OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/MADAGASCAR'S FAMILY PLANNING AND REPRODUCTIVE HEALTH ACTIVITIES

AUDIT REPORT NO. 4-687-11-012-P
SEPTEMBER 22, 2011

PRETORIA, SOUTH AFRICA

Office of Inspector General

September 22, 2011

MEMORANDUM

TO: USAID/Madagascar Mission Director, Rudolph Thomas

FROM: Regional Inspector General/Pretoria, Christine M. Byrne /s/

SUBJECT: Audit of USAID/Madagascar's Family Planning and Reproductive Health Activities (Report Number 4-687-11-012-P)

This memorandum transmits our final report on the subject audit. We have considered management's comments on the draft and have incorporated them as appropriate. Management comments have been included in their entirety in Appendix II (without attachments).

This report includes seven recommendations to strengthen the mission's family planning and reproductive health activities. Based on management comments on the draft report, management decisions have been reached on all seven recommendations, and final action has been taken on Recommendations 4, 6, and 7. Please provide the Office of Audit Performance and Compliance Division with the necessary documentation to achieve final action on Recommendations 1, 2, 3, and 5.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff during the audit.

U.S. Agency for International Development
100 Totius Street X5
Pretoria, South Africa 0027
www.usaid.gov/oig

CONTENTS

Abbreviations

The following abbreviations appear in this report:

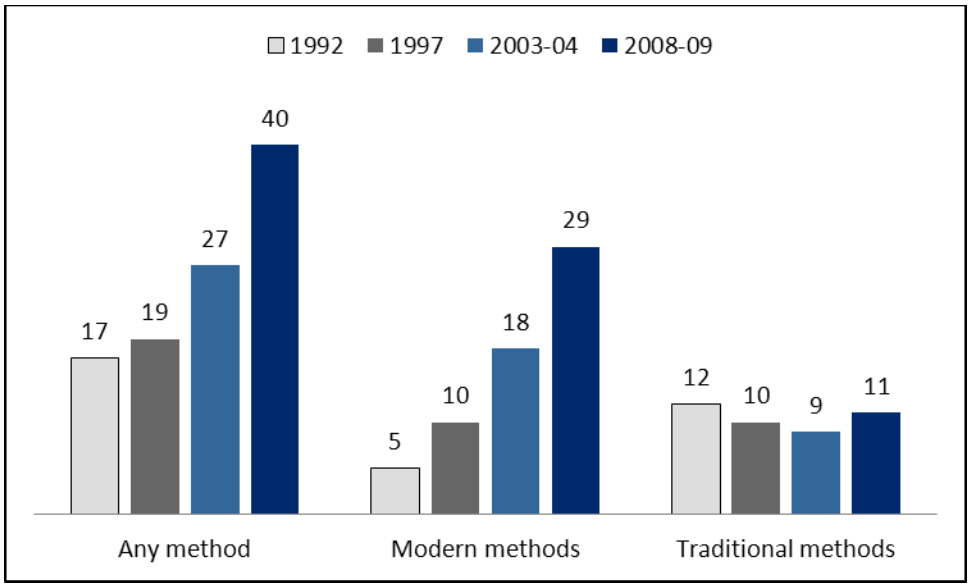
ADS	Automated Directives System
AED	Academy for Educational Development
CYP	couple years of protection
FY	fiscal year
PSI	Population Services International
RIG	Regional Inspector General
SMS	short messaging system
USG	U.S. Government

SUMMARY OF RESULTS

Use of family planning helps to promote space between births and avoid unwanted pregnancies, both of which improve the health of mothers and their children. According to one study, the "promotion of family planning in countries with high birth rates has the potential to reduce poverty and hunger and avert 32 percent of all maternal deaths and nearly 10 percent of childhood deaths."[1] Because of this ability to save and improve the lives of women and children, USAID/Madagascar categorizes family planning and reproductive health activities as humanitarian assistance.

Demographic and Health Survey results show that use of modern family planning methods has expanded rapidly in Madagascar in recent years. The modern contraceptive prevalence rate[2] increased from 18 percent in 2003–04 to 29 percent in 2008–09, and the total fertility rate[3] declined from 5.2 to 4.8 children per woman of reproductive age over the same period. The figure below illustrates trends in the use of family planning by married women in Madagascar.

Percentage of Malagasy Women in Union Using a Particular Family Planning Method



Source: Madagascar Demographic and Health Surveys.

As one of the leading health donors in Madagascar for over 15 years, USAID has contributed significantly to these successes by procuring and distributing contraceptives through both the

[1] John Cleland, "Family planning: the unfinished agenda," *The Lancet*, Volume 368, Issue 9549, November 18, 2006, pp. 1810–1827.

[2] The modern contraceptive prevalence rate is the percentage of women of reproductive age (15 to 49 years old) in union using a modern contraceptive method. Examples of modern contraceptive methods include male and female condoms, oral and injectable contraceptives, implants, and intrauterine devices.

[3] According to the World Bank's World Development Indicators, total fertility rate represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.

public and private sector and supporting expansion of quality family planning services throughout the country. However, the March 2009 military coup d'état and continued political turmoil resulted in the suspension of all nonhumanitarian U.S. Government programs in Madagascar, and all direct U.S. Government assistance to the Government of Madagascar, in July 2009. These restrictions affected USAID/Madagascar's public sector family planning and reproductive health program. Prior to the coup, USAID provided 80 percent of the public sector's contraceptive needs; after the coup, USAID reprogrammed funds originally allocated to the public sector for contraception, family planning, and reproductive health activities to expand these activities with the private sector, local nongovernmental organizations, community health workers, and community associations.

The main goal of the mission's Health, Population and Nutrition portfolio is to expand use of selected health services and products and improve health practices. The mission's family planning and reproductive health activities contribute to the achievement of this goal. In fiscal year (FY) 2010, USAID/Madagascar implemented the majority of its family planning and reproductive health activities through the following two awards.[4]

Santénet2. On July 25, 2008, USAID/Madagascar entered into a 5-year, cost-plus-fixed-fee contract with RTI International for $31.8 million to implement Santénet2, a follow-on to the mission's earlier community-based health program. According to the contract, RTI International was to allocate $9.4 million (29.6 percent) of the budget to family planning activities. Santénet2 activities support community-based integrated health services in 800 communes in 72 districts (out of 111) and 16 regions (out of 22) in Madagascar. Through Santénet2, RTI International trains and supports community health workers to provide health services to people in their communities, including family planning and reproductive health services to women of reproductive age. In FY 2010, RTI International maintained subawards with 16 national and international nongovernmental organizations to implement Santénet2.

