OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/TANZANIA'S HIV TREATMENT ACTIVITIES

AUDIT REPORT NO. 4-621-14-007-P
AUGUST 14, 2014

PRETORIA, SOUTH AFRICA

Office of Inspector General

August 14, 2014

MEMORANDUM

TO: USAID/Tanzania Mission Director, Sharon Cromer

FROM: Acting Regional Inspector General/Pretoria, Rameeth Hundle /s/

SUBJECT: Audit of USAID/Tanzania's HIV Treatment Activities (Report No. 4-621-14-007-P)

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

The report includes nine recommendations to help strengthen the mission's HIV treatment activities. We acknowledge management decisions on Recommendations 1 through 5 and 7 through 9 and final action on Recommendations 2, 3, 5, and 8. In accordance with ADS 595.3.2.1, a management decision on Recommendation 6 requires the agreement officer to determine the allowability of questioned costs of $38,510 ($37,752 unsupported and $758 ineligible).

Please have the responsible official provide us with written notice within 30 days of a determination on Recommendation 6. Please also provide the necessary documentation to obtain final action on Recommendations 1, 4, 7, and 9 to the Audit Performance and Compliance Division in the Office of the Chief Financial Officer. Recommendations 2, 3, 5, and 8 are closed upon issuance of this report.

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

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CONTENTS

Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOR	agreement officer's representative
ARV	antiretroviral
CSSC	Christian Social Services Commission
EMMP	Environmental Mitigation and Monitoring Plan
FY	fiscal year
OMB	Office of Management and Budget
PASADA	Pastoral Activities and Services for People With AIDS, Dar es Salaam Archdiocese
PEPFAR	President's Emergency Plan for AIDS Relief
RIG	Regional Inspector General

SUMMARY OF RESULTS

The Joint United Nations Programme on HIV/AIDS estimated in 2012 that 1.5 million Tanzanians were living with HIV and that the adult prevalence rate of the disease was 5.1 percent. That rate was down from 7.1 percent in 2009 thanks to prevention and treatment efforts by the government and support from international donors.[1]

To further the progress, Tanzania's 2009-2015 health strategy seeks to expand access to antiretroviral drugs (ARVs) by increasing the number of health facilities that provide them. According to government estimates, by 2009 approximately 20 percent of the 1.5 million Tanzanians believed to be living with HIV and AIDS needed these drugs.[2]

With funding from the President's Emergency Plan for AIDS Relief (PEPFAR), USAID/Tanzania provides assistance to Tanzania in combating HIV/AIDS. From October 1, 2011, to June 30, 2013, the USAID/Tanzania mission obligated $41.2 million on direct clinical services for HIV treatment. The four direct service delivery HIV treatment projects shown in Table 1 collectively supported 236 of Tanzania's 909 care and treatment centers located in 9 of the country's 21 mainland regions.

Table 1. Audited Projects as of June 30, 2013

Project Name and Purpose	Implementing Partner	Cooperative Agreement Dates	Total Estimated Cost ($) (unaudited)	Obligated Amount ($) (unaudited)
Baylor Pediatric AIDS Initiative Reduce HIV/AIDS-related morbidity and mortality among infants, children, and adolescents through increased comprehensive HIV/AIDS prevention, care, and treatment services.	Baylor College of Medicine	8/28/2008-8/27/2015	22,500,000	13,650,000
Optimizing Comprehensive HIV/AIDS Services in Tanzania Provide comprehensive HIV/AIDS care and treatment services for people living with HIV/AIDS through two facilities and 24 mobile outreach units.	Pastoral Activities and Services for People With AIDS, Dar es Salaam Archdiocese (PASADA)	10/1/2011-9/30/2016	15,000,000	7,334,545

[1] Joint United Nations Programme on HIV/AIDS (UNAIDS), *Report on the Global AIDS Epidemic 2010*, as cited in a July 2012 UNICEF fact sheet: "Countdown to Zero."
[2] United Republic of Tanzania, Ministry of Health and Social Welfare Report on the Implementation of HIV/AIDS Care and Treatment Services in Tanzania. March 2011.

Project Name and Purpose	Implementing Partner	Cooperative Agreement Dates	Total Estimated Cost ($) (unaudited)	Obligated Amount ($) (unaudited)
Optimizing Comprehensive HIV/AIDS Services in Tanzania/Selian Hospital AIDS Control Program Build and expand the capacity of indigenous Tanzanian health-care institutions and communities to provide HIV/AIDS prevention, care, support, and treatment services.	Selian Lutheran Hospital	10/1/2011-9/31/2016	15,000,000	3,750,135
Tunajali II* Build the capacity of care and treatment centers, local government, and civil society organizations to provide clinical and community HIV/AIDS services.	Deloitte Consulting Limited	1/18/2012-1/17/2017	58,000,000	16,500,000
Total			**110,500,000**	**41,234,680**

* *Tunajali* is a Swahili word meaning "we care."

The Regional Inspector General (RIG)/Pretoria conducted this audit to determine whether USAID/Tanzania's HIV treatment activities were contributing to improving the quality of HIV treatment services in Tanzania. The audit found that they were. Auditors interviewed beneficiaries who said the quality of services they received at USAID-supported centers was equal to or better than services at other centers.

