



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/DEMOCRATIC REPUBLIC OF CONGO'S HIV/AIDS PROGRAM

AUDIT REPORT NO. 7-660-12-001-P
NOVEMBER 23, 2011

DAKAR, SENEGAL



Office of Inspector General

November 23, 2011

MEMORANDUM

TO: USAID/DRC Mission Director, Diana Putman

FROM: Regional Inspector General, Gerard Custer /s/

SUBJECT: Audit of USAID/Democratic Republic of Congo's HIV/AIDS Program
(Report No. 7-660-12-001-P)

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

The report includes 12 recommendations. Final action has been taken on Recommendations 3, 5, 9, 10, 11, and 12, and management decisions have been reached on Recommendations 1, 2, 4, 6, 7, and 8. Please provide the Audit Performance and Compliance Division in the USAID Office of the Chief Financial Officer with the necessary documentation to achieve final action.

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

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Abbreviations	
The following abbreviations appear in this report:	
ADS	Automated Directives System
DRC	Democratic Republic of Congo
FAR	Federal Acquisition Regulation
FY	fiscal year
MOU	memorandum of understanding
NGO	nongovernmental organization
PEPFAR	President’s Emergency Plan for AIDS Relief
ProVIC	Projet Intégré de VIH/SIDA au Congo
PSI	Population Services International

SUMMARY OF RESULTS

Despite its abundance of natural resources, the Democratic Republic of Congo (DRC) is one of the poorest countries in the world, ranking 168 out of 169 countries on the United Nations Development Programme’s 2010 Human Development Index. HIV/AIDS is one factor contributing to the country’s impoverishment. According to the 2008 United Nations General Assembly Special Session report, HIV was the leading cause of death for Congolese between 20 and 49 years of age. Consecutive wars have made it extremely difficult to conduct effective and sustainable HIV/AIDS prevention activities, expand outreach services, and collect accurate data on the epidemic.

Since the 1980s, the U.S. Government has worked with the DRC’s Ministry of Health to develop HIV/AIDS programming. With funding from the President’s Emergency Plan for AIDS Relief (PEPFAR),¹ USAID currently supports activities that contribute to the reduction of HIV prevalence while increasing access to quality HIV/AIDS prevention, care, and support. USAID provides support in the high-prevalence areas of Kinshasa, Matadi, Lubumbashi, and Bukavu, as well as in 57 health zones, through its Primary Health Care Program.

In fiscal year (FY) 2010, USAID/DRC obligated \$18 million and disbursed \$10 million for its HIV/AIDS program activities. USAID’s Regional Inspector General in Dakar selected the two largest activities, shown in the following table, for audit.

Audited Activities

Activity	ProVIC (Projet Intégré de VIH/SIDA au Congo) DRC Integrated HIV/AIDS Project	Advanced Social Marketing for Health Program
Dates	9/30/2009–9/30/2014	9/30/2009–9/30/2013
Type and Amount of Award	Cost-reimbursement-plus-fixed-fee contract \$44.9 million	Task order \$22.8 million
Partner	PATH , leading a consortium with Chemonics International Inc., the Elizabeth Glaser Pediatric AIDS Foundation, International HIV/AIDS Alliance, and Catholic Relief Services	Population Services International (PSI)
Objective	To reduce the incidence and prevalence of HIV and mitigate its impact by (1) improving HIV/AIDS prevention, care and support, and treatment services in “hot spots” of HIV/AIDS infection and (2) increasing community involvement in health issues and services	To improve health through social marketing aimed at increasing the effective use of health products and services; effecting healthier sexual behaviors; and promoting family planning, maternal and child health, and clean water and sanitation

¹ PEPFAR, under the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, committed \$15 billion over 5 years for combating HIV/AIDS throughout the world. The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 extended PEPFAR for 5 years and authorized another \$48 billion. Under PEPFAR, activities are implemented collaboratively by seven primary government agencies—USAID; the Departments of State, Commerce, Health and Human Services, Labor, and Defense; and the Peace Corps.

The objective of the audit was to determine whether USAID/DRC's HIV/AIDS program was providing an adequate level of support to increase access to quality HIV/AIDS prevention, care, and support services.

Although the program was helping improve access to quality HIV/AIDS prevention, care, and support services, it was not making a measurable impact because USAID has not adequately supervised the activities of the two implementing partners—PATH and PSI—both of which have underperformed (pages 5–15).

Specifically, PATH has not been able to fulfill its contractual obligations concerning the procurement of HIV commodities—a significant component of the project. Not having budgeted for these commodities, PATH used funding from other budgeted items in an attempt to meet its obligations. As a result, PATH procured only 69 percent of the Determine HIV test kits needed to reach its FY 2010 target for testing people for HIV, and had procured only 36 percent of the test kits needed for FY 2011 with only 5 months left before the fiscal year end. PATH's lack of planning has resulted in a failure to properly forecast commodity needs, which has caused significant stock-outs, excessive borrowing of commodities from other programs, inadequate management of commodity inventories, and the expenditure of additional program funds to hire a consultant to assist with managing commodities in the absence of a logistics management system.

In addition, PATH has poorly managed its local partners. Although the program had been active for 19 months, the second round of agreements with local partners had not been finalized at the time of the audit. The local partners were operating under short-term agreements, memorandums of understanding, or no agreements at all. Existing agreements were vague, providing little or no detail as to what was expected from the local partners. Furthermore, PATH has encountered problems regarding payments of salary and other operating expenses to some of its local partners.

USAID did not properly manage the PATH contract. According to the contract, the awarding office was the Office of Acquisition and Assistance in Washington; the administrative office was USAID's regional office in Nairobi, Kenya; and the technical and paying office was the USAID/DRC mission in Kinshasa. The latter was responsible for managing the implementation of the DRC Integrated HIV/AIDS Project, known by the French acronym ProVIC. Incorrect assumptions were made by these entities, and errors and problems were not immediately identified or rectified. For example, USAID/Washington approved the project's 5-year budget although it did not contain adequate funds for commodity procurement, and USAID/DRC did not ensure the timely submission of PATH's revised work plan and realigned budget.

The other audited HIV/AIDS contract, the social marketing program featuring a condom distribution campaign, was not well implemented by PSI and was also poorly managed. PSI has not significantly increased access to quality HIV/AIDS prevention, care, and support services. Although PSI was expected to distribute male and female condoms to pharmacies and retail outlets in six provinces in the DRC, it fell short of meeting its targets. Whereas it was successful in distributing all 500,000 female condoms in FY 2010, it distributed only 14 million of 20 million male condoms (70 percent). For FY 2011, PSI had not distributed any of the 700,000 female condoms and had distributed only 9 million of 30 million male condoms (30 percent). The PSI condom distribution campaign experienced several problems that prevented it from meeting its goals. First, delays in receiving the condoms from the delivery agent were not resolved

promptly.² Second, PSI made only minimal marketing efforts to improve condom sales and failed to address competition from another brand. These problems went unaddressed because of inadequate monitoring by the mission.

The mission and its partners have encountered several challenges working in the DRC. According to the State Department, although the DRC is now more stable than it has been in the past decade, security remains problematic. The United Nations' largest peacekeeping operation in the world is in the DRC. Throughout the country, security forces set up roadblocks, vehicles are often searched for weapons and valuables, and security forces often demand bribes. As a result, restrictions on travel of U.S. personnel to certain parts of the country have made it challenging for mission officials to visit program sites regularly and monitor activities. Furthermore, with the exception of a few activities in Bas Congo and Kinshasa, most of the USAID's health projects are in the eastern part of the country and not accessible by road from Kinshasa. Because of safety concerns, no use of national airlines is authorized, and the use of irregular U.N. flights or international carriers is necessary to reach sites, adding additional travel time for monitoring visits.

