



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/MOZAMBIQUE'S HIV/AIDS TREATMENT PROGRAM

AUDIT REPORT NO. 4-656-10-006-P  
JULY 16, 2010

PRETORIA, SOUTH AFRICA



*Office of Inspector General*

July 16, 2010

**MEMORANDUM**

**TO:** USAID/Mozambique Mission Director, Todd Amani

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

**SUBJECT:** Audit of USAID/Mozambique's HIV/AIDS Treatment Program (Report No. 4-656-10-006-P)

This memorandum transmits our report on the subject audit. In finalizing this report, we considered management comments on the draft report and have included those comments in their entirety as appendix II.

The report includes 12 recommendations to strengthen USAID/Mozambique's HIV/AIDS treatment program. After evaluating management's comments, we considered that management decisions have been reached on recommendations 1, 2, 4, 5, 6, 7, 8, 9, and 12. Please provide the Office of Audit Performance and Compliance Division (M/CFO/APC) with the necessary documentation to achieve final action on these recommendations.

In light of management's comments, we consider that management decisions have not been reached on recommendations 3, 10, and 11. We ask that you provide us written notice within 30 days regarding any additional information related to actions planned or taken to implement recommendations 3, 10, and 11.

Thank you for the cooperation and courtesy extended to my staff during the audit.

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# SUMMARY OF RESULTS

The U.S. Government's global HIV/AIDS program, launched in 2003 as the President's Emergency Plan for AIDS Relief (PEPFAR), has reported supporting antiretroviral treatment for 2.1 million people and care for more than 10.1 million through September 2008. To build on these achievements, Congress passed legislation in July 2008<sup>1</sup> extending the HIV/AIDS program and authorizing up to \$48 billion over the next 5 years to continue U.S. efforts against HIV/AIDS, tuberculosis, and malaria around the world.

Mozambique has been a focus of these efforts.<sup>2</sup> Mozambique is facing a severe, generalized HIV/AIDS epidemic. In 2007, the prevalence of HIV infection among adults ages 15 to 49 was estimated to be 12.5 percent, and an estimated 1.5 million people were living with HIV/AIDS.<sup>3</sup> The maps on the following page illustrate prevalence rate shifts and concentrations by province in Mozambique from 2003 through 2009. A civil war restricted movement within and outside the country until 1992, but returning refugees, as well as economic and commercial activity since then, have rapidly driven HIV prevalence to levels nearly as high as those in neighboring countries.

The U.S. Government channels a large percentage of its total funding for combating HIV/AIDS in Mozambique through USAID. The goals of USAID/Mozambique's HIV/AIDS program are to mitigate the impact of the epidemic in Mozambique and to support the country's health system for HIV/AIDS treatment.

In March 2008, the Office of Inspector General performed an audit to determine whether USAID/Mozambique properly procured, deployed, and warehoused PEPFAR commodities.<sup>4</sup> The audit found that the mission needed to coordinate more closely with USAID/Washington staff to (1) establish policies and procedures for expired drugs, (2) improve warehouse storage conditions, and (3) coordinate donor efforts in procuring and distributing essential antiretroviral drugs. The audit report included eight recommendations to strengthen USAID/Mozambique's efforts to monitor the procurement, deployment, and warehousing of PEPFAR commodities. The current audit follows up and builds on that audit, with a focus on HIV/AIDS treatment activities.

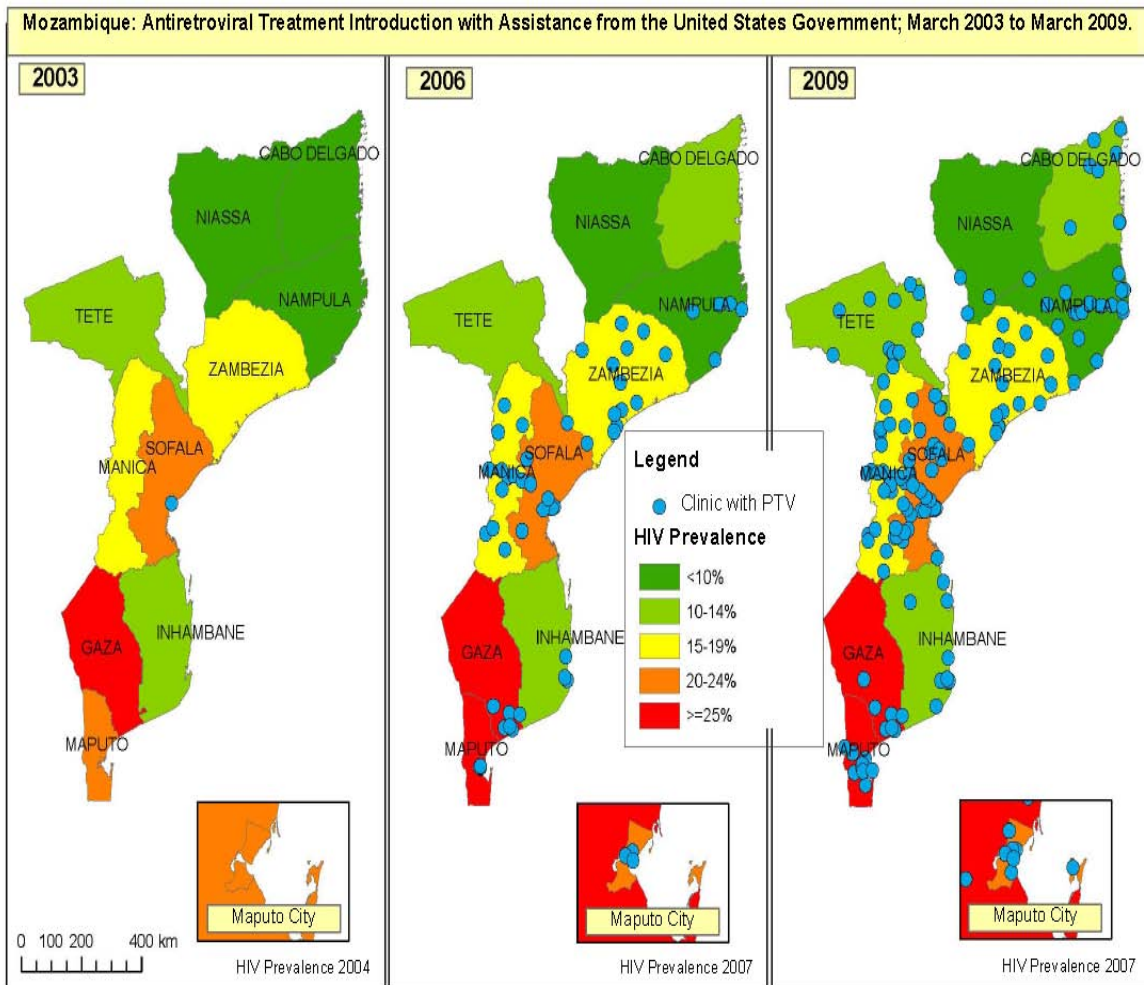
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<sup>1</sup> Tom Lantos and Henry J. Hyde United States Global Leadership against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (Public Law 110-293).

<sup>2</sup> Mozambique is 1 of 15 PEPFAR focus countries. Focus countries are home to approximately 50 percent of the world's HIV-infected persons. The focus countries are Botswana, Côte d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia in Africa; Guyana and Haiti in the Caribbean; and Vietnam in Asia. Total funding for Mozambique under the United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act was \$226.4 million for 2009, making Mozambique the eighth largest HIV/AIDS funding recipient.

<sup>3</sup> UNAIDS, *Report on the Global AIDS Epidemic, 2008*.

<sup>4</sup> Audit Report 4-656-09-001-P, "Audit of USAID/Mozambique's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief," December 18, 2008.



**Maps show the introduction of antiretroviral treatment and the prevalence rate by province for 2003, 2006, and 2009. PTV is the Portuguese acronym for prevention of mother-to-child transmission. (Provided by USAID/Mozambique)**

USAID/Mozambique's fiscal year (FY) 2009 treatment program involved three major implementing partners:

- Health Alliance International (HAI) - USAID signed a cooperative agreement for \$57.3 million with HAI to provide HIV/AIDS-related services in Mozambique from January 2004 through October 2009.
- Family Health International (FHI) – USAID signed a cooperative agreement for \$16.9 million with FHI to provide HIV/AIDS-related services in Mozambique from June 2006 through November 2009.
- Supply Chain Management System (SCMS) – USAID obligated \$51.9 million for FY 2007–09 activities related to a task order with SCMS to help the Mozambican Ministry of Health improve its drug (including antiretroviral) storage and distribution system.

The Office of Inspector General conducted this audit as part of its FY 2010 audit plan to answer the following questions:

- Is USAID/Mozambique’s HIV/AIDS treatment program achieving its goals of mitigating the impact of the epidemic in Mozambique and supporting the country’s health system for HIV/AIDS treatment?
- Has USAID/Mozambique effectively implemented the recommendations from Audit Report 4-656-09-001-P?

**Is USAID/Mozambique’s HIV/AIDS treatment program achieving its goals of mitigating the impact of the epidemic in Mozambique and supporting the country’s health system for HIV/AIDS treatment?**

USAID/Mozambique is partially achieving its goals. On the basis of discussions with implementing partners and Mozambican government health officials, the audit found that patients on HIV/AIDS treatment in the provinces the audit team visited were living longer and with a better quality of life than they would have without USAID support. These officials also stated that the antiretroviral drugs, provided free by the U.S. Government, were invaluable in treating infected Mozambicans. However, the mission conceded it was less successful in achieving its intended results in terms of increasing the number of new antiretroviral therapy patients and the number of individuals trained in HIV-related institutional capacity building. (See the following table.)

