



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF COMMODITIES FUNDED UNDER THE PRESIDENT'S MALARIA INITIATIVE IN ZAMBIA

AUDIT REPORT NO. 4-611-13-002-P  
NOVEMBER 8, 2012

PRETORIA, SOUTH AFRICA



*Office of Inspector General*

November 8, 2012

**MEMORANDUM**

**TO:** USAID/Zambia Mission Director, Dr. Susan Brems

**FROM:** Regional Inspector General/Pretoria, Robert W. Mason /s/

**SUBJECT:** Audit of Commodities Funded Under the President's Malaria Initiative in Zambia  
(Report Number 4-611-13-002-P)

This memorandum transmits our final report on the subject audit. We carefully considered your comments on the draft report and have included them in their entirety (without attachments) in Appendix II.

The report includes seven recommendations to strengthen the management of commodities funded under the President's Malaria Initiative in Zambia. Based on management's comments on the draft report and other information provided, we acknowledge that management decisions have been reached on all recommendations, and final action taken on Recommendations 3 and 4. We agreed with all of the decisions except for Recommendation 1 because we do not believe it adequately addresses the intent of the recommendation. Details regarding our disagreement are on page 15.

If you choose to revise your proposed action for Recommendation 1, please advise us of this in writing. Please also provide the Office of Audit Performance and Compliance Division with the necessary documentation to achieve final action on Recommendations 1, 2, 5, 6, and 7. Recommendations 3 and 4 are closed upon the issuance of this report.

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

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## Abbreviations

This report includes the following abbreviations:

ADS	Automated Directives System
IRS	indoor residual spraying
JSI	John Snow International
MSL	Medical Stores Limited
NMCC	National Malaria Control Center
PMI	President's Malaria Initiative
RIG	Regional Inspector General
SFH	Society for Family Health
ZISSP	Zambia Integrated Systems Strengthening Program

# SUMMARY OF RESULTS

Malaria is a mosquito-borne disease with symptoms that include fever, nausea, vomiting, and diarrhea. According to the World Health Organization's *World Malaria Report 2011*, there were an estimated 216 million malaria cases worldwide in 2010, resulting in 655,000 deaths.

The disease is endemic throughout parts of Africa, including Zambia; 4.2 million cases of malaria led to more than 4,800 deaths there in 2010. USAID has supported Zambia's efforts to combat malaria through the President's Malaria Initiative (PMI) since 2008 by providing more than \$96 million through fiscal year 2011. The commodities provided include artemisinin-based drug therapies, rapid diagnostic tests, mosquito nets treated with insecticide, and sachets of insecticide for indoor spraying to kill mosquitoes.

Table 1 shows the PMI-funded commodities delivered to Zambia from October 2010 to March 2012 and their intended beneficiaries.

**Table 1. PMI-Funded Commodities (Audited)**

<b>Commodity</b>	<b>Quantity</b>	<b>Cost (\$ million)*</b>	<b>Intended Beneficiaries</b>
Drugs	3.8 million	3.2	Patients suffering from malaria
Tests	3.9 million	2.0	Health workers trained to diagnose malaria
Nets	1.7 million	6.1	Pregnant women and children under 5
Nets	940,146	3.5	General population
Insecticide sachets	385,280	3.1	Residents of targeted urban and peri-urban structures
<b>Total</b>		<b>17.9</b>	

Sources: USAID/Zambia and partners

\* The cost column was not audited.

As part of USAID's increasing emphasis on using host-nation systems, USAID/Zambia has relied on the Zambian Government to store and distribute PMI-funded commodities. USAID initiated projects and programs with four partners—John Snow International (JSI), Society for Family Health (SFH), RTI International, and Abt Associates—to procure the commodities and help carry out the malaria initiative.

JSI procured drugs, tests, and nets through the USAID DELIVER Project. The Zambian Government's Medical Stores Limited (MSL) received and stored the drugs and tests upon arrival and distributed them to district health offices. The district health offices then distributed them to government health facilities.

JSI delivered the nets to SFH, which stored or distributed them to district health offices based on instructions it received from Zambia's National Malaria Control Center (NMCC).<sup>1</sup> The offices then distributed the nets to health facilities for distribution to targeted populations.

<sup>1</sup> SFH implements this work through the mission's Partnership for Integrated Social Marketing project.

RTI International procured insecticide,<sup>2</sup> which MSL received and stored. NMCC, with support from the mission's Zambia Integrated Systems Strengthening Program (ZISSP) implemented by Abt Associates Inc., distributed it to district health offices for spraying.

The Regional Inspector General (RIG)/Pretoria conducted this audit to determine whether commodities that PMI paid for were reaching their intended beneficiaries in Zambia. The audit found that some commodities were reaching beneficiaries as intended. Drugs<sup>3</sup> were in stock in the 30 health facilities the audit team visited (listed in Appendix III), and tests were in stock at 25 of those. To verify that beneficiaries received the commodities, auditors reviewed outpatient and test registries that listed people who were tested and treated for malaria at the health facilities. Auditors reviewed registries for net distributions and met with beneficiaries to confirm that they received nets. For insecticide, auditors visited houses in five districts targeted for PMI-supported spraying and confirmed that it took place.



**A woman in Zambia's Ndola District shows mosquito nets that she received from USAID. (Photo by RIG/Pretoria, May 2012)**

However, because of problems accounting for PMI-funded commodities, the audit could not determine whether all commodities reached their intended beneficiaries. For example, 30 government health facilities that auditors visited (out of nearly 2,000 nationwide) did not have documentation to account for 38 percent of the commodities tracked from MSL and district health offices, worth \$65,439, and 21 did not have records on hand to document receipt of 80,990 nets (80 percent of the nets distributed, worth about \$300,000). Auditors counted insecticide sachets and found that MSL's inventory records did not account for 3,880 of them, worth \$40,236. None of five districts had records that completely or accurately accounted for the amount of insecticide used during the season.

<sup>2</sup> USAID funded this work through Indoor Residual Spraying (IRS 2) Task Order One.

<sup>3</sup> The drugs are packed in four different dosages. Some facilities were out of specific dosages, but none were out of all four simultaneously.

Auditors concluded that:

- The mission did not manage the risks of using Zambian systems to store and distribute PMI-funded commodities (page 5).
- Four of five districts visited used leftover PMI-funded insecticide to spray homes after the designated season. Doing so contradicted the best practice of spraying an entire area before the peak transmission season for maximum effectiveness, which typically coincides with the rainy season when mosquitoes are most actively breeding and transmitting malaria. Moreover, any homes sprayed after the season were not included in the mission's report to Congress (page 10).
- SFH gave more than 500 PMI-funded nets worth more than \$1,800 to its employees. Neither USAID's contract with SFH nor NMCC's distribution plan provided for nets to be given to employees, and SFH did not confirm that its employees and their family members were eligible (pregnant women or children under 5) before distribution (page 11).
- USAID/Zambia reported inaccurate data on malaria-related indicators in its fiscal year 2011 performance plan and report to Congress (page 12).
- USAID/Zambia's branding and marking strategy was not effective. Beneficiaries and individuals involved in distributing PMI-funded commodities generally were not aware of the Agency's role in providing them, thus reducing public diplomacy benefits (page 13).

