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# AUDIT OF USAID/NEPAL'S HEALTH ACTIVITIES

AUDIT REPORT NO. 5-367-08-010-P  
September 26, 2008

MANILA, PHILIPPINES



**USAID**  
FROM THE AMERICAN PEOPLE

*Office of Inspector General*

September 26, 2008

**MEMORANDUM**

**TO:** USAID/Nepal Mission Director, Beth Paige

**FROM:** Regional Inspector General/Manila, Catherine M. Trujillo /s/

**SUBJECT:** Audit of USAID/Nepal's Health Activities (Audit Report No. 5-367-08-010-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments to the draft report and included the comments (without attachments) in appendix II.

This report contains four recommendations to assist USAID/Nepal to improve its oversight of the Nepal Social Marketing and Franchise Project. Based on the information provided by the mission in response to the draft report, we determined that final actions have been taken on Recommendation Nos. 1, 3, and 4 upon issuance of this report. In regard to Recommendation No. 2, a management decision has been reached and a determination of final action will be made by the Audit Performance and Compliance Division upon completion of the planned corrective action.

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

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# SUMMARY OF RESULTS

To help the Government of Nepal provide basic health services to its citizens, USAID/Nepal awarded a \$33.8 million cooperative agreement to JSI Research and Training Institute, Inc., to implement the 6-year Nepal Family Health Program Phase I (program), which ended in December 2007. The purpose of the program was to improve the delivery and use of basic public sector family planning, maternal, newborn, and child health services (see page 3).

In addition, USAID/Nepal awarded a 3½-year contract valued at \$11.2 million to Academy for Educational Development to implement the Nepal Social Marketing and Franchise Project (project), which will end in December 2009. The project aims to expand service delivery and access to quality reproductive health and voluntary family planning products through private and commercial sector strategies throughout Nepal. Also included are many other health products and services relating to maternal and child health care such as oral rehydration salts and basic drugs (see page 3).

The Regional Inspector General/Manila conducted this audit to determine if USAID/Nepal's health activities were achieving planned results, and what has been the impact (see page 4).

USAID/Nepal's health activities partially achieved their planned results. Of the 15 critical performance indicators selected for review, the audit determined that 5 indicators met and 3 partly met their planned results while 1 did not meet its planned results. Achievement of planned results for the remaining 6 indicators could not be determined because the indicators (1) had targets that were set to be achieved at the completion of the project, (2) lacked targets entirely, or (3) lacked baseline values against which to measure targets. The review of the 15 critical indicators showed that the weaknesses identified pertained to the Nepal Social Marketing and Franchise Project (see page 5).

Regarding the eight indicators that met or partly met their planned results, the activities achieved an impact that included Vitamin A supplementation coverage and pneumonia treatment. The activities also ensured that family planning and maternal and child health commodities were available at health facilities and at the community level, the lowest level of the distribution zone (see page 5).

For the one indicator that did not meet planned results and the six indicators in which the achievement of planned results could not be determined, the problem was caused by a performance management plan that was not adequately developed and reviewed by both the contractor and the mission. Furthermore, the audit identified other issues such as revisions made to the performance management plan and to the reporting requirements without the mission's formal approval (see page 7).

The audit makes four recommendations to improve USAID/Nepal's oversight of the Nepal Social Marketing and Franchise Project (see pages 10—12). USAID/Nepal generally agreed with the findings and recommendations. Based on the mission's response to the recommendations, the audit determined that final actions were taken on Recommendation Nos. 1, 3, and 4 and a management decision was reached on Recommendation No. 2.

USAID/Nepal's written comments are included in their entirety (without attachments) in appendix II.

# BACKGROUND

After a decade-long Maoist insurgency in Nepal, progress has been tenuous as the country has struggled to build a viable and representative government, restore law and order, and address the grievances of the country's ethnic minorities and disadvantaged groups. The Government of Nepal's ability to provide basic services to its citizens has become a key postconflict priority.

To help the Government of Nepal provide basic health services to its citizens, USAID/Nepal awarded a \$33.8 million cooperative agreement to JSI Research and Training Institute, Inc. to implement the 6-year Nepal Family Health Program Phase I (program), which ended in December 2007.<sup>1</sup> The purpose of the program was to improve the delivery and use of basic public sector family planning, maternal, newborn, and child health services.