**FY 2009 Performance Results Reported by Mission for HIV/AIDS Treatment**

<b>Program Area</b>	<b>Indicator</b>	<b>Target</b>	<b>Reported Result*</b>	<b>Percent of Target Achieved</b>
Treatment	Individuals ever on antiretroviral therapy at the end of the reporting period	50,988	51,070	100
	Individuals receiving antiretroviral therapy at the end of the reporting period	43,017	38,728	90
	New antiretroviral therapy patients during the reporting period	24,448	13,337	55
	Treatment sites supported	95	93**	98
Training	Individuals trained in HIV-related institutional capacity building	960	503	52

\* These reported amounts were not reliable because of inconsistencies in reported amounts and insufficient support.

\*\* The target included both primary and satellite treatment centers. The Ministry of Health did not include satellite centers in its reporting on this indicator and so USAID reported 62 instead of the 93 treatment sites supported by USAID programs. In order for the target and reported result to be comparable, we have adjusted the reported figure to conform to the methodology used to develop the target.

Two reasons for this lack of success follow:

- According to HAI officials, the Mozambique national health system did not have as much capacity to absorb new patients as USAID/Mozambique expected when it set performance targets; therefore, targets for new treatment patients proved too ambitious.
- The Mozambique Ministry of Health restricted the opening of new treatment sites, shifting emphasis to increasing health staff, and improving infrastructure and managerial capacity.

Still, the mission could strengthen its HIV/AIDS treatment program. Specifically, the mission needs to address the following problem areas.

**Inconsistent Data (page 8)** – USAID’s Automated Directives System (ADS) 203.3.4.2 states that performance indicators should be unambiguous about what is being measured. Nonetheless, implementing partners differed in how they were reporting on the five program indicators shown in the table above. Inconsistency in reporting arose because USAID/Mozambique had not provided its implementing partners with sufficient guidance concerning the tracking and reporting of service statistics. In addition, as discussed below, the mission lacked a performance management plan for FY 2009, which would have included a precise definition of this indicator. As a result, mission staff combined inconsistent performance data and reported them to mission management, USAID/Washington, and other stakeholders who may not have been aware that the data were unreliable. To help ensure that reported information meets the data quality standards in ADS 203.3.5.1, we recommend that USAID/Mozambique define its performance indicators and outline the steps for collecting data on those performance indicators.

**Unsupported Data (page 8)** – USAID guidance emphasizes the quality of performance information.<sup>5</sup> Internal control standards published by the Government Accountability Office (GAO)<sup>6</sup> state that transactions should be promptly recorded and documented and that the documentation should be readily available for examination.

Notwithstanding these requirements, the audit team could not substantiate the quarterly report HAI submitted to USAID/Mozambique for April through June 2009. Records kept by the clinics HAI supported on the number of new clients served in June 2009 did not support HAI’s data, and HAI also could not provide support for the number of people it reported having trained during this quarter. Discrepancies arose because clinic personnel lacked training and HAI had weak internal controls for monitoring and evaluating data. As a result, USAID/Mozambique does not have reliable data for making decisions.

We recommend that USAID/Mozambique train personnel working for implementing partners and for HIV/AIDS treatment facilities in recording, summarizing, and reporting data and in maintaining source documents. We also recommend that the mission obtain documentation of quarterly reports from its partners as part of its monitoring and evaluation of their activities.

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<sup>5</sup> USAID’s TIPS Number 12, “Guidelines for Indicator and Data Quality.”

<sup>6</sup> *Standards for Internal Control in the Federal Government*, November 1999.

**No Fiscal Year 2009 Performance Management Plan for HIV/AIDS Activities (page 10)** – USAID’s ADS states that operating units must complete performance management plans that (1) identify the performance indicators to be tracked; (2) specify the source, method of collection, and schedule of collection for all required data; and (3) assign responsibility for collection to a specific office, team, or individual. USAID’s *Performance Management Toolkit* provides additional criteria for performance management plans.

USAID/Mozambique did not have a performance management plan that covered FY 2009 HIV/AIDS treatment activities. According to the mission, the omission of FY 2009 from its strategic plans resulted in the failure to prepare a performance management plan for FY 2009. Without a complete performance management plan, USAID/Mozambique could not be sure that program data supported sound management decisions.

For FY 2010, we recommend that USAID/Mozambique complete a performance management plan that complies with Automated Directives System 203.3.3 and USAID’s *Performance Management Toolkit* and includes data for FY 2009.

**Deficient Pharmacy Stockroom Management (page 11)** – GAO’s *Standards for Internal Control in the Federal Government* notes that vulnerable assets should be counted and compared with control records periodically to help reduce the risk of errors, fraud, misuse, or unauthorized alteration. Moreover, guidelines developed under the DELIVER project for storing health commodities<sup>7</sup> note that periodic physical inventories should be conducted; significant differences noted; and problems identified, documented, and corrected.

Despite these requirements, 50 percent of the clinic pharmacies visited had problems accounting for health commodities. Of the 10 clinic pharmacies visited, 3 did not keep stock records, and 2 of the 7 with stock records could not reconcile those stock records with the quantities on hand. In explaining why inventory discrepancies existed at the clinic pharmacies visited, USAID and implementing partner officials indicated that because USAID’s implementing partners have only recently focused on pharmacy operations, many pharmacy staff members are untrained, and pharmacy operations are unmonitored. Additionally, USAID’s agreements with implementing partners that support these clinics were not focused on improving commodity management; therefore, these partners were not specialists in this area. Insufficient controls at clinic pharmacies put the pharmaceuticals at unnecessary risk of theft, waste, or misuse.

We recommend that USAID/Mozambique facilitate the development of a plan to encourage coordination among implementing partners on supply chain management technical assistance and training. We also recommend that USAID/Mozambique, in collaboration with its implementing partners, provide commodities management assistance and training to clinic personnel.

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<sup>7</sup> John Snow, Inc./DELIVER, in collaboration with the World Health Organization, *Guidelines for the Storage of Essential Medicines and Other Health Commodities*, 2003. DELIVER is a USAID-funded project implemented by John Snow, Inc., to increase the availability of essential health supplies to clients and customers around the world.



## **Has USAID/Mozambique effectively implemented the recommendations from Audit Report 4-656-09-001-P?**

This audit also disclosed that USAID/Mozambique did not effectively implement four recommendations from Audit Report 4-656-09-001-P. Although the mission effectively addressed three of the seven recommendations, the areas addressed by the four remaining recommendations continued to be problematic (pages 12-13).

**Inadequate Drug Inventory System at the Central Warehouse (page 13)** – Recommendation 2 from Audit Report 4-656-09-001-P stated: “We recommend that USAID/Mozambique, in collaboration with the Supply Chain Management System and the Ministry of Health’s Center for Medicines and Medical Supplies,<sup>8</sup> incorporate measures to improve commodity storage conditions into project work plans.” Although the mission stated that it was developing a revised work plan that explicitly incorporated measures to improve commodity storage conditions and set a target implementation date of January 31, 2009, this audit disclosed that commodity storage at the central warehouse in Maputo continues to be a problem.

The Maputo warehouse has not had an accurate, comprehensive inventory management system, which is essential to the proper management of commodities, since April 2009. In addition, one of the three buildings at the warehouse was almost full of damaged or expired commodities. This situation arose because USAID and Supply Chain Management System did not consider the impact of not having an inventory management system, and instead focused on long-term solutions to the central warehousing problems. As a result, significant but unknown quantities of commodities were lost.

We recommend that USAID/Mozambique develop and implement controls to help ensure that the Maputo warehouse inventory management system accounts for all commodities in the warehouse. We also recommend that USAID/Mozambique collaborate with Mozambique's Ministry of Health to properly dispose of expired and unusable commodities in the Maputo warehouse.

**Improperly Stored Antiretroviral Drugs (page 15)** – Recommendation 3 from Audit Report 4-656-09-001-P stated: “We recommend that USAID/Mozambique, in cooperation with Supply Chain Management System, develop and implement a monitoring and evaluation plan for PEPFAR commodity storage to ensure that commodities are stored in accordance with John Snow International/DELIVER Guidelines for Proper Storage of Health Commodities.” Although the mission stated that it had complied, this audit identified several problems with commodity storage at all levels of the supply chain.

Of the 10 pharmacies visited, 4 had expired drugs stored with unexpired drugs, and antiretroviral drugs with different expiration dates stored in the same box. Boxes at one warehouse were stacked too close to the wall and too close to each other. USAID/Mozambique and implementing partner officials explained that because USAID’s implementing partners have only recently focused on pharmacy operations, many of pharmacy staff members are untrained, and pharmacy operations are unmonitored. As

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<sup>8</sup> The Center for Medicines and Medical Supplies is responsible for managing most logistics related to the HIV/AIDS program for the Mozambique Ministry of Health.

a result, the mission and its partners run the risk that patients at clinics they support will receive expired drugs.

We recommend that USAID/Mozambique, in collaboration with its implementing partners, provide training to warehouse and pharmacy staff on proper pharmaceutical storage. We also recommend that USAID/Mozambique assess participating pharmacies, identify commodity management weaknesses, and correct identified weaknesses.