Although USAID implementers have helped improve service delivery at USAID-supported centers, the mission's fiscal year (FY) 2012 and FY 2011 results narrowly missed targets for one key indicator used by PEPFAR to measure quality: *Percent of adults and children known to be alive and on treatment 12 months after initiation of antiretroviral therapy*. The mission used this indicator as a proxy for improved quality since it measured long-term survival rates. Table 2 shows the FY 2012 and FY 2011 targets and results for the indicator.

Table 2. Patients Still on Treatment After a Year (unaudited)

Fiscal Year	PEPFAR Country Target (%)	USAID/Tanzania Result (%)	Percent of Target Achieved (%)
2012	75.0	67.2	89.6
2011	71.2	63.9	89.7

USAID/Tanzania officials said two factors prevented the activities from meeting these targets. One was the number of adults and children who transferred to different treatment facilities without documentation. USAID also reported that ARV stockouts limited their ability to provide quality service.

The audit found that:

- An implementer did not monitor service providers' control over drug inventories. Auditors found inaccurate stock records, poor record keeping, and cluttered conditions at care and treatment centers. These conditions could reduce the availability of ARVs and the outcomes of USAID/Tanzania's treatment program (page 5).

- Agreement officer's representatives (AORs) were not carrying out all designated responsibilities. The AORs were not performing enough site visits, verifying data, or verifying compliance with environmental and branding requirements. Consequently, they overlooked several programmatic weaknesses (page 6).

- Two of the four implementers included in the audit did not track care and treatment expenditures. As a result, USAID/Tanzania did not know how much it had spent on care and treatment and lacked critical information for cost analysis and program management (page 9).

- An implementer charged unallowable costs to its USAID award (page 8). This implementer lacked support for expenditures of $24,140, had inadequate time sheets for employee compensation of $13,612, and paid value-added tax from which it was exempt of $758 (page 10).

- Another implementer approved a budget including unreasonable administrative costs (page 12). Deloitte Consulting Limited's budget with USAID incorporated the administrative costs of its subrecipients, meaning that payments from Deloitte to subs covered the costs, but a subrecipient also charged these costs directly to its award, in what appeared to be double billing or profit making, which is prohibited (page 12).

To strengthen USAID/Tanzania's HIV treatment activities, the audit recommends that the mission:

1. Implement a plan to improve internal controls over ARV drugs at USAID-supported facilities (page 6).

2. Update its standard site visit checklist to include a section on monitoring compliance with branding and marking requirements (page 8).

3. Implement a plan for the health team to verify that its AORs conduct site visits quarterly, review all elements outlined on the standard site visit checklist, understand how to verify data, and document the results of their site visits as required (page 8).

4. Require its implementers to submit Environmental Mitigation and Monitoring Plans for USAID approval (page 9).

5. Implement a plan to verify that AORs monitor implementers' adherence to approved environmental monitoring plans (page 9).

6. Determine the allowability of $38,510 in questioned costs ($37,752 unsupported and $758 ineligible) and recover from Selian Lutheran Hospital any amounts determined to be unallowable (page 11).

7. Verify that Selian Lutheran Hospital corrects the three instances of material noncompliance—expenses not adequately documented, time sheets not correctly recorded and maintained, and value-added tax paid—and document the results (page 11).

8. Implement a plan to strengthen financial monitoring during site visits, including adding a section to the standard site visit checklist on financial items and providing training for AORs on how to review those items during site visits (page 11).

9. Implement a plan to verify that administrative costs charged by Deloitte Consulting Limited's subrecipients meet Office of Management and Budget Circular A-122 cost principles (page 12).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments are included in Appendix II, and our evaluation of them begins on page 13.

AUDIT FINDINGS

Implementer Did Not Monitor Drug Inventories

Effective inventory control is essential to planning, procuring, and providing ARVs, which are critical to delivering high-quality treatment services. Weaknesses in inventory controls and record keeping may increase the risk of ARV shortages, waste, and loss. ARVs should be counted periodically and their number compared with control records, and movement of stock should be accurately documented. To facilitate tracking, Tanzania's Medical Stores Department[3] requires centers to use an order book to request ARVs. This book is an important internal control because it uses a formula based on the number of ARVs on hand to determine the amount to order. In short, accurate center records are necessary for the effective and efficient distribution of ARVs.

Despite the importance of proper internal controls, some centers supported by Deloitte had weak controls. Four of the eight centers visited had different quantities of ARVs in their records than were actually on hand. For example, Morogoro Regional Hospital had on hand 60 units more of one type of ARV than indicated on the stock card, while for another type the number on hand was 34 units less. Although the pharmacists said the hospital conducted frequent stock counts, records showed only one count in November 2012; the next count was not done until August 2013. This level of activity was inadequate since the hospital received stock quarterly and issued ARVs to nearby centers more frequently.

Furthermore, clutter and a lack of records kept auditors from verifying the physical inventory at two other centers. For example, the Saint Gemma center in the Dodoma Region could not produce documentation for the stock ordered or received. An official with the center said she ordered ARVs from the regional hospital using scraps of paper that she later discarded. This official said she did not use the order book because she only learned of it in August 2013 during a visit by Medical Stores Department staff.

Internal controls over inventory were weak because neither USAID nor Deloitte adequately monitored them. According to staff at the Saint Gemma center, Deloitte had never inspected the dispensary, inquired about internal controls, or provided feedback about procedures for ordering ARVs. Deloitte officials said they did not monitor internal controls over ordering and supplying ARVs because they believed this was another implementing partner's responsibility.