In addition, USAID/Nepal awarded a 3½-year contract valued at \$11.2 million to Academy for Educational Development to implement the Nepal Social Marketing and Franchise Project (project), which will end in December 2009. The project aims to expand service delivery and access to quality reproductive health and voluntary family planning products through private and commercial sector strategies throughout Nepal. Also included in the project are many other products and services relating to maternal and child health care such as oral rehydration salts and basic drugs.

Overall, USAID/Nepal's health activities aimed to accomplish the following goals:

- Expand access to and the use of quality, voluntary family planning services.
- Reduce child mortality by increasing access to quality selected maternal and child health services.
- Support the efforts of Nepal's Ministry of Health to decentralize health care services from the national to the district level.
- Prevent the spread of and control HIV/AIDS<sup>2</sup> by enhancing the prevention-to-care continuum and treating other sexually transmitted infections among high-risk groups.<sup>3</sup>

USAID/Nepal's Office of Health and Family Planning is responsible for managing the health activities. For the program, the mission had obligated \$33.8 million and disbursed \$31.4 million as of December 31, 2007. For the project, the mission had obligated \$3.8 million and disbursed \$2.4 million as of September 30, 2007.

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<sup>1</sup> The audit did not cover Phase II of the program, a \$30 million cooperative agreement that began in December 2007.

<sup>2</sup> Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome

<sup>3</sup> The audit did not cover services related to HIV/AIDS because it focused on services that were common to the program and the project: family planning and maternal and child health services.

## **AUDIT OBJECTIVE**

The Regional Inspector General/Manila conducted this audit as part of the fiscal year 2008 audit plan to answer the following question:

- Were USAID/Nepal's health activities achieving planned results, and what has been the impact?

Appendix I contains a discussion of the audit's scope and methodology.

# AUDIT FINDINGS

USAID/Nepal's health activities partially achieved their planned results. Of the 15 critical performance indicators selected for review, the audit determined that 5 indicators met and 3 partly met their planned results while 1 did not meet its planned results. Achievement of planned results for the remaining 6 indicators could not be determined because the indicators (1) had targets that were set to be achieved at the completion of the project, (2) lacked targets entirely, or (3) lacked baseline values against which to measure targets.

The audit covered family planning and maternal and child health activities and commodities provided under USAID/Nepal's Nepal Family Health Program Phase I (program) and Nepal Social Marketing and Franchise Project (project) implemented by JSI Research and Training Institute, Inc. (grantee) and Academy for Educational Development (contractor), respectively. The designated cognizant technical officers for the two awards, with the approval of the director of the mission's Office of Health and Family Planning, selected 15 performance indicators—6 from the program and 9 from the project—that they deemed critical to achieving the mission's strategic objective of reducing the fertility rate and protecting the health of Nepalese families. The audit team's review of the 15 critical indicators showed that the weaknesses identified pertained to the Nepal Social Marketing and Franchise Project. Appendix III contains the list of the 15 critical indicators and the results of the review.

Regarding the eight indicators that met or partly met their planned results, the activities achieved an impact that included Vitamin A supplementation coverage and pneumonia treatment. As well, the activities ensured that family planning and maternal and child health commodities were available at health facilities and at the community level, the lowest level of the distribution zone. The audit team visited five activity sites in Morang, Nepal, where activities and commodities provided under the awards were evident, as discussed below.

**Lakantari Sub-health Post** – The Lakantari sub-health post made available to the villagers the seven basic family planning and maternal and child health commodities: antibiotic tablets, condoms, injectable contraceptives, iron tablets, oral contraceptive pills, oral rehydration salts, and Vitamin A tablets. The project ensured that the post was supplied with the seven basic commodities under the indicator "Commodities available at health offices," which measured the percentage of health facilities that maintain availability of seven commodities in core program districts year round. (See photo on next page.)



Office of Inspector General photograph of the Lakantari sub-health post in Morang, Nepal, where seven basic family planning and maternal and child health commodities were made available to the villagers. (June 2008)

**Female Community Health Volunteer’s Home** – Ample supplies of the four basic commodities relating to family planning and maternal and child health were maintained at the home of a female community health volunteer. The project ensured that the volunteer was supplied with the four basic commodities—antibiotic tablets, condoms, oral contraceptive pills, and oral rehydration salts—under the indicator “Commodities available at community level.” This indicator measured the percentage of female community health volunteers who made three or four basic family planning and maternal and child health commodities available to the villagers in core program districts.



