OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/KENYA'S ASSISTANCE TO ORPHANS AND OTHER VULNERABLE CHILDREN

AUDIT REPORT NO. 4-615-12-002-P
NOVEMBER 10, 2011

PRETORIA, SOUTH AFRICA

Office of Inspector General

November 10, 2011

MEMORANDUM

TO: USAID/Kenya Mission Director, Erna Kerst

FROM: Regional Inspector General/Pretoria, Christine M. Byrne /s/

SUBJECT: Audit of USAID/Kenya's Assistance to Orphans and Other Vulnerable Children (Report Number 4-615-12-002-P)

This memorandum transmits our final report on the subject audit. We have considered management's comments on the draft report and have incorporated them into the final report, as appropriate. They have been included in their entirety in Appendix II.

Management's comments indicate that corrective action plans have been formulated to address four of the report's five recommendations, Recommendations 1–3 and 5. Therefore, we consider that management decisions have been reached on these recommendations. Please provide the Office of Audit Performance and Compliance Division (M/CFO/APC) with the necessary documentation to achieve final action on those four recommendations.

After reviewing management's comments, we determined that Recommendation 4 remains without a management decision. We ask that you provide us written notice within 30 days of actions planned or taken to implement Recommendation 4.

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

U.S. Agency for International
Development 100 Totius Street X5
Pretoria, South Africa 0027
www.usaid.gov/oig

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
APHIA	AIDS Population and Health Integrated Assistance
FHI	Family Health International
OVC	orphans and other vulnerable children
PEPFAR	President's Emergency Plan for AIDS Relief

SUMMARY OF RESULTS

A 2006 United Nations Children's Fund study[1] estimated that 12 million children in sub-Saharan Africa under the age of 18 in 2005 had lost one or both parents to AIDS, and many more were living with a chronically ill parent or guardian. Kenya, one of the 12 sub-Saharan African countries selected as focus countries during the first phase of the U.S. President's Emergency Program for AIDS Relief (PEPFAR),[2] has a large population of AIDS orphans. The 2009–2013 Kenya National AIDS Strategic Plan estimated that 2.5 million Kenyan children under the age of 18 would be orphans by 2010, approximately 700,000 of them (28 percent) AIDS orphans.

PEPFAR provides support to orphans and other vulnerable children (OVC)[3] through six core program areas defined by the Office of the U.S. Global AIDS Coordinator: (1) food and nutritional support, (2) shelter and care, (3) protection, (4) health care, (5) psychosocial support, and (6) education and vocational training. In addition, PEPFAR provides support through activities classified as economic strengthening. USAID could not count these activities as a service, but can count any of the six services mentioned above provided to the OVC as a result of economic strengthening.

The U.S. Government has been heavily involved in providing support to OVC in Kenya through PEPFAR. Specifically, PEPFAR supported the development of Kenya's 2007–2010 National Plan of Action for OVC, the framework for a coordinated, multisectoral, sustainable approach to supporting OVC in Kenya. The National Plan of Action stresses the need for programs to ensure OVC access to essential services consistent with the six core program areas listed above. In addition, PEPFAR allocated more than $48 million for activities to support OVC in Kenya, $43.8 million of which was administered by USAID/Kenya. During fiscal year 2010, 23 USAID implementing partners reported assisting OVC in Kenya.

For at least the past 15 years, USAID/Kenya's Office of Population and Health has provided a large portion of its support in Kenya under the umbrella of the AIDS Population and Health Integrated Assistance Program, Phases I and II (APHIA I and II). Most of the APHIA II programs ended in December 2010 and USAID replaced them with similar programs known as APHIA Plus. Each APHIA program operates in designated geographic areas. The audit reviewed APHIA II activities in Eastern, Rift Valley, and Western Provinces.

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[1] *Africa's Orphaned and Vulnerable Generations: Children Affected by AIDS*, August 2006.

[2] Launched in 2003, PEPFAR is a comprehensive approach to combating HIV/AIDS around the world. The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (the Lantos-Hyde Act), Public Law 110-293, amends the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, Public Law 108-25, to revise requirements for the President's comprehensive 5-year strategy (and related report) to combat global HIV/AIDS. The Lantos-Hyde Act also reauthorizes appropriations to carry out the 2003 act, as amended, for fiscal years 2009–2013.

