OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/CENTRAL ASIAN REPUBLICS' QUALITY HEALTH CARE PROJECT

AUDIT REPORT NO. 5-176-14-003-P
APRIL 30, 2014

MANILA, PHILIPPINES

Office of Inspector General

April 30, 2014

MEMORANDUM

TO: USAID/Central Asian Republics Regional Mission Director, Jonathan Addleton

FROM: Regional Inspector General/Manila, Matthew Rathgeber /s/

SUBJECT: Audit of USAID/Central Asian Republics' Quality Health Care Project (Report No. 5-176-14-003-P)

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

This report contains five recommendations to help USAID/Central Asian Republics improve the efficiency and effectiveness of its Quality Health Care Project. After reviewing information provided in response to the draft report, we determined that USAID/CAR has taken final action on Recommendation 1. We acknowledge management decisions on Recommendations 2, 3, 4, and 5. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close the open recommendations.

Thank you and your staff for the cooperation and assistance extended to us during this audit.

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CONTENTS

Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
CAR	Central Asian Republics
COR	contracting officer's representative
EQA	external quality assurance
FP	family planning
MCH	maternal and child health
M&E	monitoring and evaluation
RH	reproductive health
RIG	Regional Inspector General
TB	tuberculosis

SUMMARY OF RESULTS

Since the fall of the Soviet Union, the Central Asian Republics—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—have worked to build more efficient and responsive health systems. Although U.S. Government investments have led to improvements in some health systems, accomplishments to date "have not yet translated into improved health outcomes for poor, rural, or otherwise vulnerable populations."[1]

Recognizing the need to do more, in September 2010 USAID's Central Asian Republics (CAR) regional mission (USAID/CAR)[2] awarded a 5-year, $72 million contract to Abt Associates Inc. to implement the Quality Health Care Project. Operating in all five countries, the project was to help meet the needs of vulnerable populations by increasing the use and quality of health services. The project would support the diagnosis, care, and treatment of diseases—tuberculosis (TB), HIV, and other public health threats—and support maternal and child health (MCH), family planning (FP), and reproductive health (RH) services. As of September 2013, USAID/CAR had obligated $38 million and disbursed $30 million for the project.

Not long after the contractor began implementing the project, USAID/CAR announced a series of significant changes, detailed in the table below.

Significant Scope Changes (audited)

Date	Action	Budget Amount ($ million)	Budget Change ($ million)
September 7, 2010	Award signed	72	NA
January 26, 2011	Contractor informed of pending budget reduction	60	12↓
January 2012	Approximately 10 percent (102 out of 1,025) of TB and HIV activities in five countries were cancelled	NA	NA
October 24, 2013	Modification 11 signed	56	4↓

NA=not applicable.

USAID/Washington's Global Health Bureau, which was responsible for the project's funding, cut the amount. It did not shift funding earmarked for HIV and TB, but did cut funds for combating other public health threats and for MCH, FP, and RH activities.

The Regional Inspector General/Manila (RIG) conducted this audit to determine whether USAID/CAR's Quality Health Care Project was strengthening health systems and services to more effectively meet the needs of vulnerable populations by increasing the use of health services and improving health outcomes.

[1] Contract No. AID-176-C-10-00001-00, signed September 7, 2010.
[2] From its office in Kazakhstan, USAID/CAR provides legal, contract, financial management, program, and technical development expertise to all five Central Asian countries.

Although the project contributed to strengthening health systems and services to better meet the needs of vulnerable populations, auditors could not determine whether the project was doing as much as expected. Examples of the project's contributions follow:

- ***Improved access to health services.*** According to the contractor, the project provided training to 45,620 medical workers in five countries. Auditors observed pilot interventions in Kazakhstan, Kyrgyzstan, and Tajikistan, where doctors at family medical centers received training. Training has improved vulnerable groups' access to health care by increasing the number of qualified workers in staff clinics and improving the services they provide. For example, improving interpersonal communication skills of clinic counselors gave them a better understanding of the needs and problems faced by the vulnerable groups, leading counselors to emphasize HIV prevention methods. Training also reduced stigma among health workers and vulnerable groups, making the latter more likely to seek help.

