OFFICE OF INSPECTOR GENERAL

WORLDWIDE AUDIT OF USAID'S PROCUREMENT AND DISTRIBUTION OF COMMODITIES FOR THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF

AUDIT REPORT NO. 9-000-09-011-P
August 13, 2009

WASHINGTON, DC

Office of Inspector General

August 13, 2009

MEMORANDUM

TO: GH/OHA Director, Robert Clay

FROM: IG/A/PA Director, Steven Bernstein

SUBJECT: Worldwide Audit of USAID's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief (Report No. 9-000-09-011-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report in finalizing the audit report and have included your response in appendix II of the report.

The report contains two recommendations intended to improve the effectiveness and implementation of USAID's PEPFAR program. Final action has been reached, and both recommendations are closed upon issuance of this report.

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

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SUMMARY OF RESULTS

This report summarizes the results of the Office of Inspector General audits conducted at five selected missions—Côte d'Ivoire, Haiti, Mozambique, Vietnam, and Zambia. See appendix III for a list of audit reports issued.

On May 27, 2003, President George W. Bush signed the President's Emergency Plan for AIDS Relief (PEPFAR) into law. PEPFAR is a multifaceted initiative to combat the disease around the world. The United States leads the world in its level of support for the fight against HIV/AIDS (human immunodeficiency virus/acquired immunodeficiency syndrome) and, as of January 3, 2008, $18.8 billion has been committed to this effort (see page 2).

In implementing PEPFAR, the U.S. Government works with international, national, and local leaders worldwide to support integrated prevention, treatment, and care programs. PEPFAR is directed by the Department of State's Office of the U.S. Global AIDS Coordinator. The Bureau for Global Health has general responsibility for USAID's participation in PEPFAR (see page 2).

The objective of this audit was to determine whether USAID procured, deployed, and warehoused its PEPFAR commodities to ensure that intended results are achieved and to assess the programs' impact (see page 2).

In general, all five audits concluded that USAID procured, deployed, and warehoused its PEPFAR commodities to help ensure that intended results were achieved. In addition, all five audits concluded that USAID efforts resulted in an overall positive impact on the program (see page 3).

This audit report addresses three issues related to commodities management and data quality assurance: (1) improving storage conditions for PEPFAR commodities, (2) limiting the expiration of commodities and deterring the storage and use of expired commodities, and (3) verifying reported data (see pages 4–9).

This report recommends that USAID's Office of HIV/AIDS Director send a written request to the Department of State's Office of the U.S. Global AIDS Coordinator, asking that office to issue clear and explicit guidance to all missions with PEPFAR activities to ensure that (1) standards for warehousing commodities and (2) standards for managing expiring commodities are distributed to all warehousing facilities. We also recommend that implementation of the standards is reviewed and monitored regularly (see pages 6 and 7).

USAID's Office of HIV/AIDS agreed with the recommendations in our draft audit report and has implemented the recommendations. USAID's Office of HIV/AIDS requested that the Office of the U.S. Global AIDS Coordinator send out guidance to all PEPFAR country teams, partners, and Ministry of Health counterparts, regarding standards and best practices for warehousing of commodities and standards for managing expired commodities. As a result of management's actions, final action has been reached and both recommendations are closed upon issuance of this report. Management's comments are presented in their entirety in appendix II.

BACKGROUND

Recognizing the global pandemic of HIV/AIDS (human immunodeficiency virus/acquired immunodeficiency syndrome) as one of the greatest challenges of our time, Congress enacted legislation to fight HIV/AIDS internationally through the President's Emergency Plan for AIDS Relief (PEPFAR)—the largest international health initiative in history by one nation to address a single disease. Although PEPFAR originally had planned to provide $15 billion over 5 years for prevention, treatment, and care of individuals with HIV/AIDS, $18.8 billion has been committed through January 3, 2008, with 58 percent allocated to programs in 15 focus countries: 12 countries in Africa (Botswana, Côte d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia), and 3 other countries (Guyana, Haiti, and Vietnam). PEPFAR also devoted $5 billion over 5 years to other bilateral programs in more than 100 countries and increased the U.S. pledge to the Global Fund (a public-private partnership that raises money to fight AIDS, tuberculosis, and malaria) by $1 billion over 5 years. The United States has contributed more than $2.5 billion to the Global Fund.

