



USAID
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OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID/MALAWI'S
IMPLEMENTATION OF THE
PRESIDENT'S EMERGENCY
PLAN FOR AIDS RELIEF**

AUDIT REPORT NO. 4-612-07-011-P
September 21, 2007

PRETORIA, SOUTH AFRICA



USAID
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Office of Inspector General

September 21, 2007

MEMORANDUM

TO: USAID/Malawi Mission Director, Curt Reintsma
USAID/Southern Africa Mission Director, Carleene Dei

FROM: Regional Inspector General/Pretoria, Nathan S. Lokos /s/

SUBJECT: Audit of USAID/Malawi's Implementation of the President's Emergency Plan for AIDS Relief (Report No. 4-612-07-011-P)

This memorandum transmits the Office of Inspector General's final report on the subject audit. In finalizing this report, we considered management comments on the draft report and have included those comments in their entirety in Appendix II.

The report includes five recommendations to USAID/Malawi and one recommendation to USAID/Southern Africa to assist USAID/Malawi in improving its efforts to provide proper accountability for its Emergency Plan activities. In responding to the draft report, USAID/Malawi concurred with Recommendations No. 1, 2, 3, 4, and 5, and provided plans in response to these recommendations. Accordingly, management decisions have been reached on Recommendations No. 1, 2, 3, 4, and 5.

The report also includes Recommendation No. 6, which recommends that USAID/Southern Africa request a decision from USAID's Office of Acquisition and Assistance Policy Division as to whether agreements predating June 2006 should be amended to include the mandatory standard provision addressing equal protection of the law for faith-based and community organizations. If required, all applicable existing awards should be amended to include this provision. We request that USAID/Southern Africa provide information concerning actions taken to implement Recommendation No. 6 within 30 days of the date of this memorandum.

I sincerely appreciate the cooperation and courtesy extended to my staff during this audit.

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SUMMARY OF RESULTS

The Regional Inspector General/Pretoria, as part of a series of audits by the Office of Inspector General, conducted this audit to determine whether USAID/Malawi's President's Emergency Plan for AIDS Relief (PEPFAR, the Emergency Plan) prevention, care, and treatment activities achieved planned results in its grants, cooperative agreements, and contracts (see page 3).

Out of seven activity-level results reviewed, USAID/Malawi's Emergency Plan prevention, care, and treatment activities have achieved five planned results. We were not able to determine whether the other two planned results were achieved because of the Mission partners' unreliable data for these results (see page 4).

Because Emergency Plan reporting for Malawi did not begin until 2006, it is too early to determine the impact of the Emergency Plan intervention. The available data cannot yet be used to evaluate the degree to which the Emergency Plan intervention is resulting in a positive impact on the fight against HIV/AIDS in Malawi. For data collected for HIV/AIDS activities before the Emergency Plan reporting (between 2000 and 2005), a Malawi National AIDS Commission study indicated that the HIV prevalence rate appears to be decreasing primarily in semiurban areas, although no concurrent decrease is apparent in urban and rural areas. Because most of the population in Malawi is rural, this could mean an overall increase in HIV infection in the coming years (see page 4).

The audit identified the following areas in the Mission's Emergency Plan activities that needed strengthening: (1) The Mission's Performance Management Plan (PMP) did not fully reflect the Emergency Plan activities reported in the Performance Accountability Report (see page 6). (2) The Mission needs to improve the data quality of its Emergency Plan results (see pages 7 to 9). (3) The standard provision on equal protection of the law for faith-based and community organizations was omitted from most of the acquisition and assistance instruments (see pages 9 to 11).

This report includes five recommendations to assist USAID/Malawi in improving its efforts to provide proper accountability for its Emergency Plan activities. Specifically, USAID/Malawi needs to (1) update its PMP to fully reflect the relevant Emergency Plan activities and set new baselines for its indicators; (2) develop a formal procedure for reviewing and providing prompt feedback of quarterly reports, and for following up with partners to ensure that corrective actions are taken related to data quality; (3) establish plans to conduct regular site visits of partners' activities and validate Emergency Plan partners' data during those site visits; (4) conduct data quality assessments for Emergency Plan indicators, including verification of partners' field data; and (5) review the data-collecting methodology of its Emergency Plan partners and restate the actual data for FY 2006 accordingly (see pages 7 to 9).

This report also includes one recommendation that USAID/Southern Africa request a decision from USAID's Office of Acquisition and Assistance Policy Division as to whether agreements predating June 2006 should be amended to include the mandatory standard provision addressing equal protection of the law for faith-based and community organizations (see page 11).

Management's comments are included in their entirety in Appendix II.

