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OFFICE OF INSPECTOR GENERAL

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

AUDIT REPORT NO. 5-442-07-010-P
SEPTEMBER 18, 2007

MANILA, PHILIPPINES

Office of Inspector General

September 18, 2007

MEMORANDUM

TO: USAID/Cambodia Director, Erin Soto

FROM: Acting RIG/Manila, William S. Murphy /s/

SUBJECT: Audit of USAID/Cambodia's Implementation of the President's Emergency Plan for AIDS Relief (Audit Report No. 5-442-07-010-P)

This memorandum transmits the Office of Inspector General's final report on the subject audit. In finalizing the report, we considered your comments to the draft report and included the comments (without attachments) in Appendix II.

This report contains three recommendations to help improve implementation of USAID/Cambodia's implementation of the President's Emergency Plan for AIDS Relief. Based on your comments and the documentation provided, we consider that final action has been taken on Recommendation No. 2, that management decisions have been reached on Recommendation Nos. 1 and 3. A determination of final action for Recommendations Nos. 1 and 3 will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

Thanks to you and your staff for the cooperation and courtesy extended to us during the audit.

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SUMMARY OF RESULTS

This audit was part of a series of worldwide audits of the President's Emergency Plan for AIDS Relief (PEPFAR, the Emergency Plan) in nonfocus countries. The audit was conducted to determine whether USAID/Cambodia's Emergency Plan prevention, care, and treatment activities achieved expected planned results in its grants, cooperative agreements, and contracts. In fiscal year (FY) 2005, USAID allocated $14.3 million of Child Survival and Health funds and $500,000 of Global HIV/AIDS Initiative funds for Emergency Plan activities in Cambodia to be implemented in FY 2006 (see page 3).

The audit concluded that USAID/Cambodia's Emergency Plan prevention, care, and treatment activities achieved its expected planned results in its grants, cooperative agreements, and contracts. Despite USAID/Cambodia's achievements, we noted areas in which the Mission could strengthen its monitoring and evaluation of Emergency Plan activities. For example, the Mission's performance targets for the seven selected Emergency Plan outputs were set too low and all were significantly exceeded. The targets did not factor-in the Royal Government of Cambodia's expanded voluntary counseling and testing sites for HIV, which contributed to more results than planned. Mission staff were unfamiliar with the Emergency Plan's new target setting process for the first year or transitional year of implementing Emergency Plan activities. Further, for two selected partners that we reviewed in detail, the Mission conducted regular site visits to only one of them during FY 2006 and such visits were not documented. As a result, the Mission limited its ability to monitor and track the Emergency Plan's progress towards achieving intended results and to independently assess its partners' performance (see pages 4 through 8).

In addition to the issues just discussed, an Activity Manager at USAID/Cambodia was performing some Cognizant Technical Officer (CTO) duties on behalf of an Agreement Officer from USAID's Regional Development Mission/Asia without a formal designation letter to authorize such duties. The Activity Manager was assuming oversight responsibilities, but had no actual CTO authority and no clearly defined requirements to carryout these responsibilities. As a result, both USAID/Cambodia and the Regional Development Mission/Asia faced increased risk of not fully providing technical and administrative oversight of the partner. Further, an inconsistency emerged between USAID policy on redelegating CTO duties and actual common practice within the agency (see pages 9 and 10).

This report made three recommendations to address the above issues and to help improve implementation of Emergency Plan activities in Cambodia (see pages 6, 8, and 10). USAID/Cambodia generally agreed with the findings and recommendations. Based on our review of the Mission's comments, detailed actions, and subsequent supporting documents received, we determined that final action has been taken on Recommendation No. 2 and management decisions have been reached for Recommendation Nos. 1 and 3 (see page 11).

USAID/Cambodia's written comments on the draft report are included in their entirety (without attachments) as Appendix II to this report.

BACKGROUND

Recognizing the global HIV/AIDS pandemic as one of the greatest challenges of our time, the 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[2] by $1 billion over 5 years. Cambodia is one of the nonfocus countries.

