USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID Mission for the Caucasus' Monitoring of American International Health Alliance's Performance in Georgia

Audit Report No. B-123-03-001-P

December 11, 2002

U.S. Agency for International Development
Budapest, Hungary

December 11, 2002

MEMORANDUM

FOR: USAID Mission for the Caucasus, Mission Director, Michael Farbman

FROM: Director of Audit Operations, RIG/Budapest, Nathan S. Lokos

SUBJECT: Audit of USAID Mission for the Caucasus' Monitoring of American International Health Alliance's Performance in Georgia (Report No. B-123-03-001-P)

This is our final report on the subject audit. In preparing the report, we considered your comments on the draft report and included them in their entirety in Appendix II.

This audit was designed to test USAID Mission for the Caucasus' (USAID/Caucasus or Mission) monitoring of American International Health Alliance's (AIHA) performance in Georgia. We found that USAID/Caucasus was adequately monitoring AIHA's performance; however, we also identified monitoring and reporting aspects that could be strengthened. Therefore, this report contains three recommendations. Final action has been taken on all three of these recommendations upon issuance of this report.

I want to express my sincere appreciation for the cooperation and courtesy extended to my staff during this audit.

Table of Contents

Summary of Results 3

Background 3

Audit Objective 5

Audit Findings 5

Did the USAID Mission for the Caucasus monitor American International Health Alliance's performance to ensure that intended results were achieved in Georgia?

USAID/Caucasus Needs to Obtain and Approve AIHA's Monitoring and Evaluation Plan 7

USAID/Caucasus Needs to Assess and Plan for Future Performance Monitoring Site Visits 9

USAID/Caucasus Needs to Obtain Financial Status Reports from AIHA 12

Management Comments and Our Evaluation 13

Appendix I - Scope and Methodology 14

Appendix II - Management Comments 16

Summary of Results

This audit was designed to assess the U.S. Agency for International Development Mission for the Caucasus' (USAID/Caucasus or Mission) monitoring of American International Health Alliance's (AIHA) performance in Georgia.

We found that USAID/Caucasus was adequately monitoring AIHA's performance. Moreover, we determined that sites and activities— including primary health care clinics, the blood bank, infectious control center, health management education center and women's wellness center opened through AIHA and USAID/Caucasus cooperation— were in existence, operating as reported, and staffed by enthusiastic, well-trained Georgian health professionals (see pages 5-6). However, we did determine that USAID/Caucasus should strengthen its monitoring by:

- obtaining and approving AIHA's monitoring and evaluation plan (see pages 7-9);
- assessing and planning for future performance monitoring site visits (see pages 9-12); and
- modifying the cooperative agreement to properly notify AIHA to supply financial status reports (see pages 12-13).

USAID/Caucasus officials agreed with the appropriateness of the findings and recommendations of this report and have taken action to address them. Consequently, all three recommendations are considered to have final action upon issuance of this report.

Background

USAID conducts assistance programs around the world. In order to implement these programs, USAID relies on the services of large institutional partners (grantees, awardees or contractors). Oftentimes, the same partner can be found to be implementing simultaneous programs in several countries within the same USAID geographical region. One such partner is the American International Health Alliance (AIHA). Since 1992, AIHA and USAID have collaborated in a public-private partnership between American health care providers, educators and leaders to improve health care services in 22 nations of Central and Eastern Europe (CEE) and the Newly Independent States of the former Soviet Union (NIS).