Social Marketing Program. On July 14, 2008, USAID/Madagascar entered into a 5-year cooperative agreement with Population Services International (PSI) for $25.5 million. According to the agreement, PSI was to allocate $7.9 million (30.8 percent) of the budget to family planning activities. PSI's social marketing[5] program aims to increase the use of effective health products, services, and behaviors in different health categories. For family planning and reproductive health, this means expanding access to high-quality, voluntary family planning services and information and establishing reliable contraceptive supply chains for both pharmaceutical and community-based channels.

Santénet2 and the social marketing program are key complementary components of the FY 2009–13 USAID/Madagascar Health, Population and Nutrition strategy. According to USAID/Madagascar program managers, Santénet2 was designed to work at all levels of the health system with the public, private, and nongovernmental sectors. Work with the public sector was designed to strengthen the capacity of government health-care providers and health systems at all levels. The social marketing program, in contrast, was designed to work with the

[4] In line with Agency regulations, USAID/Madagascar procured all USAID-funded contraceptives through the Central Contraceptive Procurement Project, managed by USAID's Bureau of Global Health and established to provide high-quality contraceptives for USAID programs.

[5] Social marketing is the use of commercial marketing techniques to achieve social goals. As practiced by PSI, social marketing ensures the supply of high-quality products and services at a price people can afford, at places that are convenient to them, while creating informed demand for practicing healthy behaviors.

private sector to increase availability of and demand for quality health products (like those pictured below) and services. In July 2009, the mission reoriented both projects to avoid direct assistance to the Government of Madagascar.

This basket contains a community health worker's display of contraceptive methods funded principally by USAID. (Photo by RIG/Pretoria, March 2011 in Madagascar)

As of February 2011, the mission reported total obligations of $12,695,781 and disbursements of $8,890,823 in family planning and reproductive health funds for Santénet2 and the social marketing program.

The Regional Inspector General/Pretoria (RIG/Pretoria) conducted this audit to determine whether USAID/Madagascar was achieving its goals of increasing the use of selected health services and products and improving health practices in family planning and reproductive health. USAID/Madagascar's Health, Population and Nutrition Team identified these goals as key strategies in increasing the modern contraceptive prevalence rate and decreasing the fertility rate for women of reproductive age.

The audit concluded that USAID/Madagascar was succeeding in achieving its goals for family planning and reproductive health activities. Audit tests of selected performance indicators showed that the mission met its FY 2010 targets despite challenges collecting and managing data (page 6). Moreover, auditors found that targeted populations would have had limited access to family planning and reproductive health-care services and products without USAID/Madagascar's support. Auditor site visits and interviews confirmed the reach of USAID/Madagascar's interventions. Table 1 shows performance indicator targets, results, and audit conclusions.

Table 1. FY 2010 Targets and Reported Results

Performance Indicator	Mission Target	Reported Result	Result Recalculated by Auditors Using USAID Conversion Factor	Achievement
Couple years of protection (CYP) in U.S. Government (USG)-supported programs	669,474	756,178	684,943[*]	Verified
Number of people trained in family planning/reproductive health with USG funds	8,390	9,662	9,665	Verified
Contraceptive prevalence rate in USG-supported programs[†]	41%	39%	N/A	Not tested
Number of USG-assisted service delivery points experiencing stock-outs of specific tracer drugs[‡]	26	0	N/A	Not tested

[*] Recalculated result for CYP does not include RTI International's estimated contribution. Recalculated result with RTI International's estimates is 723,570. Please refer to the finding beginning on page 6 of the audit report for more information on estimated results.

[†] Performance indicator data collected by a mission-funded Outcome Monitoring Survey conducted by the Academy for Educational Development.

[‡] USAID/Madagascar suspended this indicator because it measured stock-outs in the public sector, and restrictions prevented USAID from providing technical or other assistance to the Government of Madagascar to have an impact on stock-outs. Consequently, the audit did not test results on this indicator because results would not have reflected USAID/Madagascar's program performance.

Despite the positive findings noted above, the audit still noted areas to improve the effectiveness of USAID/Madagascar's family planning and reproductive health activities:

- Data management was weak (page 6).
- Mission oversight was weak in some areas (page 11).

To strengthen USAID/Madagascar's family planning and reproductive health activities, the audit recommends that the mission:

1. Obtain or develop written guidance for calculating couple years of protection (page 10).

2. Update its performance management plan to include all identified data limitations and disclose these data limitations in its annual performance plan and report to Congress (page 10).

3. Redo its data quality assessments for those family planning and reproductive health indicators that are reported to Washington, verifying source data and data acquisition methodologies (page 10).

4. Develop and implement procedures for regular monitoring of implementing partners' data acquisition methods and verification of data quality (page 10).

5. Assess the training needs of agreement and contracting officers' technical representatives, develop and implement a plan to provide them and their alternates refresher training as necessary to strengthen awareness of their roles and responsibilities, and develop a schedule for future refresher training (page 13).

6. Develop and implement a plan to help ensure agreement and contracting officers' technical representatives conduct site visits and submit site visit reports in accordance with mission and Agency guidance (page 13).

7. Determine the allowability of $8,640 paid in rent for the second warehouse through the end of audit fieldwork, and recover from PSI any amount determined to be unallowable (page 13).

Detailed findings appear in the following section. Our evaluation of management comments is included on page 14. Appendix I presents the scope and methodology, and management comments are included in Appendix II.

AUDIT FINDINGS

Data Management Was Weak

According to the data quality standard for reliability set forth in USAID's Automated Directives System (ADS) 203.3.5.1, reliable data should reflect stable and consistent collection processes and analysis methods over time so that USAID managers can be confident that progress toward performance targets reflects real changes rather than variations in methodology. To the greatest extent possible, data should meet the five data quality standards of validity, reliability, precision, integrity, and timeliness to be useful in managing for results and credible for reporting. Known data limitations should be documented.

In addition, ADS 203.3.5.2 states that data reported to Washington for Government Performance and Results Act reporting purposes or for reporting externally on agency performance must have had a data quality assessment at some time within the 3 years before submission. The purpose of these data quality assessments is to ensure that the USAID mission is aware of the strengths and weaknesses of the data, as determined by applying the five data quality standards, and is aware of the extent to which the data integrity can be trusted to influence management decisions. Despite this guidance, the audit identified several weaknesses with data management.

