



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/ZAMBIA'S HIV PREVENTION ACTIVITIES

AUDIT REPORT NO. 4-611-15-001-P  
FEBRUARY 20, 2015

PRETORIA, SOUTH AFRICA



*Office of Inspector General*

February 20, 2015

**MEMORANDUM**

**TO:** USAID/Zambia Mission Director, Susan Brems

**FROM:** Regional Inspector General/Pretoria, Sarah E. Dreyer /s/

**SUBJECT:** Audit of USAID/Zambia's HIV Prevention Activities (Report No. 4-611-15-001-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments on the draft and included them in their entirety in Appendix II. This report includes seven recommendations to help USAID/Zambia strengthen its HIV prevention activities.

The mission agreed with all seven recommendations. According to the information provided in response to the draft report, the mission made management decisions on all seven with final action taken on Recommendations 2, 3, 5, 6, and 7.

Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action on Recommendations 1 and 4.

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

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## Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
COR	contracting officer’s representative
FY	fiscal year
JSI	John Snow Inc.
PEPFAR	President’s Emergency Plan for AIDS Relief
PRISM	Partnership for Integrated Social Marketing
PSI	Population Services International
RIG	Regional Inspector General
SHARe II	Support to the HIV/AIDS Response in Zambia
ZPI	Zambia-led Prevention Initiative

# SUMMARY OF RESULTS

Zambia has one of the highest rates of HIV/AIDS in the world. According to UNAIDS, in 2012 the prevalence among people between 15 and 49 years old living with HIV/AIDS in the country was 12.5 percent, a 4 percentage point reduction from a high of 16.5 percent in 2003. The main factors that contribute to the spread of the virus include low circumcision rates among men, low and nonuse of condoms among sexually active people, multiple sexual partners, and high-risk groups that engage in risky behaviors.

USAID/Zambia aligned its HIV prevention goals with those of the Zambian Government’s, which aimed to reduce the rate of new HIV infections by 50 percent and the number of babies born to HIV-infected mothers to less than 5 percent by 2015. To help reach these goals, the mission’s prevention program focused on preventing mother-to-child transmission of HIV/AIDS and providing circumcisions, condoms, and HIV testing and counseling services to the Zambian people.

The Regional Inspector General (RIG)/Pretoria conducted this audit to determine whether USAID/Zambia’s HIV prevention activities were preventing the spread of HIV effectively in the country. The table below lists the three projects we chose to include in the scope of the audit. It covered HIV prevention activities implemented during fiscal year (FY) 2013 and the first and second quarters of FY 2014. In FY 2013 USAID obligated \$24.5 million and disbursed \$24.4 million to these implementers for the President’s Emergency Plan for AIDS Relief (PEPFAR) activities. An additional \$20.8 million was obligated for spending in FY 2014, with \$30.3 million disbursed as of August 31, 2014.

**Audited Projects (Amounts Unaudited)**

<b>Implementer</b>	<b>Project Description</b>	<b>Amounts (\$ Million)</b>	<b>Task Order Dates</b>
Population Services International (PSI)	The Partnership for Integrated Social Marketing (PRISM) project conducted social marketing for health services and products related to HIV prevention, family planning, malaria, and maternal and child health. The project also provided testing, counseling, and circumcision services to prevent HIV infection.	73.2	8/2009 to 9/2014
FHI 360	The Zambia-led Prevention Initiative (ZPI) sought to reduce HIV transmission in Zambia by increasing the use of community-level interventions and providing technical leadership and expertise on comprehensive, effective, community-based prevention efforts.	39.7	8/2010 to 12/2014
John Snow Inc. (JSI)	The Support to the HIV/AIDS Response in Zambia (SHARe II) project’s goals are to strengthen Zambia’s multisectoral response to HIV/AIDS and to reduce the impact of HIV/AIDS. SHARe II works through coalitions and partnerships with the National HIV/AIDS/STI/TB Council and other stakeholders to support Zambia’s HIV/AIDS response.	30.0	11/2010 to 11/2015

The audit determined that the mission’s prevention activities were meeting their intended goal of helping prevent the spread of HIV in Zambia. In 2012 UNAIDS reported that investments such

as those USAID made helped decrease the number of people acquiring HIV by 58 percent from 2001 to 2011, and similar investments continue to reduce HIV in Zambia.

To reduce the rate of new HIV infections, USAID/Zambia worked with the government to make sure condoms were readily available. A mission official said male condoms supplied through PSI's PRISM project made up about 50 percent of all condoms distributed in Zambia. In addition, through USAID's assistance, voluntary medical male circumcision services were made accessible to Zambians, and 175,000 men were circumcised, compared with a target of 30,000. Furthermore, USAID projects made HIV counseling and testing services available to Zambians, exceeding a target of 1,277,500 by reaching 1,291,121 people.