BACKGROUND

Recognizing the global HIV/AIDS pandemic as one of the greatest challenges of our time, Congress enacted legislation to fight HIV/AIDS internationally through the President's Emergency Plan for AIDS Relief (PEPFAR, the Emergency Plan)—the largest international health initiative in history by one nation to address a single disease. The \$15 billion, 5-year program provides \$9 billion in new funding to speed up prevention, care, and treatment services in 15 focus countries.¹ The Emergency Plan also devoted \$5 billion over 5 years to bilateral programs in more than 100 nonfocus countries and increased the U.S. pledge to the Global Fund by \$1 billion over 5 years.² On May 30, 2007, the President announced his intention to triple the initial \$15 billion commitment. If this new funding is approved, the American people will provide \$48.3 billion over 10 years to fight HIV/AIDS.³

Starting in fiscal year (FY) 2006, Malawi was categorized as one of the Emergency Plan's nonfocus countries receiving more than \$10 million yearly and was, therefore, required to report its results to the Office of the U.S. Global AIDS Coordinator (OGAC). According to the Emergency Plan's country profile, approximately 940,000 people below the age of 50 were living with HIV/AIDS in Malawi, and the adult prevalence rate was 14.1 percent by the end of 2005. Women are disproportionately affected by the epidemic. In 2005, approximately 500,000 women ages 15 years and older were living with HIV/AIDS. The primary mode of HIV transmission is unprotected heterosexual sex. The second major mode of HIV transmission is mother-to-child transmission, accounting for approximately 83,000 pediatric HIV infections in 2005.

The Mission reported that it has obligated \$10.2 million of FY 2005 funds for HIV/AIDS prevention, care, and treatment programs in Malawi for FY 2006. The program was based on the following:

- Supporting comprehensive services at the community level via capacity development
- Engaging civil society through subgrants
- Supporting scale-up and rollout of key HIV/AIDS activities

USAID/Malawi's partners and subpartners were engaged in the following:

- Prevention. Working with religious leaders and existing community structures such as chiefs' councils, women's guilds, and networks of traditional initiators⁴ to strengthen their capacity to implement effective behavior change interventions. Partners and subpartners produced communications and media outreach

¹ Twelve countries in Africa (Botswana, Côte d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia) and three other countries (Guyana, Haiti, and Vietnam).

² The Global Fund is a public-private partnership that raises money to fight AIDS, tuberculosis, and malaria.

³ With enactment of the President's FY 2008 request for the first 5 years of the Emergency Plan, the total commitment will be \$18.3 billion—exceeding the original 5-year, \$15 billion commitment.

⁴ Traditional initiators provide counseling to girls when they reach puberty.

materials and undertook prevention outreach activities that emphasized abstinence and behavior change, including getting tested for HIV.

- Care. Focusing on palliative care as well as care and support for orphans and vulnerable children (OVC).
- Treatment. Providing technical assistance to the Ministry of Health for the scale-up of antiretroviral (ARV) drug treatment.



Photograph of a community volunteer training OVCs on sewing. The program, funded by USAID, generates income for the OVCs.

Source: Photograph taken in Bangwe, Malawi, by a RIG/Pretoria auditor in May 2007.

AUDIT OBJECTIVE

This audit was conducted at USAID/Malawi as part of the Office of Inspector General's ongoing efforts to report on the Agency's progress in implementing the President's Emergency plan for AIDS Relief. This is one in a series of audits of the Emergency Plan's nonfocus countries. The audit was conducted to answer the following question:

Did USAID/Malawi's Emergency Plan prevention, care, and treatment activities achieve expected planned results in its grants, cooperative agreements, and contracts?

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

AUDIT FINDINGS

USAID/Malawi's Emergency Plan prevention, care, and treatment activities have achieved five of seven planned activity-level results reviewed in its cooperative agreements. Because USAID/Malawi's Emergency Plan reporting did not start until FY 2006, relevant data are not available to determine the achievement of higher-level results at this time.

Activity-level Results

USAID/Malawi's President's Emergency Plan prevention, care, and treatment activities have achieved five of the seven planned activity-level results reviewed. For the remaining two planned results, we could not determine whether the intended results were achieved because of the Mission partners' unreliable data. Pages 7 to 9 of this report contain a detailed discussion of the data quality issues encountered for these two indicators. (See Appendix III for details of the reviewed results.)

Higher-level Results

The Mission reports the results of goal and Strategic Objective (SO) indicators, which measure the impact of various health interventions on Malawi's society. HIV prevalence rate, contraceptive prevalence, and condom use at last risky sex are the indicators tracked by the Mission for HIV/AIDS. The data source for the prevalence rate is the Ministry of Health Biannual Health Survey. The latest data available are from the 2004 survey, because the results of the 2006 survey will not be available until near the end of calendar year 2007. The data source for the other indicators is the Malawi Demographic and Health Survey, which is conducted every 4 years. The latest data available for these indicators are from 2004. Because Emergency Plan reporting did not begin until FY 2006 and the latest available reported data were for FY 2004, the above indicators cannot be used to assess progress at the goal and SO levels.

Although we could not use the above indicators, a Malawi triangulation project⁵ organized by the Malawi National AIDS Commission presents higher-level results for the previous HIV/AIDS interventions. The project indicated a decline in the HIV epidemic in Malawi and an increase in the reach and intensity of prevention efforts from 2000 to 2005. However, HIV prevalence appears to be decreasing primarily in semiurban areas, and no simultaneous decrease is apparent in urban and rural areas. Moreover, according to this study, any declines in HIV prevalence appear to be recently slowing. The majority of Malawians reside in rural areas, and the report states that a relative shift in the epidemic toward rural areas may ultimately spell an increase in HIV infections overall. The findings of this project suggest that a more intense intervention is needed to curb such a trend.

