



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/REGIONAL DEVELOPMENT MISSION FOR ASIA'S BEHAVIOR CHANGE COMMUNICATION FOR INFECTIOUS DISEASE PREVENTION PROJECT

AUDIT REPORT NO. 5-486-14-004-P  
SEPTEMBER 5, 2014

MANILA, PHILIPPINES



*Office of Inspector General*

September 5, 2014

**MEMORANDUM**

**TO:** USAID/Regional Development Mission for Asia Mission Director, Michael Yates

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

**SUBJECT:** Audit of USAID/Regional Development Mission for Asia's Behavior Change Communication for Infectious Disease Prevention Project (Report No. 5-486-14-004-P)

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

The report includes seven recommendations to help the mission address the issues identified by our audit. We acknowledge management decisions on Recommendations 1 and 4 through 7 and final action on Recommendations 2 and 3. Please provide the necessary documentation to obtain final action on the open recommendations to the Audit Performance and Compliance Division in the Office of the Chief Financial Officer. Recommendations 2 and 3 are closed upon issuance of this report.

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

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## Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
CAP-3D	control and prevention of three diseases—HIV, malaria, and TB
CPP	Comprehensive Prevention Package
MOU	memorandum of understanding
NGO	nongovernmental organization
PSI	Population Services International
RDMA	Regional Development Mission for Asia
RIG	Regional Inspector General
TB	tuberculosis

# SUMMARY OF RESULTS

The greater Mekong subregion is a natural area of economic cooperation linking six countries—Burma (also known as Myanmar), Cambodia, China, Laos, Thailand, and Vietnam. The Mekong River, which forms the western border of Laos as shown in the map below, runs through all six. The countries' economic ties and unequal levels of development encourage their people to cross borders to find work. And cross-border movement makes the spread of infectious diseases a concern.



Source: Mekong Tourism Coordinating Office.

Three diseases stand out: HIV, malaria, and tuberculosis (TB). As in many countries, HIV is concentrated among most-at-risk, stigmatized populations such as men who have sex with men, transgendered people, female sex workers and their clients, and people who inject drugs. Malaria is endemic in some locations, and eradication is a global priority given the region's past propensity for developing drug-resistant strains of the disease. Additionally, in parts of Burma and China, TB is a leading cause of death and disability.

To address these health challenges, in December 2010, USAID/Regional Development Mission for Asia (RDMA) awarded a 5-year, \$36 million cooperative agreement to Population Services International (PSI) to implement the Behavior Change Communication for Infectious Disease

Prevention Project, known as CAP-3D.<sup>1</sup> The project's goal is to reduce morbidity and mortality related to HIV, malaria, and TB in Burma, China, Laos, and Thailand by increasing an effective regional response with greater country involvement in preventing and mitigating these diseases. The project's strategy for achieving this goal was to increase the reach and sustainability of activities by shifting from an international nongovernmental organization (NGO)-driven, USAID-funded model to activities implemented by strong local institutions sustained by local government buy-in and diverse funding sources. As of December 31, 2013, USAID/RDMA had obligated about \$21 million, and the project had spent \$17 million.

For the cooperative agreement, PSI proposed a consortium of five international NGOs, including PSI, to implement the project. PSI would lead the consortium and manage its partners and the project. The intent of the consortium approach was for each international NGO to bring its specialized expertise so that collectively they could deliver high-quality services, build the capacity of local organizations, and mobilize resources for scale-up.

The Regional Inspector General/Manila (RIG) conducted this audit to determine whether USAID/RDMA's Behavior Change Communication for Infectious Disease Prevention Project was achieving its main goal of reducing morbidity and mortality related to HIV/AIDS, TB, and malaria in the greater Mekong subregion by increasing an effective regional response to mitigate these diseases.

Despite some notable accomplishments during an abbreviated implementation period in China,<sup>2</sup> the project fell short of its key performance targets for prevention, counseling, testing, and care in 2012 for all four countries in aggregate. In 2013, even though the project's target for prevention activities was 68 percent lower than in 2012, results still came up short. Although the project did report modest gains in counseling, testing, care, and treatment, the reliability of the results was questionable because of PSI's weak monitoring system, discussed later in this report.

According to USAID's final evaluation of activities in China, the project improved models of service delivery through local partners, documented their effectiveness, and advocated for making these models the regional standard of quality for HIV/AIDS prevention for most-at-risk populations. However, the evaluation noted that the impact of several activities was either difficult to measure with current methods or could not be measured because the indicators used were not appropriate.

