



## OFFICE OF INSPECTOR GENERAL

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# AUDIT OF USAID/INDIA'S HIV/AIDS PARTNERSHIP: IMPACT THROUGH PREVENTION, PRIVATE SECTOR, AND EVIDENCE- BASED PROGRAMMING PROJECT

AUDIT REPORT NO. 5-386-15-008-P  
SEPTEMBER 18, 2015

MANILA, PHILIPPINES



*Office of Inspector General*

September 18, 2015

**MEMORANDUM**

**TO:** USAID/India Mission Director, Jonathan Addleton

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

**SUBJECT:** Audit of USAID/India's HIV/AIDS Partnership: Impact Through Prevention, Private Sector, and Evidence-Based Programming Project (Report No. 5-386-15-008-P)

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

The report includes eight recommendations to help the mission address the issues identified in our audit. After reviewing information provided in response to the draft report, we determined that the mission made management decisions on all eight recommendations and took final action on Recommendation 2. Please provide the necessary documentation to obtain final action on Recommendations 1 and 3 through 8 to the Audit Performance and Compliance Division in the Office of the Chief Financial Officer.

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

# CONTENTS

<b>Summary of Results</b> .....	1
<b>Audit Findings</b> .....	5
Project Implementation Was Delayed Significantly .....	5
PHFI Lacked Capacity to Meet USAID's Monitoring and Evaluation Requirements .....	6
Project's Sustainability Was Questionable.....	10
<b>Other Matter</b> .....	12
Mission Did Not Conduct FMFIA Risk Assessment in FY 2014 .....	12
<b>Evaluation of Management Comments</b> .....	14
<b>Appendix I—Scope and Methodology</b> .....	16
<b>Appendix II—Management Comments</b> .....	18

## Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
AOR	agreement officer's representative
COP	chief of party
DNM	district network model
ELM	employer-led model
DQA	data quality assessment
FMFIA	Federal Manager Financial Integrity Act
FY	fiscal year
M&E	monitoring and evaluation
MCRC	management control review committee
MARP	most at-risk population
MOU	memorandum of understanding
NACO	National AIDS Control Organization
NACP	National AIDS Control Program
OIG	Office of Inspector General
PEPFAR	President's Emergency Plan for AIDS Relief
PHFI	Public Health Foundation of India
PIPPSE	partnership: impact through prevention, private sector, and evidence-based programming
RIG	regional inspector general

# SUMMARY OF RESULTS

According to the World Bank, as of July 2012 the Indian Government estimated that about 2.4 million Indians were living with HIV. Children accounted for 3.5 percent of all infections, while 83 percent were between 15 and 49 years old. HIV was prevalent among most at-risk populations (MARPs) because of unprotected sex between sex workers and their clients, and drug users with contaminated equipment. In addition, the United Nations Joint Programme on HIV/AIDS' 2013 *Gap Report* stated that of all of the countries in the Asia-Pacific region, India has the highest percent of people living with HIV, HIV-related deaths, and new infections.

After the first AIDS case was reported in 1986, the Indian Government established the National AIDS Control Program (NACP) under the Ministry of Health and Family Welfare. In 1991 it expanded the program's scope to focus on blood safety, prevention among high-risk populations, raising awareness in the general population, and improving surveillance of the disease, and also established the National AIDS Control Organization (NACO) to implement NACP.

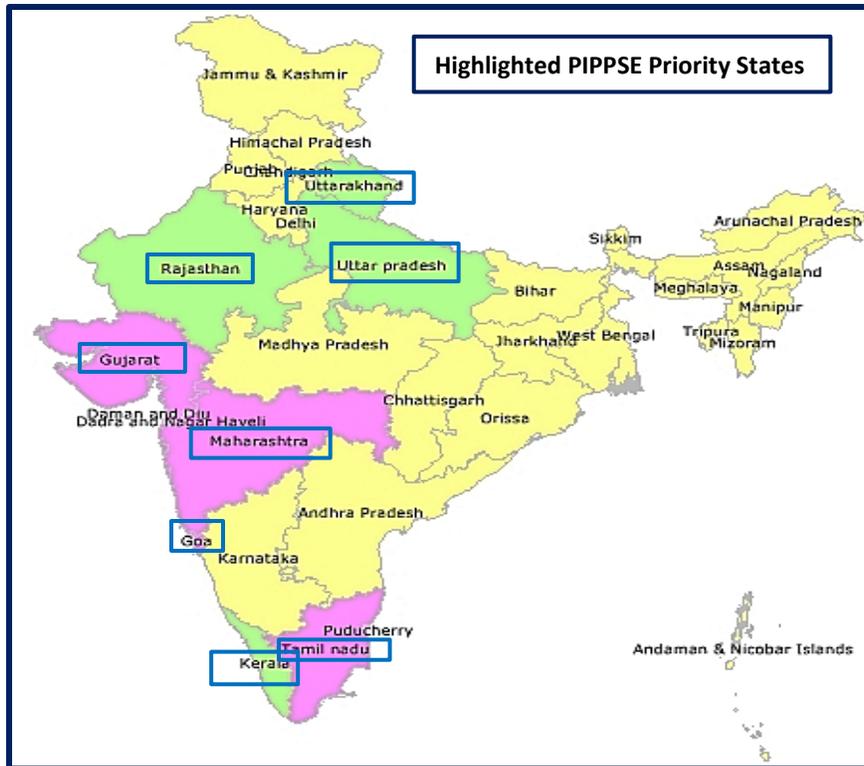
To help India address this health epidemic, in May 2012 USAID/India awarded a 5-year, \$38 million cooperative agreement to the Public Health Foundation of India (PHFI) for the HIV/AIDS Partnership: Impact Through Prevention, Private Sector, and Evidence-Based Programming (PIPPSE) Project. Its goal is to reverse the HIV epidemic at the national and state level by strengthening institutional and human capacity in prevention programs and private-sector engagement through innovative approaches. PHFI is implementing the project, along with its two subpartners, Futures Group International India Private Ltd. and Population Services International (PSI).<sup>1</sup>

The project has two main components. Component 1 is to strengthen prevention programs at national and state levels, and Component 2 is to build capacity for working with the private sector in HIV/AIDS programs. PHFI and Futures are implementing activities for the first component in eight states (as shown in the map on the next page), while Futures and PSI are implementing activities for the second. As of December 31, 2014, USAID/India had obligated about \$17 million for the project and spent \$11 million.<sup>2</sup>

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<sup>1</sup> The first is a division of Futures Group, based in Washington, D.C., and the second is based in Washington also.