**Insufficient Branding of Items Provided by the United States (page 17) –**

Recommendation 8 from Audit Report 4-656-09-001-P stated: “We recommend that USAID/Mozambique develop procedures and implement a plan to verify partner compliance with USAID’s branding requirements.” USAID/Mozambique responded that it had reminded mission and implementing partner staff of USAID branding requirements, enhanced its site visit planning and reporting program, and trained USAID staff on how to perform site visits. Nevertheless, the audit noted several building and construction sites funded by USAID that lacked signs acknowledging USAID, as well as infrequent branding of antiretroviral drugs as “from the American people.” Insufficient marking of U.S. Government-funded commodities does not achieve the aim of identifying them as American aid.

We recommend that USAID/Mozambique collaborate with Supply Chain Management System to ensure that boxes of antiretroviral drugs are labeled according to ADS chapter 320.

We also recommend that USAID/Mozambique enforce its partners’ compliance with USAID’s branding requirements, including obtaining documentation from partners that they have effectively communicated to service providers and beneficiaries that the American people are funding the HIV/AIDS program activities.

More detailed findings appear in the following section.

Management comments are included in their entirety in appendix II.

# AUDIT FINDINGS

## **Is USAID/Mozambique’s HIV/AIDS treatment program achieving its goals of mitigating the impact of the epidemic in Mozambique and supporting the country’s health system for HIV/AIDS treatment?**

Although USAID/Mozambique’s treatment program has contributed to the national program to combat HIV, the mission needs to further strengthen its program in several areas: (1) improving the validity and reliability of reported results, (2) preparing a complete performance management plan, and (3) improving the management of treatment commodities. These areas are discussed below.

### **Partners Reported Performance Data Inconsistently**

Although ADS 203.3.4.2 states that performance indicators should be unambiguous about what is being measured, HAI and FHI used different methods for reporting their performance on program indicators. For example, although HAI operations in Tete Province were largely centralized and focused on assisting the provincial health department with its operations, HAI claimed that it supported all the clinics in the province and included the patients served at those clinics in its performance reporting. In contrast, FHI in Niassa Province had people working at the provincial health department in Lichinga, but because FHI was actively supporting clinics in only three districts, it reported only the patients receiving treatment in those three districts. This inconsistency in reporting arose because USAID/Mozambique had not provided its implementing partners with sufficient guidance concerning the tracking and reporting of service statistics. If FHI had followed HAI’s reporting standards, it would have reported patients treated in all 15 districts, inflating the reported amounts for all the treatment indicators, through its support of the provincial health department.

Because sound decisions require accurate, current, and reliable information, this audit makes the following recommendation.

*Recommendation 1: We recommend that USAID/Mozambique define its performance indicators, the collection methodology for data on those performance indicators, and the steps to help ensure that reported information meets the data quality standards in chapter 203 of USAID’s Automated Directives System.*

### **HAI Could Not Always Support the Data It Reported**

Notwithstanding USAID and Federal requirements to record and document transactions, the quarterly report for April through June 2009 that HAI submitted to USAID/Mozambique contained data that HAI could not fully support. The number of patients reportedly served did not agree with the June 2009 records kept at the clinics

that HAI assisted. HAI also could not provide support for the number of people it reported having trained during this quarter.

**Lack of Support for the Number of Clients Served** – When the audit team reviewed the database of patient records for one clinic in Manica, data for the second quarter of 2009 had been changed retroactively. Because these changes were not documented and there was no audit trail to track them, it was impossible to verify the number of patients served by this clinic during the period. In Tete Province, two clinics had no data, and staff at a third clinic could not provide supporting documentation during the audit team's visit for the results the clinic reported for June 2009. Although the third clinic subsequently provided some documentation, this information differed significantly from that in HAI's database: HAI had recorded that 24 new patients had initiated antiretroviral treatment, although the clinic records indicated that 41 patients had initiated antiretroviral treatment. In summary, of 10 clinics visited, 6 had no or only a minor difference from HAI's database, 3 had either no supporting records or only retroactively modified records which could not be verified, and 1 clinic's data varied significantly from those in HAI's database.

Asked about the discrepancies, HAI was unsure why the Manica Province clinic's records differed from HAI's records. HAI officials stated that clinic staff members may have made an error when they manually summarized the data, or they may have updated their electronic records after manually submitting the data to HAI. Thus, the differences could have been caused by errors, timing differences, or both. At two of the clinics in Tete, data were maintained by another organization, Médecins Sans Frontières, whose representatives were not available to provide the audit team with the needed records. At the third facility, data were available for other months, but not for June 2009. So, although the database at HAI's office in Tete supported the number reported to USAID of new clients served during the quarter, the audit team could not verify that this information agreed with the data at the clinics.

The problems in Manica can be attributed to inadequate training of the data maintenance personnel at both HAI and the clinics, as well as to weak internal controls over monitoring and evaluating indicator data. In the case of Tete, the absence of records for comparison at two clinics and the significant difference between the third clinic's data and HAI's database call into question the method HAI uses to obtain the reported data and the strength of controls for maintaining supporting documentation. These weaknesses render the reported data suspect.

**Lack of Support for the Number of People Trained** – HAI could not provide adequate support for 60 (71 percent) of the 84 people it reported having trained from April to June 2009. Although HAI reported the number of people trained, and HAI staff in all three provinces presented documents to support training, the documentation provided was not always sufficient. For example, HAI staff in Manica Province provided only a proposed list of attendees. Furthermore, during the audit team's visit, HAI staff could not provide any support for the training in Tete Province.

As indicated above, the total number of people HAI reported training in Manica and Tete was not adequately supported. The training events were not clearly documented, and that documentation was not readily available. Without data that are fully supported by partner records, USAID/Mozambique does not have the reliable information required for

informed management decisions. To address this situation, this audit makes the following recommendations.

*Recommendation 2: We recommend that USAID/Mozambique provide training to staff of all implementing partners and HIV/AIDS treatment facilities on how to properly establish reporting cutoff dates, reconcile differences between the treatment facilities' data and partners' databases, and maintain source documents to support periodic reporting to USAID.*

*Recommendation 3: We recommend that USAID/Mozambique develop and implement a system to consistently obtain documentation for quarterly reports from its partners as part of its routine monitoring and evaluation of their activities.*

## **USAID/Mozambique Did Not Develop a Fiscal Year 2009 Performance Management Plan**

USAID's ADS states that operating units must complete performance management plans for each strategic objective.<sup>9</sup> ADS further notes that performance management plans shall (1) identify the performance indicators that will be tracked; (2) specify the source, method of collection, and schedule of collection for all required data; and (3) assign responsibility for collection to a specific office, team, or individual.<sup>10</sup> USAID's *Performance Management Toolkit* provides additional criteria for performance management plans:

- Baseline values and performance targets for each indicator should also be included, with specifications for the various data sources and collection methods to be employed.
- Performance management plans should include periodically sampling and reviewing data for completeness, accuracy, and consistency, and field visits should be conducted to compare central office records with field site records.

The goal of assessing data from implementing partners is for missions to be aware of data strengths and weaknesses and of the extent to which data can be trusted when reporting and making management decisions.

USAID/Mozambique did not have a performance management plan that covered FY 2009 HIV/AIDS treatment activities. In explaining the absence of this plan, a mission official noted that the mission had a strategic plan covering FY 2004–FY 2008 and a new strategic plan covering FY 2010–FY 2015, and that the omission of FY 2009 from its strategic plans resulted in the failure to prepare a performance management plan for that year. Although USAID/Mozambique Program Office officials later stated that an FY 2009 performance management plan was under development, the plan was not provided to the audit team by the end of our fieldwork at the mission. Several weeks after the audit fieldwork was completed, the mission provided additional documentation, but not the complete and approved performance management plan originally requested.

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<sup>9</sup> ADS 203.3.3. ADS now refers to “assistance objectives” rather than “strategic objectives.”

<sup>10</sup> ADS 203.3.3.1.

Without a complete performance management plan that provided for all performance indicators, indicator reference sheets, and data quality testing for all five program indicators, USAID/Mozambique did not have an important tool for ensuring that program data quality met acceptable standards of validity, reliability, and accuracy. Without such assurance, managers lacked important performance information for making sound management decisions. Had the mission maintained a complete performance management plan that included FY 2009, many of the data problems identified in this report might have been avoided or mitigated. To avoid a similar situation in FY 2010, we make the following recommendation.

*Recommendation 4: We recommend that USAID/Mozambique complete an FY 2010 performance management plan that (a) complies with Automated Directives System 203.3.3 and USAID's Performance Management Toolkit and (b) includes performance targets and the actual performance data for FY 2009.*

## **USAID/Mozambique Should Strengthen Pharmacy Stockroom Management**

GAO's *Standards for Internal Control in the Federal Government* notes that vulnerable assets should be counted and compared with control records periodically to help reduce the risk of errors, fraud, misuse, or unauthorized alteration. Moreover, DELIVER guidelines indicate that periodic physical inventories should be conducted; significant differences noted; and problems identified, documented, and corrected.

Despite these requirements, 50 percent of the clinic pharmacies visited had problems accounting for health commodities. Of the 10 clinic pharmacies visited, 3 did not keep stock records, and 2 of the 7 with stock records could not reconcile those stock records with the quantities on hand. Specifically, one clinic pharmacy discovered an on-hand shortage of more than 14,000 pills, 20 percent of its recorded inventory for the drug selected, and another clinic pharmacy had more than double the inventory on hand—2,070 pills—than was indicated in its records. Pharmacy staff members were aware that stock records should accurately reflect the stock on hand. In a few instances, pharmacy staff members noted that they would correct differences between the stock on hand and the stock records by performing an inventory; staff members did not indicate they would investigate the reasons for any differences, despite the fact that the DELIVER guidelines indicate problems should be identified, documented, and corrected.