- ***Improved quality of health services and systems.*** Training offered by the project improved medical practices. Three months after its staff completed pilot training in the integrated management of childhood illnesses and follow-up training in quality improvement methods, the National Infectious Disease Hospital of Kyrgyzstan decreased the use of injectable medications among children by 50 percent and decreased the use of antibiotics by 75 percent. The reductions saved nearly $50,000 over 3 months and decreased children's exposure to painful procedures and side effects from unnecessary medications. Further, after doctors received training in quick diagnosis, the hospital was able to switch from admitting children for inpatient treatment only to providing significant outpatient care.

- ***Improved capacity to manage and monitor health.*** The contractor reported that the number of laboratories participating in an external quality assurance (EQA) system had risen from 114 to approximately 326 since the start of the project. EQA methodology strengthens the accuracy and reliability of laboratory work by testing and improving diagnostic and other capabilities. The project also reported training more than 695 laboratory technicians and supervisors in EQA system, culturing, and drug susceptibility testing. As a result of interventions, the project improved the accuracy of lab results, allowing more TB patients to receive timely treatment while reducing the number of misdiagnosed patients.

Nonetheless, it was unclear whether the project was meeting expectations because the mission mismanaged the project (page 4). By not designing and planning effectively, reducing overall funding, shifting priorities, cancelling activities, and not approving key management documents (work plans, the project monitoring and evaluation plan, and budgets) on schedule, the mission prevented effective implementation.

To address the problem, we recommend that USAID/CAR:

1. Finalize and approve a project monitoring and evaluation plan that contains suitable indicators attributable to the project's activities and meets the requirements of Automated Directives System (ADS) Chapter 203 (page 5).

2. Implement a plan to require technical staff to design future programs in accordance with ADS Chapter 200 (page 5).

3. Issue guidance requiring work plan approval by the beginning of the implementing period (page 8).

4. Conduct and document training to equip contracting officer's representatives, activity managers, and contracting officers to manage development projects effectively as required by ADS 202.3.4.5 (page 8).

5. Issue guidance requiring contractor performance reviews to be completed in accordance with Federal Acquisition Regulation 42 and USAID Acquisition Regulation 742.15 (page 10).

The detailed finding follows. The audit scope and methodology are described in Appendix I. Our evaluation of management comments is included on page 11, and the full text of management comments appears in Appendix II.

AUDIT FINDING

Mission Mismanaged the Project

Internal controls "must reasonably ensure the effectiveness and efficiency of operations, including the use of the Agency's resources," according to ADS 596.3.1. Further, mission directors should take appropriate and sufficient steps to ensure that development staff have the capacity to function effectively, "each mission is expected to develop its own set of interventions based on good management sense, the availability of resources, and the particular situation faced by individual teams" (ADS 202.3.4.5).

By these criteria, USAID/CAR mismanaged the project. The mission did not properly design or plan project activities. Not developing firm indicators has made measuring the project's achievements difficult. The mission prevented smooth execution of the project. The mission's scope and budget changes caused activity cancellations and extensive delays. Slowness in approving documents and making modifications caused the project to start and stop activities and miss deadlines for starting work. Not following through with the contractor, either to be sure it had resolved its internal control weaknesses or to complete required performance reviews, showed poor stewardship.

Design and Planning

ADS 203.3.4 requires missions to develop a project monitoring and evaluation (M&E) plan in the design phase "to measure progress towards planned results." The M&E plan "pulls together performance information from all activities contributing to a project." ADS 203.3.4.3 also requires that the M&E plan include indicators to monitor project results, along with baseline measures and targets for the indicators. Establishment of targets and collection of baselines should start at the beginning of implementation of activities to help managers determine progress in achieving outputs and outcomes and identify the extent to which changes may have happened. The contract requires the contractor to discuss M&E plan requirements with the contracting officer's representative (COR) and submit a final plan for COR approval within 90 days of contract award.

Contrary to these requirements, the mission did not develop indicators to measure most of the expected outcomes. Moreover, 3 years into the project's 5-year performance period, the M&E plan had not been finalized and approved. By the time of audit fieldwork, the contractor and mission had developed at least six draft versions of the M&E plan. The most recent draft plan contained 19 performance indicators—the majority of them output indicators that did not have baselines or targets. Consequently, auditors were unable to compare results with targets.