President Bush and Congress have set aggressive goals for addressing the worldwide HIV/AIDS pandemic. The goals over 5 years are to provide treatment to 2 million HIV-infected people, prevent 7 million HIV infections, and provide care to 10 million people infected by HIV/AIDS, including orphans and vulnerable children. The Emergency Plan is directed by the Department of State's Office of the U.S. Global AIDS Coordinator. The AIDS Coordinator reports directly to the Secretary of State. To ensure program and policy coordination, the AIDS Coordinator manages the activities of the U.S. government agencies responding to the pandemic.

The Emergency Plan is implemented collaboratively by in-country teams made up of staff from USAID, the Department of State, the Department of Health and Human Services, and other agencies. USAID's Bureau for Global Health has general responsibility for the agency's participation in the Emergency Plan. More specifically, the Director of Global Health's Office of HIV/AIDS provides the technical leadership for USAID's HIV/AIDS program.

HIV prevalence in Cambodia is among the highest in Asia. Approximately 130,000 people were living with HIV/AIDS in Cambodia in 2005. Although Cambodia is one of the poorest countries in the world, extraordinary HIV prevention and control efforts exerted by the Royal Government of Cambodia and its partners have helped to reduce the spread of HIV. Between 2003 and 2005, the estimated HIV prevalence among Cambodian adults ages 15 to 49 declined from 2.0 percent to 1.6 percent.

Cambodia's HIV/AIDS epidemic is spread primarily through heterosexual transmission and revolves largely around the sex trade. HIV transmission occurs mainly in sexual partnerships where one partner has engaged in high-risk behaviors. Women constitute a growing share of people living with HIV/AIDS, accounting for an estimated 47 percent of people living with HIV/AIDS in 2003, compared with 37 percent in 1998.

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[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.

Through the Emergency Plan, the U.S. government and its partners are working in partnership with the Royal Government of Cambodia to implement Cambodia's National Strategic Plan for HIV. This was accomplished through cooperation between partner governments; non-governmental, community-based and faith-based organizations; and people living with HIV/AIDS. Given the limited health care resources and capacity in many communities, the Emergency Plan provides integrated HIV/AIDS prevention, treatment and care services that maximize the effectiveness of available services.

Photograph of a client receiving HIV test results and counseling at a PEPFAR-funded clinic located in Phnom Penh (Office of Inspector General, June 2007).

In fiscal year (FY) 2005, USAID allocated $14.3 million of Child Survival and Health funds and $500,000 of Global HIV/AIDS Initiative funds for Emergency Plan activities in Cambodia. As of September 30, 2006, USAID/Cambodia had obligated about $14.7 million and disbursed $9.5 million of this funding for such activities. USAID/Cambodia's Office of Public Health was responsible for managing the Emergency Plan in Cambodia. FY 2006 was USAID/Cambodia's first or transition year for implementing Emergency Plan activities.

AUDIT OBJECTIVE

As part of the Office of Inspector General's annual audit plan, the Regional Inspector General/Manila conducted this audit as part of a worldwide series of audits of the Emergency Plan's nonfocus countries. The audit was conducted to answer the following question:

> **Did USAID/Cambodia'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/Cambodia's Emergency Plan prevention, care, and treatment activities achieved their expected planned results in its grants, cooperative agreements, and contracts. Table 1 shows the results of the audit and details of USAID/Cambodia's achievement of its performance targets for seven selected activity outputs as of September 30, 2006.

Table 1: Emergency Plan Achievements for Selected Activity Outputs (September 30, 2006)

Outputs	Targets	Actual Results Tested	Percent Achieved
Prevention			
1. Number of pregnant women provided with a complete course of antiretroviral prophylaxis in a prevention of mother-to-child transmission (PMTCT) setting	99	164	166%
2. Number of pregnant women who received HIV counseling and testing for PMTCT and received their test results	14,954	19,956	133%
Care			
3. Number of HIV-infected clients provided with HIV-related palliative care	13,134	18,604	142%
4. Number of HIV-infected clients attending HIV care/treatment services who are receiving treatment for tuberculosis (this is a subset of all individuals provided with palliative care)	1,480	2,128	144%
5. Number of orphans and vulnerable children (OVC) served by an OVC program	13,220	21,758	165%
6. Number of individuals who received counseling and testing for HIV and received their test results	59,466	77,354	130%
Treatment			
7. Number of individuals with HIV infection receiving antiretroviral therapy	2,997	3,907	130%

