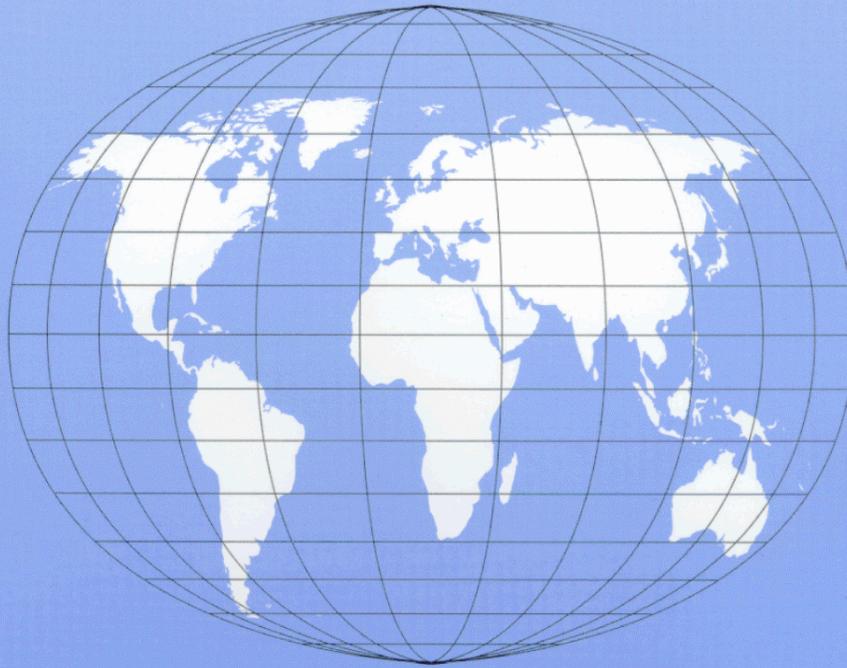


Report of Audit

Concurrent Audit of USAID/Madagascar's Performance Monitoring of Selected Health Services funded by the Southern Africa Floods Supplemental Appropriation

**Report No. 4-687-02-005-P
June 21, 2002**



**REGIONAL INSPECTOR GENERAL/PRETORIA
OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



U.S. Agency for
INTERNATIONAL
DEVELOPMENT

RIG/Pretoria

June 21, 2002

MEMORANDUM

FOR: Acting Mission Director, USAID/Madagascar, Stephen M. Haykin

FROM: Regional Inspector General/Pretoria, Joseph Farinella /s/

SUBJECT: Concurrent Audit of USAID/Madagascar's Performance Monitoring of Selected Health Services funded by the Southern Africa Floods Supplemental Appropriation (Report No. 4-687-02-005-P)

This memorandum is our report on the subject audit. We have received your comments on the draft report and have included them in their entirety as an appendix to this report (see Appendix II).

This report contains no recommendations for your action.

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

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Summary of Results

This audit was conducted to provide concurrent audit coverage of selected health services funded by the Southern Africa Floods Supplemental Appropriation. The purpose of the Supplemental Appropriation was to assist affected countries in repairing damages caused by three cyclones. In Madagascar, this audit covered USAID's monitoring of activities funded through the cooperative agreement with Population Services International and amendment modifications numbers six and eight to the contract with John Snow, Incorporated.

The objective of the audit was to determine whether USAID/Madagascar monitored contractor performance in providing selected health services under the Southern Africa Floods Supplemental Appropriation.

USAID/Madagascar monitored contractor performance in providing selected health services under the Southern Africa Floods Supplemental Appropriation. Specifically, the Mission conducted site visits, reviewed performance and financial reports and held periodic meetings with contractor personnel. As a result, the objectives of these activities are being met. (See pages 4-9)

Background

In early 2000, three cyclones (Eline, Gloria, and Hudah) caused extensive damage in Madagascar affecting over one third of the entire country. The three cyclones combined caused substantial wind, flood, and landslide damage and crop losses leading to food shortages affecting approximately 300,000 people and killing 200. The cyclones have had a major negative health impact on Madagascar's population.

