OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/PHILIPPINES' PRIVATE SECTOR MOBILIZATION FOR FAMILY HEALTH PROJECT, PHASE II

AUDIT REPORT NO. 5-492-13-005-P
MARCH 25, 2013

MANILA, PHILIPPINES

Office of Inspector General

March 25, 2013

MEMORANDUM

TO: USAID/Philippines Mission Director, Gloria D. Steele

FROM: Regional Inspector General/Manila, William S. Murphy /s/

SUBJECT: Audit of USAID/Philippines' Private Sector Mobilization for Family Health Project, Phase II (Report No. 5-492-13-005-P)

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

This report contains nine recommendations to help the mission improve the efficiency and effectiveness of its program. Based on information the mission provided in its response to the draft report, we determined that final action was taken on Recommendations 1, 2, 6, 7, and 9. We acknowledge that management decisions have been reached on Recommendations 3, 4, 5, and 8. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close the open recommendations.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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SUMMARY OF RESULTS

As part of its ongoing support to the Philippine Health Department, in 2004 USAID/Philippines launched the 5-year Private Sector Mobilization Project for Family Health, implemented by Chemonics International Inc. Its purpose was to mobilize the private sector to deliver health services by focusing on providing family planning and maternal and child health-care services in the workplace, introducing new, low-cost contraceptives, and increasing the number of accredited midwives running successful practices.

Five years later, in October 2009, USAID/Philippines signed a 5-year, $34.9 million task order contract also with Chemonics International to implement Phase II of the project. The objective of Phase II is to help the public sector engage and mobilize private sector resources in delivering family planning and maternal and child health services and products—differing from the first phase in that it engages the private sector through the public sector rather than working with them directly. As of January 6, 2013, the mission had obligated $23.3 million and disbursed $18.9 million for the project.

To achieve the objective, the project is charged with:

1. Increasing and sustaining private sector provision of family planning and maternal and child health services and products.

2. Increasing the use of family planning and maternal and child health services and products from the private sector.

3. Improving policies for the private sector by providing the government technical assistance on licensing and accrediting private sector providers of health services and products.

The objective of the audit was to determine whether the project was achieving its objective. We determined that it was doing so only partially and that it might not have the impact intended by the mission.

The project has contributed to the development of 30 national policies supporting private sector provision of products and services—meeting the overall target in just 3 years. Fifty-four more local governments have issued their own policies supporting similar objectives. Although this number exceeds the target of 36, the realism of the target is questionable (page 4). This policy support contributed to an increase in the use of modern contraceptive methods[1] provided by the private sector from 40.8 percent in 2006 to 53.8 percent in 2011.[2]

To expand the number of private sector providers, the project trained midwives to be trainers. According to the Cebu chapter of the midwives association, six of its members were certified by the Department of Health to conduct family planning training with project assistance. Receiving this training contributes toward eligibility for accreditation as service providers under the

[1] Modern contraceptive methods include female and male sterilizations, pills, injectables, intrauterine devices (IUDs), and male condoms. Data on contraceptive use come from the 2003 and 2008 demographic and health surveys.
[2] Philippine National Statistics Office, 2006 and 2011 Family Planning Surveys.

Philippine Health Insurance Corporation (PhilHealth).[3] With accreditation, the government can reimburse midwives for their services, which increases both access to services by the poor and the economic viability of the midwives' private practices. The association president said the six members had already conducted four courses for local midwives.

Despite these positive results, the net effect on modern contraceptive use has been negligible. The proportion of married women using modern contraceptives, whether from a public or private sector source, increased only 1 percentage point—from 35.9 percent in 2006 to 36.9 percent in 2011. Moreover, the unmet need for family planning in the same group of women increased from 15.7 percent to 19.3 percent during the same period.

The audit disclosed the following problems:

- The monitoring and evaluation (M&E) plan and data were weak (page 4). The mission did not approve the project's plan until almost the third year of implementation. Even after approval, key activities were not being captured, and several performance indicators track progress that was not clearly attributable to project efforts.

- Insufficient training outreach limited the project's impact (page 6). Gaps in service delivery indicate clusters of stakeholders without the support needed to develop the sustainable family planning and maternal and child health services envisioned by the project.

- Project disbursements exceeded the approved limit (page 8). The contractor exceeded three major budget line items without approval, resulting in questioned costs.

- The mission's slow response hindered progress (page 8). Because the mission was slow to respond to project needs, implementation of key activities was delayed.

The audit team also concluded that the plan for implementing the project's revised workforce strategy might not be adequate (page 10).

The report recommends that USAID/Philippines:

1. Modify the project's monitoring and evaluation plan to include performance indicators that sufficiently reflect the intended accomplishments of each part of the project. Performance indicators measuring accomplishments not clearly attributable to the project's efforts should be removed (page 6).

2. Direct its contractor to determine baseline data for indicators included in the monitoring and evaluation plan, and update performance targets as appropriate (page 6).

3. After revising the project monitoring and evaluation plan and correcting reported results, assess the quality of reported data (page 6).

4. Amend Mission Order 203-1 to more explicitly direct all contracting officer's representatives and agreement officer's representatives (CORs and AORs) to conduct data quality assessments for their projects to (1) verify that data collected on each indicator meet all five

[3] PhilHealth is a tax-exempt, government-owned and controlled corporation attached to the Department of Health that provides universal health coverage for the country.

quality standards referenced in Automated Directives System (ADS) 203.3.11.1 and (2) test the data's accuracy and consistency (page 6).