Office of Inspector General photograph of the home of a female community health volunteer in Morang, Nepal, where she made available to the villagers four basic family planning and maternal and child health commodities. (June 2008)

**Mamta Medical Hall** – The Mamta Medical Hall is an authorized sangini outlet<sup>4</sup> that offers and administers high-quality family planning products such as the sangini injectable contraceptive to community residents. This service was provided under the project indicator “Number and percentage of outlets offering high quality family planning products and services.”



Office of Inspector General photograph of the Mamta Medical Hall, an authorized sangini outlet, in Morang, Nepal. (June 2008)

**Abhod Narayan Nursery Home** – This home is a private clinic that offers, along with other health care services, high-quality family planning products such as intrauterine devices. The home benefits from the project under the indicator “Number and percentage of outlets offering high-quality family planning products and services.”

For the one indicator that did not meet planned results and the six indicators in which the achievement of planned results could not be determined, the problem was caused by a performance management plan that was not adequately developed and reviewed by both the contractor and the mission. Furthermore, the audit identified other issues such as revisions made to the performance management plan and to the reporting requirements without the mission’s formal approval. These issues are discussed below.

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<sup>4</sup> A sangini outlet is a Government of Nepal-certified medical outlet authorized to provide and administer sangini injectable contraceptives. Sangini is the local brand name of the contraceptive. In Nepali, it means “lady friend.” The certification is granted after a participant successfully completes a 2-day basic training course in the administration of the contraceptive.

## Performance Management Plan Lacked Required Elements

Summary: Contrary to USAID guidance that lists the required elements of a complete performance management plan, the mission-approved performance management plan for the Nepal Social Marketing and Franchise Project (project) was not complete. This occurred because the performance management plan was not adequately developed and reviewed by both the Academy for Educational Development (contractor) and the mission. The absence of some of the required elements resulted in the lack of performance information considered critical for influencing project decisions and making resource allocations.

USAID's Automated Directives System (ADS) 203.3.3.1 lists the required elements of a complete performance management plan. These elements include established baseline values and set targets for indicators used to measure progress. Furthermore, ADS 203.3.4.5 recommends that a mission set targets for the end of a strategic time period, and may set targets for the years in between. One of the approaches to target setting, contained in USAID's Performance Management Toolkit, suggests setting annual performance targets instead of starting with a final performance level and working backward. USAID's TIPS<sup>5</sup> No. 7 states that sufficient detail should be provided on the data collection or calculation method to enable it to be replicated.

The project's mission-approved performance management plan did not include some of the required elements of a complete performance management plan, as shown in the following examples:

**Baseline Values Were Not Established** – Of the nine indicators selected for review, eight did not have baseline values. The baseline measure establishes the reference point for the start of the project period and becomes the formal baseline against which targets are set and future progress is assessed.

**Performance Targets Were Not Set** – Three of the nine selected indicators did not have set targets of any kind; another three indicators had only end-of-project targets. A performance target is the specific, planned level of result to be achieved within a defined timeframe. The lack of annual targets would hinder the mission and/or the contractor in determining whether the indicators were on or behind schedule to achieve planned results over the life of the project, and could prevent prompt identification and resolution of implementation problems.

**Performance Measurements' Methodologies Were Not Clearly Defined** – All nine indicators selected for review lacked clear definitions of how performance would be measured. The ADS states that the description of data collection should be operationally specific enough to enable an objective observer to understand how the raw data are collected, analyzed for meaning, and reported. Sufficient detail should be provided on the data collection or calculation method to enable it to be replicated.

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<sup>5</sup> TIPS are supplemental references to the ADS on how to plan and conduct performance monitoring effectively.

The mission-approved performance management plan was not complete because the plan was not adequately developed and reviewed by both the contractor and the mission. According to the project's cognizant technical officer, the mission-approved performance management plan was essentially the same plan that the previous contractor used to implement the project. The current contractor reviewed the plan and submitted suggestions and changes to the plan. For example, the current contractor changed some of the performance targets to make them achievable. The mission's Office of Health and Family Planning reviewed the plan taking into consideration the current contractor's suggestions and changes before approving it.

The audit team contacted the mission's Office of Program and Project Development to find out about the extent of its involvement in the review of the project's performance management plan as that office would normally be involved in the development of such plans. However, the supervisory program officer informed the audit team that her office was not involved in the review of the plan and that they did not have any documents related to the review. At the audit exit conference, the mission director said that the mission is currently developing procedures that will involve the Office of Program and Project Development in the review of performance management plans.