Madagascar's needs were aggregated with those of Mozambique, South Africa, and other affected countries into a request for the greater Southern Africa Floods Supplemental Appropriation. The Emergency Supplemental Appropriation for the Southern Africa Flood Reconstruction Program (Tranche I) under Public Law 106-246, provided \$25 million to assist in the repair of the damage caused by the cyclones, of which Madagascar received \$3 million. A second Emergency Supplemental Appropriation (Tranche II), under Public Law 106-429, provided Madagascar an additional \$14 million for repairs, health services and disaster preparedness. To assist in implementing the objectives of the Supplemental Appropriation, USAID/Madagascar awarded a cooperative agreement to Population Services International and made modifications to an existing contract awarded to John Snow, Inc.

Population Services International was awarded a cooperative agreement for \$1.2 million to accelerate the production, commercial distribution, and household use of the sodium hypochlorite solution *Sur'Eau* "safe water." This product improves household water quality and decreases diarrheal disease. The agreement calls for distribution in key regional centers to

mitigate the spread of cholera and other water-borne diseases in cyclone-affected and cyclone-vulnerable areas in Madagascar.

John Snow, Inc. was awarded a contract to provide technical assistance services to the Mission to meet defined performance measures necessary for the achievement of “smaller, healthier families.” Two contract amendments provided a total of \$1.5 million to provide additional activities to reduce the morbidity and mortality of cyclone-related diseases.

Audit Objective

The audit objective was developed as a part of our annual plan to provide concurrent audit coverage to activities funded by the Southern Africa Floods Supplemental Appropriation. RIG/Pretoria performed this audit to answer the following audit objective:

Did USAID/Madagascar monitor contractor performance in providing selected health services under the Southern Africa Floods Supplemental Appropriation?

Appendix I provides a complete discussion of the scope and methodology for this audit.

Audit Findings

Did USAID/Madagascar monitor contractor performance in providing selected health services under the Southern Africa Floods Supplemental Appropriation?

USAID/Madagascar monitored contractor performance in providing selected health services under the Southern Africa Floods Supplemental Appropriation. Specifically, the Mission conducted site visits, reviewed performance and financial reports and held periodic meetings with contractor personnel.

Achievements of the two implementing organizations Population Services International and John Snow, Inc. and the Mission’s monitoring of their activities are discussed below.

Population Service International

USAID/Madagascar awarded a cooperative agreement to Population Services International (PSI) to accelerate the production, commercial distribution, and household use of a water-purifying solution called Sur’Eau. This product treats water to make it safe for drinking, preparing meals, washing utensils and vegetables, and prevents the spread of water-borne diarrheal diseases such as cholera. PSI was the sole producer of this water-purifying solution in

Madagascar and had a proven record of providing the solution during the emergency cyclone response phase.

Program Achievements - The cooperative agreement between USAID/Madagascar and PSI had three quantifiable goals, which were being met as follows:

- Increase the monthly production capacity of Sur'Eau from 27,500 bottles in March 2000 to 252,000 bottles in June 2002. By February 2002, PSI exceeded the goal of monthly production capacity of 252,000. Production capacity was in excess of 300,000 bottles a month.
- Recruit 4,000 new retailers and 155 new wholesalers by July 2002 representing an increase in geographic coverage from one province in March 2000 to five provinces by June 2002. As of September 2001, 8,490 retailers and 472 wholesalers and had been recruited in five provinces.
- Sell over 600,000 bottles of Sur'Eau by June 2002. As of the end of February 2002, the number of bottles sold was 507,092 or 85 percent of the target¹.

In addition, the cooperative agreement required PSI to establish an emergency stock of Sur'Eau to ensure rapid response to future disasters and/or potential cholera outbreaks throughout the country. These pre-positioned stocks of Sur'Eau are to be available for the Government of Madagascar, private volunteer organizations and other donors to purchase for distribution to the communities in need. As of December 2001, pre-positioned stocks were located in nine locations around the country totaling approximately 152,931 bottles. USAID/Madagascar's long-term goal is to franchise the production of Sur'Eau to locally owned firms under a continued subsidy provided through PSI with donor funds. Currently, a contract has been provided to a local manufacturer to produce the plastic bottles and the Sur'Eau solution.

