



OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

EXECUTIVE SUMMARY

Audit of the Global Fund Grants to Population Services International Togo

Audit Report GF-OIG-10-021
31 October 2011

Executive Summary

1. In 2010, the OIG undertook an audit of Global Fund grants managed by PSI Togo. The purpose of the audit was to assess the adequacy of PSI's internal control systems in managing the Global Fund grants in Togo and where necessary make recommendations to strengthen the management of the grants. The audit focused on the transactions related to two grants from 2005 to March 2010 amounting US\$ 40,589,537 of which US\$ 30,982,546 had been disbursed.

2. This section briefly highlights the findings and conclusions arising from the audit and the detailed findings are contained in the rest of the report.

Achievements

3. Despite the challenges of operating in a post war conflict country, PSI has had commendable achievements in the implementation of the Round 4 grant. These included:

- i. PSI had established over 8,000 distribution points throughout the country with some 3,500 in Lomé. 48 million condoms were released from the warehouse for distribution through the private, pharmaceutical, public health and community sectors;
- ii. With regard to the Anonymous Voluntary Testing Centers (AVTCs), more than 100,000 people had been counseled and tested. This was mainly through the PSI's mobile service;
- iii. The "Operation High Protection" that begun in 2001 targeting the military showed a decreased HIV prevalence rate from 14.7% in 2002 to 9.7% in 2006¹;
- iv. There was clear evidence of the BCC campaign with numerous highly-visible billboards and continuous media, radio and television advertisements seen;
- v. There was an increase in access to behavior change communication information through highly-visible advertisements in the form of numerous billboards with messages directed at the targets regarding abstinence, usage of condoms and fidelity;
- vi. PSI undertook several behavioral diagnostic studies to verify the effectiveness of its campaigns; and
- vii. PSI had a real-time document management system that enabled it to obtain timely data for decision making.

Program-related aspects

4. Contrary to Global Fund principles and the Paris declaration, the Round 4 grant as designed was not aligned to the priority areas listed in the National

¹ All recruits are tested, and those who are HIV-positive are no longer allowed to join the army.

Strategic Framework². It was designed along the lines of a similar USAID project and gave emphasis to different target groups from those in the framework. With the exception of identifying new mobile screening sites, there was no evidence of the involvement of government structures in the program.

5. PSI set up mobile testing units which contributed to the country's target of having at least 80% of its population know their HIV status. However there was no documentation in place to show how the work of these units linked to the national structures e.g. the follow up of patients identified through the mobile units. Unless people testing positive are effectively followed up, there is also a risk that the resources allocated for the pre-treatment evaluation and subsequent treatment and PLWHA support would be inadequate.

6. The products that were sold under the Global Fund supported program helped address a public health problem but also mobilized additional resources to help sustain the program. However there are concerns that poor people may not be able to afford the goods and services offered under social marketing. For example the rationale behind selling condoms to some target groups was questionable e.g. sex workers and youth may not have income to buy the products. The influx of people that came for testing when PSI had promotional periods when tests were provided free of charge, is evidence that the fee charged is an impediment to people getting HIV testing.

7. With regard to social marketing, the OIG also noted the following areas that need to be addressed in order to make the program more effective:

- i. Once USAID funding ended, PSI used grant funds to purchase condoms which were then sold at twice the price of condoms supplied by USAID and other stakeholders. Although PSI justified its decision on the basis of quality, it was questionable whether this decision represented value for money in a country that had shortages of condoms.
- ii. Between 2003 and 2007, over 48 million condoms were distributed from PSI warehouses. However PSI did not have a condom distribution plan in place. There were shortages in state centres that distributed condoms for free for over a year yet there were condoms available for sale.
- iii. There was no product differentiation between the condoms that were to be given away for free and those that were to be sold. This raised the risk of condoms that should have been distributed free of charge being sold.
- iv. PSI did not have any price control mechanisms in place to ensure that the products reached the intended beneficiaries at their intended price. PSI left the market to regulate itself and the shortage of condoms pushed prices up.

8. PSI was also involved in HIV related behavior change communication (BCC). The program was established in line with industry best practice with the exception of involving key stakeholders in its formative stage and the lack of a communication plan. The Ministry of Education subsequently established a BCC

² National strategic framework for the fight against AIDS: Broad guidelines and key areas of the national strategic framework and summary of the national institutional framework in the fight against HIV/AIDS

program targeting youth and there was limited collaboration with the program run by PSI. Efforts should be made to increase collaboration of the two programs.