The 19 indicators did not measure expected outcomes,[3] most did not measure change that was directly attributable to the project, and they did not measure the results of all activities. Examples of expected outcomes include (1) enhanced institutional and individual management and technical capacities, (2) improved systems for diagnosing multidrug-resistant TB and (3) enhanced quality of laboratory services. Yet the indicators measured only proxies, such as the number of health-care workers who successfully completed an in-service training, number of

[3] Audit analysis was based on the updated expected outcomes in Modification 11.

labs with acceptable quality of smear microscopy performance according to national EQA standards, and proportion of TB cases detected among all new pulmonary cases. The plan relied on proxies because collecting data on the expected outcomes themselves would have been too costly and time-consuming.

Similarly, improvements on the indicators could not be directly attributed to project activities. For example, two indicators—*Number of sites offering HIV rapid testing for vulnerable populations* and *TB policies/regulations developed or changed as a result of project interventions and recommendations*—registered increases, but these could have resulted from numerous interventions, not only the project but also other USAID projects and activities sponsored by other donors.

Finally, indicators did not cover all outcomes. For example, no indicators were created to measure progress on building the capacity of national institutions to develop evidence-based programs or on improving infection prevention and control.

Changes in the mission's priorities, reflected in the January 2011 announcement of coming budget cuts, were the main reason for not finalizing an M&E plan at the outset. In the absence of a finalized plan, the contractor relied on initial drafts as a monitoring tool and tracked their indicators. However, such data may become unusable and resources may be wasted if indicators in the final M&E plan do not include those used by the contractor.

As a result of operating without firm indicators, the project may be unable to measure its results and determine progress toward expected outcomes. To help USAID/CAR monitor and evaluate the project's achievements, we make the following recommendations.

> ***Recommendation 1.*** *We recommend that USAID/Central Asian Republics finalize and approve a project monitoring and evaluation plan that contains suitable indicators attributable to the project's activities and meets the requirements of Automated Directives System Chapter 203.*

> ***Recommendation 2.*** *We recommend that USAID/Central Asian Republics implement a plan to require technical staff to design future programs in accordance with Automated Directives System Chapter 200.*

Project Management

The contractor could not execute the project efficiently because of the mission's actions. Incredibly slow modifications, cancellations, and delayed approvals hobbled implementation.

Slow Modification. Federal Acquisition Regulation 52.243-4 authorizes contracting officers to order changes that are within the general scope of the contract, such as changes in the specifications and in the manner in which the work is to be performed, and modify the contract to incorporate those changes. In addition, ADS 300.3.5 emphasizes the need for contracting officers and technical offices, including CORs, to work together to establish realistic schedules for modifications so that they are carried out in a timely manner—within 91 calendar days. In addition, the COR designation letter makes it the COR's responsibility "to recommend in writing to the CO [contracting officer] any changes needed in the scope of the contract, including any

changes to technical provisions that affect the timing of the deliverables/services or the overall cost-price of the contract."

As mentioned above, in January 2011 the contracting officer issued a notice to the contractor stating that the mission intended to reduce the project budget by approximately $12 million and adjust its portfolio to focus primarily on TB and HIV in Central Asia. The mission also informed the contractor that the project would cease implementing MCH, FP, and RH activities and those targeting other public health threats, starting in the third year. However, the mission did not modify the contract promptly.

The mission took excessive time to revise the statement of work—more than 2 years from the time it notified the contractor of the shift in priorities. After revising the statement of work, in March 2013 mission officials asked the contractor for technical and cost proposals showing how it would implement the reduced scope of activities in the five countries and how much it would cost to do so. After several revisions, officials decided that the work plan would substitute for the technical proposal and accepted a new cost proposal from the contractor. Nearly 3 years on, the mission finally issued the contract modification.

The modification took so long because technical officers were not aware of the need to initiate a modification within the tight time frame. The contracting officer could not move forward without the COR's technical proposal. The mission also encountered delays in working with the contractor to develop an acceptable cost proposal for the modification. Lastly, there was a high turnover of CORs. During the first 3 years, the project had five CORs assigned to oversee the project, further slowing the modification.