However, a USAID official said that Deloitte should have been monitoring inventory controls as part of its capacity-building efforts since the goal of the Tunajali II Project implemented by Deloitte was to improve the quality of service delivery, including the distribution of ARVs. USAID officials added that all implementers should work together to ensure that service providers have good internal controls over their ARV inventory and that ample opportunities exist for collaboration and communication. For example, quarterly partner meetings allow implementers to share information and discuss their challenges and successes with USAID. Although these quarterly meetings occurred, improved internal control over ARV inventory was not apparent to auditors visiting center dispensaries.

[3] An autonomous department of the Tanzanian Ministry of Health and Social Welfare, responsible for procurement, storage, and distribution of essential drugs and other medical supplies for Tanzania.

For its part, the mission did not perform adequate site visits. Although USAID's health team leadership made its expectations about ARV inventory controls clear—that AORs should visit dispensaries, identify any deficiencies, and provide feedback to implementers responsible for improving the quality of treatment service delivery—site visits were limited, and none of the AOR-prepared site visit reports identified problems with dispensary inventory controls. The AOR for Deloitte's Tunajali II Project said there were numerous centers to visit and substantial work to be done during each visit. As a result, the AOR devoted his limited time during site visits to technical aspects of the project.

Without good internal controls over inventory, USAID/Tanzania lacked assurance that patients received maximum benefit from the ARVs it funded. Accurate stock records in Tanzania are especially important since the Medical Stores Department's policy requires health centers to base their ARV orders on existing stock. Too many ARVs on hand may lead to excess stock and expiration, while too few may result in unnecessary and avoidable stockouts. USAID officials cited the stockout of ARVs as one reason they were unable to meet their treatment targets. Therefore, the audit makes the following recommendation.

> ***Recommendation 1.*** *We recommend that USAID/Tanzania implement a plan to strengthen internal controls over antiretroviral drugs at USAID-supported facilities.*

USAID Officials Did Not Fulfill All Designated Responsibilities

According to Automated Directives System (ADS) 303.2.f, AORs are responsible for administering the award and monitoring the recipient's performance. These duties promote the prudent management of the award and the achievement of program objectives. Specific responsibilities include conducting site visits, verifying timely performance, and ensuring compliance with award conditions such as mitigating environmental impact and carrying out branding and marking.

Nevertheless, AORs for the four audited projects were not completing their designated responsibilities in these areas, as discussed below.

Site Visits. In addition to ADS 303.2.f requirements, a USAID/Tanzania Mission Order requires its AORs to perform site visits quarterly and document them within 1 week using a standard checklist. [4] However, each AOR conducted only one to two site visits in 2012 and 2013 and did not always document them as required.

AORs said their responsibilities for other programs and participation in local working groups limited the number of site visits they could make outside Dar es Salaam. AORs also said that other tasks, like participating in portfolio reviews and compiling data for reports, kept them from conducting more visits. The health team leader acknowledged that AORs did not conduct at least one site visit per quarter because of other office responsibilities.

As a result, AORs missed opportunities to assess projects' performance, identify problems, and provide timely feedback. AORs instead relied on meeting with implementers and reading their quarterly progress reports to obtain information about the projects. Had AORs performed

[4] Mission Order 10-3, "Mission Performance Monitoring and Evaluation Framework," issued February 10, 2012.

quarterly site visits as required, they might have realized that some centers lacked inventory controls (page 5); that implementers had not reported accurate data or met environmental compliance or branding and marking requirements, as discussed below; and that some implementers charged time to their USAID awards inappropriately and displayed other financial weaknesses (page 10).

Data Verification. USAID/Tanzania's standard site visit checklist included a section on data verification, which required comparing reported data with source documentation. However, the audit found that AORs were not consistently verifying data as required. For example, AORs described comparing data from the previous and current quarters to identify any changes in performance (trend analysis), but rarely described comparing reported data with source documentation, partly because AORs did not understand the difference between data verification and trend analysis. One AOR said the amount of work that needed to be performed on-site and the number of sites and projects to be covered led AORs to focus only on technical matters during site visits. A monitoring and evaluation official said he was not confident that AORs verify data, because the number of AORs is small compared with the size of the health program.

Consequently, USAID/Tanzania may have missed opportunities to identify and correct inaccuracies in the data collected at health facilities. For example, some centers incorrectly counted and recorded patients transferred from other health facilities as newly enrolled on ART, skewing data reported to USAID for program management. Verification of patient records against facility records and other data reports would have identified this problem. While the data inaccuracies were not material in this instance, future instances might be.

Environmental Compliance. Title 22 of the Code of Federal Regulations, Part 216 (22 CFR 216) outlines Agency requirements for environmental compliance. As such, all four implementer agreements required them to comply with the approved Initial Environmental Examination (IEE). This IEE requires all organizations implementing HIV and AIDS activities to complete an Environmental Mitigation and Monitoring Plan (EMMP).

However, three of the four audited implementers—Baylor, Selian Lutheran Hospital, and Deloitte Consulting Limited—had not completed an EMMP. Deloitte officials noted that the mission did not require them to complete the plan. The fourth implementer—PASADA—prepared what it called an "environmental management plan," but acknowledged it was inadequate because it lacked elements specified in the EMMP format, such as a log for monitoring. An official from the implementer said it planned to revise its EMMP.