[3] PEPFAR defines an orphan as a child, 0–17 years old, who has lost one or both parents to HIV/AIDS. A vulnerable child is defined as one, 0–17 years old, who is more vulnerable because he or she is HIV positive; lives without adequate adult support; lives outside of family care; or is marginalized, stigmatized, or discriminated against.

JHPIEGO Corporation (an affiliate of Johns Hopkins University), APHIA II–Eastern Province. USAID/Kenya awarded a 3-year, $24 million cooperative agreement to JHPIEGO Corporation on June 7, 2006, to implement APHIA II in Eastern Province. USAID/Kenya later extended the agreement to December 31, 2010, and increased the total estimated cost to $33.9 million. APHIA II in Eastern Province was allocated $4.6 million of fiscal year 2009 PEPFAR funding for activities to benefit OVC in fiscal year 2010.

Family Health International (FHI), APHIA II-Rift Valley Province. USAID/Kenya awarded a 3-year, $37 million cooperative agreement to FHI on June 7, 2006, to implement APHIA II in Rift Valley Province. USAID/Kenya subsequently extended the agreement to December 31, 2010, and increased the total estimated cost to $44 million. APHIA II in Rift Valley Province was allocated $6.2 million of fiscal year 2009 PEPFAR funding for activities to benefit OVC in fiscal year 2010. Among the funded activities was the operation of a drop-in center in Njoro run by a local subpartner to FHI (sign pictured below).

PATH, APHIA II-Western Province. USAID/Kenya awarded a 5-year, $35 million cooperative agreement to PATH on December 19, 2006, to implement APHIA II in Western Province. USAID/Kenya subsequently curtailed the completion date to December 31, 2010, and increased the total estimated cost to $43 million. APHIA II in Western Province was allocated $4.5 million of fiscal year 2009 PEPFAR funding for activities to benefit OVC in fiscal year 2010.

This sign advertises the Njoro Drop-In Centre, run by a local implementing subpartner under the AIDS Population and Health Integrated Assistance Program, Phase II, in Rift Valley Province implemented by Family Health International. (Photo by Regional Inspector General/Pretoria, May 26, 2011)

The Regional Inspector General/Pretoria conducted this audit at USAID/Kenya to determine whether the mission's activities to support orphans and other vulnerable children were achieving their main goal of providing care and support to OVC.

The audit determined that USAID/Kenya's assistance was achieving its goal of providing care and support to orphans and other vulnerable children. Specifically, the audit validated that the mission provided care and support to 651,556 OVC during fiscal year 2010, exceeding the U.S. Government goal of 650,000. The number supported made up 97 percent of the 672,962 OVC served through all U.S. Government partners in Kenya.

Despite these positive results, the audit disclosed the following challenges:

- Limitations in FHI's reporting system prevented evaluation (page 4).

- The mission did not know how much was spent assisting OVC (page 5).

To strengthen USAID/Kenya's OVC activities, the audit recommends that the mission:

1. Require FHI to implement a reporting system that is sufficient to track and report on activities for an entire fiscal year (page 5).

2. Work with FHI to develop and implement a timeline to correct its reporting system to classify activities into the six core areas defined by guidance from the Office of the U.S. Global AIDS Coordinator (page 5).

3. Develop and implement a plan that requires FHI to provide services to and report on only those OVC that meet the definition in the PEPFAR guidance (page 5).

4. Modify its data quality assessment procedures to include a review of how implementer results are compiled and reported (page 5).

5. Develop and implement a method to track by program area the expenditure of PEPFAR funds (page 6).

Detailed findings appear in the following section, and an evaluation of management comments follows the detailed findings. The audit scope and methodology appear in Appendix I, and management comments appear in Appendix II.

AUDIT FINDINGS

Limitations in Implementer's Reporting System Prevented Evaluation

USAID's Automated Directives System (ADS) 203.3.5.1 states that, "Data should be sufficiently precise to present a fair picture of performance and enable management decision-making at the appropriate levels." ADS 203.3.5.2 also notes that missions prepare data quality assessments to ensure that they are aware of the strengths and weaknesses of reported data. Additionally, the Government Accountability Office's internal control standards[4] note that, "Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities."