In the other three countries, the project underperformed during 3.5 years of implementation on its three intended intermediate results, as noted below:

- 1. Improved access to prevention, care, and treatment.** The project was to implement an effective regional response to the spread of infectious disease by improving access to prevention, care, and treatment. However, there is little evidence that the project's consortium of five international NGOs contributed to a well-coordinated and managed regional response.
- 2. Strategic information collected and used.** The project was to collect and store data for monitoring and evaluating activity outcomes and impact, data that partners could use to advocate for scale-up. However, data were unreliable, limiting their use for advocacy.

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<sup>1</sup> An abbreviation for "control and prevention of three diseases"—HIV, malaria, and TB.

<sup>2</sup> Project activities in China ended halfway through the planned 5-year period because of budget cuts.

**3. Technical assistance and capacity building linked to scale-up.** The project's major emphasis was to reduce dependence on external donor resources by strengthening local institutions and securing local government buy-in and diverse funding sources. However, the majority of the project's local partners interviewed said PSI did not provide enough capacity building or technical assistance to equip them to take on project activities.

The following weaknesses contributed to the project's underperformance:

- The project's goal was not realistic or within USAID's manageable interest<sup>3</sup> (page 5). Automated Directives System (ADS) 200.3.3 states: "USAID's intent is to select objectives that reach high and inspire others, but that are also within its manageable interest." Given the limited funding and scale of activities, USAID or PSI cannot say that the project is reducing morbidity and mortality related to HIV/AIDS, malaria, and TB at the national level. Further, it is misleading to characterize this project as encompassing all three diseases, because it essentially focuses on HIV/AIDS.
- The mission did not analyze the cost of using a consortium to implement the project, which was not providing an effective regional response (page 6). PSI officials acknowledged that the project's regional response amounted to multiple independent partners implementing four individual country programs.
- Some reported results were unsupported and unreliable (page 7). Local partners said double counting of clients might have occurred, and audit testing confirmed an earlier mission assessment noting inconsistencies between the numbers reported by partners and their supporting documentation.
- PSI was not doing enough to build the capacity and sustainability of local partners (page 8). A representative of one local partner said PSI feared losing business to local organizations.
- Despite terminating a local partner for fraud in Burma, PSI did not give other partners fraud awareness training to share the lesson learned (page 10). PSI seemed to compartmentalize the incident and the response to it.
- USAID lacks formal agreements with the Governments of Laos and Thailand (page 11). Instead, it takes an informal approach, using regional assistance mechanisms that channel funds through NGOs to implement projects like CAP-3D. Government officials in both countries viewed this approach as confusing and cumbersome.

Mission officials doubted whether PSI would be able to turn the project around in the 1.5 years remaining given its record of performance. They thought the mission should focus on planning a transition strategy to sustain any gains made by the project while working with PSI to make practical adjustments that are achievable. The recommendations below are designed to help the mission do so.

We recommend that USAID/RDMA:

1. Reassess its manageable interest in the project and amend the goal in the cooperative agreement as appropriate so that it is realistic, achievable, and measurable (page 6).

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<sup>3</sup> Its ability to accomplish, working with others who share the goal (ADS 200).

2. Conduct a cost-benefit analysis of the remaining budget for the project and make adjustments as necessary (page 7).
3. Implement a plan to strengthen the project's monitoring and reporting system and train local partners in its use (page 8).
4. Review project data previously reported to Washington, and correct any errors found (page 8).
5. Implement a plan to make building capacity and sustainability of local partners a priority. The plan should consider conducting a mapping exercise and the preaward surveys of local partners described in the Additional Help for Automated Directives System 303 to qualify them to receive direct funding from USAID (page 9).
6. Work with PSI to include fraud awareness briefings as part of the project's sharing of lessons learned and best practices (page 10).
7. Implement formal agreements with the Ministries of Health in Laos and Thailand (page 11).

Detailed findings appear in the following section. Appendix I contains information on the scope and methodology. Our evaluation of management comments is included on page 12, and the full text of management comments without attachments appears in Appendix II.

# AUDIT FINDINGS

## **Project's Goal Was Not Realistic or Within USAID's Manageable Interest**

ADS 200.3.3 states: "USAID's intent is to select objectives that reach high and inspire others, but that are also within its manageable interest." During project design, manageable interest is one of the key considerations. ADS 201.3.11.2, "The Logical Framework – The Analytical Tool for Project Design," states that "if there are significant doubts about manageable interest and assumptions, the project goal may need to be re-examined." The project's purpose should be clearly stated in a form that can be measured and strike a balance between being ambitious and realistic.

However, according to USAID officials and implementer staff, the project's goal was not realistic or measurable, and not within the manageable interest of USAID. A number of consortium partners said the project's goal was problematic. Some had raised questions about it from the start. Given the limited level of funding and scale of activities, neither USAID nor PSI can say that the project is reducing morbidity and mortality related to HIV/AIDS, malaria, and TB at the national level in each country. Measuring and attributing reductions within the targeted populations are difficult because of limitations of surveillance data and the project's weak and unreliable monitoring systems. Furthermore, while the project was intended to focus on all three diseases in various targeted populations, it actually turned out to be a HIV/AIDS project focusing on men who have sex with men, and transgendered people. According to the agreement officer's representative, the project's level of effort on HIV/AIDS was about 98.5 percent, versus 83 percent as originally intended.