USAID staff explained that two technical officers who had overseen environmental compliance for the health team left the mission in 2012, creating a gap in monitoring. However, ADS 204.3.4 and ADS 303.2.f delegates this responsibility to AORs, and the standard site visit checklist includes a section on environmental compliance.

Without environmental plans spelling out risks and mitigation measures, AORs lacked a critical tool for environmental monitoring. This is particularly important because some HIV activities generate hazardous medical waste that must be handled and disposed of properly to avoid harming beneficiaries and the environment.

Branding and Marking. U.S. law states that all U.S. foreign assistance activities should be appropriately identified overseas as "American Aid."[5] The implementers developed branding and marking plans that outlined how they would communicate USAID's sponsorship to beneficiaries.

Yet implementers did not always follow these plans, as the following examples show:

- Baylor's plan required staff to mark all project vehicles used for service delivery with the USAID logo, but they did not do so.

- Although a sign at one center read, "This building was a gift from the American people," it lacked a logo, so PASADA staff did not associate the sign with USAID.

- Implementers did not erect signs in front of USAID-supported centers because service providers were concerned about stigmatizing HIV-positive patients, although the USAID logo does not refer to HIV or AIDS.

- Some USAID-funded equipment at Deloitte was not marked because the implementer had not yet procured the decals, 19 months after the program began.

While AORs acknowledged the importance of branding and marking, they failed to monitor implementation of those plans during their limited site visits because they focused more on the technical aspects of projects and went to many centers during one site visit. A mission official suggested that compliance with marking and branding plans could be improved if the health team leadership and the mission's senior management communicated a strong message to AORs and CORs that marking and branding compliance is part of the job of managing an award. Though not required, the standard checklist that AORs were required to complete did not include a section on branding. Not including marking and branding on the checklist also may have contributed to AORs' overlooking this important part of their management responsibility. Consequently, AORs did not identify or correct the marking and branding deficiencies timely.

Branding and marking are USAID's main tools for communicating the support of the American people to beneficiaries. Because of the lack of branding, two-thirds of the beneficiaries that auditors interviewed at centers were unaware of USAID's support for the life-saving services they had received. To help the U.S. Government reap the maximum public diplomacy benefits from its foreign assistance and help AORs fulfill their responsibilities more effectively, the audit makes the following recommendations.

> ***Recommendation 2.*** *We recommend that USAID/Tanzania update its standard site visit checklist to include a section on monitoring implementers' compliance with branding and marking requirements.*
>
> ***Recommendation 3.*** *We recommend that USAID/Tanzania implement a plan for the health team to verify that its agreement officer's representatives conduct site visits quarterly, review all elements outlined on the standard site visit checklist, understand how to verify data, and document the results of their site visits as required.*

[5] The Foreign Assistance Act of 1961, Public Law 87–195, Section 641.

Recommendation 4. *We recommend that USAID/Tanzania require Baylor, Selian Lutheran Hospital, and Deloitte Consulting Limited to submit Environmental Mitigation and Monitoring Plans for USAID approval.*

Recommendations 5. *We recommend that USAID/Tanzania implement a plan to verify that agreement officer's representatives monitor implementers' adherence to approved environmental monitoring plans.*

Some Implementers Did Not Track Care and Treatment Expenditures

USAID's ADS 202.3.7 requires USAID to manage resources to achieve planned outputs and results in a timely, cost-effective manner. ADS 202.3.7.3 further states that differences between planned and actual expenditures may indicate a cost overrun or a slip in schedule that makes it unlikely targets will be met—either of which may require modifying planned outputs and results.

PEPFAR publications also stress the importance of expenditure data. For instance, 2013 reporting guidance stated that expenditure data is "critically needed to estimate program costs and cost-effectiveness, especially in times of budget constraints." A recent PEPFAR expenditure analysis found that expenditure tracking greatly facilitates joint planning with country governments and other donors to ensure coordinated efforts on the national treatment goals and all HIV programming. Furthermore, the U.S. Government Accountability Office stressed in a 2013 publication that more timely and comprehensive information on treatment costs was necessary to improve efficiency and expand the number of people eligible for HIV treatment programs.[6]

Despite the importance of expenditure data, two of the four audited implementers did not track care and treatment expenses. One implementer received $17.5 million from USAID in FY 2012 and planned to spend 43 percent on care and treatment, yet did not know how much it actually spent on care and treatment versus other HIV activities. Another implementer reported spending 100 percent of its USAID funds on care and treatment even though it also supported HIV counseling and testing.

USAID/Tanzania did not ask implementers to track this information. According to the implementers, the mission emphasized a comprehensive approach to HIV, which included interventions such as prevention of mother-to-child transmission, testing and counseling, and home-based care, in addition to treatment. Therefore, the two implementers did not track care and treatment expenditures separately.

USAID/Tanzania said it did not require implementers to track expenditures because PEPFAR did not require it. Mission officials said PEPFAR recently issued new requirements for expenditure reporting. As a result, USAID/Tanzania will require expenditure reporting for all new PEPFAR-funded awards; however, current implementers, including those in this audit, will only be encouraged to adopt the new reporting requirements when modifications conforming to the new PEPFAR guidance can be completed.