Reconciling stock records with the quantities on hand allows pharmacy staff to identify theft and waste. Pharmacy staff members who do not understand the importance of accurate records and reconciliation cannot be expected to properly safeguard the valuable pharmaceuticals entrusted to them. Additionally, from a monitoring standpoint, accurate information from the pharmacy about the amount of antiretroviral drugs dispensed should help the mission and implementing partners monitor the number of patients treated and estimate demand for those drugs more precisely.

In explaining why these conditions existed at the pharmacies visited, USAID and implementing partner officials indicated that because USAID's implementing partners have only recently focused on pharmacy operations, many pharmacy staff members are untrained, and pharmacy operations are unmonitored. Additionally, because USAID's agreements with its implementing partners that support clinics were not focused on

improving commodity management, these partners were not specialists in this area. However, the audit team observed that USAID does have a partner well qualified in commodity management: SCMS,<sup>11</sup> which works primarily with the Ministry of Health at the central warehouses. Commodity management problems could have been handled more effectively if all of USAID's implementing partners, including SCMS, had coordinated their efforts in assisting the Mozambique Ministry of Health.

Insufficient controls at clinic pharmacies put the pharmaceuticals at unnecessary risk of theft, misuse, or unauthorized alteration. For example, with the current inventory management system, if theft results in a discrepancy between antiretroviral drugs on hand and the recorded stock of antiretroviral drugs, pharmacy staff update the records during the next inventory without following up to determine the cause of the discrepancy or investigating the theft. If the pharmacy maintained accurate records, they could be a valuable means of ensuring that the intended beneficiaries receive antiretroviral treatment. To address this situation, this audit makes the following recommendations.

*Recommendation 5: We recommend that USAID/Mozambique facilitate the development of a plan to encourage coordination between implementing partners on technical assistance and training in supply chain management.*

*Recommendation 6: We recommend that USAID/Mozambique, in collaboration with its implementing partners, provide commodities management assistance and training at the clinic level.*

## **Has USAID/Mozambique effectively implemented the recommendations from Audit Report 4-656-09-001-P?**

USAID/Mozambique has effectively implemented three of the seven recommendations reviewed from Audit Report 4-656-09-001-P. One recommendation was partially implemented, and although three others were implemented, the mission's actions did not fully address the problems.

The mission effectively addressed recommendation 5, that USAID/Mozambique should conduct regular site visits to health facilities and storage warehouses using and storing PEPFAR commodities. The mission addressed this recommendation by hiring two staff members dedicated full-time to the commodity and logistics field. Additionally, the site visit plan for FY 2009 included two site visits related to HIV/AIDS commodities.

The mission effectively addressed recommendation 6, that the mission should develop procedures to provide mission personnel with improved access to Ministry of Health project sites. During this audit, the audit team visited more than a dozen Ministry of Health project sites without difficulty gaining access.

The mission effectively addressed recommendation 7, that the mission should develop specific procedures to validate reported data from service providers in conjunction with site visits. The mission adjusted the format of its standard site visit report to include a

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<sup>11</sup> USAID/Mozambique procures HIV/AIDS treatment commodities through SCMS. According to its Web site, SCMS works in collaboration with host-country governments and local and global partners; procures essential medicines and supplies at affordable prices; helps strengthen and build reliable, secure, and sustainable supply chain systems; and fosters coordination of key stakeholders.

section on validating reported data, and USAID/Mozambique staff received training on conducting site visits. Of the 10 clinics the audit team visited during this audit, 4 had been visited by USAID/Mozambique staff since February 1, 2009, the month when the site visit report was updated and the training was provided.

The mission also partially implemented recommendation 4, that the mission should (1) provide a Portuguese translation of the DELIVER guidelines for storing commodities to all warehouses storing PEPFAR commodities, and (2) conduct inventory management training and regular site visits. The mission translated the guidelines into Portuguese, and both provincial warehouses visited had a copy available. However, inventory management was still a problem at all levels of the supply chain, indicating that inventory management training was either ineffective or insufficient.

The mission implemented the three remaining recommendations, but its actions did not fully resolve the problems with commodity storage and branding and marking that led to the recommendations. The following sections discuss these problems in detail.

## **Central Warehouse Drug Inventory System Was Inadequate**

Recommendation 2 from Audit Report 4-656-09-001-P stated: “We recommend that USAID/Mozambique, in collaboration with Supply Chain Management System and the Ministry of Health’s Center for Medicines and Medical Supplies, incorporate measures to improve commodity storage conditions into project work plans.”<sup>12</sup> In response, the mission stated that it was developing a revised work plan that explicitly incorporated measures to improve commodity storage conditions and set a target implementation date of January 31, 2009. However, this audit disclosed that commodity storage at the central warehouse in Matola continues to be a problem.

An effective inventory management system is essential to the proper management of commodities. Consequently, the DELIVER guidelines note that warehouses should have in place measures to ensure that:

- Storage areas are free from accumulated waste.
- Any spillage is cleaned up.
- The first drugs to expire are the first to be shipped.
- Complete records are maintained of all receipts and issues of materials and pharmaceutical products.
- Stocks are checked regularly for obsolete or outdated materials and pharmaceutical products.
- Periodic reconciliations of stock records to stock on hand are performed.

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<sup>12</sup> The Center for Medicines and Medical Supplies is responsible for managing most logistics related to the HIV/AIDS program for the Mozambique Ministry of Health.



At the time of this audit, all of the antiretroviral drugs procured by the U.S. Government were stored at the warehouse in Matola after arriving in Maputo. During the audit team's visit, the warehouse manager could not tell us the amount of commodities being stored in the warehouse. Although the Center for Medicines and Medical Supplies is confident that the warehouse has sufficient physical security to prevent the theft of commodities, security measures have not been adequate to prevent thefts in the past. Further, when commodities have been stolen, warehouse managers have not been able to detect the thefts at the time or determine the extent of any losses.

In addition, one of the three buildings at the warehouse was almost full of damaged or expired commodities (as shown in the following photo). SCMS officials stated that pharmacists have been sorting through the various piles of commodities trying to salvage some of the usable commodities from those that are damaged or expired, but that the pharmacists have little available time. SCMS officials also indicated that many commodities in the warehouse are ready for disposal, but the Ministry of Health will not allocate the necessary funds to dispose of them.



**Damaged commodities included this rotten box of USAID-provided condoms. (Photo by OIG, October 2009)**

A significant factor contributing to these problems is that the warehouse did not conform to DELIVER guidelines. Specifically:

- The warehouse was not organized; boxes were scattered haphazardly throughout the facility.

- A broken bottle of an unknown commodity was on the floor in the warehouse, and loose pills were in the bottom of an otherwise empty box.
- A significant portion of the inventory was not managed according to the first expired, first out principle,<sup>13</sup> leaving warehouse management with no way to ensure that commodities expiring in the near term were distributed before those expiring at a later date.
- A significant portion of the pallets were not labeled; thus, it is unlikely that the unlabeled stocks were checked for obsolete and outdated pharmaceutical products.
- Inventory records were not up-to-date. As a result, quantities on hand could not be verified against inventory records.

USAID/Mozambique and SCMS officials were too focused on the long-term implementation of the comprehensive management system to address the conditions at the warehouse. Officials were overseeing the building of a new warehouse at Zimpeto to replace the one in Matola and working out provisions for proper inventory controls at and a gradual transfer of operations to the new facility. However, their long-term focus did not solve the commodity storage and drug inventory control problems. Consequently, this audit makes the following recommendations.

*Recommendation 7: We recommend that USAID/Mozambique develop and implement controls to help ensure that the central warehouse inventory management system accounts for all commodities in the Matola and Zimpeto central warehouses.*

*Recommendation 8: We recommend that USAID/Mozambique collaborate with Mozambique's Ministry of Health to properly dispose of expired and unusable commodities in the Matola warehouse.*

## **Warehouses and Pharmacies Still Were Not Storing Antiretroviral Drugs Properly**

Recommendation 3 from Audit Report 4-656-09-001-P stated: "We recommend that USAID/Mozambique, in cooperation with Supply Chain Management System, develop and implement a monitoring and evaluation plan for PEPFAR commodity storage to ensure that commodities are stored in accordance with John Snow International/DELIVER Guidelines for Proper Storage of Health Commodities." In response, the mission stated that it had (1) provided guidance on storing health commodities to the Ministry of Health, (2) revised the mission's site visit documentation form to include observation of commodity storage conditions, and (3) set a target implementation date of January 31, 2009. However, this audit identified several problems with commodity storage at all levels of the supply chain.

The DELIVER guidelines provide warehouse staff with guidance on storing commodities. For example, the guidelines instruct warehouse staff to quarantine expired stock from

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<sup>13</sup> The first expired, first out principle is used to manage perishable commodities. It helps ensure that commodities with the closest use-by date will be the first issued from inventory.

unexpired stock “without delay.” The guidelines also note that pallets of boxes should be at least 30 centimeters from the wall and 30 centimeters from other pallets, and all stocks should be managed so that the first stocks to expire are the first stocks issued.

In general, most of the storage areas visited complied with most of the guidelines for proper storage. For example, most of the facilities appeared to be reasonably well secured, antiretroviral drugs were stacked no more than 8 feet high and were at least 4 inches off the floor on pallets or shelves, and most were stored away from direct sunlight. However, in several instances antiretroviral drugs were stored improperly. Expired antiretroviral drugs were not quarantined; drugs were not managed according to the first expired, first out principle; and drugs were stacked improperly at a provincial warehouse. It did not appear, however, that these threats diminished the quality of treatment delivered to HIV/AIDS patients.

