OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/ANGOLA'S HIV/AIDS ACTIVITIES

AUDIT REPORT NO. 4-654-13-006-P
MARCH 5, 2013

PRETORIA, SOUTH AFRICA

Office of Inspector General

March 5, 2013

MEMORANDUM

TO: USAID/Angola Mission Director, Teresa McGhie

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

SUBJECT: Audit of USAID/Angola's HIV/AIDS Activities (Report No. 4-654-13-006-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 in their entirety in Appendix II.

The report includes 14 recommendations to strengthen USAID/Angola's HIV/AIDS activities. We acknowledge management decisions on Recommendations 1 through 6, 8, 9, and 11 through 14, and final action on Recommendation 12. In accordance with ADS 595.3.1.2, management decisions on Recommendations 7 and 10 cannot be reached until the agreement officer specifies the amount of questioned costs (currently $367,848 ineligible) allowed and/or disallowed and sets a target date for collection of any disallowed costs. We disagreed with the management decision for Recommendation 5 because it did not address training for implementing partners. For further details, please see page 19.

Please have the responsible official provide us with written notice within 30 days on actions planned or taken regarding Recommendations 7 and 10. If you choose to revise your proposed actions for Recommendation 5, please also advise us of this in writing. Finally, please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer with the necessary documentation to achieve final action on Recommendations 1, 2, 3, 4, 5 (if you choose not to revise), 6, 8, 9, 11, 13, and 14. Recommendation 12 is closed upon report issuance.

I want to express my sincere appreciation for 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
ADRA	Action for Rural Development and the Environment
CDC	Centers for Disease Control and Prevention
CFR	Code of Federal Regulations
FY	fiscal year
OGAC	Office of the U.S. Global AIDS Coordinator
PEPFAR	President's Emergency Plan for AIDS Relief
PSI	Population Services International
RIG	Regional Inspector General

SUMMARY OF RESULTS

Angola's decades of civil war ended in 2002, leaving the country with few health facilities and not enough trained doctors and nurses. While recent economic growth has expanded medical services, many health-care workers still are poorly trained, threatening the country's response to HIV. Although Angola's HIV prevalence rate[1] of 2 percent is much lower than others in the region—Zambia's rate is 13.5, Namibia's is 13.1, and Botswana's is 24.8—HIV could spread because Angola's borders are more open since the end of conflict. Provinces transected by the heavily traveled transportation corridor that connects Luanda, the country's capital, with Namibian markets are especially vulnerable.

USAID/Angola worked with the Angolan Government to formulate a national HIV/AIDS strategy to address U.S. Government priorities and Angolans' HIV/AIDS needs. The strategy focuses on strengthening health systems, changing behaviors to help prevent HIV infection, and improving data needed to support decision making in the health sector.

To help achieve these goals, USAID/Angola undertook several HIV/AIDS programs. It received a total of $20 million in funding from the President's Emergency Plan for AIDS Relief (PEPFAR) in fiscal years (FYs) 2011 and 2012 to implement the programs.[2] The audit reviewed four of them, described below, representing total awards of $61.4 million. As of June 30, 2012, obligations for these four programs totaled $14.6 million, and expenditures totaled $11.4 million.

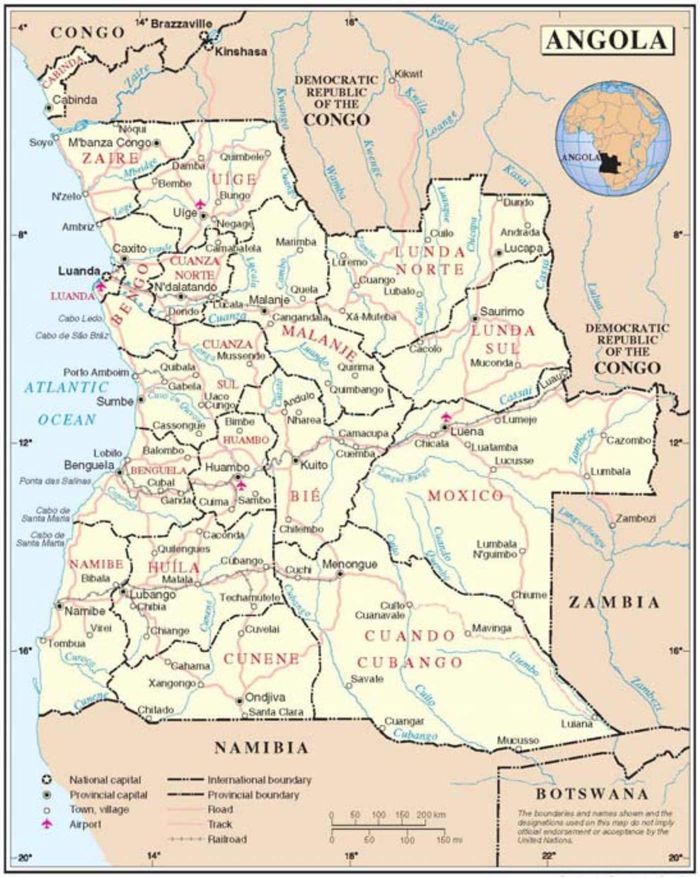
Audited Programs as of June 30, 2012

Name and Type of Award	Budget	Purpose	Dates	Partner(s)
Strengthening Angolan Systems for Health (*ForçaSaùde)* cooperative agreement	$33 million; obligations of $4.3 million and expenditures of $3.2 million	Strengthening health systems and increasing the availability and use of high-quality health-care services and commodities.	10/1/2011-9/30/2016	Jhpiego, an affiliate of Johns Hopkins University
Integrated Health Social Marketing cooperative agreement	$19.5 million; obligations of $3.2 million and expenditures of $2.6 million	Improving access to, demand for, and use of essential health commodities, including condoms, through social marketing.	10/1/2011-9/30/2016	Population Services International (PSI)
PROACTIVO cooperative agreement	$5.6 million; obligations of $3.8 million and expenditures of $2.8 million	Reducing risky sexual practices of groups most at risk for contracting HIV, such as sex workers, their clients, and truck drivers.	10/1/2010-9/30/2013	PSI
Kapelako Project cooperative agreement	$3.3 million; obligations of $3.3 million and expenditures of $2.8 million	Strengthening community-based HIV prevention in the general population, focusing on youth.	11/1/2010-9/30/2012	World Learning, with PSI as technical lead

[1] The prevalence rate refers to the percentage of people tested who were infected with HIV.
[2] PEPFAR is a U.S. Government initiative to combat HIV and AIDS around the world.

Strengthening Angolan Systems for Health (ForçaSaùde). Known by its Portuguese name, ForçaSaùde has focused on training nurses to provide HIV counseling, testing, and follow-up services that only doctors had provided previously. This is important because Angola has only one doctor per 10,000 people, and the Government of Angola specifically requested this training. Jhpiego implements ForçaSaùde in two of Angola's most populous provinces, Luanda and Huambo (Figure 1).

Figure 1. Map of Angola



Source: Office of the United Nations High Commissioner for Refugees (www.unhcr.org).

Integrated Health Social Marketing. Social marketing refers to the use of commercial marketing and sales techniques to change or encourage targeted behaviors, like increasing condom use to prevent HIV transmission. For this program, PSI markets two brands of condoms, Legal and Sensual, through wholesalers to traditional outlets, such as pharmacies and shops, and directly to high-risk outlets such as bars and nightclubs. The program continues work that has been ongoing since 2000.

PROACTIVO. The program is designed to prevent HIV transmission among groups that are most at risk. Program activities include promoting safe sexual behavior, demonstrating correct condom use, distributing free condoms, referring clients for HIV counseling and testing, and advocating for laws and policies to reduce discrimination. PSI implements these activities in Luanda and Cunene Provinces, while four local subpartners provide support in Luanda, Huila, Huambo, and Benguela Provinces. PSI also has a subagreement with a fifth local organization for advocacy work in Luanda; however, PSI recently terminated its subagreement with a sixth local organization that was responsible for leading these advocacy efforts.

Kapelako Project. The mission intended the cooperative agreement to run from November 1, 2010, to October 31, 2013, with an initial budget of $8.3 million. However, on March 22, 2012, USAID reduced the funding and shortened the implementation period after determining that World Learning was not complying fully with the requirements of the cooperative agreement.

The Regional Inspector General/Pretoria (RIG/Pretoria) conducted this audit as part of its FY 2012 audit plan to determine whether USAID/Angola's HIV/AIDS prevention activities were achieving their main goals of strengthened health systems, changed behavior, and improved strategic information. The audit found that key HIV/AIDS activities were not on track to achieve main goals (page 6).

Significant delays in program start-up and implementation affected each of the mission's four key HIV/AIDS programs. Although implementing partners' poor performance contributed, USAID/Angola did not manage its HIV/AIDS programs effectively during the audit period, primarily because of staffing vacancies. However, USAID/Angola had filled these vacancies by September 2012 and was poised to show positive results in its future HIV/AIDS programming.

In addition, the audit disclosed that:

- USAID/Angola did not implement performance management processes adequately (page 9). Processes for data collection, verification, and setting targets were subject to error and precluded substantiating reported data with source documentation. As a result, performance data were not credible for reporting or useful for making decisions.

- USAID and PSI processes for use and management of program income were unclear (page 11). Mission staff members overlooked that PSI reported program income incorrectly on its financial forms, used up to $9,640 of program income in ways it should not have, underreported program income from Legal condom sales by $19,656, and did not report to USAID any program income from sales of Sensual, worth $358,208. As a result, PSI may not have used program income earned under the Integrated Health Social Marketing Program to reach eligible objectives, as stipulated by 22 Code of Federal Regulations (CFR) 226.24 and the cooperative agreement.