Despite this guidance, the data reporting system used by FHI, the primary partner implementing APHIA II in Rift Valley Province, was insufficient for either USAID or FHI to evaluate the program. Specific weaknesses included the following:

- The data reporting system could not compare the results from one month with the results of other months to determine how many services a child had received or how many children were served over a quarter or a year. For example, FHI reported providing care and support services to 62,468 OVC in fiscal year 2010. This total was recorded in July 2010. FHI selected the 1-month total to report on annual results as a precaution because FHI's data reporting system did not allow FHI to tell whether a child served in June was among those served in July. To avoid recounting the same beneficiaries, FHI officials reported conservatively. Consequently, the annual results for APHIA II-Rift Valley underreported the number of OVC that received services, especially those receiving three or more services. For example, FHI reported providing three or more services to 19 percent of beneficiaries, whereas the APHIA II Programs in Eastern and Western Provinces reported providing three or more services to 98 and 85 percent of their beneficiaries, respectively.

- The database also divided the services offered to OVC into eight categories, although FHI officials acknowledged that PEPFAR guidance classifies OVC services into six core areas (listed on page 1 of this report). The effect of this data reporting method is that the number of OVC that received three or more services would be overstated.

- APHIA II-Rift Valley implementers did not consistently apply the Office of the U.S. Global AIDS Coordinator's definition of OVC. For example, at one community-based organization, 5 of the 20 files selected did not clearly identify the status of the child assisted (orphaned or vulnerable), and one OVC beneficiary was 23 years old. This inconsistent application of the OVC definition could misrepresent the actual number of OVC beneficiaries, but the extent of this problem could not be determined.

[4] *Standards for Internal Control in the Federal Government*, November 1999 Revision (GAO/AIMD-00-21.3.1).

These shortcomings persisted throughout the 4.5-year program because the mission's monitoring and evaluation team's last data quality assessment focused on reporting by a subpartner working with FHI at a community health facility, rather than on FHI's own reporting system.

Because of the reporting system's shortcomings, USAID/Kenya could not evaluate the extent to which FHI fell short of its intended target of 90,000 OVC served or the level of service FHI provided to OVC in the Rift Valley. For example, based on the information reported by FHI for the APHIA II-Rift Valley's OVC activities, USAID/Kenya should have questioned and effected change in FHI operations, since they were not reaching the planned number of OVC. However, the mission even awarded FHI a subsequent agreement. Therefore, because it is USAID's responsibility to evaluate the APHIA Plus Program based on reported results, the audit makes the following recommendations.

Recommendation 1. *We recommend that USAID/Kenya require Family Health International to implement a reporting system that is sufficient to track and report on activities for an entire fiscal year.*

Recommendation 2. *We recommend that USAID/Kenya work with Family Health International to develop and implement a timeline to correct its reporting system to classify activities into the six core areas defined by guidance from the Office of the U.S. Global AIDS Coordinator.*

Recommendation 3. *We recommend that USAID/Kenya develop and implement a plan that requires Family Health International to provide services to and report on only those orphans and other vulnerable children that meet the definition in the President's Emergency Plan for AIDS Relief guidance.*

Recommendation 4. *We recommend that USAID/Kenya modify its data quality assessment procedures to include a review of how results are compiled and reported by implementing partners.*

Mission Did Not Know How Much Was Spent Assisting Orphans and Other Vulnerable Children

Section 403(2) of the 2008 Lantos-Hyde Act revises, and extends through FY 2013, the set-aside in the 2003 Act for assistance for orphans and other vulnerable children affected by HIV/AIDS. As revised by the 2008 Lantos-Hyde Act, that set-aside requires that:

> for fiscal years 2009 through 2013, not less than 10 percent of the amounts appropriated pursuant to [the Act] for HIV/AIDS assistance for each such fiscal year shall be expended for assistance for orphans and other children affected by, or vulnerable to, HIV/AIDS, of which such amount at least 50 percent shall be provided through non-profit, nongovernmental organizations, including faith-based organizations, that implement programs on the community level.

According to PEPFAR guidance, the statutory set-aside requirement to spend not less than 10 percent of the amounts appropriated for HIV/AIDS assistance each year on orphans and other children affected by, or vulnerable to, HIV/AIDS is essential for countries with a

generalized epidemic, such as Kenya. Additionally, ADS 202.3.7 notes, "The USAID Mission/Office and its Assistance Objective Teams are responsible for managing the resources made available to them so that planned outputs and results are achieved in a cost-effective and timely manner."