5. Amend Mission Order 203-1 to require the Program Office to evaluate data quality assessments submitted by CORs/AORs for completeness, and document the results. The office should return assessments it considers inadequate for additional work (page 6).

6. Require the contractor to implement a strategy extending training to all target areas (page 8).

7. Determine the allowability of $737,676 in questioned costs and recover from Chemonics International Inc. any amounts determined to be unallowable (page 8).

8. Implement written procedures to shorten the response time to action requests and documents submitted by the contractor for approval (page 9).

9. With the contractor, determine the feasibility of implementing a strategy to conduct workforce outreach to the remaining 23 target areas, and, if feasible, implement the strategy (page 10).

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

AUDIT FINDINGS

Monitoring and Evaluation Plan and Data Were Weak

According to ADS 203.3.4, missions must develop an M&E plan "to measure progress towards planned results and identify the cause of any delays or impediments during implementation." ADS 203.3.4.3 requires the project monitoring plan to (1) include indicators to monitor each level of the project results, and (2) provide a precise definition, baselines, and targets for each indicator.

ADS 203.3.11.1 states that data must be valid, precise, and reliable to be useful for performance monitoring. Despite these requirements, M&E plans were weak, and the data in them were not useful because they were not valid, precise, or reliable.

Plan Weaknesses. Besides missing indicators, the plan had irrelevant indicators, missing and flawed baselines, and missing targets.

- Missing indicators. An M&E plan must include indicators for each level of the project results (such as outputs and related outcomes). Some project activities, however, did not have indicators to determine their accomplishments. Examples include (1) training-of-trainer efforts to facilitate accreditation of Department of Health-certified trainers, (2) outreach to workforce groups to increase their awareness of and access to family planning products, and (3) outreach through educational institutions to increase fertility awareness among young people.

- Irrelevant indicators. Several indicators were not linked clearly to project efforts, such as the number of infants exclusively breastfed for the first 6 months, the number of women who make four antenatal care visits, and the number of cases of child diarrhea treated. The project did not implement activities to encourage these specific actions. According to mission officials, these indicators were included to help report on higher level, portfolio-wide health indicators for the mission's health office.

- Missing and flawed baselines. Every performance indicator in the M&E plan must have a baseline value at the beginning, along with targets that are ambitious but achievable in the stated time frame. Few baselines were established, however, making it difficult to determine the extent of the project's impact. Some targets also do not appear to have been ambitiously set. For example, *Number of [local governments] issuing new policies supporting private sector provision of family planning services* has an overall target of 36, which is comparable to the 36 areas that the project focused on. More than half, however, are provinces with multiple local governments contained in them. Thus, the reported result of 54 local governments (50 percent greater than the overall target) is not as impressive as it first appears.

- Missing targets. Many indicators did not establish any targets for the first 2 years even though results were reported during this period, and that inflates the comparison of project achievements with the overall targets. This occurred because the M&E plan was not

approved until almost 3 years into implementation and the contractor did not want to establish targets until the indicators were approved.

Data Weaknesses. For relevant indicators, performance data for several were not valid, precise, or reliable because the indicators were not defined clearly.

- The 40 midwives whom the contractor reported as accredited/accreditable—an outcome indicator demonstrating the effect of project training and other technical assistance efforts in PhilHealth accreditation—was not accurate because only 4 were actually accredited. By reporting both accredited and accreditable midwives together, the contractor makes it impossible for the mission to determine what is depressing the number accredited and respond accordingly. The remaining midwives submitted their applications for accreditation (as is required to be considered accreditable), but around two-thirds of them have been waiting more than twice the expected 3 months for approval—some closer to four times the expected period.

- Three indicators that track training in family planning, reproductive health, and maternal and newborn health overlap.

  1. *Number of people trained in family planning and reproductive health*
  2. *Number of trained providers for permanent and long acting methods*
  3. *Number of people trained in maternal and newborn health*

  Because the first is so broad, all of the reported providers trained in the second indicator were also counted in the first, resulting in double-counting beneficiaries. In addition, a training course defined in the approved M&E plan whose results contribute to the third indicator was tracked and reported under the first indicator (to which it does not relate).

  Furthermore, the first indicator includes people who have participated in training not related to family planning or reproductive health. It also includes the number of people trained in gender-based violence issues, which is included in the definition of a different indicator.

- The indicator *Number of people reached by gender-based violence services* includes not only people trained to detect instances of gender-based violence, but also people who have received basic counseling or medical treatment as a result of such violence. These very different results were combined into one measurement that is not helpful to management in determining the success of such activities.

Late approval of the M&E plan contributed to its weaknesses, and poorly defined indicators contributed to the lack of clarity in reporting expectations. Another factor in the results reporting was insufficient data quality assessments. Mission Order 203-1, issued in October 2011, states that CORs are responsible for conducting assessments for all indicators to confirm data validity, integrity, precision, reliability, and timeliness. The mission order calls for the completed assessments to be submitted to the Program Office, which maintains the official files.

The technical office responsible for the project interpreted the mission order as requiring an assessment for the entire Health Office portfolio, which contains several projects, rather than for each individual project.