- USAID/Angola did not facilitate program coordination (page 14). Two of the mission's HIV/AIDS programs, PROACTIVO and ForçaSaùde, did complementary work in HIV counseling and testing, health facility mapping, and mobile clinic use, but were unaware of one another's activities. As a result, the partners did not coordinate activities for greater program impact, and the mission risked duplicating partner efforts.

- PSI's advocacy work had not progressed as planned (page 15). PSI selected a local Angolan organization to lead advocacy efforts under PROACTIVO, but the organization was reluctant to work with target populations and ultimately unable to perform. PSI terminated the subagreement without finding a new advocacy partner and spent $70,000 without achieving planned advocacy objectives.

- Angolans lacked awareness of USAID's sponsorship (page 16). For example, a Ministry of Health official was unaware of USAID, despite working closely with the PROACTIVO referral network, while beneficiaries did not recall USAID immediately after participating in a USAID-funded outreach activity. Consequently, the U.S. Government and the American people did not receive the maximum public diplomacy benefits from their assistance to Angola's HIV prevention efforts.

To address the above issues, the audit recommends that USAID/Angola:

1. Implement a process for approving partner deliverables, which includes rerouting in the event of staff vacancies (page 9).

2. Implement a mission policy to create annual site visit schedules for routine monitoring and addressing performance concerns, including alternate monitoring activities to mitigate travel constraints (page 9).

3. Implement a plan to verify that personnel performing agreement officer's representative responsibilities receive the appropriate training and certification (page 9).

4. Sign a memorandum of understanding with the Centers for Disease Control and Prevention (CDC) that defines the division of responsibilities for setting targets for and reporting performance on HIV/AIDS indicators (page 11).

5. Request training for its staff and HIV/AIDS implementing partners from the Office of the U.S. Global AIDS Coordinator (OGAC) on setting targets for and reporting performance on HIV/AIDS indicators (page 11).

6. Implement procedures to verify that implementing partners report program income in accordance with their agreements with USAID (page 12).

7. Require PSI to differentiate how it expended $9,640 in program income (for different uses, including providing incentives for meeting sales targets and holiday gifts), determine the allowability of the amounts expended for the different uses, and recover from PSI any amount determined to be unallowable (page 12).

8. Verify that PSI reclassifies $19,656 in program income (that was incorrectly reported under the previous social marketing program) as income under the Integrated Health Social Marketing Program (page 13).

9. Require PSI to develop a written plan for using unexpended current and future program income to further eligible program objectives (page 13).

10. Determine whether PSI managed program income of $358,208 (from sales of Sensual condoms) in accordance with 22 CFR 226.24, and recover from PSI any amount that was managed incorrectly and determined to be unallowable (page 14).

11. Reach consensus with PSI on how to manage program income generated from future sales of Sensual brand condoms, and modify the cooperative agreement accordingly (page 14).

12. Develop a schedule for holding regular meetings with its HIV/AIDS partners to promote strategic coordination (page 15).

13. Implement policies and procedures for monitoring the effectiveness of approved branding and marking plans (page 18).

14. Remind PSI, in writing, of its obligation to brand all program materials (including supplementary promotional materials) according to its branding and marking plan, exempting only items explicitly identified in the plan from branding and marking requirements (page 18).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments are in Appendix II, and our evaluation of them is on page 19.

AUDIT FINDINGS

Key HIV/AIDS Activities Were Not on Track to Achieve Main Goals

The Partnership Framework between the Government of the Republic of Angola and the Government of the United States of America to Combat HIV/AIDS 2009-2013 coordinates the Government of Angola's HIV National Strategic Plan and the U.S. Government's goals for prevention, care, and treatment of HIV/AIDS. In line with this 5-year strategy, USAID/Angola designed its HIV/AIDS activities to strengthen Angola's health systems, promote safe behaviors among youth and high-risk groups, and help Angola enhance decision making by improving the country's strategic information on HIV/AIDS. USAID's cooperative agreements with Jhpiego, PSI, and World Learning included activities to support these objectives.

However, as of the third quarter of FY 2012, activities under USAID/Angola's main HIV/AIDS programs had not progressed as planned. For example, as of June 30, 2012—the end of the third quarter—only 4 of 12 key performance indicators had achieved 75 percent or more of annual targets (Appendix III). Moreover, only 7 of these had surpassed 60 percent of annual targets, which mission staff considered to be the lowest acceptable threshold for programs to be on track at that stage of implementation. Examples of the delays and problems follow:

- ForçaSaùde was not able to train as many health-care workers as planned. According to Jhpiego staff, the Angolan Government asked ForçaSaùde to help train nurses to administer HIV tests and drugs, and this required Jhpiego to deviate from its planned curriculum. Jhpiego had to delay its trainings further because the initial training of trainers (which other donors funded) was postponed for 3 months. The USAID-funded training for nurses could not commence before the delayed training was complete, because those participants were responsible for training the nurses. Further, for the first 9 months of the program, ForçaSaùde had difficulty accessing government health records and did not report accurately the number of pregnant women who were tested for HIV and received their results.

- The Integrated Health Social Marketing Program was unlikely to reach its annual target for the number of condoms sold because the program had run out of both its brands of condoms, Legal and Sensual, and did not anticipate new stock arriving until FY 2013. Additionally, PSI was not on track to meet its target for the number of outlets selling the condoms. These problems not only limited Angolans' access to condoms but also threatened progress in the program's behavior-change activities because, according to PSI staff, brand-loyal clients might choose not to use a condom if they could not purchase their preferred brand. However, this belief—that clients would choose to forgo condom use simply because their preferred brand is unavailable—calls into question the effectiveness of PSI's behavior-change activities and the logic behind social marketing.

- PROACTIVO performed poorly in its first year of implementation (FY 2011). To learn why, USAID/Angola funded an evaluation, which determined that PSI had not implemented activities as described in the program proposal. Although this evaluation helped improve the program, the need to make significant strategic changes delayed implementation. As a result, the program was still not on track to meet its target for a key program indicator—

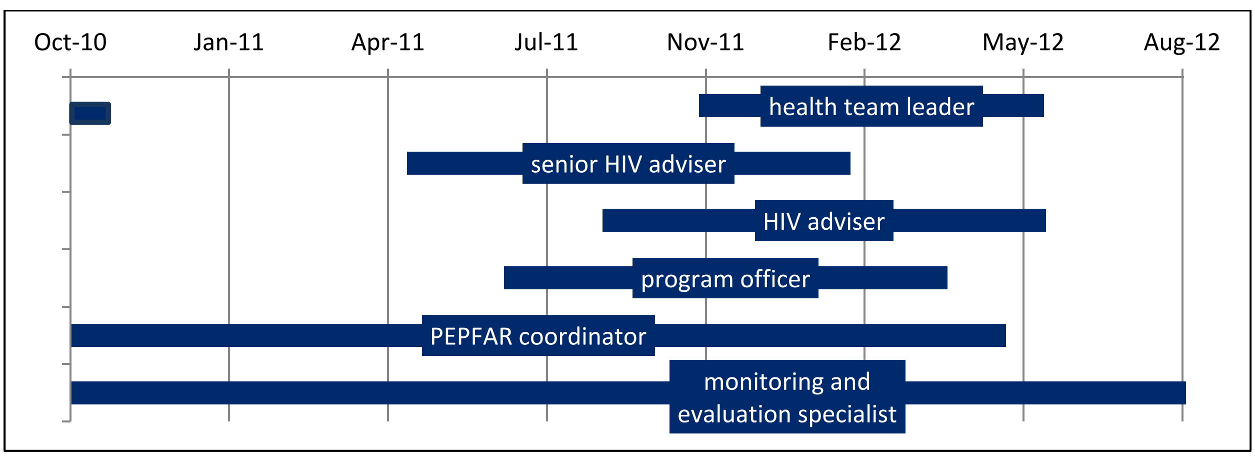
most-at-risk populations reached with prevention methods—in FY 2012, achieving only 7 percent of its annual target by June 30, 2012. Additionally, efforts in advocacy had not progressed as planned (page 15).

- World Learning's Kapelako Project activities were the only USAID-funded activities focused on HIV prevention among youth and the general population, and therefore they were significant to achieving the country's HIV prevention goals. However, USAID/Angola determined that World Learning was not complying fully with certain requirements in the cooperative agreement and terminated the program early. Reasons for termination included inadequate staffing for two key personnel positions, lack of detailed work plans to meet program deliverables, and insufficient action on recommendations from the USAID evaluation mentioned above. World Learning consequently did not implement the final year's planned activities, and nearly $5 million remained unspent.

Implementing partners' staff vacancies contributed to these shortcomings. The PROACTIVO chief of party position, for example, was mostly unfilled throughout the project, with PSI's country director occupying the position temporarily. The Integrated Health Social Marketing Program also had been without a designated chief of party since June 2012, with PSI's marketing and sales director acting in the role at the time of the audit. Because of problems obtaining a visa, World Learning's chief of party for the Kapelako Project did not arrive in Angola until more than 7 months into implementation, only to depart 6 months later when USAID curtailed the project.

However, a general lack of USAID oversight, caused by vacancies in important health team and support positions, also contributed (Figure 2). USAID/Angola's mission order on performance management and evaluation holds team leaders responsible for all aspects of assessing and managing program performance, including monitoring through regular site visits. Program office and monitoring and evaluation staff also have important roles, providing support and reinforcement to the team when needed. These critical positions, though, were often vacant during the audited period, and the mission order did not provide for reassigning responsibilities in this situation.