[6] *President's Emergency Plan for AIDS Relief - Millions Being Treated, but Better Information Management Needed to Further Improve and Expand Treatment*, GAO-13-688, July 2013.

Because it did not require tracking of these amounts, neither USAID nor some of its implementers knew how much of the $41.2 million obligation had been spent on care and treatment at the time of the audit. USAID/Tanzania thus lacked important information for planning, measuring the performance, and determining the cost-effectiveness of its care and treatment programs. This information will become even more valuable in the coming years, when PEPFAR intends to transfer more responsibilities for HIV care and treatment to host governments.

Although USAID/Tanzania did not require implementers to track care and treatment expenditures, it has agreed to insert language into new contracts and agreements and eventually modify existing awards to require recipients of PEPFAR funds to follow the new PEPFAR guidance, as well as August 2013 Office of Acquisition and Assistance instructions for annual reporting. Consequently, we are not making a recommendation on this matter.

Implementer Charged Unallowable Costs

Office of Management and Budget (OMB) Circular A-122 outlines the cost principles that nonprofit organizations must follow as recipients of USAID funds. These principles include the following:

- Costs must be adequately documented to be allowable under an award (Attachment A, Section 2.g).

- Documented, after-the-fact records of actual activity, such as time sheets, must support employee compensation charges to an award (Attachment B, Section 8.m).

- Taxes for which exemptions are available are not allowable (Attachment B, Section 47.a).

Selian Lutheran Hospital did not follow these cost principles, as discussed below.

Unsupported Expenditures. Auditors requested supporting documentation for $106,845 in expenditures for the implementer's care and treatment activities. However, officials were unable to provide supporting documentation for $24,140 in expenditures because they could not locate it, saying it was likely misfiled.

Without adequate documentation, USAID/Tanzania cannot be sure that $24,140 was spent as intended. Consequently, we question $24,140 as an unsupported cost in accordance with OMB Circular A-122.

Improper Time Sheets. Contrary to regulations, some Selian Lutheran Hospital staff did not record time properly. For example, some employees did not complete time sheets for some weeks, while others did not clearly differentiate the amount of time spent on the USAID-funded project from time spent on other work at the hospital.

In calculating salary payments, Selian staff followed employment contracts, which specified a percentage of time the employee was supposed to work on the USAID-funded project. Using these percentages conflicts with OMB Circular A-122, which states "budget estimates do not qualify as support for charges to awards." Moreover, staff did not recognize the importance of proper time keeping. One hospital manager said the hospital was in the process of phasing out time sheets, noting that "completing time sheets was merely a formality." USAID/Tanzania staff

confirmed that keeping time sheets was a requirement under the Selian cooperative agreement and committed to addressing this instance of noncompliance.

On the time sheets sampled, approximately $13,612 in employee compensation that Selian charged to its USAID award was not adequately supported. In some cases, the time sheets did not reflect after-the-fact determination of actual work performed. USAID/Tanzania therefore cannot be sure it received the level of effort for which it paid Selian staff. Consequently, we question $13,612 as an unsupported cost.

Payment of Value-Added Tax. Selian included $758 in value-added tax in the cost of furniture and equipment purchased. It should have asked the Tanzania Revenue Authority for reimbursement, and hospital officials did not explain why it had not. USAID/Tanzania said it would ensure that Selian reimburses USAID for any incorrect charges.

By charging USAID for value-added tax, Selian reduced the amount of funding available to further program objectives. Consequently, we question $758 as an ineligible cost.

Inadequate monitoring by USAID contributed to these questioned costs' not being identified sooner. Supplementary guidance to ADS 303 assigns AORs certain financial management responsibilities, including verifying that implementers obtain available tax exemptions they are eligible for.[7] Moreover, ADS 303.2.f requires AORs to "ensure compliance with the terms and conditions of the award." However, one AOR said she did not feel competent to ask about financial matters during site visits. Others said they did not review financial items during site visits because they relied on the mission's financial analysts to do so. This is a misconception. Financial analysts are responsible for making payments and accounting for funds and balances, but AORs should administer financial management responsibilities. Additionally, financial analysts said their own visits were limited because of staff shortages. To recover any unallowable costs and help AORs detect those that may occur in the future, the audit makes the following recommendations.

Recommendation 6. *We recommend that USAID/Tanzania determine the allowability of $38,510 in questioned costs ($37,752 unsupported and $758 ineligible) and recover from Selian Lutheran Hospital any amounts deemed unallowable.*

Recommendation 7. *We recommend that USAID/Tanzania verify that Selian Lutheran Hospital corrects the three instances of material noncompliance—expenses not adequately documented, time sheets not correctly recorded and maintained, and value-added tax inappropriately paid—and document the results.*

Recommendation 8. *We recommend that USAID/Tanzania implement a plan to strengthen financial monitoring during site visits, including adding a section to the standard site visit checklist on financial items and providing training for agreement officer's representatives on how to review those items during site visits.*

[7] "Agreement Officer's Representative (AOR) Designation – Cooperative Agreement Administration: An Additional Help for ADS Chapter 303," May 4, 2012, revision.

Implementer Approved Budget Including Unreasonable Administrative Costs

According to OMB Circular A-122, Attachment A, Section A.4, a cost is allocable to an award if it is incurred specifically for the award. This section also states that costs are allocable to an award if they are "necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown." These indirect costs are then assigned to cost objectives in accordance with various methods specified in Circular A-122. However, the circular also states that "a cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost." Finally, all costs must be adequately documented to be allowable under an award.