Inconsistent Conversion Factors. According to the mission's performance management plan, implementing partners calculate couple years of protection (CYP)[6] "by multiplying the quantity of each method distributed to clients by a conversion factor to yield an estimate of the duration of contraceptive protection provided per unit of that method" and then adding the figures for all methods to obtain total CYP. Although ADS 203.3.5.1 calls for consistent data collection and analysis methods, the audit found that PSI and RTI International applied different conversion factors than the ones established by USAID for some CYP calculations. Table 2 shows the differences that result from applying the different conversion factors. It is important to note that audit calculations using USAID's conversion factors showed that USAID/Madagascar still achieved its FY 2010 CYP target.

Table 2. Couple Years of Protection Calculations Using Conversion Factors From USAID and Implementing Partners
(CYP)

Partner	Reported Results	Result Using USAID Conversion Factor	Calculated Difference
PSI	697,578	677,746	19,832
RTI International	58,600*	45,824*	12,776

* RTI International's reported results are estimates, as described on pages 7 and 8.

[6] The term "couple years of protection" refers to the estimated protection provided by contraceptive methods during a 1-year period, based on the volume of all contraceptives sold or distributed free of charge to clients during that period.

The use of different conversion factors occurred because the mission had not instructed implementing partners to use USAID's standard conversion factors. The mission also had not specified the conversion factors in its performance management plan. Although RTI International staff recalled receiving guidance for some conversion factors, on closer review RTI staff members found that the conversion factors they used did not match the guidance they had received. PSI, in contrast, applied the conversion factors standardized by PSI's global social marketing program in the absence of specific guidance from USAID.

USAID/Madagascar was unaware of this issue because mission staff did not adequately verify implementing partners' data before reporting it to Washington, and the mission's data quality assessments did not review CYP calculations. As a result, prior to the audit the mission did not know that implementing partners had used different coefficients. The contracting officer's technical representative for Santénet2 stated that it was a "real surprise for USAID" when the recalculated CYP results did not support the reports that RTI International had submitted for annual reporting.

Because of these discrepancies, USAID/Madagascar misreported results on the indicator *Couple years of protection in USG-supported programs* in FY 2010. The Health, Population and Nutrition Team stated that it would contact USAID/Washington for guidance on the future use of conversion factors by the mission and different implementing partners.

Data Limitations. According to ADS Chapter 203, USAID missions should be transparent, share information widely, and report candidly. This involves communicating any limitations in data quality so that achievements can be assessed honestly. Performance management plans should describe known data limitations of each performance indicator and the steps taken to address them.[7] Disclosing these limitations is important: USAID/Washington uses the data submitted through the mission's annual performance plan and report to report to the White House and Congress. These decision makers must be aware of data strengths and weaknesses and the extent to which data can be trusted when making management decisions. Despite this guidance, the mission did not disclose certain significant data limitations for the CYP indicator in its performance management plan or annual performance plan and report. Specifically, the mission did not disclose that RTI International only estimated total CYP or that implementing partners may have double counted some CYP.

Prior to the coup, RTI International calculated CYP based on the number of contraceptive products that community health workers procured from public health facilities. After the coup, RTI International could no longer obtain information from public health facilities and began to calculate CYP based on the number of products distributed per community health worker as recorded in their monthly reports. In FY 2010, RTI International struggled to obtain complete reports from all community health workers because of system changes and other setbacks. Consequently, RTI International estimated total CYP for FY 2010 by multiplying the average number of CYP per community health worker reporting on contraceptive products by the total number of functional community health workers at that time. Of the 58,600 estimated CYP the mission reported for RTI International in FY 2010, only 7,197 CYP were supported by community health workers' monthly reports.

[7] ADS 203.3.2.2, "Assessing and Learning: Key Principles for Effective Performance Management," and ADS 203.3.3.1, "Assessing and Learning: Contents of a Complete Performance Management Plan."

Furthermore, the monthly reports did not differentiate whether community health workers procured contraceptive products from PSI's social marketing program or from other sources. This created the risk that PSI and RTI International both counted some products as distributed, and subsequently included them twice in CYP calculations, since PSI counted a product as distributed as soon as it left the warehouse, while RTI International counted a product as distributed when a community health worker sold it to a client. If, for example, a community health worker sold a product that she had purchased through one of PSI's distribution channels, that product would have been counted as distributed twice—once by PSI and once by RTI. Both the mission and implementing partners acknowledged the risk of double counting contraceptive products and CYP, and neither could point to current internal controls that would keep this from happening. Because PSI's CYP results alone (adjusted for USAID's conversion factors) achieved the mission's target in FY 2010, the mission would have met its target in spite of any double counting that may have occurred. Consequently, the risk of double counting did not affect the answer to the audit objective for FY 2010 performance.

Mission officials did not disclose these data limitations in the performance management plan or in the annual performance plan and report because they were not fully aware of them. The audit found that the mission's data quality assessments, which should have raised these issues, were superficial and incomplete. Consequently, the assessments identified no significant data limitations for family planning and reproductive health indicators. While the assessments noted the potential for double counting CYP, the assessors remarked that the risk was addressed by PSI's counting only PSI products and RTI's counting only non-PSI products. The assessors, however, did not verify that this solution worked in practice.

Despite the data limitations, the mission asserted that the CYP indictor continues to be an effective measure of program achievement. Nevertheless, decision makers should be aware of these data limitations when making management decisions. Projecting CYP from a small sample to the universe of community health workers would not reflect localized errors such as those described in the following section. Furthermore, double counting contraceptive products could grossly overstate the actual number of CYP achieved, misrepresent USAID's impact, and mislead decision makers. Because targets are set based on the previous year's achievement, double counting would affect future targets as well.

Weaknesses in Data Collection and Verification. According to mission and Agency guidance, including ADS 203.3.5.1, USAID/Madagascar is responsible for monitoring data collection methods and ensuring that the performance data reported to management fulfills the five data quality standards of validity, reliability, precision, integrity, and timeliness. The audit found that USAID/Madagascar had not adequately fulfilled these responsibilities.

First, USAID/Madagascar did not adequately monitor implementing partners' data collection methods. Although both implementing partners had established processes to collect and verify performance data, the mission did not verify the effectiveness of those processes. According to Santénet2's established processes, for example, community health workers record their daily activities in Santénet2 registers and compile this information into a monthly report. However, auditor site visits revealed that each community health worker had a unique system and timeline for collecting, managing, and reporting data. This resulted in inconsistencies among community health workers' reports and monthly records. Similarly, according to the Santénet2 plan, subpartners double-checked and validated data from community health workers monthly. However, auditor site visits found that subpartners usually collected data every other month and rarely verified the data before transmitting it to the database by short messaging system (SMS),

as shown in the photo on the following page. Moreover, field technicians and supervisors almost never cross-checked reported data with source documentation. Auditors reviewed records maintained by 7 out of 51 community health workers in selected areas and found that they collectively misreported 685 recipients of family planning and reproductive health services in January 2011, when the correct number was 497 (an error rate of 27 percent). Since RTI International largely relied on estimates for reported CYP results, the effects of such errors were magnified.