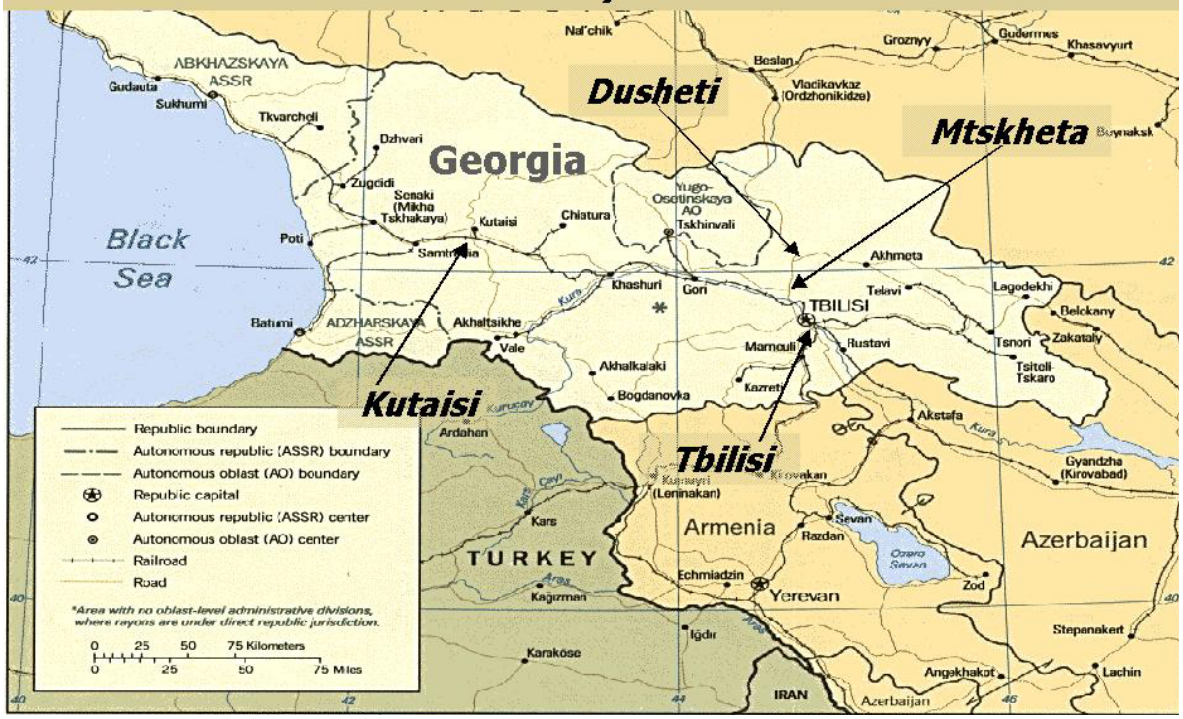
On September 30, 1998, USAID awarded an unfunded basic agreement to AIHA. USAID subsequently funded six sub-

agreements awarded to AIHA under that basic agreement. One of these sub-agreements (Cooperative Agreement No. EE-A-00-98-00017-00) awarded $19.6 million (Total Estimated Cost) to AIHA to implement the U.S./NIS Health Partnership Program in the Caucasus (Armenia, Azerbaijan, and Georgia). Of this amount, USAID obligated $6.3 million to support AIHA's activities in Georgia.

AIHA establishes partnerships that are voluntary and community-based, in which the U.S. community's health-related institutions are paired with similar institutions in a community in the NIS or CEE to further USAID strategic objectives. AIHA's NIS Health Partnership Program in Georgia is designed to support the USAID/Caucasus' effort to foster more effective and efficient delivery of health services in Georgia. As of December 2001, AIHA had established five partnerships in Georgia implementing activities at 12 sites in seven communities—Batumi, Dusheti, Kazbegi, Kutaisi, Mtskheta, Tbilisi, and Telavi. These partnership activities are in the following areas:

- health management education,
- infection control and health communication,
- healthy communities and women's health
- blood bank services, and
- community-based primary health care.

Cities With American International Health Alliance NIS Partnership Activities Visited by OIG Audit Team



Audit Objective

As part of its Fiscal Year 2002 Audit Plan, the USAID Office of Inspector General (OIG) included a series of audits examining USAID's monitoring of a large institutional partner implementing USAID-funded activities in several countries within the Europe and Eurasia Region. The American International Health Alliance (AIHA) met these criteria. Accordingly, USAID/Caucasus' monitoring of AIHA's USAID-funded activities was selected for audit. The OIG performed this audit to answer the following question:

> **Did the USAID Mission for the Caucasus monitor American International Health Alliance's performance to ensure that intended results were achieved in Georgia?**

The scope and methodology of this audit are detailed in Appendix I.

Audit Findings

Did the USAID Mission for the Caucasus monitor American International Health Alliance's performance to ensure that intended results were achieved in Georgia?