JSI's SHARe II project worked with 52 employers in Southern Province<sup>1</sup> to train more than 3,000 hospitality workers and commercial sex workers on HIV prevention. Together with FHI 360's ZPI, the project helped community and religious leaders learn about HIV/AIDS and how to communicate about preventing it.

However, despite these accomplishments, the audit found some problems that should be addressed:

- Selected HIV prevention activities overlapped (page 4). Several implementers were conducting the same activities.
- The mission's condom distribution strategy did not work (page 5).
- The mission did not monitor some of its HIV projects adequately (page 6).
- Inventory controls and storage conditions at PSI warehouses were poor (page 7).

To strengthen USAID/Zambia's HIV prevention activities, the audit recommends that the mission:

1. Implement a coordination strategy for its HIV program to help implementers avoid duplicating activities (page 5).
2. Review the implementation strategy of its PRISM project and make changes to its community-based distribution program (page 6).
3. Analyze the competing demands on contracting officer's representatives' (CORs') time and implement solutions to make sure it has sufficient resources to perform fundamental oversight tasks (page 7).
4. Require its CORs to complete USAID's records management training course and update project files to include the required documents (page 7).
5. In collaboration with PSI, implement procedures to improve the tracking of HIV commodities, which includes using stock cards for all commodities stored in its warehouses (page 8).
6. In collaboration with PSI, implement cost-effective procedures to address the environmental hazards in its central warehouse in Lusaka (page 9).

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<sup>1</sup> Zambia is divided into ten provinces.

7. In collaboration with PSI, implement procedures to improve the legibility of lot numbers and expiration dates stamped on commodities (page 9).

Detailed findings appear in the following section, and the scope and methodology appear in Appendix I. Management comments are included in their entirety (without attachments) in Appendix II, and our evaluation of them begins on page 10.

# AUDIT FINDINGS

## Selected HIV Prevention Activities Overlapped

USAID/Zambia's country development cooperation strategy states:

Past strategic plans failed to coordinate at geographic levels, missing opportunities to integrate multiple sector approaches necessary to effectively address crosscutting constraints. Geographic focus supports focused and concentrated programming.

To support a coordinated approach, project task orders required coordination with the Zambian Government and other USAID-funded projects. For example, the SHARe II award stated:

USAID requires, where possible, coordination and/or leveraging of HIV/AIDS activities among and within USAID supported projects . . . The Contractor should also describe how it would leverage, complement, avoid duplicative activities with . . . other USAID and USG supported activities.

PRISM's award included a task to coordinate activities with government partners like the District AIDS Task Force and USAID-supported projects. ZPI's award stated that it "shall support, contribute to, and coordinate with [U.S. Government] and [PEPFAR] initiatives."

Although the mission's HIV prevention activities were largely successful, they could have been coordinated better. Two of three district AIDS coordination advisers we interviewed said activities implemented in their districts sometimes overlapped.

At the Kamfinsa Prison in Kitwe, Copperbelt Province, prison officials said all three audited projects and a Norwegian organization offered HIV counseling services, but PRISM was the only one that offered circumcision services. Prison officials and peer educators (prisoners who are trained to offer HIV prevention services to other prisoners) said these services could be better coordinated to use resources most effectively. For example, although peer educators created demand for circumcision among the 2,000 male inmates in the prison, PRISM was able to circumcise only 5 to 10 a week. This was particularly concerning because employees for another PRISM implementer also in Kitwe said they sometimes struggled to meet their circumcision targets. When asked why they did not consider offering services to the prison, they said they did not know there was a need.

Local leaders in Livingstone, Southern Province, had similar problems. They said ZPI started its activities without telling local health authorities or seeking their input on what activities were needed for the 36,000 residents. As a result, the same health employees were often trained repeatedly by different partners on the same subject, thereby wasting resources. Officials said this could have been avoided if donors followed the district's protocols by getting their input first.

Furthermore, the medical officer for Livingstone said that although donors are supposed to contact his office to coordinate prevention efforts in his districts, this does not always happen,

and some projects (including those funded by USAID) often bypass him, thereby leading to effort duplication.

This happened because USAID/Zambia did not have a strategy to determine where activities should be implemented and instead left it to the implementing partners and other stakeholders to decide. Although the mission did hold quarterly meetings with the partners, they were limited to speaking for only 5 minutes—to update mission officials and other implementers on the progress of their respective activities.