To strengthen management of PMI-funded commodities in Zambia, the audit recommends that USAID/Zambia:

1. Implement an agreement with the Government of Zambia that clearly delineates Zambia's responsibilities for malaria commodities purchased with U.S. Government funds (page 9).
2. Implement a documented plan to mitigate the risks of using Zambia's systems for storing and distributing malaria commodities funded by PMI (page 9).
3. Implement procedures to review the annual needs assessment report for errors and for reasonable assurance of its accuracy before using it to make major decisions concerning spraying activities (page 10).
4. Work with the Government of Zambia and other partners to implement a plan to communicate to the districts expectations for the use and storage of surplus insecticide between spray seasons (page 11).
5. Implement procedures to make sure that all source documents are stored safely for performance indicator data reported in the annual performance plan and report to Congress (page 13).
6. Notify the Office of U.S. Foreign Assistance Resources, in writing, of the inaccurate results reported for malaria-related commodity indicators in fiscal year 2011 (page 13).

7. Document its objectives for identifying goods and services provided under PMI in Zambia as American aid, and update its communication strategies, including branding and marking plans, if they do not achieve those objectives (page 14).

Detailed findings appear in the following section. Our evaluation of management comments is included on page 15. Appendix I presents the scope and methodology, and management comments are included in Appendix II.

# AUDIT FINDINGS

## USAID/Zambia Did Not Manage Risks of Using Zambia's Systems

The Government Accountability Office's *Standards for Internal Control in the Federal Government* discusses management's responsibility to identify and analyze risks for possible effect. The standards state, "Risk analysis generally includes estimating the risk's significance, assessing the likelihood of its occurrence, and deciding how to manage the risk and what actions should be taken."

The standards also state that transactions need to be documented and that documentation needs to be available for review. Physical controls also need to be established for vulnerable assets, like commodities, and the assets should be counted periodically to compare numbers with those in inventory records. Additional guidance from the USAID DELIVER Project<sup>4</sup> reiterates these management practices.

USAID/Zambia used partners and Zambian Government entities to store and distribute PMI-funded commodities. The mission's contracts with the partners clearly define a scope of work and other requirements, such as reporting on program activities and allocating and accounting for program costs. The audit found that the partners' systems for procuring and distributing commodities generally accounted for the commodities under their control.

However, once the commodities were transferred to the Zambian Government, its systems for storage and distribution were weak. The audit team found problems at every stage of the process—from the central MSL warehouse that received the commodities to the health facilities that distributed them to beneficiaries. Storage space and personnel training were inadequate, which made it difficult to account for PMI commodities. The problems found at each stage are discussed below.

**Medical Stores Limited.** MSL's central warehouse lacked sufficient space to store PMI-funded tests, drugs, and insecticide properly. The warehouse did not have a fire suppression system, which put PMI-funded commodities at risk in case of fire. MSL also did not have enough pallets and shelves to accommodate all of the tests and drugs, and subsequently placed some of them in a bulk storage area. Storing them there made it difficult for workers to locate and use those that were first to expire. According to a report from the Zambian Government, about \$3 million worth of commodities expired as of December 2011, including 172,827 drugs to treat malaria that the audit valued at \$236,650.

Workers and MSL managers said they did not have the training or technical expertise to handle insecticide. In fact, the managers said they should not be responsible for such duties.

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<sup>4</sup> USAID DELIVER Project, Task Order 1, *The Logistics Handbook: A Practical Guide for the Supply Chain Management of Health Commodities*, 2011, and *Guidelines for Managing the Malaria Supply Chain: A Companion to the Logistics Handbook*, 2011.

The following photos show examples of the storage conditions that auditors found at the MSL warehouse.



**The MSL warehouse did not have enough storage space, pallets, or shelves for bulk commodities (left), including some PMI-funded drugs and tests. The staff lacked training on how to store insecticides safely (right). (Left photo by RIG/Pretoria, and right photo by MSL, May 2012)**

The audit also found weaknesses with MSL's systems for tracking commodities and filling orders. For example, while employees recorded the batch numbers of drugs and tests received at the central warehouse, they did not record the numbers for the commodities issued to district health offices and government health facilities. Consequently, those commodities could not be traced in case of recall. In addition, MSL did not update its inventory system when workers filled orders with items that were easily reachable instead of using those that were first to expire, causing inaccuracies in the inventory system. Since MSL conducted only partial physical counts once a year, these inaccuracies increased the risk that some commodities would expire or be stolen and not be detected.

Auditors traced 385,280 insecticide sachets, for which USAID/Zambia paid about \$3.1 million, to MSL. MSL's inventory system, however, did not account for 3,880—worth \$40,236—that auditors and MSL staff physically counted in the warehouse; the system showed that all sachets had been distributed. During the first visit to MSL, auditors and MSL employees found 320 of the sachets in the storage area for hazardous materials; the warehouse staff uncovered the additional 3,560 later.

Furthermore, not all drivers responsible for transporting insecticide from MSL to the districts were trained to handle hazardous materials like insecticide in an emergency. This is important because serious traffic accidents occur frequently on Zambian roads.

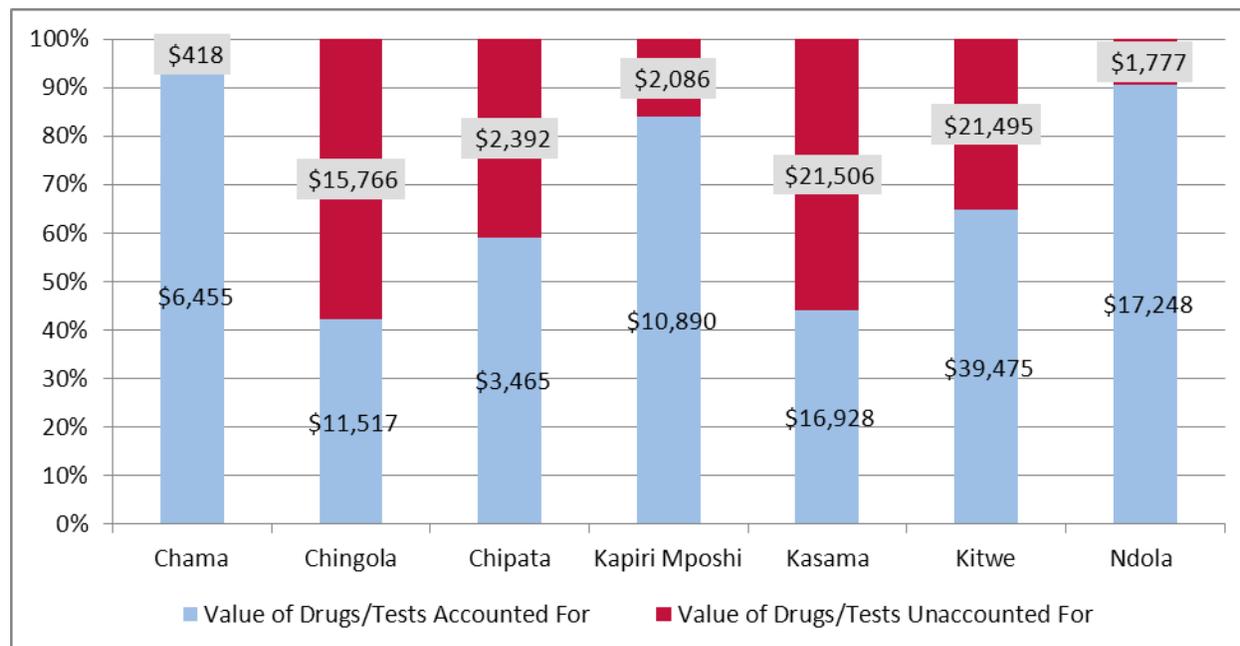
**District Health Offices.** Auditors traced 108,520 sachets, worth \$1.1 million, to 5 of 35 districts targeted for PMI-supported spraying. None of the districts had complete or accurate records that accounted for insecticide consumption during the spray season, despite having forms from ZISSP for that purpose. Districts also lacked internal controls to account for sachets that had been distributed, but not used, on a daily basis. Auditors found that some districts were using

PMI-funded insecticide after the season ended, contrary to best practice as discussed on page 10.