⁵ Triangulation is the synthesis of data from multiple sources to strengthen understanding of complex health issues and make evidence-based health decisions. More than 100 independent sources of information on the HIV epidemic in Malawi were used, including surveillance data, research studies, and programmatic reports.



Photograph of youth during a coeducational USAID-funded extracurricular program organized by community volunteers to promote abstinence and free dialog on HIV/AIDS between the sexes. Source: Photograph taken in Mangochi, Malawi, by a RIG/Pretoria auditor in May 2007.

FY 2006 is the first year the Mission started compiling data for the Emergency Plan indicators; however, the activities were being implemented under cooperative agreements with its HIV/AIDS partners, which had begun before the Mission became subject to the Emergency Plan reporting requirements. The partners were instructed to identify the relevant activities that could provide data for the Emergency Plan and to continue their data collection efforts for the activities that related to the Emergency Plan. Overall, the SO Team considers the transition to have gone smoothly. However, the Mission's Performance Management Plan (PMP) should be updated to reflect the Mission's Emergency Plan activities that are reported in USAID's Performance and Accountability Report. In addition, although the Mission has received Office of the U.S. Global AIDS Coordinator (OGAC) guidelines for data collection and reporting, it has not reviewed its partners' quarterly reports thoroughly to determine whether the proper data definitions were followed, resulting in some data quality issues for the FY 2006 reporting. Finally, the Mission did not include the standard provision addressing equal protection of the law for faith-based and community organizations in all acquisition and assistance instruments. The subsequent sections discuss these issues in detail.

The Performance Management Plan Should Be Updated Comprehensively

Summary: The PMP for the Mission's Strategic Objective 8 (SO8) is updated yearly; however, it does not fully reflect all of the Mission's relevant activities as a nonfocus Emergency Plan country—contrary to the Automated Directives System (ADS) requirement for a relevant PMP for all SOs. According to the Mission, updating the PMP fully to reflect the Emergency Plan indicators has been gradual because of staff shortages. Without a PMP that addressed all the Emergency Plan activities, the Mission did not have assurance that it had been maintaining the elements that are essential to the operation of a credible and useful performance-based management system.

USAID's ADS 203.3.4.6 states that "(u)sually as part of the Operating Unit's Annual Portfolio Review process, Operating Units should update PMPs regularly with new performance information as programs develop and evolve." The ADS further states that performance baselines are needed to set targets for performance indicators after the implementation of USAID-supported activities that contribute to the achievement of the relevant result (see ADS 203.3.4.5).

Although the Mission began compiling HIV/AIDS data for Emergency Plan reporting, using Emergency Plan indicators to track all HIV/AIDS activities and report on those indicators to USAID headquarters and beyond, those reported indicators were not fully reflected in the SO8 PMP, as required.⁶ For example, although some of the indicators are similar to those of the Emergency Plan, the definitions in the PMP indicator reference sheets differ from those of the Emergency Plan. Furthermore, even though targets were set for the Emergency Plan indicators—including those reported in USAID's Performance and Accountability Report—starting in FY 2006 and beyond, the available baselines in the PMP for setting targets were at least 2 years old. As a result, the current PMP lacks a complete set of relevant indicators that reflect the Emergency Plan activities and useful baselines for setting targets.

USAID/Malawi has recognized the above limitations in the PMP and stated that the lack of baselines had resulted in low targets for the first year. The Mission has further stated that the PMP has not been updated because of a shortage of staff to work on a comprehensive update.

Without a fully updated PMP, USAID/Malawi has lacked a critical tool for planning, managing, and documenting data collection for the Emergency Plan. The absence of a PMP that fully addresses Emergency Plan activities has resulted in: 1) the Mission not having accurate baselines and reasonable targets, which are essential to the operation of a credible and useful performance-based management system and 2) understated targets for the first-year results of the Emergency Plan reporting. Although the Mission's targets for its Emergency Plan indicators were updated in the FY 2007 Country Operational Plan (COP) for Malawi, its PMP and baselines are still awaiting revision.

⁶ The PMP was last updated in August 2006.

The Office of Inspector General makes the following recommendation to address this situation:

Recommendation No. 1: We recommend that USAID/Malawi update its Performance Management Plan to fully reflect the relevant activities being carried out under the President's Emergency Plan for AIDS Relief and establish new baselines for its indicators.

Data Quality Should Be Improved

Summary: Some of the results data reported for FY 2006 do not meet USAID's data quality standards. USAID's policy requires that for data to be useful in managing for results and credible for reporting, they should maintain certain standards of quality. The Mission did not review its partners' quarterly reports thoroughly to determine whether the proper data definitions were followed and did not conduct the proper data quality assessment for the Emergency Plan data reported for FY 2006. As a result, the Mission's reported data contained numerous errors, and USAID managers did not have complete and sound data to make decisions related to Emergency Plan activities.

The Mission reported that targets were reached for all seven results reviewed for FY 2006 Emergency Plan indicators. However, the data for two of the results actually included information that predated FY 2006. In addition, the data supporting these two results included data collected from both Emergency Plan and non-Emergency Plan activities, including some from sources other than USAID. This is contrary to the Emergency Plan's guidance of reflecting the results obtained through Emergency Plan intervention. Furthermore, in reporting palliative care data, one subpartner used counseling and testing data, assuming the same data definition applied for both. These inconsistencies occurred despite the Mission's instructions to partners regarding the requirement to collect annual data and distinguish between the data definitions of different indicators.