Notes:
1. The seven selected outputs with performance targets were part of a common set of performance indicators established by the Office of the U.S. Global AIDS Coordinator.
2. The actual results presented were cumulative for all of the Mission's partners that implemented Emergency Plan activities in FY 2006.
3. The Office of Inspector General (OIG) focused on 2 of the 12 partners for further detailed audit testing whose funding was about 38 percent of the total $14.8 million budget for Emergency Plan activities.
4. The OIG adjusted the actual results for outputs nos. 3 and 4 to avoid double counting caused by geographic overlap between two partners.

Despite USAID/Cambodia's achievements, the following narrative discusses areas where the Mission could strengthen its monitoring and evaluation of Emergency Plan activities.

Performance Targets Were Set Too Low

Summary: USAID policy requires that operating units set performance targets that can optimistically but realistically be achieved. However, USAID/Cambodia's performance targets for the seven selected Emergency Plan outputs were set too low and all were significantly exceeded. This occurred because the targets did not factor-in the Royal Government of Cambodia's expanded voluntary counseling and testing sites for HIV, which contributed to more results than planned. Mission staff were unfamiliar with the Emergency Plan's new target setting process for the first year or transitional year of implementing Emergency Plan activities. As a result, the performance targets used in FY 2006 were set too conservatively and did not provide a realistic yardstick for measuring program performance.

USAID's Automated Directives System (ADS) 203.3.4.5 states that for each indicator in a Performance Management Plan, the Operating Unit should set performance baselines and set targets that can be optimistically but realistically be achieved within the stated timeframe and with the available resources. Conversely, targets that are set too low are also not useful for management and reporting purposes.

USAID/Cambodia's performance targets for the seven selected Emergency Plan outputs were all exceeded by at least 30 percent, including two that were exceeded by more than 60 percent. The Mission's Office of Public Health explained that there were two main reasons for this. First, actual results were more than planned because the Cambodian Ministry of Health expanded voluntary counseling and testing sites for HIV and continuum-of-care sites for care and treatment, which was not anticipated in the targets. Second, FY 2006 was the Mission's first year or transitional year of implementing Emergency Plan. Staff were unfamiliar with the Emergency Plan's new target setting process and the concept of direct and indirect attribution of US government contributions. Given this learning curve, the Mission believed that the targets were set at reasonable levels within the bounds of its understanding of Emergency Plan guidance at that time, but as it turned out they were set too low.

The seven selected outputs with performance targets were part of a common set of performance indicators established by the Office of the U.S. Global AIDS Coordinator (OGAC). At the time of the audit, there was no specific guidance from OGAC on adjusting performance targets for such common indicators. However, according to USAID's Global Health Bureau's Office of HIV/AIDS, nonfocus Mini–Country Operational Plan (mini-COP) countries[3] can adjust their targets during three specific time periods:

1. Reprogramming/April and July
2. Country Operational Planning/before end of September
3. Annual Progress Reporting/December

[3] Mini-COP countries are nonfocus Emergency Plan countries that must report on program results to OGAC once every year.

Adjustments to targets made at any of these times require written justification from the country teams detailing the need for these targets to be adjusted. Because there was no specific OGAC guidance on adjusting performance targets outside of these three time periods, USAID's Global Health Bureau's Office of HIV/AIDS explained that the country teams should manage their implementing partners using USAID's policies. ADS 203.3.4.7 states that operating units may change performance indicators based on a compelling reason. OGAC was granting requests from country teams to adjust targets for unanticipated or unforeseen events on a case-by-case basis and these requests were then reviewed and approved or disapproved by the Deputy Principals. However, Mission staff were unaware that targets could be adjusted for such events.

Performance targets that are set too low are not useful for management or for reporting results to the OGAC and stakeholders. Increasing the targets will help keep them relevant and may help encourage improved results. No specific recommendation was made on the performance targets for FY 2006 because that year has ended. For future reporting, the OIG made the following recommendation to ensure that the Emergency Plan's targets are timely revised when there are significant program changes, enabling management to accurately measure program performance.