We found that USAID/Caucasus was adequately monitoring AIHA's performance to ensure that intended results were achieved in Georgia. However, USAID/Caucasus does need to strengthen certain procedures regarding:

1. the approving of AIHA's monitoring and evaluation plan,
2. assessing and planning future site visits, and
3. obtaining financial information from AIHA.

Nevertheless, USAID/Caucasus did review and approve health partnership work plans and approved the designation of key positions and key personnel. The Mission also concurred with all of the underlying health partnerships and participated in AIHA's health clinic openings and conferences. In our opinion, this monitoring helped to ensure that intended results were being achieved.

During the audit, OIG auditors made site visits throughout Georgia to test activities at eight partnership locations associated with the cooperative agreement between AIHA and USAID/Caucasus. While on these site visits, we determined that sites and activities—including primary health care clinics, the blood bank, infectious control center,

health management education center and women's wellness center opened through AIHA and USAID/Caucasus cooperation— were in existence, operating as reported, and staffed by enthusiastic, well-trained Georgian health professionals. Moreover, several of the clinic's staff were trained to use modern equipment and diagnostic treatments under this USAID sponsored activity. (see photographs 1 and 2 below and on page 7)

We found that the Mission's monitoring of AIHA's activities was generally effective. USAID/Caucasus staff was well informed about AIHA's successes and challenges, had visited most sites, and had a strong working relationship with the AIHA/Georgia staff. Nevertheless, we identified certain monitoring and reporting elements that could be strengthened. The following sections discuss these issues in detail.

Photograph 1 Ultrasound machine in renovated Kutaisi Women's Wellness Center. Georgian medical staff received training in the use of this equipment in both the U.S. and Georgia.

Photograph 2 These machines were inspected during RIG/Budapest testing of inventory during our site visit. Apheresis machines are highly specialized machines used to separate platelets from other blood components at the AIHA and USAID sponsored Tbilisi Blood Bank.

USAID/Caucasus Needs to Obtain and Approve AIHA's Monitoring and Evaluation Plan

USAID planning guidance, ADS Section 201.3.4.13, states that managing performance requires access to useful and timely information. Currently, USAID/Caucasus receives a variety of useful performance information from AIHA, information that we believe is generally sufficient to properly manage the performance of this activity. However, USAID/Caucasus has not yet received and approved AIHA's final monitoring and evaluation plan. (M & E Plan) According to the cooperative agreement, AIHA's M & E Plans must be approved by USAID. Nevertheless, at this time—four years into this activity—no formal approved M & E Plan exists.

Both USAID and AIHA officials asserted that the poor economic conditions in Georgia led to emphasis being placed on getting the activities "up and running" with trained staff, constant and safe electric and water supplies, and needed equipment and supplies. (see photograph 3.)

Photograph 3 This AIHA and USAID sponsored generator was an essential piece of equipment for the Mtshketa primary health care center since the city is frequently without electric power.

These actions took precedence over the development of a formal M & E Plan. However, poor economic conditions and deprivation are common in developing countries and make the success of development activities—a success which is fostered by having a thoughtfully designed M & E plan—all that more crucial. We believe that the required plan was not developed and approved due to a combination of three factors:

1. USAID/Caucasus' Office of Humanitarian Response (OHR) was shorthanded[1];
2. time was instead spent developing alternative monitoring procedures; and
3. AIHA had continually reported that it was developing an M & E plan for submission.

As stated above, we believe the Mission is generally receiving much of the information necessary to properly manage this activity. However, in the absence of a final approved monitoring and evaluation plan defining AIHA's reporting requirements, AIHA is not systematically reporting some performance information that could benefit the Mission. For example, the Mission has recently

1.) It should be noted that the OHR has recently received permission to increase its staff and has advertised a position for an assistant in the health component of the OHR. This should help address the staffing issue mentioned above.

approved a "Georgia Health Action Plan" (GHAP) for its Office of Humanitarian Response. We believe it would be extremely beneficial to the Mission for AIHA to systematically track and report on its progress against the goals, objectives and indicators contained in that plan.