<sup>2</sup> These amounts come from the Agency's financial systems. On November 17, 2014, OIG issued *Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013* (No. 0-000-15-001-C), disclaiming an opinion because of material unsupported adjustments USAID made to reconcile its general and subsidiary ledgers. We did not perform any additional tests during this audit to verify the accuracy of the reported amounts. In FY 2015 OIG anticipates testing USAID's adjustments to determine whether they were accurate and appropriate. USAID intends to provide explanations and other support to demonstrate the adjustments' validity.



Source: PHFI.

The Regional Inspector General (RIG)/Manila conducted this audit to determine whether USAID/India’s PIPPSE project is achieving its goal to reverse the HIV epidemic at the national and state level by strengthening institutional and human capacity in prevention programs and private-sector engagement through innovative approaches.

We found that the project is not on track but has achieved some successes, listed below.

- The assistance that technical support units<sup>3</sup> gave to targeted interventions<sup>4</sup> (TIs) received positive feedback from officials at NACO and state AIDS control societies.
- The project launched a pilot district network model<sup>5</sup> (DNM) in Thane District, Maharashtra State, in February 2014 with NACO and the Maharashtra State AIDS control society. The model’s goal is to reduce the number of new HIV infections in Thane; if it succeeds, NACO will consider replicating the model nationally.
- Seven municipal corporations in Maharashtra signed memorandums of understanding (MOU) to advocate for partnership with state AIDS control societies to use DNM in their areas when addressing HIV-related services. With support from these corporations, the

<sup>3</sup> NACO established technical support units at the state level to help the societies plan, implement, monitor, and evaluate TI programs among MARPs.

<sup>4</sup> Targeted interventions are the nongovernmental organizations (NGOs) that provide HIV health care to MARPs.

<sup>5</sup> DNM is an innovative model to reduce new HIV infections in the district by expanding HIV/AIDS health care coverage through training and building capacity of health care workers as well as bridging communication and coordination with other stakeholders on HIV prevention, care, and support.

model will have a better chance to succeed in offering comprehensive health-care coverage in HIV to MARPs in that state.

- Ninety-two industries signed MOUs to integrate the HIV/AIDS prevention-to-care program under the employer-led model (ELM) with the existing health-care programs for their employees. The MOUs represent the industries' commitment to integrate and expand coverage to include HIV services in their existing health-care plans.
- Six large private organizations signed MOUs with Maharashtra AIDS control societies to integrate ELM with their existing health-care programs. This was a significant milestone for the project because in the past private organizations were not willing to work with the government in fear of reprisals if they could not meet the obligations of the intervention program.
- The project launched a national AIDS helpline on December 1, 2014. It was an important initiative for NACO, which provides HIV-related information and counselling through trained counsellors.

However, the project had the following problems that are preventing it from achieving its goals.

- Project implementation was delayed significantly (page 5). PHFI completed the baseline survey late, which delayed project activities under both components.
- PHFI lacked capacity to meet USAID's monitoring and evaluation (M&E) requirements (page 6). Progress reports and implementation plans did not meet the requirements of the cooperative agreement, and the quality of the reported data was unreliable.
- The project's sustainability was questionable (page 10). PHFI did not complete the required transition plan to make sure the project's efforts could be sustainable.

In addition, the mission did not perform a risk assessment for fiscal year (FY) 2014 as required by the Federal Managers Financial Integrity Act of 1982 (FMFIA) (page 12).

To address the above issues, we recommend that USAID/India:

1. Work with Public Health Foundation of India to conduct a feasibility assessment of all project activities to determine whether the project will meet its goal and, based on the results, amend the cooperative agreement to implement only those activities that are achievable (page 6).
2. Implement a plan to build PHFI's capacity to complete and submit comprehensive project implementation plans and progress reports that meet the requirements stated in the cooperative agreement (page 8).
3. Require PHFI to implement a gender monitoring plan, along with gender-sensitive performance indicators to measure the impacts of project activities on gender equality, as stated in the cooperative agreement (page 8).

4. Require the agreement officer's representative (AOR) to track project deliverables to validate whether PHFI complies with all requirements stated in the cooperative agreement (page 8).
5. Require PHFI to implement an action plan to strengthen its M&E staffing in the field as well as in its head office (page 9).
6. Conduct a comprehensive data quality assessment (DQA) on the project to verify data integrity at PHFI's field office as well as at its head office (page 10).
7. Require PHFI to develop a transition plan for the project that includes a comprehensive assessment of all technical support units and the state AIDS control societies in the eight states and their capacity and readiness for integration (page 11).
8. Update its April 5, 1999, mission order of on management controls and annual FMFIA reviews to include a policy prohibiting the use of any other resources as the replacement for the annual risk assessment of its operations and programs as required by FMFIA and stated in Office of Management and Budget (OMB) Circular A-123 (page 13).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I.