The Department of State's Office of the U.S. Global AIDS Coordinator (AIDS Coordinator) directs PEPFAR. To ensure program and policy coordination, the AIDS Coordinator manages the activities of the U.S. Government agencies responding to the pandemic. The in-country teams that implement PEPFAR comprise staff from USAID, the Department of State, the Department of Health and Human Services, and other agencies. The Bureau for Global Health has general responsibility for USAID's participation in PEPFAR. The director of USAID/Global Health's Office of HIV/AIDS provides the technical leadership for USAID's program.

PEPFAR has set aggressive goals to address the worldwide HIV/AIDS pandemic. The worldwide goal over 5 years is to treat 2 million HIV-infected people, prevent 7 million HIV infections, and care for 10 million people infected with or affected by HIV/AIDS, including orphans and vulnerable children.

This audit covered country missions in Côte d'Ivoire, Haiti, Mozambique, Vietnam, and Zambia.

AUDIT OBJECTIVE

As part of the Office of Inspector General's annual audit plan for fiscal year 2008, the Performance Audits Division directed this audit to answer the following question:

• Has USAID procured, deployed, and warehoused its PEPFAR commodities to ensure that intended results are achieved, and what impact have the programs made?

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

AUDIT FINDINGS

In general, all five of the audited missions procured, deployed, and warehoused their President's Emergency Plan for AIDS Relief (PEPFAR) commodities to ensure that intended results were achieved. In addition, all five audits concluded that USAID efforts have resulted in an overall positive impact in the activities to combat HIV/AIDS (human immunodeficiency virus/acquired immunodeficiency syndrome).

Procurement. The audits of USAID/Haiti, USAID/Vietnam, USAID/West Africa,[1] and USAID/Zambia concluded that commodities were procured as planned to ensure that commodities were available when needed. However, the audit at USAID/Mozambique concluded that the mission had procured only 46 percent of its planned commodities in the 2007 country operational plan during the fiscal year (FY) 2007, owing to the date that FY 2007 funding was received. USAID/Mozambique had procured 100 percent of its planned commodities by the end of FY 2008.

Deployment. The five audits noted that commodities were generally deployed first to the central warehouses and then to the district storage facilities for distribution to clinics and hospitals. At facilities in five locations, the auditors reported that antiretroviral drugs and laboratory supplies generally were available when needed. However, at USAID/West Africa, the audit concluded that some health facilities lacked antiretroviral drugs and laboratory supplies.

Warehouse storage. The audits of USAID/Haiti, USAID/Mozambique, USAID/Vietnam, and USAID/Zambia concluded that storage conditions at the warehouse facilities visited generally met the standards established by the host government. However, the audit of USAID/West Africa concluded that several of the warehouse facilities visited did not meet the standards tested.

Impact. The five audits concluded the following:

- At USAID/Haiti, the program exceeded the FY 2007 target of 300,000 people tested for HIV/AIDS, an important achievement in a country where stigma with regard to HIV/AIDS remains strong. PEPFAR also substantially increased the number of individuals on antiretroviral therapy—an important indicator because antiretroviral therapy allows those with HIV/AIDS to live longer and healthier lives.

- At USAID/Mozambique, according to the mission's annual progress report for FY 2007, 78,236 individuals were receiving antiretroviral therapy. In settings other than preventing mother-to-child transmission of HIV, the mission reported that 422,209 individuals received counseling and testing for HIV/AIDS.

- At USAID/Vietnam, the mission's efforts made a significant impact by increasing access to antiretroviral therapy and helping people with HIV/AIDS live longer and healthier lives. Before the Government of Vietnam launched the national AIDS treatment program in 2003, few people had access to life-extending antiretroviral drugs.