Most significant, 4 of the 10 pharmacies visited had stored expired drugs in the same area as unexpired drugs, despite the DELIVER guidelines instruction that expired stock be separated from unexpired stock “without delay.” At the clinic pharmacies, the audit team also observed antiretroviral drugs with different expiration dates stored in the same box, as well as unorganized boxes of various commodities. The provincial warehouse in Tete had boxes that were stacked too close to the wall and boxes that were stacked too close to each other.



**At Tete Health Clinic #2, boxes of commodities are stored in an unorganized manner. (Photo by OIG, October 2009)**

USAID/Mozambique and implementing partner officials explained that because USAID’s implementing partners have only recently focused on pharmacy operations, many pharmacy staff members are untrained, and pharmacy operations are unmonitored.

Keeping expired pharmaceuticals side-by-side with unexpired pharmaceuticals heightens the risk that expired pharmaceuticals will be dispensed to patients. If pharmaceuticals are not managed by type and expiration date, they cannot be managed by the first expired, first out principle of pharmaceutical management. Moreover, maintaining proper storage conditions for health commodities is vital to ensuring their quality. Product expiration dates are based on ideal storage conditions, and protecting product quality until the expiration date is important for serving customers and conserving resources. To address these problems, this audit makes the following recommendations.

*Recommendation 9: We recommend that USAID/Mozambique, in collaboration with its implementing partners, provide training to warehouse and pharmacy staff on proper pharmaceutical storage.*

*Recommendation 10: We recommend that USAID/Mozambique (a) assess participating pharmacies, (b) identify commodity management weaknesses, and (c) correct identified weaknesses.*

## **USAID/Mozambique Still Was Not Enforcing Branding Policy**

Section 641 of the Foreign Assistance Act of 1961, as amended,<sup>14</sup> requires that all foreign assistance programs be identified appropriately overseas as American aid. USAID's policy is that programs, projects, activities, public communications, or commodities implemented or delivered under grants, cooperative agreements, or other assistance awards are generally "co-branded and co-marked." Additionally, a Mozambique mission order dated October 25, 2007, notes that branding should be reviewed during site visits and exceptions noted in the site visit report.

Recommendation 8 from Audit Report 4-656-09-001-P stated: "We recommend that USAID/Mozambique develop procedures and implement a plan to verify partner compliance with USAID's branding requirements." USAID/Mozambique ultimately indicated that training had been conducted to remind mission and implementing partner staff of USAID branding requirements. In addition, the mission stated that it had significantly enhanced its procedures for site visit planning and reporting and had trained USAID staff to perform site visits. Nevertheless, these actions have not been fully effective. The audit noted several building and construction sites funded by USAID that lacked signs acknowledging the Agency, as well as infrequent branding of antiretroviral drugs as "from the American people."

At the 10 clinic pharmacies and 2 provincial warehouses visited, the audit team observed only 2 boxes of antiretroviral drugs that were marked with the USAID or the U.S. Government logo (see the photos that follow). Although the audit team frequently observed boxes and posters related to other U.S. Government programs, such as the President's Malaria Initiative, that were branded with the USAID or the U.S. Government logo, only 2 of the 12 sites visited had any signs or labels to indicate the contribution that the U.S. Government and USAID were making to the treatment of HIV/AIDS patients. USAID branding requirements are in place to ensure that the American people are visibly recognized for the foreign assistance that they finance.

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<sup>14</sup> 22 U.S.C. 2401.



When the audit team visited clinics, implementing partner officials pointed out several buildings and construction projects that were being funded by USAID, but only one construction site and one building had signs to acknowledge USAID as the financier. In addition, several clinic and pharmacy employees interviewed were not aware that the antiretroviral drugs came from the U.S. Government, further illustrating that the mission's branding strategy was not fully effective.



At left a box of antiretroviral drugs at the Primero de Maio Clinic in Chimoio, Manica Province, displays the PEPFAR and USAID logos. At right a sign acknowledges USAID's contribution to construction at the Beira Central Hospital. (Photos by OIG, October 2009)

Likewise, boxes of antiretroviral drugs procured by USAID arrived at the central warehouse without branding. An SCMS official stated that SCMS staff reviewed shipments and used stickers to brand those they confirmed were procured by USAID. Although the audit team saw these stickers on pallets of antiretroviral drugs at the central warehouse, some stickers were placed on the plastic wrapping that is removed when boxes are shipped to the provincial warehouses. This placement could explain why most of the boxes of antiretroviral drugs observed at the provincial warehouses and clinics were not marked with the USAID or U.S. Government logo.

Insufficient marking of U.S. Government-funded commodities does not achieve the aim of identifying them as American aid. The mission needs an effective system to help ensure that USAID-funded assistance is appropriately identified and marked. Accordingly, the audit makes the following recommendations.

*Recommendation 11: We recommend that USAID/Mozambique collaborate with Supply Chain Management System to ensure that boxes of antiretroviral drugs are labeled according to the Automated Directives System section 320.*

*Recommendation 12: We recommend that USAID/Mozambique enforce partner compliance with USAID's branding requirements, including obtaining documentation from partners that they have effectively communicated to service providers and beneficiaries that the American people are funding the HIV/AIDS program activities.*

# EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID/Mozambique agreed with all the recommendations and noted actions taken to address the recommendations. Based on the mission's responses, management decisions have been reached on recommendations 1, 2, 4, 5, 6, 7, 8, 9, and 12, while management decisions have not been reached for recommendations 3, 10, and 11. The mission's comments are included in their entirety in appendix II (without attachments) and our evaluation of those comments is summarized below.

For recommendation 1, related to consistent performance indicator definitions and data quality, the mission stated that all PEPFAR implementing partners were trained and continue to receive training in performance indicators, collection methodologies, and steps to ensure reported data meet the requirements of ADS 203. The mission further stated that it had contracted with MEASURE Evaluation to provide training to PEPFAR implementing partners on routine data quality assessments. Additionally, the mission is developing a site-monitoring tool to verify the accuracy of collected data, with an expected completion date of July 30, 2010. Accordingly, a management decision has been reached on recommendation 1.

For recommendation 2, regarding training all implementing partner and HIV/AIDS treatment facility staff on proper reporting to USAID, the mission stated that it is developing standard operating procedures for reporting cutoff dates, reconciling implementing partner systems and Government of Mozambique reporting data systems, and maintaining source documents to support periodic reporting to USAID. The mission also stated that it will develop a training plan for instructing implementing partners and Government of Mozambique staff in the use of these standard operating procedures. Upon further inquiry, the mission estimates that these procedures will be fully deployed by July 30, 2010. On this basis, a management decision has been reached on recommendation 2.

For recommendation 3, related to the implementation of a system to consistently obtain documentation for quarterly reports from its partners, the mission stated that it has a performance management plan, that all implementing partners are required to report quarterly, that partners now submit their quarterly reports on time, and that these reports will be standardized starting with the September 30 quarterly reports. However, requirements and standards must be enforced. Although the mission noted that data quality will be reviewed through periodic sampling during site visits, the recommendation states that documentation substantiating partners' quarterly reports should be consistently obtained. USAID/Mozambique must have procedures to ensure that partners submit their reports and that those reports are complete. Pending receipt of information about these procedures, a management decision has not been reached on recommendation 3.

For recommendation 4, related to the completion of an FY 2010 performance management plan, the mission stated that the performance management plan will be

approved and implemented by June 30, 2010. The mission requested that we delete the phrase “USAID/Mozambique did not have a performance management plan” because the previous plan was still valid. We disagree because the plan did not include a period for which it was valid, and there was no indication that the plan was used in 2009. Additionally, the summary of indicators in that plan shows only 2005 through 2008. However, the completion of the new plan will address the recommendation; therefore, a management decision has been reached on recommendation 4.

For recommendation 5, related to developing a plan to encourage partner coordination in supply chain management, the mission stated that it has allocated specific funding to support commodity logistics, that USAID implementing partners have incorporated into their current agreements language to strengthen their support of commodity management, and that the main supply chain management implementing partner plans to train provincial advisors and partners in inventory management during 2010. On this basis, a management decision has been reached on recommendation 5. Final action will be determined by the Office of Audit Performance and Compliance Division (M/CFO/APC) after the mission submits substantiating documentation.

For recommendation 6, related to providing training at the clinic level on commodities management, the mission stated that implementing partners have been working with provinces to train health worker and pharmacy staff in logistics management. Additionally, the mission stated that USAID, as cochair of the Medicines Working Group, is leading a technical subgroup for the development of a training strategy at all levels of the supply chain, to be completed by August 30, 2010. On this basis, a management decision has been reached on recommendation 6.

For recommendation 7, related to the inclusion of commodities at the Matola and Zimpeto central warehouses in the Maputo central warehouse inventory management system, the mission reported significant progress. The mission noted a number of actions taken, but principally the recommendation was addressed because, according to the mission, all USAID-procured commodities are now stored at Zimpeto and included in the inventory system there. On this basis, a management decision has been reached on recommendation 7. Final action will be determined by the Office of Audit Performance and Compliance Division (M/CFO/APC) after the mission submits substantiating documentation.

For recommendation 8, related to the disposal of expired and unusable commodities in the Matola warehouse, the mission reported that the long-term warehouse technical advisor has developed two strategies for the destruction of these expired and unused commodities; that the advisor was working closely with the Mozambique Ministry of Health on finalizing the strategy for the Minister to destroy the majority of the products; that this strategy will be implemented as soon as they receive approval from the Minister; and that the Medicines Working Group has included this issue in its 2010 annual work plan for resolution in collaboration with the Ministry. Upon further inquiry, the mission estimates that these actions will be completed by the end of December 2010. On this basis, a management decision has been reached on recommendation 8.