A field technician transmits monthly data to RTI International's database by short messaging system. The technician said she did not verify the data before submitting it. (Photo by RIG/Pretoria, March 2011)

Second, USAID/Madagascar did not verify performance data to ensure that it met the five standards for data quality before submitting it to USAID/Washington. Instead, mission staff only checked data from implementing partners for anomalies, never cross-checked the data with source documentation, and did not incorporate data verification into site visits. Audit tests, results of which are shown in Table 3, revealed some discrepancies between reported results and supporting documentation.

Table 3. FY 2010 Reported Results Compared With Source Documentation

Partner	Reported Result	Documented Result (With USAID Conversion Factors)	Difference
Couple Years of Protection			
RTI International	58,600	7,197	51,403
PSI	697,578	677,746*	19,832
Number of People Trained in Family Planning/Reproductive Health			
RTI International	8,084	8,084	0
PSI	1,578	1,581	(3)

* The supported result with PSI's standard conversion factors was 695,231.

The audit found that mission staff members did not understand their responsibilities for verifying implementing partner data. At the mission, three individuals were responsible for monitoring implementing partner data and verifying its quality before reporting to Washington. In separate interviews, each individual stated that the data verification process consisted solely of checking the data for anomalies. All three individuals acknowledged rarely, if ever, questioning the data or requesting source documentation. Checking for anomalies is necessary, but not sufficient, to ensure data quality.

Likewise, the mission's data quality assessments indicated that the assessors reviewed implementing partner reports only at the main offices instead of testing source data or data acquisition methods in the field. Furthermore, mission staff did not follow up on improvements recommended by the assessments. Such recommendations included going to the field more frequently, to ensure that implementing partners' data collection processes complied with USAID procedures and regulations, and requiring implementing partners to write narratives explaining the reliability of the system and the validity of the data in their annual reports. Instead, mission staff rarely monitored data in the field and only verbally discussed challenges with implementing partners.

Collecting and maintaining quality performance data are challenging in Madagascar. Nevertheless, substandard data can lead to wrong conclusions about activities and to inefficient resource allocation. Without reliable data, USAID managers are missing a key tool for making sound, performance-based decisions. Implementing partners and USAID/Madagascar managers agreed that data collection and verification processes should be strengthened to ensure quality data. To address this issue, the audit makes the following recommendations.

Recommendation 1. *We recommend that USAID/Madagascar obtain or develop written guidance for calculating couple years of protection.*

Recommendation 2. *We recommend that USAID/Madagascar update its performance management plan to include all identified data limitations and disclose these data limitations in its annual performance plan and report to Congress.*

Recommendation 3. *We recommend that USAID/Madagascar redo its data quality assessments for family planning and reproductive health indicators that are reported to Washington, verifying source data and data acquisition methodologies.*

Recommendation 4. *We recommend that USAID/Madagascar develop and implement procedures for regular monitoring of implementing partners' data acquisition methods and verification of data quality.*

Mission Oversight Was Weak in Some Areas

Agreement officer's technical representatives and contracting officer's technical representatives (technical representatives) are responsible for technical oversight and administration of certain aspects of an activity.[8] These responsibilities include monitoring data acquisition methods and data quality; monitoring any cost-sharing requirements throughout the life of the award;[9] monitoring environmental compliance and ensuring that mitigative environmental components designed for an activity are being implemented effectively; and maintaining contact, including through site visits and liaison, with the recipient. A USAID/Madagascar mission order outlines additional responsibilities for monitoring and evaluation, including conducting at least two site visits a year and submitting site visit reports.

Although technical representatives had fulfilled some of their duties for oversight and administration, the site visits they conducted did not ensure adequate oversight over certain elements of the mission's programs. The audit identified four areas in which technical representative oversight should be strengthened.

Performance Data. As discussed in the previous finding, weaknesses with data management and data quality were overlooked by technical representatives because they had not monitored data acquisition methods or data quality during site visits.

Cost Sharing. PSI's breakdown of contributions toward its $12.75 million cost-sharing requirement included furniture, travel, commodities, salaries, and fringe benefits. According to the technical representative, during site visits she did not monitor PSI's in-kind contributions or verify total contributions by comparing them with implementing partner records. Instead, the technical representative attended quarterly meetings at the mission at which financial reports—that include a line-item on cost-sharing contributions—were discussed. Although this is consistent with Agency guidelines to "monitor the recipient's financial reports to ensure that the recipient makes progress toward meeting the required cost sharing," the audit team and acting controller at the time of audit fieldwork agreed that technical representatives also should have been familiar with the composition of cost-sharing contributions and verified those contributions during site visits.

Environmental Compliance. USAID/Madagascar complied with Agency environmental documentation requirements. However, technical representatives did not fulfill their role of monitoring environmental compliance in the field. For example, technical representatives did not monitor Santénet2's mission-approved disposal plan for used syringes and did not know that the plan was not always effective. At six out of seven sites visited by auditors, community health workers placed used syringes in safety boxes as instructed; however, workers were not taking the safety boxes to the community health center for incineration as specified in the plan.

[8] ADS 302.2, "Direct Contracting: Primary Responsibilities," and ADS 303.2, "Grants and Cooperative Agreements to Non-Governmental Organizations: Primary Responsibilities."

[9] According to ADS 303.3.10, cost sharing refers to the resources a recipient contributes to the total cost of an agreement. Cost sharing becomes a condition of an award when it is part of the approved award budget. Cost sharing must be verifiable from the recipient's records, is subject to the requirements of 22 CFR 226.23, and can be audited. If a recipient does not meet its cost-sharing requirement, questioned costs may result. In-kind contributions are allowable as cost sharing in accordance with OMB Circular A-110 and 22 CFR 226.23. This includes things such as volunteer time; valuation of donated supplies, equipment, and other property; and, use of unrecovered indirect costs.