> ***Recommendation No. 1:*** *We recommend that USAID/Cambodia establish Mission-specific procedures to revise its performance targets for Emergency Plan activities when there are significant program changes.*

Photograph of orphans and vulnerable children affected by HIV/AIDS at a PEPFAR-funded special care facility located in Phnom Penh (Office of Inspector General, June 2007).

Mission Monitoring Needs Strengthening

Summary: USAID policy requires operating units to monitor and evaluate implementing partners and their performance during the assistance award by maintaining contact and conducting site visits. However, for the two selected partners that we reviewed in detail, USAID/Cambodia conducted regular site visits to only one of them during FY 2006 and such visits were not documented. This occurred because Mission management at that time neither prioritized site visits nor emphasized the need for documenting such visits if they were conducted by Mission staff. Other contributing causes were competing work requirements and staff shortages. Consequently, the Mission limited its ability to monitor and track the Emergency Plan's progress toward achieving intended results and to independently assess its partners' performance.

ADS 303.2.f states that the Cognizant Technical Officer (CTO) is responsible for ensuring that USAID exercises prudent management of assistance awards and for making the achievement of program objectives easier by monitoring and evaluating the recipient and its performance during the award by maintaining contact, including site visits and liaison with the recipient, among other things. Additionally, ADS 303.3.17.b states that

> [S]ite visits are an important part of effective award management, since they usually allow a more effective review of the project, and may be made as needed. When the Agreement Officer or CTO makes a site visit, the Agreement Officer or CTO must write a brief report highlighting findings, and put a copy in the official award file.

In FY 2006, USAID/Cambodia's Office of Public Health conducted regular meetings and site visits with only one of the two selected implementing partners that we further reviewed, the Reproductive Health Association of Cambodia (RHAC). The CTO held regular monthly meetings with RHAC and conducted visits to clinics in Phnom Penh and in three different provinces to view how Emergency Plan activities were being implemented, to assess the relationship between RHAC's headquarters and its provincial clinics, and to ensure that RHAC was following Emergency Plan and USAID policies. However, formal trip reports were not prepared for these visits. For the other selected partner, Family Health International (FHI), the Office of Public Health did not maintain regular contact or conduct site visits during FY 2006.

This occurred for several reasons. The Office of Public Health explained that Mission management at that time neither prioritized site visits nor emphasized the need for documenting such visits if they were conducted by Mission staff. Additionally, the director position for the Office of Public Health was vacant for about 8 months from January to August 2006, resulting in a lack of leadership and direction for the office. Other contributing causes were competing work requirements and staff shortages. Furthermore, the CTO for FHI was located in USAID's Regional Development Mission/Asia in Bangkok and was informally relying on an Activity Manager in Cambodia to perform some CTO duties, but no monitoring was performed by either person. This issue is discussed more in the next section.

Consequently, USAID/Cambodia limited its ability to monitor and track the Emergency Plan's progress towards achieving intended results and to independently assess its partners' performance.

Site visit reports are useful tools. They provide a permanent record of comparable performance data, which allows the Mission to make informed decisions on issues affecting partners' performance or program progress. Without such reports, the Mission could be hampered in its ability to independently assess its partners' performance and to identify ways to improve performance or adjust performance targets as needed. Undocumented site visits could also impede a successor CTO's ability to manage the cooperative agreement.

In August 2006, the new director for the Office of Public Health arrived at post. Shortly thereafter, Mission management shifted its priorities and increased its monitoring site visits of Emergency Plan activities. Additionally, the Office of Public Health hired two additional staff to address its shortages. Therefore, no specific recommendation was made in these areas. However, with respect to documenting such site visits, the OIG made the following recommendation.

> ***Recommendation No. 2:*** *We recommend that USAID/Cambodia develop Mission-specific procedures requiring that site visits of Emergency Plan activities be documented and maintained in the official award file.*

OIG photograph of a lab technician testing blood samples for HIV at a PEPFAR-funded clinic located in Phnom Penh (Office of Inspector General, June 2007).