[1] USAID/West Africa is the USAID mission that manages the activities in Côte d'Ivoire.

- At USAID/West Africa, the mission's efforts had a substantial positive impact on the number of individuals receiving antiretroviral therapy. PEPFAR annual reports indicate that the number of individuals receiving antiretroviral therapy increased from 11,097 in September 2005 to 20,923 in September 2006.

- At USAID/Zambia, the program exceeded the FY 2007 and 2008 targets for individuals on therapy. Although the Office of the Global AIDS Coordinator has not established any required indicators related to the procurement, deployment, or warehousing of commodities, a related indicator—the number of individuals on antiretroviral therapy—demonstrates that USAID's efforts have made a substantial impact in this area. Draft information provided by USAID/Zambia, as of September 30, 2007, shows that the mission's use of PEPFAR funds helped to provide therapy to 46,670 individuals, approximately 38 percent of the total (122,684) reported for Zambia in the most recent PEPFAR annual performance report. This information indicates that Zambia had already exceeded the FY 2007 target of 109,050 individuals on therapy and the FY 2008 target of 120,000 individuals on therapy.

Despite the achievements at the five missions audited, this audit identified opportunities to strengthen PEPFAR program activities by (1) improving storage conditions for PEPFAR commodities, (2) limiting the expiration of commodities and deterring the storage and use of expired commodities, and (3) validating and verifying reported data. These areas are discussed in the following sections.

Storage Conditions Need Improvement

Summary. John Snow, Inc., in collaboration with the World Health Organization under the USAID/Deliver Project, established standards to ensure proper storage of PEPFAR commodities. However, at four of the five missions audited, some standards were not followed for various reasons, including lack of training for the warehouse staff and failure to fully implement the partner's monitoring and evaluation plan. Inadequate storage conditions could result in reduced quality, efficacy, and shelf life of commodities as well as their loss or theft.

John Snow, Inc., in collaboration with the World Health Organization under the USAID/Deliver Project, established standards to ensure the security and proper storage of PEPFAR commodities. However, at four of the missions audited, some standards were not met. For example, antiretroviral drugs were not always stored in secured facilities, some drugs were not stacked properly or stored at appropriate temperatures, and some warehouses lacked fire extinguishers and smoke detectors.

Security of facilities. At USAID/Haiti, some commodities were kept in kitchens and other office locations because they needed cold storage that was not available in a new warehouse. At USAID/Mozambique, the Ministry of Health warehouse did not have a designated space for test kits and antiretroviral drugs. Stock was not kept in a secure,

designated storage area. At the warehouses in USAID/West Africa (Côte d'Ivoire), boxes were stacked in unsecured hallways and rooms.

Stacking of commodities. At USAID/Mozambique and USAID/Zambia, some antiretroviral drugs at Ministry of Health facilities were stacked next to the wall, leaving insufficient space for air circulation, access to the commodities, cleaning, or inspection. At USAID/Mozambique, some boxes were not stacked on pallets, some boxes were upside down, labels were not clearly marked, and mildew was found on the boxes. At USAID/Zambia, expired and unexpired drugs were not always stored separately. Also, at USAID/West Africa, boxes were stacked upside down at several warehouses the auditors visited.

Antiretroviral drugs stacked against the storeroom wall at the central warehouse in Lusaka, Zambia. Photograph taken by an OIG auditor on November 7, 2007.

Temperature control of stored commodities. At USAID/Mozambique, one Ministry of Health facility visited did not have air conditioning for temperature-sensitive medications and test kits. At USAID/Zambia, many Ministry of Health facilities visited were unable to store commodities at the proper temperature. Most did not have fans in the storerooms. Some facilities did not have air conditioners or had air conditioners that did not work. At USAID/West Africa (Côte d'Ivoire), several warehouses did not have air conditioning to maintain the recommended storage temperature.