While USAID missions are not required to conduct assessments of data they do not report to Washington, common sense would indicate a need to confirm the quality of data that feeds into

such information. OIG noted this inadequacy in assessing data quality in the review of another of the mission's programs.[4] Therefore, it seems appropriate to address this issue mission-wide.

The ability to make decisions based on project results becomes impaired when monitoring tools like the M&E plan do not represent the results adequately. We therefore make the following recommendations.

Recommendation 1. *We recommend that USAID/Philippines modify the project's monitoring and evaluation plan to include performance indicators that sufficiently reflect the intended accomplishments under each of the project's result areas. Performance indicators measuring accomplishments not clearly attributable to the project's efforts should be removed.*

Recommendation 2. *We recommend that USAID/Philippines direct the contractor in writing to determine baseline data for indicators included in the monitoring and evaluation plan, and update performance targets as appropriate.*

Recommendation 3. *We recommend that USAID/Philippines, after revising the project monitoring and evaluation plan and correcting reported results, assess the quality of reported data.*

Recommendation 4. *We recommend that USAID/Philippines amend Mission Order 203-1 to more explicitly direct all contracting officer's representatives and agreement officer's representatives to conduct data quality assessments for their projects to (1) verify that data collected on each project indicator meet all five quality standards referenced in ADS 203.3.11.1 and (2) test the data's accuracy and consistency.*

Recommendation 5. *We recommend that USAID/Philippines amend Mission Order 203-1 to require the Program Office to evaluate assessments submitted by contracting officer's representatives and agreement officer's representatives for completeness and document the results. The office should return assessments it considers inadequate for additional work.*

Insufficient Training Outreach Limited the Project's Impact

Part of the project's implementation strategy calls for strengthening the capacity of midwives to provide IUD insertion services or be able to provide related counseling if such services are unavailable at their clinics. In addition, the contract calls for supporting an increased number of sustainable accredited midwife clinics that provide health services—an accreditation acquired after meeting training requirements, among other things.

For the first 1.5 years of implementation, project staff conducted orientations and assessments to determine the family planning and maternal and child health needs in the 77 target areas throughout the country. To meet the needs identified, and to satisfy the project's contractual

[4] "Review of USAID/Regional Development Mission for Asia's Coral Triangle Support Partnership," (Report No. 5-493-12-001-S), July 12, 2012. Although this review is addressed to USAID's Regional Development Mission for Asia in Thailand, USAID/Philippines played a material role in managing the regional program's activities within the Philippines including conducting a data quality assessment.

requirements, the contractor supported the rollout of several training courses, already developed by the Department of Health, to targeted beneficiaries. Four of these courses have greater significance to the project's needs:

1. **Family Planning, Level 1**. This course provides training in contraceptive technology, clinic management, and basic counseling skills for informed choice of modern contraceptives. Target audiences are midwives seeking accreditation in the PhilHealth system and nurses.

2. **Family Planning, Level 2.** This course provides skills in the provision of long-term and permanent family planning methods including IUD insertion and removal (for midwives seeking accreditation) and bilateral tubal ligation and vasectomies (for doctors).

3. **Essential Intrapartum and Newborn Care and the Active Management of the Third Stage of Labor.** This course provides improved post-delivery skills to midwives and nurses, and contributes to their eligibility for PhilHealth accreditation.

4. **Field Health Services Information System.** This course teaches health practitioners from private midwife clinics and hospitals how to participate in the public sector recording and reporting system by providing data to local governments.

After 31 months of implementation, the mission cut the number of target areas from 77 to 36, recognizing that the original number was overly ambitious. At that point, more than half of the eliminated areas had never received training, and none had received training in providing long-term family planning methods, with the exception of one doctor trained in bilateral tubal ligation.

Even with only 36 target areas, training coverage remains weak. As shown below in Table 1, which addresses four of the project's more significant training topics, fewer than half of target areas had received Level 2 family planning training or training in the third stage of labor and newborn care. The area of greatest accomplishment—training in contributing data to the field health services information system—reached only 75 percent of its target areas.

Table 1. Training Accomplishments as of September 2012

Type of Training	Number of People Trained	Target Areas Receiving Training	Percent of Target Areas Receiving Training
Family Planning Level 1	312	24	66
Family Planning Level 2			
IUD insertion	50	3	8
Bilateral tubal ligation	23	10*	28
Vasectomy	1	1	3
Essential Intrapartum and Newborn Care and the Active Management of the Third Stage of Labor	188	14†	39
Field Health Services Information System	487	27	75

* Twenty-three doctors completed this training.

† Eleven people were trained in six of these areas (averaging less than two per area). The other eight areas had an average of 22 people trained.

In addition to the low geographical coverage, we were unable to determine the proportional coverage of the number of people trained because no definitive strategy was available to

compare current progress. For example, the Field Health Services Information System training was provided in 75 percent of the target areas, but we could not determine whether the 487 people trained were from 500 or 5,000 who were available.

The absence of a definitive strategy for extending these trainings to every target area and determining the desired number of participants reached contributed to this shortfall, as did ambiguously defined performance indicators to monitor the project's progress in these areas.

Without a clear strategy to ensure sufficient training coverage of the targeted priority areas, the impact of project interventions will not be as strong as expected. Impact measures may also become increasingly difficult to attribute to the project's activities. We therefore make the following recommendation.