# AUDIT FINDINGS

## **Project Implementation Was Delayed Significantly**

Automated Directives System (ADS) 200.3.5.4 states:

It is important that Missions monitor project performance on a regular basis to determine whether the strategy is being followed and project implementation is progressing according to the design, and what adjustments, if any, are needed....Throughout the implementation stage of the Program Cycle, Missions should assess the implications of any divergence between anticipated and unanticipated outcomes, and facilitate reflection, additional analytic work, and course correction.

According to the project's implementation plan for the first year, one of the major tasks was to establish baselines for planned activities under both components to help measure whether the project was meeting its goals. A broader objective of the baseline study was to assess the strengths and weaknesses of each intervention model being considered by the project.

PHFI did not complete the baseline survey until October 2014—more than 2 years after it began. As a result, PHFI did not launch DNM, a major task under Component 1, until February 2014—17 months into the project.

Another major task for Year 1 was to complete a strategy for the second component to work with the private sector on joint efforts with the Indian Government to combat the HIV/AIDS epidemic. However, PHFI had not finalized the strategy at the time of our fieldwork. By the end of Year 3, the only notable progress related to this was the ELM and the launching of the national helpline.

The delays in the completion of the baselines and the slow start-up occurred mainly because PHFI had difficulties getting NACO's support for the planned project activities; NACO questioned the validity of the baseline survey at first because it found PHFI's proposed method for establishing baselines unsatisfactory. Mission officials involved in the project said they were fully aware of the delays and discussed them with PHFI. However, neither the mission nor PHFI took any formal actions to make sure the project would achieve its intended results. Even though PHFI was starting some of the project activities at the time of fieldwork, the project will most likely not achieve its intended objectives by the end of the project.

Without establishing the necessary baselines early, the project lacked direction on what activities were needed and agreeable to NACO and state AIDS control societies. Further, without a comprehensive strategy to work with the private sector, the effectiveness of the project's efforts was diminished.

In addition, mission officials said that under the new President's Emergency Plan for AIDS Relief (PEPFAR) guidelines, it is doubtful that they will get any funding for project activities that are not

considered core interventions after Year 3.<sup>6</sup> Since a number of project activities—like the national helpline—are not core interventions, the mission and PHFI should reassess what active project activities can still meet their goals and continue funding for the final 2 years. Therefore, we made the following recommendation.

***Recommendation 1.** We recommend that USAID/India work with Public Health Foundation of India to conduct a feasibility assessment of all project activities to determine whether the project will meet its goal and, based on the results, amend the cooperative agreement to implement only those activities that are achievable.*

## **PHFI Lacked Capacity to Meet USAID’s Monitoring and Evaluation Requirements**

According to ADS 203, monitoring and evaluating a project are essential to measuring performance and ensuring that the project is on track to meet its objectives. In addition, adequate systems need to be implemented to capture and report the results of the project performance accurately. Further, a supplementary document to ADS 201, “Local Capacity Development,” states:

Local organizations and USAID share the responsibility for performance. This requires that USAID explicitly value partner growth and learning, invite input and feedback, and seek opportunities to work with local organizations to support and improve performance. As a part of partnerships with local organizations, USAID staff should encourage opportunities for meetings and dialogue. Such efforts will not replace holding partners accountable in accordance with executed agreements, but should convey that accountability to the terms of agreements is only a part of the relationship.

However, PHFI—the local organization implementing the project—lacked certain capabilities and did not receive adequate support from USAID/India as described below.

**Implementation Plans Were Inadequate.** According to the cooperative agreement, the annual implementation plan should be action oriented, defined by calendar quarter, and linked to each intended result, with appropriate indicators and objectives for the first year. For the subsequent years, the plans should include the list of tasks to be completed during each year and take into account lessons learned in previous ones. For each task, PHFI should have a brief explanation of its connection to the objective, define the necessary steps to complete the tasks, state who is responsible for completing those steps, and a schedule for implementing each task.

Contrary to the cooperative agreement’s requirements, the implementation plans did not have the information the mission and PHFI needed to measure and evaluate the project’s performance to ensure that it is on track to meet the annual targets and goals. For example, the Year 1 implementation plan did not include any indicators or targets to measure the performance of project activities. The Year 2 plan consisted only of the financial budget information for each activity listed, and the Year 3 plan provided only the list of activities along with a schedule of when they should take place.

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<sup>6</sup> The new PEPFAR 3.0 guideline only considered antiretroviral therapy, prevention of mother-to-child transmission, voluntary medical male circumcision, and condoms as core interventions.

Neither the AOR nor PHFI could explain why the plans did not have this information. Since PHFI is a local partner and this project is the largest USAID project it has ever implemented, the staff there needs to be shown how to prepare an implementation plan that meets the needs of project management. The mission's standardized implementation plan format could help in that regard. In addition, a project implementation plan should list the types of activities and their expected results that the mission and PHFI agree to implement in a given year.

Without established indicators and annual targets to measure performance, the mission cannot hold PHFI accountable for not fulfilling the requirements of the agreement or, more importantly, know whether the project is on track to meet its intended results.

**Performance Reports Lacked Useful Information.** The project cooperative agreement states:

Performance reports must include the following information:

**Executive Summary** – This section is a narrative summary of overall achievements against planned achievements and a brief description of any realized or potential performance challenges. Achievements should be quantified against both principal and collateral grant targets/indicators wherever possible, leaving detailed analysis for later sections.

**Result by Result Analysis** – This section will provide detailed analysis of the results summarized above as well as additional narrative regarding the achievements and challenges.

**Financial Summary** - This section is not a financial report; rather it summarizes financial expenditure data in reference to achievements. The most tangible statement in this section will be one regarding whether spending towards each result is “less than anticipated, on target with estimates, or more than anticipated.” Reports which indicate that expenditures are less or more than anticipated will be supported with rationale detailing the probable cause(s).

Though the annual progress reports had these sections, the Result section did not have any analysis of the project results and the Financial Summary section did not have any information on the expenditures related to the project achievements.