USAID/Madagascar's Monitoring of PSI's Performance - According to Automated Directive System (ADS) Chapter 303.3, the Cognizant Technical Officer (CTO) is responsible for ensuring that USAID exercises prudent management over specific assistance awards for which they are designated as CTO.

ADS 303.3 further states, in part, that the CTO accomplishes this by monitoring and evaluating the recipient and the recipient's performance

¹ The data presented for the three items above was provided by PSI and was not audited by us.

during the award in order to facilitate the attainment of program objectives by maintaining contact including site visits and liaison with the recipient and reviewing and analyzing all performance and financial reports as well as verifying timely delivery.

The Mission complied with ADS 303.3 and was substantially involved with PSI during the performance of this cooperative agreement. As discussed below, the CTO reviewed quarterly progress reports and conducted quarterly reviews to track PSI's progress in achieving the goals in the agreement. The CTO held monthly meetings with PSI to discuss program implementation, progress, and budget issues and reviewed financial reports to ensure the accuracy of expenses. The CTO also conducted site visits to stores, production plants and provinces where the product was being sold, produced and marketed.

Review of Contractor Reports and Meetings - The CTO reviewed quarterly progress reports and conducted quarterly reviews to track PSI's progress in achieving the goals in the agreement.

A review of the financial documentation revealed that the CTO and the Contracting Officer reviewed PSI's quarterly financial statements submitted by PSI for accuracy. As a result, some budget line items were realigned to focus PSI's transition from manufacturing to marketing the product.

A review of the CTO's work file also indicated that all documents relevant to Project Sur'Eau² were included. Such documents included the signed copy of the cooperative agreement, the CTO's designation letter, the financial documents and other correspondence between the CTO, PSI and the Contracting Officer. The Mission also documented the site visits made; however, the write-ups were not maintained in the Mission's official working file. We suggested and the Mission agreed that a hard copy of write-ups of the site visits should also be maintained in the Mission's official working file.

The CTO held monthly meetings with PSI to discuss progress, program implementation and budget issues. Discussions covered items such as the progress to date on achieving the goals of the agreement. Other issues were also discussed to ensure that PSI was on track in meeting the objectives.

² This is the name given to this project.



Photograph of the Cognizant Technical Officer (left) for Project Sur'Eau poses with staff from Population Services International in front of a display of Sur'Eau and other products. (Photo taken in Antananarivo, Madagascar by RIG/Pretoria, February 2002)

Site Visits - The CTO conducted a number of site visits to provinces, stores, *hotelys* “local inexpensive restaurants” and production plants to monitor and evaluate the activities of PSI in promoting the use of this product. During the site visits to the provinces, the CTO obtained an overview of the program’s progress and visited presentations. The presentations promoted key messages about Sur'Eau. For example, the Mission and PSI noticed that sales of the product were down during the dry season. To change the peoples’ behavior, a key message relayed during the presentations was to use Sur'Eau all year long because diarrheal disease can be a problem at any time and not just during the cyclone or rainy season.

The CTO also attended other presentations by PSI that promoted the use of this product. Such presentations included mobile video presentations, which were held in poor neighborhoods, and presented a short education session on the proper use of Sur'Eau and its benefits. These presentations proved to be effective because they drew large crowds. For example, one presented in September 2001 had an estimated 600-700 people in attendance. In addition, the CTO and other representatives from the Mission evaluated other events that promoted the product. Such activities included radio and television spots and printed materials in the local dialects.

The CTO visited local stores and wholesalers to get an indication of the sales and the movement of the product. The CTO observed that the shop owners were displaying the advertisement signs of Sur'Eau in their shop windows. Many of the shop owners reported that sales were good and that they did not have a problem moving the product. The shop owners also stated that they demonstrated to their customers how to measure and mix the solution. We accompanied the PSI deliveryman on his route to four local stores and observed the delivery of Sur'Eau. We also confirmed that Sur'Eau was on the shelves and being sold.