Deloitte Consulting Limited entered into a 5-year subagreement with the Christian Social Service Commission (CSSC) on January 18, 2012. CSSC's Year 2 budget, starting from April 2012 to March 2013, included "10% overhead amounting to $135,315 as administration of the project." According to CSSC, its line item for administrative costs subsidized organization-wide administrative costs, such as telephone services, accounting software, and office cleaning. However, the CSSC budget separately stated other administrative costs—such as office utilities, motor vehicle insurance, bank charges, and stationery. For example, CSSC officials said that separately budgeted telephone services covered mobile airtime, Internet modems, and recharge vouchers, and not office landline costs. They said that the office phones were used to make calls to Deloitte officials, although most CSSC staff working on the USAID project were stationed at Deloitte's office, not at CSSC.

Despite multiple requests, CSSC staff did not provide auditors any supporting documentation for the administrative costs incurred as of September 30, 2013. Staff said they had neither incurred nor billed Deloitte any expenditures against the administrative costs budget line, although 5 months in Year 2 of the project had elapsed. CSSC also could not identify or quantify the total administrative costs expected to be incurred to justify the 10 percent budgeted for, citing its policy to charge 10 to 13 percent overhead cost to every project. Deloitte officials confirmed that they had not yet paid these costs to CSSC.

Although these costs had not been paid, including them in the budget creates a risk that they might be paid at some point and charged to USAID. In addition, the nebulous nature of the administrative costs line item increases the risk that these charges may duplicate other costs, be unreasonable, or be unsupported. The line item also has the appearance of a profit, which is prohibited by 22 CFR 226.81 and ADS 303 for recipients and subrecipients of USAID assistance awards. Deloitte officials said that it was a standard practice of CSSC and other local organizations to claim administration costs and agreed to this condition as part of the subagreement. To mitigate these risks, the audit makes the following recommendation.

> ***Recommendation 9.*** *We recommend that USAID/Tanzania implement a plan to verify that administrative costs charged by Deloitte Consulting Limited's subrecipients meet Office of Management and Budget Circular A-122 cost principles.*

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, the mission agreed with all nine recommendations. We reviewed management's comments and the supporting documentation provided and acknowledge management decisions on Recommendations 1 through 5 and 7 through 9, and final action on Recommendations 2, 3, 5, and 8. Recommendation 6 remains without a management decision pending the agreement officer's determination of the allowability of questioned costs. A detailed evaluation of management comments follows.

Recommendation 1. USAID/Tanzania decided to implement a plan to strengthen internal controls over antiretroviral drugs at USAID-supported facilities. It has (1) collaborated with the Tanzanian Ministry of Health and Social Welfare to update the national supportive supervision tool used at all facilities to include monitoring of inventory recordkeeping and ordering of antiretroviral drugs, (2) updated its site visit checklist to verify the use of the national tool and to strengthen agreement officer's representatives' monitoring of inventory controls, and (3) requested funding in its PEPFAR 2014 Country Operation Plan to expand the reach of supply chain management assistants into each region of Tanzania.The mission also planned to reinforce the use of the national supportive supervision tool through an official letter to all its clinical partners. Following receipt of management comments, the mission revised its target date to September 30, 2014. We acknowledge the mission's management decision.

Recommendation 2. USAID/Tanzania decided to and has updated its site visit checklist to include a section on monitoring implementers' compliance with branding and marking requirements. We acknowledge the mission's management decision and final action.

Recommendation 3. USAID/Tanzania decided to implement a plan for the health team to verify that agreement officer's representatives are conducting quarterly site visits properly. It has (1) begun verifying site visit documentation prior to approving travel reimbursement for agreement officer's representatives, (2) required quarterly site visits since March 2014, and developed a site visit schedule that is accessible to all health office staff and helps managers verify compliance, and (3) included a data verification section in its site visit checklist. We acknowledge the mission's management decision and final action.

Recommendation 4. USAID/Tanzania's health office decided to and has designated a new environmental compliance officer to work with agreement officer's representatives to update their environmental mitigation and monitoring plans. Moreover, the mission planned to have these plans completed and approved for Baylor, Selian Lutheran Hospital, and Deloitte Consulting Limited. The target date for completion is October 30, 2014. We acknowledge management's decision.

Recommendation 5. USAID/Tanzania decided to and has implemented a plan to verify that agreement officer's representatives monitor implementing partners' adherence to approved environmental monitoring plans by including in its site visit checklist a section for environmental compliance. We acknowledge the mission's management decision and final action.

Recommendation 6. USAID/Tanzania planned to follow up with its implementing partner, Selian Lutheran Hospital, to determine the allowability of $37,752 in unsupported and $758 in ineligible questioned costs and recover any amounts determined unallowable. The target date for completion is October 31, 2014.

Until the agreement officer specifies the amount of questioned costs allowed or disallowed and gives a target date for collecting any disallowed amount, this recommendation remains without a management decision.

Recommendation 7. USAID/Tanzania decided to follow up with its implementing partner, Selian Lutheran Hospital, to correct three reported instances of material noncompliance and document the results. The target date for completion is October 31, 2014. We acknowledge management's decision.