As for the quarterly progress reports, they typically listed the types of activities implemented and planned for the reporting periods but did not have a detailed analysis on the effectiveness of these activities and their impact on MARPs. The AOR said the progress reports did not give her any useful information to manage the project.

This occurred because PHFI was a local NGO that did not have extensive experience in complying with USAID's many reporting requirements, including those under PEPFAR. Even though the mission had informed PHFI verbally of the deficiencies noted in the progress reports, it did not take any formal action to address the problems. For example, the mission did not give any additional technical support or capacity development to help the local partner improve its reporting of project's progress and be successful in project management.

Because of deficiencies in reporting the project's progress, neither the mission nor PHFI has a clear picture of what improvements or interventions might be needed. And that could increase

the risk of making poor decisions, which could jeopardize the project's efforts to help the host government reverse the HIV/AIDS epidemic in India.

To address the inadequacies in the project's implementation plans and progress reports, we make the following recommendation.

***Recommendation 2.*** We recommend USAID/India implement a plan to build the Public Health Foundation of India's capacity to submit comprehensive implementation plans and progress reports for the project that meet the requirements stated in the cooperative agreement.

**Project Lacked Gender Monitoring Plan and Indicators.** The cooperative agreement states that PHFI was to submit a gender monitoring plan with the project implementation plan, because it is important to track how project activities affect different genders—male, female, and transgender.

According to ADS 203.3.8:

In order to track how effectively USAID assistance contributes to gender equality and female empowerment, performance management plans must include gender-sensitive indicators and sex-disaggregated data. All people-level indicators at CDCS, project or activity level must be sex-disaggregated.

Three years after the project began, PHFI had not developed a gender monitoring plan. Furthermore, the project has no gender-sensitive performance indicators in place to measure its impact on gender equality.

According to PHFI's chief of party (COP), one of its subpartners was supposed to implement the gender component, which was later eliminated at NACO's request. As a result, PHFI assumed that the gender monitoring plan was not necessary. The COP added that subsequent reporting of gender was not done because PHFI was already reporting data broken out by male and female on the PEPFAR performance indicators.

The AOR said she did not know the agreement required PHFI to submit a gender monitoring plan. She and officials at PHFI agreed that gender-sensitive performance indicators could be helpful to determine whether the project had any impact on gender equality.

Without a comprehensive gender monitoring plan or gender-sensitive indicators, the risk of not integrating gender equality in the implementation of activities increases. As a result, USAID cannot judge how effective the project has been in addressing the health needs of the different genders. To make sure the project does have some impact on gender equality, we make the following recommendations.

***Recommendation 3.*** We recommend that USAID/India require Public Health Foundation of India to implement a gender monitoring plan, along with gender-sensitive performance indicators, to measure the impact project activities have on gender equality, as stated in the cooperative agreement.

***Recommendation 4.*** We recommend that USAID/India require the agreement officer's representative to track all the project's deliverables to validate whether the Public Health Foundation of India complies with all requirements stated in the cooperative agreement.

**Some Reported Data Were Not Supported.** According to ADS 203.3.11, performance data have to meet five quality standards—validity, integrity, precision, reliability, and timeliness. A data quality assessment (DQA) should examine the data in light of these five standards, reviewing the systems and approaches for collecting data and whether they are likely to produce good quality data over time. The process entails detailed reviews of contractors’ records used for reporting data.

The audit team conducted data verification on 2 of 10 performance indicators reported in the PEPFAR annual reporting template for FY 2014 and found discrepancies in the data for both, as shown in the table below.

<b>Discrepancies Reviewed for FY 2014 (Audited)</b>			
<b>Indicator Name</b>	<b>Reported Result</b>	<b>Actual Result</b>	<b>Percentage Over- or Understated</b>
<i>Number of individuals who received Testing and Counseling (T&amp;C) services for HIV and received their test results</i>	14,075	14,683	(4)
<i>Number of health care workers who successfully completed an in-service training program within the reporting period</i>	706	980*	(39)

\* The actual results of 980 health-care workers who completed an in-service training covers 467 trained by PHFI and 513 trained by its subpartner Futures.

PHFI had evidence for 467 of 706 health-care workers reported for completing an in-service training. However, its subpartner Futures trained an additional 513 who should also have been counted for this indicator.

The discrepancies occurred because PHFI did not have enough people on its M&E team to conduct adequate verification of the data submitted from the field before reporting to the mission. Officials at PHFI said the majority of the M&E staff left the project recently; in fact during our fieldwork, PHFI only had one M&E officer and two vacant positions at the head office, and one assistant and one vacancy at its field office. The M&E team not only had to review and compile field data from activities being implemented by PHFI but also those from its subpartners.

Further, the DQA the mission conducted in March 2014 was not comprehensive in assessing the quality of the project’s overall M&E. The DQA focused mainly on health-care service providers and not on the PHFI field and head offices that were responsible for the data reporting to the mission.

If the reported results of the project are inaccurate, decisions made based on those results could hinder or divert PEPFAR’s work in India. Therefore, we make the following recommendations to address the weaknesses in the project’s M&E system.

**Recommendation 5.** *We recommend that USAID/India require Public Health Foundation of India to implement an action plan to strengthen its monitoring and evaluation staffing in its field and head offices.*

**Recommendation 6.** *We recommend that USAID/India conduct a comprehensive data quality assessment on the project to verify its data integrity at Public Health Foundation of India's field office as well as at its head office.*

## **Project's Sustainability Was Questionable**

Sustainability is fundamentally important for USAID's work and is a central part of the Agency's reform agenda. The cooperative agreement requires PHFI to submit a transition plan to make sure host-country partners and beneficiaries are able to sustain project results after the project ends. One component of a transition plan is to make sure the state societies have the capacity to assume the full responsibility of monitoring and supporting the activities of the health-care service providers, as well as reporting their progress to NACO.