Fire extinguishers and smoke detectors at warehouses. At USAID/Haiti, the new central warehouse did not have a smoke detector or posters indicating what to do in the event of a fire. At USAID/Mozambique and USAID/Zambia, some facilities did not have fire extinguishers, and one facility at USAID/Mozambique had a fire extinguisher but the staff had not been trained to use it.

At USAID/Haiti, a condenser (needed to properly store temperature-sensitive commodities) and a smoke detector for the new central warehouse had been ordered but had not arrived at the time of the audit. At USAID/Mozambique, the Global Health Bureau added that the storage problems were caused by a lack of training, a complete and sudden transition of responsibility from a parastatal organization to the Ministry of Health, incomplete implementation of the standard operating procedures, and a lack of regular mission site visits to the warehouses because of USAID staff shortages.

At USAID/Zambia, the poor storage conditions at the Ministry of Health facilities were caused by a delay in fully implementing the partner's monitoring and evaluation plan and by the need for additional training for storage facility staff. Inadequate storage conditions could result in reduced quality, efficacy, and shelf life of commodities and their loss or theft. Since four of the five missions audited had some storage conditions that needed improvement, the audit team is concerned that conditions at other locations might have the same problems. Given the importance of proper commodity storage, the audit team believes that all missions with PEPFAR commodities should review the standards established and monitor adherence to those standards at each location. Therefore, this audit makes the following recommendation.

> ***Recommendation 1:*** *We recommend that USAID's Office of HIV/AIDS Director send a written request to the Department of State's Office of the U.S. Global AIDS Coordinator, asking that office to issue clear and explicit guidance to all missions with PEPFAR activities to ensure that (a) standards for warehousing commodities are distributed to all warehousing facilities, and (b) implementation of the standards is reviewed and monitored regularly.*

Management of Expired Commodities Needs Improvement

Summary. The manufacturer of the HIV test kits recommended that expired or faulty HIV test kits not be used, because they were likely to provide false results. Also, the program should try to prevent commodities from expiring and should promptly destroy those that do expire. Activities at one of the five audited missions used expired commodities and had a stockpile of expiring commodities. At another mission, expired commodities were not used or destroyed but were kept in storage for up to 2 years. Expired commodities could have been detected and addressed more quickly through better USAID monitoring. The use of expired test kits may defeat the accuracy of the HIV test results used to determine whether a person should be on antiretroviral therapy, potentially endangering the patient. Moreover, expired drugs represent a loss of resources that otherwise could have been used to achieve program objectives.

The manufacturer of the HIV test kits recommended that expired or faulty kits not be used because they were likely to provide either a false negative or false positive that could jeopardize the medical care of the patient. Therefore, the program should try to prevent commodities from expiring and should promptly destroy those that do expire.

At USAID/Mozambique, however, some health clinics used expired HIV test kits. The health clinic staff did not monitor inventory by expiration date, and moreover,

Mozambique's Ministry of Health allowed the clinics to use the commodities within 90 days after the expiration date. The use of expired test kits may affect the accuracy of the HIV test results used to determine whether a patient should be on antiretroviral therapy, potentially endangering the patient.

In addition, at USAID/Mozambique, 244 bottles of expired drugs were stored at the warehouses, and an additional 3,034 bottles of drugs valued at $8,294 were nearing expiration at the time of the audit. A lack of coordination among donors resulted in this oversupply of the commodities, which expired because they could not be used.

At USAID/Haiti, expired drugs valued at $313,443—including various antiretroviral drugs, HIV test kits, and opportunistic-infection drugs—were stored at the central warehouse. The drugs expired because the central warehouse did not have a forecasting tool. Most have been stored for more than 2 years and take up a good portion of the warehouse. They had not been destroyed when they expired because an incinerator was not regularly available. Expired drugs represent a loss of resources that otherwise could have been used to achieve program objectives. Also, the expired drugs could be inadvertently given to patients.

Expired products at the new PEPFAR central warehouse, Port-au-Prince, Haiti. Photographs taken by an OIG auditor on May 29, 2008.