District offices were not handling empty insecticide sachets as instructed for environmental safety. ZISSP officials said that offices should record the number of empty sachets and store them until the Zambian Environmental Management Agency approved disposal. Only one district office visited had done so, and employees at another had already burned the empty sachets without approval because they said they needed the storage space.

**Health Facilities.** The audit traced \$171,418 of tests and drugs, some of which PMI funded, distributed to 30 health facilities from MSL and district health offices. Thirty-eight percent of them, worth \$65,440, were not accounted for in the facilities' records. The team compared distribution records from MSL and district offices with inventory records at the health facilities. Twenty-five had either inaccurate or incomplete records, while four had no records at all available for review. The figure below shows the values of drugs and tests accounted for and not accounted for in the facilities the team visited.

**Accountability for Drugs and Tests at Health Facilities (Audited)**



Source: Based on RIG/Pretoria analysis

The team physically counted drugs and tests in 5 district health offices<sup>5</sup> and 30 health facilities. They then compared the counts with the quantity in the inventory records and reviewed stock records. They found \$60,270 in unexplained adjustments and discrepancies. About half—\$29,328—was for 18,330 drugs that were on the inventory list for one district office. Yet these were not in stock when the team visited, and since records had not been updated during the 2 months before the visit, there was no record of what happened to them.

<sup>5</sup> District health offices in Kasama and Chama did not store commodities.

The audit also found that some donated drugs were being sold. Auditors bought four courses of malaria treatments from private pharmacies in different districts. One that was purchased in Kitwe had been donated by the United Nations Development Program and intended for public sector use. In addition, JSI conducted a “mystery shopper” exercise in October 2010 and found that 13 of 21 private sector pharmacies were selling donated malaria treatments. Although USAID had not procured any of the treatments auditors bought, the fact that some were for sale suggests the risks associated with Zambian Government systems.

The audit traced 100,647 nets worth about \$372,000<sup>6</sup> to 28 health facilities that received them from district offices. Twenty-one of them did not have records on hand documenting receipt of 80,990 nets (80 percent). Although many facilities maintained registries with the names of people who received nets, they had not organized the records in a manner that made it possible to compare the number of beneficiaries with the total number of nets the facility received. For example, in some cases, the number of beneficiaries on the registries exceeded the total number of nets that the facility received.

At 4 of the 28 facilities, the audit found that the staff members were not distributing nets exclusively to pregnant women and children under 5 as intended. Employees at two were distributing them to the general population. At the third, nets were given to illegal settlers. At the fourth, nets had been used as an inducement for insecticide spraying; in one instance, the staff did not give a net to a woman who had refused to have her home sprayed because she had asthma.

The audit also found that 66,185 of the 752,900 PMI-funded nets delivered to Zambia in March 2012 were still in storage 3 months later at eight health facilities, six district health offices, and in SFH’s warehouse. Officials in one district said they lacked adequate transportation to deliver the nets to health facilities and had not yet finished training health staff on how to distribute them properly. Given that the audit team visited just 7 of the country’s 72 districts, it is likely that there are more undistributed nets. Furthermore, since nets are in high demand, many facilities already distributed all of the nets they had received.

The primary factor contributing to the accountability challenges with drugs, tests, nets, and insecticide was a shortage of trained health personnel working in Zambian Government health facilities, exacerbated by high staff turnover and dissatisfaction among health workers. USAID’s 2011-2015 Country Development Cooperation Strategy described the human resources in the Zambian health system as a “crisis.”

Despite these problems and a history of the Zambian Government misappropriating donor funding,<sup>7</sup> USAID/Zambia did not adequately manage risks since it had not established a formal agreement with government officials that outlined responsibilities for accounting for and managing PMI-funded commodities. An agreement between USAID/Zambia and the Ministry of Health defining its responsibility for accounting for PMI-funded commodities, developing mechanisms to monitor compliance and specifying remedies for noncompliance would result in greater assurance that PMI-funded commodities are reaching intended beneficiaries.

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<sup>6</sup> This value represents the cost per net and excludes distribution costs.

<sup>7</sup> The Global Fund to Fight AIDS, Tuberculosis and Malaria Office of the Inspector General, “Country Audit of Global Fund Grants to Zambia,” Audit Report No. GF-OIG-09-15, October 5, 2010, p. 2.

USAID/Zambia officials said they are working with other donors to develop a formal agreement with the Zambian Government related to roles and responsibilities for donor-funded commodities.

USAID/Zambia officials said that since PMI did not require the mission to perform a formal risk assessment of host-country systems, they did not complete one. Similarly, they did not establish a formal agreement with the Zambian Government because they had not received guidance from Washington to do so.

To the mission's credit, it had Deloitte Consulting LLP do a supply and logistics internal control evaluation of record-keeping for essential medicines, including malaria drugs. However, the evaluation did not assess the Zambian systems for nets or insecticide distribution. While the Deloitte report can inform USAID/Zambia, the actual assessment of risk is a management function.

Because the mission did not manage risk, problems arose in commodity storage, accounting, and distribution that kept USAID/Zambia from having reasonable assurance that all PMI-funded commodities reached their intended beneficiaries. To improve the mission's management of risk, the audit makes the following recommendations.

***Recommendation 1.*** *We recommend that USAID/Zambia implement an agreement with the Government of Zambia that clearly delineates Zambia's responsibilities for malaria commodities purchased with U.S. Government funds.*

***Recommendation 2.*** *We recommend that USAID/Zambia implement a documented plan to mitigate the risks of using Zambia's systems for storing and distributing malaria commodities funded by the President's Malaria Initiative.*

**Needs Assessment Report.** The annual needs assessment report, described by a ZISSP official as the "gospel truth according to NMCC" for spraying plans and insecticide procurement, documented estimated insecticide needs for each targeted district. NMCC developed the report with support from ZISSP, and RTI International officials confirmed that they based their insecticide procurement on the report's findings.

Despite the importance of the report for the mission's spraying program, auditors noted that USAID/Zambia officials did not review it thoroughly before making decisions about spraying activities. In addition, the mission overlooked several errors. For example, the number of sachets required for 2011 in one section of the report actually was the number used in the previous year. Likewise, an appendix listing leftover insecticide from the previous season did not account for the use or movement of 28,039 sachets. ZISSP later provided documentation and a written explanation to account for 24,891, but could not provide any support to account for the other 3,148 sachets.