To address the weaknesses noted, the report recommends that USAID/DRC:

1. Determine commodity procurement needs for ProVIC and develop and implement an action plan to achieve all necessary procurements (page 6).
2. Establish and implement a plan to achieve proper oversight of the system for supply chain management for ProVIC (page 6).
3. Require PATH to modify all agreements with local partners to specify the amount of funding and performance expectations (page 8).
4. Require PATH to resolve the issue of nonpayment of salaries and other operating expenses to local partners for services rendered and provide the mission with documentation supporting the resolution of this issue (page 8).
5. Require PATH to follow required competition guidelines in administering activities under ProVIC (page 10).
6. Develop and implement a plan to provide greater financial oversight of PATH's project activities and require PATH to do the same (page 10).
7. Revise the operational plan and targets to reflect setbacks caused by procurement problems (page 12).
8. Require PATH to submit for approval a revised budget that covers procurement of commodities and aligns with the revised operational plan and targets (page 12).
9. Establish and implement a monitoring plan that includes frequent site visits (page 12).

² Condoms were to be procured and delivered by John Snow Inc. through the DELIVER Project.

10. Take corrective action to resolve issues noted with the contract with PATH regarding ProVIC activities and document the corrective action (page 12).
11. Require PSI to develop and implement a plan (including a contingency plan) to ensure that orders for health program commodities are placed, monitored, and received on time (page 15).
12. Require PSI to revise the work plan, adjusting the targets and the budget to reflect the late start and the current circumstances (page 15).

Detailed findings appear in the next section. The audit's scope and methodology are described in Appendix I. USAID/DRC's written comments on the draft report appear in Appendix II. Our evaluation of management comments is on page 16.

AUDIT FINDINGS

PATH Did Not Manage Inventory Properly

According to its contract, PATH is to “ensure continuous provision of supplies, including test kits” for HIV counseling and testing services. According to USAID standard contractual provisions, ProVIC staff must track inventory on a regular basis.

In addition, the Government Accountability Office’s *Standards for Internal Control in the Federal Government*³ states that “an agency must establish physical control to secure and safeguard vulnerable assets.” The standards also state that “transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions” and that vulnerable assets should be counted and compared with control records periodically to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.

As a basic inventory management practice, stock cards should be used to monitor inventory levels, to enable physical counts to verify that actual stock levels match recorded stock levels, and to inform managers when stock levels are low and need to be reordered. However, ProVIC’s Bas Congo office did not keep stock cards. Instead, the project maintained a month-by-month plan indicating the amount expected to be received and distributed and the expected remaining balance. This method posed problems when the auditors attempted to conduct a physical count of inventory.

The audit team found inaccuracies in the actual versus expected counts for two commodities. Specifically, 50 Determine and 1,228 Unigold test kits with a combined worth of approximately \$3,877 could not be accounted for. ProVIC personnel agreed that their inventory management practices were weak and that stock cards were needed as an inventory control measure. The lack of adequate inventory controls makes the inventory vulnerable to theft and diversion.

ProVIC also did not have controls to provide for adequate forecasting and commodity procurement. ProVIC’s forecasting calculations were supposed to be based on annual targets. The number of HIV test kits procured should have corresponded to the number of people targeted for testing, plus a buffer stock to mitigate the risk of stock-outs because of uncertainties in supply and demand. In 2010 a short-term consultant who conducted an internal assessment for ProVIC developed a 5-year procurement plan that recommended purchasing 187,500 Determine test kits for FY 2010 and 267,600 for FY 2011 (including a 20 percent buffer). However, according to purchase orders provided by PATH, ProVIC did not follow the consultant’s suggestion and procured only 69 percent of the recommended number of test kits for FY 2010 and 36 percent of those recommended for FY 2011 as of April 2011.

Project staff and health officials at the provincial level remarked that the supply of commodities has not been smooth or reliable and, from January to March 2011, 17 of the 23 HIV counseling and testing sites supported by ProVIC experienced stock-outs lasting at least 2½ months because of problems with reordering. ProVIC’s regional coordinator for Bas Congo Province stated that the irregularity of commodity distributions was one of the main causes of project

³ GAO/AIMD-00-21.3.1, November 1999.

implementation delays and made it difficult to maintain the rhythm of project activities. As a result, the project has had to borrow commodities from other donor-sponsored programs.

According to ProVIC's records, the project has borrowed 6,800 test kits from donors other than USAID since the beginning of the project. However, auditor analysis suggests that the real number is much higher and that, in one province alone, as many as 15,074 test kits were borrowed over a 9-month period. The low recorded number of borrowed kits suggests that the project is not keeping track of commodities borrowed and—given that ProVIC submits performance reports on the number of people tested with *USAID-funded* commodities—is overreporting results by counting people tested with *non-USAID-funded* commodities.

The irregular and insufficient supply of test kits has had a significant negative impact on the project and targeted communities. According to USAID's FY 2010 Country Operational Plan, despite the enormous need for testing services, the DRC does not have sufficient resources to ensure universal access. Some of the country's testing sites have closed because of a lack of test kits resulting from chronic breaks in the country's supply chain.

Problems with commodities occurred because a misunderstanding over contract requirements for procurement (discussed later in the report) resulted in PATH's lack of a plan for supply chain management. The consultant for ProVIC assessed the project's commodity needs and issued a report in August 2010, stating that it was "imperative" for the project to contract with a procurement specialist to develop a logistics and procurement plan for supply chain management. The report also recommended that a logistician be recruited to facilitate clearance of commodities through customs, to monitor orders and local purchases, and to expedite distribution to the provinces. Despite the apparent urgency of these activities, ProVIC had not yet hired a procurement specialist or a logistician, though project officials reported they are including one position in the budget being revised. Without proper oversight and technical expertise, ProVIC is not capable of properly managing commodity procurement, storage, and distribution.

In addition, USAID has not provided adequate oversight of the project's commodity management and logistics. A 2008 assessment of USAID's HIV/AIDS programs in the DRC recommended that the mission consider hiring a commodities management contractor. Despite this recommendation and the problems ProVIC is having procuring and managing commodities; USAID/DRC has not provided the support needed to oversee commodity management. The mission acknowledged the need for a logistics manager in August 2010 but was still waiting for approval from the U.S. Ambassador to begin recruiting. USAID/DRC's lack of oversight is largely because of vacancies in key positions: for 8 months the health office was operating at one-third capacity and did not have a single HIV specialist on the team. Moreover, the hiring process in the DRC is extremely time-consuming, and finding qualified staff is very difficult.

To address these issues, we make the following recommendations.

Recommendation 1. *We recommend that USAID/Democratic Republic of Congo determine commodity procurement needs for the Projet Intégré de VIH/SIDA au Congo and develop and implement an action plan to achieve all necessary procurements.*

Recommendation 2. *We recommend that USAID/Democratic Republic of Congo establish and implement a plan to achieve proper oversight of the system for supply chain management for Projet Intégré de VIH/SIDA au Congo.*

PATH Did Not Formalize Agreements With Local Partners

To reduce the incidence and prevalence of HIV and mitigate its impact on people living with HIV/AIDS and their families, the ProVIC contract called on the PATH consortium to empower local organizations to plan, manage, and deliver quality HIV/AIDS services. Accordingly, PATH was to select all its local partners by December 31, 2009, and provide training and other capacity-building activities for the local partners and communities within the first 5 months of the project.

However, as of April 2011—19 months after program activities began—ProVIC had not signed agreements with all local partners. During these 19 months, the local partners operated under short-term agreements referred to as bridge grants, memorandums of understanding (MOUs), or no agreements at all. The lack of formal agreements has posed two significant problems for the project, as described below.