Figure 2. Vacancies on USAID/Angola's Staff, Fiscal Years 2011 and 2012



USAID has had difficulty staffing its Angola mission because of language requirements, a very high cost of living, and security concerns. These challenges resulted in positions being unfilled from lack of interest or vacated because of tour curtailments. In addition, USAID/Angola cited delays in the hiring process in Washington, D.C., even after new staff had been identified. For instance, the health team leader said she waited over a year to begin working in Angola after receiving USAID's initial job offer because of a lengthy security clearance process and other delays. USAID attempted to fill these gaps with a series of temporary duty staff, including some from USAID's regional HIV program based in South Africa. However, locally employed staff, assigned as the agreement officer's representatives for multiple agreements, with minimal presence of any supervisory staff, were unable to dedicate sufficient time or attention to manage each program effectively.

While new staff eventually helped manage the workload, two out of four members of the mission's core PEPFAR team had not received agreement officer's representative[3] training at the time of the audit, despite carrying out tasks associated with this role, such as monitoring program performance and reviewing an agreement's financial status.

Because of these USAID vacancies, PSI and World Learning had difficulty communicating with USAID, delaying development and subsequent approval of work plans and performance reports. Whereas USAID/Angola officials complained about the quality of these deliverables and partner performance overall, partners responded that USAID provided little or no oversight during program implementation, gave insufficient directions for reporting to OGAC, and was slow to approve deliverables like work plans. Partners added that the little guidance they did receive was often inconsistent and changed with each staff rotation at USAID. These vacancies, along with domestic air travel restrictions only recently lifted by the U.S. State Department, impeded USAID site visits and contributed to the lack of guidance reported by implementing partners. For example, before the audit, USAID/Angola staff had not visited Cunene Province, which has one of the highest HIV prevalence rates in Angola, to monitor any project activities, including those under the World Learning and PSI agreements.

USAID/Angola cannot be successful in reaching its HIV prevention goals unless it improves its management of activities. USAID has already obligated $14.6 million to the audited agreements, and their activities (like interventions for most-at-risk populations, condom distribution, and HIV testing at health facilities) are becoming increasingly important as Angola's HIV prevalence rate rises.

The mission had a fully staffed health office at the time of audit fieldwork, and new staff planned to conduct site visits more frequently. In response to a recommendation from a prior audit,[4] USAID/Angola reviewed its mission order on program performance management and evaluation and updated its standard site visit checklist. Importantly, implementing partners lauded the mission's new health team, saying USAID oversight and communication had vastly improved since its arrival. And, subsequent to the audit, mission staff said activities were on track for all but one of the indicators in Appendix III by the end of the fourth quarter.

Nevertheless, current personnel coping with the legacy of slow program start-ups are largely inexperienced in Angola, and institutional memory and established processes are inadequate to monitor program activities effectively. Without personnel trained as agreement officer's representatives and processes to ensure oversight during staff vacancies, USAID/Angola risks

[3] An agreement officer's representative is responsible for the daily administration of an award. USAID requires individuals to complete intensive training before assuming these responsibilities.
[4] "Audit of USAID/Angola's Public-Private Partnerships," Report No. 4-654-12-006-P, February 27, 2012.

reverting to deficient program management. To help avoid this situation, we make the following recommendations.

> ***Recommendation 1.*** *We recommend that USAID/Angola implement a process for approving partner deliverables, which includes rerouting in the event of staff vacancies.*
>
> ***Recommendation 2.*** *We recommend that USAID/Angola implement a mission policy to create annual site visit schedules for routine monitoring and addressing performance concerns, including alternate monitoring activities to mitigate travel constraints.*
>
> ***Recommendation 3.*** *We recommend that USAID/Angola implement a plan to verify that personnel performing agreement officer's representative responsibilities receive the appropriate training and certification.*

USAID/Angola Did Not Implement Performance Management Processes Adequately

USAID's Automated Directives System (ADS), Chapter 203.3.11.1, states that for data to be useful for performance management and credible for reporting, USAID should ensure that performance data clearly and adequately represent the intended results, reflect stable and consistent data collection processes and analysis methods over time, and are timely enough to influence management decision making at the appropriate levels.

Nevertheless, USAID/Angola did not sufficiently implement target setting and performance reporting processes to ensure that data were useful for performance management and credible for reporting.

Target Setting. ADS 203.3.9 provides guidance on setting targets:

> It is critical to document the thinking behind targets, for later learning and adapting the project during implementation *and to ensure continuity of information during staff transitions*. Both the targets themselves and the justifications for the final targets should be maintained and updated with the indicator data in the mission's [performance management plan]. (emphasis added)[5]

Yet the mission's target-setting process for HIV/AIDS programs had weaknesses. USAID/Angola staff members did not know on what basis to set FYs 2012 and 2013 targets because their predecessors on staff had not adequately documented their methods. This problem led to last-minute confusion and delays. Additionally, USAID's staff found they could not change FY 2012 targets in response to poor performance because they lacked guidance from OGAC, which ultimately reviews and approves reported results and targets for USAID.

[5] This first appeared in ADS 203 in November 2012, but supplemental guidance to ADS 203 (Performance Monitoring and Evaluation TIPS, "Baselines and Targets," Number 8, second edition), effective since 2010, provided similar instructions for documenting target-setting methods.

Performance Reporting. Performance data should clearly and adequately represent actual results. However, auditors reviewed the data reported to OGAC and were unable to reconcile it with source documents, as detailed below:

- PSI staff did not include 2 months of PROACTIVO data from its Cunene suboffice in its FY 2012 third quarter report. Although the data would have tripled the reported number of at-risk individuals reached and nearly doubled the reported number of condoms distributed for that quarter, these two indicators still would have been below 75 percent of the FY 2012 target as of June 30.

- PSI staff and subpartners collected data inconsistently for the number of people reached by PROACTIVO's prevention messages to most-at-risk populations. A PSI program manager said an individual could be counted only one time as a beneficiary (afterward considered a participant), but auditors found that some PSI staff and subpartners counted individuals as beneficiaries each time they joined a new activity, thereby counting the same person multiple times. This meant that PSI reached fewer people than it reported, attaining even less than the claimed 7 percent of its annual target.

- The Integrated Health Social Marketing Program counted both condoms sold and distributed free as part of its number of condoms sold. Distribution records showed that of the 7,822,712 condoms PSI reported as sold under the program through the third quarter, 47 percent had actually been distributed free as promotions or samples.

- Neither PSI's staff nor its subpartners could fully support the number of targeted condom service outlets they reported as being opened under the Integrated Health Social Marketing Program. In Huila Province, for example, auditors found that only one of four reported outlets had ever sold PSI condoms. Moreover, PSI staff double counted these same four outlets, reporting them first in the second quarter and again in the third quarter.

- Auditors noted recording errors for the ForçaSaùde indicator, *Number of pregnant women with known HIV status*, during visits to health facilities. Errors included failing to indicate in patient registers whether a tested woman was pregnant, recording as pregnant women who were not, and miscounting in compiling register data for summary reports.

USAID/Angola asserted it had performance management processes in place, including performance management plans and a mission order on performance monitoring and evaluation, but it lacked the staff to implement these processes adequately (as discussed on page 7). The mission instead relied on the CDC Strategic Information Team (the CDC team) to compile, refine, and report partner data to OGAC. However, USAID and CDC had not formally divided responsibilities for reviewing and reporting partner data. This informal arrangement contributed to gaps in oversight and communication among USAID, its partners, the CDC team, and OGAC—especially regarding target setting and processes for ensuring data quality.

For example, partners needed significant assistance collecting and reporting raw data, and their performance reports contained mathematical and narrative errors. Partners submitted the reports to USAID for review, but USAID staff did not have time to review them closely before sending them to the CDC team for compilation. The CDC team adviser, who expected USAID to check the reports for errors, said she spent a considerable portion of her time (up to 75 percent) reviewing USAID partners' reports, asking for revisions, and teaching partners to submit correct data, to compensate for USAID's inadequate oversight. Partners said these problems arose from human error, lack of adequately trained staff, and inconsistent guidance from USAID and CDC on reporting methods and requirements.

Further, CDC team members were not aware of the USAID data quality requirements embodied in ADS 203. If mission officials had adhered to these policies, which require periodic assessments of data quality, they would likely have detected these problems. Except for those used in the terminated World Learning agreement, no HIV/AIDS program indicators underwent a data quality assessment for the audit period.

USAID and OGAC use annual performance results to set program strategy, budgets, and targets, especially in developing the annual PEPFAR country operational plan. Inaccurate reporting weakens the basis for sound planning, which is especially important in Angola where USAID has experienced high staff turnover. Documenting justification for targets and the methodology for setting them is equally important in this context so that incoming staff and decision makers can manage programs effectively. To strengthen the quality of USAID/Angola's performance data, we make the following recommendations.

> ***Recommendation 4.*** *We recommend that USAID/Angola sign a memorandum of understanding with the Centers for Disease Control and Prevention that defines the division of responsibilities for setting targets for and reporting performance on HIV/AIDS indicators.*

> ***Recommendation 5.*** *We recommend that USAID/Angola request training for its staff and HIV/AIDS implementing partners from the Office of the U.S. Global AIDS Coordinator on setting targets for and reporting performance on HIV/AIDS indicators.*

USAID and PSI Processes for Use and Management of Program Income Were Unclear

The Integrated Health Social Marketing Program cooperative agreement requires PSI to account for program income in accordance with 22 CFR 226.24. The agreement then states that income should be added to the budget in accordance with 22 CFR 226.24(b)(1), which specifies that these additional funds shall be "used to further eligible program objectives." According to 22 CFR 226.24(a), "Recipients shall apply the standards set forth in this section to account for program income related to projects financed in whole or in part with Federal funds."