Without a contract modification, the contractor continued implementing planned activities. During the second year, the COR cancelled activities that had been approved in that year's work plan. However, the contractor did not receive clear and timely direction as to which activities to cancel and which to continue. Delays in modifying the contract decreased the efficiency and effectiveness of project implementation.

Cancellations. In January 2012, the mission cancelled approximately 10 percent (102 out of 1,025 activities) of TB and HIV activities in five countries. Examples of affected activities follow.

- During 2012, the mission decided to slow the use of international technical assistance for medication-assisted therapy activities by cutting the travel budget for international experts. Medication-assisted therapy, important for HIV prevention, was considered one of the highest priorities at the beginning of the project. However, without travel funds from the mission, the project had to cancel international experts' technical assistance and other activities related to the therapy.

- In September 2012, without consulting the contractor, the mission instructed it to stop TB outpatient treatment activities in three countries. This decision ran counter to international practice, which recommends treating most people with TB as outpatients.

- During 2012, the mission terminated the contractor's TB drug management activities. These included forecasting and inventory systems that would prevent stock-outs of medication that TB patients need.

The mission cancelled activities because other USAID projects and international donors were operating in the region, and the mission decided that another project, TB Care, was more suited to carrying out TB activities. Still, the mission could provide no documentation of the transfer of activities to TB Care. Moreover, TB Care activities all took place in large, regional hospitals, whereas the Quality Health Care Project's TB activities were in primary health-care centers, providing service at the grassroots level. Hence, the Quality Health Care Project's beneficiaries would not necessarily receive help under TB Care.

In addition, the mission's decision put the contractor in the awkward position of having to cancel multiple TB activities that country officials had approved. This strained the relationships the contractor had built with those officials and diminished their view of USAID.

Delayed Approvals and Redelegation of Responsibilities. Many actions by the mission tied the contractor's hands and delayed activities. The contract requires the contractor to submit annual work plans to the COR 30 days before the end of the preceding year so that the COR can approve the plans and their budgets before the next year's activities begin.

- *Holding up work plan approval*. The contractor submitted annual work plans on time, only to have them sit waiting for mission approval:

  - The contractor submitted the Uzbekistan 2011-2012 work plan for TB to USAID in the fall of 2011 and then resubmitted it in January 2012 at USAID's request. However, the contractor received no feedback for 4 months. Meanwhile, Uzbekistan's Ministry of Health approved the work plan for TB activities despite the government's restrictions on international interventions (international donors are often denied permits to work in the country and prohibited from working on HIV). USAID eventually approved some activities on a case-by-case basis, but with far fewer activities than the plan contained.

  - The COR did not approve the 2012-2013 work plan (the project years, like U.S. Government fiscal years, run October through September) for the five countries by the start of the period. The COR approved the work plan in two stages—half in December 2012, and half in March 2013, 6 months into the period.

  - The 2013-2014 work plan had not been approved as of January 2014—4 months into the implementation period.

- *Tying approval of activities to independent assessments.* Approximately 50 percent of 2012-2013 HIV activities were delayed because mission officials wanted to wait for results of activity assessments by independent contractors—AIDS Support and Technical Assistance Resources (a consortium), Grant Management Solutions, and the Health Policy Project. These contractors arrived in-country many months late, and their reports were not available until the end of 2012-2013. In one case, the mission never accepted the external contractor's report because it did not meet quality standards. Without this report, implementation of various HIV activities did not move forward.

- *Redelegating contractor roles and responsibilities.* The project purchased two geneXpert machines, the latest laboratory technology for rapid diagnosis of TB and drug-resistant TB, for Kyrgyzstan (in November 2011) and Tajikistan (in February 2012). The machines used state-of-the-art technology in diagnosing the strain of TB latent in patients who had discontinued treatment prematurely and in telling which medication would work best for

them. It provided results in 2 hours, whereas previous technology took several weeks. The contractor had received permission from USAID to purchase machines for all five countries and to negotiate agreements between the various ministries of health and USAID whereby the countries would take ownership of the machines and maintain them. Had things gone according to plan, USAID could have been the donor to introduce this valuable technology in the Central Asian Republics.