- *Vague short-term agreements and memorandums of understanding left local partners in the lurch.* The bridge agreements and the MOUs were vague, providing little or no detail as to what was expected of the local partners. Furthermore, the terms of the MOUs provided for cash payments when they were supposed to provide for only in-kind donations and services. PATH has since suspended all MOUs, pending a review.

At the Maternity Center in Binza, where ProVIC was to implement activities for the prevention of mother-to-child transmission of HIV, officials informed us that they have been working with ProVIC since July 2010 under an MOU that provided for annual funding of \$38,078. However, 9 months after the signing of the MOU, the center had received only \$3,200. The center's officials informed us that ProVIC personnel continued to collect copies of HIV/AIDS testing records to report to USAID/DRC even though the funding had stopped. The funding ended because PATH suspended all the MOUs, but at the time of our visit the center had not been informed of the suspension. The center's officials informed us that without funding from ProVIC, they had been unable to purchase all items needed to perform testing and counseling for the 600 pregnant women who come to the center for maternity care each month. Moreover, items donated to the center by ProVIC, which included a television, a VCR, tables, chairs, and a refrigerator, were still in unopened boxes because center officials explained that no one from ProVIC had informed them about the purpose of these boxes.

- *Some nongovernmental organizations (NGOs) were not paid for services rendered.* Femme Plus, a local NGO, was awarded a short-term agreement by ProVIC from April to June 2010 to perform voluntary counseling and testing and help orphans and vulnerable children in Bukavu and Kinshasa. Femme Plus officials stated that even after the short-term agreement ended, ProVIC encouraged them to continue providing services to the general public. ProVIC staff reassured the NGO officials that they would be paid for their services. ProVIC staff continued to collect and report activity results to USAID during the periods for which there was no agreement and no payment to Femme Plus.

Officials at a Femme Plus health center in Matete that provides HIV/AIDS testing and counseling to the general public reported that ProVIC, the only source of funding for the center, had not provided any funding since June 2010, when the short-term agreement ended. The center's landlord had warned them of eviction from the building for nonpayment

of rent for 9 months totaling about \$4,000. As a penalty for nonpayment of rent, center officials informed us that the landlord had decided to increase the center's rent from \$450 to \$750 a month. Besides falling behind on the rent, the director informed us that the center had not paid utility bills for several months, and ProVIC had not provided any assistance.

Additionally, the director of Femme Plus stated that 44 of her staff members who worked on ProVIC activities had not been paid for at least 9 months. Still, she said, on several occasions ProVIC personnel had assured her workers that payment would be forthcoming and encouraged them to continue providing services to the general public. ProVIC disagreed with these claims and stated that it does not have a mechanism to approve or authorize back payments of expenses incurred by its local partners or health centers for periods in which no agreement was in effect.

ProVIC officials explained that the situations described above occurred because the project spent more time than expected on start-up activities, which caused delays in project implementation, including finalizing agreements. In April 2010, 7 months into the project, ProVIC identified 450 local partners that it could potentially work with but experienced difficulty in making the final selections. According to the prior contracting officer from USAID in Nairobi, ProVIC lacked experience in grant management.

As a result, the project has suffered significant delays, employees of local partners have not been paid for several months, and the project is not meeting its objectives. Additionally, the project is losing credibility from its local partners and the general public. According to center officials in Binza, prior to funding restrictions, approximately 115 people were counseled each month, but this figure has decreased to only 50 people per month. During the period when the center received funds from the bridge grant, the center easily exceeded its targets by about 75 percent; without funding, hospital staff could not perform follow-up activities, such as making calls to pregnant women who had tested positive for HIV/AIDS. As a result, the doctor noted that his staff was unmotivated and discontented with the project.

As of April 26, 2011, PATH had finalized agreements with all 14 partners. These agreements were signed hastily, only 1 week after the Femme Plus director told us she did not know when an agreement would be reached with PATH; did not specify the amount of funding or performance expectations; and did not resolve the nonpayment problems. Left unresolved, these problems could undermine the newly signed agreements and the project. To address these issues, we make the following recommendations.

Recommendation 3. *We recommend that USAID/Democratic Republic of Congo require PATH to modify all agreements with local partners to specify the amount of funding and performance expectations.*

Recommendation 4. *We recommend that USAID/Democratic Republic of Congo require PATH to (1) resolve the issue of nonpayment of salaries and other operating expenses to local partners for services rendered and (2) provide the mission with documentation supporting the resolution of this issue.*

PATH Did Not Fully Comply With the Federal Acquisition Regulation and Lacked Financial Oversight

According to Federal Acquisition Regulation (FAR) 13.104, "Promoting Competition," the contracting officer "must promote competition to the maximum extent practicable to obtain supplies and services from the source whose offer is the most advantageous to the Government, considering the administrative cost of the purchase." The regulation also states that the contracting officer should "consider solicitation of at least three sources to promote competition to the maximum extent practicable."

USAID's Automated Directives System (ADS) 596.3.1 states that USAID managers and staff must develop and implement appropriate and cost-effective internal controls toward management that produce results and assure the financial integrity of transactions. ADS further states that the internal controls must reasonably ensure that assets are safeguarded against waste, loss, unauthorized use, or misappropriation; revenues and expenditures are properly recorded and accounted for; and government liabilities are properly stated in the financial statements.

At the time of the audit, ProVIC had procured HIV test kits on four separate occasions, and according to ProVIC's contractor justification forms, ProVIC solicited bids from at least three vendors on only two occasions. Also, for three of the four procurements, ProVIC officials did not provide documentation for all the bids they reportedly received. For example, for the procurement of \$165,945 worth of commodities on August 20, 2010, ProVIC reportedly solicited bids from seven vendors (three international, one regional, and three local), but provided documentation for only three of the bids (two local and one international).

In some cases, ProVIC had improperly used bids from previous solicitations. For the above procurement, two of the three bids were for previous solicitations and did not show the proper quantity, commodity, or date. In fact, two of the quotations used had expired. All three of the bids were for different commodities and quantities (e.g., the number of Determine HIV test kits quoted varied from 120 to 1,065), and the total bid amounts varied from \$27,278 to \$269,520. ProVIC selected the vendor with the most expensive bid, but we could not determine whether doing so was justified, given that some quotations were improper.

In addition, for the purchase of laptops in April 2011, although three invoices were solicited with prices ranging from \$765 to \$1,710, there was no adequate explanation given for why the most expensive laptops were purchased. For example, the justification document stated: "Good quality but we are not sure of the quality." Office staff could not provide an explanation. In addition, only two quotes were obtained for the purchase of office chairs totaling \$4,445.

Regarding the lack of financial oversight, the auditors found several instances of imprudent spending. Below are a few examples:

- ProVIC spent over \$45,000 providing training and capacity-building assistance to the staffs of 71 local NGOs, but ProVIC had not yet selected its local partners. The training may have been provided to organizations that ProVIC did not select for the project.
- Social security and payroll tax payments made to the Government of DRC by ProVIC on behalf of three of four employees for March 2011 were inaccurate. In each case ProVIC had overpaid the employee's social security and payroll taxes. The project's accountant

explained that overpayment occurred because inaccurate formulas had been programmed into the accounting software.

- ProVIC purchased more furniture than needed. We discovered 2 conference tables, 12 chairs, and a desk in the unsecured hallway of ProVIC's headquarters in Kinshasa. ProVIC officials stated that they did not have any space to store this furniture because they had just moved from a larger office.