Redelegation of CTO Duties Needs to Be Formalized

Summary: USAID policy states that the CTO is the person designated in writing by the Agreement Officer to monitor and evaluate the recipient and its performance. However, an Activity Manager at USAID/Cambodia was performing some CTO duties on behalf of an Agreement Officer from USAID's Regional Development Mission/Asia without a formal designation letter to authorize such duties. The Activity Manager was assuming oversight responsibilities, but had no actual CTO authority and no clearly defined requirements to carryout these responsibilities. This occurred because informal redelegation arrangements between CTOs and Activity Managers were a common practice at USAID, especially for global health programs. Consequently, both USAID/Cambodia and the Regional Development Mission/Asia faced increased risk of not fully providing technical and administrative oversight of the partner.

According to ADS 303.2.f, the CTO is the person designated, in writing, by the Agreement Officer to administer certain aspects of the assistance instrument after USAID awards it and this authority is not to be delegated other than as specified in the Agreement Officer's designation letter.

In August 2005, the Regional Development Mission/Asia awarded a one-year $9.7 million cooperative agreement to FHI to implement HIV/AIDS programs in China, Laos, Thailand, Cambodia, Papua New Guinea, and East Timor. Under this regional assistance agreement, Cambodia received $4 million and FHI/Cambodia was responsible for implementing in-country Emergency Plan activities. USAID was to be substantially involved during the performance of this agreement. The Regional Development Mission/Asia's designated CTO was informally relying on an Activity Manager at USAID/Cambodia to perform some CTO duties on behalf of the Agreement Officer, such as maintaining contact with FHI/Cambodia and reviewing its performance reports.

This informal arrangement had several consequences. First, the Activity Manager was assuming oversight responsibilities, but had no actual CTO authority and no clearly defined requirements to carryout these responsibilities. Second, both USAID/Cambodia and the Regional Development Mission/Asia faced increased risk of not fully providing technical and administrative oversight of the implementing partner. For example, neither USAID/Cambodia nor the Regional Development Mission/Asia maintained regular contact or conducted site visits of FHI/Cambodia's activities during FY 2006.

Additionally, an inconsistency emerged between USAID policy on redelegating CTO duties and actual common practice within the agency. According to the Director of USAID/Cambodia's Office of Public Health, these informal redelegation arrangements between CTOs and Activity Managers were common practice at USAID, especially for its global health programs. However, the Director recognized the need to make such arrangements more formalized.

Nevertheless, according to ADS 303.2.e, an Activity Manager is responsible for ensuring that USAID exercises prudent management over assistance funds *before* award, not after. As stated above, the CTO is responsible for administering certain aspects of the assistance instrument *after* USAID awards it. No specific recommendation was made with

respect to the inconsistency between USAID policy on redelegating CTO duties and actual common practice within the agency because it was an ADS policy issue, but it was referred to the OIG/Washington for consideration in the worldwide audit.

In July 2007, USAID/Cambodia anticipated issuing and managing a contract directly with FHI to replace the expiring cooperative agreement managed from the Regional Development Mission/Asia. As a result, CTO responsibilities would reside at USAID/Cambodia and not the Regional Development Mission/Asia. However, the Regional Development Mission/Asia's Office of Public Health managed four other agreements with Activity Managers in Cambodia; none of which had formal CTO redelegation letters. Because of this, the OIG made the following recommendation:

> ***Recommendation No. 3:*** *We recommend that USAID/Cambodia coordinate with the Regional Development Mission/Asia to formally redelegate Cognizant Technical Officer duties to in-country Activity Managers by using a designation letter from the Agreement Officer that authorizes and clearly outlines such redelegated duties.*

EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID/Cambodia generally agreed with the findings and recommendations. Based on our review of the Mission's comments, detailed actions, and subsequent supporting documents received, we determined that final action has been taken on Recommendation No. 2 and management decisions have been reached for Recommendation Nos. 1 and 3.