However, despite approving the budget for purchasing the machines and the work plan authorizing extensive laboratory activities, the mission advised the contractor in September 2012 that TB Care would introduce geneXpert in the region. This belated notification plus other factors, such as the mission's concerns over placement of the machines—whether to put them in large, regional hospitals or in small, primary health-care centers—and lab renovations, caused major delays in the rollout of geneXpert in the two countries—7 months in Kyrgyzstan and 9 months in Tajikistan. Moreover, the two machines that the project purchased continue to sit unused.

Numerous officials interviewed for the audit attributed the delays to the COR. From November 2011 to September 2013, the director of the Office of Health and Education also acted as COR (she was officially made COR in January 2013). The dual responsibilities created an overwhelming workload, as did the project's complexity. Operating in five countries and implementing several health elements, the project involves customized work plans in each country requiring an extensive approval process and coordination with regional technical managers, country activity managers, and officials in Washington, D.C. Consequently, work plan approvals took the COR inordinate amounts of time, yet she did not delegate many tasks.

The COR transferred the geneXpert responsibilities to TB Care, disregarding the opinions of activity managers[4] on what that would do to project performance. She caused delays and made unilateral decisions during the second and third year of implementation without performing monitoring site visits; the mission was not able to provide site visit reports from the COR in the second and third year.

The mission's actions caused the contractor to waste time and resources, reduced USAID's credibility with both government and nongovernmental counterparts, and in some instances prevented the project from reaching intended beneficiaries. Although the mission addressed staffing issues, we make the following recommendations.

Recommendation 3. *We recommend that USAID/Central Asian Republics issue guidance requiring work plan approval by the beginning of the implementing period.*

Recommendation 4. *We recommend that USAID/Central Asian Republics conduct and document training to equip contracting officer's representatives, activity managers, and contracting officers to manage development projects effectively as required by Automated Directives System 202.3.4.5.*

[4] Activity managers are health specialists working in four countries (not Kazakhstan). They help the COR, based in Kazakhstan, with the monitoring.

Contractor Oversight

Financial Oversight. ADS 202.3.8.2 states that part of USAID missions' role in making payment is to ensure that all agreements maintain what U.S. Government generally calls "funds control" or financial accountability. The mission must see that funds are used economically and efficiently for authorized purposes only and that "obligations and expenditures do not exceed the amounts authorized."

In late 2011, the mission performed a limited financial review of the contractor. It was to determine whether the contractor had proper controls and sufficient resources to achieve project results, as well as to verify whether expenditures and records complied with cost principles. The review, which covered the project's first year, revealed financial management and internal control weaknesses. Five deficiencies related to a high level of cash transactions, inadequate regional control procedures, noncompliance with local laws, weak competitive recruitment procedures, and a lack of supporting documents for financial transactions. However, the mission never issued the review report to the contractor or followed up to see whether the contractor corrected the weaknesses. The mission did communicate the findings in a meeting between the controller and the contractor and in a conference call with the contractor's headquarters in January 2012. The contractor responded to the mission by transmitting a memo on corrective actions taken. However, the mission did not confirm that corrective actions were implemented.

Mission officials explained why they did not follow up. They said they decided not to issue a report to the contractor because they thought a U.S. auditing firm should perform a broader audit. Officials said they had been in touch with USAID/Washington to arrange a full financial audit.

Nonetheless, because they did not follow up promptly on the significant deficiencies identified in the review, mission officials cannot ensure that project funds were used economically and efficiently and only for authorized purposes. The contractor has continued implementing the project without mission confirmation that improved controls are in place. Because the mission was close to awarding a contract to conduct a financial audit, we are not making a recommendation on this issue.

Contractor Performance Reviews. Federal Acquisition Regulation 42.1502 requires agencies to evaluate contractor performance and prepare at least annual performance reports on contracts that exceed the simplified acquisition threshold, which is currently $150,000. Similarly, USAID Acquisition Regulation 742.15 requires contracting officers to report annually on contractor performance. Further, the U.S. Government Accountability Office points out that the government's high "reliance on contractors makes it critical that agencies have the information necessary to properly evaluate a contractor's performance history and to better inform contract award decisions."[5]

The mission completed the first-year contractor performance review but did not complete the reviews for the second and third years. The reason was turnover among CORs, who are responsible for doing the reviews. Mission officials noted that other contractors' reviews had not been updated either.