These problems occurred because of a lack of oversight of project activities by ProVIC and USAID/DRC officials. Moreover, the complicated structure of the contract contributes to USAID's poor financial oversight of the project. For example, although the USAID/DRC office approves project payments, it does not receive the corresponding supporting documentation because ProVIC draws down funds through a Letter of Credit⁴ in Washington and submits the invoices to Washington. This arrangement has made oversight of funding difficult, as there has been no comparison of funds spent against budgeted amounts to determine whether expenses have been reasonable and in line with performance measures. Furthermore, ProVIC's finance officer left in February 2011, and no full-time financial officer was in place until August 2011 to provide financial oversight of ProVIC's activities.

The risk therefore exists that project funding may be subject to fraud, waste, and abuse, resulting in less funding to provide HIV/AIDS care and support to the people of the DRC. Furthermore, the project did not benefit from competition to ensure that supplies and services were acquired at the most advantageous prices, and funds have not been used properly to assist beneficiaries as intended.

To ensure that ProVIC officials implement and adhere to proper controls, this audit makes the following recommendations.

Recommendation 5. *We recommend that USAID/Democratic Republic of Congo require PATH to follow required competition guidelines in administering activities under the Projet Intégré de VIH/SIDA au Congo.*

Recommendation 6. *We recommend that USAID/Democratic Republic of Congo develop and implement a plan to provide greater financial oversight of PATH's project activities and require PATH to do the same.*

USAID Did Not Provide Adequate Financial and Technical Oversight of the PATH Contract

USAID has developed extensive guidelines on the management of programs. Most notably, according to ADS 203.3.2, performance management is in part the systematic process of monitoring the achievements of program operations and collecting and analyzing performance information to track progress toward planned results. In addition, ADS 202.3.7 states that the USAID mission or office and its assistance objective teams are responsible for managing the resources made available to them so that planned outputs and results are achieved in a cost-

⁴ An instrument certified by an authorized official of USAID's Bureau for Management that authorizes the recipient to request an electronic drawdown (or advance) of funds through the Bureau of Management.

effective and timely manner, in accordance with applicable regulatory requirements. Furthermore, FAR 16.306 (d) (1) states that a cost-plus-fixed-fee completion form contract describes the scope of work by stating a definite goal or target and specifying an end product.

However, USAID did not properly manage the PATH contract by not adequately supervising, monitoring, and evaluating contract activities, particularly the procurement of commodities.

According to its cost-reimbursement-plus-fixed-fee, level-of-effort contract, PATH is to “ensure continuous provision of supplies, including test kits” for HIV counseling and testing services.⁵ However, there is no line item for procurement of HIV test kits in PATH’s approved budget. There is only one line item for procurement in the budget—\$800,000 over 5 years for the procurement of school kits, home-based care kits, gardening kits, and nutritional items—not for HIV test kits.

Because of a lack of oversight by USAID/Washington’s contracting office and USAID/DRC’s program office, it was not until after the contract was awarded and the project had begun that mission officials realized there was a misunderstanding regarding the procurement of HIV test kits. Based on PATH’s proposal and contract provisions, USAID expected PATH to manage procurement activities. PATH, however, did not plan to procure these commodities because it presumed they would be available at the health facilities. Unfortunately, PATH realized after project inception that these facilities depended almost entirely on external support and could not perform HIV testing services without HIV test kits.

USAID/DRC realized there was a problem when PATH submitted a work plan in November 2009 that did not include procurement activities. Discussions between PATH and USAID/DRC continued until March 2010—6 months into the project. USAID/DRC directed PATH to revise its work plan and realign the budget to include procurement, but the revised work plan was not approved until May 2010, and as of April 2011, PATH had not submitted a revised budget.

As of May 2011, PATH had expended approximately \$675,000 on HIV test kits, antiretroviral drugs, and medical supplies and had accrued expenses for other procurements that will exhaust the full \$800,000 that the (original) budget allotted to commodities. USAID estimates that an additional \$5 million will be needed to procure adequate quantities of HIV test kits and other medical supplies.

A previous USAID contracting officer responsible for the contract remarked that it was surprising that USAID/Washington hastily approved such a large contract. USAID/Washington should have noticed that the \$800,000 listed for procurement was too little for a project of this size. USAID/DRC should have made obligatory the submission of the revised budget for approval when the problem came to light in November 2009, not 20 months later, and should have required that targets for the procurement of test kits be clearly defined, established, and aligned with the revised budget. Some USAID officials have acknowledged responsibility for this mismanagement.

These problems occurred because (1) Washington awarded a contract that included “provision” (procurement) of commodities but did not include funding to buy the commodities and (2) the mission did not have enough staff to monitor the contract. USAID conducted only one

⁵ According to the prior contracting officer, the use of the word “provision” in the contract refers to the *procurement* of commodities.

monitoring assessment of ProVIC activities in FY 2010. The contracting officer's technical representative acknowledged that this was not adequate monitoring and attributed it to staffing limitations and difficulty traveling within the country. USAID/DRC has also acknowledged that lack of monitoring is a mission wide problem and has developed a plan to address this problem that includes quarterly site visits.

As of April 2011, PATH had expended approximately \$9 million of the \$45 million contract, and may receive an additional \$9 million for project expansion. Given the problems and challenges encountered by PATH, it is unlikely that PATH will be able to achieve its goals under the existing project, much less expand into another region. Before project expansion occurs, it is crucial that the mission and PATH reevaluate and redesign the project goals, operational plan, and targets to adjust them for problems with procurement.

As a result of poor management of the contract, the project did not deliver the level of counseling and testing services it had planned, leaving many vulnerable people in DRC without the assistance needed to fight HIV/AIDS. The mission will need to take corrective action to resolve the issues identified with the contract. This could be addressed by issuing a cure notice or a show-cause notice. According to FAR 49.402-3, the contracting officer may issue a cure notice under a contract for supplies or services if inspection of the work shows that the contractor is not performing in accordance with the requirements of the contract. The cure notice gives the contractor a set period, appropriate to the situation, to correct the problems identified. A show-cause notice is often the next step after a cure notice if the contractor fails to correct the performance problems within the time allowed. This notice requires the contractor to explain why the contract should not be terminated for its failure to perform. Normally this must be done within 10 days (or longer period as necessary), and it must justify the nonperformance and show how it will be corrected in time to meet the delivery requirements of the contract. These are examples of actions the mission could take. Since it is the mission's responsibility to determine the specific action to correct the problems experienced with this contract, we make the following recommendations.

Recommendation 7. We recommend that USAID/Democratic Republic of Congo revise the operational plan and targets to reflect setbacks caused by procurement problems.

Recommendation 8. We recommend that USAID/Democratic Republic of Congo require PATH to submit for approval a revised budget that covers procurement of commodities and aligns with the revised operational plan and targets.

Recommendation 9. We recommend that USAID/Democratic Republic of Congo establish and implement a monitoring plan that includes frequent site visits.

Recommendation 10. We recommend that USAID/Democratic Republic of Congo take corrective action to resolve issues noted with the contract with PATH regarding *Projet Intégré de VIH/SIDA au Congo* activities and document the corrective action.

Condom Distribution Campaign Was Deficient

The other audited activity is Advanced Social Marketing for Health, implemented by PSI. PSI is to work with the public and private sectors to help increase the supply and diversity of health products and services for disease prevention and control and to integrate health service

delivery. To help accomplish this goal, PSI was to distribute 20 million male condoms and 500,000 female condoms in FY 2010, and 30 million male condoms and 700,000 female condoms in FY 2011, to pharmacies and retail outlets in six provinces in the DRC. The condoms would then be sold to the general public at a discounted price of approximately \$0.11 for a packet of three condoms.