PSI's Integrated Health Social Marketing Program generated income from condom sales. According to PSI, the program earned approximately $149,490 from sales of Legal condoms and $358,208 from sales of Sensual condoms in FY 2012. However, in the following instances, PSI did not report this program income as specified in the above guidance, and USAID/Angola did not adequately monitor it.

PSI Did Not Account for or Use Program Income From Legal Sales Properly. Despite the requirement in 22 CFR 226.24(b)(1), PSI reported $9,639.75 of program income under the "deduction alternative" on its June 30, 2012, financial report to USAID (Standard Form 425). Although this alternative, which is authorized under 22 CFR 226.24(b)(3), allows program income to be deducted from total allowable costs to reduce the amount paid by USAID, the agreement specified that the best use of program income was to add it to the award so that more activities could be completed.

Moreover, even if PSI officials had added this amount to funding committed by USAID, they may not have spent it to further eligible objectives. PSI staff said they had used program income from Legal condom sales to supplement sales staff salaries with holiday gifts and ad hoc bonuses for meeting sales targets. Applicable cost principles[6] note that compensation for personal services (an eligible use) can include incentive awards, but such awards must be paid or accrued pursuant to an established organizational policy or a good faith agreement entered into before the services are provided. In correspondence subsequent to the draft report, PSI officials provided an organizational policy that allows for sales incentives based on meeting individual sales targets and noted that sales staff were made aware of the policy when joining PSI Angola. Holiday gifts, on the other hand, do not appear to be part of the policy and would therefore not be allowable under the cost principles or an eligible use of program income.

In addition, the audit noted that PSI underreported program income generated from sales of Legal condoms by $19,656. PSI staff had inadvertently accounted for program income earned from October 2011 to January 2012 under codes for the previous USAID-funded social marketing program, but had not made corrections at the time of audit fieldwork.

PSI officials attributed these mistakes to human error. For instance, the assistant controller for PSI acknowledged that program income should have been added to the program budget, not deducted, and noted that it will be treated properly in future financial reports. Similarly, officials said they would reclassify $19,656 of program income to the current Integrated Health Social Marketing Program in the next financial report to USAID. As for the use of the income, the PSI team in Angola was unfamiliar with relevant cost principles and thought using program income to support staff salaries and provide employee incentives was allowable.

USAID/Angola staff contacted the agreement officer in South Africa for general guidance on program income shortly before the start of the audit. The staff, which was new to USAID/Angola's social marketing activities, lacked familiarity with the guidance on use of program income to identify these mistakes. As a result, program income generated from Legal condom sales under the Integrated Health Social Marketing Program was not used as intended to further eligible objectives. To address these concerns, we make the following recommendations.

> ***Recommendation 6.*** *We recommend that USAID/Angola implement procedures to verify that implementing partners report program income in accordance with their agreements with USAID.*
>
> ***Recommendation 7.*** *We recommend that USAID/Angola (1) require Population Services International to differentiate how it expended $9,640 in program income (for different uses, including providing incentives for meeting sales targets and holiday gifts), (2) determine the allowability of the amounts expended for the different uses, and (3) recover from Population Services International any amount determined to be unallowable.*

[6] Office of Management and Budget Circular A-122, "Cost Principles for Non-Profit Organizations," Attachment B, Sections 8(a) and 8(j).

> ***Recommendation 8.*** *We recommend that USAID/Angola verify that Population Services International reclassifies $19,656 in program income (that was incorrectly reported under the previous social marketing program) as income under the Integrated Health Social Marketing Program.*
>
> ***Recommendation 9.*** *We recommend that USAID/Angola require Population Services International to develop a written plan for the use of unexpended current and future program income to further eligible program objectives.*

PSI Did Not Report Program Income From Sales of Sensual. Although 22 CFR 226.24(a) applies to program income generated from projects financed fully or partially by the U.S. Government, the audit found that PSI did not report program income generated from sales of Sensual condoms.

PSI officials explained they do not report program income for Sensual condoms because PSI owns the brand and procures those condoms with its own funds. Conversely, USAID procures Legal condoms on behalf of the program. Sensual, however, is an integral part of the program, and, most importantly, PSI sells both brands of condoms with staff, resources, and marketing channels funded by USAID. Sales of Sensual condoms also contributed to PSI's performance results, representing nearly 30 percent of condoms sold during the audited period.

PSI staff members were unable to explain how the decision originated to treat program income from Sensual condoms differently than that from Legal condoms, besides the initial reasons given above, and could not produce documentation to show that USAID had approved the decision to do so. The cooperative agreement lacked any detail on treating program income differently for the different brands or attributing it to USAID, and the USAID/Angola team said that during award negotiations USAID had not addressed how program income would be reported or used. In contrast, USAID did not procure condoms for a similar social marketing program in Kenya, yet the cooperative agreement there specified the amount of program income that would be attributed to USAID for the promotion and distribution of the PSI-procured condoms.

According to PSI's staff, program income generated from sales of Sensual condoms is used to procure more Sensual condoms for the program. USAID/Angola officials also understood that program income from Sensual would replenish Sensual inventories. Without proper monitoring or reporting, though, USAID/Angola lacked assurance that PSI added program income to the funds provided by USAID as required by the agreement and 22 CFR 226.24(b)(1).

Moreover, because PSI staff did not report or attribute program income from Sensual condoms to USAID, and USAID/Angola staff did not monitor it, PSI staff had an incentive to encourage sales of Sensual condoms over Legal—especially since PSI earned $0.13 per Sensual condom sold, compared with only $0.05 per Legal condom sold. Notably, sales reports for the audited period show that PSI consistently sold more Sensual condoms than Legal until it ran out of stock. This tendency could have implications for program achievement and sustainability because Sensual is sold to customers for twice the price of Legal, and PSI staff identified cost as a barrier to sales.

To address these concerns, we make the following recommendations.

> ***Recommendation 10.*** *We recommend that USAID/Angola determine whether Population Services International managed program income of $358,208 (from sales of Sensual condoms) in accordance with Title 22 of the Code of Federal Regulations, Part 226, Section 24, and recover from Population Services International any amount that was managed incorrectly and determined to be unallowable.*

> ***Recommendation 11.*** *We recommend that USAID/Angola reach consensus with Population Services International on how to manage program income generated from future sales of Sensual brand condoms, and modify the cooperative agreement accordingly.*

USAID/Angola Did Not Facilitate Program Coordination

According to ADS 202.3.5.3, USAID plays a critical role in helping implementing partners achieve results by ensuring coordination and collaboration with partners, host-country entities, other donors, and customers. USAID/Angola's health sector strategy for 2011-2016 also identified the need for coordination, noting, "USAID partners need clear terms of reference with each other . . . to ensure effective coordination." Despite this guidance, USAID/Angola overlooked the following clear opportunities for strategic coordination.

- *Referral networks.* PROACTIVO encouraged HIV counseling and testing by referring beneficiaries to selected health facilities, while ForçaSaùde trained staff to provide HIV counseling and testing. However, PROACTIVO's referral network did not include ForçaSaùde-supported facilities because it did not know ForçaSaùde had trained staff to provide these services. In Huambo Province, for instance, PROACTIVO could have expanded its referral network to 16 facilities from 5. Expanded access is important, as partners noted that difficulty accessing health facilities with trained personnel kept individuals from being tested.

- *Facility mapping.* ForçaSaùde and PROACTIVO unknowingly conducted similar mapping exercises in Luanda and Huambo Provinces. Both exercises sought to identify the number and location of health facilities, the ability of those facilities to provide HIV counseling and testing, and opportunities for training. These mapping exercises were required before both programs' training and referral activities could begin. Moreover, ForçaSaùde and PROACTIVO both trained facility staff in HIV counseling and testing without strategically coordinating geographic coverage, health facilities, or curriculums to maximize impact and avoid duplication.

- *Mobile clinics.* ForçaSaùde and PROACTIVO independently expressed the need for more mobile clinics to reach most-at-risk populations. ForçaSaùde has a strong relationship with the Ministry of Health and influence over the positioning of its mobile clinics; PROACTIVO mapped and works in hot spot locations[7] where mobile clinics would be most beneficial. Although PSI staff members said they briefly talked about using mobile clinics with Jhpiego

[7] PROACTIVO operates in hot spot locations such as bars, nightclubs, gas stations, border crossings, and restaurants, where PSI outreach workers are likely to find most-at-risk populations.

months before the audit, neither USAID/Angola nor the partners had made progress coordinating on this topic.

These activities were not coordinated because USAID/Angola had not held regular partner meetings where partners could discuss activities. In addition, different agreement officer's representatives managed ForçaSaùde and PROACTIVO, and since the individuals were only responsible for reviewing and approving the work plans of the programs they were managing, neither knew about the other's program. This was exacerbated by extended vacancies in the health team's supervisory positions, which limited insight into the full health portfolio. Mission staff also attributed lack of coordination to the staff vacancies discussed on page 7, adding that the limited, overloaded staff did not have time to organize or host joint meetings.

As a result, USAID/Angola did not maximize the impact of its HIV prevention programs and missed opportunities to achieve development objectives. For example, at the end of the third quarter, PROACTIVO had reached less than 4 percent of its annual target for referrals to HIV counseling and testing, and ForçaSaùde achieved only about half of its annual target for the number of people receiving HIV counseling and testing services. Both partners could have achieved greater coverage with coordination. In addition, USAID/Angola risked duplicating partner efforts in areas like facility mapping and training—a concern given funding limitations and implementation delays. To address these concerns, we make the following recommendation.