At the end of its third year, however, the project still did not have a transition plan in place, and the capacity of the state societies to take over the responsibilities of the service providers was uncertain, as described below.

**Project Had No Transition Plan.** According to the cooperative agreement, the project's goals were to strengthen India's human and institutional technical capacity in support of India's NACP, and to provide assistance in developing a sustainable response to the HIV epidemic at national, state, and district levels. The implementing partner and its subpartners were required to build the capacity of national and state-level institutions through innovative activities that will contribute to reductions in HIV prevalence.

PHFI was supposed to develop a transition plan for the project within the first year of project implementation. The plan was supposed to enable capacity building and institutional strengthening of activities, including private-sector initiatives, which would continue at the same level in the third and fourth year. Towards the end of the fourth year, activities would begin to taper down to allow all project activities to be completed in the fifth year.

However, at the end of the third year, PHFI had not completed a plan.

Mission and PHFI officials said they were unaware that they had to do this requirement in the first year of project implementation. They explained that because of delays in implementing the project, they thought it was premature to have a transition plan in place in the first year. The AOR said the mission discussed the need for a transition plan with PHFI, but she did not document the conversations. Neither organization made any formal decisions about how to transfer some of the activities to NACO or the state societies.

According to two subpartner officials, however, PHFI did not prioritize its effort to work with them to develop a transition plan. Therefore, the subpartners developed transition plans for their activities on their own without any guidance from PHFI. For example, Population Services International has developed a transition plan for its activities on social protection and national helpline.

Without a transition plan for the project, neither the mission nor PHFI is making sure that NACO will be ready to take over activities, and the mission cannot be confident that its investment in the project will be viable after it ends.

**Future of Technical Support Units Was Uncertain.** The cooperative agreement states that one of the intended results of the project is for technical support units in selected states to achieve and sustain nationally recognized standards of service delivery. The units also are expected to build the capacity of the health-care service providers, known as the TIs, to deliver quality HIV health services to the MARPs by providing technical assistance and guidance in planning, implementing, and monitoring interventions.

At the same time, these units were also to provide support to the state AIDS control societies' staffs to monitor the activities of the health-care providers and report any progress to NACO. The project is to develop innovative models for these support units in the focus states to assist the societies to monitor the TIs and transfer skills to them.

The project is funding technical support units in eight states; PHFI manages six, and its subpartner Futures manages the remaining two. While the units have supported the societies, PHFI's COP and subpartner officials said they are not sure whether the societies can function effectively in the future without technical assistance from these units. Employees in the units also expressed similar doubts, and health-service providers said they still need the technical guidance and support from these units.

The future of the support units is in doubt because NACO has not shown its commitment to either continue funding or integrate these units into the societies. To help transfer the units' skills to the societies at the end of the project, PHFI initially planned to phase out the units at the end of the third year and integrate them into the societies. Unfortunately, NACO did not accept the plan. At the time of fieldwork, PHFI had not taken formal action to address the future.

The COP said PHFI informally selected two units for a pilot integration into the state AIDS control societies in the near future to determine whether that approach is feasible. He added that PHFI hopes that if it succeeds, NACO would reconsider the integration decision.

However, PHFI needs to improve its proposed pilot program for integration because it chose these units based on the HIV prevalence rate in their states, not the results of a comprehensive assessment of whether the units had the capacity to integrate or whether the corresponding societies were prepared to participate. Without conducting such an assessment, the pilot program runs a high risk of failing, and that could jeopardize the continuous existence of these units and hinder the transfer of necessary skills.

To sustain USAID's efforts to help the Indian Government reverse the HIV epidemic after the project ends, a comprehensive transition plan should have a thorough assessment on the technical support units and societies for integration. Therefore, we make the following recommendation.

***Recommendation 7.*** We recommend that USAID/India require the Public Health Foundation of India to implement a transition plan for the project that includes a comprehensive assessment of all technical support units and state AIDS control societies in the eight focus states and their capacity and readiness for integration.

# OTHER MATTER

## **Mission Did Not Conduct FMFIA Risk Assessment in FY 2014**

OMB Circular A-123, "Management's Responsibility for Internal Control," states:

The Federal Managers Financial Integrity Act of 1982 (FMFIA) requires agencies to establish and maintain internal control. The agency head must annually evaluate and report on the control and financial systems that protect the integrity of Federal programs; Section 2 and Section 4 respectively. The requirements of FMFIA serve as an umbrella under which other reviews, evaluations and audits should be coordinated and considered to support management's assertion about the effectiveness of internal control over operations, financial reporting, and compliance with laws and regulations. . . . The agency head's assessment of internal control can be performed using a variety of information sources. Management has primary responsibility for assessing and monitoring controls, and should use other sources as a supplement to—not a replacement for—its own judgment.

Further, according to a USAID/India mission order dated April 5, 1999:

The Mission Management Control Review Committee (MCRC) will have the overall responsibility to ensure that the mission maintains an appropriate system of management controls and that these are fully assessed during the annual FMFIA reviews. The Controller is appointed as the Management Control Officer (MCO) with responsibility to oversee the performance of annual management control assessments, develop corrective action plans to address identified weaknesses, and track progress to ensure their timely completion. Each Office Director/Strategic Objective Team Leader will be responsible to work with the MCO in (a) ensuring that appropriate management controls are incorporated into their programs and (b) assessing them during annual FMFIA reviews.

Finally, ADS 596.3.1b states:

Internal control must provide for an assessment of the risks the Agency faces from both external and internal sources. Risk assessment is the identification and analysis of risks relevant to achieving Agency objectives, and determining how to manage those.

Contrary to these requirements, the mission did not conduct a risk assessment for its FY 2014 FMFIA certification but instead used the results of an A-123 internal control assessment conducted by USAID's Management Bureau, Office of the Chief Financial Officer, Audit Compliance Division/Internal Control Program Team, as the basis for its certification.