In FY 2010, PSI reached its work plan goal of distributing all 500,000 female condoms but failed to meet its goal of distributing male condoms, distributing only 14 million of 20 million (70 percent). As of April 2011, PSI had not been able to distribute any female condoms and had distributed only 9 million of 30 million male condoms (30 percent). The PSI condom distribution campaign experienced several problems that prevented it from meeting its goals. First, a lack of follow-up and monitoring by USAID led to significant delays in receiving the condoms from the delivery agent, John Snow Inc., through the DELIVER Project.⁶ Secondly, PSI made only minimal marketing efforts to improve condom sales and failed to address competition from other brands. These issues are discussed below.

- *Delays in delivery of supplies.* Procurement of condoms was carried out by USAID through the John Snow DELIVER Project. In FY 2010 condoms did not arrive in time to meet demand, creating a shortage in the DRC. Although an order for 25 million male condoms was placed in March 2010, approximately 10 million condoms still had not been received at the time of our audit. Likewise for FY 2011, an order for 2 million female condoms was placed in December 2010 but was not expected to be received in full until September of 2011. Female condoms ordered in FY 2010 arrived in February 2011, and samples had been sent to the Ministry of Health for testing and approval at the time of our visit. According to the mission, after being approved by the Ministry of Health, the condoms require repackaging for shipment to the provinces, a process that takes about 3 months. Accordingly, the earliest distribution was not expected until June 2011.

The delays in receiving the commodities were caused by a difficult customs clearance process and by PSI's and the mission's failure to follow up and monitor the order after it was placed. According to the family planning specialist at the mission, who is also in charge of verifying quantities of commodities ordered by PSI and partners of other health programs, once commodity orders are placed with DELIVER, considerable monitoring and follow-up are needed to ensure timely delivery. The process requires the attention of a dedicated logistics manager, especially as the commodity needs of the mission's health programs continue to increase. The mission was not able to provide the attention needed to ensure timely delivery. The 2008 assessment of the mission's HIV/AIDS programs noted that commodities management was a major need across all health programming. According to program officials, the mission identified the need for a commodities logistics manager in its 2010 Malaria Operational Plan, which was approved in August 2010. However, at the time of our visit in April 2011, the position had not even been advertised.

- *Delays in work plan activities.* As part of its social marketing program in FY 2011, PSI was to increase awareness of and demand for health products and services related to HIV infection and sexually transmitted illnesses by performing activities including the following:
 - Developing and airing radio and TV spots.

⁶ The USAID DELIVER Project, implemented by John Snow Inc., procures and delivers HIV/AIDS supplies worldwide.

- Collaborating with other partners on communication efforts to ensure complementary messaging.
- Identifying female-friendly condom distribution outlets, like hair-dressing and beauty shops for women.
- Placing and distributing materials to raise consumer awareness of PSI's Prudence condoms in the communities.
- Conducting focus groups on male condoms to determine what changes were needed (e.g., changing the color and odor of the condoms to reflect consumer demands).
- Conducting an evaluation of the pricing of PSI's male condom.
- Identifying new commercial outlets and maximizing product availability and visibility in hot spots (rural and urban).
- Training outreach workers to build community-level support for and individual confidence and skills in practicing safer behaviors.
- Conducting peer counseling sessions and outreach sessions.

These activities were to start in October 2010, but at the time of the audit (April 2011), PSI had not started to implement any of these activities to support its condom distribution programs. Furthermore, officials from PSI were unable to provide us with plans for implementing any of these activities. According to PSI officials, radio and television spots for marketing the program's condoms have not taken place because PSI failed to perform the necessary baseline study in FY 2010 needed to understand the behaviors of condom users (target groups). At the time of our visit, the study had still not been completed.

PSI officials also stated that they had difficulties in obtaining the necessary approvals from the Government of the DRC, but USAID officials had not been informed of these challenges; moreover, PSI failed to report difficulties in its quarterly and annual reports to USAID. For other activities that had not started, PSI officials were unable to explain the delay.

Adding to this problem, a new brand of condoms, OK, was introduced on the market in October 2010 in several regions where PSI currently operates. This new brand of condoms retails for less than PSI's Prudence brand because it contains five condoms per packet compared with PSI's packet of three and costs the same. Moreover, OK brand condoms are perfumed, making them more attractive to consumers. According to PSI's distributors and retailers interviewed during the audit, the competition from OK condoms must be immediately addressed by PSI. Five of the six Prudence condom distributors interviewed stated that OK condom sales agents had approached them. The experiences of three pharmacists interviewed in the city of Matadi show the seriousness of the competition:

- One wholesale pharmacist stated that since the introduction of OK in October 2010, sales of PSI's Prudence have dropped by about 40 percent. PSI sales records showed that this pharmacy used to order an average of 34,500 Prudence condoms per month but had not made an order since November 2010 because of difficulties in selling the existing inventory of Prudence condoms. The pharmacist attributed the poor sales of Prudence condoms directly to competition from OK.
- Another wholesale pharmacist stated that since the introduction of OK, there has been a 50 percent reduction in sales of Prudence. This pharmacy formerly ordered about 22,000 condoms per month but has not ordered any Prudence condoms since January 2011 because of difficulties in selling existing inventory. The pharmacist added that customers

were asking the pharmacy to sell only OK condoms because the brand was perfumed and better priced than Prudence.

- A retail pharmacist stated that about seven out of ten customers demanded the OK brand over Prudence. Because she was having problems selling her stock of Prudence, she encouraged her customers to buy the Prudence brand by telling them that OK was out of stock.

The delivery of condoms was delayed because of the mission's lack of oversight and vacancies in key positions. As stated previously, for 8 months the health office was operating at one-third capacity and did not have a single HIV specialist on the team. In addition, the team did not have a logistics manager on staff to plan for long-term needs, follow up and monitor orders after they were placed, or ensure that condoms were received on time. Regarding the sale of condoms, because PSI was not sufficiently proactive in starting its social marketing program, PSI's Prudence condom faced serious competition in some of its markets. Though ultimately USAID's main goal is to get people to use condoms, regardless of the brand or supplier, PSI's failure to start social marketing activities sooner may affect its ability to meet annual targets. If the OK brand condom continues to outsell the Prudence brand, PSI should adjust its targets and realign the budget to focus its efforts elsewhere. To resolve these situations, the audit makes the following recommendations.

Recommendation 11. We recommend that USAID/Democratic Republic of Congo require Population Services International to develop and implement a plan (including a contingency plan) to ensure that orders for health program commodities are placed, monitored, and received on time.

Recommendation 12. We recommend that USAID/Democratic Republic of Congo require Population Services International to revise the work plan, adjusting the targets and the budget to reflect the late start and the current circumstances.

EVALUATION OF MANAGEMENT COMMENTS

USAID/DRC agreed with all 12 recommendations in the draft report. Having reviewed the actions taken by the mission and the supporting documentation provided, we have determined that final action has been taken on Recommendations 3, 5, 9, 10, 11, and 12, and management decisions have been reached on Recommendations 1, 2, 4, 6, 7, and 8. Our evaluation of management comments is shown below.

Recommendation 1. USAID/DRC has assigned Supply Chain Management System to take over the procurement of PROVIC commodities by January 31, 2012. Accordingly, a management decision has been reached on this recommendation.

Recommendation 2. USAID/DRC will recruit a logistics expert to assist partners with forecasting, procuring, and managing their commodities by March 31, 2012. Accordingly, a management decision has been reached on this recommendation.

Recommendation 3. USAID/DRC has specified amounts of funding and performance expectations for all current and past fixed-obligation grants and collaborative agreements. Accordingly, final action has been taken on this recommendation.

Recommendation 4. USAID/DRC has worked with the partner to resolve the issue of nonpayment of salaries and other operating expenses. USAID/DRC is awaiting documentation from the partner confirming salary repayments, which is expected by December 31, 2012. Accordingly, a management decision has been reached on this recommendation.