AIHA's cooperative agreement—EE-A-00-98-00017-00—requires that a monitoring and evaluation plan be approved by USAID. Furthermore, both AIHA and USAID/Caucasus have expressed their desire to develop and approve a monitoring and evaluation plan. Nevertheless, although the agreement was signed on September 30, 1998, a final monitoring and evaluation plan has not been approved. We are making the following recommendation to address this situation.

> **Recommendation No. 1: We recommend that USAID/Caucasus require that American International Health Alliance submit a monitoring and evaluation plan for Mission Concurrence, as soon as possible. This plan should incorporate agreed-upon performance measures.**

USAID/Caucasus Needs to Assess, Plan, and Document Future Performance Monitoring Site Visits

USAID guidance requires that Cognizant Technical Officers make field site visits to Mission activities. USAID/Caucasus internal guidance also recognizes the importance of site visits as an essential monitoring tool. Moreover, both that internal guidance and U.S. Government internal control standards require that important events—such as site visits—be properly documented.

We found that, although some site visits had been made, Mission officials indicated that they were unable to make timely and appropriate oversight visits. Furthermore, we found that—even when these visits were made—they were not adequately documented. USAID/Caucasus staff stated that these conditions occurred because of a lack of staff and the fact that a great deal of time had been spent on other priorities. As a result, the Mission faces greater risk to the success of its activities.

Both USAID guidance and USAID/Caucasus' Mission Order for performance monitoring acknowledge the importance of documented site visits in the monitoring of USAID activities. For example, USAID's Automated Directives System (ADS) section E303.5.13 states that site visits are an important part of effective award

management. Similarly, ADS section 303.3.4.c indicates that the responsibilities of the Cognizant Technical Officer include monitoring and evaluating the recipient and the recipient's performance by maintaining contact through site visits. In addition, USAID/Caucasus Mission Order No. 203 lists site visits as one of the tools available to activity managers and further states that managers are responsible for verifying reported data through independent sources to the extent possible. Finally, this Mission Order specifically requires that site visits (and other important conversations, meetings, etc.) be documented by the manager to record progress, status, problems, and successes.

We found that while USAID/Caucasus staff did visit sites, they did not visit as often as they would have liked. According to Mission officials, this situation occurred because a great deal of time was invested in developing the Georgia Health Action Plan and in focusing on several specific health initiatives—including tuberculosis, human immunodeficiency virus, and women's health issues. In fact, the Mission's fall portfolio review, conducted in September 2001, noted that:

> *[This] team has more programs than any other team and implements them with fewer staff. However, since its programs are nationwide and in individual communities, it was felt that the* ***program management burden prevented staff from conducting timely and appropriate oversight visits****.* (emphasis added)

In the absence of timely and appropriate site visits, the Mission faces greater risk to the success of its activities because it must rely on development partners for more and more performance results reporting with less ability to assess, verify and validate the accuracy of that data. Moreover, the Mission also loses the opportunity to better understand its partner's performance and to revalidate customer needs.

During the audit, we also noted that when site visits were made, they were not appropriately documented. For example, while discussing the future of the Women's Wellness Center in Kutaisi, USAID/Caucasus staff stated that they had accompanied Caucasus partners and AIHA/Caucasus staff in the spring/summer of 2001 to all operating partnership facilities. The stated purpose of these visits was to try and determine which activity sites should be continued under the recent cooperative agreement extension. We stated that this was an important example of USAID/Caucasus monitoring and

asked to see the trip reports resulting from this exercise. But no documentation of these important site visits was available—which, Mission officials indicated, resulted from their focusing on priorities other than the summarizing of such visits.

It is important to note that extensive interviews of USAID/Caucasus staff produced a wealth of knowledge about the actual functioning of the clinics. However, without adequate documentation, if these knowledgeable staff were to depart, important institutional knowledge would leave with them.

Site visits are important, because they—among other things—provide the opportunity to observe partner performance, validate reported information, and determine whether USAID-financed commodities and equipment are being used as intended. We recognize that the Mission is faced with a daunting challenge: the USAID/Caucasus-AIHA Cooperative Agreement is being implemented in Georgia through five underlying partnership agreements associated with numerous main and satellite facilities, including a blood bank, a women's wellness center, a primary care health facility, a health management education center and an infectious disease control facility. Moreover, sponsored facilities exist throughout Georgia in Tbilisi, Mtskheta, Batumi, Telavi, Kazbegi and Dusheti. Monitoring activities in these diverse settings is a difficult logistical problem, especially with funding, staff and other resource constraints.