Since two of the five audited missions had issues related to expired or expiring commodities, the audit team is concerned that other locations might have a similar problem. Accordingly, we make the following recommendation.

> ***Recommendation 2:*** *We recommend that USAID's Office of HIV/AIDS Director request in writing that the Department of State's Office of the U.S. Global AIDS Coordinator issue clear and explicit guidance to all missions with PEPFAR activities to ensure that (a) standards for managing expiring commodities are distributed to all warehousing facilities, and (b) implementation of the standards is reviewed and monitored regularly.*

Program Reporting Needs Improvement

Summary. According to USAID policy, performance data should be accurate and reliable, and missions should take steps to ensure that submitted data are adequately supported. However, in three of the five missions audited, discrepancies with reported numbers were noted. The problems with the data quality occurred because of the lack of supervisory review or verification of data quality to ensure that reported information is accurate. Reliance on inaccurate data could result in inappropriate management decisions or in understated or overstated results.

Automated Directives System (ADS) 203.3.5.2 requires operating units that report Agency performance data to USAID/Washington or externally, for reporting purposes under the Government Performance and Results Act of 1993, to conduct a quality assessment of their data within 3 years prior to submission. Operating units may choose to conduct data quality assessments more frequently. ADS 203.3.5.2 also states that operating units and strategic objective teams should be aware of the strengths and weaknesses of their data and the extent to which the data's integrity can be trusted to influence management decisions. In addition, according to ADS 203.3.5.1 and USAID TIPS 12, "Analyzing Performance Data" (supplemental guidance referenced by the ADS), performance data should be accurate and reliable, and missions should take steps to ensure that submitted data are adequately supported.

At three of the five audited missions, problems with reported data were noted.

- At USAID/Mozambique, the data reported by the partners were not verified, and the mission thus erroneously reported cumulative figures instead of the required annual data.

- At USAID/Vietnam, four of the seven outpatient clinics audited (57 percent) had discrepancies in the "number of individuals on antiretroviral therapy" as of September 30, 2007. That number is important because it is one of the key performance indicators required by PEPFAR, and the Supply Chain Management System in Vietnam used that indicator to estimate the quantity of drugs to order for each health facility.

- At USAID/West Africa, the program's two implementing partners reported inconsistent and inaccurate information to the Centers for Disease Control and Prevention on the number of active patients using antiretroviral drugs. The two implementing partners overreported the numbers by 50 percent and 54 percent, respectively.

The audits noted that the problems with the data quality occurred because of the lack of supervisory review or verification of data quality to ensure that reported information is accurate. These discrepancies increase the risk that reported data may not accurately reflect whether PEPFAR is achieving its objectives. Also, reliance on inaccurate data could result in inappropriate management decisions or in understated or overstated

results. Therefore, a mission cannot reliably determine whether its program is achieving planned results, and the mission may report inaccurate information to decision makers.

Since PEPFAR activities in three of the five audited missions had data quality issues, the audit team is concerned that PEPFAR activities in other missions also may have data quality issues. Given the importance of data quality assurance, the audit team believes that all missions with PEPFAR activities should be provided with clear and explicit guidance. However, because another audit [2] recently provided a recommendation that will address this issue, this audit does not make a new recommendation for this finding.

[2] Audit of USAID's Implementation of the President's Emergency Plan for AIDS Relief (Report No. 9-000-08-008-P), June 2, 2008.

EVALUATION OF MANAGEMENT COMMENTS

USAID's Office of HIV/AIDS agreed with the recommendations in our draft audit report and has implemented the recommendations. USAID's Office of HIV/AIDS agreed to request that the Office of the U.S. Global AIDS Coordinator send out guidance to all PEPFAR country teams, partners, and Ministry of Health counterparts regarding standards and best practices for warehousing of commodities and standards for managing expired commodities. Management indicated that this guidance is taken from World Health Organization guidelines and the Supply Chain Management System standard operating procedures, which represent internationally recognized best practice. Prior to the issuance of this report, the Office of HIV/AIDS provided a copy of the request sent to the Office of the U.S. Global AIDS Coordinator. As a result of management's actions, final action has been reached, and both recommendations are closed upon issuance of this report. Management's comments are presented in their entirety in appendix II.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was designed to determine whether USAID procured, deployed, and warehoused its President's Emergency Plan for AIDS Relief (PEPFAR) commodities to ensure that intended results are achieved and to assess what impact the activities have made.