> ***Recommendation 6.*** *We recommend that USAID/Philippines require the contractor to implement a strategy extending training to all target areas.*

Project Disbursements Exceeded Approved Limit

The contract stipulates that the contractor shall not transfer costs between the major budget line items without the contracting officer's written approval. The contractor, however, did just that.

In August 2012, the contractor submitted a contract modification request that included a realignment of major budget line items in response to unanticipated events. The contracting officer said she told the contractor that approval would be delayed until after the end of the fiscal year (September 30, 2012), but time constraints and other pressing needs kept the mission from responding to the request through the conclusion of audit fieldwork in mid-December 2012.

Meanwhile, the contractor continued to spend project funds despite not receiving approval to realign the budget. As a result, project disbursements related to three major budget line items have exceeded the approved limit by approximately $737,676. Without modification, the terms of the contract have been exceeded, and the amounts in excess of the allowable expenditures may be considered unallowable. We therefore make the following recommendation.

> ***Recommendation 7.*** *We recommend that USAID/Philippines determine the allowability of $737,676 in questioned costs and recover from Chemonics International Inc. any amounts determined to be unallowable.*

Delayed USAID Response Hindered Project's Progress

Per ADS 203.3.11.1, the data quality standard relating to timeliness states that data should be timely enough to influence management decision making. Good sense indicates that management needs to provide timely responses to requests for approvals or guidance from project implementers to support efficient performance.

In addition, the mission's performance monitoring responsibilities include making sure that the M&E plan meets contractual requirements and verifying that activities fit before approving the plan.

The mission's responses to approval requests have not been timely. According to the contract, the contractor was to submit an M&E plan with expected results, performance indicators, baseline data, and annual targets that the mission would use to monitor progress. The contractor submitted an initial plan in April 2010, but said the mission never responded to it or provided feedback.

Mission officials said the previous COR and the project's previous chief of party agreed to establish the plan after the project's inception workshops—consultations meant to identify key family planning priorities—were completed, although no documentation of this agreement was available and waiting for inception workshops to finish was not necessary for plan development. The contractor submitted a second version of the plan in March 2011—a year later—and received USAID's comments in December 2011. In response to the comments, the contractor made revisions and submitted a third version in February 2012. The mission approved this version of the M&E plan in June 2012, 31 months after the project began.

The mission also took too long to approve the project's grants manual. The mission must approve the manual, which specifies each party's responsibilities throughout the grant cycle, before grants can be awarded under the project. The mission did not approve the manual until February 2011, approximately 1.5 years into implementation, and the first grant was awarded 3 months later. A mission official said this delay occurred because the previous contracting officer was confused about whether he needed to approve the manual.

Because of the delayed approval, project grants were not issued as early as expected. As of October 2012, only approximately $477,500 of the planned $2.2 million (or 22 percent) of the approved grant funding budget had been disbursed—60 percent of the way through the project.

The mission's delayed response time in approving the contractor's documents and requests has hindered the project's ability to determine progress and respond accordingly. Additional delays could diminish the anticipated impact. We therefore make the following recommendation.

> ***Recommendation 8.*** *We recommend that USAID/Philippines implement written procedures to shorten the response time to action requests and documents submitted by the contractor for approval.*

OTHER MATTER

The audit team concluded that the contractor's plan for implementing the revised workforce strategy sets the bar too low. The workplace initiatives component of the project aimed to increase support for family planning and maternal and child health services in the formal employment sector by developing models for workplace-based services and implementing them in companies throughout the project's target areas.

USAID questioned this approach, however, because of the risk that overzealous employers might exert undue influence on employees' family planning decisions (increasing the risk of Tiahrt Amendment violations).[5] As a result, this effort was put on hold until a more viable strategy could be developed.

To address this potential problem, the mission recently approved a new approach to work through the informal sector by using unions and cooperatives. This approach appears to be a viable alternative to working directly with employers and presents a good opportunity to reach people who may not already be aware of family planning options or other maternal and child health services they may need—a workforce approach as opposed to a workplace approach.

The audit noted, however, that the contractor anticipates rolling out this strategy to only 13 of the project's 36 target areas, which would cover slightly more than a third of the already-reduced geographical territory. Mission officials said these areas were selected because the contractor already has relationships with workforce groups there.

The audit team believes that establishing such relationships in the other 23 target areas would not require a significant increase in the current implementation workload and could provide initial gains for future family planning education efforts. If the project does not extend this outreach to these areas, the increase in use of family planning and maternal child health services and products would likely be less than anticipated. We therefore make the following recommendation.

> ***Recommendation 9.*** *We recommend that USAID/Philippines work with the contractor to determine the feasibility of implementing a strategy to extend workforce outreach to the remaining 23 target areas, and, if feasible, implement the strategy.*

[5] The Tiahrt Amendment applies to family planning service delivery projects to which USAID provides assistance. It prohibits service providers from implementing, or being subject to, quotas of total number of births, number of people who use the services, or who adopt a particular family planning method.

EVALUATION OF MANAGEMENT COMMENTS

OIG has reviewed the mission's response to the draft report. Based on information the mission provided in its response, we determined that final action has been taken on Recommendations 1, 2, 6, 7, and 9. We acknowledge that management decisions have been reached on Recommendations 3, 4, 5, and 8. Our evaluation of comments is below.