According to ADS 203.3.5.1, for data to be useful in managing for results and credible for reporting, Operating Units should ensure that the performance data in the PMP for each SO meet the five data quality standards of validity, integrity, precision, reliability, and timeliness. In some cases, performance data will not fully meet all five standards, and—in such cases—the known data limitations should be documented. The same data quality standards cover quantitative and qualitative performance data.

Guidance on Data Definitions Was Not Followed. In addition to being provided with new Emergency Plan indicators, the Mission's partners were instructed to review their existing indicators and identify those that could be used to report Emergency Plan results. The Mission provided those partners with OGAC guidelines, which were to be used to establish consistent data definitions for all partners. They further communicated the requirements of the guidelines through meetings as well as providing forms to the partners for collection of data. Finally, Mission officials stated that they followed up orally with certain partners to ensure the proper reporting of the data. Despite these efforts, however, the following problems were noted with certain aspects of the reported data:

- Certain partners continued reporting data cumulatively for the life of the project as they had done before the Emergency Plan, instead of reporting annual data as instructed by the Mission.
- One of the subpartners used the same result for two different indicators—erroneously concluding that the same data definition applied to both.

Although the Mission had received the data on quarterly reports provided by the partners, it had not reviewed those reports thoroughly enough to determine whether the data were compiled properly and the proper data definitions were followed.

Data Quality Assessment Needs to Trace Data to the Field Level. The Mission's August 2006 PMP update states that USAID/Malawi employs various procedures to assess data quality. For example, according to the Mission—

- The SO Team reviews reports from partners and determines that they are sufficiently consistent to be considered reliable.
- Site visits, which include verification of appropriate reports, are performed to spot check reliability.

In March 2007, the Mission, with assistance from USAID/Southern Africa,⁷ conducted a high-level data quality assessment for the indicators reported in the Malawi Emergency Plan COP for FY 2006. However, this assessment focused on the ADS requirements for data assessments of Mission-generated data. The Mission was not aware of the additional requirements for assessments of data provided by implementing partners. ADS 203.3.5.3 states that, in conducting a data quality assessment, data from implementing partners' records from the central office should be compared with the records kept at field sites. Such comparison would have identified some of the data quality issues that could not be identified through a desk review of the quarterly reports. Although data quality assessments do not have to be cost-intensive and elaborate field-based exercises, at a minimum, they should be sufficient to detect readily apparent data collection flaws at the field level. In addition, the Mission's partners have indicated that the Mission's activity managers were not conducting site visits, which could have included verification of data. Mission management acknowledged the need to conduct more site visits of its activities and is examining ways to resolve its current operating expense budget shortfall, which has affected its ability to conduct the site visits needed to properly monitor its partners' activities.

The failure of all partners and subpartners to effectively apply the data collection and reporting guidance provided by the Mission has resulted in reporting that does not accurately reflect the achievements of the Emergency Plan. Moreover, the absence of a complete and thorough data quality assessment resulted in the Mission's inability to recognize that data definitions were not being properly applied.

A results-oriented management approach relies on USAID/Washington and field managers using performance information to make decisions. Quality performance indicators and data (1) ensure that USAID program and budget decisions are as well informed as possible; (2) support efficient use of USAID resources; and (3) address the information needs of USAID's internal and external users, including senior management,

⁷ USAID/South Africa was recently renamed USAID/Southern Africa. The assisting team included Regional HIV/AIDS Program staff and Program and Project Development office staff.

Office of Management and Budget, and Congress. However, sound decisions require valid, current, and reliable information. The benefits of this results-oriented approach substantially depend on the quality of the performance information available. In the absence of a proper data quality assessment of Emergency Plan data, the Mission does not have reasonable assurance that its data meet quality, validity, precision, timeliness, and reliability standards—the lack of which could negatively affect decision making.

To ensure that future data meet the quality standards, the Office of Inspector General makes the following recommendations:

Recommendation No. 2: We recommend that USAID/Malawi develop formal procedures for (a) reviewing and providing prompt feedback concerning quarterly reports and (b) following up with partners to ensure that corrective actions are taken related to data quality.

Recommendation No. 3: We recommend that USAID/Malawi establish a plan to conduct regular site visits of partners' activities and validate the President's Emergency Plan for AIDS Relief partners' data during those site visits.

Recommendation No. 4: We recommend that USAID/Malawi conduct data quality assessments for its Emergency Plan indicators, including verification of partners' field data.

Recommendation No. 5: We recommend that USAID/Malawi (a) review the data-collecting methodology of its Emergency Plan partners, (b) recalculate the actual data for fiscal year 2006, as necessary, and (c) restate these amounts in its fiscal year 2007 Emergency Plan Annual Report.

Required Standard Provisions For Faith-Based Organizations Are Lacking

Summary: ADS 303 requires the inclusion of the standard provision for equal protection of the law for faith-based and community organizations in all acquisition and assistance instruments. However, this standard provision is included in only one of the four cooperative agreements reviewed. USAID/Malawi was relying on the contracting office at USAID/Southern Africa to ensure that all necessary requirements were incorporated into these instruments; however, USAID/Southern Africa lacked the proper controls to ensure that all standard provisions were included. As a result, the Mission cannot be certain that its partners and their subpartners know the requirement for the equal treatment of faith-based organizations or whether that requirement is being properly implemented.