For recommendation 9, related to providing training to warehouse and pharmacy staff on proper pharmaceutical storage, the mission agreed on the necessity of providing training at the central, provincial, district, and site levels. The mission stated that training at the central level has taken place and that implementing partners are working with provinces,



districts, and sites to train health worker and pharmacy staff in logistics and commodity management. This training has already been developed and is being implemented on an ongoing basis. On this basis, a management decision has been reached on recommendation 9.

For recommendation 10, related to the assessment of participating pharmacies, the identification of commodity management weaknesses, and the correction of those weaknesses, the mission stated that it has carried out various site visits, identifying weaknesses and providing recommendations for those weaknesses. However, the response did not elaborate on the extent to which participating pharmacies were (or will be) reviewed, whether these reviews were (or will be) analyzed to identify systematic weaknesses, and whether those identified weaknesses were (or will be) corrected. Pending receipt of additional information detailing the pharmacies that were or will be reviewed, the weaknesses identified, the recommendations for correcting these weaknesses, and any systematic issues identified, a management decision has not been reached on recommendation 10.

For recommendation 11, related to the branding of antiretroviral drugs, the mission noted that an exemption is in place for pharmaceutical packaging, but that the exemption does not apply to export packaging. The exemption notes that implementing partners must compensate for the lack of marking by providing more cost-effective alternatives to showcase USAID sponsorship. The exemption specifically mentions marking shipping crates. Although the marking of shipping crates was mentioned as a means to overcome the absence of pharmaceutical packaging, the mission requested a final determination from USAID/Washington on an exemption for export package marking by July 30, 2010. In the meantime, the mission requested that these packages have stickers applied when the drugs arrive in Mozambique. Pending a final determination about the exemption, a management decision has not been reached on recommendation 11.

For recommendation 12, related to enforcement of partner compliance with USAID's branding requirements, the mission stated it had added branding compliance monitoring responsibilities to a dedicated monitoring and evaluation position on the Integrated Health Team. This position is currently being advertised and is expected to be filled by December 31, 2010. Responsibilities will include quarterly site visits to monitor branding. The mission also stated that it will obtain documentation as required under approved authorized branding and marking plans that meet U.S. Government requirements. On this basis, a management decision has been reached on recommendation 12.

# SCOPE AND METHODOLOGY

## Scope

We 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 based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered the period from October 1, 2008, through September 30, 2009. Fieldwork was conducted at USAID/Mozambique and at selected sites throughout Mozambique from October 6 through October 23, 2009. We followed up with USAID/Mozambique and implementing partner staff from our offices in Pretoria, South Africa, from October 26 through November 5, 2009.

The objectives of the audit were as follows:

- Is USAID/Mozambique's HIV/AIDS treatment program achieving its goals of mitigating the impact of the epidemic in Mozambique and supporting the country's health system for HIV/AIDS treatment?
- Has USAID/Mozambique effectively implemented the recommendations from Audit Report 4-656-09-001-P?

In total, USAID has obligated \$74.2 million for the cooperative agreements with HAI and FHI over the life of the agreements. The audit was limited to the treatment programs implemented by HAI in Manica, Sofala, and Tete provinces and by FHI in Niassa Province, and to the activities of SCMS related to treatment commodities and the second audit objective. We tested the number of individuals receiving antiretroviral treatment, the number of individuals who started antiretroviral treatment, the number of individuals who received training related to antiretroviral treatment, and the number of sites delivering antiretroviral treatment.

In planning and performing this audit, we assessed the effectiveness of key internal controls related to USAID/Mozambique's oversight of the treatment program, including data quality assessments and oversight of antiretroviral procurement, storage, and distribution. We also considered Audit Report 4-656-09-001-P, "Audit of USAID/Mozambique's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief," the focus of the second audit objective in this report. That report made eight recommendations, of which we tested the seven that were relevant to HIV/AIDS treatment programs.

## Methodology

To answer the audit objectives, we interviewed USAID/Mozambique personnel on the HIV/AIDS team, implementing partner staff, and Mozambique Ministry of Health officials in Maputo; met with implementing partner and provincial health directorate officials in Chimoio, Beira, and Tete; reviewed the pharmacy and data collection activities at 10

health facilities and the operations at 2 central warehouses and 2 provincial warehouses; and reviewed the country assistance strategy and country operational plan. However, because USAID/Mozambique did not provide us with a performance management plan that included 2009, we could not review it.

In addition to verifying the support partners supplied for the performance data reported, we judgmentally selected 10 health facilities out of a total of 59 for detailed testing of treatment data and review of treatment facility operations, including antiretroviral pharmaceutical management. These health facilities, which reported treating 13,149 patients in FY 2009, were located in three of the four provinces with HIV/AIDS treatment programs that are supported by USAID/Mozambique. To cover a significant portion of the reported number of patients on antiretroviral treatment, we chose health facilities based on the number of patients they treated. Finally, we reviewed both of the central warehouses in Maputo as well as the provincial warehouses in Sofala and Tete. The samples chosen for review cannot be projected to the populations they were drawn from on a statistical basis, but in combination with other audit procedures performed, such as discussions with partner officials and the review of relevant documentation, they give us a reasonable basis for our audit conclusions.

# MANAGEMENT COMMENTS



**USAID** | **MOZAMBIQUE**  
FROM THE AMERICAN PEOPLE

*25 years*  
of Progress & Partnership

## MEMORANDUM

DATE: June 11, 2010

TO: Nathan Lokos, Regional Inspector General/Pretoria

FROM: Teresa McGhie, USAID/Mozambique Acting Mission Director /s/

SUBJECT: Audit of USAID/Mozambique's HIV/AIDS Treatment Program (Report No. 4-656-10-00X-P)

This memorandum transmits USAID/Mozambique's response and comment to the Draft Report on Audit of USAID/Mozambique's HIV/AIDS Treatment Program transmitted to the Mission on May 4, 2010.

The Draft Report includes 12 recommendations. Mission's responses and comments include timeframe to accomplish the recommended actions.

We request that our response be included in its entirety in the final report of the audit.

We appreciate the time and effort that the Regional Inspector General (RIG) staff devoted to its review of work under this HIV/AIDS Treatment Program and in its preparation of subject draft report (RIG Draft).

We concur in all the recommendations and provide the following comments. USAID/Mozambique stands ready to respond to any additional inquiries or provide supporting documents you might have with regard to this audit.

### **Recommendation 1**

***We recommend that USAID/Mozambique define its performance indicators, the collection methodology for data on those performance indicators, and the steps to help ensure that reported information meets the data quality standards in chapter 203 of USAID's Automated Directives System.***

The Mission concurs with Recommendation 1. All PEPFAR implementing partners have now been trained and continue to receive ongoing training in performance indicators, collections methodology for these data and steps to ensure reported data meets the data quality standard in chapter 203 of USAID's ADS. Standardized data collection and reporting methods, which have been, outlined in the PEPFAR APR Indicator guidance documents (used during PEPFAR 1) and in the New

Generation Indicator guidance document (PEPFAR II). The NGI guidance document includes standard approaches for defining direct versus indirect support to HIV care and treatment clinical and community based services, definitions of HIV clinic and community-level performance indicators and potential source documents and recommended data collection methods.

In addition, during September FY09, USAID Mozambique contracted MEASURE Evaluation to provide training to PEPFAR implementing partners in Routine Data Quality Assessments (RDQA). The training is based on the World Health Organization RDQA tool for facility and community-based health programs and includes the following components: standard operating procedure for sampling both sites and indicators during the process; central office/headquarters systems assessment and; trace and verify system which is defined as following specific indicators as they are reported from the original point-of-service (e.g. community or facility) to point-of-reporting to USAID Mozambique. The trace and verify process includes assessment of both paper-based and electronic medical patient tracking systems. PEPFAR implementing partners have continued to receive follow-up training in use and implementation of the RDQA tool. Furthermore, during FY10, USAID Mozambique will work with MEASURE Evaluation to implement an external audit system looking at data quality of PEPFAR implementing partners to resolve problems around data collection and reporting.

USAID Mozambique is developing a site-monitoring tool with the expected completion date of July 30, 2010, which will verify the accuracy of data collected at sites, and reported to USAID Mozambique for semi-annual and annual reports. This site-monitoring tool will be strategically implemented at point-of-service level by USAID Mozambique staff.

**Recommendation 2**

***We recommend that USAID/Mozambique provide training to staff of all implementing partners and HIV/AIDS treatment facilities on how to properly establish reporting cutoff dates, reconcile differences between the treatment facilities' data and partners' databases, and maintain source documents to support periodic reporting to USAID.***

The Mission concurs with Recommendation 2. USAID Mozambique has previously provided training to all USAID implementing partners and HIV Care and Treatment facilities in general data collection and reporting techniques. However, USAID is developing Standard Operating Procedure (SOP) documents and approaches for reporting cut-off dates, reconciliations and the cleaning of data between implementing partner systems and Government of Mozambique reporting data systems and the maintenance of source documents to support periodic reporting to USAID. In addition, the SOP that will be introduced and housed at HIV Care and Treatment facilities and USAID Mozambique will develop a training plan for instructing implementing partners and Government of Mozambique staff in the use of these standard operating procedures. Deployment of these SOPs will begin in August 2010, including distributed to the Government of Mozambique (GOM) and all implementing partners.