According to community health workers, they burned the safety boxes and the used syringes in shallow, unprotected pits near their homes. They did this because of the long distances between their homes and health centers and a lack of awareness of how proper disposal of syringes could protect people from injuries and infection. Further, even though community health workers were instructed to take used syringes to community health centers for incineration, the implementing partner stated that most centers in Madagascar were not equipped with functioning incinerators, a critical detail for practical implementation of the plan. The mission's environmental officer said she relied on technical representatives for field monitoring and expected them to bring any problems to her attention. Because technical representatives did not monitor environmental compliance during site visits, this issue was overlooked.

Commodity Storage. The technical representative did not know where PSI stored the majority of USAID-funded commodities, including contraceptives, because she had not visited the warehouse to verify the condition of the commodities. The audit found that PSI was actually storing commodities in a second warehouse that the mission did not know about, and PSI confirmed that it had charged 40 percent of the rent for the second warehouse to its cooperative agreement with USAID/Madagascar since December 2010. Consequently, by the end of audit fieldwork in March 2011, USAID/Madagascar had already unknowingly contributed approximately $8,640 toward the rent of the second warehouse. While the cooperative agreement does not restrict the use of multiple warehouses, to ensure adequate oversight the technical representative and USAID mission should know the location, condition, and storage costs of USAID-funded commodities.

Deficiencies in all four areas arose because technical representatives were unfamiliar with some of their responsibilities and because competing priorities and time constraints limited fulfillment of others. According to the mission, technical representatives have not taken refresher training since receiving their certification in 2005 and have consequently forgotten some of their responsibilities. Similarly, alternate technical representatives were not always equipped to oversee partner performance in the absence of the primary technical representative. In one instance, an alternate had only administrative responsibilities and no technical knowledge of the program. Moreover, this individual did not recall signing her own designation letter and did not know her official duties as alternate.

Further, on site visits, technical representatives prioritized the program areas for which they had missionwide technical responsibility, instead of monitoring the full scope of the award. For example, as the mission leader on malaria, the technical representative for PSI's social marketing project never monitored family planning and reproductive health activities, relying instead on the mission's designated leader in this area to do so. Both technical representatives overlooked the monitoring of other aspects, such as data collection and environmental compliance. Time, resource, and logistical constraints reduced the number and breadth of technical representatives' site visits; these constraints also hindered preparation of site visit reports.

Complete project management and monitoring by technical representatives are imperative to ensure effective use of taxpayer funds. USAID/Madagascar lacked assurance that the recipient was complying with Agency and federal regulations and fulfilling its cost-sharing obligation to achieve program objectives because the technical representative was not familiar with the composition of the contributions and had never verified them. Similarly, lack of oversight meant that USAID/Madagascar was unknowingly paying for additional warehouse space and did not

know the whereabouts of USAID-funded commodities. Gaps in environmental compliance left USAID/Madagascar vulnerable to adversely affecting human health and the environment. Although auditors did not observe any negative environmental impact, Agency guidance for disposal of health-care waste states that improper disposal of syringes can directly expose communities to unsafe materials and infectious disease.[10]

USAID/Madagascar has already taken steps to strengthen project monitoring, including updating its site visit checklist to incorporate environmental compliance and cost sharing. Accordingly, we make the following recommendations.

Recommendation 5*. We recommend that USAID/Madagascar assess the training needs of agreement and contracting officers' technical representatives, develop and implement a plan to provide them and their alternates refresher training as necessary to strengthen awareness of their roles and responsibilities, and develop a schedule for future refresher training.*

Recommendation 6*. We recommend that USAID/Madagascar develop and implement a plan to help ensure agreement and contracting officers' technical representatives conduct site visits and submit site visit reports in accordance with mission and Agency guidance.*

Recommendation 7. *We recommend that USAID/Madagascar determine the allowability of $8,640 paid in rent for the second warehouse through the end of audit fieldwork and recover from Population Services International any amount determined to be unallowable.*

[10] *ENCAP Visual Field Guide: Healthcare Waste*, USAID Africa Bureau's Environmental Compliance and Management Support (ENCAP) Program, Version 8, January 2010.

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Madagascar accepted all seven recommendations. Management decisions have been reached on all seven recommendations, and final action taken on Recommendations 4, 6, and 7. Our evaluation of management comments follows.

Recommendation 1. USAID/Madagascar agreed to review and update the Health, Population and Nutrition performance management plan by the end of calendar year 2011. The plan will include written guidance for calculating couple years of protection and include conversion factors to be used by the mission and implementing partners. As a result, a management decision has been reached on Recommendation 1.

Recommendation 2. By the end of calendar year 2011, USAID/Madagascar agreed to include data limitations identified in this audit in its Health, Population and Nutrition performance management plan, revise the performance indicator reference sheets accordingly, and disclose the limitations in this year's annual reporting documents. As a result, a management decision has been reached on Recommendation 2.

Recommendation 3. USAID/Madagascar has already begun a review of its data quality assessment procedures. The mission stated that, by the end of calendar year 2011, it will undertake new data quality assessments on all current family planning and reproductive health indicators reported to Congress as part of the annual program review process, and that a mission order on data quality assessments will be issued by the end of FY 2011. As a result, a management decision has been reached on Recommendation 3.

Recommendation 4. On May 27, 2011, USAID/Madagascar issued a Mission Order on Site Monitoring Visits. This mission order includes guidance on performing tests to verify reported results by reviewing source documents. As a result, a management decision has been reached and final action taken on Recommendation 4.

Recommendation 5. USAID/Madagascar agreed to assess the training needs of agreement and contracting officers' technical representatives, develop and implement a plan to provide them and their alternates refresher training as necessary to strengthen awareness of their roles and responsibilities, and develop a schedule for future refresher training. The Health, Population and Nutrition Office has already developed a matrix for tracking certification dates and continuing education requirements completed by technical representatives and their alternates. The matrix is intended to track the ADS requirement of 40 hours of continuing learning points every 2 years and will be in use by the end of FY 2011. In addition, USAID/Madagascar reported that it has hired two staff members who are supervising technical representatives on health awards. As a result, a management decision has been reached on Recommendation 5.

Recommendation 6. On May 27, 2011, USAID/Madagascar issued a Mission Order on Site Monitoring Visits. This mission order requires the maintenance of site visit schedules and the submission of site visit reports in compliance with Agency requirements. As a result, a management decision has been reached and final action taken on Recommendation 6.

Recommendation 7. USAID/Madagascar determined that the cost of the second warehouse was allowable and therefore this questioned cost is not sustained. Consequently, we consider that a management decision has been reached and final action taken on Recommendation 7.