This report summarized the results of audit work conducted at five overseas missions as follows:

- Côte d'Ivoire—at the mission and various sites from March 5 to April 3, 2008
- Haiti—at the mission and various sites from May 27 through June 13, 2008
- Mozambique—at the mission and various sites from March 4 through May 2, 2008
- Vietnam—at the mission and various sites from February 19 through March 13, 2008
- Zambia—at Washington, DC, because it was a pilot audit, and at the mission and various sites from October 30, 2007, through March 11, 2008

In conducting these audits, we assessed the effectiveness of USAID's internal controls related to PEPFAR. These controls included the control over reporting the number of individuals on antiretroviral therapy and control over antiretroviral drug and HIV test storage conditions. The management controls assessed also included the country operational plan and other monitoring activities.

The cutoff date for measuring achievement of selected outputs was September 30, 2007, for USAID/Haiti, USAID/Mozambique, USAID/Vietnam, and USAID/Zambia. The cutoff date was December 31, 2007, for USAID/West Africa (Côte d'Ivoire).

Methodology

We reviewed documentation related to PEPFAR, including the missions' annual reports, cooperative agreements, and contracts, implementing partners' quarterly and annual progress reports, and field trip reports to determine progress toward outputs. We interviewed officials, including mission staff working under PEPFAR, implementing partners, and subpartners, and visited various sites.

We conducted site visits to the warehouses and health facilities. At the warehouses, we observed storage conditions, conducted test counts of selected antiretroviral drugs and test kits, interviewed responsible staff, and inquired as to availability of essential medicines and laboratory supplies. At the health facilities, we observed storage conditions in the storerooms, dispensaries, and laboratories; conducted test counts of selected antiretroviral drugs and test kits; inquired as to the availability of essential medicines and laboratory supplies; tested the accuracy of the number of individuals on antiretroviral therapy; reviewed monthly commodity ordering reports; and interviewed staff.

The audit reports used the following definitions and materiality thresholds to answer the audit objective:

- "PEPFAR commodities" are products purchased with PEPFAR funding for the detection and treatment of HIV/AIDS, including antiretroviral drugs, test kits, lab equipment, lab supplies, and essential drugs and medicines used to prevent and treat HIV/AIDS-related opportunistic infections.

- Commodities were considered to have been "procured" if at least 90 percent of the procurement funding reported in the 2007 country operational plan was used to procure PEPFAR commodities during 2007. We used a 90 percent materiality threshold because this procurement target is not a PEPFAR-mandated target.

- Commodities were considered to have been "deployed" if products procured were distributed to storage and/or health facilities and to patients on antiretroviral therapy.

- Commodities were considered to have been "warehoused" if storage conditions at storage facilities visited met the Ministry of Health standards. Storage conditions were considered "met" if most facilities visited met Ministry standards; storage conditions were considered "not always met" if most facilities visited met Ministry standards, but with qualifications or exceptions; and storage conditions were considered "not met" if most facilities visited did not meet Ministry standards.

- The Department of State's Office of the Global AIDS Coordinator has not established any required targets or indicators for measuring commodity procurement results. Therefore, for the purposes of this audit, we defined "intended results" as the procurement, storage, and distribution of commodities planned in the 2007 country operational plan and "achievement of the required 2007 PEPFAR target" as the number of individuals on antiretroviral therapy.