USAID Mozambique will also work to improve the overall alignment of implementing partner data systems with the GOM reporting systems so that implementing partner systems automatically produce GOM required reports.

Through the use of the routine site monitoring tool (described in Action Taken to Recommendation 1 above), USAID Mozambique will ensure - during routine site visits - that implementing partners are in compliance with the protocols and activities outlined in the SOP. The SOP ensures quality assurance for data collection and reporting; routine and documented steps for data quality cleaning and verification and; the proper use of source documents to support reporting.

**Recommendation 3**

***We recommend that USAID/Mozambique develop and implement a system to consistently obtain documentation for quarterly reports from its partners as part of its routine monitoring and evaluation of their activities.***

The Mission concurs with Recommendation 3. USAID/Mozambique now has a PMP which establishes baseline values and performance targets for each indicator. Currently, all implementing partners are required to report on a quarterly basis as noted by RIG/Pretoria in our FY 2010 – 2015 strategic plan. USAID/Mozambique HIV Care and Treatment partners now submit their quarterly reports on a timely basis these reports will be standardized the different implementing partners and to further enhance the quarterly reporting format. Periodic sampling of data quality will be conducted during regularly scheduled site visits and this data will be reviewed for accuracy, completeness and consistency for incorporation into our review of PMP data (regularly scheduled on a semi-annual basis) during the Mission's Semi-annual Performance Review (SAPR). The enhanced quarterly reporting document format will be implemented by July 31, 2010 for the September 30<sup>th</sup> quarterly reports.

**Recommendation 4**

***We recommend that USAID/Mozambique complete an FY 2010 performance management plan that (a) complies with Automated Directives System 203.3.3 and USAID's Performance Management Toolkit and (b) includes performance targets and the actual performance data for FY 2009.***

The Mission concurs with Recommendation 4. The Mission has noted some discrepancies in sections of the report (pages 5 and 10) which discusses the USAID/Mozambique Strategy and PMP and recommends that the following statements be deleted: "USAID/Mozambique did not have a performance management plan that covered FY 2009/HIV/AIDS treatment activities" (pages 5 & 10).

USAID/Mozambique had in place an approved strategy that covered the period from 2004-2010 while the current country assistance strategy was in final stages of approval (CAS 2009-2014). The Country Strategic Plan from 2004 to 2010 was in effect and then was amended by the Strategic Statement in April 2006. Both were approved by Washington. A PMP was in place for HIV/AIDS that covered treatment activities for the same period, however, some of the indicators did not have targets set for FY 2009; yet, the team was following indicators and targets set by the APR and SAPR and were reported by implementing partners. The program had oversight semi-annually through these mechanisms. Additionally, progress in relation to targets was measured in the APR and SAPR and were later transferred to the PMP as requested and provided to the auditors.

During this transition period from one strategy to the next the old PMPs are/were still valid as the strategy was still valid. Following the approval of the CAS in May of 2009, new assistance objectives were approved and new PMPs were developed which included targets for the period of the strategy and actual performance data are in final stages of approval. Draft PMPs were approved on September 18, 2009, and the final PMP (Attachment A) is currently with Mission Management for approval per ADS section 203.3.3 which states that PMPs are mandatory and must be completed within the first few months and before major project implementation actions get underway. The final PMP will be approved shortly and major project implementation that is new (not ongoing) is not yet underway. Therefore, the Performance Management Plan that complies with the ADS and PM Toolkit including performance targets and actual performance data will be for FY 2009 through FY 2014 will be approved and implemented by June 30, 2010.

***Recommendation 5: We recommend that USAID/Mozambique facilitate the development of a plan to encourage coordination between implementing partners on technical assistance and training in supply chain management.***

The Mission concurs with Recommendation 5. The USAID/Mozambique team recognizes the problems identified in the audit with the management of the supply chain, particularly at the lower levels of distribution and health facility pharmacies. Because of these significant challenges the USAID/Mozambique team has since early 2009, made significant progress in increasing implementing partner technical, administrative, and financial support for the coordination of supply

chain management. Implementing partners now have greater access to the health facilities in the provinces and districts and providing significant direct support to health facilities. USAID/Mozambique currently has several strategies in place to further increase technical assistance and training in supply chain management.

- 1) In early 2009, initial guidelines defining roles and responsibilities between Supply Chain Management System (SCMS) and implementing partners for supporting the supply chain through technical assistance, financial support, infrastructure, and training at provincial, district and clinic level were developed and shared with the clinical partners. Recently, a new version of these guidelines has been developed for the Interagency team and shared with partners. This is the official guide for implementing partners in the field across agencies to use for supporting supply chain activities.
- 2) USAID has facilitated and encouraged coordination. USAID, jointly with CDC through their clinical partners, is funding pharmaceutical logistics and laboratory advisors in all of USAID-partner supported provinces. These advisors are based in the provinces and have been recruited and approved by the Ministry of Health. Each advisor provides direct support and TA to the head of the provincial warehouse, and conducts joint supervision and on-the-job mentoring visits to district pharmacies and health facilities. The laboratory advisor is responsible for supporting logistics management for laboratory reagents, including test kits, which are currently managed by provincial, district and site level laboratories.
- 3) USAID (jointly with CDC and DOD) have also allocated a budget specifically to each implementing partner budget in COP10 to support commodity logistics. This budget includes the following:
  - Funding to hire a pharmaceutical/logistics advisor for the project to provide TA and support to the pharmacy advisor and directly supported health facilities
  - Funding to support trainings for the provinces in pharmaceutical logistics management
  - Funding to support renovations and small infrastructural improvements to health facility and district pharmacies, including ventilation systems, air conditioners, racking and/or palletes, etc.
  - Funding to procure computers to support implementation of an LMIS at district and hospital level, and where necessary and feasible, to procure a vehicle.
- 4) There has been greater coordination between implementing partners, USG, CMAM, SCMS. This includes meetings with CMAM staff and partners around supply chain issues and challenges, and how the partners can support the provinces; meetings between SCMS and implementing partners with USG.
- 5) USAID implementing partners have incorporated into their current agreements language to strengthen their support to commodity management at the peripheral level, as reported by the cognizant COTR for FHI and HAI (email dated 5/20/2010).
- 6) SCMS has in their workplan for 2010 support training for the provincial advisors and partners in inventory management, supply chain management. USAID will work with SCMS and CMAM on ensuring appropriate training for the provincial advisors

Finally, USAID is co-Chair of a national Technical Working Group for medicines and medical supplies. This group has a workplan of activities, including several activities and strategies developed around training, strengthening the logistics management of medicines and supplies, and security. Sub-groups have been created to further develop proposals and strategies for strengthening pharmaceutical supply chain management at all levels and additional security strategies to prevent theft.

***Recommendation 6: We recommend that USAID/Mozambique, in collaboration with its implementing partners, provide commodities management assistance and training at the clinic level.***

The Mission concurs with Recommendation 6. Implementing partners have been working with provinces to train health worker and pharmacy staff in logistics management. These trainings are identified by the provinces and organized jointly with our clinical partners in collaboration with CMAM from central level, who leads the training. USAID will continue to work with partners and ensure IPs support commodity management training, including incorporating this training into their workplans.

In addition, JSI/DELIVER and CMAM have finalized the SOPs for the via classica commodity distribution system. USAID will work with JSI/DELIVER and CMAM to ensure dissemination of these guidelines to all health facilities and implementing partners.

JSI/DELIVER has been supporting training in logistics management through the Presidential Malaria Initiative (PMI) funds. Although the training was focused on management of malaria medicines, the training includes information and training in general logistics management. Lessons from this training are now being applied across all areas of commodity management, including HIV.

ICMAM with support from SCMS and DELIVER will be training provincial advisors, medical heads of provinces, and heads of provincial pharmacies in logistics management. This training scheduled to begin September 1, 2010 will include implementing partners as well. A key component of this training will be a module on management of ARV drugs and a revised electronic information management system to support ARV drug management at provincial and district level. This will provide increased capacity for implementing partners, provincial advisors, and provincial pharmacy staff to provide additional training and technical assistance to the districts and clinic pharmacy staff.

USAID, as co-Chair of the GTM (Medicines Working Group), is leading a technical sub-group for the development of a training strategy at all levels of the supply chain. This strategy will be completed by August 30, 2010.

***Recommendation 7: We recommend that USAID/Mozambique develop and implement controls to help ensure that the Maputo central warehouse inventory management system accounts for all commodities in the Matola and Zimpeto central warehouses.***

The Mission concurs with Recommendation 7. Although the MOH is the responsible entity for the management of the central warehouse, USAID/Mozambique Mission recognizes the seriousness of this issue and has been working with the Ministry and through its implementing partner to gain stock control. The Mission is pleased to report significant progress and steps that have been made subsequent to the RIG's review. USAID and SCMS with the Ministry were addressing this issue during the audit visit, but the improvements were readily determinable. Currently all activities in an implementation phase have now been completed as follows:

- 1) Since the audit visit, the new Zimpeto warehouse has been inaugurated, the majority of the key program products and fast moving commodities transferred to Zimpeto from ADIL, and the warehouse management information system fully installed and implemented with all data for all inventory entered into the system.
- 2) When the auditors visited, SCMS was supporting CMAM at the ADIL warehouse in the main pavilions – 1, 2 and 3. During this time, the team was supporting palletization of formerly blockstacked boxes, and gaining stock control through the implementation of MACS (i.e commodity stock information system) at ADIL. During the visit, the auditors were shown MACS at ADIL. MACS system is sophisticated and requires all product movement to be entered. Any error or failure to enter movement of product automatically is discovered during inventory counts.