Because of not coordinating efforts with local health authorities and other donors, some of the implementers' activities overlapped, resulting in an inefficient use of resources. Furthermore, without proper coordination, resources were not focused in locations that need them the most. Accordingly, we make the following recommendation.

***Recommendation 1.*** *We recommend that USAID/Zambia implement a coordination strategy for its HIV program to help implementers avoid duplicating activities.*

## **Mission's Condom Distribution Strategy Did Not Work**

The PRISM award called for PSI to distribute disease-preventing health products through the private sector, increase awareness of and demand for products that prevent HIV infection, and develop the ability of a private-sector entity to produce and market a health product on its own. So, the project set targets for the distribution of condoms and other commodities; for FY 2014, the targets were to distribute 20 million male condoms and 200,000 female condoms.

However, the distribution strategy did not work as intended. It called for community-based distributors to get condoms and messages on how to prevent HIV to beneficiaries in their communities. These distributors were trained and given about \$40 worth of commodities each. PRISM officials expected them to replenish this stock using funds generated from the sale of their initial commodities.

The distributors also were responsible for distributing free condoms (supplied by the Ministry of Health), which were identical to the ones they were trying to sell to the same beneficiaries. As a result, residents were confused as to why the distributors were selling some condoms while distributing others of the same brand free.

A subcontractor official said he did not have the authority to correct the problem and thought it should have been corrected by PSI. However, PSI did not, and it continued to recruit and train more community-based distributors, 30 of whom were trained during our visit to Zambia. Due to inadequate oversight by the COR (discussed in the finding on page 6), USAID never identified and corrected the problem.

A supervisor of the community-based distributors said they were frustrated because they struggled to sell their commodities and ended up having to give them away, which meant they lost the opportunity to replenish their stock with the money made from sales. A subcontractor official said about half of the 509 community-based distributors taking part in the project in Livingstone had trouble selling their inventory, thereby limiting the effectiveness of this distribution channel. Therefore, we make the following recommendation.

**Recommendation 2.** *We recommend that USAID/Zambia review the implementation strategy of its Partnership for Integrated Social Marketing Project and make changes to its community-based distribution program.*

## **Mission Did Not Monitor Selected Projects Adequately**

Automated Directives System (ADS) 202.3.6 highlights the importance of proper oversight by stating that monitoring the quality and timeliness of implementing partner activities is a key task for mission officials. The guidance also says that outputs are essential to achieving results and that “problems in output quality provide an early warning that results may not be achieved as planned” and that “early action in response to problems is essential in managing for results.”

USAID’s contracts should be monitored by the designated contracting officers and the COR; the contracting officer designates a COR to “monitor the contractor’s performance and verify that it conforms to the technical requirements and quality standards agreed to in the terms and conditions of the contract.” However, the audit identified several instances in which the mission did not monitor its projects adequately.

**Monitoring Visits Were Infrequent.** USAID/Zambia’s mission order on performance monitoring and evaluation states:

Teams will undertake activity monitoring field visits as frequently as possible. For each project he/she manages, each . . . team member . . . is encouraged to undertake at least one monitoring field visit per quarter, although some project activities may require more frequent monitoring.

Despite the guidance, project CORs did not perform monitoring visits. For example:

- Although the COR for PRISM said monitoring visits were important, he made only one visit in FY 2013, which took place during the last week of the year. Furthermore, at the time of the audit he had made only one visit in FY 2014.
- The COR for ZPI made four monitoring visits in FY 2013. However, only one was done at the time of this audit in FY 2014.
- Although the SHARe II COR made three monitoring visits in FY 2013, they all were done in September 2013. Only one monitoring visit was done in FY 2014 at the time of this audit.

The CORs said they recognized the importance of monitoring visits, but could not conduct them as often as they would like due to their workloads. They said supervisors often cancelled visits because other matters in the office took priority. A team lead who supervised two of the three CORs agreed that staff often had to cancel visits due to a lack of time. In addition, although the mission had a monitoring visit plan, the CORs could not follow it, which made the plan useless.

To compensate for missed monitoring visits, the CORs met regularly with implementer officials. However, the CORs said these meetings could not replace regular monitoring visits. Without frequent monitoring visits by CORs, implementation problems may not be identified soon enough to resolve. Therefore, we make the following recommendation.