Recommendation 8. USAID/Tanzania decided to and has implemented a plan to strengthen financial monitoring during site visits by including a section on financial monitoring in its site visit checklist and enrolling the mission's clinical team responsible for facility-based portfolio oversight in the enhanced COR/AOR skills course to be held at the mission from August 25-29, 2014. We acknowledge the mission's management decision and final action.

Recommendation 9. USAID/Tanzania decided to follow up with its implementing partner, Deloitte Consulting Limited, to verify that the administrative costs charged by its subrecipients comply with OMB A-122 cost principles. The target for completion is December 31, 2014. We acknowledge management's decision.

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 the evidence obtained provides that reasonable basis.

The objective of the audit was to determine whether USAID/Tanzania's HIV treatment activities were contributing to improving the quality of HIV treatment services in Tanzania. The audit focused on HIV treatment activities occurring in FY 2012 and FY 2013. We reviewed documentation from four of the five treatment programs active as of December 31, 2013. These activities accounted for approximately 81 percent of the funds obligated by USAID/Tanzania for HIV treatment and focused on direct clinical support services to clients. Between October 1, 2011, and June 30, 2013, USAID/Tanzania obligated $41,234,680.

We obtained an understanding of and assessed the following significant internal controls: the program's management structure, assistance mechanisms, monitoring and evaluation of project activities, and site visit processes. This work included a review of AOR designation letters, award agreements, progress reports, the applicable mission order, work plans, data quality assessments, trip reports, and PEPFAR guidance documents. We also examined the mission's FY 2012 annual self-assessment of management required by the Federal Managers' Financial Integrity Act of 1982. We also reviewed prior audit reports to identify internal controls and other issues that could be relevant to the current audit.

We performed the audit in Tanzania from August 12 through August 30, 2013. We conducted fieldwork at USAID/Tanzania and at the local offices of the implementers. The audit team made field visits to government, private-sector, and faith-based centers at health facilities in five geographically dispersed regions: Arusha, Dar es Salaam, Dodoma, Morogoro, and Mwanza. During these field visits, we met with regional government health representatives, service providers, and beneficiaries.

Methodology

To answer the audit objective, we reviewed program documentation, including cooperative agreements, progress reports, and data quality assessments, and corroborated information therein with interviews and site visits. We interviewed USAID/Tanzania officials, service providers, and implementers to understand (1) the projects' main goals, (2) how the mission monitors implementation of the overall program, (3) how the mission checks the quality of the data reported, and (4) whether the mission was aware of any allegations of fraud or other potential illegal acts or noncompliance with laws and regulations. Additionally, we interviewed the PEPFAR coordinator and Tanzania's National AIDS Control Program officials. During field visits, we assessed compliance with branding and marking plans, visited ARV pharmacy and dispensary storage and distribution rooms to understand stocktaking practices, and spoke with 15 beneficiaries to solicit their views on the quality of treatment services they received and their awareness of USAID. We selected a judgmental sample of centers supported by each USAID

treatment implementer in the five regions. Auditors selected centers based on their affiliation type. As a result, private-sector, faith-based, and government-run regional and district hospital centers were included in the sample population. Because the centers were judgmentally selected, results and the overall conclusions were limited to the sites visited and items tested, and were not projected to the population.

To validate performance results reported under the programs' performance indicators, the audit selected one performance indicator*, Number of adults and children newly initiated on ARV.* We chose it because it was used to derive one of the PEPFAR indicators of quality, *Percent of adults and children known to be alive and on treatment 12 months after initiation of antiretroviral therapy*. We traced data on the chosen performance indicator back to source data during field visits to centers. Auditors tested results reported over seven quarters (October 1, 2011, to June 30, 2013).

To verify the accuracy of performance data reported to USAID/Tanzania, auditors reviewed source documents located at service provider centers, including ARV registers, electronic data records, ARV performance summary reports prepared for the National AIDS Control Program, and the results reported to USAID by implementers. The auditors established a materiality threshold of 5 percent. Though we determined that the data were reliable because discrepancies did not exceed the 5 percent threshold, we noted that results were consistently over- and underreported. We gained an understanding of the cause for these discrepancies.

MANAGEMENT COMMENTS

USAID | TANZANIA
FROM THE AMERICAN PEOPLE

DATE: July 09, 2014

TO: Rameeth Hundle, Acting Regional Inspector General/Pretoria

FROM: Helen Pataki, Ag. Deputy Mission Director /s/

SUBJECT: Audit of USAID/Tanzania's HIV Treatment Activities

REF: Draft Report No. 4-621-14-XXX-P

The Mission appreciates the opportunity to comment on the subject audit report. USAID/Tanzania will strive to implement the recommendations provided in the report, based on the plan and timeline described below. The Mission fully acknowledges that the implementation of audit recommendations will also strengthen our overall program, particularly with respect to program monitoring. Presented below is the Mission's response to each recommendation.

Recommendation 1: We recommend that USAID/Tanzania implement a plan to strengthen internal controls over antiretroviral drugs at USAID-supported facilities.