> ***Recommendation 12.*** *We recommend that USAID/Angola develop a schedule for holding regular meetings with its HIV/AIDS partners to promote strategic coordination.*

PSI's Advocacy Work Had Not Progressed as Planned

An objective of PROACTIVO was to "strengthen the environment at national and lower levels for civil society-led advocacy, networking and collaboration with the [Government of Angola] and stakeholders." PSI believed that achieving this objective was essential for effective implementation and sustainability of HIV prevention services targeted to most-at-risk populations. Advocacy in this context meant advocating for policies that improved access to HIV prevention and care services and reduced stigma and discrimination.

Despite the importance of advocacy, PROACTIVO had not achieved most results under this objective 2 years into the 3-year program because its main advocacy partner, Action for Rural Development and the Environment (ADRA), was unable to complete the work. PSI staff members described ADRA, a small Angolan organization, as reluctant to engage with the high-risk groups that PROACTIVO targeted or to discuss openly the advocacy issues that it was responsible for advancing. PSI terminated its agreement with ADRA on June 21, 2012, for nonperformance, having expended $70,000 of the $580,000 subagreement.

ADRA's poor performance was attributable to a lack of a preaward assessment and unclear responsibilities.

- *Lack of preaward assessment.* PSI described ADRA in the cooperative agreement as one of approximately four Angolan civil society organizations known to have experience working with most-at-risk populations. However, PSI officials said this experience consisted of small-scale, community-based, income-generating activities for people living with HIV/AIDS.

Although they assumed this experience would translate to PROACTIVO's large-scale advocacy objectives on behalf of sex workers and truckers, it did not. PSI did not carry out a preaward assessment of ADRA. PSI staff explained that, according to PSI policy, subpartners proposed as part of a cooperative agreement were not subject to comprehensive capacity assessments. Since USAID is not required to complete preaward assessments of established organizations like PSI, or its subpartners, the mission would not have identified this discrepancy before approving ADRA as a subpartner in the cooperative agreement.

- *Unclear responsibilities.* The USAID-funded evaluation completed in 2011 noted that ADRA's responsibilities under the program were unclear and that delays in implementation resulted from misunderstandings about ADRA's scope of work. The subagreement outlining ADRA's responsibilities was only one page and omitted details about specific activities or objectives. The evaluation suggested that USAID review ADRA's work plans to confirm that planned activities aligned with overall objectives and technical approaches; however, as noted in the evaluation, such a review would have been beyond the substantial involvement[8] limitations of a cooperative agreement.

PSI had not found a new advocacy partner at the time of audit fieldwork. Instead, USAID/Angola and PSI had agreed to reallocate the $510,000 that remained from ADRA's subagreement to existing subawards ($200,000) and to PSI ($310,000). PSI, nevertheless, expended $70,000 without achieving advocacy objectives—objectives that were important for sustainability in the program's other focus areas for most-at-risk populations, such as behavior change and HIV counseling and testing. PSI officials noted that the organization has since amended its policy to carry out preaward assessments for all subpartners receiving awards worth more than $100,000 and simple assessments for subawards of smaller amounts. Further, the mission was developing a new advocacy plan to address these concerns at the time of audit fieldwork. In light of these actions, the audit makes no recommendations on advocacy work.

Angolans Lacked Awareness of USAID's Sponsorship

USAID's framework legislation, the Foreign Assistance Act of 1961, as amended, Section 641, requires that all programs under the Foreign Assistance Act be identified appropriately as "American Aid." This legislation authorizes ADS, Chapter 320, "Branding and Marking," which guides the Agency's activities to help achieve this objective. Moreover, communicating USAID's sponsorship to beneficiaries has become a priority of U.S. foreign assistance with the increasing importance of development in achieving U.S. foreign policy objectives.

Despite this guidance, the audit found that beneficiaries of the USAID/Angola programs audited, and even some people implementing them, were generally unaware of USAID or USAID's sponsorship. Examples follow.

- In Cunene Province, a Ministry of Health official and all three nurses visited did not know that USAID was funding PSI's HIV/AIDS activities in the area, despite participating in PROACTIVO's referral network for HIV counseling and testing.

[8] Substantial involvement refers to USAID's active participation in certain elements of a USAID-funded program, which is limited under a cooperative agreement as discussed in ADS 303.3.11.

- In Huambo and Huila Provinces, none of the six PROACTIVO outreach workers knew about USAID's role in PROACTIVO.

- In Cunene Province, none of the six beneficiaries interviewed knew what USAID was or that USAID funded the free condoms and training materials they had just received through PROACTIVO.

- In Huambo, Huila, and Luanda Provinces, none of the nine retailers interviewed who were selling USAID-funded condoms through the Integrated Health Social Marketing Program knew exactly what USAID was.

- In Huambo Province, neither of the two nurses interviewed who were trained under ForçaSaùde recalled that USAID had sponsored the training.

Several factors contributed to this lack of recognition. First, partners were not always adhering to their branding and marking plans, which are important for boosting public awareness of USAID. For example, auditors noted that PROACTIVO outreach worker uniforms did not bear the USAID logo as required by the program's plan. PSI staff members explained that this was an oversight in the ordering process but had not taken steps to correct it. Similarly, auditors noted that promotional materials for Legal condoms, such as T-shirts and posters, did not show USAID's logo. ADS 320.3.2.5 and the branding and marking plan exempted PSI from cobranding the condoms themselves or the condom packaging, but this exemption did not extend to supplementary promotional materials. During site visits in Luanda, auditors also found that a nurse's completion certificate from ForçaSaùde training was not cobranded as required by the program's plan.

Second, PSI had not met targets for distribution of materials, such as T-shirts, manuals, and information pamphlets. These promotional materials are highly visible to beneficiaries. For its part, PROACTIVO had met only about 9 percent of its annual target for distributing such materials by the end of the third quarter. The Integrated Health Social Marketing Program also had low results, achieving only 24 percent of its annual target. Moreover, all of the materials distributed under this program were Legal brand promotional items, which were not cobranded.

Finally, USAID/Angola did not adequately monitor the effectiveness of partners' branding and marking plans. Travel restrictions and staffing shortages hindered mission staff from conducting site visits, so USAID/Angola was unaware when partners did not adhere to their branding and marking plans in the field. The lack of site visits also limited USAID/Angola's interactions with field staff, such as PROACTIVO outreach workers and ForçaSaùde-trained nurses, which would have increased USAID's visibility and reinforced the branding and marking plans. Mission staff also did not prioritize branding and marking given other significant problems, such as delays in program implementation. Notably, mission staff overlooked approving the draft branding and marking plan for PROACTIVO during staff transitions.

As a result, the U.S. Government and the American people did not receive the maximum public diplomacy benefits from their assistance to Angola's HIV prevention efforts. A previous RIG/Pretoria audit noted these shortcomings at USAID/Angola and recommended that the mission remind staff of their responsibilities to monitor adherence to branding and marking requirements.[9] Although the mission agreed and reminded staff of their responsibilities, the problem remains. Recommendation 1 on page 9 will improve processes for approving partner deliverables in the event of staff vacancies, including branding and marking plans. We therefore make the following recommendations.

Recommendation 13. *We recommend that USAID/Angola implement policies and procedures for monitoring the effectiveness of approved branding and marking plans.*

Recommendation 14. *We recommend that USAID/Angola remind Population Services International, in writing, of its obligation to brand all program materials (including supplementary promotional materials) according to its branding and marking plan, exempting only items explicitly identified in the plan from branding and marking requirements.*

[9] "Audit of USAID/Angola's Public-Private Partnerships," Report No. 4-654-12-006-P, February 27, 2012.

EVALUATION OF MANAGEMENT COMMENTS

In its formal comments on the draft report, USAID/Angola agreed with all 14 recommendations. We acknowledge management decisions on Recommendations 1-6, 8, 9, and 11-14, and final action on Recommendation 12. Recommendations 7 and 10 remain without a management decision because, in accordance with ADS 595.3.1.2, management decisions cannot be reached until the agreement officer specifies the amount of questioned costs allowed and/or disallowed and sets a target date for collection of any disallowed costs. Furthermore, we disagree with the management decision reached on Recommendation 5. Our evaluation of management comments follows.

Recommendation 1. USAID/Angola agreed to implement a process for approving partner deliverables, which includes rerouting in the event of staffing vacancies, and planned to update its mission order on monitoring and evaluation, by March 31, 2013. In subsequent correspondence, the mission added that it already had announced new processes for routing and managing financial and performance reporting documents at a December 2012 health team meeting. As a result, we acknowledge that a management decision has been made on Recommendation 1.

Recommendation 2. USAID/Angola agreed to implement a mission policy to create annual site visit schedules for routine monitoring and addressing performance concerns, including alternate monitoring activities to mitigate travel constraints. The target date for completion of this action is March 31, 2013. As a result, we acknowledge that a management decision has been reached on Recommendation 2.

Recommendation 3. USAID/Angola agreed to implement a plan to verify that personnel performing agreement officer's representative responsibilities receive the appropriate training and certification. Planned actions include updating its mission order on training by March 31, 2013, to ensure that staff training plans are updated annually. The mission added in subsequent correspondence that it had already developed a training plan for the health team to ensure that members who focus on HIV have received agreement officer's representative training and certification. As a result, we acknowledge that a management decision has been reached on Recommendation 3.

Recommendation 4. USAID/Angola agreed with the recommendation and will finalize a letter of agreement with CDC that outlines strategic information responsibilities. The letter of agreement will be finalized by March 31, 2013. Consequently, we acknowledge that a management decision has been made on Recommendation 4.