**Recommendation 3.** *We recommend that USAID/Zambia analyze the competing demands on contracting officer’s representatives’ time and implement solutions to make sure it has sufficient resources to perform fundamental oversight tasks.*

**Project Management Files Were Incomplete.** ADS 202.3.4.6 requires that mission officials make sure they maintain adequate documentation for projects they manage, and it lists the documents they must keep throughout a project. This was reiterated by the COR designation letters for the audited projects, which state that the CORs have a key role in establishing and maintaining adequate project files.

However, the audit noted that CORs did not maintain adequate files for their respective projects and did not comply with the minimum requirements outlined in ADS or the designation letters. The electronic files for SHARe II and PRISM were incomplete and almost empty, while the paper files were outdated and had documentation from unrelated projects. Project files were missing pertinent documentation on administrative matters, communication, performance monitoring and evaluation, and financial management.

For example, of the documents that ADS requires:

- PRISM had only the COR designation letter on file. It did not have operational plans, environmental reviews, project performance reports, and evaluations.
- SHARe II’s file had only five documents. It was missing development checklists, performance management plans, operational plans, office correspondence, and performance reports.
- Although ZPI had ten documents in its file, it did not have the COR designation letter, current performance monitoring plans, activity approval documents, correspondence with the contracting officer and other government officials, and financial management and monitoring information.

The COR team lead said maintaining their files was not a priority due to their workloads. The audit also noted that the CORs had not taken USAID’s records management training course, which would have improved their file management skills.

As noted in the COR designation letters, inadequate documentation can impede a COR’s “ability to manage the contract,” whereas adequately documented files would help subsequent CORs understand the project better, why certain decisions were made, as well as have adequate documentation for audit purposes. Therefore, we make the following recommendation.

**Recommendation 4.** *We recommend that USAID/Zambia require its contracting officer’s representatives to complete USAID’s records management training course and update project files to include the required documents.*

## **Inventory Controls and Storage Conditions Were Poor**

One of the tasks under the PRISM award was to “Increase the supply and diversity of health products and services to distribute and deliver through the private sector, in conjunction with the

public sector, for disease prevention and control as well as integrated health service delivery.” However, we found problems with inventory controls and storage conditions at the PSI warehouses used in these activities.

**Some Commodities Were Not Accounted for Properly.** The U.S. Government Accountability Office’s (GAO’s) *Standards for Internal Control in the Federal Government* states that an agency needs to manage risk and establish physical control to safeguard vulnerable assets by comparing inventory counts to control records periodically. It also states, “Transactions should be recorded promptly to maintain their relevance and value to management in controlling operations and making decisions.” ADS 596.3.1, “Establishing Internal Controls,” requires that managers and staff implement internal controls to safeguard assets against waste, loss, unauthorized use, and misappropriation. Furthermore, managers must take a systemic, proactive approach to identify areas that need improvements and come up with plans to address them.

However, the audit found that PSI did not always track inventories appropriately in its warehouses. At its central warehouse in Lusaka, we found several boxes of male condoms that were not accounted for properly. Although the warehouse supervisor told us there were 3 million male condoms on hand, he did not have any inventory records to support this. He said the warehouse did not have any records for the boxes of condoms because they had been sold to a local organization and were waiting to be picked up.

Auditors also found more than 10,000 bottles of Clorin (a household water treatment product) that were not accounted for through proper inventory records, such as stock cards. When asked, officials said the bottles arrived at the warehouse 2 days earlier and they were in the process of preparing inventory records for them. However, the officials could not give us any records to support this statement. We found a similar situation in PSI’s warehouse in Livingstone.

These problems happened because PSI’s warehouse policies did not require proper documentation. Without proper documentation, commodities cannot be accounted for, possibly leading to losses. Because of this, we made a referral to RIG/Pretoria investigators. We also make the following recommendation.

***Recommendation 5.*** *We recommend that USAID/Zambia, in collaboration with Population Services International, implement procedures to improve the tracking of HIV commodities, which includes using stock cards for all commodities stored in its warehouses.*

**Storage Conditions Were Inadequate.** In addition to its best practices that call for a clean storeroom, the World Health Organization notes that the health, safety, and well-being of workers should be of principal importance.

Commodities in PSI’s central warehouse in Lusaka were covered with dust. PRISM officials acknowledged that the conditions were poor and, as a result, commodities sometimes had to be cleaned twice a day.

PSI officials had performed an internal assessment of the dusty conditions, but said the problem had not been addressed because it would be expensive and therefore require USAID’s approval. They had not brought the issue to the mission, and USAID officials had not identified the issue independently (discussed in the finding on page 6).

Poor storage practices can damage commodities and increase costs, and warehouse employees expressed concern about the potential health hazards of breathing the dirty air. Accordingly, we make the following recommendation.