In our opinion, given the constraints facing the Mission, an efficient and effective way of programming field site visits would be to conduct such visits based on the risks posed by each site's activities. In doing this, among other factors, the Mission would assess the risk that it faces in both (1) the various elements of a development partner's performance (e.g., nature of activity, reporting, managing of commodities, coordination with host country partners) and (2) activity locations. Mission staff would then program a number of field site visits, with the majority of those visits focusing on higher-risk partners, functions and locations.

Without performing and documenting site visits, USAID/Caucasus has to rely on development partners for more performance results reporting with less ability to verify and validate the accuracy of the data they report. In addition, the Mission loses the ability to better understand the partner's performance and the need to revalidate expectations of important customer groups. Finally, without formally documenting site visits, important matters may not be available to USAID management; staff turnover can result in lost

activity data such as status, problems, and refined goals. Accordingly, we are making the following recommendation.

> **Recommendation No. 2: We recommend that USAID/Caucasus develop a field site visit plan for its American International Health Alliance activities based on a risk assessment of its portfolio. In addition, any approved site visit plan should stipulate that a brief trip report recording the purpose and results of the trip be properly documented.**

USAID/Caucasus Needs to Obtain Financial Status Reports from AIHA

Monitoring the financial status of an activity is an important Cognizant Technical Officer (CTO) function. In fact, USAID/Caucasus' Agreement Officer wrote AIHA's CTO a memorandum which stressed that the "[CTO] must continuously monitor the financial status of the award…." However, AIHA is paid for activities under this cooperative agreement through a Federal Reserve Letter of Credit. Such payments to AIHA are processed by the U.S. Department of Health and Human Services based on Financial Status Reports submitted by AIHA. AIHA has not been sending copies of these reports to the USAID/Caucasus-based CTO.

To address such situations, the Office of Procurement issued Contract Information Bulletin 00-10, dated December 2000, which dealt with financing through letters of credit. This Bulletin instructed Contracting Officers to amend existing agreements by including the following language:

> *In accordance with 22 CFR 226.52, the SF 269 and SF 272 are required on a quarterly basis. The recipient shall submit these forms in the following manner:*
>
> *The SF 272 and SF 272a (if necessary) must be submitted via electronic format to the U.S. Department of Health and Human Services (http://www.dpm.psc.gov) within 45 days following the end of each quarter. A copy of this form shall also be submitted at the same time to the Cognizant Technical Officer.*

The SF 269 or SF 269a (as appropriate) must be submitted to the Cognizant Technical Officer.

However, USAID/Caucasus never amended AIHA's agreement to require the submission of Financial Status Reports to the USAID/Caucasus CTO. In our opinion, this lack of timely financial information has made it more difficult for the CTO to properly monitor the financial status of the agreement. Moreover, without the consistent delivery of this report, USAID/Caucasus reports that it has had difficulty reporting accurate accruals. Accordingly, we are making the following recommendation.

Recommendation No. 3: We recommend that USAID/Caucasus issue an administrative modification to the American International Health Alliance Cooperative Agreement requiring timely and consistent submission of a copy of the Standard Form 269a to USAID/Caucasus' Cognizant Technical Officer.

Management Comments and Our Evaluation

USAID/Caucasus officials agreed with the appropriateness of the findings and recommendations of this report and have taken the final action necessary to address them. Their comments are included verbatim as Appendix II of this report.

Scope and Methodology

Scope

The Office of the Regional Inspector General/Budapest conducted an audit, in accordance with generally accepted government auditing standards, to determine if USAID Mission for the Caucasus (USAID/Caucasus) monitored American International Health Alliance's (AIHA) performance in Georgia. Our audit was limited to evaluating USAID/Caucasus monitoring of AIHA's performance in Georgia under cooperative agreement number EE-A-00-98-00017-00 from September 30, 1998 through December 31, 2001. Our audit did not include an assessment of AIHA activities in Armenia and Azerbaijan. As of December 31, 2001, USAID/Caucasus obligated $6.3 million and expended $4.2 million in support for AIHA activities in Georgia. The audit was conducted at USAID/Caucasus and AIHA offices in Tbilisi, Georgia, and at eight AIHA partnership activity sites in Dusheti, Kutaisi (3), Mtskheta and Tbilisi (3), Georgia. Our fieldwork was performed from March 26, 2002 through May 17, 2002.

