



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/HAITI'S LEADERSHIP, MANAGEMENT AND SUSTAINABILITY PROJECT

AUDIT REPORT NO. 1-521-13-007-P
AUGUST 2, 2013

SAN SALVADOR, EL SALVADOR



Office of Inspector General

August 2, 2013

MEMORANDUM

TO: USAID/Haiti Acting Mission Director, Mark A. White

FROM: Regional Inspector General/San Salvador, Jon Chasson /s/

SUBJECT: Audit of USAID/Haiti's Leadership, Management and Sustainability Project
(Report No. 1-521-13-007-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report and have included them in their entirety in Appendix II of this report.

The report contains three recommendations to help USAID/Haiti improve the implementation of its Leadership, Management and Sustainability Project. Based on planned actions described in your response to the draft report, management decisions have been reached on Recommendations, 1, 2, and 3.

Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with the necessary documentation to achieve final action on the recommendations.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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SUMMARY OF RESULTS

For years Haiti's health-care commodities logistics system worked poorly, and commodities supplied by the U.S. Government were at risk for loss or mismanagement. In 2007 USAID began controlling the distribution of commodities from point-of-entry to point-of-use, while providing technical assistance to improve the Haitian Government's commodity system. In January 2008 USAID/Haiti initiated the Leadership, Management and Sustainability Program to repair Haiti's health-care commodity management and distribution system, and to address the shortage of leadership and management capacity within the Ministry of Public Health and Population (MSPP). This program was implemented by Management Sciences for Health (MSH).

When the initial program ended, in March 2010 USAID/Haiti issued a new 5-year, \$12 million cooperative agreement to MSH for a similarly named Leadership, Management and Sustainability (LMS) Project. This new project emphasized the management of reproductive health commodities such as condoms and birth control methods. Amounts obligated and disbursed as of March 18, 2013, were \$10,938,750 and \$9,940,367, respectively.

The Regional Inspector General/San Salvador (RIG/San Salvador) conducted this audit to determine whether USAID/Haiti's Leadership, Management and Sustainability Project is achieving its main goals of (1) establishing strong program and management systems, and (2) training and empowering Haitian health managers to be effective leaders with the managerial skills to maintain those systems.

The audit found that the project has contributed to strengthened program and management systems, and has provided training to empower managers to maintain those systems. Specifically:

- MSPP has adopted improved methods and practices. For example, it conducts an annual quantification exercise to forecast inventory stock levels and the resources needed to distribute family planning commodities.
- In 2012 the project distributed USAID commodities to 311 service delivery sites supported by U.S. Government partners. Project employees visited sites to monitor inventory management and provide on-site training. This effort reduced instances of the facilities running out of commodities and helped make sure they were stored properly.
- The project trained MSPP staff to deliver quality family planning services, with a focus on adequate counseling and educating clients.

However, despite these achievements, the audit found that:

- The project faces challenges during the remaining implementation period and cannot complete all of the work envisioned in the cooperative agreement (page 3). During the project's first 3 years, USAID/Haiti cut back or eliminated planned support for two project areas: supporting local nongovernmental organizations (NGOs) and community mobilization efforts. However, even with these reductions, MSH has already spent a significant portion of the agreement's funds.

- MSH did not develop the required sustainability plan (page 4). Officials there said the plan was delayed because priorities shifted following the 2010 earthquake, the cholera epidemic, and changes in leadership at MSPP.
- USAID/Haiti did not make sure that MSH complied with family planning regulations (page 4). Neither the mission nor the implementer had controls in place to be sure employees understood the regulations and were trained to comply with them.

To help USAID/Haiti make the project more efficient and effective, RIG/San Salvador makes the following recommendations.

1. Implement a plan to address the remaining project implementation period and budget, and determine the impact on project goals (page 4).
2. Implement a sustainability plan as required by the agreement (page 4).
3. Require MSH to implement a plan to address its compliance with family planning regulations (page 5).