**Recommendation 6.** We recommend that USAID/Zambia, in collaboration with Population Services International, implement cost-effective procedures to address the environmental hazards at its central warehouse in Lusaka.

**Lot Numbers and Expiration Dates on Commodities Were Illegible.** PSI receives condoms at its central warehouse in bulk. Employees there pack them into small individual packets of three condoms before shipping them to distribution points. As part of the packaging process, the employees stamp lot numbers and expiration dates on the packets.

However, we could not read the numbers and dates on the packets in the warehouse and local outlets. As shown in the photos below, the ink used in the stamping was smudged.



The lot numbers and expiration dates on these packets of condoms are illegible. (Photos by RIG/Pretoria, May 16, 2014)

PRISM officials said they were aware of the problem and considered addressing it but decided not to because of costs. They had not brought the issue to the mission, and USAID officials had not identified the issue independently (discussed in the finding on page 6).

As a result, it could be difficult for consumers to know when the condoms expire and for officials to isolate condoms reported to have defects or other problems. According to the project's COR, the poor quality of expiration dates on the condoms is also a violation of Zambia Medicines Regulatory Authority's regulations. Therefore, we make the following recommendation.

**Recommendation 7.** We recommend that USAID/Zambia, in collaboration with Population Services International, implement procedures to improve the legibility of lot numbers and expiration dates stamped on commodities.

# EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Zambia officials agreed with and made management decisions on all seven recommendations. It took final action on Recommendations 2, 3, 5, 6, and 7.

**Recommendation 1.** USAID/Zambia agreed to better coordinate its HIV program through five steps:

1. Integrate its Health and Multisectoral/HIVAIDS offices.
2. Use system tools to review the performance of activities down to the site level.
3. Review its PEPFAR country operational plan for FY 2016 to make sure activities are not duplicated.
4. Convene quarterly coordination meetings with partners.
5. Use of activity managers to help CORs better coordinate activities.

The target date for completion is September 30, 2015. We acknowledge the mission's management decision.

**Recommendation 2.** USAID/Zambia agreed with the recommendation. However, the PRISM award expired on September 30, 2014, so the mission was not able to make changes to the community-based distribution program. We therefore acknowledge the mission's management decision and final action.

The mission did note that changes to the implementation strategy would be incorporated in the follow-on project, scheduled to be awarded in July 2015.

**Recommendation 3.** USAID/Zambia agreed and filled eight positions in the mission's health teams. Mission staff also made 48 site visits to its HIV/AIDS-funded activities from September 1, 2014, through January 9, 2015.

In addition, the mission adopted PEPFAR's site improvement monitoring system to review the performance of HIV/AIDS activities at the site level and developed a plan for FY 2015 with a target to visit 112 sites to review implementation of HIV/AIDS activities across the country. Accordingly, it has taken final action on this recommendation. We acknowledge the mission's management decision and final action.

**Recommendation 4.** USAID/Zambia made a management decision to retrain its CORs in records management. Furthermore, the mission's records management specialists will review project files quarterly. Any files they find lacking will be brought to the attention of the respective COR and their office lead to fix.

Additionally, the Office of Acquisition and Assistance will begin rescinding CORs' designations if electronic or permanent files are not maintained. Project management files for PRISM, SHARe II, and ZPI will be updated to include all the required documents. The target date for completion is June 30, 2015. We acknowledge the mission's management decision.

**Recommendation 5.** USAID/Zambia agreed with this recommendation. However, the PRISM award expired on September 30, 2014, so the mission was not able to implement procedures to improve the tracking of HIV commodities. We therefore acknowledge the mission's management decision and final action.

The mission stated that the follow-on project would require the recipient to implement procedures to make sure commodities are tracked carefully.

**Recommendation 6.** USAID/Zambia agreed with the recommendation. Before the PRISM award expired on September 30, 2014, PSI installed air conditioners at its central warehouse in Lusaka to maintain storage conditions. In addition, pallets and shelves were installed to ensure that no drug commodities were stored on the floor. The recipient of the follow-on award will be required to implement environmental monitoring and mitigation procedures, and to consider cost-effective strategies to store commodities before they're distributed. Accordingly, the mission has taken final action on this recommendation. We acknowledge its management decision and final action.

**Recommendation 7.** USAID/Zambia agreed with this recommendation. However, the PRISM award expired on September 30, 2014, so the mission could not implement procedures to improve the legibility of lot numbers and expiration dates stamped on commodities.

USAID/Zambia stated that it intends to address this recommendation in the follow-on project.