9. At the time of the audit there was no national strategy or plan for the implementation of activities targeting PLWHA i.e. income-generating activities, nutritional support, meals etc. The LFA recommendations for the strengthening the program had not been implemented at the time of the audit. A strategy should be developed to guide implementation of this important intervention.

10. With regard to monitoring and evaluation, the OIG identified the following areas that needed strengthening:

- i. PSI's interpretation of the number of condoms distributed was not in line with the Global Fund's interpretation. PSI's definition of distribution of products was to intermediary points and not to final users. In consequence, the numbers that were reported to the Global Fund were not to the end user but to the distributor.
- ii. The OIG was not provided with the basis of targets set for some indicators and some targets did not reflect realities on the ground.
- iii. There were some indicators for which the results reported by PSI had different interpretations from the Global Fund indicator definitions e.g. number of persons trained and number of condoms distributed.

11. PSI was involved in the drafting of the Round 4 HIV grant, was responsible for its implementation and also undertook evaluations of the programs implemented. It is essential that an independent assessment of the implementation and the achievement of the grant targets is undertaken.

Financial management

12. A review of PSI's financial records revealed the following:

- i. The requirement in the grant agreement that all income incidental to program activities be recorded and reported to the Global Fund was not complied with.
- ii. Ineligible costs amounting to US\$ 250,000 were transferred to government institutions without a work plan, budget and sub grant agreement in place and were not accounted for.
- iii. PSI's grant administration costs for Round 4 grant were some 34% of the total budget. This covered human resources, planning and administration and overheads costs. There were concerns raised by a number of stakeholders e.g. the TRP, CCM etc. about the administration related charges being unreasonably high but there was no evidence that these concerns were addressed.
- iv. PSI did not have a mechanism in place for the allocation of common costs across donors. The Global Fund supported program was charged with most of the common costs.

Sub grant management

13. One of the causes of the delay in the startup of the Round 8 was the SR selection process. An independent CCM appointed panel reviewed the process and found it to be flawed due to (i) the vague terms of reference provided to bidders; (ii) not all the defined eligibility criteria were applied in the selection process; and (iii) evaluators did not receive adequate guidance on the criteria to be applied resulting in large variations in the marks allocated by evaluators. The OIG also noted PSI assisted some but not all NGOs obtain registration with the government.

14. The Round 8 grant agreement was supported to cater for strengthening of NGOs. The number of NGOs that were supposed to receive capacity building was cut from six to three and, even then, the extent of the capacity building significantly reduced. PSI explained that this was in order to achieve cost savings as required by the Global Fund although a review of the budget showed that there had not been any budget cuts in this area.

Conclusion

15. The implementation of the OIG's recommendations should help to considerably strengthen PSI's effectiveness in implementation the Global Fund grants and would help the Global Fund Secretariat to monitor and oversee the program implementation to ensure that the funds were used for grant purposes. The following costs should be refunded to the grant program:

Description	US\$
Unbudgeted funds disbursed to the PNLs, CNLS and MoH without legal basis (No contract/MOU, no budget, no work plan)	248,539
Income generated from the sale of condoms donated by USAID and distributed using the Global Fund funds under round 4 not reported to the Global Fund.	431,939
Equipment procured from the income generated from the social marketing without the Global Fund approval.	55,883
Expenses related to the SRs overhead cost	128,508
Total	864,869

Oversight

Country Coordinating Mechanism

16. There was evidence seen of the CCM undertaking its roles as detailed in the CCM guidelines. The effectiveness of these roles can be strengthened by:

- i. Defining the criteria used in the selection of PRs. Mechanisms should also be put in place to address conflicts of interest when potential PRs are involved in the proposal writing process.
- ii. Appointing sub committees and developing an oversight plan in order to strengthen oversight.
- iii. Ensuring that all programs are aligned and linked with the national programs and the programs run by other stakeholders.

Local Fund Agent

17. The LFA had limitation on accessing information/ documentation related to the transactions incurred by PSI/Washington which impacted its ability to effectively execute its mandate. This issue was brought to the attention of the Secretariat and was not resolved.

Secretariat

18. Although a lot of reliance was placed on inputs from PSI headquarters to address country specific risks and the fact that significant amounts were spent at headquarters, there were no mechanisms in place to enable the LFA to verify the work done by the headquarters. The LFA and audit arrangements only covered transactions at country level. Errors at PSI's headquarters sometimes went undetected e.g. the computation of bank interest.

19. The Secretariat should:

- i. Address limitations in the LFA's access to information and measures should be instituted to ensure that all expenditure incurred by PSI Washington is verified in accordance with the signed grant agreement.
- ii. Review the description of PSI's program indicators related to distribution.