risks and constraints, and puts forward a complete project implementation timeline, including a baseline survey, census, facility preparation, delivery and installation of equipment, sensitization campaigns, training of site personnel, and a monitoring and evaluation plan.

USAID/Bolivia requested PROCOSI to develop an implementation plan that includes:

1. Relevant benchmarks and achievement/completion dates.
2. Implementation timeline.

Recommendation No. 3. We recommend that USAID/Bolivia, in coordination with PROCOSI, develop a plan to ensure that the agreed-upon contributions from the Government of Bolivia are received in a timely manner so that the housing improvement program may be completed as planned.

As mentioned in Section A, USAID cannot guarantee third-party compliance. We will support PROCOSI's ongoing negotiations with the GOB for increased counterpart funding. In addition, in order to ensure that the planned results are obtained, we are following the auditor's suggestion and have requested PROCOSI to propose a budget realignment to help finance the remaining houses in Icla. PROCOSI is currently working on the analysis for budget realignment.

Recommendation No. 4. We recommend that USAID/Bolivia, in cooperation with PROCOSI, assist the sub-grantees to clarify with partner sub-grantees their respective roles and responsibilities to ensure smooth project implementation.

The USAID/Bolivia Health Team has formally requested the clarification of roles and responsibilities of PROCOSI's sub-awardees. In order to achieve this PROCOSI has agreed to:

1. Carry out clarification meetings with the sub-awardees.
2. Develop a detailed matrix of roles and responsibilities with each of the sub-awardees.
3. Obtain signed letters from each sub-awardee detailing the roles and responsibilities required for the successful implementation/reporting on the project.

Recommendation No. 6. We recommend that USAID/Bolivia ensure that PROCOSI, with technical assistance from the Manoff Group, establishes a monitoring and evaluation system for the program.

USAID/Bolivia instructed PROCOSI to create and adequately staff a Monitoring and Evaluation (M&E) Unit. With support from Manoff, this team will be in charge of developing and implementing an adequate M&E system for the project.

USAID/Bolivia will work with PROCOSI and the Manoff Group to ensure that this unit is properly operating and quality data is collected, analyzed and made available on each of the indicators.

Recommendation No. 7. We recommend that USAID/Bolivia ensure that PROCOSI, with technical assistance from the Manoff Group, provides the members with training and guidance on the monitoring and evaluation system.

USAID/Bolivia instructed PROCOSI, with help from Manoff, to design and carry out a training plan on monitoring and evaluation systems for the sub-awardees.

Recommendation No. 9. We recommend that USAID/Bolivia ensure that PROCOSI provides sub-grantees training on how to accurately collect, maintain, and report

performance data.

For the closure of the recommendation USAID/Bolivia has instructed the Manoff Group to:

1. In coordination with PROCOSI, develop a detailed training plan for all the sub-awardees.
2. Provide the training as part of the technical assistance under their contract.

Recommendation No. 10. We recommend that USAID/Bolivia ensure that PROCOSI amend its sub-agreement documents to include the standard provisions.

All the sub-award agreements signed by PROCOSI include in Annex C the standard provisions as sub-part of the sub-recipient commitments. PROCOSI is now working on completing and updating the standard provisions as requested by the Mission in AAO 524/2007, dated June 22, 2007. PROCOSI must submit a revised version of Annex C no later than July 11, 2007.

Recommendation No. 11. We recommend that USAID/Bolivia requires Socios para el Desarrollo to confirm validity of the information with contributing partners prior to reporting data to USAID/Bolivia.

In November 2006, at the time RIG concluded the family planning audit, the USAID/Bolivia Health Team decided to enhance its performance management (monitoring and evaluation) plan (PMP) to ensure better compliance with ADS 203.3.5.2 requirements on data quality. Thus, USAID requested Socios para el Desarrollo (the partner in charge of the PMP data collection, analysis, monitoring and evaluation) to make the necessary adjustments to its work plan to ensure adequate validation of the data received from the different reporting partners.

Socios is in process of implementing the adjustments required to complete this effort, including:

- Expanding the M&E team from two to four full-time people. This team is responsible for gathering, evaluating, quality control, and reporting the PMP data. They will also be responsible of providing feedback on the data collected/submitted to Socios to the partners. Socios will also provide more training on data collection, data quality and related subjects.
- The M&E team includes professionals with statistics, epidemiology and audit background.
- The M&E team will develop a data quality monitoring and evaluation plan.
- The M&E team will work with software development specialists to enhance the data gathering system capacities.
- The USAID CTO will coordinate with Socios and oversee the process to ensure that Socios complies with USAID standards and requirements.

To date, the personnel has been selected and hired, some new tools have been developed and others improved, the monitoring and validation plan has been prepared and its implementation will start in July. USAID/Bolivia considers that these actions being implemented by Socios address the recommendation and will permit the Mission

adequate data quality assessments, including periodic reviews for completeness, accuracy, and consistency as required by ADS 202.3.6.1.

Recommendation No. 12. We recommend that USAID/Bolivia develop and implement time bound procedures to conduct data quality assessment on its health indicators as required by USAID guidance.

In addition to the actions mentioned above for Recommendation No. 11, the USAID/Bolivia Health Team will implement for all its projects a checklist to conduct data quality assessment and to promote and monitor compliance. This checklist will be mandatory in every CTO project site visit, will be kept on file, and will be an excellent aid in identifying areas of potential vulnerability within the program.