The project's acting chief of party, who worked on PSI's proposal, explained how the goal originated. He said PSI crafted the project's goal in response to USAID's request for applications. He explained that PSI staff tried to capture what they thought USAID wanted in order to win the award.

However, a review of USAID's request for applications document revealed that the program description stated, "Through this award, USAID/RDMA will stay consistent with the Office of Public Health's assistance objective: to increase an effective regional response to prevent and mitigate HIV/AIDS, malaria, tuberculosis, avian influenza, and other emerging infectious diseases." The document did not explicitly state that the goal of the project was to reduce morbidity and mortality related to those diseases.

Nonetheless, for reasons that are unclear, the mission went along with PSI's proposed project goal when the cooperative agreement was awarded.

As a result, the project will not be able to achieve its goal, and it will be difficult for USAID to hold PSI accountable for performance that is unachievable under the cooperative agreement. Further, it is misleading to characterize this project as CAP-3D, when it essentially focuses on HIV/AIDS.



***Recommendation 1.** We recommend that USAID/Regional Development Mission for Asia reassess its manageable interest in the CAP-3D project and amend the goal in the cooperative agreement as appropriate so that it is realistic, achievable, and measurable.*

## **Mission Did Not Analyze the Cost of Using a Consortium, Which Was Not Providing an Effective Regional Response**

USAID's ADS 201.3.15.3, "Stage 2: Process – Analytical Stage," states that economic and financial analysis is part of project design. The guidance proffers cost-benefit analysis, "a decision-making approach used to determine if a proposed project is worth undertaking or to choose between several alternative ones."

According to its cooperative agreement with USAID/RDMA, PSI was to take a regional approach to meet the project's goal of providing an effective regional response to the spread of infectious disease. Consortium members were expected to test innovative models to improve access to prevention, care, and treatment and replicate them through technical assistance to local partners in the region.

However, the mission did not do a cost-benefit analysis of PSI's bid to implement the project through a consortium, and the consortium of five international NGOs was not cost-effective. As of December 31, 2013, the project had spent \$17 million of the \$36 million budget in total. The international consortium had spent \$15.5 million (91 percent), of which \$13.7 million was for PSI. Only \$1.5 million (9 percent) went to the 13 local partners. A significant amount of funding went to supporting offices, staff, allowances, travel, and indirect costs for the five international NGOs in Bangkok. A few of the international NGOs we visited in Bangkok had their offices in well-appointed buildings located in high-cost areas of the city.

Despite the amount of money spent, there is little evidence that the five international NGOs contributed to a well-coordinated and managed regional response on the project. While PSI provided some examples of regional learning and exchanges between countries, most partners we interviewed (including some consortium NGOs) did not consider the approach regional and said the consortium was confusing, expensive, and inefficient. Instead, individual country projects emerged, each going in its own direction, with PSI trying to manage them regionally from Bangkok.

As an example, PSI issued to AIDS Projects Management Group, an international NGO in Bangkok and a consortium member, a \$1 million subaward to work collaboratively with local partners to develop new models of HIV service delivery. The models were to help reverse the upward trend in HIV rates among men who have sex with men, and transgender people in Thailand. Although the NGO developed a new model for HIV service delivery, its relationship with the project's local partners deteriorated to the point where they did not talk to one another. The director said relations with other local organizations were so strained that he doubted they would accept and scale up the new service delivery model.

In hindsight, USAID officials and implementer staff agreed that the project's design was too ambitious and complicated to cover three diseases in four countries with a consortium of five international NGOs and a number of local partners. According to a USAID official involved with selecting the project's implementer, an international consortium was not required, but PSI consortium members' organizational strengths and presence in the focus countries impressed

USAID panelists. Still, the mission did not conduct a cost-benefit analysis of using a consortium. PSI also struggled to provide consistent leadership and to hold the consortium together. The chief of party—the top project official hired by PSI—changed three times after the start of the project. The person doing the chief of party’s job at the time of the audit was acting, and PSI was looking for yet another replacement. In addition, the chief of party and a number of other staff working on the project also have regional office responsibilities and work on other projects. Therefore, they are not completely dedicated to CAP-3D, whereas other USAID-funded projects usually have dedicated staff.

Further, the international NGOs in the consortium were accustomed to leading USAID projects, not being sub-partners. An official with a consortium NGO said his organization was uncomfortable with its place on the project from the start, did not agree with many of PSI’s approaches, and found PSI staff difficult to work with. For their part, PSI officials explained that it was difficult to communicate with multiple partners and acknowledged that the project’s regional response amounted to multiple independent partners implementing four individual country programs.