In response to Recommendation 1, the project's M&E plan was modified to include performance indicators that reflect the intended accomplishments under each of the project's results areas sufficiently. Selected indicators that are not directly measuring project efforts were removed. The mission approved the modified plan on March 12, 2013. Final action has been taken on this recommendation.

In response to Recommendation 2, the mission directed the contractor to determine baseline data for indicators included in the M&E plan and update the performance targets as appropriate. The baseline data and updated performance targets have been included in the revised plan, which was approved March 12, 2013. Final action has been taken on this recommendation.

In response to Recommendations 3 and 4, the mission agreed in principle with the recommendations, but felt they were overly broad. The mission stated that data quality assessments were required for indicators that are reported to Washington, while it is only suggested for indicators judged to be important for mission decision making.

The related audit finding (on page 4) already clarified this point, while also highlighting the need to confirm the quality of data for results that are reported separately, but still contribute to Washington-level accomplishments. Further, Mission Order 203-1 states that CORs and AORs are responsible for conducting data quality assessments for all indicators to confirm data validity, integrity, precision, reliability, and timeliness. Accordingly, we do not feel the recommendation is overly broad.

The mission plans to address Recommendation 3 by conducting a data quality assessment on indicators that are reported to Washington or are judged important for project management. In addition, the mission plans to address Recommendation 4 by amending the details of Mission Order 203-1 to be more explicit with the responsibilities for CORs and AORs. Management decisions were reached. Final action will be taken when the mission conducts the assessment and approves the revised order, which are both expected to take place by December 31, 2013.

In response to Recommendation 5, the mission will revise Mission Order 203-1 to improve the effectiveness of data quality assessment procedures. A management decision has been reached. Final action will be taken when the mission approves the order, which requires the Program Office to evaluate data quality assessments for completeness and to document the results. This action is expected to take place by December 31, 2013.

In response to Recommendation 6, the mission advised the contractor to complement the training focus of helping the Centers for Health Development establish training systems with direct assistance in training private providers to expedite expansion to all sites. The project will

use short-term technical assistance and issue grants to qualified organizations to facilitate private providers' access to training. Final action has been taken on this recommendation.

In response to Recommendation 7, the contracting officer approved a budget modification on January 10, 2013, which modified the contract and realigned the budget. The contracting officer also has allowed the costs questioned during the audit. Final action has been taken on this recommendation.

In response to Recommendation 8, the mission plans to issue an administrative notice to remind agreement officers, contracting officers, and their respective representatives of their duty to provide timely responses to requests for approvals from contractors and grantees. Office chiefs are tasked with monitoring compliance with those responsibilities. A management decision has been reached. Final action will be taken when the mission issues the administrative notice, which is expected to take place by May 31, 2013.

In response to Recommendation 9, the mission has determined that it is not feasible for the subcontractor responsible for implementing workforce activities to initiate work where they did not yet have relationships or familiarity. Instead, direct technical assistance is provided by the project rather than relying solely on the subcontractor. According to the mission, the project has directly engaged informal workforce groups in 7 of the 23 sites not covered by the subcontractor as of February 2013. The mission is in the process of identifying informal workforce partners in the other sites. Final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions 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 Phase II of USAID/Philippines' Private Sector Mobilization for Family Health Project was achieving its main goal of developing a sustainable private sector market for family planning products and maternal and child health products and services. To implement the project, USAID awarded a $34.9 million task order contract with Chemonics International, covering a 5-year period from October 30, 2009, through October 29, 2014. As of January 6, 2013, cumulative obligations and disbursements under the project totaled $23.3 million and $18.9 million, respectively. Because this was a performance audit looking at project implementation rather than specific financial transactions, the audit team did not focus on auditing the $18.9 million in disbursements.

In planning and performing the audit, the audit team assessed management controls related to management review, proper execution of transactions and events, and use of performance targets and indicators. Specifically, we assessed the following significant controls:

- Project work plans for fiscal years 2010 through 2012
- Certification required under the Federal Managers' Financial Integrity Act of 1982[6]
- Project contract and modifications
- Reported results
- Financial reports
- Data quality assessments

The audit was performed in the Philippines from November 13 through December 14, 2012. In that period, the audit team conducted site visits to observe project activities and interview project participants as well as implementer staff. The audit covered reported results from the inception of the project on October 1, 2009, through September 30, 2012.

Methodology

To determine whether the project was achieving its main goals, we initially interviewed key staff at USAID/Philippines and at the contractor's office, both in Metro Manila, to gain an understanding of the project, the key players and their roles and responsibilities, and the reporting procedures and controls for monitoring the project. Additional work to answer the audit objective entailed interviews with government officials from the Department of Health at the regional and provincial levels. We also conducted site visits to interview public and private health providers and their clients.

[6] Public Law 97–255, as codified in 31 U.S.C. 3512.

The audit included site visits to 7 of the 36 target areas—Cagayan de Oro City, Cebu City, Mandaue City, Lapu-Lapu City, Cebu Province (Danao City and municipality of Consolacion), Bohol Province (Tagbilaran City), and Pampanga Province (San Fernando City, Angeles City and municipality of Mabalacat). During these visits, we interviewed stakeholders from the public and private sector involving health providers such as midwives, doctors, and nurses, as well as local and regional government officials, and local volunteer health-care workers. The audit also performed limited testing to validate reported results for selected performance indicators through substantive testing and analytical procedures.