MANAGEMENT COMMENTS

Date: June 30, 2009

To: Steven H. Bernstein, IG/A/PA Director

From: Robert Clay, GH/OHA Director

Subject: Management comments on the Worldwide Audit of USAID's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief (Report No. 9-000-09-00X-P)

GH/OHA appreciates the IG conducting the audit on the PEPFAR commodities procurement and distribution program. The above subject Audit Report and recommendations will improve the procurement and distribution of essential HIV/AIDS commodities across PEPFAR programs and help ensure that the people served by these programs have access to quality life-saving anti-retroviral drugs and other medicines and supplies.

GH/OHA has reviewed and is in agreement with both recommendations. The following represents the comments and decisions of GH/OHA management on actions planned to be taken, in order to properly address the recommendations contained in the report.

Recommendation 1: *We recommend that USAID's Office of HIV/AIDS Director send a written request to the Department of State's Office of the U.S. Global AIDS Coordinator to issue clear and explicit guidance to all missions with PEPFAR activities to ensure that (a) standards for warehousing commodities are distributed to all warehousing facilities, and (b) implementation of the standards is reviewed and monitored regularly.*

Recommendation 2: *We recommend that USAID's Office of HIV/AIDS Director request in writing that the Department of State's Office of the U.S. Global AIDS Coordinator issue clear and explicit guidance to all missions with PEPFAR activities to ensure that (a) standards for managing expiring commodities are distributed to all warehousing facilities, and (b) implementation of the standards is reviewed and monitored regularly.*

GH/OHA agrees with both the above recommendations and will request that the Office of the U.S. Global AIDS Coordinator send out guidance to all PEPFAR country teams, partners and Ministry of Health counterparts, regarding standards and best practices for warehousing of commodities, and standards for managing expired commodities. This guidance will be taken from WHO guidelines and SCMS standard operating procedures which represent internationally

recognized best practice. GH/OHA will send the request to the PEPFAR Coordinator, along with the standard operating procedures, by July 17, 2009.
As seen in four of the five country programs included in this audit, the majority of PEPFAR funded HIV/AIDS commodities are warehoused and distributed as part of the national Ministry of Health supply chain system and all warehousing facilities are national government facilities. This avoids unnecessary duplication by supporting existing supply chains and encourages sustainability. USAID provides technical assistance in warehousing or inventory management to all of the countries where commodities are procured. The Office of HIV/AIDS will continue to encourage PEPFAR country teams to provide support in this important area and to monitor how Ministries of Health are warehousing products and managing expiring commodities, but the facilities themselves are outside of direct USAID control. Developing the capacity and improving the viability of national supply chains for health commodities remains a priority for USAID and for the second phase of PEPFAR.

For facilities managed by USAID's contractor, SCMS, such as the warehouse in Haiti and the three Regional Distribution Centers (RDCs) in Africa, USAID will continue to ensure and monitor that warehousing best practice and appropriate inventory management of expiring commodities are being implemented. The Kenya and Ghana RDCs represent regional best practice for pharmaceutical warehousing and the overall percentage of drugs lost to expiry at the RDCs is less than private sector rates for similar operations. USAID will continue to monitor the RDCs to ensure that expiry is kept to a minimum while at the same time guaranteeing the availability of life-saving medicines to the people we serve.

Audit Reports Issued

The following reports were issued as part of this worldwide audit.
The reports are available on USAID/OIG's Web site:
http://www.usaid.gov/oig/public/aud_usaid.htm

Report No. 9-611-08-007-P, *Audit of USAID/Zambia's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief*, May 30, 2008.

Report No. 5-440-08-007-P, *Audit of USAID/Vietnam's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief*, July 7, 2008.

Report No. 1-521-09-001-P, *Audit of USAID/Haiti's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief*, October 16, 2008.

Report No. 4-656-09-001-P, *Audit of USAID/Mozambique's Procurement and Distribution of Commodities for the President's Emergency Plan for AIDS Relief*, December 18, 2008.

Report No. 7-624-09-002-P, *Audit of USAID/West Africa's Procurement and Distribution of Commodities in Côte d'Ivoire for the President's Emergency Plan for AIDS Relief*, May 8, 2009.

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