USAID/Zambia officials said they overlooked these errors because the report was an NMCC document and there was no formal process for USAID review or approval. The contracting officer's representative for ZISSP said he had not seen the report because he had delegated oversight of the program's malaria activities to the mission's PMI adviser, who left in February and whose documentation could not be found.

As a result, USAID/Zambia risked making poor decisions about its spraying program. Two significant risks were procuring too much insecticide, which would waste limited funds, and

procuring too little, which would leave vulnerable people unprotected from malaria. Following the 2011 spray season, for instance, the five districts targeted for spraying that auditors visited reported having 42,770 sachets left, worth \$443,525, which was 39 percent of the insecticide procured for them. These districts still managed to cover an average 92 percent of their areas—indicating that the amount of insecticide needed was overestimated.

While it is reasonable for USAID/Zambia to use NMCC tools, it is also in the mission’s best interest to be sure that those tools are accurate before they become the basis for decisions. We make the following recommendation.

**Recommendation 3.** *We recommend that USAID/Zambia implement procedures to review the annual needs assessment report for errors and for reasonable assurance of accuracy before using it to make major decisions concerning its spraying activities.*

## Some Districts Used Insecticide After Spray Season

Districts were encouraged to complete “mop-up” spraying—spraying the homes of people who initially refused during the spray campaign—up to 1 month after the last day of the spray season. This practice is consistent with World Health Organization guidance, which states that the whole area should be sprayed before the beginning of the transmission season (often the rainy season) for effective coverage; this activity also helps the mission meet the needs of PMI beneficiaries.

When the spray season ended, officials expected district health offices to store any leftover insecticide for the next one. Storing the leftover insecticide was important because managers factored it into procurement needs for the upcoming spray season.

However, auditors visited 5 of 35 PMI-supported districts and found that 4 had used leftover insecticide after the season. As shown in Table 2, these districts used 24,290 sachets of PMI-funded insecticide, worth \$251,887. They probably used some sachets for permitted mop-up spraying, but the amount cannot be quantified because inventory records did not account for it.

**Table 2. Number and Value of PMI-Funded Sachets Used After Spray Season (Audited)**

District	Number of Sachets			Value of sachets used after last day of spray season* (\$)
	Left over from the spray season	Physically verified during site visits	Used after last day of spray season (calculated)	
Chingola	4,624	4,480	144	1,493
Kapiri Mposhi	611	18	593	6,149
Kasama	1,935	0	1,935	20,066
Kitwe	7,600	7,600	0	0
Ndola	28,000	6,382	21,618	224,179
<b>Total</b>	<b>42,770</b>	<b>18,480</b>	<b>24,290</b>	<b>251,887</b>

Source: RIG/Pretoria

\* Each sachet was worth \$10.37.

These problems occurred because districts lacked guidance from NMCC on how to handle and store leftover insecticide. The Chingola district spraying manager asked auditors whether he was wrong to allow intermittent spraying because NMCC had never told him to allow it or not.

As a result, USAID/Zambia did not achieve the maximum benefit from some of its PMI-funded insecticide. Some residents undoubtedly benefitted on an individual basis from the intermittent late spraying. However, the insecticide would have had a greater impact on the targeted areas overall if districts had used it as planned because spraying targeted households before transmission season is more effective than spraying on an ad hoc basis after the season has begun.

Intermittent spraying also depleted stocks that were factored into next year's insecticide procurement, creating the risk of a shortage. Planners anticipated that more sachets would be available for the next season in the districts visited because the districts' needs assessments identified leftover sachets.

In addition, although USAID/Zambia paid for the insecticide, the mission could not attribute any houses sprayed after the season to U.S. Government support because the spraying took place after the reporting period. Four districts submitted final reports for houses sprayed in January, and one district submitted the final report in February, but those districts then used 24,290 more sachets. Using the districts' average consumption rates, this equates to about 53,000 houses sprayed, or 265,000 people protected, that USAID/Zambia would not be able to include in its annual performance plan and report to Congress.

To strengthen the mission's spraying program, we make the following recommendation.

***Recommendation 4.*** *We recommend that USAID/Zambia work with the Government of Zambia and other partners to implement a plan to communicate to the districts expectations for the use and storage of surplus insecticide between spray seasons.*

## **Society for Family Health Gave Nets to Employees**

USAID/Zambia awarded SFH a contract in August 2009 worth more than \$73 million. One of its tasks was to "increase the supply and diversity of products and services to prevent and control malaria." This included distributing PMI-funded nets meant for pregnant women and children under 5 to district health offices. SFH officials said they distributed these nets based on plans they received from NMCC.

The audit found that SFH distributed more than 500 of those nets—worth more than \$1,800—to its employees in 2012. NMCC's net distribution plan for that year does not indicate that any nets were supposed to go to SFH employees. Nor did the mission's contract include a provision for SFH employees to receive nets.

SFH officials said that because some of its employees' households probably had pregnant women or children under 5 (given the nation's demographics), they believed their employees met the criteria for receiving nets. However, SFH did not have any documentation confirming whether the employees who received the nets actually met the criteria.

As a result, some PMI-funded nets did not reach their intended beneficiaries. SFH agreed to determine the cost of nets that it gave to employees and refund the amount to USAID.

## USAID/Zambia Reported Inaccurate Data

USAID's Automated Directives System (ADS), Chapter 203.3.5, "Data Quality," states that performance data should meet the five quality standards of validity, integrity, precision, reliability, and timeliness to be useful for performance management and credible for reporting. All data source documents should be maintained and readily available.

The audit found that some of USAID/Zambia's performance data for malaria-related indicators did not meet standards. During audit fieldwork, the mission could not produce documents to support some data reported in the performance plan and report to Congress, and some figures in the report did not match what PMI partners reported. Table 3 shows malaria commodity-related performance targets and results that the mission reported in its fiscal year 2011 report to Congress; the column on the right shows supported data that partners provided.

**Table 3. Reported Data and Support for USAID/Zambia's Fiscal Year 2011 Malaria Commodity-Related Performance Indicators (Audited)**

Indicator	Reported Target	Reported Result	Reported From Partners
<i>Number of artemisinin-based combination treatments (ACTs) purchased and distributed through U.S. Government support</i>	3,700,000	1,688,160	324,690*
<i>Number of artemisinin-based combination treatments (ACTs) purchased with U.S. Government support</i>	No target	1,688,160	324,690
<i>Number of houses sprayed with IRS (indoor residual spraying) with U.S. Government support</i>	1,223,977	1,102,338	1,102,338
<i>Number of insecticide treated nets distributed or sold with U.S. Government funds</i>	1,400,000	1,760,146	1,399,701†
<i>Number of insecticide treated nets purchased with U.S. Government funds</i>	No target	1,760,146	1,760,146
<i>Number of RDTs (rapid diagnostic tests) purchased and distributed through U.S. Government support</i>	3,589,230	2,254,100	2,914,360*

\* Denotes quantity distributed to MSL.

† Denotes quantity distributed to district health offices.