[5] *Better Performance Information Needed to Support Agency Contract Award Decisions,* Report No. GAO-09-374. 2009.

In the first-year review, the mission identified areas for the contractor to improve. By not reviewing performance in subsequent years, the mission missed a chance to see whether the contractor had improved in those areas. Regular, comprehensive, and conscientious performance reviews give contractors significant incentives to provide USAID with superior products and services and give the mission information to make sound acquisition decisions. Further, the Government Accountability Office has ruled that failure to document contractor performance information properly and make it available in acquiring the same or similar items is a sufficient basis to sustain a protest of a contract award. To make sure USAID/CAR documents contractor performance, we make the following recommendation.

Recommendation 5. *We recommend that USAID/Central Asian Republics issue guidance requiring contractor performance reviews to be completed in accordance with Federal Acquisition Regulation 42 and USAID Acquisition Regulation 742.15.*

EVALUATION OF MANAGEMENT COMMENTS

The Office of Inspector General has reviewed the mission's comments in response to the draft report, which indicates agreement with all five recommendations. Our evaluation of comments follows.

Recommendation 1. USAID/CAR agreed that its technical officers would work together to finalize and approve a M&E plan that meets the requirements of ADS 203. In March 2014, the project COR approved the M&E plan with improved indicators that suitably measure results. After reviewing information provided with the comments, we determined that the mission has taken final action on this recommendation.

Recommendation 2. USAID/CAR agreed to implement a plan to require staff to design future programs in accordance with ADS. It made a management decision, effective April 1, 2014, to have the M&E Specialist review all new activity M&E plans to ensure that they contain appropriate indicators, baseline data, and annual targets prior to approval. It also decided that the Strategy and Program Office will issue an updated project design mission order and a monitoring mission order with clear standards related to project and activity M&E plans, budgets, and data quality requirements. The plans should be complete by May 1, 2015. We acknowledge the mission's management decision.

Recommendation 3. USAID/CAR agreed to issue guidance requiring work plan approval before implementation. To address the recommendation, the Acquisition and Assistance Office has made changes in the procurement process. Draft annual work plans of new awards shall be submitted to the mission 45 days prior to the start of the work year, instead of 30, to allow sufficient time to complete the review process and grant approval before implementation. The Acquisition and Assistance Office will provide proper guidance to ensure timely approval of work plans and emphasize this requirement at post-award meetings with the implementers. Final action should occur by May 1, 2015. We acknowledge the mission's management decision.

Recommendation 4. USAID/CAR agreed to train contracting officials to manage development projects in accordance with ADS. It made a management decision to revise the project management mission order and activity managers' designation letters to ensure that technical staff members have clear guidance on their roles and responsibilities. The Acquisition and Assistance Office has started training technical staff—CORs and agreement officer's representatives—on their responsibilities in managing and approving project deliverables. Further, CORs will be required to take 80 hours of continuing learning compliance training every 2 years to maintain their certification. Also, the Acquisition and Assistance Office has established annual training plans for all contracting staff. The mission expected final action by May 1, 2015. We acknowledge its management decision.

Recommendation 5. USAID/CAR agreed to issue guidance requiring contracting officials to complete contractor performance reviews in accordance with federal and USAID acquisition regulations. The training that the mission has started for CORs and agreement officer's representatives includes completion of contractor performance assessment reports. Beyond that, USAID/CAR made a management decision to have the Acquisition and Assistance Office

(1) install a system that will periodically alert CORs of report due dates and (2) add discussion points on contractor performance assessments to the agenda for meetings with implementers of new awards to ensure compliance before project implementation. Final action should occur by May 1, 2015. We acknowledge the mission's management decision.

SCOPE AND METHODOLOGY

Scope

RIG/Manila conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine whether USAID/Central Asian Republics was strengthening health systems and services to more effectively meet the needs of vulnerable populations by increasing the use of health services and improving health outcomes. As of September 30, 2013, cumulative obligations totaled approximately $38 million, and disbursements under the contract totaled $30 million. Because this was a performance audit, which focused on project implementation rather than financial transactions, the audit did not include a financial review of the $30 million in expenditures.