# SCOPE AND METHODOLOGY

## Scope

RIG/Pretoria conducted this performance audit in accordance with generally accepted government auditing standards. They require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe the evidence obtained provides that reasonable basis.

The objective of this audit was to determine whether USAID/Zambia's HIV prevention activities were preventing the spread of HIV in the country effectively. The mission supported 17 projects that provided HIV prevention assistance through its fiscal years 2013 and 2014 PEPFAR funding. The audit selected three projects—the first implemented by PSI, the second by FHI 360, and the third by JSI. These projects were selected because they had not been audited by OIG before and at least 50 percent of their funding was for prevention activities. The audit covered HIV prevention activities implemented during FY 2013 and the first and second quarters of FY 2014.

The total estimated cost of the three awards was \$142.9 million—\$73.2 million for PSI, \$39.7 million for FHI 360, and \$30 million for JSI.

In FY 2013 USAID obligated \$24.5 million and disbursed \$24.4 million to these implementers for PEPFAR activities. An additional \$20.8 million was obligated for 2014 spending, with \$30.3 million disbursed as of August 31, 2014.

Because this was a performance audit that focused on program implementation rather than financial transactions, it did not include a financial review of expenditures claimed by the projects.

In planning and performing the audit, we assessed significant controls the mission used to manage the projects and confirm that its implementers were providing adequate oversight of activities. We reviewed USAID/Zambia's FY 2013 operational plan; the implementation agreements with PSI, FHI 360, and JSI; mission orders; and site visit reports. We also reviewed USAID/Zambia's Federal Managers' Financial Integrity Act of 1982 certification for FY 2013 and previous audit reports to identify internal controls and other problems that could be significant to this audit.

To establish criteria for the audit, we reviewed USAID/Zambia's FY 2013 operational plan; ADS Chapters 202 and 596; USAID/Zambia's country development cooperation strategy; and GAO's *Standards for Internal Control in the Federal Government*.

We performed audit fieldwork in Zambia from May 12 through May 29, 2014. We conducted fieldwork at USAID/Zambia in Lusaka and at implementers' offices, health facilities, commodity distribution sites, and selected warehouses. We also conducted site visits in the Copperbelt, Lusaka, and Southern Provinces.

## Methodology

To answer the audit objective, we first evaluated the mission's management and oversight of the selected projects by reviewing award documents, progress and site visit reports, and performance monitoring plans. We corroborated the information in these documents with the interviews and site visits described below. At USAID/Zambia in Lusaka, we interviewed mission officials in the PEPFAR, financial management, program, and contracting offices. We also interviewed Zambia's PEPFAR coordinator.

For site visits, we judgmentally selected the provinces of Copperbelt, Lusaka, and Southern to visit because they represented the provinces with the highest rates of HIV in Zambia, according to UNAIDS. Furthermore, the three projects audited had substantial activities under way in these provinces. During visits, we met with implementer and subcontractor officials. We also tested the reliability of results implementers reported to USAID for three indicators:

- *Number of individuals who received HIV/AIDS counseling and testing and received their test results*
- *Number of the targeted population reached with individual and/or small group level preventative interventions*
- *Number of male and female condoms distributed.*

To do this, auditors gained an understanding of each implementer's monitoring and evaluation system. We then traced a judgmentally selected sample of reported results to the respective monitoring systems, as well as to patient intake forms completed by beneficiaries and health-care providers wherever services were delivered. A materiality level of 5 percent was established for this testing.

Because of its importance to the project, we planned to visit PSI's main warehouse—in Lusaka—but also visited another warehouse that was collocated with PSI's main office in Livingstone following the problems we found in Lusaka. At the warehouses, we reviewed the storage conditions of HIV commodities and gained an understanding of how bulk commodities are repackaged for sale and distribution to the public. We also met with coordination advisers and task force officials, and interviewed provincial subcontractor staff. We interviewed community health workers, religious and community leaders, and beneficiaries. Additionally, we visited five counseling and testing sites where beneficiaries were counseled and tested for HIV.

Because site visit locations were selected judgmentally and not statistically, the results and overall conclusions related to our work are limited to the items tested and cannot be projected to the entire audit universe. However, we believe our testing was sufficient to support the audit's findings.

# MANAGEMENT COMMENTS



**DATE:** January 27, 2015

**TO:** Rameeth Hundle, Acting Regional Inspector General/Pretoria

**FROM:** Susan K. Brems, Ph.D., Mission Director, USAID/Zambia /s/

**SUBJECT:** Management Comments on the Audit of USAID/Zambia's HIV Prevention Activities (Report No. 4-611-15-00X-P)

**REFERENCE:** a) Draft Audit Report No. 4-611-15-00X-P on the Audit of USAID/Zambia's HIV Prevention Activities

b) RIG/Pretoria Memorandum dated December 23, 2014

This memorandum communicates the Mission management comments on the seven audit recommendations in the draft report on the audit of USAID/Zambia's HIV prevention activities.