According to the contractor, the mission provided input into multiple drafts of the performance management plan in order to streamline it. In addition, the mission offered assistance in providing information that was available from the previous contractor. The contractor added that targets were not set for indicators under "intermediate result 4"<sup>6</sup> because those indicators are used internally by USAID managers to measure partner performance. For indicators under "intermediate result 5,"<sup>7</sup> no targets were set because USAID staff routinely monitor those indicators, which are used to guide project implementation. Regarding the indicators with end-of-project targets, the mission reviewed and approved the performance indicators table without setting interim targets. In terms of monitoring progress toward the achievement of indicators with end-of-project targets, the contractor receives periodic reports from its own partners assessing performance, identifying challenges and opportunities, and ensuring progress toward achieving overall project goals.

Nonetheless, the absence of baseline values, performance targets, and clear definitions on how to measure progress for established indicators resulted in the lack of performance information considered critical for influencing project decisions and making resource allocations. This performance information is a key for communicating results achieved or not achieved, and for advancing organizational learning. As a result, this audit makes the following recommendations.

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<sup>6</sup> Intermediate Result 4 pertains to the increased capacity of local partners to design, implement and manage state-of-the-art social marketing and social franchise programs.

<sup>7</sup> Intermediate Result 5 pertains to the increased collaboration between private sector, USAID partners and Government of Nepal public sector health services in family planning and maternal and child health.

*Recommendation No. 1: We recommend that USAID/Nepal provide guidance to the Academy for Educational Development to develop a performance management plan that is compliant with the requirements for a complete performance management plan as contained in USAID's Automated Directives System 203 and other USAID guidance.*

*Recommendation No. 2: We recommend that USAID/Nepal develop and implement procedures requiring the Office of Program and Project Development to review performance management plans submitted by the mission's contractors and grantees for compliance with USAID's Automated Directives System 203, prior to approval by the cognizant technical officers.*

## **Performance Management Plan Was Revised Without Formal Mission Approval**

Summary: The mission was required to approve the performance management plan, which includes the performance indicators. USAID guidance notes that a mission has the authority to approve changes to performance indicators. The Academy for Educational Development made some revisions to the performance management plan without obtaining the mission's formal approval. The problem occurred because the mission did not fully manage the contractor's implementation of the project's activities. As a result, USAID funds may not have been used for mission-approved activities. As well, the mission and the contractor were using two different performance management plans as management tools to monitor the project during its first year of implementation.

The terms of the award required the cognizant technical officer to approve the performance management plan in writing. Furthermore, according to USAID's ADS 203.3.4.7, a mission generally has the authority to approve changes to performance indicators and is responsible for documenting these changes while updating the performance management plan.

The contractor revised the performance management plan without the mission's formal approval. For example, during the first year of implementation of the project, the contractor added 3 new indicators with no set targets to the performance management plan without first obtaining the mission's approval, and then reported on the achievements of these indicators. Compounding the problem was the fact that the 3 new indicators were under intermediate results 4 and 5, which already have a combined total of 17 indicators that had no progress data reported during the project's first year of implementation.

Another example of a change made to the performance management plan without mission approval was the omission of the indicator "Total resources leveraged from the private sector as a result of public/private partnership agreements." This indicator was in the original mission-approved performance management plan under intermediate result 5.

Revisions to the performance management plan without the mission's approval occurred because the mission did not fully manage the contractor's implementation of the

project's activities. The cognizant technical officer for the project stated that he was not aware that the contractor added three new indicators to the plan after it was approved by the mission. He learned about the revisions at a meeting between the mission and the contractor to discuss the indicators and the reporting requirements held on August 15, 2007—more than a year after the project began.

According to the contractor, the mission approved the addition of the three new indicators to the performance management plan during the aforementioned August 15 meeting. He added that these indicators emerged as being relevant indicators of project progress during the project roll-out phase, and it was believed that they succinctly captured the essence of the respective intermediate results.

Adding new indicators to the performance management plan without formal mission approval and implementing the activities under these new indicators may result in USAID funds being diverted from mission-approved activities and not being used for their intended purposes. The fact that the mission and the contractor were using two different performance management plans as management tools in implementing the project during its first year could have caused confusion in the monitoring and reporting aspects of implementation. To address this finding, this audit makes the following recommendation.