The project consists of five elements: (1) TB, (2) HIV, (3) maternal and child health, (4) family planning and reproductive health, and (5) other public health threats. The audit covered selected activities carried out under these elements from the program's inception through September 30, 2013. The audit team elected to perform fieldwork in three countries: Kyrgyzstan, Tajikistan, and Kazakhstan.

In planning and performing the audit, the audit team assessed significant controls used by the mission to manage program activities and ensure that the contractor was providing adequate oversight of these activities. In addition to the significant controls, we assessed the contractor's quarterly and annual progress reports, as well as the annual work plans. We also attended meetings with the contractor to discuss project status and performed site visits to validate project achievements. Additionally, we examined the mission's fiscal year 2013 annual self-assessment of management controls, which the mission is required to perform to comply with the Federal Managers' Financial Integrity Act of 1982, to check whether the assessment cited any relevant weaknesses.

The audit team performed fieldwork at the USAID/Central Asian Republics office in Kazakhstan; USAID/Kyrgyzstan; the USAID country office in Tajikistan; and the contractor's offices and offices of subpartners in Almaty, Bishkek, and Dushanbe. The audit team also visited other provinces in the three countries and met with beneficiaries. During these site visits, the team also met with government officials from Kazakhstan, Kyrgyzstan, and Tajikistan as well as with donors including the Swiss Cooperation Office and the World Health Organization to gain an understanding of the coordination efforts related to the project. The audit fieldwork was conducted from October 28 to November 27, 2013.

Methodology

In assessing the status of the activities carried out under the contract, the auditors relied on the contractor's quarterly and annual progress reports from December 2010 through September 2013, supplemented by interviews conducted with mission officials; staff at the contractor's

offices; and stakeholders including government officials, local grantees, community members, beneficiaries, and other donors. To validate data for the activities, the auditors checked reported results against supporting documentation maintained by the contractor.

The audit selected three of the five Central Asian Republics—Kazakhstan, Kyrgyzstan, Tajikistan—to conduct site visits. We chose them because their budgets made up approximately $44.9 million or 80 percent of the overall project budget. The audit team judgmentally sampled activities implemented under the contract within the countries visited. Given the nature of the activities, we could not select a statistical sample. In each country visited, the audit team observed activities under each of the five project elements. During site visits, the audit team interviewed beneficiaries such as medical workers who received technical assistance, mothers with newborn babies, people living with HIV, and TB patients receiving assistance from the project. The audit team spoke with the beneficiaries to solicit feedback on the project's activities and assess the impact of the interventions on the health-care sector.

Additionally, through interviews, documentation reviews, and data analysis, the audit team obtained an understanding of (1) the project's main goals, (2) how the mission monitors implementation of the project, (3) how the mission checks the quality of the data reported, and (4) whether the mission was aware of any allegations of fraud or other potential illegal acts or noncompliance with laws and regulations.

MANAGEMENT COMMENTS

USAID | CENTRAL ASIAN REPUBLICS
FROM THE AMERICAN PEOPLE

MEMORANDUM

DATE: April 8, 2014

TO: Matthew Rathgeber, Regional Inspector General/Manila,

FROM: Jonathan Addleton, USAID/CAR Regional Mission Director /s/

SUBJECT: Performance Audit of USAID/Central Asian Republics' Quality Health Care Project (Audit Report No. 5-115-14-00X-P)

The CAR Mission appreciates the interest that the audit team took in the Quality Health Care Project and the work that the Inspector General does around the world to strengthen USAID's impact. Please find attached the Mission's comments in response to the draft audit report. USAID/CAR concurs with all five recommendations to strengthen the Quality Health Care Project and has set forth corrective action plans and related target dates for completion.

Recommendation 1: *We recommend that USAID/Central Asian Republics finalize and approve a project monitoring and evaluation plan that contains suitable indicators attributable to the project's activities and meets the requirements of Automated Directives System Chapter 203.*

USAID/CAR's Strategy and Program Office (SPO) Monitoring and Evaluation Specialist and the current Contracting Officer's Representative (COR) have been working together to finalize and approve a project monitoring and evaluation plan that meets the requirements of ADS 203. Per ADS 203.3.10, the effort and cost burden of data collection must be taken into account when determining performance indicators. From a technical perspective, the approved indicators are the most cost-effective ways to measure USAID's results. The COR has recently approved a new Monitoring and Evaluation (M&E) plan with improved indicators (please see attached). Based on completion of the attached ADS 203 compliant M&E plan for the Quality Health Care Project, USAID/CAR requests closure of this audit recommendation.