Methodology

Specifically, the audit objective was to determine if USAID/Caucasus monitored AIHA's performance to ensure that intended results were achieved in Georgia. To answer our audit objective we also examined the management/internal controls at USAID/Caucasus. To do this we reviewed:

1. USAID/Caucasus' strategic planning, program implementation and financial documents;
2. USAID/Caucasus' guidance and internal control assessments required under the Federal Managers' Financial Integrity Act (FMFIA);
3. external evaluations and assessments of USAID/Caucasus' program activities; and
4. progress and activity reports prepared by USAID/Caucasus and AIHA officials.

We also obtained and analyzed criteria applicable to this audit contained in:

1. ADS Chapters 200, 201, 202, and 203;
2. project implementation letters;
3. cooperative agreements EE-A-00-98-00033-00 and EE-A-

00-98-00017-00, as amended;

4. USAID/Caucasus Mission Orders; and
5. other applicable guidance.

Finally, we interviewed key officials at USAID/Caucasus, AIHA, and intended beneficiaries. We also conducted field trips to selected activity sites in Georgia to observe project implementation, inspect USAID–funded property and equipment, verify reported information, and assess the effectiveness of USAID/Caucasus and AIHA monitoring of performance and progress towards accomplishment of program results and strategic objectives. The eight AIHA Partnership activities visited were selected judgmentally.

Management Comments

DATE: November 22, 2002

TO: Mr. Nathan Lokos, Director of Audit Operations
RIG/Budapest

FROM: Mr. Michael Farbman, Mission Director /s/

SUBJECT: Audit of USAID/Caucasus' Monitoring of American International Health Alliance's Performance in Georgia (Report No. B-123-02-00X-P)

USAID/Caucasus appreciates the comprehensive work done by the audit team. The recommendations are appropriate. We are confident that the corrective action taken will improve the results of this activity as well as provide useful guidance for improving the monitoring of other programs currently being implemented.

- Response to Recommendation No. 1:

A USAID-approved monitoring and evaluation plan incorporating agreed-upon performance measures and targets is now in place. AIHA submitted a revised Monitoring and Evaluation Plan to USAID/Caucasus on October 19, 2002. After thorough review by Strategic Objective Team 3.1, the Cognizant Technical Officer (CTO) for the AIHA cooperative agreement provided provisional concurrence (letter dated November 15, 2002), pending receipt of detailed Indicator Reference Sheets and targets. Final concurrence was provided by the CTO on November 22, 2002 after receipt of the requested documents. Please consider the finding and recommendation closed.

A footnote on page 18 of the audit report notes that the Office of Humanitarian Response had recently received permission to increase its staff. An additional FSN health specialist was hired in August 2002. This is further helping the health section to better monitor activities and to implement the quarterly monitoring schedule.

- Response to Recommendation No. 2:

A risk assessment has been completed for the AIHA partnerships. Based on this risk assessment, which stipulates a higher frequency of monitoring for those partnerships evaluated as having a higher risk, a monitoring schedule is now prepared for each quarter. The schedule stipulates that a trip report must be filed to document each monitoring trip.

This requirement for written monitoring reports implements USAID/Caucasus Mission Order 203 (May 3, 2002), Managing for Results (Performance Monitoring), that requires written documentation of monitoring trips.
Please consider the finding and recommendation closed.

- Response to Recommendation No. 3:

A modification (No. 9) was executed by the Agreement Officer on June 25, 2002, that required the timely and consistent submission of SF-269a to USAID/Caucasus in accordance with CIB 00-10. The Mission now receives SF-269a on a quarterly basis.
Please consider the finding and recommendation closed.

The Mission appreciates the cooperation and assistance provided by the auditors.