In October 2013, USAID/RDMA officials met with PSI to discuss the project’s progress and work plan status. The officials expressed concerns about the rate and quality of implementation. In January 2014, after a lengthy back-and-forth between the agreement officer’s representative and PSI regarding the work plan, USAID/RDMA’s agreement officer warned PSI that it was in noncompliance with the cooperative agreement. To the agreement officer’s representative’s credit, he did not approve activities PSI proposed that were outside the project’s scope or did not make programmatic sense.

Because there was not an effective regional response, a number of local partners did their own research and introduced new services and methods for most-at-risk populations. Local partners’ ability to do this work at a fraction of the cost raises questions as to why USAID is paying millions to PSI and its consortium partners to do it. At the same time, PSI missed opportunities to provide needed regional support to its local partners—for example, providing staff who speak other languages to deal with the cross-border migrant populations needing services or scaling up proven technical approaches to reach more people.

***Recommendation 2.** We recommend that USAID/Regional Development Mission for Asia conduct a cost-benefit analysis of the remaining budget for the project and make adjustments as necessary.*

## **Some Reported Results Were Unsupported, Unreliable**

According to the cooperative agreement, the second intermediate result of the project was to “implement a strategic information agenda.” That meant establishing a monitoring and reporting system that would collect and store data needed to “monitor outcomes, evaluate impact and advocate for scale up.” ADS 203.3.11.1, “Data Quality Standards,” states that data for performance monitoring should be valid (“clearly and adequately represent the intended result”) and reliable (“reflect stable and consistent data collection processes and analysis methods over time”). Both standards depend on documentation.

The cooperative agreement also required PSI to “disseminate . . . resources on monitoring and evaluation methodologies to local partners and train them in using these research tools.”

However, during the first 2 years, the project's data did not meet standards. Some data lacked support. For example, PSI could not provide documents supporting the project's reported data for 2011 and 2012. PSI officials said that for the first 2 years of reporting, one of its consortium partners (Pact) was responsible for data collection and consolidation. Yet Pact officials said their organization was only responsible for collecting data on Pact's activities, and they had no idea what PSI was asserting. Clearly, there was confusion among consortium members about who was supposed to do what.

Other data disagreed with supporting documents. Limited audit testing of individual partners' data noted inconsistencies between the numbers they reported and their supporting documentation, which the mission's earlier assessment of data quality had noted. Additionally, officials from local partners said there could be some double counting of people reached by prevention efforts, as well as of those who got counseling and testing for HIV and received their test results. Before the introduction of the unique identifier code in early 2014, the project's data collection method could not detect repeat clients across the project.

Furthermore, PSI did not help partners with data collection or adequately train local partners in monitoring and evaluation. Until the end of September 2013 (almost 3 years into the project), PSI had not established a monitoring and evaluation unit for the project. Local partners explained that, until PSI created this unit, they had not received reporting requirements or a list of indicators with clear definitions that would guide them in collecting valid data. Local partners in Thailand explained that even with the recent improvements, which included the use of a logbook for data entry, users still were not sure exactly what data to record. In some cases, the logbook was not as good as the local partners' own data collection tools. For example, mission officials said a local partner in Thailand had a better system for collecting and recording data than PSI's. Nevertheless, officials from local partners interviewed said they needed technical assistance to strengthen their data collection, monitoring, and evaluation.

USAID/RDMA officials who assessed the quality of data provided by PSI and its partners said there could have been errors in the data reported to Washington. Because the quality and reliability of the project's reported results are doubtful, PSI's ability to deliver results under Intermediate Result 2 is questionable.

***Recommendation 3.** We recommend that USAID/Regional Development Mission for Asia implement a plan to strengthen the project's monitoring and reporting system and train local partners in its use.*

***Recommendation 4.** We recommend that USAID/Regional Development Mission for Asia review project data previously reported to Washington and correct any errors found.*

## **Project Was Not Doing Enough to Build Capacity and Sustainability of Local Partners**

According to the cooperative agreement, the overarching strategy for this project is to increase the reach and enhance the sustainability of the model for HIV prevention—the Comprehensive Prevention Package (CPP)—by improving delivery through local partners, documenting effectiveness, and advocating to make the model the regional standard. The third intermediate result of the project was to “build the capacity of local partners to take increasing responsibility for full implementation of CPP.”

Yet the majority of the project's local partners interviewed said that PSI did not provide enough capacity building or technical assistance. They said that PSI or Pact (a consortium partner) provided some support through workshops for monitoring systems, doing organizational assessments, planning, and documenting policies and procedures. However, the local partners said they needed technical assistance on delivering high-quality services, strengthening monitoring systems (as noted above), and building financial sustainability.