SCOPE AND METHODOLOGY

Scope

RIG/Pretoria conducted this performance audit in accordance with generally accepted government auditing standards.[11] Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The objective was to determine whether USAID/Madagascar was achieving its goals of increasing the use of selected health services and products and improving health practices in family planning and reproductive health. The audit team conducted audit fieldwork at USAID/Madagascar, implementing partner and subpartner offices, and service delivery points from February 22 to March 11, 2011. Audit fieldwork continued at USAID/Southern Africa until the exit conference on April 13, 2011. The audit covered activities implemented from FY 2010 through the end of audit fieldwork.

From USAID/Madagascar's portfolio of family planning and reproductive health activities, auditors selected two programs for detailed review—RTI's Santénet2 and PSI's social marketing program. As of February 2011, the mission reported total obligations and disbursements of $12,695,781 and $8,890,823, respectively, in family planning and reproductive health funds for Santénet2 and the social marketing program.

In planning and performing the audit, we assessed USAID/Madagascar's internal controls. Specifically, we obtained an understanding of and evaluated the mission's organizational structure, assistance processes, monitoring and evaluation procedures, and reporting processes. We also assessed management controls related to management review, proper execution of transactions and events, and review of performance measures and indicators. Specifically, we studied and reviewed the following:

- Implementing partners' agreements.
- Implementing partners' semiannual and annual progress reports.
- Implementing partners' support for data reported on the performance indicators *Couple years of protection in USG-supported programs* and *Number of people trained in family planning and reproductive health with USG funds*.
- Targets and actual performance results.
- Site visit reports from mission staff and implementing partners.
- Data quality assessments.

[11] *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).

- USAID/Madagascar's FY 2010 performance management plan and FY 2010 Full Performance Plan and Report.

- USAID/Madagascar's Federal Managers' Financial Integrity Act[12] certifications from FY 2009 and FY 2010.

We interviewed key USAID/Madagascar personnel, implementing partners and subpartners, community health workers, commodity distribution staff, and peer educators. We also made a courtesy visit to the Minister of Health, with whom mission officials maintain an amicable rapport in spite of imposed restrictions. Finally, we conducted site visits to activity sites in and around Taolanaro (Fort Dauphin), Antsirabe, Fianarantsoa, and Toamasina (Foulpointe).

Methodology

To answer the audit objective, we first inquired about USAID/Madagascar's family planning and reproductive health portfolio and reviewed documentation supporting the inquiry. Two primary partners working with USAID/Madagascar are implementing the mission's family planning and reproductive health activities. We decided to include both partners' programs in the audit scope based on (1) award amount, (2) start and end dates, (3) contribution to USAID/Madagascar's family planning and reproductive health indicator results, and (4) type of funding.

We obtained information to understand the family planning and reproductive health program in Madagascar, including modern contraceptive prevalence rates and demographic data. We reviewed applicable laws, best practices, and guidelines pertaining to activities implemented with family planning and reproductive health funding.[13] We also reviewed technical guidance specifically related to family planning and reproductive health.

At USAID/Madagascar, we met with officials responsible for the selected programs. As applicable, we interviewed the team leaders, agreement and contracting officers' technical representatives, activity managers, and subject matter specialists for areas such as environmental practices. We conducted these meetings to assess the mission's knowledge and implementation of family planning and reproductive health activities and USAID guidance and requirements, and the mission's general familiarity with the selected programs' activities. We reviewed documentation provided by USAID/Madagascar, such as agreement documents, work plans, and performance reports to determine the extent to which planned results were being achieved. We evaluated testimonial evidence in conjunction with other interviews, available documentation, and site visits.

We conducted additional interviews with officials from implementing partners and subpartners during site visits. Through these interviews, we assessed implementing partners' knowledge and implementation of family planning and reproductive health activities and USAID guidance and requirements. In conjunction with the interviews, we reviewed documentation provided by the implementing partners, such as training materials and database records.

[12] Public Law 97–255, as codified in 31 U.S.C. 1105, 1113, and 3512.

[13] ADS chapters reviewed include ADS 201, "Planning"; ADS 202, "Achieving"; ADS 203, "Assessing and Learning"; ADS 204, "Environmental Procedures"; ADS 324, "Post Procurement"; ADS 596, "Management's Responsibility for Internal Controls"; ADS 302, "Direct Contracting"; ADS 303, "Grants and Cooperative Agreements to Non-Governmental Organizations"; and ADS 320, "Branding and Marking."

We judgmentally selected sites to visit, giving preference to communities in which both implementing partners provided a high concentration of family planning and reproductive health services. We also designed the site selection to include a representative mix of urban and rural communities. In our visits with RTI International, we met with seven community health workers working with subpartners, tested reported results, and assessed workers' knowledge of program activities. Further, we conducted interviews with subpartners' staff to assess implementation of program activities and to assess the level of support received from RTI International. In our visits with PSI, we interviewed staff in PSI's district offices to assess internal controls over reported results and staff members' knowledge of program activities. We visited a selection of distribution points for PSI's social marketing commodities and met with program-funded volunteers. We also assessed the level of support provided to the regional offices by PSI's main office.

An important component of these site visits and interviews was data validation. For both partners, we tested database entries for randomly selected months in FY 2010. For example, at RTI International we compared monthly database entries for training with attendance registers for that month. At PSI we compared monthly database entries for the number of products distributed with delivery receipts and invoices from PSI's clients and partners. Verification of subpartner records included testing subpartners' SMS registers and workers' reports with corresponding data reported to RTI International's head office. For PSI's subpartners, when appropriate we verified that delivery and distribution receipts correlated with on-hand inventory and verified reporting for PSI's major youth activity. Because of time and resource constraints, we conducted these tests for a judgmental sample of months during the audited period and not the entire fiscal year. The results of these judgmental samples cannot be projected to the population.

We reviewed two of the mission's four family planning and reproductive health indicators by comparing mission-reported data with partners' performance data and supporting documentation. To the extent possible, we reviewed attendance registers, monthly reports, activity collection forms, and SMS logs to support the family planning and reproductive health services provided. We also reviewed controls in the data collection process.

Data for the third indicator came from a mission-funded survey conducted by the Academy for Educational Development (AED). We chose to exclude this indicator from the audit scope because AED was not responsible for implementing family planning and reproductive health activities. Moreover, the Office of Inspector General was conducting an ongoing investigation of AED in light of suspected misconduct in an unrelated instance.

For the fourth indicator, the mission did not report FY 2010 results because of post-coup restrictions on working with the Government of Madagascar.