Acquisition and Assistance Policy Directive (AAPD) 04-08, "Ensuring Equal Opportunity for Faith-Based and Community Organizations," was issued on June 29, 2004, and initiated the implementation of the requirements of Executive Order 13279. This AAPD required all USAID requests for applications to include, or be amended to include, a survey on ensuring equal opportunity for applicants. Subsequently, USAID amended the ADS to incorporate more proactive measures concerning equal protection. The revised ADS included clauses providing for such equal protection into the mandatory standard

provisions incorporated into USAID acquisition and assistance instruments with both U.S. and non-U.S. nongovernmental recipients (ADS 303.4.2.u and 303.4.2.v, respectively). The Provisions for Non-U.S. Nongovernmental Recipients provide equal protection of the law for faith-based and community organizations, stating that—

- The recipient may not discriminate against any beneficiary or potential beneficiary under this award on the basis of religion or religious belief. Accordingly, in providing services supported in whole or in part by this agreement or in its outreach activities related to such services, the recipient may not discriminate against current or prospective program beneficiaries on the basis of religion, a religious belief, a refusal to hold a religious belief, or a refusal to actively participate in a religious practice.
- The Federal Government must implement Federal programs in accordance with the Establishment Clause and the Free Exercise Clause of the First Amendment to the Constitution. Therefore, if the recipient engages in inherently religious activities, such as worship, religious instruction, and proselytization, it must offer those services at a different time or location from any programs or services directly funded by this award, and participation by beneficiaries in any such inherently religious activities must be voluntary.
- If the recipient makes subawards under this agreement, faith-based organizations should be eligible to participate on the same basis as other organizations and should not be discriminated against on the basis of their religious character or affiliation.

This standard provision was included in only one of the four awards that we reviewed and was not included in any of the related subawards. The three awards without the provisions received 84 percent of the Emergency Plan funding for FY 2006 activities.



Photograph of an HIV/AIDS counseling session at a USAID-supported voluntary counseling and testing program in an Adventist hospital, Malamulo, Malawi.

Source: Photograph taken by a RIG/Pretoria auditor in May 2007.

USAID/Malawi relied on its contracting office at USAID/Southern Africa Mission in Botswana⁸ to ensure that all required standard provisions were included in agreements, contracts, and grants; however, USAID/Southern Africa Mission in Botswana lacked the proper controls to ensure that all standard provisions were included.

As a result of this situation, the Mission cannot be certain that its partners know the requirement for faith-based organizations and that these partners are passing it on to their faith-based subawardees. To ensure equal protection, the Office of Inspector General makes the following recommendation:

Recommendation No. 6: We recommend that USAID/Southern Africa (a) request a decision from USAID's Office of Acquisition and Assistance Policy Division as to whether agreements predating the June 2006 change to the ADS should be amended to include the mandatory standard provision addressing equal protection of law for faith-based and community organizations and (b) as necessary, amend all agreements to include this mandatory standard provision.

⁸ Effective September 16, 2007 the regional contracting office formerly located at USAID/Southern Africa Mission in Botswana merged with USAID/South Africa in Pretoria. The merged mission is now known as USAID/Southern Africa.

EVALUATION OF MANAGEMENT COMMENTS

In responding to the draft report, the Mission concurred with Recommendations No. 2, 3, 4, and 5 and provided plans in response to the recommendations. The Mission also concurred in principle with Recommendation No. 1 and suggested an alternative approach to meeting the intent of this recommendation. The Mission's comments and our evaluation of those comments are summarized below.

The Mission concurred in principle with Recommendation No. 1, agreeing on the need to update and enhance its overall performance management systems. The Mission has proposed incorporating the Annual Emergency Plan Report/Country Operational Plan as an annex to the Mission's Performance Management Plan (PMP) and has set a target completion date for doing so. Because this action will incorporate USAID/Malawi's Emergency Plan indicators, targets and baselines into its PMP, we consider that a management decision has been reached for this recommendation.

In response to Recommendation No. 2, which suggests developing formal procedure for review and feedback of quarterly reports, and following up with partners to ensure that corrective actions are taken related to data quality, the Mission concurred by instituting procedures for reviewing quarterly reports, providing feedback to partners and ensuring that corrective actions are taken verifying data in the semiannual and annual reports. Furthermore, the procedures are to be put in writing and training is to be conducted on the procedures by December 2007. As such, we consider that management decision is reached for this recommendation.

For Recommendation No. 3, which suggests establishing a plan to conduct regular site visits of partners' activities and validate Emergency Plan data, the Mission responded affirmatively by stating that the Mission will prepare a schedule of site visits to validate partners' data by the end of November 2007. In addition, the Mission set milestones for activities that will facilitate data validation such as in-house training on such validation. We consider Recommendation No. 3 as having reached a management decision.

Recommendation No. 4 pointed out the need for data quality assessments and verification of partners' field data. The Mission agreed and set a plan and completion date for performing a Mission-wide data quality assessment. A management decision has been reached for this recommendation.