To determine the reliability of computer-processed data related to the project's reported activities, we selected a judgmental sample of training events and outcome-related measurements (as a result of the training and other technical assistance) in the database. We chose these because of how effectively they represented the project's progress and perceived risk of manipulation of data. Based on the audit procedures performed, we considered the computer-processed data used during the audit to be reliable, though several of the reported results proved unreliable because of conflicting documentation or imprecisely defined figures.

We established a materiality threshold of 85 percent to assess the test results. For example, if at least 85 percent of tested results data reported under a specific performance indicator were supported adequately, we concluded that the reported results were reasonably accurate.

MANAGEMENT COMMENTS

USAID | PHILIPPINES
FROM THE AMERICAN PEOPLE

[Received March 14, 2013]

MEMORANDUM

TO: William S. Murphy
Regional Inspector General/Manila

FROM: Gloria Steele /s/
Mission Director, USAID/Philippines

SUBJECT: Audit of USAID/Philippines' Private Sector Mobilization for Family Health Project, Phase II (Report No. 5-492-13-00X-P)

REFERENCE: Draft Audit Report No. 5-492-13-00X-P

The Mission would like to thank the Regional Inspector General (RIG)/Manila for its professionalism and thoroughness during the performance audit of USAID/Philippines' Private Sector Mobilization for Family Health Project, Phase II. In response to the referenced draft audit report No. 5-492-13-00X-P, we are hereby providing our responses to the nine recommendations under the subject audit.

Recommendation 1. We recommend that USAID/Philippines modify the project's monitoring and evaluation plan to include performance indicators that sufficiently reflect the intended accomplishments under each of the project's result areas. Performance indicators measuring accomplishments not clearly attributable to the project's efforts should be removed.

The Mission concurs with this recommendation and has modified the project's monitoring and evaluation plan to include performance indicators that sufficiently reflect the intended accomplishments under each of the project's result areas and to remove selected indicators that are not directly measuring project efforts. USAID/Philippines (Contracting Officer's Representative and Mission Monitoring and Evaluation Specialist) and staff from Private Sector Mobilization for Family Health Phase II Project (PRISM2) have worked together over the last several months to revise the project's monitoring and evaluation plan. The revised plan was submitted on March 11, 2013 and has been reviewed and approved by the COR (Attachment 1). Below is a summary of the changes that were made.

<u>Indicators that have been added to more sufficiently reflect intended accomplishments:</u>

1. In order to sufficiently capture project efforts to increase awareness of and access to family planning among the workforce, an indicator has been added which measures the number of informal workforce groups (such as associations of tricycle drivers, vendors, cooperatives, etc) implementing family planning activities as a result of the project.

2. An indicator on the number of educational establishments and other groups implementing family planning activities as a result of the project has been added to track the project's work with young people.

3. PRISM2 will also track the number of people trained who become certified master trainers.

<u>Indicators that have been removed or modified to more accurately reflect project efforts</u>

4. The indicator on exclusive breastfeeding has been changed to more accurately capture project activities. Specifically, the "Number of infants exclusively breastfeed in the first 6 months" has been changed to: the "Number of postpartum women who initiate breastfeeding within 1 hour of delivery." The encouragement of immediate and exclusive breastfeeding is an important component of the PRISM2's Project. PRISM2's efforts in training and quality assurance provide multiple opportunities for private midwives to enhance their ability to encourage immediate and exclusive breastfeeding. The Quality Assurance Package for Midwives, developed by PRISM2 and approved for use by the Department of Health, provides the latest guidance and recommendations related to maternal and child health services, including immediate and exclusive breastfeeding. PRISM2 also supports the training of midwives on Family Planning Competency Based Training Level 1 which includes a discussion of the lactational amenorrhea method (LAM). Finally, the Essential Intrapartum Newborn Care (EINC) package for midwives includes skills and a clinical protocol to enhance immediate and exclusive breastfeeding of newborns. For the reasons mentioned above, the Mission will retain an indicator on breastfeeding. However, we acknowledge that the influence of midwives is primarily in the newborn period and that it was difficult for the project to measure exclusive breastfeeding to six months as many mothers do not routinely bring their children in at that age. The revised indicator is well aligned with project activities and is more realistic to measure.

5. The indicator "Number of cases of child diarrhea treated in USG-assisted programs" has been dropped, since the PRISM2 project does not have any interventions focusing directly on improving health seeking behavior or treatment practices. Zinc treatment is a critical tool for treating diarrheal episodes among children in the developing world. This safe, effective, and inexpensive treatment option can lead to significantly less severe diarrhea in children and may help prevent future episodes. PRISM2 does have specific activities to contribute to increasing the availability of zinc:

    - PRISM2 facilitated the introduction of dispersible zinc, which is the only WHO-compliant tablet formulation available in the Philippine market. This product reduces the duration of diarrhea episodes among children that were treated with zinc and strengthens their immune system.

    - PRISM2 assisted in the inclusion of dispersible zinc in the Philippine National Drug Formulary (PNDF) as an essential drug for the treatment of diarrhea. The

PNDF is the reference guide of LGUs in procuring medicines. Only those products in the PNDF can be procured by LGUs.