In response to Recommendation No. 1, USAID/Cambodia stated that it followed Mission Order No. 203, Section VI.e. – Monitoring and Modifying a Performance Monitoring Plan and USAID/Office of HIV/AIDS guidance for adjusting performance targets. However, the Mission cited a broader issue of inconsistencies between USAID/Cambodia's delegated authority and procedures and that of the PEPFAR program for adjusting targets. Further, the Mission stated that because PEPFAR funds were appropriated to both USAID and to the Department of State, it was unclear who had authority for approving and changing targets. Nevertheless, to reach final action on this recommendation, the Mission will need to establish specific procedures that incorporate PEPFAR requirements for revising performance targets.

With respect to Recommendation No. 3, USAID/Cambodia awarded a new contract to Family Health International on August 27, 2007. Additionally, by the end of September 2007, the Mission expected to award a second contract to replace an existing Regional Development Mission/Asia award. The designated Cognizant Technical Officer for both awards will be from USAID/Cambodia. To reach final action on this recommendation, the Mission will need to address the remaining three awards managed from the Regional Development Mission/Asia's Office of Public Health by either formerly redelegating Cognizant Technical Officer duties to Activity Managers in Cambodia or replacing and managing such awards from USAID/Cambodia.

A determination of final action for Recommendations Nos. 1 and 3 will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the proposed corrective actions.

USAID/Cambodia's written comments on the draft report are included in their entirety (without attachments) as Appendix II to this report.

SCOPE AND METHODOLOGY

Scope

This audit was made in accordance with generally accepted government auditing standards. The Regional Inspector General/Manila conducted this audit to determine whether USAID/Cambodia's Emergency Plan prevention, care and treatment activities achieved expected planned results[4] in its grants, cooperative agreements, and contracts for fiscal year (FY) 2006. FY 2006 was USAID/Cambodia's first or transition year for implementing Emergency Plan activities. The audit was conducted in Cambodia from June 5, 2007 through June 29, 2007, and in Thailand on July 2, 2007.

In planning and performing the audit, we assessed USAID/Cambodia's 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 implementing partners.

To test details of whether output targets were achieved, the audit team selected 2 of 12 implementing partners for further review—Family Health International (FHI) and Reproductive Health Association of Cambodia (RHAC)—to verify and test data quality, observe program activities, and examine the quality of outputs. These two partners received 38 percent of USAID/Cambodia's budget year 2005 funding of $14.8 million. For more details, see Table A-1 in Appendix III. Field work was conducted at USAID/Cambodia, U.S. Embassy/Cambodia, FHI and RHAC offices, the Royal Government of Cambodia's Office of the Director of the National Center for HIV/AIDS, Dermatology and STD in Phnom Penh, and selected FHI subrecipient facilities and RHAC clinics in Phnom Penh and Kampong Cham province, including a high risk activity. The audit team also visited the Regional Development Mission/Asia in Thailand.

Methodology

To answer the audit objective, we interviewed officials from USAID/Cambodia, the Centers for Disease Control/Cambodia, the Regional Development Mission/Asia, FHI, RHAC, Clinic Managers, and the Royal Government of Cambodia's Director of the National Center for HIV/AIDS, Dermatology and STD. We also reviewed relevant documentation such as USAID/Cambodia's cooperative agreements, partners' sub-agreements, including amendments and addendums, Mission correspondence, internally used worksheets for measuring results, financial records, partners' semi-annual and annual reports, and other records showing actions taken by the Mission to manage the Emergency Plan activities.

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[4] Our audit of results was limited to outputs (a tangible, immediate, and intended product or consequence of an activity within USAID's control). The cutoff date for measuring achievement of selected outputs was September 30, 2006.

We judgmentally selected seven key outputs to measure whether USAID/Cambodia achieved its expected planned results. The seven selected outputs with performance targets were part of a common set of performance indicators established by the Office of the U.S. Global AIDS Coordinator. For each, we compared those output percentages against the audit threshold criteria to determine whether planned outputs were achieved. For 10 of 12 partners, we tested the Mission's spreadsheet and formulas used to summarize the results reported and traced the results to all 10 partners' annual reports. For the remaining two partners that were not tested, the Mission had no performance outputs reported in FY 2006. For more details on the partners, see Table A-1 in Appendix III.