Recommendation 2: *We recommend that USAID/Central Asian Republics implement a plan to require technical staff to design future programs in accordance with Automated Directives System Chapter 200.*

Mission management agrees and plans to close this audit recommendation by May 1, 2015. In order to ensure that each activity has an M&E plan with high-quality indicators and appropriate baseline data and annual targets, effective April 1st, the SPO M&E Specialist has initiated a review of all new activity M&E plans prior to COR/AOR approval.

In addition to the M&E plan review, SPO is issuing a revised and updated Project Design Mission Order and is also going to issue a Monitoring Mission Order that lays out clear standards and expectations related to project and activity M&E plans and budgets and data quality requirements.

Recommendation 3: *We recommend that USAID/Central Asian Republics issue guidance requiring work plan approval by the beginning of the implementing period.*

Mission management agrees and plans to close this audit recommendation by May 1, 2015. In order to ensure timely approval of work plans, the Acquisition and Assistance Office (AAO) has already made two major changes in the procurement process. First, all new awards now require that the draft annual work plan for the upcoming work year be submitted to the Mission 45 (instead of 30) days prior to the start of the work year. By starting the process earlier, there will be sufficient time for Mission comments and implementer revisions, which will enable finalization and approval of the work plans prior to the start of the work year. Second, AAO will also discuss this issue with project implementers and CORs/AORs during the post-award entrance conference and provide guidance to emphasize the importance of ensuring that work plans are approved prior to the start of the work year.

Recommendation 4: *We recommend that USAID/Central Asian Republics conduct and document training to equip contracting officer's representatives, activity managers, and contracting officers to manage development projects effectively as required by Automated Directives System 202.3.4.5.*

Mission management agrees and plans to close this audit recommendation by May 1, 2015. In order to ensure that Mission technical staff have clear and consistent guidelines and expectations regarding their roles and responsibilities, the Mission will revise the Project Management Mission Order and the Activity Manager Letter accordingly.

The AAO has already started to systematically provide training to CORs/AORs and Activity Managers throughout the Mission when visiting the Country Offices. These trainings focus on COR/AOR responsibilities including the COR's roles and responsibilities in management, and approval, of deliverables and reports required under the award. The AAO has also added a sizable portion of time to every new post-award entrance conference to discuss the responsibilities of the COR to approve deliverables, including the work plan, as well as ensure that the implementer is fully aware of the required deadlines.

Additionally, the AAO itself has established annual training plans for Mission Contracting staff to ensure that all U.S. Direct Hires and FSNs remain up to date on their training. Finally, with the government-wide roll out of the Federal Acquisition Institute Training Application System (FAITAS), CORs are required to take 80 hours of Continuing Learning Compliance training every two years in order to maintain their certification. This

requirement will ensure that the CORs/AORs remain adequately trained regarding their duties and responsibilities.

Recommendation 5: *We recommend that USAID/Central Asian Republics issue guidance requiring contractor performance reviews to be completed in accordance with Federal Acquisition Regulation 42 and USAID Acquisition Regulation 742.15.*

Mission management agrees and plans to close this audit recommendation by May 1, 2015. AAO is already providing training to CORs/AORs throughout the Mission during Contracting Officer visits to the Country Offices. These trainings focus on COR/AOR responsibilities including the COR's duty to complete Contractor Performance Assessment Reports (CPARS).

Additionally, the AAO will install an internal system so that all CORS are notified and reminded periodically of the impending initial CPAR draft submission deadline. Finally, AAO has added a CPARs section into every new post-award entrance conference so that the issue is raised, and the deadlines are discussed, with both the COR and the implementer at the beginning of the implementation period.

For audit recommendation tracking purposes in the Consolidated Audit and Compliance System (CACS), USAID/CAR Mission requests closure of Recommendation 1 upon issuance of the final audit report and plans to close Recommendations 2 through 5 by May 1, 2015.

Thank you again for the IG's support to the Mission's Quality Health Care Project.

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