- PRISM2 has increased the availability of zinc in the market through increasing the number of sales distribution points. The zinc supplies were not only made available among the public health facilities but also through dispensing doctors, private midwives trained on CDD and commercial drugstores.

Availability of zinc is already being measured in the PMP through the indicator "Sales volume of USG-assisted MCH products". This indicator is being retained.

6. The Mission will retain the "Number of pregnant women with at least four antenatal care visits." Several activities contribute to this indicator and we feel it is still relevant. First, PRISM2 trains midwives on antenatal care, which is one of the contents of the Family Planning Competency-based Training and Quality Assurance Package trainings. Midwives who have been trained provide information and education to women in their community about the importance of antenatal care and the importance of the first visit during the first trimester of pregnancy. More importantly, they were trained to actually provide quality antenatal care for pregnant women.

<u>Other significant changes made to respond to specific findings in the audit report:</u>

7. The target for the indicator "Number of LGUs issuing new policies supporting private sector provision of family planning services" has been revised to capture changing circumstances. The assumption when the project began was that only the provincial government would be issuing new policies. However, through ongoing implementation, PRISM2 became aware that the municipal governments are also issuing new policies to support private sector provision of family planning. Given this change, PRISM2 has set higher, more ambitious, targets.

8. Under the original M&E plan, several different training programs were grouped together and reported under "Number of people trained on family planning/reproductive health (FP/RH) with USG funds." Under the revised plan, each training activity has a separate indicator to enable tracking of each type of training.

9. In the revised PMP, the indicators "Number of private practice midwives becoming Philhealth accredited and accreditable as a result of USG-assistance" and "Number of private facilities becoming Philhealth Maternity Care Package accredited or accreditable" have been explicitly disaggregated by status (accreditable or accredited). In addition, we can provide an update that as of February 2013, there were 22 providers accredited and another 65 accreditable.

10. The finding that the "Number of people reached by USG-funded intervention providing GBV services" includes not only individuals trained to detect instances of gender-based violence, but also individuals who have received basic counseling or medical treatment is not correct. This indicator measures only the beneficiaries and does not count the individuals trained to detect gender-based violence instances. As a result, the Mission proposes not to make any change in this indicator.

Based on actions described above, the Mission deems that appropriate action has been taken to address Recommendation 1 and therefore, requests closure of the recommendation upon issuance of the final report.

Recommendation 2. We recommend that USAID/Philippines direct the contractor in writing to determine baseline data for indicators included in the monitoring and evaluation plan and update performance targets as appropriate.

The Mission agrees with this recommendation. The Contract Officer Representative (COR) communicated with PRISM2 through an e-mail dated February 20, 2013 (Attachment 2) directing them to determine the baseline data for indicators included in the monitoring and evaluation plan and to update the performance targets as appropriate. Prior to the official email, and based on initial feedback from RIG, PRISM2 staff was working on including baseline data in the M&E plan. The final M&E plan includes baseline data.

Based on actions described above, the Mission deems that appropriate action has been taken to address Recommendation 2 and therefore, requests closure of the recommendation upon issuance of the final report.

Recommendation 3. We recommend that USAID/Philippines, after revising the project monitoring and evaluation plan and correcting reported results, assess the quality of reported data.

The Mission concurs in principle with this recommendation, but feels it is overly broad. ADS 203, as currently revised, requires data quality assessments only for those indicators reported to Washington, while suggesting that additional data quality assessments might be conducted for indicators judged to be important to Mission decision making. Monitoring and evaluation plans typically also include a variety of lower level input and output indicators that are primarily relevant to the implementer. Pursuant to ADS 203, the Mission will assess the quality of reported data for all indicators reported to Washington or judged important for Mission decision-making.

For the PRISM2 Project, the Office of Health will conduct a DQA on those indicators which are reported to Washington or judged important for project management. The Office of Health will conduct the DQA assessment with the assistance of USAID/Philippines Monitoring and Evaluation specialist.

The target completion date for this recommendation is December 31, 2013.

Recommendation 4. We recommend that USAID/Philippines amend Mission Order 203-1 to more explicitly direct all contracting officer's representatives and agreement officer's representatives to conduct data quality assessments for their projects to (1) verify that data collected on each project indicator meet all five quality standards referenced in ADS 203.3.11.1 and (2) test the data's accuracy and consistency.

The Mission concurs in principle with this recommendation, but feels it is overly broad. Per ADS 203, data quality assessments are only required for indicators that are reported to Washington and recommended for indicators that are judged to be important for Mission decision-making. Pursuant to ADS 203, the Mission will direct, through a Mission Notice, all contracting officer's representatives and agreement officer's representatives to conduct required data quality assessments for their projects to (1) verify that data collected on each

project indicator that is reported to Washington or that has been identified as important for Mission decision-making meet all five quality standards referenced in ADS 203.3.11.1 and (2) test that data's accuracy and consistency. PRM will revise MO 203 accordingly.

The target completion date for this recommendation is December 31, 2013.

Recommendation 5. We recommend that USAID/Philippines amend Mission Order 203-1 to require the Program Office to evaluate assessments submitted by* contracting officer's representatives and agreement officer's representatives *for completeness and document the results. The office should return assessments they consider inadequate for additional work.