Photograph of a PSI deliveryman delivering a shipment of Sur'Eau to a local store in Antananarivo. (Photo taken in Antananarivo, Madagascar by RIG/Pretoria, February 2002)

The CTO conducted oversight visits to *hotelys* in Madagascar where the owners are encouraged to use Sur'Eau at their establishments. The owners use Sur'Eau for preparing meals, washing utensils and drinking. Our observations at the three hotelys visited in Antananarivo revealed that Sur'Eau promotional materials, such as banners and stickers were prominently displayed at the hotelys. Also, owners appeared to be knowledgeable about the use and benefits of the product.



Photograph of a *hotely* owner posing with a 20-liter container of water treated with Sur'Eau. (Photo taken in Antananarivo, Madagascar by RIG/Pretoria, February 2002)

The CTO also visited the production facilities and warehouse where Sur'Eau is manufactured and stored to observe the production and bottling of the product. The Mission found that the production was simple and that there seemed to be adequate quality control. They observed that each batch was tested for quality and one bottle was saved for testing later. We visited the production facility and the warehouse. The warehouse contained all of PSI's products. We also observed that expired bottles of Sur'Eau were disposed of and the bottles recycled. We were unable to observe the actual production because the production had been temporarily discontinued as a result of the country's volatile political situation.

In conclusion, the Mission adequately monitored and evaluated the performance of Population Services International during the award period and the goals of the project and the Supplemental Appropriation are being achieved.

John Snow Inc.

USAID/Madagascar awarded a contract to John Snow, Inc. (JSI) to provide technical assistance services to the Mission to meet defined performance measures necessary for the achievement of "smaller, healthier families." Two modifications were made to this contract to provide \$1.5 million to include additional activities to assist in preparation and mitigation of cyclone-related diseases. In September 2000, USAID/Madagascar modified JSI's contract

with amendment number six. This amendment provided \$500,000 to cover activities through September 2001. In December 2000, the Mission further modified the contract with amendment number eight. This amendment provided an additional \$1 million for a two-year period from approximately November 2000 to November 2002.

The two amendments provided funding to establish a health education, training and emergency health service program in cyclone affected areas. This included conducting health education sessions, training volunteers in preventing and treating diseases, equipping health posts with basic supplies and establishing cholera triage centers in each of the health posts in order to be prepared for future disasters.

Program Achievements - The following table illustrates targets and achievements for the health services program for cyclone affected areas through December 2001.

Table I
Program Achievements

Amendment Goals	Target	Achieved September 2001	Achieved December 2001
Number of health education sessions conducted	140	250	500
Number of volunteers trained in preventing and treating diseases	350	500	1000
Number of health posts, health centers or regional hospitals provided with basic medical materials and cholera treatment equipment	15	25	50
Number of cholera triage centers equipped to manage cholera	5	25	50

NOTE – This data was provided by JSI and was not audited by us.

As shown above, targets have been surpassed. As a result, communities in the cyclone-affected areas have been helped to recover from the year 2000 cyclones and also develop their abilities to respond to the effects of future cyclones.

To further educate communities in disaster preparedness and mitigation, JSI distributed information, education and community (IEC) materials in cyclone-affected communities. IEC materials consist of posters, bulletins, leaflets, comic books, flags, counseling cards and other items to reinforce messages on health topics, including disaster preparedness, diarrhea and cholera prevention and treatment and other health issues.

The IEC materials are given to district and community level health workers and village level health extension volunteers who complete the training

sessions. The idea is to enable the health extension volunteers to return to their villages and conduct health education sessions on these themes. As of September 2001, more than 800,000 pieces of IEC material had been distributed to target audiences throughout five districts.

One such piece of IEC material is counseling cards. Counseling cards are pictorials on a variety of health subjects such as diarrhea, cholera, malaria and acute respiratory infections. For example, the counseling card shown below presents the theme of cholera prevention. This card illustrates that after using the latrines and before eating food, one should wash one's hands. These cards are written in the local language of Malagasy and depict like images of people indigenous to Madagascar.



Picture of a counseling card on cholera prevention showing steps to prevent the transmission of cholera.

Also, disaster alert systems were developed and implemented in disaster-prone sites to include the installation of radios and cyclone flags to enhance communication, as the one shown below, to warn communities of approaching cyclones.



Picture of a counseling card showing a cyclone flag warning communities of approaching cyclones.