The views of some local partners about why PSI had not built their capacity follow:

- In Laos, local partners and ministry officials felt that PSI was reluctant to build local capacity and to cede project implementation because if PSI handed over implementation of this project to local partners, it would have to scale down its own operations dramatically.
- In Thailand, a local partner is Sisters, an affiliate of PSI. Sisters is scheduled to become an independent, registered foundation in June 2014. However, its management expressed serious concerns that it was not ready because PSI had not laid the groundwork. PSI had not created a transition plan for funding, staffing, or project activities after Sisters becomes a foundation. Sisters management officials said they had communicated concerns to PSI but had not received any response.
- An official from another local partner in Thailand said that typically months go by without feedback from PSI on reports submitted. PSI asks questions only when USAID asks questions about the reports. This official felt PSI was not fully engaged in the project.

Asked about these concerns, PSI officials said there were issues and disagreements with Pact's approach to capacity building activities in Laos and Thailand. According to the cooperative agreement, capacity building was Pact's main responsibility.

As a result, local partners were not readying to take full responsibility for CPP as intended by the project, and their sustainability is doubtful. The potential benefits of CPP include behavior change communication (such as radio spots promoting condom use), voluntary HIV counseling and testing, condom and lubricant distribution, diagnosis and treatment of sexually transmitted infections, harm reduction for injecting drug users, and links to care and support for people living with HIV and AIDS.

During the audit, the agreement officer's representative said the mission was considering making direct awards to qualified local organizations to help scale up CPP instead of channeling funds through PSI. However, the mission had not yet done a mapping exercise to identify potential local partners or conducted preaward surveys to determine whether prospective partners are "sufficiently responsible to receive USAID funding," in accordance with USAID policy.<sup>4</sup>

***Recommendation 5.*** We recommend that USAID/Regional Development Mission for Asia implement a plan to make building capacity and sustainability of local partners a priority. The plan should consider conducting a mapping exercise and the preaward surveys of local partners described in the Additional Help for Automated Directives System 303 to qualify them to receive direct funding from USAID.

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<sup>4</sup> "USAID Policy Guidance on Delegated Cooperation and Responsibility Determinations Regarding Development Partners: Requirements and Resources," a Mandatory Reference for ADS Chapters 308 and 351. Preaward surveys of non-U.S. organizations are discussed in an Additional Help for ADS 303.

## **Despite Terminating a Local Partner for Fraud, Implementer Did Not Give Fraud Awareness Training to Other Partners**

According to USAID's Anticorruption Strategy,

A strong global consensus has emerged that addressing corruption and building good governance is essential for the development of people, markets, and nations. . . . Corruption undermines service delivery, particularly for the poor . . . . Weak procurement and financial systems yield both fraud and unaccounted-for leakages of funding.

To fight corruption and fraud, the Strategy outlined a number of best practices, including "implementing assistance in ways that assure transparency and accountability" and providing fraud awareness training for implementers.

In addition, ADS 596.3.1, Establishing Internal Controls," states: "Management and employees must establish and maintain a control environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management." Such an environment includes "policies, procedures, and tools used to reasonably ensure that . . . programs and resources are protected from waste, fraud, and mismanagement" (ADS 596.6, "Definitions").

In June 2013, PSI terminated its subaward to a local partner in Burma because of fraud. The local partner made false claims to PSI in the form of inflated costs and invoices for training that never occurred. PSI took the necessary and appropriate action to terminate the subaward.

However, PSI did not provide fraud awareness training to its other project partners. Such training would include fraud indicators and lessons learned from what happened in Burma to prevent similar incidents. None of the partners we interviewed, including PSI's regional office in Bangkok, had received any training or guidance from PSI.

Although the cooperative agreement states, "PSI will share lessons learned and best practices," PSI had not done so in the area of fraud awareness or anticorruption. Interview comments by PSI officials in Bangkok showed their reluctance to provide leadership and address this issue on a wider scale. Instead, PSI management officials said the problem occurred in Burma and was being handled by PSI Burma.

PSI missed an opportunity to promote anticorruption and fraud awareness with its partners and to demonstrate a "positive and supportive attitude toward internal control and conscientious management" to protect resources from waste, fraud, and mismanagement. This is of particular concern because, according to Transparency International's 2013 Corruption Perceptions Index, the project is working in a region with a high level of public corruption: Burma ranked 157th of 175 countries, among the 20 most corrupt.

***Recommendation 6.*** We recommend that USAID/Regional Development Mission for Asia work with Population Services International to include fraud awareness briefings as part of the project's sharing of lessons learned and best practices.