*Recommendation No. 3: We recommend that USAID/Nepal formally approve the performance management plan for the Nepal Social Marketing and Franchise Project that results from addressing recommendation no. 1.*

## **Reporting Requirements Were Revised Without Formal Mission Approval**

Summary: Contrary to the contract's requirement that the Academy for Educational Development submit annual results reporting on performance management plan indicators in the plan's summary table, the contractor revised the reporting requirements without the mission's formal approval and did not report on any of the plan indicators. The contractor believed that the revisions were in line with the discussions it had with mission officials relating to the reporting of indicators. As a result, the mission did not manage the performance of the project to achieve the most advantageous results during its first year of implementation.

USAID/Nepal's contract for the project requires the contractor to submit to the mission annual results reporting on performance management plan indicators in the plan's summary table with targets for the next 3 years.

The contractor revised the reporting requirements relating to the performance management plan indicators without obtaining the mission's formal approval. For example, the contractor categorized the indicators into core and supplementary indicators, and reported progress achieved under the core indicators only. Consequently, the contractor reported the achievements of only 2 of the 30 indicators relating to family planning and maternal and child health included in the mission-approved performance management plan. The other achievements reported

were for three new indicators (see page 10), operational plan indicators, and subsets of indicators that were not included in the mission-approved performance management plan.

The reporting requirements were revised without the mission's approval because the contractor believed that the revisions were in line with the discussions it had with mission officials relating to the reporting of indicators. The contractor stated that it met with mission officials on August 15, 2007, more than a year after the project began, and both parties agreed that the core set of indicators would be reported for the project's first year of implementation. The other indicators would be classified as supplementary and would be reported on an ad hoc basis. However, the mission had not formally approved the changes in reporting.

As a result, the mission did not manage the project's performance to achieve the most advantageous results during its first year of implementation. Accordingly, this audit makes the following recommendation.

*Recommendation No. 4: We recommend that USAID/Nepal require Academy for Educational Development to submit to the mission annual results reporting on performance management plan indicators in the performance management plan summary table, as required by the contract.*

# EVALUATION OF MANAGEMENT COMMENTS

In its response to the draft report, USAID/Nepal generally agreed with the findings and recommendations. Based on the Regional Inspector General/Manila's review of the mission's comments, detailed actions, and subsequent supporting documents received, the audit determined that final actions have been taken on Recommendation Nos. 1, 3, and 4 and a management decision has been reached for Recommendation No. 2.

To address Recommendation No. 2, USAID/Nepal stated that it is in the process of preparing and issuing a mission order to implement the performance management plan review procedures called for in the recommendation.

A determination of final action for Recommendation No. 2 will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the planned corrective action.

USAID/Nepal's written comments on the draft report are included in their entirety (without attachments) as appendix II to this report.

# SCOPE AND METHODOLOGY

## Scope

The Regional Inspector General/Manila conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective, which was to determine whether USAID/Nepal's health activities were achieving planned results, and what the impact has been.

The audit covered results achieved in two health activities: (1) Nepal Family Health Program Phase I from January 1 through December 31, 2007 and (2) Nepal Social Marketing and Franchise Project from October 1, 2006 through September 30, 2007. Mission records showed that \$33.8 million had been obligated and \$31.4 million had been disbursed as of December 31, 2007, under the first activity. As of September 30, 2007, \$3.8 million and \$2.4 million had been obligated and disbursed, respectively, under the second activity.

Audit fieldwork was conducted from May 22 through June 10, 2008, in the offices of USAID/Nepal, JSI Research and Training Institute, Inc., and Academy for Educational Development in Kathmandu and Morang, Nepal, where the audit team visited five activity sites.

In conducting this audit, we reviewed and assessed the significant internal controls developed and implemented by the mission to manage and monitor the activities. The assessment included internal controls related to whether the mission (1) reviewed progress and financial reports submitted by the implementers, (2) conducted and documented periodic meetings with the implementers, (3) performed and documented visits to the activity sites, and (4) developed and implemented policies and procedures to safeguard the assets and resources of the activities. Further, we determined whether the mission prepared an assessment of its internal controls and reported it in its Federal Managers' Financial Integrity Act report for fiscal year 2007.

## Methodology

To answer the audit objective, we reviewed (1) the award instruments that the mission awarded to the implementers, including modifications to these instruments; (2) performance management plans; (3) annual work plans; (4) progress and financial reports; and (5) the mission's Federal Managers' Financial Integrity Act report for fiscal year 2007. We also interviewed responsible officials and staff from the mission and the implementers' offices.