Detailed findings appear in the following section. The scope and methodology are described in Appendix I. Management comments are included in their entirety in Appendix II, and our evaluation of management comments is on page 6 of the report.

AUDIT FINDINGS

Implementer Cannot Finish All Activities

As part of the 5-year cooperative agreement, MSH was expected to provide leadership training and capacity building to support four project areas:

- Help MSPP to manage the distribution of family planning commodities donated by USAID.
- Provide family planning services at major public hospitals.
- Coordinate community mobilization activities for prevention and treatment of HIV/AIDS and other community health issues.
- Strengthen local NGOs and Haitian Government partners that play or could play a role in achieving USAID objectives in HIV/AIDS and family planning.

All aspects of the project had an estimated completion date of March 15, 2015.

However, MSH cannot complete all of the work envisioned in the agreement. MSH officials said they could not because USAID/Haiti asked MSH to take on unexpected additional responsibilities such as providing relief supplies for the 2010 earthquake and the subsequent cholera outbreak. These activities consumed resources intended for the original program.

USAID modified the agreement in March 2012 to align the project better with the Post-Earthquake U.S. Government Haiti strategy.¹ The modification eliminated two areas: community mobilization, and strengthening NGO and public sector partners. However, even with the reduced amount of work, MSH will still use up its funding earlier than expected and will not complete all of the remaining activities. As of March 2013, it had already disbursed \$9.9 million of the \$12 million budgeted.

Project officials did not follow a realistic budget based on available funding. The cooperative agreement included a provision for an additional \$20 million to respond to “unforeseen health sector needs,” and MSH included these funds in its project budget. However, USAID/Haiti officials said the funds were never guaranteed and were not available to support the activities described in the cooperative agreement.

In February 2012 MSH asked the mission to end the project earlier than planned. Although the original end date was March 2015, MSH asked USAID to move the project’s end date up to September 2013 to allow MSH to use the remaining funds most effectively. USAID/Haiti officials said they have not responded yet because they were developing a unified commodities management system in Haiti that would merge the system with other existing projects.

¹ U.S. Department of State, *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity*, January 3, 2011.

Without time to plan for the orderly termination of activities, MSH cannot make the best use of available funds. Also without prompt action, some of the gains made through the project's interventions may be lost. To address this concern, we make the following recommendation.

***Recommendation 1.** We recommend that USAID/Haiti implement a plan to address the remaining project implementation period and budget, and determine the impact on achievement of project goals.*

Implementer Did Not Develop Sustainability Plan

Automated Directives System 201.3.3.3 states that USAID missions should “consider building the capacity of specific institutions and related governance systems at the state (national), regional (subnational), or local levels—or a combination of these three—to ensure sustainable results.” According to the MSH agreement, the project would establish strong program and management systems and train personnel to be effective managers and leaders.

The agreement required MSH to develop a sustainability plan within the second year of project implementation (by March 2012). MSH was expected to collaborate on this with USAID/Haiti, relevant sections of the Haitian Government, and other major stakeholders. The plan would focus on the project's institutional, financial, and programmatic sustainability.

Although the project is in its third year of implementation, MSH and USAID/Haiti have not begun work on the sustainability plan. An MSH official said, “While the sustainability plan should have been written in collaboration with the MSPP, our counterparts there prioritized many other issues in the post-earthquake period, e.g. cholera epidemics, the transition to a new Minister of Health and Director-General at the MSPP, among other things.” The official also noted that USAID changed the project description in March 2012 and began developing a new supply chain strategy several months later.

Despite these challenges, a sustainability plan is critical. While the mission is in the process of developing a unified commodities management system in coordination with MSPP and another USAID/Haiti health commodities project, this approach is still in the discussion stage, and elements introduced by the project will likely be retained. Therefore, plans for sustainability of these elements should be in place before the project ends.