The Mission concurs with this recommendation and will revise the Mission Order (M0) 203-1 to this end. The Mission currently has a clear process to review DQAs as outlined in MO 203-1, but will review the process for effectiveness, update as needed and revise the MO accordingly.

The target completion date for this recommendation is December 31, 2013.

Recommendation 6. We recommend that USAID/Philippines require the contractor to implement a strategy extending training to all target areas.

The Mission concurs with this recommendation. This recommendation is consistent with what the PRISM2 Implementing Partner has already agreed to do.

It is acknowledged that rollout of core training programs has, to date, had limited coverage across the project areas. However, as a technical assistance project, PRISM2's training strategy from the beginning was to assist DOH in developing standard curricula and work with Centers for Health Development (CHDs) in establishing training systems, leveraging public and private training institutions, to ensure sustainability of training programs for private sector providers. Developing systems is inherently time consuming, hence the limited coverage noted. As of early 2013, training systems were close to being established in three CHDs, and the project aims to have systems in 10 out of the 13 CHDs by the end of the project.

Updated training data as of February 2013 in the current 36 sites:

Training course	Number of People Trained	No. of LMAs covered	% receiving training
FPCBT1	354	27	75
IUD	65	8	22
BTL	24	10	28
NSV	1	1	3
EINC	238	17	47
FHSIS	623	28	78

In Year 3, recognizing the need to expand coverage of provider training within the project sites, the Mission advised the project to complement the training system development focus with direct assistance to support the training of private providers. This focused on fast

tracking the conduct of trainings and expanding to all project sites. This strategy was expounded in Section 6 (page 20) of PRISM2's Year 4 Implementation Plan (Attachment 3). PRISM2 will continue to build the capacity of existing private sector partners to become accredited training providers of CHDs; at the same time, PRISM2 will utilize all contracting vehicles at its disposal such as engagement of short-term technical assistance for training roll-out, as well as issuing grants to qualified organizations to facilitate private providers access to training. PRISM2 will ensure that the trainings follow the prescribed standards of the Department of Health. The contractor-trainers engaged can then become part of accredited training partners of the CHDs. These activities will ensure that training will be extended to all target sites. USAID will further require that PRISM2 ensure broad geographic coverage as it rolls out the direct training assistance.

Based on the actions described above, the Mission deems that appropriate actions have been taken to address Recommendation 6 and therefore requests closure of the recommendation upon issuance of the final report.

Recommendation 7. We recommend that USAID/Philippines determine the allowability of $737,676 in questioned costs and recover from Chemonics International Inc. any amounts determined to be unallowable.

USAID/Philippines notes this recommendation and we believe we have already addressed this issue. As mentioned in the report, the contractor exceeded some budget line items from the original contract due to changing circumstances of project implementation; however, PRISM2 stayed within the total estimated cost of the contract and within funding availability. The contracting officer approved a budget modification on January 10, 2013 which modified the contract and realigned the budget. USAID/Philippines provided a hard copy of the contract modification to the RIG on January 17, 2013 (Attachment 4). With the approval of the budget realignment, the amount of $736, 676 is no longer in question.

Based on the actions described above, the Mission deems that appropriate actions have been taken to address Recommendation 7 and therefore requests closure of the recommendation upon issuance of the final report.

Recommendation 8. We recommend that USAID/Philippines implement written procedures to shorten the response time to action requests and documents submitted by the contractor for approval.

The Mission concurs with this recommendation and will take action to reinforce compliance with written procedures. Specifically, we feel there are already written procedures that exist that need to be reinforced. The Mission Director, as Mission Head of Contracting Activity, will issue an Administrative Notice (Attachment 5) which reminds and informs all personnel involved in procurement of their roles and responsibilities and notes that prompt response to approval requests is required. In addition, the Mission Director will discuss the Administrative Notice with all Office Chiefs.

The target completion date for this recommendation is May 31, 2013.

Recommendation 9. We recommend that USAID/Philippines work with the contractor to determine the feasibility of implementing a strategy to extend workforce outreach to the remaining 23 target areas. If feasible, implement the strategy.

The Mission concurs and has already addressed this recommendation. To the extent possible and within project resources, the Mission will extend the workforce coverage to all project sites.

PRISM2 sub-contracted the Philippines Business Social Progress (PBSP) to rollout workforce activities in 13 of the project's 36 sites. These 13 were identified in collaboration between the Project and PBSP, and reflect sites where PBSP is already active and where there are a large numbers of informal work groups. Given the relatively short time remaining on the project when the subcontract with PBSP was finalized, it was acknowledged that it would not be feasible for them to initiate work in locations where they did not yet have relationships or familiarity. As noted in the Year 4 Work Plan (Attachment 3), "the project will provide direct technical assistance to key informal workforce groups in LMAs where PBSP are not focusing their efforts" (Section 5.2, page 18). This technical assistance is part of the scope of work of PRISM2's Local Market Area Managers and Workforce Specialist. As of February 2013, the Project was directly engaged with informal workforce groups in 7 non-PBSP sites and in process of identifying informal workforce partners in other non-PBSP sites.

Based on the actions described above, the Mission deems that appropriate actions have been taken to address Recommendation 9 and therefore requests closure of the recommendation upon issuance of the final report.

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