USAID/Zambia thanks the RIG/Pretoria Office for conducting the audit and appreciates the opportunity to comment on the draft audit report.

The purpose of the audit was to determine whether USAID/Zambia's HIV prevention activities were effectively preventing the spread of HIV in the country. We are pleased to note that RIG/Pretoria acknowledged that the activities have effectively met this objective. At the same time, the RIG recognized that areas for improvement exist that would strengthen the quality of HIV prevention activities.

USAID/Zambia has reviewed, and is in agreement with, all seven recommendations. Below is a summary of the Mission's management decisions and actions already taken or planned to address the findings and recommendations contained in the report.

## **Recommendation 1:**

**We recommend that USAID/Zambia implement a coordination strategy for its HIV program to help implementers avoid duplicating activities.**

**Management Decision:**

USAID/Zambia agrees with this recommendation. We recognize the need for better coordination among local health authorities, donors and implementing partners in order to avoid duplication.

**Planned Actions:**

USAID/Zambia plans to integrate the Health and Multisectoral/HIVAIDS offices to establish a structure that will better coordinate health programming and ensure a continuum of care from the community to the health care facility.

USAID will use the DevResults software and PEPFAR's Site Improvement Monitoring System (SIMS) tool to review the performance of activities down to the site level. With greater digital technology and geographic information system capability, USAID/Zambia will better be able to track program performance and identify any potential areas of duplication.

While all current health activities have included language highlighting the importance of collaboration in grants, contracts, or cooperative agreements, actual coordination across implementing partners has been inadequate. To address this, USAID/Zambia plans to convene quarterly meetings with implementing partners in each region to address the coordination issues specific to each region. The Mission also plans to include local health authorities and other donors in the meetings.

The Mission plans to carefully review the PEPFAR Country Operational Plan for FY2016 to ensure that implementers are not duplicating activities.

USAID/Zambia activity managers will continue to actively assist with the coordination of activities and will reinforce collaboration at the work plan level, which will feed into a broader health performance monitoring and evaluation plan.

All of these measures, to be completed by **September 30, 2015**, will reinforce collaboration among implementing partners, donors and local health authorities, and help implementers to avoid duplicating activities.

The above constitute the measures planned to ensure that Recommendation No. 1 is addressed.

**Recommendation 2:**

**We recommend that USAID/Zambia review the implementation strategy of its Partnership for Integrated Social Marketing (PRISM) Project and make changes to its community-based distribution program.**

**Management Decision:**

USAID/Zambia agrees with this recommendation and acknowledges the difficulty community-based distributors face when they are tasked with both selling and freely distributing the same condoms. However, the PRISM agreement expired on September 30, 2014, as per Attachment 3, so changes can only be made in the follow-on activity to PRISM.

**Action taken:**

The follow on USAID-funded activity to PRISM, the District Coverage of Health Services (DISCOVER) project, scheduled to be awarded in July 2015, was designed to more closely collaborate with the public and commercial sectors to deliver a variety of health products and services that are segmented by client type (Attachment 1). The new activity will ensure the application of a “total market approach.” Individuals in the poorest communities will receive free products, those with the ability to cover some costs will receive partially subsidized products, and those with sufficient resources will be required to purchase products through the commercial sector. This approach will help resolve the competing demands placed on community-based distributors.

The above constitute the measures taken to ensure that Recommendation No.2 is addressed. Therefore, the Mission proposes that Recommendation No.2 be closed.

**Recommendation 3:**

**We recommend that USAID/Zambia analyze the competing demands on contracting officer representatives’ time, and implement solutions to make sure it has sufficient resources to perform fundamental oversight tasks.**

**Management Decision:**

USAID/Zambia agrees with this recommendation.

**Action taken:**

During the period of the audit, the HIV/AIDS Multisectoral and Health offices were not at full staff capacity. Since the audit visit, eight new people have joined the offices, and tasks were distributed to new office members. Please see the revised organograms for the HIV/AIDS Multisectoral and Health Offices (Attachment 2). The additional staff members have enabled the teams to reallocate roles for Agreement Officer/Contracting Officer representatives (AOR/CORs), so that each AOR/COR has enough time to monitor project activities.