Mission officials said they did this because the A-123 assessment team from USAID told them it would be sufficient. As a result, the mission submitted its FY 2014 FMFIA certification that clearly stated the results of the A-123 internal control assessment was used as the basis for the

certification, which the Agency's Chief Financial Office (CFO) accepted. During fieldwork, however, the CFO provided evidence to us showing its guidance to the mission that clearly said A-123 review results could not substitute for the risk assessment.

In response to the evidence, the mission wrote that a risk assessment was conducted because:

As reflected in MCRC meeting minutes, the risk assessment for the USAID/India 2014 FMFIA was based on using a variety of information sources (A-123 results, previous years' FMFIA report, and recent portfolio reports) in accordance with ADS 596.3.2, which was reviewed and approved by the MCRC.

However, the MCRC minutes of meeting the mission provided as supporting document for its FMFIA certification did not show that a comprehensive risk assessment was actually conducted. For example, it did not show what the MCRC actually used for the risk assessment and how it ranked each of the risks identified to support the certification. Therefore, the risk assessment the mission presented did not comply with the FMFIA and OMB A-123 requirements.

Without conducting a comprehensive risk assessment of its operations and programs, the mission is unaware of possible weaknesses and cannot implement mitigating controls to address them.

Because of possible Agency-wide implications, RIG/Manila referred this issue to OIG's Financial Audits Division for further review in its FY 2015 audit of USAID's financial statements. To address this issue at the mission level, we make the following recommendation.

***Recommendation 8.*** We recommend that USAID/India update its April 5, 1999, mission order on management controls and annual FMFIA reviews to include a policy prohibiting the use of any other resources as the replacement for the annual risk assessment of its operations and programs as required by Federal Manager Financial Integrity Act and stated in Office of Management and Budget Circular A-123.

# EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/India agreed with and made management decisions on all eight recommendations. We acknowledge final action on Recommendation 2. Our evaluation of the management comments follows.

**Recommendation 1.** USAID/India agreed and initiated discussions with PHFI's senior management team. As a result, PHFI submitted a revised work plan, budget, and scope of work based on a feasibility assessment conducted through discussions with the COP, project team, AOR, and USAID's program management team. PHFI also submitted a revised program description of the project to the mission for review. The target date for USAID/India to modify the program description in the cooperative agreement is October 30, 2015. We acknowledge the mission's management decision.

**Recommendation 2.** USAID/India agreed and stated that a capacity-building plan was implemented for PHFI. Based on the results of our review of the plan and other actions taken by the mission, we acknowledge the mission's management decision and final action.

**Recommendation 3.** USAID/India agreed and required PHFI to submit a gender monitoring plan. Since the project cooperative agreement is being modified, the mission anticipates having the plan in place by September 30, 2015. We acknowledge the mission's management decision.

**Recommendation 4.** USAID/India agreed to develop a structured plan for program management that will include regular site visits and key milestones and deliverables that will be monitored with the project team in regular meetings, quarterly reports, and regular communications. The target date for completion is December 31, 2015. We acknowledge the mission's management decision.

**Recommendation 5.** USAID/India agreed and provided documents to show that PHFI has been strengthening its M&E staff in the field office and headquarters. The target date to complete the implementation of the plan is December 10, 2015. We acknowledge the mission's management decision.

**Recommendation 6.** USAID/India agreed and made a management decision to conduct a comprehensive DQA of the project in October 2015. The target date for completion is October 30, 2015. We acknowledge the mission's management decision.

**Recommendation 7.** USAID/India agreed and requested PHFI to submit the transition plan for all the key activities that includes the eight technical support units. The mission currently is reviewing the transition plan submitted by PHFI. The target date for completion is October 30, 2015. We acknowledge the mission's management decision.

**Recommendation 8.** USAID/India agreed and made a management decision to incorporate the uniform risk and internal control assessment (the new risk assessment system), and a policy prohibiting the use of any other resources as the replacement for the annual risk assessment of

its operations and programs required by its April 5, 1999, mission order. The target date for completion is December 30, 2015. We acknowledge the mission's management decision.

The mission, did not agree with the language in the finding stating that the mission did not conduct a risk assessment for its FY 2014 FMFIA certification and proposed to have the finding changed to, "The mission did not use Uniform Risk & Internal Control Assessment (URICA) tool for risk assessment in FY 2014." However, based on the evidence the mission provided—including the MCRC meeting minutes of May 30, 2014—we concluded that the information in the minutes did not constitute an actual risk assessment and did not justify changing the original language in the finding; therefore, we did not make any changes.

# SCOPE AND METHODOLOGY

## Scope

RIG/Manila conducted this audit in accordance with generally accepted government auditing standards. They 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/India's PIPPSE project is achieving its goal to reverse the HIV epidemic at the national and state level by strengthening institutional and human capacity in prevention programs and private-sector engagement through innovative approaches. As of December 31, 2014, USAID/India had obligated about \$17 million and spent \$11 million for approximately 3 years of implementation.

The project's goal is to reverse the HIV epidemic at the national and state level by strengthening institutional and human capacity in prevention programs and private sector engagement through innovative approaches. To implement the project, PHFI works with its subpartners Futures and PSI. The period of performance under the cooperative agreement is from June 1, 2012, to May 31, 2017. The audit covered selected activities carried out from the beginning through March 31, 2015.

In planning and performing the audit, the audit team assessed significant controls that USAID/India used to monitor project activities and make sure PHFI was providing adequate management and oversight. We assessed the mission's policies and procedures for monitoring PHFI's progress in achieving the objectives listed in the cooperative agreement and for verifying that the activities USAID funded conform to the terms and conditions of the award. In addition to the significant controls, we assessed PHFI's quarterly and annual progress reports, as well as the annual work plans and financial data.