For Recommendation No. 5, the Mission agreed to review the data-collecting methodology of its partners in conjunction with the site visits to be scheduled in response to Recommendation No. 3 and to restate any erroneous data reported for FY 2006. These restated amounts would be included in the Mission's FY 2007 Emergency Plan Annual Report. A management decision has been reached for this recommendation.

In relation to Recommendation No. 6, the USAID/Southern Africa Mission in Botswana stated that although the equal protection of the law for faith-based and community

organizations provision was written in February 2004, it was not included in USAID's Automated Directives System (ADS) until June 2006 and, as a result, the USAID/Southern Africa Mission in Botswana did not include the provision in acquisition and assistance instruments until after its inclusion in the ADS. Furthermore, USAID/Southern Africa Mission in Botswana management stated that they have not received instructions about amending existing awards.

Nevertheless, the changes to the mandatory standard provisions incorporated into USAID agreements with NGOs that were ultimately included in the ADS were significantly more proactive than the requirements of the original AAPD. While the original AAPD only required that a survey on ensuring equal opportunity for applicants be included in USAID requests for applications, the subsequent ADS revisions require the inclusion of a provision in all agreements with NGOs that prohibit those NGOs from discriminating against any beneficiary or potential beneficiary under the USAID award on the basis of religion or religious belief.

Considering the significantly more proactive stance taken by USAID in its revision of the ADS, we are recommending that USAID/Southern Africa request a decision from USAID's Office of Acquisition and Assistance Policy Division as to whether awards predating the ADS change must be amended to include this provision and that the Mission amend all applicable awards.

The Mission's comments are included in their entirety in Appendix II.

SCOPE AND METHODOLOGY

Scope

This audit was made in accordance with generally accepted government auditing standards. The Regional Inspector General/Pretoria conducted the audit to determine whether USAID/Malawi's Emergency Plan prevention, care, and treatment activities achieved expected planned results in its grants, cooperative agreements, and contracts. The audit was conducted at USAID/Malawi in Lilongwe, Malawi; at selected sites throughout Malawi; and through e-mail and telephone follow-up of fieldwork from May 8 through June 18, 2007.

In planning and performing the audit, the audit team assessed the Mission's management controls related to the Emergency Plan. The management controls identified included the Mission's Annual Report, the Mission's data quality assessments, the Mission's annual self-assessment of management controls as required by the Federal Managers' Financial Integrity Act, trip reports to document field visits by the cognizant technical officers, program progress reports, and day-to-day interaction between Mission staff and program implementers.

To observe the Emergency Plan activities and to determine whether targets were achieved, the audit team interviewed the management of four partners and reviewed pertinent documents, amounting to 77 percent of the \$10.2 million FY 2005 Emergency Plan funding obligated for fiscal year (FY) 2006 activities. For the partners reviewed, the team conducted site visits at 18 selected subrecipient sites in the capital Lilongwe and various sites throughout the country to verify and test data quality, observe program activities, and examine the quality of indicators.

The scope of this audit included USAID/Malawi's Emergency Plan activities carried out during FY 2006. The planned activities were selected from the universe of Emergency Plan-funded activities being conducted by USAID/Malawi.

Methodology

To answer the audit objective, the audit team met with the USAID/Malawi Health, Population, and Nutrition Strategic Objective Team to gain an understanding of the subject matter. The audit team reviewed relevant documentation related to the Emergency Plan, such as cooperative agreements and contracts, including contract amendments and addendums, Mission correspondence, internal worksheets used to measure results, the Mission Performance Management Plan, quarterly and annual reports, and field trip reports.

The audit team interviewed recipient and subrecipient officials responsible for Emergency Plan monitoring and implementation. The team reviewed pertinent documents, including, but not limited to, trip reports and quarterly reports. The reports helped the team identify the levels of monitoring being carried out and determine whether progress toward planned results had been achieved. In addition, 18 site visits were conducted to observe operations at various recipient and subrecipient sites. In part, these site visits included testing data found in progress reports and annual reports and observing program operations.

The audit team identified higher-level results that could show the impact of various Emergency Plan activities coordinated by USAID/Malawi. From these results, three indicators reflected the impact of HIV/AIDS interventions with data provided by the Government of Malawi. However, the data were not available for the Emergency Plan activities that commenced in FY 2006. As an alternative, the team used results from a Malawi triangulation project to assess higher-level results for HIV/AIDS intervention before Emergency Plan reporting was enacted.

Concurrently, the audit team judgmentally selected seven activity-level annual results, three each from prevention and care activities. The team also included the only treatment result that is attributable to USAID/Malawi and compared the percentage of the targets with the audit threshold criteria to determine whether planned results were achieved. The materiality threshold criteria were as follows:

- If at least 90 percent of the selected key result was achieved,⁹ the answer to the audit objective would be positive.
- If at least 80 percent but less than 90 percent of the selected key result was achieved, the answer to the audit objective would be qualified.
- If less than 80 percent of the selected key result was achieved, the answer to the audit objective would be negative.

For prevention and care results, activity-level data were selected from data provided by the three partners who contributed to the indicators selected for testing. Through review of the data quality controls of the three partners, the scope of data testing was determined. The audit team judgmentally selected 13 sites from a total of 30 sites that contributed to selected indicators. For the treatment result, the team tested 100 percent of the records, as the data were minimal and readily available. The actual testing for activity-level results consisted of comparing and tracing the reported information to supporting source documentation such as logbooks, daily diaries, monthly reports, and program operation observations.