For each selected partner, we reviewed selected partners and sub-partners' documents from the last quarter of FY 2006 to test the reasonableness, reliability, and accuracy of the reported performance outputs. We traced data from the clinics to the partners' and Mission's records. We verified whether the partners were following the Emergency Plan guidance in measuring performance outputs to avoid double counting. Testing output data included comparing and tracing the reported information to supporting source documentation such as log books, daily diaries, and monthly reports and observing program operations. We gained an understanding of the selected partners' monitoring of the clinics and its data collection process.

The materiality threshold criteria were as follows:

- If at least 90 percent of the selected key outputs have been achieved,[5] the answer to the audit objective would be positive.

- If at least 80 percent but less than 90 percent of the selected key outputs have been achieved, the answer to the audit objective would be qualified.

- If less than 80 percent of the selected key outputs have been achieved, the answer to the audit objective would be negative.

The audit team not only considered the above threshold criteria, but also used auditor judgment to determine the applicability of the threshold percentages, considering other factors such as significance of the various outputs and timeliness of funds distribution.

[5] The audit team considered an output to be achieved if the partner completed at least 90 percent of the target (planned) output.

MANAGEMENT COMMENTS

USAID | CAMBODIA
FROM THE AMERICAN PEOPLE

MEMORANDUM

TO: Catherine Trujillo, Regional Inspector General

FROM: Erin Soto, Mission Director, USAID/Cambodia /s/

SUBJECT: Comments on RIG/Manila's Draft Audit Report of USAID/Cambodia President's Emergency Plan for AIDS Relief (PEPFAR) Program (Report No. 5-442-07-00X-P)

DATE: September 10, 2007

The Mission would like to thank RIG/Manila Audit Team for their excellent support and assistance during the audit of USAID/Cambodia's PEPFAR program. In response to the referenced memo, we are hereby providing our response to the three audit recommendations issued by RIG under the subject audit report.

> *Recommendation No. 1: We recommend that USAID/Cambodia establish Mission-specific procedures to revise its performance targets for Emergency Plan activities when there are significant program changes.*

USAID/Cambodia followed Mission Order #203, Section VI.e. - Monitoring and Modifying a Performance Monitoring Plan (PMP) (see Attachment A) and USAID/Office of HIV/AIDS guidance regarding adjustment of targets. The Mission Order states, "The SO Team must review the PMP at least annually in conjunction with the Mission's portfolio review process. The PMP should be modified as necessary during design and implementation of projects and programs." We are aware that targets could be adjusted on an annual basis as we are only required to report annually, and could adjust targets annually when developing the COP for the following year. Consequently, targets were reviewed at the end of FY 2006 and adjusted for inclusion in the FY 2007 Cambodia Country Operational Plan (COP). We note that this issue may have arisen from the inconsistencies between Mission delegated authority and systems as outlined in Cambodia Mission orders and that of the PEPFAR program. Since PEPFAR funds include both those appropriated to USAID and those appropriated to the Department of State, it is unclear, for example, who has authority for approving targets and changes to targets. USAID's system calls for annual reviews and approves changes to targets based on those internal Mission reviews.

PEPFAR reviews appear to be conducted in Washington without the benefit of Mission reviews, in part because the PEPFAR review cycle does not coincide with the USAID review cycle. We believe that clarity of authority would be helpful and the PEPFAR program should take advantage of the benefits of the broader annual Mission review and generally from integrating its systems with Mission program management systems.

We also note that in the second paragraph of the Summary Statement, “The targets did not factor in the Royal Government of Cambodia's (RGC) expanded voluntary counseling and testing sites for HIV that contributed to more results than planned.” Please note that we informed the auditors that when the targets were set, we did factor in RGC Voluntary Confidential Counseling and Testing sites, but expansion was greater and faster than the RGC anticipated.

> *Recommendation No. 2: We recommend that USAID/Cambodia develop Mission-specific procedures requiring that site visits of Emergency Plan activities be documented and maintained in the official award file.*

We agree and corrective action has already been taken. The report template to be used (see Attachment B) has been developed and introduced. Each CTO is required to submit a trip report with their travel voucher upon completion of their site visit. This practice has already begun. However, the current practice is for the CTOs to file and maintain the site visit reports to provide easy access to them. They are not required to be maintained with the “official award file” which resides in the Office of Procurement.