USAID/Zambia's staff constraints and turnover contributed to data quality problems. The mission's monitoring and evaluation specialist was solely responsible for compiling the performance plan and report, and she said she felt overwhelmed with other high-priority responsibilities. She added that she relied completely on technical teams to provide data and ensure their accuracy and quality. The USAID/Zambia PMI adviser, who was the technical lead for malaria, left in February, and the mission staff could not find his documentation for 2011 reporting.

The performance plan and report is a tool that facilitates planning, monitoring, and budgeting of U.S. Government foreign assistance activities. The data in it must meet USAID's data quality standards to be useful and appropriate for managers to make decisions. To improve the quality

of data and how USAID/Zambia maintains source documentation, we make the following recommendations.

**Recommendation 5.** *We recommend that USAID/Zambia implement procedures to make sure that all source documents are stored safely for performance indicator data reported in the annual performance plan and report to Congress.*

**Recommendation 6.** *We recommend that USAID/Zambia notify the Office of U.S. Foreign Assistance Resources, in writing, of the inaccurate results reported for malaria-related commodity indicators in fiscal year 2011.*

## **USAID/Zambia's Branding and Marking Strategy Was Not Effective**

One of the U.S. Government's longstanding objectives has been to recognize American taxpayers' funding of foreign assistance. The expanding role that development plays in national security has increased the need for USAID activities to be identified clearly in host countries as provided by the United States. Section 641 of USAID's framework legislation, the Foreign Assistance Act of 1961, codified as amended in 22 U.S.C. 2401, specifies that all programs under the act be identified appropriately overseas as "American aid." ADS Chapter 320, "Branding and Marking," is authorized by this legislation and guides the Agency's activities to help achieve these objectives.

USAID/Zambia and its PMI implementing partners complied with the Agency requirement to implement a branding and marking plan for each assistance activity. Nonetheless, some beneficiaries, health facility employees, and even some staff members in Zambia's district health offices were unaware that the mission was funding a portion of nets, drugs, and tests distributed in their communities, or the insecticide in districts targeted for spraying. Some people interviewed said they assumed the Zambian Government supplied the commodities. Others said they believed that SFH or MSL donated the commodities they were responsible for distributing.

Because USAID/Zambia used Zambian systems to distribute PMI-funded commodities to beneficiaries, the conventional USAID branding and marking practices were less effective. For example, Zambian Government employees, who were themselves often unaware of USAID's sponsorship, distributed nets and drugs to beneficiaries. Since the packaging of PMI-funded drugs and tests did not contain a USAID logo, there would be no way for beneficiaries to know that USAID donated the commodities without other cues. And, while the outer packaging of PMI-funded nets was branded with the USAID logo, beneficiaries discarded the outer packaging soon after collecting the net.

In the case of the insecticides, partners affixed USAID labels to spray equipment; however, since most USAID-funded training and daily spraying activities took place at government facilities, the Zambian Government was a more visible partner. Auditors noted that stickers affixed to sprayed houses were not cobranded with the USAID logo, even though the branding and marking plan required either cobranding or getting an exception from the mission to deviate from the plan. ZISSP and USAID/Zambia staff members said they overlooked cobranding stickers because standard NMCC stickers were used in all districts.

Finally, USAID/Zambia officials questioned whether USAID's sponsorship was the message they wanted to emphasize in PMI, given USAID's close partnership with the Government of Zambia and the Agency's goal of strengthening Zambian systems. While reinforcing the Zambian Government's role can promote program sustainability, minimizing the U.S. Government's role is contrary to law, as required by the Foreign Assistance Act, and policy.



**USAID-branded posters (left) and labels (center) are designed to communicate the Agency's sponsorship of the national malaria program. The stickers (right) affixed to houses sprayed in the program should also incorporate the logo. (Left and center photos by USAID/Zambia; right photo by RIG/Pretoria, May 2012)**

Without clear, effective branding, the U.S. Government and the American people did not receive the maximum public diplomacy benefits from their assistance to Zambia's malaria program. To ensure that USAID/Zambia's branding and marking objectives are defined clearly and achieved, we make the following recommendation.

***Recommendation 7.*** We recommend that USAID/Zambia document its objectives for identifying goods and services provided under the President's Malaria Initiative in Zambia as American aid, and update its communication strategies, including branding and marking plans, if they do not achieve those objectives.

# EVALUATION OF MANAGEMENT COMMENTS

In its comments to the draft report and subsequent correspondence, USAID/Zambia agreed with all seven recommendations. We have acknowledged management decisions for all recommendations, and final action has been taken on Recommendations 3 and 4. We agreed with all except for Recommendation 1. A detailed evaluation of management comments follows.

**Recommendation 1.** USAID/Zambia agreed to update its existing mutual accountability framework with the Ministry of Health to specify responsibilities for managing donor commodities. Target completion date for this action is March 31, 2013. As a result, we acknowledge that a management decision has been reached on Recommendation 1.

However, we disagree with it because we do not believe the planned actions adequately address the recommendation's objective, which is to provide greater assurance that all PMI-funded commodities are reaching their intended beneficiaries. While the draft update to the Mutual Accountability framework is to include language acknowledging the Zambian Government's role in accounting for donor-purchased commodities, the framework does not include mechanisms for monitoring the government's compliance in accounting for donor-purchased commodities or remedies in case it does not comply. Without such provisions, the updated framework does not have the power to make sure that Zambia fulfills its responsibilities for managing donor commodities.

**Recommendation 2.** USAID/Zambia agreed to implement a documented plan to mitigate the risks of using Zambia's systems for storing and distributing malaria commodities funded by PMI by June 30, 2013. As a result, we acknowledge that a management decision has been reached on Recommendation 2, and we agree with it.

**Recommendation 3.** USAID/Zambia established procedures to review the annual needs assessment report for errors and reasonable assurance of its accuracy before using it to make major decisions concerning spraying activities. Based on management's comments and the supporting documentation provided, we acknowledge that a management decision has been reached and final action taken on Recommendation 3. We agree with the decision.

**Recommendation 4.** USAID/Zambia, along with implementing partners and the Zambian Ministry of Health, developed standard operating procedures for communicating expectations about the use and storage of surplus insecticide between spray seasons. Documentation subsequently provided by the mission indicated that these procedures had been sent to NMCC for review and approval. Based on management's comments and the supporting documentation provided, we acknowledge that a management decision has been reached and final action taken on Recommendation 4. We agree with the decision.

**Recommendation 5.** In its management comments, USAID/Zambia listed several steps taken to improve the maintenance of source documentation. In subsequent correspondence, mission officials said they updated the mission order on performance management to require that staff retain all source documents for performance indicator data included in the annual performance plan and report. The mission expects to finalize the mission order by November 30, 2012. As a

result, we acknowledge that a management decision has been reached on Recommendation 5, and we agree with it.

**Recommendation 6.** USAID/Zambia agreed to notify the Office of U.S. Foreign Assistance Resources in writing of the inaccurate results reported for malaria-related commodity indicators in fiscal year 2011, and it did so on October 11, 2012. However, the corrections were not consistent with supported data presented in Table 3 of the audit report. Based on subsequent correspondence, USAID/Zambia agreed to resubmit revised results that are supported adequately by November 30, 2012. As a result, we acknowledge that a management decision has been reached on Recommendation 6, and we agree with it.