USAID/Madagascar’s Monitoring of JSI’s Performance - USAID’s Contract Information Bulletin 98-21 states that general performance monitoring is a function of contract administration used to determine contractor progress towards achieving the goals and objectives of the contract and to identify any factors that may delay or prevent the accomplishment of those goals and objectives.

Contract Information Bulletin 98-21 further states that performance monitoring requires USAID personnel, particularly the Cognizant Technical Officer (CTO), to maintain adequate knowledge of the contractor’s activities and progress in order to ensure that USAID’s objectives, as stated in the contract’s Statement of Work, will be achieved.

As discussed below, USAID/Madagascar monitored and evaluated JSI’s progress in achieving program objectives by reviewing contractor reports, meeting with contractor personnel and conducting site visits.

Review of Contractor Reports and Meetings - JSI submitted workplans on the activities directly related to the cyclones as required by the contract. Workplans included detailed information on the planned activities in each of the five districts. The Mission reviewed and approved the workplans.

The Mission performed two annual evaluations³ of JSI's performance and produced two reports—a Contractor Performance Report and a Performance Evaluation Report. The Contractor Performance Report rated JSI's performance in four areas: (1) quality, (2) cost control, (3) timeliness and customer satisfaction for USAID and (4) end user. Overall, the Mission rated JSI's performance as good for program year 2001, and provided suggestions for improvements in areas such as cost control and customer satisfaction for USAID.

On the Performance Evaluation Reports, JSI was evaluated in three areas: (1) technical achievement, (2) cost functions, and (3) contract administration and management. The Mission rated JSI's performance as outstanding for program year 2001. Although rated outstanding, the Mission noted that JSI could make improvements in the budget and financial management areas. The Mission will review this in the next evaluation.

The Mission also reviewed and provided comments on JSI's self-evaluations. JSI provided the Mission with self-evaluation reports covering their assessment of their performance against the targets and benchmarks for the year. For example, in the 2001 report, JSI noted that for the cyclone supplemental they achieved 100 percent of their goals in training 350 health volunteers in 70 communities and equipping 25 health posts with basic medical supplies and equipment.

Furthermore, the Mission reviewed the quarterly monitoring reports to ensure that the intended achievements were being met and compared it to the statement of work. When warranted, the Mission provided comments on the reports. In addition, as required by the contract, the Mission held bi-weekly meetings with JSI to keep abreast of the program and maintained a separate work file with all required correspondence and documentation.

A review of the vouchers submitted to the Mission on the cyclone activities covering the period of October 17, 2000 to February 27, 2002 revealed that controls were in place as required by the contract. For example, the vouchers were administratively approved by the CTO, funding and costs were properly separated by the different activities, and funding and costs were properly reported against the appropriate accounting codes.

The CTO concentrated more on the program and technical management aspects of the contract than the financial aspects. The CTO relied on the controller's office to fully manage the financial aspects of the contract, which the controller's office did. For example, the controller's office would alert the contractor and the CTO when expenses claimed were not adequately

³ These evaluations cover both the cyclone activities (activities relating to the Supplemental Appropriation) and the regular contract activities.

supported, if budgeted line items were exceeded or not budgeted for and if other items needed further review or attention. During our review, the Director of the Strategic Objective Team agreed that the CTO would take a more active role in managing the financial aspects of the contract as well as the program and technical aspects.

Site Visits - The Mission conducted site visits in May 2001 to four provinces in the southeast part of Madagascar. The Mission used a checklist to track JSI's progress in implementing the activities as defined in the amendments. During the site visits, the Mission talked to trainees and people in the community to get their opinion of the programs, viewed presentations that were staged by JSI and reviewed technical materials, posters, counseling cards and the other materials that JSI produced to educate the community. The Mission found that cholera treatment centers were being built and training was conducted on cholera prevention and treatment of diarrheal diseases and malaria. The Mission also found that volunteers were trained as indicated by JSI, health posts were receiving modest repairs and basic medical equipment and educational materials were being distributed. The Mission discussed with JSI areas where improvements could be made.

The Mission planned to conduct additional site visits but was unable to do so because of the political uprising in the country. The Mission plans to conduct additional site visits once the political situation stabilizes.