- 3) The stocks that were not palletized during the auditors visit were not yet in the system. They have since been entered into the system.
  - a. Zimpeto is operating with a number of key Standard Operating Procedures (SOP), developed by the project and approved by CMAM management that cover inbound, outbound, perpetual inventory, and other warehouse management activities related to stock control.
  - b. b) Ninety five (95) percent of the stocks that were unpalletized when the Auditors visited have been since palletized and are located in ADIL 1 and 2, and are all managed through MACS warehouse management system. Quantities that are too small to palletize are being distributed by CMAM to Maputo area hospitals for immediate use.
  - c. ADIL is now a satellite warehouse of Zimpeto for storage of bulky items like IV fluids, cotton wool, and other items. The stocks are tracked by MACS.
  - d. ADIL 3 has become a quarantine area for expired and damaged stocks, awaiting destruction
  - e. SCMS has advised CMAM on WHO recommendations for management and destruction of expired products. A proposal for CMAM's implementation was presented. CMAM will begin implementing as soon as it meets with the Minister's approval (see Recommendation 8)
- 4) This is a priority of both USAID and MOH. There is a plan in place to close ADIL and transfer stocks to Zimpeto, but it will take two years to formalize due to space limitations at Zimpeto. USAID is currently preparing a procurement for construction of an extension for Zimpeto to be able to transfer the remaining commodities to the new warehouse and ensure even greater controls. USAID expects this extension to be completed by the end of Q3 2011, after which time all of ADIL will be closed (also refer to Recommendation 8).
- 5) A long-term TA warehouse advisor is providing systematic support, training and mentoring at both ADIL and Zimpeto in the MACS system and overall inventory control.
- 6) This system is also planned for implementation at Beira central warehouse starting in Q2 2010.
- 7) During 2009, SCMS contracted out a security assessment of Zimpeto and ADIL with recommendations. These recommendations are going to be reviewed and decided upon in collaboration with the GTM working group. This is to be finalized by the end of Q3 2010.
- 8) All USAID procured commodities, particularly ARVs, are now automatically and 100% stored at Zimpeto warehouse and never stored at ADIL as Zimpeto is the main warehouse location for essential commodities for priority programs.

***Recommendation 8: We recommend that USAID/Mozambique collaborate with Mozambique's Ministry of Health to properly dispose of expired and unusable commodities in the Matola warehouse***

The Mission concurs with Recommendation 8. The USAID/Mozambique Mission fully agrees on the need to work with the MOH to dispose of expired and unusable commodities. One of the challenges faced by the Government has been lack of funds for its destruction. The Mission is pleased to report significant progress has been made related to this recommendation:

- 1) The long-term Warehouse technical advisor, in accordance with World Health Organization recommendations for the destruction of pharmaceutical waste, has developed two strategies for the destruction of these expired and unused commodities. The Advisor is working closely with CMAM in finalizing the strategy for the Minister to destroy the majority of the products. This strategy will be implemented as soon as they receive approval from the Minister.
- 2) The GTM working group has included this issue in their 2010 annual work plan for resolution in collaboration with the Ministry.

***Recommendation 9: We recommend that USAID/Mozambique, in collaboration with its implementing partners, provide training to warehouse and pharmacy staff on proper pharmaceutical storage.***

The Mission concurs with Recommendation 9. The USAID/Mission agrees on the need to ensure strengthened support for training to warehouse and pharmacy staff. The support in this area needs to occur at all levels – Central level with CMAM, provincial, district and site level, in collaboration between CMAM, SCMS/DELIVER and implementing partners.

Subsequent to this audit, training at central level for CMAM staff in warehouse and pharmaceutical management has been conducted. Additionally, the following activities have also been implemented:

- 1) Development and training in Standard Operating Procedures (SOPs) on Good Warehouse Management, including picking and receiving, management of stock status, stock counting inventory, dispatching, inventory investigations, movement of stock from ADIL to Zimpeto, and other SOP issues.
- 2) SCMS and DELIVER have finalized and are printing the Via Classica Manual SOPs. These manuals include everything from stock management, storage conditions, receiving, issuing, reporting, and are separate manuals along the purpose and of the site and level. They are broken down as follows: Health Centers/Posts, District Stores, Provincial Stores, Hospitals (District, Provincial, Central)
- 3) The project is supporting CMAM to develop and implement a functional Logistics Management Information System (LMIS) down to the Provincial and then District levels. This is expected to be implemented first at the provincial level starting early September/3<sup>rd</sup> quarter (Q3) 2010, with expansion to districts shortly thereafter. The Mission intends to have all districts set up with an LMIS by the end of 2010. Starting in Q3, significant training of staff at different levels on via classica manuals and the LMIS following initial implementation. From June 7 – 18, SCMS will support CMAM to conduct a training for Provincial Pharmacy staff, provincial advisors and implementing partners. The trainings on Via classica will follow shortly after that.
- 4) As mentioned in Recommendation 6, implementing partners are providing training support to the provinces, districts and sites in collaboration with SCMS and CMAM.
- 5) USAID/Mozambique as co-Chair of the Medicines Technical Working group has established a sub-Group to prepare additional training strategies for the country, including training in logistics management.

***Recommendation 10: We recommend that USAID/Mozambique (a) assess participating pharmacies, (b) identify commodity management weaknesses, and (c) correct identified weaknesses.***

The Mission concurs with Recommendation 10. USAID/Mozambique recognizes the importance of identifying weaknesses, particularly at site level and between districts, sites, and provinces. Due to the need to strengthen this component of the supply chain, the following activities and actions have been implemented or are in progress:

1. USAID/Mozambique has been participating in various site visits, identifying weaknesses and providing recommendations for those weaknesses. This feedback is provided to sites, district and provincial authorities, and to implementing partners during the visit and in trip reports. COTRs/Activity Managers are also incorporating assessments of commodity management during their field visits as part of their supervision visits for the partner.
2. An integrated supervision tool has been developed which incorporates all aspects of implementation, including support for commodity management.
3. Since early 2009, SCMS has been conducting joint supervision visits with CMAM using a modified supervision tool. During these visits, the supervision teams conduct on-the-job mentoring and correcting weaknesses identified during the visit.
4. The FHI-hired provincial advisor conducted an assessment in Niassa to identify weaknesses in the logistics system, particularly around controls of drugs at hospital pharmacies. This same study is planned for implementation in 2010 and is included in the MOH GTM workplan.
5. In line with the pharmaceutical logistics master plan (PLMP), SCMS has supported CMAM and the MOH to develop key Performance indicators (KPIs). KPIs are indicators to monitor and

evaluate the supply chain system at all levels. These KPIs form the basis for CMAM's monitoring and evaluation of all supply chain activities, including staff and system performance.

6. The MOH with support from partners will conduct a logistics assessment of rapid test kits, including malaria rapid tests in advance of counseling and testing campaign. During this assessment, a flow chart for inventory management of test kits will be presented and explained to health worker and laboratory staff.
7. USAID is currently supporting implementation of the PLMP. Additional support will cover the following areas:
  - a. Renovation or expansion/building of district pharmacies to ensure adequate storage conditions through construction contracts and clinical partners
  - b. Implementation of an LMIS down to the district level, with a short-term and immediate plan to implement LMIS of the provincial level until the full system for active distribution to districts is achieved (2014);

Finally, the USAID is co-Chair, has specifically requested that the group address immediate challenges and make National Director for Medical Assistance and Chair of the Medicines Working Group, for which recommendations to resolve them. He specifically was interested in strengthening overall management and controls of stocks at the clinic and hospital level. Additionally, one of the sub-groups of the GTM has been tasked to work in this area.

#### **Recommendation 11**

***We recommend that USAID/Mozambique collaborate with Supply Chain Management System to ensure that boxes of antiretroviral drugs are labeled according to the Automated Directives System section 320.***

The Mission concurs with Recommendation 11. The 2006 waiver (Attachment A) from Kent Hill, Assistant Administrator Bureau for Global Health, states that first and second level packaging does not need to be branded. But this waiver did not apply to export packaging. Because of this the Mission asked to have stickers on the export packaging when the shipments arrived in country.

Jan Miller, from GH/SCMS confirms that there is not a waiver not to mark export packaging. GH/SCMS Washington is in negotiation with USAID/OAA to allow exemption for export package marking. The Mission awaits further guidance from Washington and has requested a final determination by July 30, 2010 for resolution of this issue.

#### **Recommendation 12**

***We recommend that USAID/Mozambique enforce partner compliance with USAID's branding requirements, including obtaining documentation from partners that they have effectively communicated to service providers and beneficiaries that the American people are funding the HIV/AIDS program activities.***

The Mission concurs with Recommendation 12. USAID/Mozambique follows the branding requirements in accordance with Automated Directives System 320. The Mission has previously conducted branding trainings for USAID employees as well as USAID partners. An employee training session took place on February 26, 2009. On April 16 and 17 2009, a partner specific Maputo-based branding training was conducted for USAID awardees. In addition, grants and contracts have an approved branding strategy and a marking plan. The Mission monitors the application of this plan through site visits and the site visit report as required in Mission Order 200-1 (1/26/07). The Mission's site visit report specifically covers branding and requires note of any differences from branding and marking plans.

Subsequent to this audit recommendation, the Mission has added branding compliance monitoring responsibilities to a dedicated FSN position for monitoring and evaluation on the Integrated Health Team. This position is currently being advertised and will be hired shortly. Responsibilities will include quarterly site visits to monitor branding among other duties.

USAID/Mozambique will obtain documentation as required under approved authorized branding and marking plans that meet USG rules and regulations.

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