⁹ The audit team considered a result to be achieved if the partner completed at least 90 percent of the expected (planned) result.

MANAGEMENT COMMENTS



AUDIT REPORT NO. 4-612-07-XXX-P July XX, 2007 MEMORANDUM

TO: Regional Inspector General/Pretoria, Nathan Lokos
USAID/Southern Africa, Mission Director, Erna Kerst

From: USAID/Malawi, Mission Director, Curt Reintsma

Date: August 22, 2007

SUBJECT: Mission response to the draft audit of USAID/Malawi's Implementation of the President's Emergency Plan for AIDS Relief (Report No. 4-612-07-xxx-P)

This memorandum transmits USAID/Malawi comments on the draft report on the subject audit as requested in your memorandum of July 25, 2007, and the subsequent email exchange granting a one-week extension to respond. USAID/Malawi's comments are keyed to the five recommendations for USAID/Malawi. In addition, we are transmitting the response by USAID/Southern Africa to recommendation number six, related to establishing controls for assuring that all required standard provisions are included in acquisition and assistance instruments. In this memo, USAID Malawi states its views on each recommendation, and provides a detailed explanation when needed.

Recommendation No. 1: We recommend that USAID/Malawi update its performance management plan to fully reflect the relevant activities being carried out under the President's Emergency Plan for AIDS Relief and establish new baselines for its indicators.

USAID/Malawi agrees with the need to update and enhance its overall performance management systems (including the PMP), and has already begun to do so for all sectors, including the health sector and PEPFAR funded activities. At the same time, USAID/Malawi is also concerned about avoiding wasteful duplication of effort, and using valuable staff time in ways that are not cost effective. Upon further reflection, discussion and research; it has been noted that all indicators for PEPFAR that would be reported in the PMP are already covered under the Emergency Plan's Annual Report and Country Operational Plan. These documents also set new baselines, as requested in the second part of this recommendation.

Therefore, rather than update the PMP document itself to reflect PEPFAR activities (a significant duplication of effort in our view), USAID/Malawi believes that the same outcome can be achieved more cost effectively by treating the Annual Report/COP as an

annex to the mission's PMP, and using the Annual Report/COP to fully monitor the performance of the PEPFAR activities. The incorporation of the PEPFAR Annual Report/COP as an annex to the mission's updated PMP will be completed by end of November, 2007. This will avoid duplication of effort, since under this approach we will not have to repeat the same information and processes in both documents.

As a footnote, USAID/Malawi believes that the basic issue that may be creating confusion is that the Agency is currently operating in the transition between two systems; the old PMP on the one hand, and on the other hand the more recent COP/COPR/Annual Report (for PEPFAR activities) and the OP (for other programs). Given this transition situation and our on-going responsibility for cost-effective management, USAID/Malawi believes that the overall goal of this recommendation (responsible and adequate performance monitoring) can best be accomplished as proposed.

To ensure implementation of this intention behind this recommendation, both the mission's newly hired Strategic Information (SI) PEPFAR advisor and the mission's M&E specialist in the Program Office will be tasked to ensure that all indicators for PEPFAR activities will be regularly monitored.

Recommendation No. 2: We recommend that USAID/Malawi develop formal procedures for 1) reviewing and providing prompt feedback concerning quarterly reports and 2) following up with partners to ensure that corrective actions are taken related to data quality.

USAID/Malawi agrees with this recommendation. The ability of the HPN Team to consistently review quarterly reports and provide feedback to partners has in the past been adversely affected by two issues: 1) low levels of Operating Expense (OE) budget that negatively impacted the Mission's ability to conduct site visits and 2) staffing ceilings that kept the size of the HPN Team to a restrictive minimum. Both issues have been resolved, and the new staffing pattern and OE relief will facilitate stronger monitoring and intensive follow up of reporting by partners.

The position of SI Advisor for PEPFAR has now been filled by a USPSC, and the incumbent has direct responsibility for data and target issues and monitoring. The position descriptions of all HPN Team members will be updated by end of October, 2007 to incorporate the responsibilities of reviewing quarterly reports, providing feedback and following up corrective actions. In addition, HPN Team members' work objectives will be revised by end of October, 2007 to reflect this responsibility, and yearly employee evaluation reports (EERs) will provide feedback on each employee's performance with regard to monitoring partners' quarterly reports.

The HPN Team will institute new procedures for reviewing quarterly reports, providing feedback to partners; ensuring corrective actions are taken and verifying data in the semiannual and annual reports. The procedures will systematically include:

1. The SI Advisor will send revised instructions to partners on completing narrative quarterly reports and data-based semiannual and annual reports by November, 2007.
2. The SI Advisor will prepare a schedule of quarterly, semiannual and annual report review meetings with partners by end of October 2007.
3. The SI Advisor will update internal record of reports received each quarter

4. CTO/Activity Managers will provide written feedback on quarterly reports to partners within 10 working days and put in partner communications file.
5. CTO/Activity Managers will schedule partner meeting within 30 days after sending feedback to discuss report, when determined necessary based on the concerns identified in the quarterly reports and the feedback memos.
6. CTO/Activity Managers will identify follow-up steps to issues raised in the quarterly reports at partner meetings and agree on a timeline on when these would be addressed.
7. The SI Advisor will update internal records for tracking follow-up steps
8. The CTO/Activity managers will verify that follow-up steps have been incorporated into the next quarterly report.