Given the nature of the audit objective, no materiality threshold was established. However, based on our verification of data reported for the two results indicators and information gathered during interviews and site visits, we concluded that USAID/Madagascar had succeeded in increasing the use of selected health services and products and improving health practices in family planning and reproductive health.

MANAGEMENT COMMENTS

USAID | MADAGASCAR
FROM THE AMERICAN PEOPLE

MEMORANDUM

TO:	Christine M. Byrne, Regional Inspector General/Pretoria
FROM:	Rudolph Thomas, USAID/Madagascar Mission Director
THROUGH:	Barbara Hughes, USAID/Madagascar Health, Population and Nutrition Office Director
DATE :	August 17, 2011
SUBJECT:	Audit of USAID/Madagascar's Family Planning and Reproductive Health Activities (Report # 4-687-11-XXX-P)

I. SUMMARY

The purpose of this memorandum is to address the Regional Inspector General (RIG)'s memorandum to USAID/Madagascar dated July 14, 2011 requesting comments on the draft family planning audit report.

II. RESPONSES TO RECOMMENDATIONS

Recommendation 1. *We recommend that USAID/Madagascar obtain or develop written guidance for calculating couple years of protection.*

- The USAID/Madagascar Health Population and Nutrition Office (HPN) Performance Management Plan was revised in mid-2010. It includes written guidance on the definition of and the method of calculation for couple years of protection (CYP). The documentation is attached. The PMP also includes a completed Performance Indicator Reference Sheet (PIRS) as required in the ADS 200 series. The guidance from the HPN PMP does not specify the conversion factors to be used, and is, therefore, incomplete.
- USAID/Madagascar recognizes that there is a discrepancy in the conversion factors used to calculate CYP between HPN's two main implementing partners. The HPN PMP will be further reviewed and updated by the end of calendar year 2011. This

update will include a revision of written guidance for calculating CYP, including conversion factors to be used by both USAID/Madagascar and implementing partners.

- USAID/Madagascar will also review monitoring plans in implementing partner contracts and agreements and make any necessary revisions to standardize conversion factors for calculation of CYP. This will be completed by the end of calendar year 2011.

Recommendation 2. *We recommend that USAID/Madagascar update its performance management plan to include all identified data limitations and disclose these data limitations in its annual performance plan and report to Congress.*

- USAID/Madagascar conducts Data Quality Assessments for each indicator every three years in accordance with ADS guidance. This process is being continuously strengthened. As above, in response to recommendations from this audit, USAID/Madagascar will update the HPN PMP by the end of this calendar year, and, as part of that process, will carefully review and update data limitations and revise the PIRS accordingly.
- USAID/Madagascar follows Agency reporting guidance on disclosing data limitations in annual reporting. Revised data limitations identified in this audit and from the PMP review process will be disclosed in this year's annual reporting documents.

Recommendation 3. *We recommend that USAID/Madagascar redo its data quality assessments for family planning and reproductive health indicators that are reported to Washington, verifying source data and data acquisition methodologies.*

- USAID/Madagascar's Program Development and Assessment (PDA) Office has already begun a review of the Mission's DQA procedures and methodology. An updated Mission Order on DQA and Evaluation will be issued by the end of fiscal year 2011.
- USAID/Madagascar will undertake new DQAs for all current family planning/reproductive health indicators that are reported to Congress by the end of calendar year 2011 as part of the annual program review process.

Recommendation 4. *We recommend that USAID/Madagascar develop and implement procedures for regular monitoring of implementing partners' data acquisition methods and verification of data quality.*

- USAID/ Madagascar is in the process of strengthening the quality, frequency, organization and documentation of project monitoring. A Mission Order on Site Monitoring Visits was issued on May 27, 2011 (attached). It includes guidance on performing tests to verify reported results by reviewing source data documents.
- As above, the DQA is the ADS-mandated mechanism for verification of data acquisition methods and data quality. USAID/Madagascar completes DQAs on each indicator reported to Congress every three years as required in ADS 203.3.6.5.

Recommendation 5*. We recommend that USAID/Madagascar assess the training needs of agreement and contracting officers' technical representatives, develop and implement a plan to provide them and their alternates refresher training as necessary to strengthen awareness of their roles and responsibilities, and develop a schedule for future refresher training.*

- USAID/Madagascar HPN Office has developed a tracking matrix for HPN AOTR/COTRs and alternate AOTR/COTRs certification dates and completion of the continuing education requirements. The matrix is intended to track the continuing learning points (CLPs) completed by AOTR/COTRs as outlined in the ADS – 40 hours every two years. A copy of the matrix is attached, and it will be populated by the end of FY 11.
- USAID/Madagascar has also completed implementation of a staffing plan, put in place in 2010, which aims to enhance program and project management by adding key staff positions. A USDH HPN deputy director position and a US personal services contractor senior health advisor position were created in 2010 and filled in May 2011 and February 2011, respectively. Both incumbents are supervising AOTRs/COTRs and have taken Acquisition and Assistance (A&A) 104 within the past 12 months.

Recommendation 6*. We recommend that USAID/Madagascar develop and implement a plan to help ensure agreement and contracting officers' technical representatives conduct site visits and submit site visit reports in accordance with mission and Agency guidance.*

- As stated above, the new Mission Order on site visit monitoring was signed by the Mission Director on May 27, 2011. It includes the maintenance of a site visit schedule as well as Mission requirements for site visit reports according to Agency requirements.

Recommendation 7. *We recommend that USAID/Madagascar determine the allowability of $8,640 paid in rent for the second warehouse through the end of audit fieldwork and recover from Population Services International any amount determined to be unallowable.*

- There is nothing in the Cooperative Agreement with Population Services International (PSI) that makes reference to the number of warehouses PSI is allowed to rent to store commodities. Due to the nature of a Cooperative Agreement and the limitations of USAID Substantial Involvement, the implementing partner is not required to obtain approval for this type of action. The Mission has determined that this is an allowable cost, and this recommendation should be removed from the audit report.

III. COMMENTS ON REPORT

1. *Page 1, Footnote 2*
   Comment: Cycle beads are not a contraceptive method. They are a tool used as part of the "Standard Days Method" of natural family planning.

2. *Page 1, Second paragraph*
   Comment: It would be more correct to characterize USAID as "one of the leading health donors in Madagascar" as opposed to "the leading donor". We are the single largest donor now, but that hasn't always been true.

3. *Page 4, Footnote on stock-out indicator*
   Comment: The Mission ceased using this indicator to track performance of programs, not because we cannot work with the Government of Madagascar to measure it, but because we cannot provide technical or other assistance to the Government of Madagascar to have an impact on stock-outs. Therefore, information on stock-outs gained through tracking this indicator would not be a reflection of USAID/Madagascar program performance.