As a tool to help perform fundamental oversight, the Mission adopted PEPFAR’s Site Improvement Monitoring System (SIMS) to review the performance of HIV/AIDS activities down to the site level. A plan was developed for FY2015 with a target of 112

sites to be visited to review implementation of HIV/AIDS activities across the country (Attachment 4a). This plan will ensure that at least one site is visited for each implementing partner each calendar quarter.

In the period September 1, 2014 to January 9, 2015, Mission staff undertook 48 site visits to USAID-funded HIV/AIDS activities (Attachments 4b, 4c and 4d).

The above constitute the measures taken to ensure that Recommendation No. 3 is addressed. Therefore, the Mission proposes that Recommendation No. 3 be closed.

#### **Recommendation 4:**

**We recommend that USAID/Zambia require its contracting officer's representatives to complete USAID's records management training course and update project files to include the required documents.**

#### **Management Decision:**

USAID/Zambia agrees with this recommendation.

#### **Planned Actions:**

USAID/Zambia intends to re-train its CORs/AORs in records management. The Mission's Office of Acquisition and Assistance (OAA), together with the Executive Office, will organize and conduct the training.

Project files will now be subjected to quarterly reviews by existing Records Management Specialists, and delinquent files will be brought to the attention of both the AOR/COR and his/her office lead for rectification.

OAA will also begin the practice of rescinding COR/AOR letters if electronic or permanent files are not maintained, as required by designation letters. AOR/COR letters will be revoked if the files are not updated within 60 days of the initial review.

Project management files for PRISM, Support to the HIV/AIDS Response in Zambia and the Zambia-led Prevention Initiative will be updated to include all the required documents.

We expect to complete all actions above by **June 30, 2015**.

The above constitute the measures planned to ensure that Recommendation No. 4 is addressed.

**Recommendation 5:**

**We recommend that USAID/Zambia, in collaboration with Population Services International, implement procedures to improve the tracking of HIV commodities, which includes using stock cards for all commodities stored in its warehouses.**

**Management Decision:**

USAID/Zambia agrees with this recommendation and acknowledges the need to better track USG-funded commodities. However, the PRISM agreement expired on September 30, 2014, so changes can only be made in the follow-on activity to PRISM.

**Action taken:**

The program description for the follow-on social marketing program, DISCOVER, requires the recipient of the award to implement procedures to ensure the effective tracking of commodities, including the use of stock cards for commodities stored in warehouses and other proper documentation and accounting practices. (Attachment 1, page 10)

The above constitute the measures taken to ensure that Recommendation No. 5 is addressed. Therefore, the Mission proposes that Recommendation No. 5 be closed.

**Recommendation 6:**

**We recommend that USAID/Zambia, in collaboration with Population Services International, implement cost-effective procedures to address the environmental hazards at its central warehouse in Lusaka.**

**Management Decision:**

USAID/Zambia agrees with this recommendation and acknowledges the need to better mitigate against environmental hazards. The PRISM award expired on September 30, 2014. Some measures were taken prior to expiration of the award, and additional measures will be taken in the follow-on activity to PRISM.

**Action taken:**

Prior to the expiration of the award, PSI fitted air conditioners to maintain storage conditions. In addition, pallets and shelves were fitted to ensure that no drug commodities were stored on the floor (Attachment 5).

The program description for the follow-on social marketing program, DISCOVER, requires that environmental hazards in warehouses be mitigated. The recipient of the award will be required to implement environmental monitoring and mitigation

procedures and consider cost-effective strategies to store commodities prior to their distribution. (Attachment 1)

The above constitute the measures taken to ensure that Recommendation No. 6 is addressed. Therefore, the Mission proposes that Recommendation No. 6 be closed.

**Recommendation 7:**

**We recommend that USAID/Zambia, in collaboration with Population Services International, implement procedures to improve the legibility of lot numbers and expiration dates stamped on commodities.**

**Management Decision:**

USAID/Zambia agrees with this recommendation. However, the PRISM agreement expired on September 30, 2014, so changes can only be made in the follow-on activity to PRISM.

**Action taken:**

The program description for the follow-on social marketing activity, DISCOVER, requires the implementer to improve the legibility of lot numbers and expiration dates stamped into commodities (Attachment 1 page 10).

The above constitute the measures taken to ensure that Recommendation No. 7 is addressed. Therefore, the Mission proposes that Recommendation No. 7 be closed.

The above constitute USAID/Zambia's management comments and measures taken/planned with regard to the seven audit recommendations contained in the RIG/Pretoria draft Audit Report no. 4-611-15-00X-P.

Attachment: a/s.

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