Mission Response:

USAID/Tanzania agrees with this recommendation. The following corrective actions have already been taken to address this recommendation:

- USAID has collaborated with the Tanzania Ministry of Health and Social Welfare to update the national supportive supervision tool used for all facilities in the country. This updated tool includes monitoring of inventory recordkeeping as well as ordering of antiretroviral drugs (see Attachment A, pages 45-46).
- In response to this audit, USAID/Tanzania added a section to the USAID quarterly site visit check list to verify the use of the Tanzania national tool to strengthen agreement officers' representatives monitoring of partner support for inventory controls at USAID-supported facilities (see Attachment B).
- USAID has requested funding in the PEPFAR 2014 Country Operational Plan (COP) to support the expansion of Supply Chain Management Assistants (SCMAs) to each region of Tanzania. The role of these SCMAs will be to directly provide supportive supervision

to stock keepers at distribution points at USAID-supported facilities (see Attachment C, HTXD Budget Code Narrative).

In addition to these actions, USAID/Tanzania will send an official letter to all USAID clinical partners to reinforce the use of the Tanzania national supportive supervision tool by July 30, 2014.

Recommendation 2: We recommend that USAID/Tanzania update its standard site visit checklist to include a section on monitoring implementers' compliance with branding and marking requirements.

Mission Response:

USAID/Tanzania agrees with this recommendation. USAID/Tanzania has updated its standard site visit checklist to include a section on monitoring implementers' compliance with branding and marking requirements (see Attachment B).

Recommendation 3: We recommend that USAID/Tanzania implement a plan for the health team to verify that its agreement officers' representatives conduct site visits quarterly, review all elements outlined on the standard site visit checklist, understand how to verify data, and document the results of their site visits as required.

Mission Response:

USAID/Tanzania agrees with this recommendation. The following corrective actions have already been taken to address this recommendation:

- The Mission verifies the documentation of site visits by requiring all agreement officers' representative to submit site visit reports prior to receiving travel reimbursement.
- USAID/Tanzania began requiring quarterly site visits by all agreement officers' representatives in March 2014. Travel schedules are included in "Weekly Updates" posted as a shared google document so that it is accessible by staff across the health office, and helps managers ensure compliance (see Attachment D).
- Data verification has been included in the USAID site visit check list (see Attachment B).

Recommendation 4: We recommend that USAID/Tanzania require Baylor, Selian Lutheran Hospital and Deloitte Consulting Limited to submit Environmental Mitigation and Monitoring Plans for USAID approval.

Mission Response:

USAID/Tanzania agrees with this recommendation. The health office has designated a new Environmental Compliance Officer to coordinate with agreement officers' representatives to update their Environmental Mitigation and Monitoring Plans.

USAID/Tanzania will ensure that the Environmental Mitigation and Monitoring Plans will be completed and approved for Baylor, Selian Lutheran Hospital and Deloitte Consulting Limited. The target date for completion is October 30, 2014.

Recommendation 5: We recommend that USAID/Tanzania implement a plan to verify that agreement officers' representatives monitor implementers' adherence to approved environmental monitoring plans.

Mission Response:

USAID/Tanzania agrees with this recommendation. USAID/Tanzania has already updated its standard site visit checklist to include a section on monitoring implementers' adherence to approved environmental monitoring (see Attachment B).

Recommendation 6: We recommend that USAID/Tanzania determine the allowability of $38,510 in questioned costs ($37,752 unsupported and $758 ineligible) and recover from Selian Lutheran Hospital any amounts deemed unallowable.

Mission Response:

USAID/Tanzania agrees with this recommendation. USAID will follow up with Selian Lutheran Hospital to determine the allowability of the $37,752 unsupported amount and the reported $758 value-added tax (VAT) payment and recover any unallowable amounts. The target date for completion is October 31, 2014

Recommendation 7: We recommend that USAID/Tanzania verify that Selian Lutheran Hospital corrects the three instances of material noncompliance—expenses not adequately documented, timesheets not correctly recorded and maintained, and value-added tax inappropriately paid—and document the results.

Mission Response:

USAID/Tanzania agrees with this recommendation. USAID will follow-up with the implementing partner, Selian Lutheran Hospital, to ensure that the reported three instances of noncompliance are corrected and adequately documented. The target date for completion is October 31, 2014.

Recommendation 8: We recommend that USAID/Tanzania implement a plan to strengthen financial monitoring during site visits, including adding a section to the standard site visit checklist on financial items and providing training for agreement officer's representatives on

how to review those items during site visits.

Mission Response:

USAID/Tanzania agrees with this recommendation. The following corrective actions have already been taken to address this recommendation:

- USAID has added a financial monitoring component to the site visit check list (see Attachment B).
- To strengthen AOR skills, one member of the clinical team providing oversight to USAID/Tanzania's facility-based portfolio completed an AOR refresher training at the end of 2013. All of the remaining members of the facility-based team are enrolled in the Enhanced CORs/AORs Skills Course (A&A 202) that is scheduled to take place at the Mission from August 25 – 29, 2014.

Recommendation 9: We recommend that USAID/Tanzania implement a plan to verify that administrative costs charged by Deloitte Consulting Limited's subrecipients meet Office of Management and Budget Circular A-122 cost principles.

Mission Response:

USAID/Tanzania agrees with this recommendation. USAID will follow up with the implementing partner, Deloitte Consulting Limited, to ensure that the administrative costs charged to the Christian Social Service Commission (CSSC) are in compliance to OMB A-122 cost principles. The target date for completion is December 31, 2014.

Attachments:

A: Tanzania National Supportive Supervision Tool
B: USAID/Tanzania Activity Visit Check List
C: SCMS COP 2014 Narrative
D: Health Office Field Visit Schedule

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