Recommendation 5. USAID/Angola agreed with the recommendation to request training from OGAC for mission staff and implementing partners on setting targets and reporting performance. In its comments, the mission said it expected OGAC to provide this training in Angola by March 31, 2013, and added that its HIV/AIDS staff members would be able to meet with OGAC in Washington, D.C., by April 30, 2013, for one day of training on this topic. In subsequent correspondence, the mission said OGAC will no longer be able to provide the Angola training as planned and that their emphasis would now be on the Washington, D.C., training. In light of management's comments and subsequent correspondence, we acknowledge that a management decision has been reached on Recommendation 5.

However, we disagree with this management decision because it does not address training for the mission's implementing partners, which was an integral part of the recommendation. To obtain OIG agreement, a revised management decision could, for instance, propose a plan, with a target date for completion, for providing training to implementing partners that is based on the April consultations with OGAC in Washington.

Recommendation 6. USAID/Angola agreed with the recommendation to implement procedures to verify that implementing partners report program income in accordance with their USAID agreements. Planned actions include an official letter to partners regarding program income requirements, and an additional checklist step for agreement officer's representatives to use in verifying program income. The target date for completion is April 30, 2013. In light of management's comments, we acknowledge that a management decision has been reached on Recommendation 6.

Recommendation 7. USAID/Angola agreed with the recommendation to require PSI to differentiate how it spent $9,640 in program income, determine the allowability of the amount spent for different uses, and recover from PSI any amount determined to be unallowable. The mission said it planned to review PSI's policy on staff incentives, determine whether the policy complies with Agency regulations for the use of program income, draft an official response on the allowability of using program income for staff incentives, and recover from PSI any amount determined to be unallowable. The target date for completion of these actions is April 30, 2013. However, in accordance with ADS 595.3.1.2, a management decision cannot be reached until the agreement officer makes a determination on the allowability of questioned costs. Thus, Recommendation 7 remains without a management decision at this time.

Recommendation 8. USAID/Angola agreed to request written verification from PSI that it has reclassified program income of $19,656 to the current social marketing program. Subsequent correspondence set the target completion date for this action as March 31, 2013. As a result, we acknowledge that a management decision has been reached on Recommendation 8.

Recommendation 9. USAID/Angola agreed with the recommendation to require PSI to develop a written plan for the use of unspent current and future program income to further program objectives. The mission said it would request a modification to the agreement with PSI to include this plan. Subsequent correspondence set the target completion date as March 31, 2013. Consequently, we acknowledge that a management decision has been made on Recommendation 9.

Recommendation 10. USAID/Angola agreed with the recommendation to determine whether PSI managed program income of $358,208 from sales of Sensual condoms in accordance with 22 CFR 226.24 and to recover from PSI any amount that was managed incorrectly. The mission stated it would, by April 30, 2013, develop a plan to ensure that PSI manages program income correctly, formally communicate to PSI its expectations for managing program income, and modify the agreement accordingly. The mission's planned actions did not address the issue of whether PSI's failure to report $358,208 as program income was proper, or the recovery of any amounts from PSI if the nonreporting is deemed improper. In accordance with ADS 595.3.1.2, a management decision cannot be reached until the agreement officer makes a determination on the allowability of questioned costs. Thus, Recommendation 10 remains without a management decision at this time.

Recommendation 11. USAID/Angola agreed with the recommendation to reach consensus with PSI on how to manage program income generated from future sales of Sensual condoms, and modify the cooperative agreement accordingly. The mission said it would first determine, in coordination with the USAID agreement officer and regional legal advisor, whether PSI's current policy complies with Agency regulations, and then modify the agreement if necessary. The target date for completion is June 30, 2013. In light of management's comments, we acknowledge that a management decision has been reached on Recommendation 11.

Recommendation 12. USAID/Angola agreed with the recommendation. The mission developed an annual plan for quarterly partner meetings to promote strategic coordination, which it shared with partners during coordination meetings on October 18, 2012, and February 1, 2013. In light of this action and supporting documentation provided, we acknowledge that a management decision has been reached and final action taken on Recommendation 12.

Recommendation 13. USAID/Angola agreed with the recommendation to implement policies and procedures for monitoring the effectiveness of approved branding and marking plans. The mission said it will provide refresher training for agreement officer's representatives, develop a PowerPoint training session for partners, and update its monitoring mission order to address oversight of branding and marking. The target date for completion is May 31, 2013. In light of management's comments, we acknowledge that a management decision has been reached on Recommendation 13.

Recommendation 14. USAID/Angola agreed with the recommendation. The mission said it would send an official letter by April 30, 2013, reminding PSI of its branding and marking obligations. In light of management's comments, we acknowledge that a management decision has been reached on Recommendation 14.

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/Angola's HIV/AIDS prevention activities were achieving their main goals of strengthened health systems, changed behavior, and improved strategic information. We conducted audit fieldwork from September 18 to October 5, 2012.

In planning and performing this audit, we assessed internal controls related to program activities. Specifically, we reviewed the following:

- USAID/Angola's FY 2012 evaluation required under Federal Managers' Financial Integrity Act of 1982[10]
- Program cooperative agreements and modifications
- USAID/Angola HIV Prevention Portfolio Review (August 9, 2011)
- Partner annual work plans
- Partner financial reports
- Partner quarterly performance reports
- USAID/Angola's health team organizational chart
- Data quality assessment of Kapelako Project indicators
- Agreement officer's representative designation letters and certifications

USAID/Angola received a total of $20 million in PEPFAR funding in FYs 2011 and 2012 to implement HIV/AIDS activities. We obtained documentation from USAID/Angola on the HIV/AIDS portfolio and judgmentally selected agreements for audit based on funding amounts, the timeline of activities, and performance issues identified in USAID/Angola's 2011 HIV Prevention Portfolio Review. Accordingly, the audit reviewed the mission's four main HIV/AIDS programs, representing total awards of $61.4 million: ForçaSaùde, implemented by Jhpiego; Integrated Health Social Marketing and PROACTIVO, implemented by PSI; and Kapelako Project, implemented by World Learning.

[10] Public Law 97-255 codified in 31 U.S.C. 3512.

The audit scope excluded two multicountry HIV/AIDS agreements that were active in Angola but were regionally managed and had combined budgets of just over $1 million for Angola activities in FY 2012. In addition, we limited audit procedures for the Kapelako Project because it terminated on September 30, 2012, during audit fieldwork. We did not conduct site visits or detailed data quality testing for this program because any resulting findings would not have been relevant at report issuance.

As of June 30, 2012, obligations and expenditures for the four programs under review totaled $14.6 million and $11.4 million, respectively. The audit focused the program review on FY 2012 activities through June 30, 2012.

In planning the audit, we interviewed regional USAID/Southern Africa staff members in Pretoria who assisted in program management. We conducted audit fieldwork in Luanda at USAID/Angola to interview key mission officials, and at PSI, Jhpiego, and World Learning head offices to interview partner officials. In addition, we conducted site visits in four provinces in Angola to speak with field staff and observe ongoing activities, as follows:

- In Luanda Province, we visited PSI and Jhpiego project locations including two Jhpiego-supported health facilities, a PSI condom wholesaler, and two PSI condom retailers.

- In Huambo Province, we visited two Jhpiego-supported health facilities, a Jhpiego-supported mobile HIV testing clinic, three PSI condom retailers, and the Angolan Ministry of Health provincial office.

- In Huila Province, we visited a PSI subawardee and four PSI condom retailers.

- In Cunene Province, we visited four PSI intervention hot spots, two health facilities involved in PSI's referral activities, and the local public health office.

We reviewed findings from a prior audit on USAID/Angola's public-private partnerships (4-654-2-006-P, February 27, 2012) and considered those that affected the audited HIV/AIDS programs. These findings pertained to program management and monitoring, site visits, and branding and marking.

Methodology

To answer the audit objective, we began by reviewing ADS 201, "Planning"; 202, "Achieving"; 203, "Assessing and Learning"; 204, "Environmental Procedures"; 302, "USAID Direct Contracting"; 303, "Grants and Cooperative Agreements with Non-Governmental Organizations"; and 320, "Branding and Marking." We also reviewed the PEPFAR *Next Generation Indicator Guide* for guidance on performance monitoring and reporting and the Partnership Framework between the Government of the Republic of Angola and the Government of the United States of America to Combat HIV/AIDS 2009-2013 for details on the countries' HIV/AIDS strategies and coordination.

During planning and fieldwork, we interviewed USAID officials in South Africa and Angola. To understand program guidance, background, and implementation, we interviewed agreement officers, financial management officials, regional and bilateral health team staff, and agreement officer's representatives. We also interviewed CDC staff members in Angola who were responsible for OGAC reporting.

We conducted meetings at implementing partner offices in Luanda and suboffices in provincial capitals. The purpose of these meetings was to obtain detailed insight from partners and subpartners on project performance, their working relationships with USAID, and how program results were achieved. Additionally, when possible, we interviewed provincial government health officials to understand how the programs are working with the Angolan Government.

In addition, we obtained and reviewed program documentation, including agreements and performance reports, to substantiate these interviews and assess program achievement. We compared results reported by partners as of June 30, 2012 (the end of the third quarter), with FY 2012 targets (Appendix III) to determine whether they were on track to achieve the targets by the end of the fiscal year. To establish a materiality threshold for evaluating success of program activities, we considered indicators that had reached 75 percent of their annual target to be on track.

To assess data quality and validate results, we reviewed supporting documentation for the data partners reported in the third quarter of FY 2012 for selected indicators. Source documentation included partner databases, training registers, outreach workers' forms from behavior change activities targeted to most-at-risk-populations, and sales records. We judgmentally selected this period for review because its data were the most recent reported. Results from the selected samples cannot be projected to all records of quarterly performance data.