## **USAID Lacks Formal Agreements With the Governments of Laos and Thailand**

According to ADS 200.6, “Definitions,” a memorandum of understanding (MOU) lays out what the parties to it agree on, including activities, expected results, and each party’s roles and responsibilities. Although it cannot be used to obligate funds, “an MOU may be used to confirm an agreement with a host government on a program that USAID will fund directly through an obligating instrument signed with other parties.”

ADS also defines a Development Objective Agreement. It is a “bilateral obligating document under which sub-obligations may be made for contracts, grants and cooperative agreements, bilateral project agreements, etc. It sets forth a mutually agreed upon understanding between USAID and the partner government . . .”

Ministry of Health officials we met with in Laos and Thailand expressed concerns that USAID did not have formal agreements with their governments. Instead, USAID has been using an informal approach through regional assistance mechanisms like this project that channel funds through NGOs to implement activities. Ministry officials viewed this approach as confusing and cumbersome. In Laos, officials said PSI operated independently, coordinating little with the government during the first half of the project. Coordination has now improved, they said, but more government involvement is needed.

The officials felt that having some kind of MOU with USAID would improve coordination and communication and ensure that project implementation is in line with the governments’ strategic plans. In Thailand, a ministry official said that an MOU with USAID would help bring needed technical assistance to the government. Currently, if ministry officials have questions or need technical assistance, they generally ask the Centers for Disease Control and Prevention, which has technical experts imbedded at the ministry.

In 1996, USAID’s bilateral mission in Thailand closed. Then in 2003, USAID returned to Thailand and opened a regional mission to implement programs in countries where there are no USAID missions, such as China, Thailand, and Laos. In January 2011, USAID returned to Laos after a 35-year absence, placing a staff person there. Until now, USAID has provided assistance to Laos and Thailand through regional funding mechanisms managed in Bangkok. The mission has not pursued MOUs with these countries because it did not prioritize MOUs in the past. However, mission officials said they would begin making MOUs a priority.

Without formal agreements, USAID faces increased risk of misunderstandings with the partner governments that could complicate project implementation. Misunderstandings could happen regarding responsibilities, expectations, and project funding.

***Recommendation 7.*** *We recommend that USAID/Regional Development Mission for Asia implement formal agreements with the Ministries of Health in Laos and Thailand.*

# EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/RDMA agreed with all seven recommendations. We reviewed management's comments and supporting documentation and acknowledge management decisions on Recommendations 1 and 4 through 7, as well as final action on Recommendations 2 and 3. A detailed evaluation of management comments follows.

**Recommendation 1.** USAID/RDMA decided to reassess its manageable interest in the CAP-3D project and amend the goal. It planned to modify the cooperative agreement to reflect the new goal, "To sustainably increase the uptake of HIV counseling and testing among men who have sex with men and transgender women in USAID supported service delivery sites." The mission gave a target completion date of September 15, 2014. We acknowledge the mission's management decision.

**Recommendation 2.** USAID/RDMA decided to and did conduct a cost-benefit analysis of the remaining budget for the consortium partners, each of the four CAP-3D components (Burma, Laos, Thailand, and Regional), and CAP-3D's technical areas of focus. It planned these adjustments: discontinuing funding to all consortium partners, closing the Regional and Laos components, and discontinuing support for PSI's HIV prevention activities. PSI has increased funding to local partners: for the remaining period of the award, \$1.2 million or 31 percent of the remaining budget, will go to local partners. We acknowledge the mission's management decision and final action.

**Recommendation 3.** USAID/RDMA decided to and did work with PSI on a plan to strengthen the project's monitoring and reporting system and train local partners in its use. Implementation of this plan began on July 7, 2014. We acknowledge the mission's management decision and final action.

**Recommendation 4.** USAID/RDMA decided to review project data previously reported to Washington and correct any errors found. To do this, it began data quality assessments of CAP-3D and its partners. The target date for completion is December 1, 2014. We acknowledge the mission's management decision.

**Recommendation 5.** USAID/RDMA decided to and did work with PSI on a revised work plan prioritizing capacity building for local partners. Action on the plan was to begin August 4, 2014. Additionally, the mission planned to start preaward surveys of local partners in October 2014. The target date for completion of the surveys is March 31, 2015. We acknowledge the mission's management decision.

**Recommendation 6.** USAID/RDMA decided to work with PSI on a fraud awareness program for local partners. The target date for completion is March 31, 2015. We acknowledge the mission's management decision.

**Recommendation 7.** USAID/RDMA decided to pursue formal agreements with the Ministries of Health in Laos and Thailand to broadly cover all health activities. To the degree possible, it planned to sign memorandums of understanding outlining areas of cooperation and collaboration with both of them. The target date for completion is July 31, 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/RDMA's Behavior Change Communication for Infectious Disease Prevention Project was achieving its main goal of reducing morbidity and mortality related to HIV/AIDS, malaria, and TB in the greater Mekong subregion by increasing an effective regional response to mitigate these diseases. As of December 31, 2013, USAID/RDMA had obligated about \$21 million, and the project spent \$17 million for 3 years of implementation.