**Recommendation 7.** USAID/Zambia agreed to determine and document its objectives for identifying PMI goods and services as American aid and to update its communication strategies, including branding and marking plans, if it does not achieve those objectives. The mission anticipates completing all planned actions by March 31, 2013. As a result, we acknowledge that a management decision has been reached on Recommendation 7, and we agree with it.

# SCOPE AND METHODOLOGY

## Scope

RIG/Pretoria conducted this performance audit in accordance with generally accepted government auditing standards. 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 of this audit was to determine whether USAID/Zambia's PMI-funded commodities were reaching their intended beneficiaries.

Audit fieldwork took place from May 14 to June 8, 2012. The audit covered selected commodities procured for USAID/Zambia's PMI program in fiscal year 2011 through March 2012 and the partners involved in procuring, managing, and distributing these commodities during the same period. The audit covered 3.8 million drugs, 3.9 million tests, 2.7 million nets, and 385,280 sachets of insecticide, collectively procured for \$17.9 million. The audit covered four USAID-funded implementing mechanisms: USAID DELIVER, implemented by JSI; Partnership for Integrated Social Marketing, implemented by SFH; IRS Task Order 2, implemented by RTI International; and ZISSP, implemented by Abt Associates. USAID/Zambia reported total obligations of \$53.3 million for these as of June 30, 2012, as shown in the table below.

**USAID-Funded PMI Partners and Implementation Mechanisms (Unaudited)**

<b>Program</b>	<b>Partner</b>	<b>Amount Obligated for Malaria as of June 30, 2012 (\$)</b>	<b>Amount Disbursed for Malaria as of June 30, 2012 (\$)</b>
USAID   DELIVER	JSI	32,529,617	24,967,975
Partnership for Integrated Social Marketing	SFH	2,077,489	1,391,339
IRS 2 Task Order 1	RTI International	7,191,450	4,191,450
ZISSP	Abt Associates	11,505,000	4,245,000

In planning and performing this audit, we assessed internal controls related to ongoing monitoring, reporting, and accounting for and safeguarding PMI-funded commodities. Specifically, we reviewed the following:

- Cooperative agreements, contracts, and modifications
- Annual work plans and budgets
- Quarterly and annual progress reports from partners

- Malaria operational plans for fiscal years 2011 and 2012
- USAID/Zambia's April 2011 data quality assessment on malaria indicators and programs.
- Fiscal years 2011 and 2012 spraying needs assessment reports and fiscal year 2012 checklists for five districts
- 2011 and 2012 NMCC net distribution plans
- Invoices and inventory records for procured commodities
- Records supporting receipt, storage, and distribution of commodities, including dispatch and goods received notes, and inventory records at the central warehouse, district health offices, and health facilities visited.
- USAID/Zambia's fiscal year 2011 performance plan and report to Congress for selected malaria indicators
- The fiscal year 2011 Federal Managers' Financial Integrity Act of 1982<sup>8</sup> certification for USAID/Zambia

We also interviewed key members of USAID/Zambia's health team and support staff, including people from the program, financial management, and contracting offices. We met with implementing partners JSI, SFH, and Abt Associates at their offices in Lusaka and held conference calls with U.S.-based partners from RTI International, Abt Associates, and Deloitte Consulting. We met with the permanent secretary for the Ministry of Health, the NMCC acting deputy director, members of the national malaria team, and MSL managers and warehouse staff.<sup>9</sup> In Lusaka we toured the central MSL warehouse where PMI-funded drugs, tests, and insecticides are stored, and the SFH warehouse where nets are stored. We conducted additional site visits in seven districts (Chama, Chingola, Chipata, Kapiri Mposhi, Kasama, Kitwe, and Ndola), where we met with district health office and health facility staff, and beneficiaries, toured storage facilities, and reviewed records supporting receipt, storage, and distribution of PMI-funded commodities. We have included a full list of sites visited as Appendix III.

## Methodology

To answer the audit objective, we first identified the intended beneficiaries by reviewing program documentation and conducting interviews with mission, partner, and Zambian Government staff members. We then gained an understanding of the supply chain for PMI-funded commodities from procurement to distribution, and identified major risks and weaknesses related to accounting for and safeguarding the commodities.

To verify that the commodities procured with USAID funds arrived in Zambia, we compared invoices and dispatch notes from the supplier with records supporting receipt at MSL and SFH,

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<sup>8</sup> Public Law 97-255, as codified in 31 U.S.C. 3512.

<sup>9</sup> MSL has contracted with Crown Agents, an international development company, since 2004 to manage warehouses, logistics, procurement support, and to strengthen systems. USAID is not funding these activities.

respectively. For nets and insecticide, we counted commodities in the central warehouses to determine whether the records reflected what was on hand.

We performed similar exercises at 5 district health offices that stored PMI-funded commodities and 30 government health facilities to determine whether the commodities were reaching intended beneficiaries and being properly accounted for in the process. Since Zambia has nearly 2,000 health facilities across its 72 districts,<sup>10</sup> we could not undertake a statistically based random sample because of staffing and logistical constraints. Instead we judgmentally selected two districts that were participating in the Essential Medicines Logistics Improvement Program, which the mission supported as a way of improving availability of essential medicines, based on high rates of malaria prevalence, overlapping malaria interventions (drugs, tests, nets, and spraying), and high allocation of PMI-funded commodities.

At the district level, we compared dispatch notes from MSL and SFH with the districts' records supporting receipt of the commodities. We reviewed districts' records to determine whether they had accounted for the drugs, tests, and nets properly as they moved to the health facilities and for the insecticide sachets used during spray season. In the seven districts visited, we counted nets and insecticide and compared those numbers with what was in the inventory records. We did the same for drugs and tests in the five non-Emergency Medicine Logistics Improvement Program districts.

At the health facility level, we compared dispatch notes from the district health offices with the facilities' records supporting receipt of the commodities. We reviewed the facilities' records to determine whether they adequately documented movement and consumption. We also counted commodities to verify that what was on hand was the same as what was in the inventory records. When available, we reviewed health facilities' distribution and consumption records to verify that the health facilities distributed the commodities to intended beneficiaries.

To calculate the quantity of insecticide used after spray season in the five districts where spraying occurred, we reviewed the districts' final spray reports because they stated how much was left after the last day of the season. We compared the reported balance with what we counted during visits in May. We calculated average insecticide usage rates for each district by dividing the number of sachets used by the number of structures sprayed as reported by each district in their final reports.

During all visits, we sought explanations for any discrepancies noted between records. We also observed physical storage conditions to determine whether PMI-funded commodities were being stored appropriately. Because of the nature of our sample, the results of our tests cannot be projected to the entire population. Nevertheless, we believe evidence gathered during fieldwork provided a reasonable basis for our findings and conclusions.

Additionally, to determine impact and knowledge of USAID's sponsorship, we interviewed residents of homes in the areas surrounding the district health offices and health facilities that we visited.

To establish criteria for the audit, we considered the following documents, among others:

- Government Accountability Office, *Standards for Internal Control in the Federal Government*.

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<sup>10</sup> At the time of site visits, Zambia was in the process of creating new districts.