Recommendation 5. USAID/DRC has required the partner to follow required competition guidelines. The partner has assigned a veteran procurement officer at headquarters to oversee all procurements. In addition, USAID/DRC conducted a review of the updated procurement procedures and found that they materially comply with USAID's requirements and identified areas for improvement during the review. Accordingly, final action has been taken on this recommendation.

Recommendation 6. USAID/DRC and the partner have taken steps to provide greater financial oversight of project activities. However, to achieve final action, USAID intends to finalize the report for the financial and administrative review and develop a monitoring plan for follow-up on recommendations. USAID/DRC is also developing a new financial monitoring template that will help managers review partner budgets more easily and further analyze any spikes in spending. These actions are expected to be completed by March 31, 2012. Accordingly, a management decision has been reached on this recommendation.

Recommendation 7. USAID/DRC expects to approve the revised project monitoring and evaluation plan for FY 2011 by March 31, 2012. Accordingly, a management decision has been reached on this recommendation.

Recommendation 8. USAID/DRC expects to approve the revised budget, which covers procurement of commodities and aligns with the revised operational plan and targets, by

March 31, 2012. Accordingly, a management decision has been reached on this recommendation.

Recommendation 9. USAID/DRC has developed a quarterly site visit plan that ensures ProVIC sites are visited at least once a quarter. Accordingly, final action has been taken on this recommendation.

Recommendation 10. USAID/DRC has improved communications with ProVIC following the replacement of the chief of party. USAID/DRC has established monthly supervisory meetings, increased site visits, and increased financial monitoring and other monthly meetings. Accordingly, final action has been taken on this recommendation.

Recommendation 11. USAID/DRC has required PSI to develop a stock forecasting tool. The tool is updated on the 15th of every month on completion of a monthly stock reconciliation exercise and includes data on stock from all the provincial warehouses. Accordingly, final action has been taken on this recommendation.

Recommendation 12. USAID/DRC and PSI have revised the work plan and hired additional staff to improve forecasting and communications activities. Accordingly, final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar conducted this audit in accordance with generally accepted government auditing standards.⁷ 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 the audit objective. We believe that the evidence obtained provides that reasonable basis. Our audit objective was to determine whether USAID/DRC's HIV/AIDS program was providing an adequate level of support to increase access to quality HIV/AIDS prevention, care, and support services.

The audit focused on the selected HIV/AIDS activities for FY 2010. The assessment included determining whether USAID/DRC and its implementing partners achieved the PEPFAR objectives. We did this by reviewing the contracts, the performance monitoring plans, the work plans, and activity documentation and by interviewing activity staff and beneficiaries.

The HIV/AIDS activities selected for the audit totaled \$67,652,304 covering FYs 2009–2014. In FY 2010, USAID/DC obligated \$17,514,778 for its HIV/AIDS programs, and disbursed \$9,853,176.

In conducting this audit, we reviewed and assessed the significant internal controls developed and implemented by USAID/DRC and its implementing partners. The assessment included internal controls related to whether USAID/DRC (1) reviewed progress and financial reports submitted by the implementing partners, (2) conducted and documented periodic meetings with the implementing partners, (3) performed documented visits to the activity sites, and (4) developed and implemented policies and procedures to safeguard the assets and resources of the activities. Fieldwork for this audit was performed in the Democratic Republic of Congo from April 12 to April 28, 2011. During this period we visited program implementation sites in two provinces—Kinshasa and Bas Congo.

Methodology

To answer the audit objective, we reviewed activities implemented by two implementing partners as well as the PEPFAR indicators reported by USAID/DRC in FY 2010. We met with the PEPFAR team in Kinshasa to gain an understanding of the program activities and also reviewed available agreements, progress reports, and work plans of the implementing partners. We reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/DRC's PEPFAR program, including ADS guidance; the PEPFAR Act of May 2003 and subsequent reauthorization act of July 2008; and the PEPFAR 5-year strategic plan. During these visits, we interviewed implementing partner and local partner staff, service providers, beneficiaries, and government health officials. We also verified reported results, performed inventory counts on antiretroviral drug commodities, and verified that activities were being monitored and evaluated as required.

⁷ *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).

In addition, during our trip to DRC, we performed site visits to ten facilities, including a condom-packaging warehouse and health centers in two provinces of the DRC—Kinshasa and Bas Congo.

The sample of the ten sites represented (1) locations where PEPFAR activities were being implemented, (2) unrestricted areas within the DRC, (3) medical facilities where activities were being implemented, (4) wholesale and retail pharmacy outlets where USAID-funded condoms were being sold, and (5) a warehouse where condoms were being stored, packaged, and shipped to various wholesalers. The results from the sample cannot be projected to the universe of all service outlets on a statistical basis. However, we believe that our work provides a basis for our conclusion.

MANAGEMENT COMMENTS



MEMORANDUM

DATE: 4 November, 2011

TO: Gerard Custer, Regional Inspector General/Dakar

FROM: Catherine Andang, Acting USAID/DRC Mission Director

SUBJECT: Audit of USAID/DRC HIV/AIDS Programs (Report No. 47-660-11-00X-P)

This memorandum communicates USAID/*Democratic Republic of Congo's* (DRC) response to and comments on the *Draft Report on Audit of USAID/DRC's HIV/AIDS Program*, transmitted to the Mission on October 4, 2011.

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

We request that our response be included in its entirety in the final report of the audit. We appreciate the time and effort that the Regional Inspector General (RIG) staff devoted to its review of work under this HIV/AIDS Program and in its preparation of subject draft report (RIG Draft). We concur with all of the recommendations and provide the following comments.

Recommendation 1: *We recommend that USAID/Democratic Republic of Congo determine commodity procurement needs for the Projet Intégré de VIH/SIDA au Congo and develop and implement an action plan to achieve all necessary procurements.*

USAID/DRC agrees with this recommendation. Even before the audit, USAID/DRC had realized that weak procurement systems were in place. This was mainly due to the fact that the ProVIC project, implemented by PATH, had never intended to procure commodities on the scale required and did not put the best procurement systems in place at the beginning of their program. Initially both ProVIC and USAID thought that the project would be able to access Global Fund commodities in the selected program Health Zones. This was not the case. Since the audit, PATH has put in place a solid procurement system, including inventory forecasting,

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which the project is actively using.

This has necessitated budget modifications to increase the line item for commodities. In the past, because of the rush to procure commodities to meet project needs with a limited number of qualified vendors with acceptable inventory, processes at times were

not strictly adhered to. PATH has worked hard to ensure that all project and headquarters staff understand the demands of the supply chain and how to keep the needed supply of qualified test kits and antiretroviral drugs (ARVs) in stock from qualified vendors through a robust and competitive procurement process. Additionally, the issue should remedy itself when the Supply Chain Management System (SCMS), a USAID central field support mechanism, takes over procurement for ProVIC, relieving the project of this responsibility. During the Country Operational Plan in 2010, PEPFAR had decided to move towards a central commodity procurement mechanism for all PEPFAR partners, including ProVIC. SCMS's arrival in country is not a result of this audit. SCMS has a proven track record, a solid reputation, and in-depth experience in other countries and will be procuring commodities not only for ProVIC but for other PEPFAR partners in the DRC. This is projected for January 2012.