Without a sustainability strategy, the goal of having national governments and local organizations sustain the project's work has less chance of succeeding. To address this concern, we make the following recommendation.

***Recommendation 2.** We recommend that USAID/Haiti, in conjunction with Management Sciences for Health, implement a sustainability plan as described in the agreement.*

Mission Did Not Ensure Compliance With Family Planning Regulations

The Tiahrt Amendment to the Fiscal Year 1999 Appropriations Act (initiated by former U.S. Rep. Todd Tiahrt, R-Kansas) applies to projects that receive USAID money, technical assistance, or

commodities in support of family planning service delivery projects.² According to the amendment, (1) service providers cannot use targets or quotas, (2) projects cannot offer incentives to beneficiaries or program personnel, and (3) projects cannot withhold rights or benefits based on the acceptance of family planning.³ The amendment also requires that participants receive comprehensible information about family planning and potential health benefits and risks.

According to its agreement with USAID/Haiti, MSH will make sure that providers have received training in compliance with all family planning regulations on service delivery. MSH will establish a Tiaht compliance plan, and/or provide training and technical assistance to put compliance plans in place. Furthermore, MSH will check on whether its employees are following the compliance plan during regular supervisory visits. MSH also agreed to include USAID's family planning requirements as standard provisions in all grants, cooperative agreements, and contracts that address family planning activities.

However, USAID/Haiti and MSH did not have adequate controls to confirm that (1) providers were trained in compliance with the regulations, (2) a compliance plan was established and followed, and (3) adherence to family planning regulations was assessed during supervisory visits. Although project employees conducted the visits, stock managers and nurses at 5 of 11 facilities visited during the audit had not received any training on compliance with Tiaht requirements. Additionally, representatives at 8 of the facilities could not confirm whether the facility had a written compliance plan.

According to the mission, these problems occurred because the project agreement did not reflect the requirements correctly and MSH was unclear about who had to be trained on Tiaht compliance. Also, providers at some facilities did not get the training because they were hired recently and MSH had suspended all training activities since July 2012 because of changes in the project description that needed USAID's approval.

Without adequate compliance monitoring procedures in place, the mission is at risk of not discovering and reporting violations of the Tiaht amendment.

Recommendation 3. *We recommend that USAID/Haiti require Management Sciences for Health to implement a plan to address its compliance with family planning regulations.*

² Section 101 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, 112 Stat. 2681-154 (October 21, 1998).

³ Public Law 111-117; 123 Stat. 3324 (December 16, 2009).

EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/Haiti agreed with all three recommendations. Based on our evaluation of the mission's comments, we acknowledge that management decisions have been reached on each recommendation. Our detailed evaluation of management comments follows.

Recommendation 1. USAID/Haiti has reviewed the remaining implementation period and budget for the project. The mission plans to modify the award to define activities to be accomplished to achieve modified goals of commodity distribution to sites and other supply chain activities within the new time frame (which ends September 30, 2014). The mission plans to modify the award by September 15, 2013. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 2. USAID/Haiti plans to transfer responsibilities for the project's procurement, distribution, and logistics activities gradually to the Supply Chain Management System project. Mission officials said they plan to merge the supply chains of different health projects into one eventually for greater efficiency for a new supply chain strategy being developed in coordination with MSPP. The mission plans to develop a sustainability plan by April 30, 2014, under the supply chain project in collaboration with members of the leadership project, the Ministry of Health, and other partners. Based on the mission's response and planned actions, a management decision has been reached on this recommendation.

Recommendation 3. USAID/Haiti approved the Family Planning Compliance Plan that MSH developed in April 2013. The mission finalized and approved the plan subsequent to audit fieldwork, but it had not yet been implemented. To address the audit recommendation, the mission plans to amend the compliance plan to include contacting the facilities as part of monitoring compliance. The mission plans to complete the planned actions by September 30, 2013. Based on the mission's response and estimated time frame for implementation, a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

RIG/San Salvador 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 purpose of the audit was to determine whether USAID/Haiti's Leadership, Management and Sustainability Project is achieving its main goals of establishing strong program and management systems and training, and empowering Haitian health managers to be effective leaders with managerial skills to maintain those systems.