- USAID DELIVER, *Guidelines for Managing the Malaria Supply Chain*
- ADS Chapters 201 (“Planning”), 202 (“Achieving”), 203 (“Assessing and Learning”), 302 (“USAID Direct Contracting”), 303 (“Grants and Cooperative Agreements with Non-Governmental Organizations”), 320 (“Branding and Marking”), and 634 (“Administrative Control of Funds”)
- World Health Organization Global Malaria Programme, *Good procurement practices for artemisinin-based antimalarial medicines*
- World Health Organization Global Malaria Programme, *Malaria Case Management Operations Manual*
- World Health Organization, *Malaria Vector Control: Decision Making Criteria and Procedures for Judicious Use of Insecticides*

The audit reviewed performance indicators but did not rely on them for the answer to the audit objective. Therefore, we did not establish any materiality thresholds.

# MANAGEMENT COMMENTS



**USAID** | **ZAMBIA**  
FROM THE AMERICAN PEOPLE

**DATE:** October 15, 2012

**TO:** Robert Mason, Regional Inspector General/Pretoria

**FROM:** Susan K. Brems, Ph.D., Mission Director /s/

**SUBJECT:** Management Decisions on the Audit of Commodities Funded under the President's Malaria Initiative (PMI) in Zambia (Report No. 4-611-12-00X-P).

**REFERENCE:**

- a) Audit Report No. 4-611-12-00X-P on Audit of Commodities Funded under the President's Malaria Initiative in Zambia.
- b) RIG/Pretoria Memorandum dated August 30, 2012.

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This memorandum communicates the management comments on the seven (7) audit recommendations in the draft report on the audit of commodities funded under the President's Malaria Initiative (PMI) in Zambia.

USAID/Zambia thanks the RIG/Pretoria for conducting the audit on commodities funded under the President's Malaria Initiative (PMI). The above subject audit report and recommendations will improve the quality of the program and will better ensure that USAID/Zambia PMI activities achieve their intended objectives.

USAID/Zambia has reviewed and is in agreement with all seven (7) recommendations. The following represents the Mission's management comments, decisions and actions already taken or planned to address properly the findings and recommendations contained in the report.

## **Recommendation No. 1:**

**We recommend that USAID/Zambia develop and implement an agreement with the Government of Zambia clearly delineating the Government of Zambia's roles and responsibilities for malaria commodities purchased with U.S. Government funds.**

**Management Decision:**

We agree with this recommendation.

**Actions Taken:**

The Mission met with the Ministry of Health (MOH), Ministry of Community Development, Mother and Child Health (MCDMCH) and all health cooperating partners in August and September 2012 to update a Memorandum of Understanding (MOU) referred to as the Mutual Accountability Framework (MAF) that outlines roles and responsibilities for working together to achieve the common goals of the National Health Strategic Plan. The MAF was amended to include language stating that the Government of Zambia (GRZ) will “ensure that donor purchased commodities are secure and properly accounted for once they are delivered to a GRZ warehouse, storeroom or health facility.” (See Attachment I, Section 4.2.8 b on page 5). We expect the final MOU to be signed by **March 31, 2013**.

**Planned Actions:**

USAID/Zambia is working through John Snow Inc. (JSI) under Task Order number GPO-1-00-06-00007 to support the Ministry of Health’s work to develop a first National Supply Chain Strategy which will further define the roles and responsibilities of the Government of Zambia in procurement, storage, distribution, and accounting of commodities, including risk mitigation measures for safeguarding the delivery of commodities. This strategy is expected to be completed by **March 31, 2013**.

The above constitute the measures taken/planned to ensure that Recommendation No. 1 is addressed.

**Recommendation No. 2:**

**We recommend that USAID/Zambia develop and implement a documented plan to mitigate the risks of using Government of Zambia systems for storage and distribution of malaria commodities funded by the President’s Malaria Initiative.**

**Management Decision:**

We agree with this recommendation.

**Actions Taken:**

USAID Zambia, in conjunction with other donors, contracted Deloitte Consulting to conduct an assessment of the internal controls for both the government and non-governmental supply chains for essential medicines in Zambia. The primary objective of the assessment was to identify risks that could impact the effectiveness of inventory control across Zambia's pharmaceutical supply chain and then take actions to mitigate potential mismanagement and loss. The assessment also quantified historical loss at different supply chain levels and locations and identified specific strengths and vulnerabilities in the supply chain. It also proposed steps to mitigate risks and provided information for USAID to consider when determining the future direction of donor assistance (See Attachment XI- Supply and Logistics Internal Control Evaluation (SLICE) report, dated June 15, 2012).

USAID has since shared the report with MOH, and an action plan will be drawn up to mitigate the risks identified in the report.

### **Planned Actions:**

USAID/Zambia will also continue to:

- a) strengthen the public-sector supply chain system to improve commodity availability at the facility level,
- b) increase the accuracy of the Logistics Management Information System (LMIS),
- c) increase transparency and efficiency of stock movement throughout the system, and
- d) reduce the risk of loss or diversion of drugs, so that PMI commodities reach the intended beneficiaries in appropriate quantities and condition.

#### 1. Risk Mitigation Plan

Using the SLICE report and other pertinent information, the Mission will develop and document a Mission plan to identify the risks of using Government of Zambia systems and provide mitigating controls to strengthen the storage and distribution of malaria commodities funded by the President's Malaria Initiative. This plan will be completed by **June 30, 2013**.

#### 2. Storage

To clarify roles and responsibilities, best practices and resources for supply chain, including storage and distribution, USAID/Zambia, through its partner John Snow Inc., is funding a process led by the MOH to develop the first National Supply Chain Strategy, which will be implemented by **June 30, 2013**. This strategy is also expected to address transport issues to the facilities and storage capacity at the facilities and thereby improve distribution and manage risks associated with using Government systems.

The Minister of Health has recently announced plans to establish new warehouses in Zambia. USAID/Zambia will provide technical assistance to the Ministry of Health

and Medical Stores Limited (MSL) to plan for these storage facilities properly and to facilitate proper storage practices, including support to conduct externally led physical audits on a regular basis. USAID/Zambia will also support more efficient distribution practices and thus reduce the burden on storage units by improving order reporting and submission of accurate order quantities.

### 3. Distribution

USAID/Zambia is hiring a logistics professional to provide technical assistance to MSL on a full-time basis to address the findings in the SLICE report, including the need for greater adherence to Standard Operating Procedures, greater data accuracy of the warehouse management system, and greater stock accountability centrally at MSL and down to the district level.

USAID/Zambia is working with its partner, John Snow Inc., and the MOH to replace the current Supply Chain Manager inventory control system with a new electronic Logistics Management Information System (eLMIS) and will implement the first phase by April 30, 2013. This more robust eLMIS system will be rolled out over the next two years and will increase transparency of stock movement throughout the system, provide easier submission and processing of orders, and increase accuracy of data. It will also be linked to the warehouse management system for better transfer of data between the two systems.