In conclusion, the Mission adequately monitored the contractor performance of John Snow, Inc. and the goals of the Supplemental Appropriation under this contract are being achieved.

**Management
Comments and
Our Evaluation**

USAID/Madagascar did not have any substantive comments to our draft audit report. However, the Mission stated that they acknowledged the suggestions made during our audit, particularly pertaining to maintaining site visit write-ups in the official working file for Population Services International and that the CTO [Cognizant Technical Officer] of the John Snow, Inc. contract should take a more active role in managing the financial aspects of the contract.

Further, the Mission stated that they appreciated the professional conduct of the auditors in performing the audit especially in light of the political situation.

**Scope and
Methodology****Scope**

We conducted a concurrent audit of USAID/Madagascar's monitoring performance of disaster preparedness and mitigation through health education, training and emergency and health services under the Southern Africa Floods Supplemental Appropriation. This audit was conducted in accordance with generally accepted government auditing standards.

To accomplish our audit objective, we conducted fieldwork in Antananarivo, Madagascar in February 2002. The audit focused on the cooperative agreement between USAID/Madagascar and Population Services International (PSI) and amendment numbers six (06) and eight (08) of the contract awarded to John Snow, Inc (JSI).

Because of the highly volatile political situation in Madagascar, the U.S. Embassy in Madagascar restricted travel to the capital city of Antananarivo. As a result, our scope was impaired because we were unable to travel to other provinces in Madagascar to independently observe the activities funded under the Supplemental Appropriation, particularly the activities contracted to JSI. Activities relating to JSI's contract were located outside the capital city where it was not safe to travel. However, we were able to conduct most of the scheduled site visits to observe activities in connection with PSI since most of the activities were located in the capital city. Despite this situation, our review and analysis of documentation was not hampered and these limitations do not affect the material presented in this report. The answer to the audit objective is based on documentation reviewed, our analysis of recipient and Mission records, and discussions with Mission and recipient personnel, in addition to the site visits we made to PSI activities. We also examined the management/internal controls in place to monitor the activities of the recipients. We assessed management/internal controls such as: establishing and maintaining a separate workfile for documents and correspondence related to the grant and contract; conducting site visits to evaluate the recipient's progress; documenting significant actions, meetings or conversations with the recipients; monitoring funds closely and on a regular basis; and ensuring the accuracy of the reports submitted by the recipients. There were no prior audit findings affecting the areas reviewed. We conducted fieldwork from February 14 through February 28, 2002.

Methodology

We gained an understanding of USAID/Madagascar's performance monitoring of PSI and JSI by reviewing and analyzing applicable documentation such as, but not limited to, workplans, trip reports, performance monitoring reports, performance evaluation reports, self-evaluation reports, progress reports, minutes of monthly meetings, and financial reports. We conducted interviews with Mission officials and PSI and JSI staff members. We also conducted site visits to PSI's warehouse, to the production facility where Sur'Eau is produced and bottled, *hotelys*, which are inexpensive streetside restaurants where the owners use Sur'Eau, and local stores selling Sur'Eau.

**Management
Comments**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/MADAGASCAR
Antananarivo, Madagascar

MEMORANDUM

To: Joseph Farinella, Regional Inspector General/Pretoria

From: Stephen M. Haykin, Acting Mission Director /s/

Subject: Mission's response to the draft concurrent audit report of USAID/Madagascar's Performance Monitoring of Selected Health Services Funded by the Southern Africa Flood Supplemental Appropriation

Date: June 12, 2002

Reference: Draft Report

The Mission has reviewed the draft report on the subject audit and has no substantive comments.

We acknowledge the suggestions provided by the auditors during their audit, particularly pertaining to maintaining site visit write-tips in the Mission's official PSI working file and that the CTO for the JSI contract should take a more active role in managing the financial aspects of the contract.

I appreciated the professional conduct of your staff in performing this audit especially in light of the political situation that developed while the auditors were performing the audit. They adapted quickly to the situation and were able to adjust their plans in order to complete their associated audit tasks.

Clearances:
Paul.Kramer, USAID Controller /s/
Pedro Carillo, Acting HPN Chief /s/