The project has three intended intermediate results: (1) improved access to prevention, care, and treatment, (2) strategic information collected and used, and (3) technical assistance and capacity building linked to scale-up. The project was implemented in the greater Mekong subregion, which includes areas of Burma, China, Laos, and Thailand. For the cooperative agreement, PSI organized a consortium of five international NGOs to bring its specialized expertise:

1. PSI (lead)
2. Pact
3. Save the Children
4. Research Triangle Institute
5. AIDS Projects Management Group

The period of performance under the cooperative agreement was from January 15, 2011, to January 14, 2016. Project activities in China ended on August 31, 2013, earlier than planned, because of budget cuts. The audit covered selected activities carried out under the project's three intermediate results from start-up through December 31, 2013. The audit team elected to perform fieldwork in Laos and Thailand and performed alternative auditing procedures for Burma and China, such as examining and analyzing reported performance data, reports, and records and conducting interviews with cognizant personnel.

In planning and performing the audit, the audit team assessed significant controls used by USAID/RDMA to monitor project activities and ensure that PSI was providing adequate management and oversight of them. The audit assessed the mission's policies and procedures for monitoring PSI's progress in achieving the objectives listed in the (program description part of the) cooperative agreement and for verifying that the project's activities funded by USAID conform to the terms and conditions of that award. In addition to the significant controls, we assessed PSI's quarterly and annual progress reports, as well as the annual work plans and financial data. We also attended meetings with the mission and PSI and its partners to discuss project status. We 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—to check whether the assessment cited any relevant weaknesses.

We conducted audit fieldwork from April 8 to May 6, 2014, at USAID/RDMA in Bangkok, Thailand; the USAID country representative office in Vientiane, Laos; and PSI's office and partner offices in Bangkok, Pattaya (Thailand), and Vientiane. In Pattaya, the team observed behavior-change outreach activities and visited a shelter funded by the project. The team also met with government officials from Laos and Thailand to learn their perceptions of the project.

## **Methodology**

In assessing the progress of the activities carried out under the cooperative agreement, the audit team considered PSI's quarterly and annual progress reports from the start of the project through December 2013, along with interviews conducted with mission officials, PSI and partner staff, and government officials. The audit team also considered the project's midterm evaluation conducted in June and July 2013 in Burma, Laos, and Thailand and a final evaluation in China. Finally, the audit team reviewed USAID/RDMA's data quality assessments of the prime implementer and its consortium partners conducted in 2013 and 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 PSI monitor the project, (3) how the mission checks the quality of the data reported, and (4) whether the mission, PSI, and partners were aware of any allegations of fraud or other potential illegal acts or noncompliance with laws and regulations.

The audit team judgmentally selected 9 of 17 partners (including 3 consortium members) to conduct site visits in Laos and Thailand. During site visits, the audit team interviewed partner staff to solicit feedback on the project's activities, accomplishments, and challenges and assess the impact of the interventions on HIV/AIDS, malaria, and TB prevalence rates. The audit team also randomly checked supporting documentation maintained by PSI and each selected partner to validate reported results on the project's key performance indicators. We obtained an understanding of the level of fraud awareness among the staff at each selected location. These partner site visits, together with visits to PSI's office, covered about 80 percent of the \$17 million spent by them as of December 31, 2013. In all, the audit team met with 65 people involved with the project.

Sample selection of sites to visit was based on their location, the number of intermediate results implemented at each, and the diversity of their activities. Since the testing and site selections were based on judgmental samples, the results and conclusions related to the analysis were limited to the items and areas tested, and cannot be projected to the entire population. We believe our substantive testing was sufficient to support the audit's findings.

# MANAGEMENT COMMENTS



August 15, 2014

## MEMORANDUM

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

**FROM:** USAID/Regional Development Mission for Asia Mission Director, Michael Yates

**SUBJECT:** Management Response to Recommendations in Draft Report on Audit of USAID/Regional Development Mission for Asia's Behavior Change Communication for Infectious Disease Prevention Project (Report No. 5-486-14-XXX-P)

This memorandum transmits our positions on each of the audit recommendations, plans for corrective actions with target completion dates, and documentation of corrective action taken thus far. USAID/Regional Development Mission for Asia (RDMA) agrees with all seven recommendations. Our responses are listed below.

**Recommendation 1.** We recommend that USAID/RDMA reassess its manageable interest in the CAP-3D project and amend the goal in the cooperative agreement as appropriate so that it is realistic, achievable, and measurable.