USAID/Haiti awarded MSH a \$12 million, 5-year associate cooperative agreement to implement the project. As of March 18, 2013, USAID/Haiti had obligated \$10,938,750 and disbursed \$9,940,367 for project activities. The disbursed amount represents the amount tested during this performance audit.

The audit covered the period from the project's inception, March 16, 2010, through September 30, 2012. We conducted audit fieldwork from January 25 to April 5, 2013, at USAID/Haiti and MSH's office in Petion-Ville. We also met with MSPP representatives in the Sud, Nord-Est, and Artibonite Departments, and at the central level in Port-au-Prince. We conducted site visits to hospitals, clinics, and dispensaries in Kenscoff, Petion-Ville, Port-au-Prince, Cap-Haitien, Les Perches, Capotille, Les Cayes, Camp Perrin, and Pierre Payen.

In planning and performing the audit, we assessed the significant internal controls the mission used to manage the project. They were reviewing and approving work plans, reviewing quarterly progress reports, and conducting site visits. We also reviewed the mission's annual fiscal year 2012 assessment of internal controls required by the Federal Managers' Financial Integrity Act of 1982.

Methodology

To determine whether USAID/Haiti appropriately managed the project activities, we met with USAID/Haiti officials, including the agreement officer's representative, acquisition and assistance specialist, monitoring and evaluation adviser, and program officer. We reviewed the agreement, technical proposals and evaluation, work plans, project performance management plan, quarterly and annual progress reports, financial reports, and the previous program's final report. At MSH, we interviewed the project director, technical advisors, monitoring and evaluation employees, and the financial management staff. We reviewed MSH's policies and procedures for distribution, monitoring and evaluation, and administrative and financial management. We also interviewed stock managers and family planning providers at the facilities we visited.

We visited site locations in five of the ten departments where project activities were implemented (Ouest, Nord, Nord-Est, Sud, and Artibonite). We judgmentally selected the

departments based on geographic locations and inclusion of both public and private institutions. Since the activities reviewed were selected based on a judgmental sample rather than a statistical one, the results are limited to the items tested and cannot be projected to the entire audit universe.

MANAGEMENT COMMENTS



TO: Jon Chasson, Regional Inspector General/San Salvador

THROUGH: Steve Olive, Deputy Director

FROM: Mark A. White, Acting Mission Director

DATE: July 22, 2013

SUBJECT: Mission Response to the Audit of USAID/Haiti's Leadership, Management and Sustainability Project (RIG draft Report No. 1-521-13-00X-P)

This memorandum represents USAID/Haiti's actions taken to address and reach the management decisions for the recommendations reported in the draft Audit of USAID/Haiti's Leadership, Management and Sustainability Project (RIG Report No. 1-521-13-00X-P). The mission agrees with recommendations 1, 2 and 3 and provides below the responses to these recommendations.

Recommendation No. 1: *We recommend that USAID/Haiti implement a plan to address the remaining project implementation period and budget and determine the impact on achievement of project goals.*

Mission Response

USAID/Haiti has reviewed options with respect to the Leadership, Management and Sustainability project implementation period and budget, and is currently seeking to modify the award. The planned modification will define the scope of activities to occur until a new completion date of September 30, 2014 and allocate necessary funds for that time period. The need to respond to unforeseen health sector needs, primarily the cholera outbreak in Haiti, contributed to the expenditure of award funds more quickly than anticipated. Under the planned award modification, LMS will no longer be responsible for the storage and warehousing of USG procured family planning commodities as it has done in the past. Instead, LMS will collaborate with a new implementing partner who will undertake storage and warehousing activities, while continuing to distribute commodities to sites, as well as other supply chain activities.