4. *Page 7, "Inconsistent Conversion Factors Used" section, last paragraph: "Mission officials said they had not thought to standardize conversion factors prior to the audit."*
Comment: The Mission requests that this statement be revised to more accurately reflect the deficiency noted—that prior to the audit the Mission had not been aware that partners were using different conversion factors. Therefore, it would not make sense that Mission officials would have "thought to" standardize them prior to the audit.

5. *Page 7, "Data Limitations Not Disclosed" paragraph*
Comment: The Mission requests that this paragraph be stricken from the final report and/or significantly revised to reflect the fact that the Mission disclosed all data limitations to its knowledge according to ADS requirements. This paragraph states that the Mission did not "disclose" data limitations, implying that the Mission knew of limitations and purposely left them out of the report. However, the previous paragraph of the report states that "staff did not know that implementing partners had used different coefficients." The entire section on "Data Limitations Not Disclosed" misrepresents the actions of the Mission in regards to this topic.

6. *Page 8, First paragraph*
Comment: The auditors' have identified an Internal Controls weakness here which indicates there is a risk of double-counting. However, double-counting was not identified during the audit. The Mission agrees that we need to minimize the risk by verifying data collection and reporting processes of all partners for the CYP indicator. The Mission requests that this paragraph be re-worded to reflect that a risk was identified rather than the way it's worded now, which indicates that a violation was actually discovered.

7. *Page 8, "Because PSI's CYP results alone achieved the mission's target in FY 10 the ramifications of double counting did not affect the answer to the audit."*
Comment: This sentence is not clear. Please rephrase it.

8. *Page 8, "Despite the data limitations, the mission asserted that the CYP indicator continues to be an effective measure of program impact…double counting could misrepresent USAID's impact."*
Comment: "Impact" refers to higher level achievements like reduction in maternal mortality or reduction in total fertility rate. CYP is an output indicator. USAID/Madagascar never uses CYP to measure impact. Please revise this statement.

9. *Page 9, Top of page*
Comment: The report states that seven of 51 community health worker records were examined for the audit. It also states that there were 685 recipients of family planning were "erroneously" reported. Please clarify whether all seven records examined were incorrectly recorded, or whether the 685 were from only a few of the seven or one of the seven. It's not clear from the wording what the findings are based on.

10. *Page 10, "…mission staff rarely went to the field and only verbally discussed challenges with implementing partners."*
Comment: AOTRs/COTRs went to the field and met the ADS requirement of at least two visits per year; however, some site visit reports were not properly completed or filed, there is not adequate documentation of the visits. The term "rarely" indicates that these visits were not performed. The Mission has travel records that demonstrate that site visits were performed at least twice a year. Please revise this statement to reflect that the

Mission states that staff did perform the minimum number of field visits according to ADS requirements, however site visit reports were not consistently filed.

11. *Page 10, photo caption: "a field technician transmits unverified monthly data…"*
Comment: This caption is not clear. Please provide clarification on how the quality of the data shown on the phone in this photo was determined.

12. *Page 10, "Mission officials also stated their belief that a level of error should be expected, and accepted, owing to intrinsic difficulties managing data in a developing country."*
Comment: This comment was made during the out-brief to the audit team as a question for discussion and was not a statement of Mission Management's "beliefs." Please delete this sentence.

13. *Page 10, "Implementing partners agreed that data collection and verification processes should be strengthened to ensure quality data."*
Comment: Please reword this statement to note that this concern was also expressed by Mission Management. As it is written, the sentence appears to indicate that the Mission is not interested in strengthening data quality.

14. *Page 11, "Although personnel in the mission's financial office said they monitored cost-sharing contributions using PSI's quarterly financial reports, the technical representative did not monitor the source of the cost-sharing contributions and did not verify the amounts by comparing them with implementing partner records."*
Comment: As per ADS 303.3.10.4 section, *Meeting Cost Sharing Requirements*, "the AOTR should monitor the recipient's financial reports to ensure that the recipient is making progress toward meeting the required cost-sharing." USAID/Madagascar is complying with this requirement through quarterly financial pipeline analysis meetings, which the AOTR/COTR is required to attend. USAID/Madagascar is in compliance with the ADS requirement referenced above, and we request that the section titled, "Cost Sharing," be deleted from the report.

15. *Page 12, "While the health team leader asserted that reviewing the quarterly financial report was the limit of mission responsibility, the acting controller at the time of audit fieldwork said that technical representatives should also be familiar with the source and amount of cost-sharing contributions."*
Comment: This is a misrepresentation of the comment made by the Health Team Leader. Her comment referred only to cost share monitoring requirements of the Mission. She did not at any time assert that there was no other information that technical representatives needed to have or be familiar with. Please rephrase or delete this comment.

16. *Page 12, "According to the Mission, PSI was responsible for the rent of any additional warehouse."*
Comment: Please remove this from the report, as this is not accurate. This does not reflect the terms of the Cooperative Agreement with PSI.

17. *Page 13, "Finally, alternate technical representatives were not always acting as such, leaving the technical representatives without the support an alternate was meant to provide"*
Comment: USAID/Madagascar alternate AOTR/COTRs are fulfilling their roles as stated in the AOTR/COTR designation letters from the CO/AO. The responsibility of the

Alternate is to assume the duties of the AOTR/COTR in the case of his/her absence. Please clarify this comment from the report vis-à-vis relevant ADS guidance related to the support role of the Alternate AOTR/COTR.

18. *Page 13, "Because the technical representative did not adequately monitor the implementing partner's cost sharing, USAID/Madagascar lacked assurance that the recipient was complying with Agency and federal regulations and fulfilling its cost-sharing obligation to achieve program objectives."*
Comment: Again, please review ADS 303.3.10.4 and provide supporting reference for the definition of "adequate monitoring". See above comment from page 11. USAID/Madagascar asks that this sentence be deleted from the report.

Attachments

1. USAID/Madagascar Health Sector Assistance Objective Performance Management Plan, Draft Updated June 2010, Performance Indicator Reference Sheet for Couples Years of Protection in USG-supported programs.

2. USAID/Madagascar Mission Order 004: Activity Monitoring Site Visits (please note that this is not a draft as stated in the title—a corrected version is being reissued).

3. COTR/AOTR Continuing Learning Points Tracking Matrix

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel: 202-712-1150
Fax: 202-216-3047
www.usaid.gov/oig