Recommendation 2: *We recommend that USAID/Democratic Republic of Congo establish and implement a plan to achieve proper oversight of the system for supply chain management for Projet Intégré de VIH/SIDA au Congo.*

USAID/DRC agrees with this recommendation. Since receiving the initial audit, PATH has:

1. Contracted a consultant in June 2011 to assess the situation of ProVIC commodity management. This same consultant has been guiding the repair of the ProVIC commodity management system.
2. Hired a full-time logistics officer to take the lead in the identification, quantification, and planning for distribution of needed commodities.
3. Developed standardized logistics tools (Stock Cards, Registers, Requisition and Issue Vouchers, etc.) that are being used by the project's regional storage facilities and the supported health facilities.
4. Conducted training, designed in collaboration with partners (primarily Management Sciences for Health), for store managers and service providers to improve capacity in the following technical areas that contribute to the delivery of high-quality services:
 - a. Logistics of pharmaceuticals and medical supplies to avoid stockouts of health products at service delivery points (hospitals, health centers, etc.), and to ensure compliance with the recommended procedures for storage and distribution of commodities under ProVIC.
 - b. Rational use of ARVs, cotrimoxazole, and test kits to ensure compliance with the established protocols for screening/testing for HIV and treatment of people living with HIV.
 - c. Counseling and support for patients to promote compliance with drug regimens and adherence to treatment to avoid the emergence of resistant strains of bacteria and HIV.

By the end of 2011, the Health Office will have 1.5 people working exclusively on logistics/commodities. In the next three months, the Mission will recruit a logistics expert to assist USAID partners to forecast, procure, and manage their commodities on the ground. This position description is with USAID/Washington/HR awaiting final CAJEing. This person will join the Health Office's Program Assistant, JD Ngadi. Mr. Ngadi was appointed after the release of the first Audit Report draft and spends approximately 50 percent of his time working with partners to track and clear their shipments from customs and assure that they get to their final destination. In the DRC, importation of duty free items requires robust management between the project, USAID, the Embassy and the Ministry of Foreign Affairs. Tracking of forms and obtaining the correct signatures is a full time operation. Furthermore, the DRC PEPFAR team has decided to contract with SCMS to procure the majority of HIV commodities. SCMS will work with partners to forecast their needs and bring the commodities into the country. Partners are still responsible for managing their stocks once they arrive in country.

Recommendation 3: *We recommend that USAID/Democratic Republic of Congo require PATH to modify all agreements with local partners to specify the amount of funding and performance expectations.*

USAID/DRC agrees with this recommendation. After the release of the first draft on June 2, 2011, USAID/DRC shared its concerns with ProVIC project management staff. In May 2011, 14 new sub-grants were finalized with local partners, just after the period of this audit, and they have been operational since that time. All agreements, current and past, now explicitly include the amounts of funding and performance expectations. These fourteen sub-grants are being implemented, and, pending a positive performance review, will be extended throughout 2012. Nine fixed obligation grants with private-sector hospitals have been submitted for approval to USAID and will be implemented when that approval is received. As of October 2011, 13 collaborative agreements with public-sector hospitals are being finalized. Both the fixed obligation grants and collaborative agreements specify the amounts of funding and performance expectations.

PATH has taken the following corrective actions to fix problems with the granting mechanism:

1. Hired a Senior Grants Manager who now oversees the coordination of the granting program from the national level.
2. A revised Grant under Contract plan was sent to the Contracts Officer and was subsequently approved. The plan establishes that ProVIC can provide direct "in-kind" support to health facilities. This in-kind support is now the operational means by which ProVIC is presently supporting prevention of mother-to-child transmission of HIV and HIV counseling and testing services.
3. Held a Grants Management Workshop in August 2011 to re-orient regional grant managers to the new mechanisms and improve financial reconciliation and oversight of grantees and public partners.
4. Training on USAID rules and regulations was held in October 2011 for all ProVIC grantees to ensure the understanding of USAID compliance and internal controls.

Recommendation 4: We recommend that USAID/Democratic Republic of Congo require PATH to (1) resolve the issue of nonpayment of salaries and other operating expenses to local partners for services rendered and (2) provide the mission with documentation supporting the resolution of this issue.

USAID/DRC agrees with this recommendation. After the release of the first draft of the audit report, USAID/DRC shared its concerns with ProVIC staff. PATH has addressed most of the identified issues, which were centered on Femme Plus, a local NGO. ProVIC has paid Femme Plus' rent, water, and electricity. The project is still trying to obtain time sheets in order to validate the salary requests, in an effort to comply with USAID rules. USAID expects documentation confirming salary repayment to be completed by the 1st quarter of FY12. Moreover, ProVIC has submitted documentation to USAID COTR showing payment. This document is available in Annex I.

Recommendation 5: We recommend that USAID/Democratic Republic of Congo require PATH to follow required competition guidelines in administering activities under the *Projet Intégré de VIH/SIDA au Congo*.

USAID/DRC agrees with this recommendation. PATH has taken proactive steps as of August 2011 to ensure additional due diligence and headquarters review of all DRC procurements. A veteran procurement officer in PATH's Seattle, Washington, USA, headquarters was assigned responsibility to oversee all DRC procurements.

Processes have been updated to ensure all communications for each procurement will connect the staff in the DRC with an assigned procurement professional at PATH's headquarters. PATH contracted a consultant and a full-time in-country staff member and only PATH staff are involved in the procurement process. PATH's updated Procurement procedures are attached in Annex II. Going forward, when USAID/DRC conducts site visits, it will also examine recent purchases at the national and/or provincial offices and verify if PATH's procurement procedures and regulations were followed.

USAID/DRC's Office of Financial Management (OFM) has conducted a review of the updated procurement procedures and has noted that they materially comply with USAID's requirements. However, OFM has identified improvements during the review to make specific the action steps for verification of terrorist organization affiliations and to specify clearly the ordering of policy to be followed as they refer both to a PATH specific manual and Chemonics procurement manual.

Recommendation 6: We recommend that USAID/Democratic Republic of Congo develop and implement a plan to provide greater financial oversight of PATH's project activities and require PATH to do the same.

USAID/DRC agrees with this recommendation. Even before the auditors arrived, USAID/DRC's Office of Financial Management (OFM) had scheduled a financial review. Given the auditor's initial findings, OFM decided to expedite the financial review. A review was conducted between August and October 2011.

PATH has made an organizational commitment to correct any and all previous deficiencies with action steps already in place and ongoing monitoring to ensure that the project remains on track through a successful conclusion. PATH removed their Chief of Party (COP) in January and replaced him in April 2011 with someone who has more financial oversight expertise. They also hired a new Finance Officer with significant auditing and related experience. The HIV Global Leadership team at PATH communicates with the field office daily to address issues and ensure compliance. PATH's Chief Financial Officer has gone to the field and continues to monitor the project. PATH provided more training to field administrators.

Specific actions that PATH has taken include:

1. Members of the HIV Global Leadership team have been actively involved in working with the DRC team on a daily basis to address draft report findings, and to ensure that proper policies are being followed and that staff understand the proper standard practices.
2. PATH's Chief Financial Officer visited the DRC to work with the staff and train project staff on standard PATH policies and procedures.
3. PATH's International Accounting Services team sent two different members to work with the staff on training in PATH's accounting practices and procedures and how to utilize QuickBooks to properly record transactions into PATH's general ledger. Significant work/training was accomplished on the chart of accounts, good internal controls, transaction reviews, proper documentation/substantiation of transactions, and more. This was not billed to the project.
4. PATH's Director of Global Donor Compliance and Grants and Contracts Services (GCS) has spent significant time with the US-based project team and the COP and Deputy Chief of Party on a number of award compliance issues. This has not been billed to the project.
5. The GCS team sent a staff member to the DRC to work with and train the local grants team to help them understand the nature of the subawards being made and good subrecipient monitoring techniques. This was not billed to the project.
6. The Internal Audit team continued its work on a desk review of transactions and recently completed a report of some initial findings, most of which have been acted on and resolved. This was not billed to the project.
7. A new COP, Trad Hatton, took up his post in April 2011.
8. A new Director of Finance and Administration, Jean Ntumba, began in September 2011.
9. Internal reviews of financial and administrative systems have been undertaken by both Chemonics and PATH headquarters offices, and recommendations are being implemented.
10. USAID financial compliance training for grantees was conducted in October 2011.