To review the activities' accomplishments reported during the defined audit period, we verified the accuracy, appropriateness, and sufficiency of the documentation supporting the reported progress data. We considered every exception we identified as a reportable condition.

# MANAGEMENT COMMENTS



## MEMORANDUM

**TO:** Catherine M. Trujillo, Regional Inspector General/Manila,

**FROM:** Beth Paige, Mission Director, USAID/Nepal

**DATE:** September 12, 2008

**SUBJECT:** USAID/Nepal Management Comments on Draft Audit Report of USAID/Nepal's Health Activities (Report No. 5-367-08-00X-P)

**REFERENCE:** Audit Report No. 5-367-08-00X-P, August 15, 2008

USAID/Nepal wishes to thank the Regional Inspector General for the professional and constructive manner in which this audit was performed. The Mission agrees that implementation of the audit recommendations will improve the effectiveness of the Mission's Health activities and the efficiency of Mission operations.

Based upon the draft audit report and guidance provided by the RIG at the audit exit conference, the Mission took immediate action to implement the four recommendations contained in the report. Our comments under Recommendation 1 delineate the specific actions taken to comply with Recommendations 1, 3 and 4. On the basis of these actions, the Mission requests that these three recommendations be closed upon issuance of the audit report.

The Mission has also made a Management Decision to prepare and issue a Mission Order to implement the Performance Management Plan review procedures called for in Recommendation 2 and is in the process of doing so. The Mission requests that this Management Decision be accepted upon issuance of the audit report.

***Recommendation No. 1: We recommend that USAID/Nepal provide guidance to the Academy for Educational Development to develop a performance management plan that is compliant with the requirements for a complete performance***

*management plan as contained in USAID's Automated Directives System 203 and other USAID guidance.*

USAID/Nepal concurs with this recommendation and has taken the actions noted below to resolve this recommendation, as well as, recommendations three and four. The USAID Cognizant Technical Officer (CTO) and the Senior Public Health Technical Advisor had a series of meetings with the Resident Advisor of the Academy for Educational Development for the AED/N-MARC activity to provide guidance, and approve the Performance Management Plan (PMP) for AED/N-MARC.

- In late May AED/N-MARC undertook a PMP review process as a result of joint meetings with RIG auditors, the USAID CTO and AED/N-MARC staff.
- On June 20, 2008 USAID/Nepal requested AED/N-MARC to provide an updated version of the PMP based on the ADS 203 guidance provided by the USAID CTO.
- On June 26, 2008 AED/N-MARC submitted a draft PMP which was jointly reviewed by AED/N-MARC and USAID.
- On June 27, 2008 USAID/Nepal met with AED/N-MARC to strengthen the specific definition of PMP indicators in accordance with the requirements of ADS 203. Based on RIG's preliminary audit findings, USAID/Nepal also requested AED/N-MARC to prepare Performance Indicator Reference Sheets (PIRS) for each indicator to support the PMP results data.
- On July 3, 2008 AED/N-MARC submitted another draft of the PMP which included the recommendations made by USAID/Nepal on June 27, 2008 and explained the rationale for the proposed revisions. AED/N-MARC also submitted a draft PMP Tracking Sheet that would be used for tracking annual progress against the PMP indicators.
- On July 8, 2008 USAID provided email comments on the documents submitted on July 3, 2008 by AED/N-MARC. These comments were incorporated into the documents prepared by AED/N-MARC for submittal to USAID.
- On July 29 AED/N-MARC submitted three documents for approval to USAID/Nepal. These documents were: Overview of revisions to N-MARC PMP; N-MARC PIRS; and the N-MARC PMP Tracking Sheet.
- On July 31, 2008 USAID/Nepal and AED/N-MARC met to review the three documents submitted. USAID provided detailed comments to AED/N-MARC on the PIRSs to ensure consistency and compliance with ADS 203.

- On August 4, 2008 the final Performance Management Plan was received by USAID from AED/N-MARC.
- On September 9, 2008 the USAID/Nepal CTO provided USAID/Nepal's approval to AED/N-MARC of its PMP.

Based on the actions taken above to address this recommendation, the Mission requests that this finding be closed upon issuance of the audit report.