These procedures will be put in writing and made available in the HPN office data quality files and all HPN Team members will receive in-house training in the procedures by December, 2007.

Recommendation No. 3: We recommend that USAID/Malawi establish a plan to conduct regular site visits of partners' activities and validate the President's Emergency Plan for AIDS Relief partners' data during those site visits.

USAID/Malawi agrees with this recommendation and is already taking steps to address this issue. The SI Advisor in collaboration with CTO and Activity Managers will prepare a schedule of site visits to validate partners' data by end of November 2007.

In order to facilitate the process of properly validating the partners' data, three members of USAID/Malawi recently completed a Data Quality Workshop in Johannesburg, South Africa. The team of three will replicate this workshop for partners to strengthen monitoring and evaluations systems and to ensure there is a common understanding of program-level indicators by end of November 2007.

The SI Advisor in collaboration with the Mission Monitoring and Evaluation Officer will adapt tools for performing the data validation from the Measure Evaluation Tool by end of October 2007. HPN Team members will receive in-house training in the use of these tools and responsibilities for site visits and data quality validation. This internal training will be completed by end of November, 2007. It will be followed up by a schedule and site visits to all partners before end April 2008 to verify partner data.

During the site visits, the quality of reported program-level data for key indicators will be assessed by starting at the source document and ensuring the data is correctly captured, aggregated and transmitted to next levels. Based on the findings a data validation report will be prepared with corrective actions identified. Partners will report back on the implementation of corrective actions in their quarterly reports. Oversight and supervision to ensure that site visits including data quality validation are performed consistently and accurately will be provided by the HPN Team Leader in collaboration with the SI Advisor and documented in trip reports.

Recommendation No. 4: We recommend that USAID/Malawi conduct data quality assessments for its Emergency Plan indicators. Including verification of partners' field data.

As outlined in the response to recommendation 3, USA/D/Malawi agrees with this recommendation. USAID/Malawi is planning a Mission-wide data quality assessment to include Emergency Plan indicators and verification of partners' field data. The assessment should be completed by the end of October, 2007. The verification of partner's field data will also continue to be conducted as part of the regular field visits by the HPN Team.

Recommendation No. 5: We recommend that USAID/Malawi review data collecting methodology of its Emergency Plan partners and restate the actual data for FY 2006, as necessary.

USAID/Malawi agrees with this recommendation. Given the pre-requisite steps outlined in responses to recommendation 3 and 4 above, we expect to complete the review of data collection methodology with partners by April 2008. At the Data Quality Workshop to be held in November 2007(see response to recommendation 3), partners will finalize their data collection plans. Partner data collection methodology will be reviewed as part of the data validation site visits discussed in the response to recommendation three. During the data validation site visits, data for FY 2006 (as well as FY 2007) will be verified and any corrections will be restated in the annual report by April 2008.

Recommendation No. 6: We recommend that USAID/Southern Africa take measures to assure that the standard provision for equal protection of the law for faith-based and community organizations is included in all agreements, contracts and grants.

USAID/Southern Africa disagrees with the above recommendation because the provision titled "EQUAL PROTECTION OF THE LAWS FOR FAITH-BASED AND COMMUNITY ORGANIZATIONS" is dated February 2004. However, it was not until June 14, 2006, that it was incorporated into ADS 303, Mandatory Standard Provisions for U.S. nongovernmental Recipients. Therefore, awards made prior to June 2006 do not contain this provision. The Regional Contracting Office (RCO) has included this provision in all agreements and contract award on or after June 2006.

The RCO did not receive direction from OAA/Washington to amend existing awards (pre-2006) to include this provision. The Policy Division in OAA/Washington will be contacted for clarification if awards made prior to June 2006, should be modified to include the provision. If so, the RCO will take steps to modify the agreements consistent with RIG recommendations.

Table A-1. Summary of Reviewed Results

Results	FY06 Target	FY06 Reported	Percentage Achieved
Number of pregnant women who received HIV counseling and testing for Prevention of Mother-to-Child Transmission (PMTCT) and received their test results	4,620	10,104	219%
Number of pregnant women provided with a complete course of antiretroviral prophylaxis in a PMTCT setting	420	448	107%
Number of individuals trained to promote HIV/AIDS prevention through abstinence and/or being faithful	14,289	18,029	126%
Number of individuals provided with HIV-related palliative care (excluding TB/HIV) ¹⁰	63,580	N/A	N/A
Number of orphans and vulnerable children (OVC) served by an OVC program ¹⁰	30,000	N/A	N/A
Number of individuals who received counseling and testing for HIV and received their test results	122,376	152,886	125%
Total number of health workers trained to deliver antiretroviral therapy (ART) services, according to national or international standards (includes PMTCT+, extending treatment to HIV-infected mothers, their children, and their partners) ¹¹	620	641	103%

Note: N/A = not applicable.

¹⁰ Data are not reliable to accept results.

¹¹ Actual data reported for FY 2006 were erroneous. The actual achievement reported here was obtained from supporting documents during the audit fieldwork.

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