MANAGEMENT COMMENTS

USAID | ANGOLA
FROM THE AMERICAN PEOPLE

DATE: February 13, 2013

TO: Robert W. Mason, Regional Inspector General/Pretoria

FROM: Teresa McGhie, Mission Director, USAID/Angola /s/

SUBJECT: Management Decisions on the Audit of USAID/Angola's HIV/AIDS Activities (Draft Audit Report No.: 4-654-13-XXX-P)

In accordance with ADS 595.3.1, this memorandum transmits the Missions management comments on the subject audit report of the Mission's HIV/AIDS activities. We express our gratitude to the RIG for conducting this audit and preparing the draft report.

The timing of this audit is opportune because, for the first time since 2005, the Mission's health team has a full staff dedicated to manage USG funds by providing comprehensive oversight of HIV/AIDS activities. The recently arrived Supervisory General Development Officer, who comes to Angola with substantial USAID experience, is well placed to lead the Mission's health nascent team in responding to all areas of concern in this audit. We appreciate the opportunity to provide clarifications and comments.

FINDINGS

1. Key HIV/AIDS activities were not on track to achieve main goals (page 6)

Management Comments: The Mission agrees with this finding. However, we wish to note that by the end of the fourth quarter, activities were on track for all but one of the referenced indicators.

Recommendation No. 1:

Implement a process for approving partner deliverables, which includes rerouting in the event of staffing vacancies

Management Decision:
The Mission agrees with this recommendation.

Action taken:

Since the audit, the Mission has implemented processes for managing and routing financial reporting of accruals and pipeline, and for quarterly reporting of strategic information.

Actions Planned:
Specific language will be added to the recently updated Mission Order 203, which clarifies the chain of responsibility in the case of staff vacancies. Because of the number of field support activities in the program, we intend to add two requirements: (1) Activity Managers are assigned, with alternates, for all centrally managed programs, and that responsibilities of Activity Managers are clearly delineated, and (2), AOR and Activity Manager files are regularly updated. This action is expected to be completed by **March 31, 2013.**

Recommendation No. 2:

> **Implement a mission policy to create annual site visit schedules for routine monitoring and addressing performance concerns, including alternate monitoring activities to mitigate travel constraints**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
The Mission has created an annual work plan that includes a site visit schedule planned for FY 2013.

Actions Planned:
The Mission has established the work plan and site visit schedule. Both have been communicated with all partners on 1 February 2013. The Mission will finalize after receiving partner feedback no later than March 31, 2013. The Mission will also update Mission Order 203 on Performance Monitoring and Evaluation to require annual site visit schedules. Site visits will be performed no less than quarterly. This action will be completed by **March 31, 2013.**

Recommendation No. 3:

> **Implement a plan to verify that personnel performing Agreement Officer's Representative responsibilities receive the appropriate training and certification**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
The Mission Health Team, including members who focus primarily on HIV, has a training plan for all current staff that addresses this recommendation.

Actions Planned:
An updated Mission Order on training will ensure that training plans are updated at least annually and as new staff join the Mission. Documentation of training completion will be centrally maintained. A Mission Notice will require all staff to deliver course completion certification to their supervisor for central filing. These three Mission-based actions will be completed by or before **March 31, 2013.**

2. USAID Angola Did Not Implement Performance Management Processes Adequately (page 9)

Management Comments: The Mission agrees with this finding. It should be noted that USAID Angola has performance management processes in place, but have not had adequate staff to facilitate implementation of such processes. All key positions, however, have now been filled, and the HIV/AIDS Team is beginning to implement existing procedures to improve performance management. For example, the recently hired M&E Advisor has begun to address partner data reliability and validity through regular DQAs and review of quarterly strategic information reports for PEPFAR. This M&E oversight is enabling the Mission to identify over- and underreporting, and to rectify and reconcile reported data with source documents. Post audit, the M&E Advisor received on-the-job training by the OGAC Strategic Information (SI) Advisor to support the Mission. In addition, approximately one month after the audit was conducted the health team delineated a yearlong plan that includes regular monitoring visits of all implementing partner activities.

Recommendation No 4:

> **Sign a memorandum of understanding with the Centers for Disease Control and Prevention (CDC) that defines the division of responsibilities for setting targets for and reporting performance on HIV/AIDS indicators**

Management Decision:
We agree with this recommendation in principle, but will proceed with a "Letter of Agreement" instead of a memorandum of understanding.

Actions Taken:
The Mission has initiated several phone calls with the OGAC SI Advisors to understand the roles and responsibilities of the SI Advisor for USG Angola. To date, the HIV/AIDS Team has received a copy of the SI program description, and is using it as the basis for a Letter of Agreement between the USG Agencies. This Letter of Agreement has been drafted by USAID and shared with CDC for review/comments.

Actions Planned:
To finalize the "Letter of Agreement" between CDC and the Mission on or before **March 31, 2013.**

Recommendation No. 5:

> **Request training for its staff and HIV/AIDS implementing partners from the Office of the U.S. Global AIDS Coordinator (OGAC) on setting targets for and reporting performance on HIV/AIDS indicators**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:

The Angola OGAC Country Team support lead is scheduled to arrive in March 2013 to provide this training. In addition, the recently hired USAID M&E Advisor had one-on-one, on-the-job training with the OGAC SI Advisor during his recent trip to Angola in November/December 2012, and supported with the preparations of the Annual Report.

Actions Planned:
Upon completion of the March training, the HIV/AIDS team will document the process for target setting by or before **September 30, 2013.** In addition, both HIV/AIDS team members on official travel to Washington, DC for training in March and April will have at least one consultative day with OGAC for on the job training. This action will be completed on **April 30, 2013**.

3. USAID and PSI Processes for Use and Management of Program Income Were Unclear (p 11)

Management Comments: The Mission agrees with this finding and wishes to point out that subsequent to the audit, PSI has acknowledged the errors in reporting of program income for the USAID purchased commodity (Legal), and is in the process of making corrections. The Mission will continue its communication with PSI and follow up in writing on or before **April 30, 2013**.

Recommendation No. 6:

> **Implement procedures to verify that implementing partners report program income in accordance with their agreements with USAID**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
The Mission requires partners to provide details on the amount and use of program income in their quarterly programmatic narrative, as well as the annual report.

Actions Planned:
The Mission will request refresher training from the Regional Agreement Officer (AO) on the optimal method for verifying program income and proper interpretation of the SF-425. In addition, we will work with the AO to add to the AOR checklist of responsibilities that any AOR who manages a mechanism(s) earning program income will, on a quarterly basis upon receipt of the SF-425, verify program income based on knowledge of the sales price and through triangulation with other reported data, and compare results with the Alternate AOR. The Mission will also draft an official letter to partners about the legal obligation to report program income in accordance with their agreement and 22 CFR 226.24. All three actions will be completed on or before **April 30, 2013.**

Recommendation No. 7:

> **Require PSI to differentiate how it expended $9,640 in program income (for different uses, including providing incentives for meeting sales targets and holiday gifts), determine the allowability of the amounts expended for the different uses, and recover from PSI any amount determined to be unallowable**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
The Mission has reviewed a letter sent by PSI, December 17, 2012, that explains PSI's policy staff incentives. We have requested and received a copy of this policy to be reviewed internally, by the Agreement Officer, and by the RLA.

Actions Planned:
The HIV/AIDS Team and the AO will review the PSI policy on staff incentives, and consult with the RLA, to confirm its compliance with 22 CFR 226.24. Then HIV/AIDS Team will draft an official response addressing the allowability of program funds used for staff incentives, and request the recovery of any amount deemed unallowable. This action will take place on or before **April 30, 2013.**

Recommendation No. 8:

> **Verify that PSI reclassifies $19,656 in program income (that was incorrectly reported under the previous social marketing program) as income under the Integrated Health Social Marketing Program**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
The Mission has received written correspondence from PSI acknowledging the inadvertent accounting of program income from the current mechanism into the previous project, leading to underreporting of program income, which they plan to correct.

Actions Planned:
The Mission will follow-up, through written correspondence, requesting verification that the funds have been reclassified. This action will be completed on or before **February 28, 2013**.

Recommendation No. 9:

> **Require PSI to develop a written plan for using unexpended current and future program income to further eligible program objectives**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
The Mission has notified the partner that a written plan is required.

Actions Planned:
The Mission will follow-up through official written correspondence, requiring PSI to develop and send to the Mission a plan for the use of expected current and future program income to further eligible program objectives. The Mission will also request an Agreement Modification to include this plan. These actions will be completed on or before **February 28, 2013**.

4. USAID/Angola did not facilitate program coordination (page 13)

Management Comments: The Mission agrees with this finding and wishes to note, as stated by the Auditors, that there were insufficient staff at the Mission to facilitate program coordination. Despite best efforts by the Mission, it is difficult to recruit staff to Angola. Even once recruited, there are often significant delays due to bureaucratic processes out of the Mission's control. In addition, the Mission recently experienced a period where several direct hire staff left post early. Despite skeletal staffing, the Senior HIV Advisor (arrived in February 2012) did lead partner coordination activities , including a partner meeting as recent as March/April 2012 to streamline partner reporting, monitoring and evaluation for PEPFAR. Since then, the Mission has increasingly maximized opportunities for program coordination, beginning with the creation of an annual schedule of regular meetings where partners share their work plans and coordinate to maximize synergy and minimize duplication.

Recommendation No. 10:

> **Determine whether PSI managed program income of $358,208 (from sales of Sensual condoms) in accordance with 22 CFR 226.24, and recover from PSI any amount that was managed incorrectly**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
After a request from the HIV/AIDS Team on the issue, PSI responded with clarifications.