The results of the financial and administrative review are not yet fully compiled; however, there is evidence that PATH has implemented positive, corrective measures in response to the audit. The following specifies the actions to be taken by OFM:

1. OFM intends to participate with the COP/Health team coordination meetings at least quarterly to discuss financial matters.
2. OFM will finalize the report for the financial and administrative review and develop a monitoring plan for follow up on recommendations therein.
3. OFM is currently working to establish a Financial Analyst position for the Health Team to increase the level of financial support for this and other Health programs.
4. USAID/DRC is developing a new financial monitoring template that will help managers to review partner budgets more easily and quickly diagnose if there are spikes in spending that need further analysis. This template may be used not only for PATH, but for other implementing partners in the Mission.

USAID/DRC has initiated a contractual review related to the Letter of Credit (LOC) mechanism in order to assess options for improving regular reporting and visibility of the financial aspects of the program in a timelier manner than is provided by the LOC.

Recommendation 7: *We recommend that USAID/Democratic Republic of Congo revise the operational plan and targets to reflect setbacks caused by procurement problems.*

USAID/DRC agrees with this recommendation. PATH submitted its revised Project Monitoring and Evaluation Plan (PMEP) for FY 2011 in September 2011. USAID is finalizing its approval. This PMEP is based on PATH's new budget realignment which incorporates the procurement of commodities and the eventual expansion into Kisangani. When USAID approves the revised PMEP, the Health Office will work with the Mission's Program Office to revise targets for consequent years through the FY 2011 performance plan and report.

Recommendation 8: *We recommend that USAID/Democratic Republic of Congo require PATH to submit for approval a revised budget that covers procurement of commodities and aligns with the revised operational plan and targets.*

USAID/DRC agrees with this recommendation. PATH submitted a realigned budget request in July 2011. This budget is in line with their updated PMEP. USAID responded with comments and requests for changes, which PATH incorporated based on previous discussions and interactions with the COTR. The revised budget was sent back to USAID in October 2011 and the document is being reviewed. Their new budget will cover one year of commodity procurement to ensure there is no gap in service as the SCMS starts their activities in the country. Once SCMS is fully operational, all commodity procurement will be funneled through SCMS and not individual partners. This re-aligned budget assumes that SCMS will procure commodities for ProVIC from January 2012 onward, as instructed by USAID.

Recommendation 9: *We recommend that USAID/Democratic Republic of Congo establish and implement a monitoring plan that includes frequent site visits.*

USAID/DRC agrees with this recommendation. As the report rightfully acknowledges, travel within the DRC is dangerous and costly. ProVIC brings its technical field staff together for quarterly review meetings and USAID/DRC participates in these meetings. ProVIC also sends the project's national technical specialists to the regions, but there are limits on travel. PATH developed a monitoring plan that includes travel to sites. In addition to monitoring, the technical staff provide assistance to the regional offices and partners to implement the workplan and achieve goals. In August, ProVIC began data quality assurance activities as well.

USAID/DRC has developed a quarterly site visit plan that ensures that ProVIC sites are visited at least once a quarter. USAID also has monthly management meetings with the COP, Deputy COP, and Chief M&E Officer. OFM will provide support for these monthly meetings at least quarterly and also provide Financial Analyst support for field visits.

Recommendation 10: *We recommend that USAID/Democratic Republic of Congo take corrective action to resolve issues noted with the contract with PATH regarding Projet Intégré de VIH/SIDA au Congo activities and document their actions.*

USAID/DRC agrees with this recommendation. After the dismissal of its former Chief of Party and the arrival of the new COP in April 2011, the communication between ProVIC and USAID/DRC improved dramatically. There are almost daily interactions with the COP and USAID/DRC has established monthly supervisory meetings where PATH provides a monthly indicator check-up. PATH has also agreed to move to a quarterly reporting system instead of semi-annual. Increased site visits, financial monitoring, and the monthly meetings have improved communication. PATH is also very forthcoming with information. Despite the delays and concerns noted in the audit report, PATH still met 75 percent of its targets this year and is on track to expand its programs through PMTCT acceleration and expansion to Kisangani.

Recommendation 11: *We recommend that USAID/Democratic Republic of Congo require Population Services International to develop and implement a plan (including a contingency plan) to ensure that orders for health program commodities are placed, monitored, and received on time.*

USAID/DRC agrees with this recommendation. PSI has developed a stock forecast analysis tool. The tool is updated on the 15th of every month upon completion of the monthly stock reconciliation exercise and includes data on all stock from all the provincial warehouses (see August and September 2011 analysis in Annex III); Furthermore, USAID/DRC and PSI agreed that:

1. PSI will submit to USAID the monthly forecast analysis to assist the USAID/DRC mission to monitor existing stock and place stock orders on time to prevent commodity stock outs. PSI began submitting this forecast analysis on July 2011 and will continue to do so for the life of this project.

2. PSI will include a quarterly forecast analysis in all quarterly progress reports submitted to USAID/DRC to monitor and document the stock situation, to begin with the Q4 FY 2011 report.
3. USG partners, receiving family planning commodities from PSI, will provide their commodity needs based on a comprehensive forecast analysis for FY 2012. This will identify periods of vulnerability in terms of stock out. This tool will be updated every quarter so that preventive/corrective measures can be implemented. USAID has required that a buffer stock equivalent to 12 months of consumption be available at central level for male and female condoms, as well as contraceptive products including pills, injectables, implants and IUDs.

Recommendation 12: We recommend that USAID/Democratic Republic of Congo require Population Services International to revise the work plan, adjusting the targets and the budget to reflect the late start and the current circumstances.

USAID/DRC agrees with this recommendation. PSI has revised its workplan and hired additional staff to improve its forecasting and communications activities.

At the end of this Fiscal Year, PSI achieved its FY 2011 targets for male and female condoms. In FY 2011, PSI distributed 26,941,141 male condoms, surpassing the 2011 target of 25,000,000 by 7.8 percent. As a result, USAID/DRC does not feel that this project target needs to be adjusted.

Stock-outs originally negatively affected PSI's targets, but this problem has been remedied. During FY 2011, an eight-month stock out of female condoms occurred delaying the distribution start date until June 2011. Based on the annual distribution target for FY 2011 of 700,000 female condoms, the monthly distribution target was 58,333 female condoms per month. From June to September, PSI surpassed its monthly target by 204 percent, distributing over 119,000 condoms per month. Because of their high performance, the FY 2012 target will be revised upward and USAID will continue monitoring the progress made on a quarterly basis.

Existing TV and radio spots were aired from May to September 2011, which allowed PSI to reach 99.8 percent of its target (20,160 broadcasts). The development of new promotional spots for male and female condoms will be completed by December 2011 and aired in January. Printed materials to raise consumer awareness of PSI's Prudence male and female condoms will be produced based on the new condom promotion messages, and distributed during FY 2012. FY 2012 targets for this component will be reviewed by November 30th, 2011.

PSI recently recruited a new Behavior Change Communication (BCC) Specialist. This person will develop a communication workplan and monitor both the frequency and the quality of the messaging, both for BCC and product promotion. For interpersonal communication session

targets, PSI met 100 percent of its target (300 peer educators were trained in the different targeted provinces). By September 2011, the targets related to individuals reached with Abstinence and Being Faithful or Other Means of Prevention messages were also surpassed.

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