**Actions Planned/Taken:** USAID/RDMA assessed its manageable interest in the CAP-3D project and amended the goal. The Cooperative Agreement will be modified by September 15, 2014, to reflect the new goal of "To sustainably increase the uptake of HIV counseling and testing (HCT) among men who have sex with men and transgender women in USAID supported service delivery sites."

**Recommendation 2.** We recommend that USAID/RDMA conduct a cost-benefit analysis of the remaining budget for the project and make adjustments as necessary.

**Actions Planned/Taken:** USAID/RDMA conducted a cost-benefit analysis of the consortium partners; each of the four CAP-3D components: Burma, Laos, Thailand, and Regional; and CAP-3D's technical areas of focus (outlined in Attachment A).

The international consortium was not found to be cost-effective. USAID/RDMA notified PSI of this and all consortium partners will be closed by September 30, 2014.

The Regional and Laos components were not performing well. The Laos program was not able to meet its targets, was not generating effective programming models, and was not cost-effective. The Regional component was not able to demonstrate that it added value to the other program components and was a financial drain on the project. Only the Thailand and Burma components were found to be cost-effective.

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As a result of these findings, the Laos and Regional components will be closed by September 30, 2014.

Following the cost-benefit analysis of CAP-3D's technical areas of focus, USAID/RDMA decided to significantly reduce their scope of work. Going forward, CAP-3D will focus on demand generation for HCT and building the organizational capacity of local partners, including monitoring and evaluation and strategic information systems. CAP-3D will discontinue its technical support in the following areas: HIV prevention, HIV care and support, national management information systems, clinical support for HTC services, and clinical support for HIV treatment.

Finally, PSI has increased funding to local partners. For the remaining period of the award, \$1,205,000, or 31% of the remaining budget, will go to local partners.

Based on the above action, we believe that final actions have been taken and request that this recommendation be closed upon issuance of the final report.

**Recommendation 3.** We recommend that USAID/RDMA implement a plan to strengthen the project's monitoring and reporting system and train local partners in its use.

**Actions Planned/Taken:** USAID/RDMA worked with CAP-3D to develop a plan to strengthen the project's monitoring and reporting system, as well as train local partners in its use. Implementation of the plan began on July 7, 2014. The plan and training schedule are attached (Attachment B).

Based on the above action, we believe that final action has been taken and request that this recommendation be closed upon issuance of the final report.

**Recommendation 4.** We recommend that USAID/RDMA review project data previously reported to Washington and correct any errors found.

**Actions Planned/Taken:** USAID/RDMA is in the process of conducting data quality assessments of CAP-3D and their partners to identify reporting errors and correct them. By December 1, 2014, a data quality assessment team will have visited each of CAP-3D's local implementing partners and rectified any reporting errors identified.

**Recommendation 5.** We recommend that USAID/RDMA implement a plan to make building capacity and sustainability of local partners a priority. The plan should consider conducting a mapping exercise and the pre-award surveys of local partners described in the Additional Help for Automated Directives System 303 to qualify them to receive direct funding from USAID.

**Actions Planned/Taken:** USAID/RDMA worked with CAP-3D to develop a capacity building plan for local partners, to begin on August 4, 2014. The capacity building plan aims to prepare the local partners to be self-sufficient once CAP-3D ends and focuses on proposal development, strategic planning, workplan and budget development, monitoring and evaluation, financial management, human resource management, demand generation, and governance structure. The revised workplan is attached (Attachment C).

USAID/RDMA will start pre-award surveys of local partners in October 2014, to begin with the Thai Red Cross, Service Workers In Group (SWING), Sisters, and Rainbow Sky Association of Thailand (RSAT) will also undergo pre-award surveys in November and December 2014. All pre-award surveys and final reports will be completed by March 31, 2015.

**Recommendation 6.** We recommend that USAID/RDMA work with PSI to include fraud awareness briefings as part of the project's sharing of lessons learned and best practices.

**Actions Planned/Taken:** USAID/RDMA will work with PSI to roll out a fraud awareness program for local partners. PSI will design a tool kit to raise fraud awareness and strengthen internal controls. PSI will develop and test the tool kit between August 2014 and February 2015, and will roll out with all partners in March 2015. PSI will monitor the utilization of the tool kit guidance, as well as, adherence to its principles.

**Recommendation 7.** We recommend that USAID/RDMA implement formal agreements with the Ministries of Health in Laos and Thailand.

**Actions Planned/Taken:** USAID/RDMA will pursue formal agreements with the Ministries of Health in Laos and Thailand to broadly cover all health activities and to the degree possible, sign Memorandums of Understanding outlining areas of cooperation and collaboration with both of them by July 2015.

List of attachments:

1. Attachment A Cost Benefit Analyses
2. Attachment B M&E Improvement Plan
3. Attachment C Revised Workplan and Budget

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