Recommendation No. 13. We recommend that USAID/Bolivia put procedures in place to provide supervision to its Cognizant Technical Officers to ensure that they sample and review their implementing partners' data for completeness, accuracy, and consistency.

In addition to the actions mentioned above for Recommendations No.11 and No.12, the USAID/Bolivia Health Team has implemented a follow-up matrix that will include every recurrent relevant task required from CTOs. The matrix will be reviewed monthly by the Health Office Director with every CTO.

To enhance the team monitoring and evaluation capabilities, USAID/Bolivia Health Team will hire external monitoring and evaluation training for its CTOs.

The USAID/Bolivia Health Team is working on developing tools to better link the strategy with the different agreements and to establish annual targets and the main set of actions required to achieve these targets.

Recommendation No. 14. We recommend that USAID/Bolivia reprogram excess unexpended obligations totaling \$12.7 million to program areas where the funds can be used within the current fiscal year.

With the election of a new national government in December 2005, many of the agreements reached with prior GOB administrations during the design/award of the project had to be re-examined, leading to a realignment of the USAID/Bolivia health strategy. Successful realignment was achieved through delicate negotiations with the Ministry of Health. Although ultimately successful, these negotiations took six to eight months, producing a significant but unavoidable delay in the original implementation schedule for different programs.

USAID/Bolivia has made continuous efforts to work with our partners to accelerate project burn rates now that the adjusted strategy has been launched. We have also reprogrammed some funds with our contracts and agreements toward short-term, high-impact results. USAID/Bolivia Health Team and PROCOSI have developed an action plan to accelerate burn rates to achieve desired results. And finally, we are proposing adjustments to the FY 2007 Operational Plan to ensure that forward funding guidelines are followed.

All the actions being taken will permit USAID/Bolivia to comply with ADS forward funding guidance as FY 2007 funds are obligated.

Section C: Recommendations that can be closed

Recommendation No. 5. We recommend that USAID/Bolivia, in coordination with PROCOSI and the Manoff Group, reduce the scope of the activities to be implemented by sub-grantees at the outset of the program, perhaps leaving the possibility of adding additional activities once basic health package activities are underway.

USAID/Bolivia has officially requested that PROCOSI eliminate the women's empowerment and other additional activities from the implementation agreements with the sub-awardees. The latest budget realignment submitted by PROCOSI does not include the women's empowerment component and other additional activities.

Recommendation No. 8. We recommend that USAID/Bolivia obtain evidence that PROCOSI has reduced the number of performance indicators for the program to a reasonable number.

With the technical assistance from The Manoff Group, PROCOSI has carefully revised the performance indicators list and reduced the number of indicators from 90 to 49. Of these, 23 will be monitored and reported by the sub-awardees, either quarterly or annually. The other 26 will be obtained through specific surveys, such as the baseline. This reduction in the number of indicators eliminates the excessive reporting requirements on PROCOSI. Please find attached as Annex 1 the revised list of performance indicators.

List of PROCOSI Members

	Member	Member Since	Participating in PROCOSI's Integrated Health Project
	U.S.		
1	ADRA	2003	Yes, two awards for 10 municipalities in Tarija, Chuquisaca and Santa Cruz
2	Ayuda en Action	2003	No
3	CARE	Founder	Yes, for 6 municipalities in Tarija
4	Catholic Relief Services	Founder	No
5	Christian Children Fund (CCF)	2003	No
6	Food for the Hungry International	Founder	No
7	Louvain Development	2003	Yes, for 4 municipalities in Beni
8	Plan International	Founder	No
9	Project Concern Intl	Founder	Yes, for 7 municipalities in Santa Cruz
10	Save the Children	Founder	Yes, for 3 awards in 7 municipalities in Santa Cruz
11	World Vision	2003	Yes, for 2 awards in 10 municipalities in Santa Cruz
	Local		
12	Asociación de Programas de Salud del Area Rural (APSAR)	1992	No
13	Asociación de Promotores de Salud Rural (APROSAR)	1992	Yes, for 4 municipalities in Beni
14	CARITAS	Founder	No
15	Centro de Investigaciones de Energia y Población (CIEP)	2003	No
16	Centro de Multiservicios Educativos (CEMSE)	1995	No
17	CEPAC	1994	Yes, for 2 awards in 7 municipalities of Santa Cruz
18	CIES	1994	No
19	COMBASE	2003	No
20	Consejo de Salud Rural Andino (CSRA)	Founder	Yes, for 2 awards in 7 municipalities in Santa Cruz
21	CRECER	1988	No
22	Esperanza Bolivia	Founder	Yes, for 6 municipalities in Tarija
23	Foundation Cuerpo de Cristo	1994	No
24	IPTK	2003	No
25	PROAGRO	2003	No
26	PROMUJER	1995	No
27	PROSALUD	1994	No
28	Quipus Cultural Foundation	1992	No
29	SACOA	1994	No
30	SEXSALUD	2003	No
31	Universidad NUR	1994	Yes, for 2 awards in 7 municipalities of Santa Cruz
32	Foundation San Gabriel	1994	No
33	SERVIR	1994	No

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