We conducted audit fieldwork from March 24 to April 24, 2015, at USAID/India in New Delhi as well as PHFI offices in Gurgaon and Thane. We also visited the offices of PHFI's subpartners in Gurgaon and New Delhi. We met with government officials in Dehradun, Lucknow, Mumbai, and New Delhi to learn their perceptions of the project. We performed site visits to validate project achievements.

Additionally, we examined the mission's FY 2014 annual self-assessment of management controls—which the mission is required to perform to comply with FMFIA—to check whether the assessment cited any relevant weaknesses.

## Methodology

In assessing the progress of the activities carried out under the cooperative agreement, the audit team considered the project's quarterly and annual progress reports from the start through December 2014, along with interviews conducted with mission officials, PHFI and subpartners' staff, and government officials. The team also reviewed the DQA that USAID/India conducted of PHFI in 2014.

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

The audit team judgmentally selected project activities to conduct site visits in Dehradun, Lucknow, and Thane. We chose these based on location, the mission's recommendations, significance of activities to the overall project's objectives, the amount of funding allocated to the selected activities, and the available audit resources. During the visits, we interviewed employees at PHFI and its subpartners to solicit feedback on the project's activities, accomplishments, and challenges, and to assess the impact of the technical assistance.

In all, we discussed the project with 64 people. The audit team also randomly checked supporting documentation maintained by PHFI and its subpartners to validate reported results on the project's key performance indicators. For reported results of performance indicators with many supporting documents, we judgmentally selected reported data based on the readiness and availability of the source documents as well as the types of assistance the project provided to health-care workers who worked with MARPs.

Since site selections and the testing were based on judgmental samples, the results and conclusions related to the analysis were limited to the items and areas tested, and they cannot be projected to the entire population. We believe our substantive testing was sufficient to support the audit's findings.

To answer the audit objective, we relied extensively on the computer-processed data maintained by PHFI's field office and TIs in Thane. The results of data tests showed an error rate that casts doubt on their validity. However, when these data were reviewed with other available evidence, we believe the opinions, conclusions, and recommendations in the report are valid.

# MANAGEMENT COMMENTS



## MEMORANDUM

**TO:** Matthew Rathgeber, Regional Inspector General/Manila

**THROUGH:** Jonathan Addleton, Mission Director, USAID/India /s/

**FROM:** Amr H Elattar, Regional Controller, USAID/India /s/

**SUBJECT:** USAID/India Comments on Audit Report No. 5-386-15-00X-P

**DATE:** August 27, 2015

As requested in your memorandum of June 31, 2015, this memorandum transmits USAID/India's written comments on the draft Audit Report No. 5-386-15-00X-P. Comments are provided in two formats: a signed (scanned) copy of this memorandum and an electronic version in Microsoft Word with /s/ signifying my signature.

A summary of the Mission's response to the recommendations is noted below. For all recommendations, we have provided either documentation indicating corrective action has been taken, with a request that the recommendation be closed, or the Mission's position on the actions regarding the recommendation, a proposal for corrective action, as you requested, including a target date for completion.

We appreciate the thoughtful review and hope our comments will be taken as intended, to ensure the most accurate report given the complexities involved in this important bilateral program.

## Summary of USAID/India Mission Response to Recommendations

***Recommendation 1:*** *We recommend that USAID/India work with Public Health Foundation of India to conduct a feasibility assessment of all project activities to determine whether the project will meet its goal and, based on the results, amend the cooperative agreement to implement only those activities that are achievable.*

***USAID/India Response:*** USAID/India agrees with this recommendation and the criteria leading to this recommendation.

***Position on Recommendation:*** USAID/India has already started the process of modifying the cooperative agreement, based on a feasibility assessment conducted through discussions with the Chief of Party (COP), project team, Agreement Officer Representative (AOR) and program management team at USAID.

***Plan for Corrective Action:*** The Mission's Agreement Officer (AO) initiated discussions on this issue with Public Health Foundation of India's (PHFI's) senior management team on April 6, 2015. PHFI submitted a proposed change in scope to the Agreement Officer on April 20, 2015 which is under review by the AO and AOR. PHFI submitted a revised work plan, budget and SOW based on a feasibility assessment conducted through discussions with the COP, project team, AOR and program management team at USAID. PHFI team has also submitted a revised Program description of the HIV/AIDS Partnership: Impact through Prevention, Private Sector and Evidence (PIPPSE) project which is under current review of AO and AOR.

***Target Completion Date:*** Finalization of the work plan, revised program description and modification of cooperative agreement are expected to be completed by October 30, 2015.

***Recommendation 2:*** *We recommend USAID/India implement a plan to build the Public Health Foundation of India's capacity to submit comprehensive implementation plans and progress reports for the project that meet the requirements stated in the cooperative agreement.*

***USAID/India Response:*** USAID/India agrees with this recommendation and the criteria leading to this recommendation.

***Position on Recommendation:*** USAID/India has already started the process of building capacity of PHFI. A series of meetings were held with the PHFI senior management team to ensure compliance and submission of comprehensive implementation plan and progress reports. In addition, sample implementation plans and quarterly progress report template have been shared with the PHFI-PIPPSE team (April 17<sup>th</sup>, May 12<sup>th</sup>, 2015, and June 1 2015). The revised quarterly progress report template was shared with the PHFI team on May 1, 2015 and the partner is now submitting detailed quarterly report using the revised template, a copy of which is enclosed. Also, the partner continues to submit the PEPFAR quarterly reports which are reviewed and discussed with the local partner.

As the capacity building plan has already been implemented and the corrective action has been taken, the Mission proposes that this recommendation be closed.