Notwithstanding the statutory set-aside requirement that not less than 10 percent of amounts appropriated for HIV/AIDS assistance each year be spent on orphans and other children affected by or vulnerable to HIV/AIDS, only one of the programs reviewed under this audit—APHIA II in Rift Valley Province implemented by FHI—was able to track its expenditures by program area (e.g., OVC activities). However, the proportion of FHI's expenditures for OVC activities in fiscal year 2010 was only about half of the proportion allocated for OVC activities in the PEPFAR country operational plan for fiscal year 2010. Significantly, FHI officials cited a lack of funding as their rationale for not meeting their target, even though they had received almost half a million dollars more for OVC activities than they had expended. USAID/Kenya asked JHPIEGO and PATH for their expenditures on OVC activities, but neither could produce this information.

USAID officials did not monitor the amount of money that implementing partners were spending on OVC activities because officials believed that the expenditure information would be very difficult and time-consuming to collect. They also stated that the information collected would not be very precise because funding for many of the activities spanned multiple categories of funding (such as OVC and prevention).

Although the audit found that USAID/Kenya exceeded its goal of providing services to 650,000 OVC in fiscal year 2010, the inability of USAID implementing partners to track their OVC expenditures may have led to funding designated by USAID for OVC activities being used for other program areas. USAID's inability to track the expenditures related to each program area makes it impossible to evaluate the program's cost-effectiveness and would make it difficult for PEPFAR to set targets for OVC activities in future years based on the level of funding provided. Additionally, USAID/Kenya cannot determine to what extent its expenditures for orphans and other children affected by, or vulnerable to, HIV/AIDS in Kenya contribute to meeting the 10 percent statutory set-aside requirement described above. As a result, the audit makes the following recommendation.

> ***Recommendation 5.*** *We recommend that USAID/Kenya develop and implement a method to track by program area the expenditure of funds from the President's Emergency Plan for AIDS Relief.*

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Kenya agreed with all five recommendations, and management decisions have been reached on Recommendations 1–3 and 5. A management decision has not been reached on Recommendation 4. A detailed evaluation of management comments follows.

Recommendation 1. USAID/Kenya agreed to implement a reporting system that is sufficient to track and report on activities for an entire fiscal year. The mission stated that Aphia Plus has embarked on installing a system known as the Longitudinal Database Management System, which the mission expects to be completed by November 30, 2011. As a result, a management decision has been reached on Recommendation 1.

Recommendation 2. USAID/Kenya agreed to develop and implement a timeline to correct its reporting system to classify activities into the six core areas defined by guidance from the Office of the U.S. Global AIDS Coordinator. By November 30, 2011, the Longitudinal Database Management System reportedly will also help classify activities into the six core areas. As a result, a management decision has been reached on Recommendation 2.

Recommendation 3. USAID/Kenya agreed to develop and implement a plan that requires Family Health International to provide services to and report on only those orphans and other vulnerable children that meet the definition in the President's Emergency Plan for AIDS Relief guidance. The mission stated that it had communicated this to its implementing partners and that the mission will continue to enforce this guidance and to ensure that the selection criteria are followed. Additionally, FHI developed a simplified data collection tool to eliminate errors caused by low literacy of community volunteers. As of November 10, 2011, a mission official stated that FHI had indicated to them that the simplified tool had been rolled out and the mission plans to confirm this by November 18, 2011. As a result, a management decision has been reached on Recommendation 3.

Recommendation 4. USAID/Kenya agreed to modify its data quality assessment procedures to include a review of how results are compiled and reported by implementing partners. The mission noted actions taken on a recommendation in a USAID Office of Inspector General audit report published in July 2010. However, the referenced recommendation was quite different from Recommendation 4 because it pertained to how the implementing partner reports data to USAID, whereas Recommendation 4 pertains to how the data quality assessment is conducted. Accordingly, the actions taken to address the July 2010 report do not address Recommendation 4. Therefore, a management decision has not been reached on Recommendation 4.