Plan of Action: USAID intends to modify the award, including modifying the program description and the budget, to permit LMS to continue activities and achieve modified project

goals of ensured commodity distribution to sites and other discrete supply chain activities until September 30th, 2014.

Timeline for accomplishment: September 15, 2013

Recommendation No. 2: *We recommend that USAID/Haiti in conjunction with Management Sciences for Health, implement a sustainability plan that includes the attributes of the sustainability plan described in the agreement.*

Mission Response

The Haitian Ministry of Health (MSPP) supported by the international donors agencies are working on the creation of a single, consolidated and sustainable national supply chain for all health commodities (referred to as *Système National d'Approvisionnement des Intrants or SNAI*). The SNAI once established will replace the multiple channels that are currently operating in parallel to supply commodities to the health institutions. As of August 1, 2013, all the family planning commodities will be stored and managed at the PROMESS (*Programme de Médicaments Essentiels*) warehouse, managed by the Pan-American Health Organization (PAHO), on behalf of the Ministry of Health. The phase out of the LMS project will gradually continue as USAID consolidates the procurement, distribution and other logistics activities of all the commodities under one USG supply chain project which will at a later phase be integrated into the SNAI. By April 30th, 2014, a sustainability plan will be developed by the USAID supported Supply Chain Management System (SCMS) project, (another supply chain partner) in collaboration with LMS, the MOH and others for SNAI.

Plan of Action: A sustainability plan will be developed by the USAID supported SCMS project in collaboration with LMS, the MOH and others for SNAI.

Timeline for accomplishment: April 30, 2014.

Recommendation No. 3: *We recommend that USAID/Haiti require Management Sciences for Health to implement a plan to address its compliance with family planning regulations.*

Mission Response

Management Sciences for Health has developed and is currently implementing a plan for LMS to ensure compliance with U.S. family planning regulations. LMS staff attended a USAID-hosted family planning compliance workshop in October 2012. In the months thereafter, the Mission with assistance from the Family Planning Team from Washington worked with LMS to clearly define responsibilities regarding compliance with U.S. family planning laws, regulations and policies. As part of this work, LMS developed a Family Planning Compliance Plan, in which preventive and monitoring actions to be implemented by the project to ensure compliance with the family planning regulations are clearly described, as well as response procedures in case of the discovery of any vulnerability or violation of the regulations. The compliance plan was approved by USAID and finalized in April 2013.

Even prior to the finalization of the written plan, LMS conducted regular family planning compliance training for staff of service delivery sites.

Under LMS' Family Planning Compliance Plan, training occurs at two levels:

- Trainings organized at the departmental levels, at which staff are convened from all sites within a given department. There is a published schedule for these trainings which is developed in collaboration with the Ministry of Health and on a need basis.
- Site trainings, organized to ensure that staff that may not have come to the departmental trainings are also trained. Site trainings occur during supervision visits and supply trips. The timing of site trainings generally depends upon how frequently a site requires distribution of supplies.

During the past two years, there has been a high staff turnover within sites, affecting LMS' ability to keep a record of staff trained. Departmental trainings occur on a calendar pre-established both by the Ministry of Health and LMS, and trainings at site occur during supply distributions. Therefore, a particular site where a commodity manager has recently arrived may have a lag time between supervision and supply visits during which they will not have yet been trained. This problem will be minimized by ensuring that LMS keeps frequent contact with site staff, so as to be aware of staff turnover as soon as it occurs. The current LMS Family Planning Compliance Plan will be amended by September 30th, 2013 to include regular contact with sites to check on staffing patterns as part of their monitoring activities and the AOR will ensure compliance. The final and approved LMS Family Planning Compliance Plan and Tools was shared with the Inspector General's office on April 24th, 2013. It will be subject to regular review and update as needed.

Plan of Action: USAID will require MSH/LMS to amend its Family Planning Compliance Plan to address the recommendation

Timeline: September 30, 2013

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