***Recommendation 3:*** *We recommend that USAID/India require Public Health Foundation of India to implement a gender monitoring plan, along with gender-sensitive performance indicators, to measure the impact project activities have on gender equality, as stated in the cooperative agreement.*

***USAID/India Response:*** USAID/India agrees with this recommendation and the criteria leading to this recommendation.

***Position on Recommendation:*** Based on the request from USAID/India, PHFI submitted the gender monitoring plan on April 23<sup>rd</sup>, 2015 which was reviewed by the AOR and the gender focal points in the mission. The feedback on the gender monitoring plan was given to PHFI on May 14<sup>th</sup>, with instructions on quarterly reporting on the gender sensitive performance indicators.

***Plan for Corrective Action:*** As the PHFI-PIPPSE program cooperative agreement is in the process of modification, USAID/India team along with PHFI team will review the gender monitoring plan based on the revised program description, project priorities and USAID's policy on gender equality and female empowerment. This plan will be monitored in the new quarterly reporting format.

***Target Completion Date:*** The gender monitoring plan of the revised PIPPSE program description will be approved by September 30, 2015.

***Recommendation 4:*** *We recommend that USAID/India require the agreement officer's representative to track all the project's deliverables to validate whether Public Health Foundation of India complies with all requirements stated in the cooperative agreement.*

***USAID/India Response:*** USAID/India agrees with this recommendation and the criteria leading to this recommendation.

***Position on Recommendation:*** With the change of the COP of the PIPPSE project, USAID/India has been having regular meetings with the senior leadership of PHFI and the new COP to ensure PHFI complies with all the requirements stated in the cooperative agreement.

***Plan for Corrective Action:*** A modified cooperative agreement will be finalized by October 30, 2015. In addition, the AOR and project management team will develop a structured plan for program management that will include regular site visits and key milestones and deliverables that will be monitored with the project team in regular meetings, the quarterly reports and regular communications. Compliance with this plan will be documented and tracked regularly to ensure compliance with all requirements.

***Target Completion Date:*** By December 31, 2015, one full quarter of revised tracking will be in place, with documentation.

**Recommendation 5:** *We recommend that USAID/India require Public Health Foundation of India to implement an action plan to strengthen its monitoring and evaluation staffing in its field and head offices.*

***USAID/India Response:*** USAID/India agrees with this recommendation and the criteria leading to this recommendation.

***Position on Recommendation:*** USAID/India conducted a monitoring and evaluation training for the PHFI PIPPSE team on July 28<sup>th</sup> and 29<sup>th</sup>, 2015.

***Plan for Corrective Action:*** A key component of the cooperative agreement modification is a significant change in the monitoring and evaluation (M&E) team at both PHFI and its sub-partners. In addition, monitoring and evaluation staff at the Mission will closely oversee all PEPFAR and quarterly reporting for quality and completeness on at least a quarterly basis. Any data quality or reporting concerns will be flagged for review and more support to PHFI from Mission M&E staff.

***Target Completion Date:*** USAID/India will have documented comments from the Mission M&E staff and PHFI will have improved M&E team hired and in place by December 10, 2015

**Recommendation 6:** *We recommend that USAID/India conduct a comprehensive data quality assessment on the project to verify its data integrity at Public Health Foundation of India's field office as well as at its head office.*

***USAID/India Response:*** USAID/India agrees with this recommendation and the criteria leading to this recommendation.

***Position on Recommendation:*** USAID/India team has been conducting Site Improvement through Monitoring Systems (SIMS) visits (under PEPFAR program) since June 2015. During these visits, Mission staff conduct random record checks to verify the data at PHFI field office and implementing sub-partners. These visits have also shown a need for comprehensive data quality assessment.

***Plan for Corrective Action:*** A comprehensive data quality assessment of the project is planned in October 2015.

***Target Completion Date:*** October 30, 2015.

**Recommendation 7:** *We recommend that USAID/India require Public Health Foundation of India to implement a transition plan for the project that includes a comprehensive assessment of all technical support units and state AIDS control societies in the eight focus states and their capacity and readiness for integration.*

***USAID/India Response:*** USAID/India agrees with this recommendation and the criteria leading to this recommendation.

***Position on Recommendation:*** USAID/India has asked PHFI to submit the transition

plan for all the key activities of the project that includes the eight technical support units.

***Plan for Corrective Action:*** With the revision of the PIPPSE program description, PHFI will be submitting the transition plan by 10th September, 2015.

***Target Completion Date:*** September 10, 2015.

***Recommendation 8:*** *We recommend that USAID/India update its April 5, 1999, mission order on management controls and annual FMFIA reviews to include a policy prohibiting the use of any other resources as the replacement for the annual risk assessment of its operations and programs as required by Federal Manager Financial Integrity Act and stated in Office of Management and Budget Circular A-123.*

***USAID/India Response:*** USAID/India agrees with this recommendation but does not agree with the observation that the Mission did not conduct a risk assessment. On May 30, 2014, the Mission MCRC discussed the risks concerned with the operations of the Mission as part of the FMFIA risk assessment exercise, based on the A-123 review, portfolio reviews, and the earlier year's risk assessment. The minutes of the meeting clearly specified this discussion and the conclusion arrived at by the MCRC. A copy of the minutes of the MCRC meeting is enclosed. In view of this, USAID/India proposes that the finding regarding FMFIA be re-worded as: "The Mission did not use URICA tool for risk assessment in FY 2014."

***Position on Recommendation:*** USAID/India has conducted the risk assessment for FY 2015 using the URICA tool and informed the Mission management that this is the new way of risk assessment going forward. A copy of the URICA tool - FY 2015 is attached for reference.

***Plan for Corrective Action:*** The Mission order dated April 15, 1999 will be revised to incorporate the new system of risk assessment and incorporate the clause made in the audit recommendation.

***Target Completion Date:*** December 30, 2015.

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Audit Task No. 55100115