Recommendation 5. USAID/Kenya agreed to develop and implement a method to track by program area the expenditure of funds from the President's Emergency Plan for AIDS Relief. The mission stated that since one implementing partner knows how to track program area expenditures, USAID/Kenya will use this experience to advise and assist other implementing partners in instituting systems that will track OVC and other program area costs by December 2011. As a result, a management decision has been reached on Recommendation 5.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Pretoria conducted this performance audit in accordance with generally accepted government auditing standards.[5] Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides that reasonable basis.

The objective of this audit was to determine whether the mission's activities to assist orphans and other vulnerable children were achieving their main goal of providing care and support to OVC. Audit fieldwork took place from May 16 to June 3, 2011, and covered results reported for fiscal year 2010. PEPFAR allocated more than $43.8 million for USAID/Kenya's OVC programs in fiscal year 2010.

In planning and performing the audit, the audit team assessed internal controls related to organizational structure, acquisition and assistance, program planning, data quality, reporting, ongoing monitoring, and evaluations. Specifically, we studied and assessed the following:

- Key USAID planning documents, including the results framework and the PEPFAR 2009 and 2010 country operational plans for Kenya.
- Implementing partners' agreements and modifications to those agreements.
- Implementing partners' quarterly and annual progress reports.
- Implementing partners' work plans for fiscal year 2010.
- Data quality assessments performed by U.S. Government and USAID implementing partners.
- Federal Managers' Financial Integrity Act of 1982[6] checklist and certification for fiscal year 2010.
- A 2009 evaluation of APHIA II.

We also interviewed key USAID/Kenya personnel, implementing partners, subpartners, and beneficiaries. We conducted the audit at USAID/Kenya and at the regional offices and activity sites of two major implementing partners.

In fiscal year 2010, 23 USAID/Kenya programs reported providing services to OVC in Kenya, 6 of which made up 68 percent of the OVC funding in fiscal year 2010. Of these programs, the audit focused on the three programs that were still operational during audit fieldwork. These

[5] *Government Auditing Standards*, July 2007 Revision (GAO-07-731G).
[6] Public Law 97-255.

three programs had an OVC budget of $15.3 million in fiscal year 2010, which accounted for 35 percent of USAID/Kenya's $43.8 million OVC portfolio.

Methodology

To answer the objective, the Regional Inspector General/Pretoria corresponded with USAID/Kenya officials to gain an understanding of the mission's OVC activities as well as to identify the key performance indicators used to measure the contribution of those activities toward meeting the main goals of the program.

USAID/Kenya officials noted that they collect data and report on only one indicator to track their OVC activities. USAID/Kenya disaggregated this indicator, *Number of OVC served by an OVC program*, in their records by the sex of the beneficiary and by the number of services received (three or more services versus one or two services).

Auditors reviewed key documentation for USAID/Kenya's OVC activities:

- Monitoring and evaluation schedules disaggregating the OVC indicator by implementing partner and local implementing subpartner.
- Implementing partners' quarterly and annual reports.
- The 2009 and 2010 country operational plans for the PEPFAR activities in Kenya.
- The 2009 assessment of APHIA II.
- Cooperative agreements for the three programs reviewed during the audit, including all agreement modifications, and implementing partner work plans for fiscal year 2010.

Auditors tracked results reported on the OVC indicator to supporting documentation for the three selected programs. Those results captured about 30 percent of total reported results—i.e., 30 percent of the 651,556 OVC that received care and support services. In addition, auditors performed site visits in two provinces in Kenya, visiting six local implementing subpartners under two of the USAID programs. In Eastern Province, the auditors reviewed the records and met with the staff of two local implementing partners. In Rift Valley Province, the auditors visited two local implementing subpartners in the provincial capital and two local implementing subpartners in a rural environment. Although auditors verified reported results during site visits, because of the judgmental selection of local implementing subpartners visited, site visit results cannot be projected to the total number of reported results.

The audit established the following materiality thresholds to determine whether the activities accomplished their objectives.

- If the number of OVC served was overstated by 25 percent or more, we would conclude that, based on the performance indicator, the program was not achieving its result.
- If the number of OVC served was overstated by between 5 and 25 percent, we would conclude that we could not rely on the indicator and rely instead on other means to answer the audit objective.

- If the number of OVC served was not overstated by 5 percent or more, we would conclude that, based on the performance indicator, the program had achieved its intended result.