Related to this recommendation, the Mission requests a modification to the finding (on page 7) under "Mission Monitoring Needs Strengthening," where the report cites one of the reasons for the weakness. The draft report states, "This occurred because Mission management at the time neither prioritized site visits nor emphasized the need for documenting such visits if they were conducted by Mission staff." We believe that unless this claim has been verified with the previous Mission managers (Jonathan Addleton, Mission Director, and Mark White, Director of Office of Public Health) that it is unfair to make these assumptions based on information obtained from indirect sources. We also note that adequate funding was budgeted for the site visits but not used during the fiscal year. We have addressed this issue with a substantial increase in site visits during the past year.

> *Recommendation No. 3: We recommend that USAID/Cambodia coordinate with the Regional Development Mission/Asia to formally redelegate cognizant technical officer duties to in-country activity managers by using a designation letter from the agreement officer that authorizes and clearly outlines such redelegated duties.*

This recommendation is related to an award for Family Health International (FHI). The Cambodia Mission awarded FHI a new contract on August 27, 2007. A second award, to replace the existing RDM/A award with PSI which ends on September 30, 2007, is currently being finalized and expected to be awarded by the end of September. The designated CTO will be from USAID/Cambodia so no further action is required for this recommendation.

While the specific issue of delegated authority has been addressed, the Mission would like to register its support for the importance of requiring Contracting Officers to formally delegate authority for management of in-country activities to the bilateral Mission regardless of where the agreement is awarded. As far as we know, this is not a routine practice but would substantially strengthen the management and oversight of in-country activities. The staff cost of providing in-country management and oversight should accompany the authority.

We trust that the above information is adequate. We, therefore, request RIG/Manila's concurrence to the management decisions reached by USAID/Cambodia.

Should you need further information, please do not hesitate to contact us.

Attachments:

A. Mission Order 203 - Performance Monitoring and Evaluation
B. Trip Report Template

Table A-1: USAID/Cambodia's Fiscal Year 2005 Budget for Emergency Plan Activities

Emergency Plan Implementing Partners	Life of Grant	Budget Year 2005 Funding	Type of Funding		As a Percentage of Total Budget Year 2005 Funding
			CSH[1]	GHAI[2]	
1. Care International	Oct 05 - Sep 06	1,450,000	1,450,000	-	10%
2. Catholic Relief Services	Oct 05 - Sep 06	810,768	810,768	-	5%
3. Khmer HIV/AIDS NGO Alliance	Oct 05 - Sep 06	-	-	-	0%
4. Population Services International	Oct 05 - Sep 06	1,829,370	1,829,370	-	12%
5. Reproductive and Child Health Alliance	Oct 05 - Sep 06	600,000	600,000	-	4%
6. The University Research Corporation	Oct 05 - Sep 06	300,000	300,000	-	2%
7. Reproductive Health Association of Cambodia[3]	Oct 05 - Sep 06	1,671,900	1,671,900	-	11%
8. Family Health International[4]	Oct 05 - Sep 06	4,000,000	4,000,000	-	27%
9. Partners for Development	Oct 05 - Sep 06	510,404	510,404	-	3%
10. World Vision International	Oct 05 - Sep 06	277,262	277,262	-	2%
11. World Health Organization	Oct 05 - Sep 06	-	-	-	0%
12. World Relief Corporation	Oct 05 - Sep 06	419,493	-	419,493	3%
13. Other Projects	Oct 05 - Sep 06	510,776	430,269	80,507	3%
14. Administrative Expense	Oct 05 - Sep 06	2,289,775	2,289,775	-	15%
15. Remaining funds under SOAG[5] (not yet subobligated)	Oct 05 - Sep 06	130,252	130,252	-	1%
Totals		**$14,800,000**	**$14,300,000**	**$500,000**	

Notes

[1] Child Survival and Health.

[2] Global HIV/AIDS Initiative.

[3] Reproductive Health Association of Cambodia was one of the two implementing partners selected for further audit testing of details.

[4] Family Health International was the other of the two implementing partners selected for further audit testing of details.

[5] Strategic Objective Agreement is the principal bilateral grant agreement used by USAID with a foreign government or a subdivision of it.

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