Actions Planned:
The HIV/AIDS Team is working with PSI to make sure that it manages program income correctly. A plan will be in place on or before **April 30, 2013.** The HIV/AIDS Team will follow-up with a formal notice to PSI and will initiate an Agreement Modification, if necessary, clearly detailing the Mission's expectation of how program income from this commodity should be declared and used. This action will also be completed on or before **April 30, 2013**.

Recommendation No. 11:

> **Reach consensus with PSI on how to manage program income generated from future sales of Sensual brand condoms, and modify the cooperative agreement accordingly**

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
Please refer to actions taken under recommendation 10.

Actions Planned:
The HIV/AIDS Team will request written guidance from the AO and the RLA to help determine whether PSI's policy complies with 22 CFR 226.24, and subsequently follow up with a formal

notification to PSI. Depending on the guidance, the HIV/AIDS Team may also request an agreement modification, detailing the use of program funds from the sale of commodities promoted but not purchased with USAID funds. These actions are to be completed by **June 30, 2013**.

Recommendation No. 12:

Develop a schedule of and hold regular meetings with its HIV/AIDS partners to promote strategic coordination

Management Decision:
The Mission agrees with this recommendation.

Actions Taken:
The HIV/AIDS Team has developed an annual plan for quarterly partner meetings. Partners were notified of this annual plan verbally in the most recent partner coordination meeting (February 1, 2013), and this will be reflected in the meeting notes.

The Mission respectfully requests that recommendation No. 12 be closed.

5. *PSI's advocacy work had not progressed as planned*

Management Comments: The Mission agrees with this finding. In fact, due to underperformance of one PSI project, the Mission requested and conducted a program evaluation in 2010/2011. This resulted in a remediation plan requiring the partner to address inadequacies. To their credit, PSI noted programmatic and financial non-compliance by their advocacy Partner, ADRA, and terminated the agreement. Another partner was identified to implement advocacy work, and the the HIV/AIDS Team is monitoring PSI's progress in this area. The Mission plans a formal assessment of PSI's progress in March 2013.

6. Angolans lacked awareness of USAID's sponsorship (page 16)

Management Comments: The Mission agrees with this finding, and had already begun to address this issue with partners prior to the audit. Several months before the audit, a partner had improperly branded its USAID funded activities in a radio broadcast. USAID staff took immediate action with the Partner, resulting in correct branding and marking in subsequent airings.

Please note, however, that there are sensitivities in the relationship between the US Government and the Government of Angola, which complicate branding, and marking. With 2012 being an election year, the radio stations, all of which are owned by the Government of Angola (GRA), refused to comply with USAID branding regulations. The GRA wanted to minimize any perception that the US Government was doing more for its people than it was. Consequently, the partner was asked to modify the way it branded, and needed to negotiate on the visibility of USAID. Partners will further be reminded in writing, as necessary, to obtain relevant waivers that will help navigate sensitivities.

Recommendation No. 13:

> **Implement policies and procedures for reviewing and approving branding and marking plans and for monitoring the effectiveness of those plans**

Management Decision:
The Mission agrees this recommendation.

Actions Taken:
During the implementing partners' meeting in October 2012, a presentation on branding and marking was shared with all partners, and an opportunity was provided for each partner to ask clarifying questions.

Actions Planned:
The Program Office will provide a refresher internal training to AORs and activity managers to ensure that the regulations for branding and marking are understood. Subsequent to that training, the Program Office and the HIV/AIDS Team will develop a joint plan for supporting the implementation, monitoring and reinforcement of USAID branding and marking regulations with partners and sub-grantees. Included in this plan will be PowerPoint training for partners, as well as systematic monitoring of the implementation of branding and marking in accordance with regulations, in a way that maximizes visibility of USAID support during monthly scheduled site visits. Mission Order 203 will be updated to contain a section on branding and marking oversight. These two actions will be completed on or before **May 31, 2013**.

Recommendation No. 14:

> **Remind PSI, in writing, of its obligation to brand all program materials (including supplementary promotional materials) according to its branding and marking plan, exempting only items explicitly identified in the plan from branding and marking requirements**

Management Decision:
The Mission agrees with this recommendation.

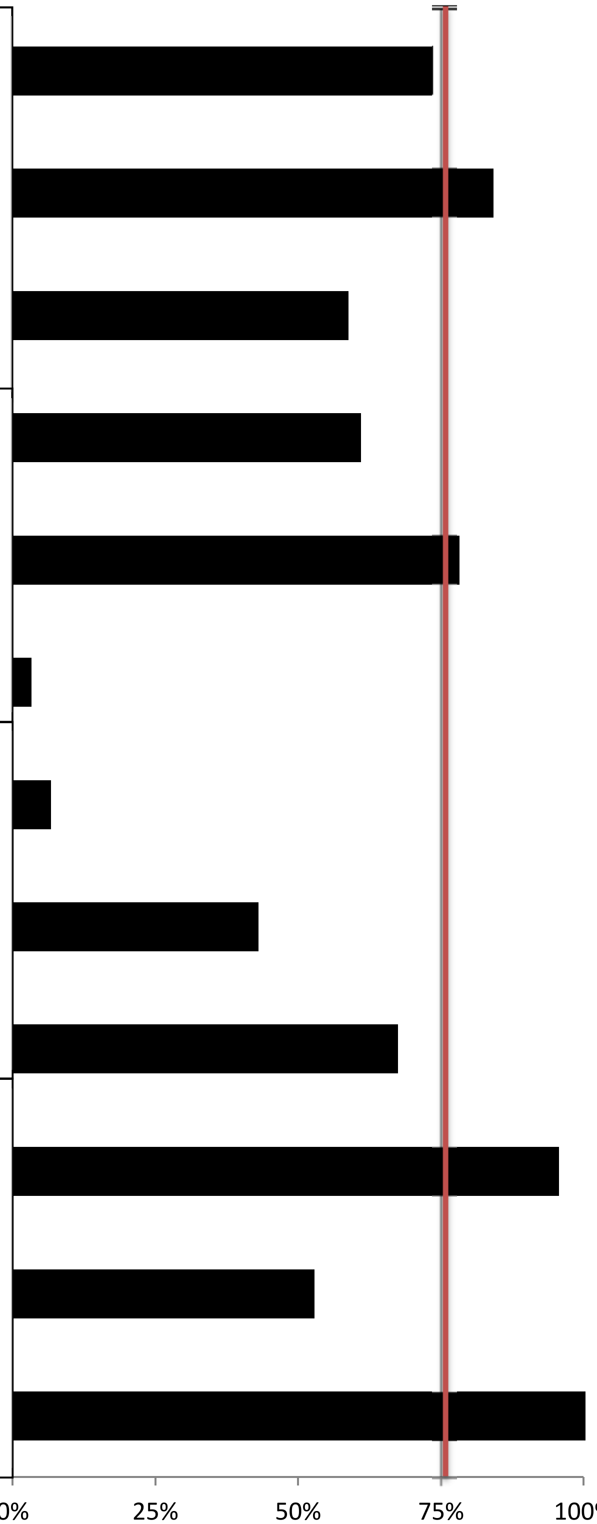
Actions Taken:
The Mission has reviewed the branding and marking plans in both of the PSI agreements, and noted that both plans are in accordance with USAID branding and marking regulations. The Mission has reminded the partner of its obligation to brand and mark according to the regulations verbally and in writing. While not explicitly stated in PSI's branding and marking plan, it should be noted that the marking provisions do not apply to the packaging of contraceptives or condoms under ADS 320.3.2.5 e.

Actions Planned:
The Mission will send an official letter reminding the partner of its branding and marking obligations. This action will be completed on or before **April 30, 2013**.

Results of Selected HIV/AIDS Performance Indicators

Percent of FY 2012 Annual Target Achieved at the End of the Third Quarter

Jhpiego ForçaSaùde	*Number of pregnant women with known HIV status (includes only women who were tested for HIV and received their results)** **Target** 26,442 **Result** 19,458 **Percent** 74
	*Number of health facilities providing antenatal care services that provide both HIV testing and antiretroviral drugs for prevention of mother-to-child transmission on site** **Target** 19 **Result** 16 **Percent** 84
	*Number of health-care workers who successfully completed an in-service training program** **Target** 114 **Result** 67 **Percent** 59
PSI Integrated Health Social Marketing	*Number of targeted condom service outlets** **Target** 200 **Result** 122 **Percent** 61
	*Number of condoms sold** **Target** 10,000,000 **Result** 7,822,712 **Percent** 78
	Number of individuals from target population who participated in a mass-scale event **Target** 500,000 **Result** 16,200 **Percent** 3
PSI PROACTIVO	*Number of people from most-at-risk populations reached with individual and/or small group interventions that are based on evidence and/or meet the minimum standards required** **Target** 26,250 **Result** 1,757 **Percent** 7
	Number of condoms distributed **Target** 533,600 **Result** 229,536 **Percent** 43
	*Number of health-care workers who successfully completed an in-service training program** **Target** 80 **Result** 54 **Percent** 68
World Learning Kapelako Project	*Number of people living with HIV/AIDS reached with a minimum package of [targeted] interventions.* **Target** 1,950 **Result** 1,866 **Percent** 96
	Number of the targeted population reached with individual and/or small group level preventive interventions that are based on evidence and/or meet the minimum standards required. **Target** 2,500 **Result** 1,322 **Percent** 53
	Number of unique local organizations provided with technical assistance for HIV-related institutional capacity building. **Target** 5 **Result** 5 **Percent** 100



*RIG/Pretoria audited third quarter results for selected indicators. The rest, including all Kapelako Project indicators, are unaudited.

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