MANAGEMENT COMMENTS

USAID | KENYA
FROM THE AMERICAN PEOPLE

Date: September 28, 2011

From: Erna Kerst, Mission Director, USAID/Kenya /s/

To: Christine M. Byrne, Regional Inspector General, Pretoria, South Africa

Re: Audit of USAID/Kenya's assistance to orphans and other vulnerable children. (Audit Report No.4-615-11-XXX-P) – September 19, 2011

In accordance with ADS 595.3.1.2, this memorandum transmits USAID/Kenya's management comments on the 5 recommendations contained in the subject draft audit report.

Recommendation 1. *We recommend that USAID/Kenya require Family Health International to implement a reporting system that is sufficient to track and report on activities for an entire fiscal year.*

Management Comments: Mission agrees with the recommendation. APHIAplus Nuru Ya Bonde has since embarked on developing a Longitudinal Database Management System (LDBMS) that will be able to track the progress of a child from the time of enrolment. The database is being developed in three phases; phase one comprises of data entry templates and validation for registration, child needs assessment, services delivered to a child and an exit module for children attaining the age of 18. This phase of the LDBMS has been rolled out to implementing partners for pilot testing and the exercise should be complete by October 14, 2011.

Phase two of the database is largely reporting modules on registration, services, needs assessment summary and data quality reports. This phase is currently under construction and will be rolled out by October 31, 2011 to FHI's local implementing partners.

Phase three of the database is user guide and system documentation. Drafts of these documents should be ready by November 30, 2011 when there has been sufficient testing of the system.

Recommendation 2. *We recommend that USAID/Kenya work with Family Health International to develop and implement a timeline to correct its reporting system to classify activities into the six core areas defined by guidance from the Office of the U.S. Global AIDS Coordinator.*

Management Comments: Mission agrees with this recommendation. The OGAC OVC Programming guidance for OVC identifies 7 program areas, including Economic Opportunity/Strengthening that PEPFAR funds can support, also referred to as the 6 + 1 core service areas. FHI's Longitudinal Database Management System (LDBMS) does cover the 6 + 1 core service areas and FHI will therefore be able to aggregate which OVC gets what service as per PEPFAR's OVC Programming Guidance. The eighth category on the FHI database was a category to capture the three most pressing needs out of the seven service areas that the program was planning to intervene is based on the identified needs of each individual child.

Recommendation 3. *We recommend that USAID/Kenya develop and implement a plan that requires Family Health International to provide services to and report on only those orphans and other vulnerable children that meet the definition in the President's Emergency Plan for AIDS Relief guidance.*

Management Comments: The Mission agrees with this recommendation. The Mission has selection criterion according to the OGAC OVC Guidance that it has communicated to its implementing partners. The mission will continue to enforce this guidance and to continually ensure that the selection criteria is followed and documented appropriately through quarterly review meetings with the Implementing Partner and field monitoring visit. The mission will continue to document both the review meetings and field visits through minutes and field trip reports.

There was an error of omission on the part of FHI's Local Implementing partner in documenting the status of the child. This is largely due to low literacy of community volunteers and will be eliminated by the use of simplified data collection tools under the above-mentioned LDBMS that is currently being rolled out among FHI's local implementing partners with a completion date of October 14, 2011.

Recommendation 4. *We recommend that USAID/Kenya modify its data quality assessment procedures to include a review of how results are compiled and reported by implementing partners.*

Management Comments: The mission agrees with this recommendation. A similar recommendation was made by the prevention audit team and the mission responded by developing a Results Management Guideline that is to be adhered to by all partners. See *Attachment 1 and 2* on guidance and communication to partners with regard to its implementation.

Recommendation 5. *We recommend that USAID/Kenya develop and implement a method to track by program area the expenditure of funds from the President's Emergency Plan for AIDS Relief.*

Management Comments: The Mission agrees with this recommendation. The US Federal Financial reporting requirements for recipients is SF 425. While this reporting requirement does not break down funding by program area, the mission agrees that it is important to know how much is spend on assisting Orphans and Vulnerable Children in Kenya. This will help in monitoring the proportional allocation for OVC and other program areas.

As evidenced in the audit report, one of the USAID partners under this program is able to track expenditures by program area. The mission will use this experience to advise and assist other implementing partners to institute systems that will track down OVC and other program area costs by December 2011.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20523
Tel: 202-712-1150
Fax: 202-216-3047
www.usaid.gov/oig