USAID/Zambia will continue to assist the MOH in scaling up the Essential Medicines Logistics Improvement Program (EMLIP) to 24 more districts next year and improve commodity availability at the facility level. With targeted technical support to MSL, USAID/Zambia will also support improvements in transparency of stock movement and stock accountability, enabling facilities to receive medicines based on orders. EMLIP training sessions focus on ordering and reporting on a monthly basis and data entry forms. USAID/Zambia also assists the MOH in supervising and monitoring its field-level staff for adherence to Standard Operating Procedures related to stock accountability and documentation.

### 4. Staffing

USAID/Zambia continues to provide training through its partner JSI to MOH health facilities staff in logistics management and pharmacy. This, coupled with the GRZ intention to recruit more staff for MOH, as laid out in the Governance and Management Capacity Plan (Attachment X), will assist in record management for commodities distributed using GRZ systems.

We expect to complete all the above actions by **June 30, 2013**.

The above constitute the measures taken and planned to ensure that Recommendation No. 2 is addressed.

**Recommendation No. 3:**

**We recommend that USAID/Zambia develop and implement procedures to review the annual Needs Assessment Report for errors and reasonable assurance for accuracy prior to using it for decision-making.**

**Management Decision:**

We agree with this recommendation.

**Actions Taken:**

The Contracting Officer's Representative sent an e-mail to two senior staff at the Zambia Integrated Systems Strengthening Project that specified that the Annual Needs Assessment Report must be reviewed by the USAID/Zambia PMI Resident Advisor each year before it is finalized, to ensure its accuracy (See Attachment II).

The above constitutes the measure taken to ensure that Recommendation No. 3 is addressed. Therefore, the Mission recommends that Recommendation No. 3 be closed.

**Recommendation No. 4:**

**We recommend that USAID/Zambia develop and implement a plan (in coordination with the Government of Zambia and other partners) to communicate to the districts expectations for the use and storage of surplus insecticide between spray seasons.**

**Management Decision:**

We agree with this recommendation.

**Actions Taken:**

USAID/Zambia has worked with implementing partners and the Ministry of Health to develop a Standard Operating Procedure document that clearly spells out expectations for the use and storage of left-over insecticides. We have attached a copy of this document, which will be sent to the Ministry of Health for final approval this month (See Attachment III).

The above constitutes the measure taken to ensure that Recommendation No. 4 is addressed. Therefore, the Mission recommends that Recommendation No. 4 be closed.

**Recommendation No. 5:**

**We recommend that USAID/Zambia develop and implement procedures to improve maintenance of source documentation for its performance indicator data reported in the annual performance plan and report.**

**Management Decision:**

We agree with this recommendation.

**Actions Taken:**

In accordance with USAID/Zambia's Monitoring and Evaluation Policy, the USAID/Zambia Management Team has taken several steps to improve data source documentation:

- A Mission-wide Performance Monitoring Plan (PMP) to improve the collection and dissemination of data for all performance indicators has been completed. (Attachment VI)
- Adequate source documents to support indicators will be submitted to the USAID/Program Office, to substantiate any results reported in the PPR each year.
- A trained monitoring and evaluation advisor has been recruited for the USAID/Zambia Health Team and will help support technical staff to ensure timely data quality assessments of each indicator and verify data reported to ensure quality and accuracy of information. (See Attachment VII for Health Team organizational chart.)

All data to be reported in the FY2012 PPR will be supported adequately.

The above constitute the measures taken to ensure that Recommendation No. 5 is addressed. Therefore, the Mission recommends that Recommendation No. 5 be closed.

**Recommendation No. 6:**

**We recommend that USAID/Zambia notify the Office of U.S. Foreign Assistance Resources, in writing, of the misreported results for malaria-related commodity indicators in fiscal year 2011.**

**Management Decision:**

We agree with this recommendation.

**Action Taken:**

The USAID/Zambia Program Office sent a memorandum to the Office of U.S. Foreign Assistance Resources on October 11, 2012, to correct the four misreported results for malaria commodity indicators (See Attachment V11).

The above constitutes the measure taken to ensure that Recommendation No. 6 is addressed. Therefore, the Mission recommends that Recommendation No. 6 be closed.

**Recommendation No. 7:**

**We recommend that USAID/Zambia determine and document its objectives for identifying goods and services provided under the President’s Malaria Initiative in Zambia as American aid and update its communication strategies, including current branding and marking plans, if they do not currently achieve those objectives.**

**Management Decision:**

We agree with this recommendation.

**Planned Actions:**

Mission Management will develop and prepare a Mission Order setting out its branding and marking policies. The Mission Order will also address branding requirements for commodities procured by the Mission for distribution through the Zambian government system. The Mission Order will specify the policies and procedures to be followed to ensure that goods and services provided under the President’s Malaria Initiative in Zambia are identified as “American Aid.”

A branding strategy for all PMI activities in Zambia will also be prepared that will identify:

- All the PMI-supported activities,
- The ways the materials and communications will be positioned,
- Commodities and equipment that will be branded,
- The desired level of visibility,
- Exception to Agency-required marking and branding requirements, and
- Any other organizations to be acknowledged.

All Branding Implementation Plans (BIP) for PMI activities will be updated based on the Mission’s PMI branding strategy.

We expect to complete all actions above by **March 31, 2013**.

The above constitute USAID/Zambia’s Management Comments with regard to the seven audit recommendations contained in the RIG/Pretoria draft Audit Report no 4-611-12-00X-P. This memorandum enumerates the measures taken and planned to address the recommendations in the report.

Attachments: a/s.

### Sites Auditors Visited

Province	District	Facility/District Health Office
Central	Kapiri Mposhi <sup>†</sup>	Kapiri Mposhi District Health Office
		Luanshimba Rural Health Center
		Mulungushi University Rural Health Center
		Mukonchi Rural Health Center
Copperbelt	Ndola <sup>†</sup>	Ndola District Health Office
		Kanseshi Prison
		Kabushi Urban Health Center
		Ndeke Urban Health Center
	Kitwe <sup>†</sup>	Railway Surgery Urban Health Center
		Kitwe District Health Office
		Buchi Main Urban Health Center
Zamtan Urban Health Center		
Kamfinsa Urban Health Center		
Copperbelt	Kitwe <sup>†</sup>	Kakolo Health Post
		Chavuma Urban Health Center
		Chimwemwe Urban Health Center
		Twatasha Urban Health Center
	Chingola <sup>†</sup>	Kawama Urban Health Center
		Chingola District Health Office
		Chawama Rural Health Center
Eastern	Chipata	Kabundi East Urban Health Center
		Kasompe Urban Health Center
		Mutenda Rural Health Center
	Chama <sup>‡</sup>	Muchinshi Rural Health Center
		Chipata District Health Office
		Mnoru Rural Health Center
		Kasenga Rural Health Center
		Chama District Health Office
		Chama District Hospital
		Kambombo Rural Health Center
Northern	Kasama <sup>†‡</sup>	Kasama District Health Office
		Location Urban Health Center
		Musa Rural Health Center
		Kateshi Rural Health Center
		Chilubula Rural Health Center
Northern	Kasama <sup>†‡</sup>	ZNS Chishimba Rural Health Center
		Army Urban Health Center

<sup>†</sup> Denotes PMI-supported spraying district.

<sup>‡</sup> Kasama and Chama district health offices did not store commodities as districts participating in the Essential Medicines Logistics Improvement Program.

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