***Recommendation No. 2: We recommend that USAID/Nepal develop and implement procedures requiring the Office of Program and Project Development to review performance management plans submitted by the mission's contractors and grantees for compliance with USAID's Automated Directives System 203, prior to approval by the cognizant technical officers.***

USAID/Nepal concurs in this recommendation and has made a Management Decision to prepare and issue a Mission Order to implement the Performance Management Plan review procedures called for in this recommendation and is in the process of doing so.

The Mission requests that this Management Decision be accepted upon issuance of the audit report.

***Recommendation No. 3: We recommend that USAID/Nepal formally approve the performance management plan for the Nepal Social Marketing and Franchise Project that results from addressing recommendation no. 1.***

As delineated in the response to Recommendation No. 1, the Mission has provided comprehensive guidance to AED/N-MARC, has worked with AED to ensure that its' PMP meets ADS 203 requirements and has provided formal approval of the PMP.

Based on the actions taken above to address this recommendation, the Mission requests that this finding be closed upon issuance of the audit report.

***Recommendation No. 4: We recommend that USAID/Nepal require Academy for Educational Development to submit to the mission annual results reporting on performance management plan indicators in the performance management plan summary table, as required by the contract.***

As noted in the detailed response to Recommendation No. 1 in approving AED/N-MARC's Performance Management Plan, USAID/Nepal required that AED/N-MARC incorporate the PMP into its annual work plans. Specifically, USAID/Nepal required AED/N-MARC to prepare and support their semi-annual and annual report narrative with the PMP indicator results. The USAID/Nepal CTO will monitor

implementation of AED/N-MARC's work plans to ensure PMP indicators are reported by AED/N-MARC in their semi-annual and annual reports to USAID.

Based on the actions taken above to address this recommendation, the Mission requests that this finding be closed upon issuance of the audit report.

### List of 15 Critical Indicators and Results of Review

Indicator No.	Selected Program <sup>1</sup> Indicators	Target	1/1/07--12/31/07 Actual	OIG Test Results	Percent Achieved	Target Met
1	Commodities available at health facilities	75%	78%	78%	104%	Yes
2	Commodities available at community level	60%	61%	61%	102%	Yes
3	Pneumonia treatment	272,966	242,311	242,311	89%	Partly Met
4	Couple Years of Protection in Core Program Districts	815,252	774,248	774,132	95%	Partly Met
5	Couple Years of Protection (National)	1,677,000	1,564,819	1,564,853	93%	Partly Met
6	Vitamin A supplementation coverage	≥ 90%	98%	98%	109%	Yes

Indicator No.	Selected Project <sup>2</sup> Indicators	Target	10/1/06--9/30/07 Actual	OIG Test Results	Percent Achieved	Target Met
7	Annual Couple Years of Protection, Private Sector	284,073	289,835	281,793	99%	Yes
	• Oral contraceptives	11%	11%	11%	100%	
	• Condoms	10%	17%	17%	170%	
8	Number and percentage of outlets offering high quality family planning products and services	End-of-project target	None reported	None	None	Could not determine <sup>3</sup>
		End-of-project target	None reported	None	None	
		End-of-project target	None reported	None	None	
9	Percent of target groups who recall hearing or seeing specific family planning or reproductive health messages from N-MARC related communication campaign	End-of-project target	None reported	None	None	Could not determine <sup>3</sup>
10	Impact of N-MARC interventions on the "Total Market" for maternal and child health products and services	None	937,977	937,977	None	Could not determine

APPENDIX III

Indicator No.	Selected Project <sup>2</sup> Indicators	Target	10/1/06--9/30/07 Actual	OIG Test Results	Percent Achieved	Target Met
11	Number and percentage of outlets offering high-quality maternal and child health products and services	End-of-project target	None reported	None	None	Could not determine <sup>3</sup>
12	Percentage of franchised health providers that meet minimum quality of care standards	50%	59%	59%	118%	Yes
13	Percent of target groups who recall hearing or seeing specific maternal and child health messages from N-MARC related behavior change intervention campaigns	50%	None reported	0%	0%	No
14	Project objectives, results, and targets met or accomplished	None	None reported	None	None	Could not determine
15	Number and/or quality of policy incentives created to increase private sector participation in reproductive health or family planning service delivery	None	None reported	None	None	Could not determine

1 Nepal Family Health Program Phase I

2 Nepal Social Marketing and Franchise Project

3 Annual targets could not be determined as only end-of-project targets were set.

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