



Independent observer
of the Global Fund

MANAGEMENT OF GLOBAL FUND GRANTS TO HAITI HAS BEEN “PARTIALLY EFFECTIVE,” OIG SAYS

In an audit of Global Fund grants to Haiti, the Office of the Inspector General (OIG) has rated the implementation and assurance arrangements, financial management controls, and sub-recipient (SR) management as “partially effective.”

“Partially effective” is the second highest rating in the OIG’s four-tier rating scheme. The four tiers are “effective”; “partially effective”; “needs significant improvement”; and “ineffective.”

The OIG said that the Global Fund Secretariat and the principal recipient (PR), Population Services International (PSI), have designed financial assurance and implementation arrangements to ensure efficient and effective use of grant funds. However, the OIG stated, there are inadequacies in the way programs are assessed and in related capacity building. “This, together with other factors such as delayed signing of sub-recipient contracts and starting up of grant activities, may have contributed to low programmatic performance in the first year of grant implementation,” the OIG said.

A [report](#) on the audit was released on 6 June 2017.

The Global Fund has invested over \$376 million in the fight against the three diseases in Haiti since 2003 and has currently two active grants in the country (see table).

Table: Active Global Fund grants to Haiti

Grant	Principal recipient	Pays	Grant period
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HTI-C-PSI	Population Services International	HIV	Nov. 2015 -
		TB	Apr. 2016 -
		HSS	Jul. 2016 -
HTI-M-PSI	Population Services International	Malaria	Jan. 2016 -

Source: OIG Audit Report on Global Fund Grants to Haiti

PSI, which is the PR for both grants, is an international non-profit organization based in Washington DC. PSI implements the grants through its local affiliate, Organisation Haïtienne de Marketing Social pour la Santé (OHMaSS).

The audit included both active grants and covered the period from November 2015 to January 2017. The audit scope included reviews of PSI and seven sub-recipients (SRs).

With a GDP per capita of \$818, Haiti is the poorest country in the Western hemisphere. More than half (58.5%) of its population of 10.7 million live in poverty. The UNDP's Human Development Index ranks Haiti as the 163rd least developed country out of 188 countries, and Transparency International ranks it as 159th out of 176 countries in its Corruption Perception Index. The country was rated as "high alert" in the Fund for Peace's Fragile States Index in 2016.

Haiti is one of the countries the Global Fund categorizes as a challenging operating environment. In addition, the grants to Haiti are being managed under the Fund's Additional Safeguard Policy.

Haiti is on the path towards malaria elimination. Successful malaria interventions have made it possible for the country to adopt a national strategic plan with the aim of eliminating local malaria transmission by 2020.

Achievements

The OIG said Haiti has made significant progress in the fight against the three diseases despite limited infrastructure and an unstable political landscape. In recent years, it said, Haiti has significantly increased the number of HIV patients on antiretrovirals (ARVs): Currently, over 82,500 people receive ARVs, representing 64% of the total estimated number of people living with HIV. HIV prevalence among adults has remained stable over time, the OIG stated, indicating that prevention and treatment programs are successfully curbing new infections and providing treatment to those who are HIV-positive.

The country is on the path towards malaria elimination, the OIG said. Malaria incidence decreased by approximately 50% between 2010 and 2015. Successful malaria interventions have made it possible for the country to adopt a national strategic plan with the aim of eliminating local malaria transmission by 2020.

In the opinion of the OIG, the PR, PSI, has sufficient implementation capacity. It has previous experience in successfully managing malaria interventions in Haiti and, although it is a new PR for HIV and tuberculosis, it has successfully leveraged its malaria experience. PSI works closely with 14 SRs, of which five are governmental entities and nine are civil society organizations.

Key issues and risks

The OIG identified the following major weaknesses in the implementation of Global Fund grants to Haiti:

- low achievement of targets due to delays in signing contracts with SRs and starting grant activities;
- unbalanced assurance framework with gaps in the programmatic area;
- limited sustainability of capacity building activities;
- gaps in the financial control arrangements; and
- weak controls over programmatic and health product data management, and reporting at source level.

Below, we describe each of these weaknesses in detail.

Low achievement of targets

Under the new funding model, grants are supposed to be disbursement-ready when they are signed. Implementation arrangements should be finalized, including the identification of SRs. Given that the Haiti grants had a relatively short implementation period (up to two years), the OIG said, “it is essential that activities start as soon as possible to ensure that they can be fully implemented in time.”

However, the OIG stated, the first year of implementation of the current grants (2016) was marked by delays in recruiting and signing contracts with some SRs, and delays in the start-up of grant activities, which resulted in some targets not being achieved.

For example:

- None of the funds disbursed for a results-based financing module in the HSS component were spent in 2016, the OIG said. The Ministry of Finance had been originally proposed as the PR for this component. However, conditions at country level were not conducive to effective engagement with the Ministry of Finance.
- Results for 2016 revealed that only 28% of the target for TB case notification among high risk groups (including prisoners) was reached. The shortfall was due to delays in implementing TB activities in prisons. A contract with the SR mandated to implement TB treatment in prisons had still not been signed at the time of the audit in February 2017, and activities had not yet started.
- In the malaria grant, by December 2016 only 3% of the target related to case investigation had been met. The cause? PSI selected two SRs for implementation of community-based malaria prevention and case detection activities, but while the call for tenders was launched in February 2016, due to protracted selection processes the contracts with the two SRs were not signed until August 2016 and November 2016, respectively.

The OIG said that PSI signed contracts with SRs without assessing their programmatic capacities. PSI conducted a capacity assessment of each SR, but the assessment focused only on financial and administrative capabilities. (The assessment took the form of a self-assessment by the SR which was then reviewed by PSI.)

The OIG said that after contracts had been signed with SRs engaged in HIV prevention activities for key populations, PSI observed capacity gaps and implementation challenges. These had not been noted prior to signing the contracts so there was no plan to address them. This contributed to prevention activities not reaching their targets in 2016, the OIG said.

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being achieved.

The OIG said that PSI's local affiliate, OHMaSS, did not have a process in place to assess programmatic capacity in a systematic manner; and that PSI HQ did not provide assistance to develop such a process. The OIG also pointed out that although there are cases when the Global Fund's country team decides to undertake the SR capacity assessments, particularly for countries under the Additional Safeguard Policy, in this instance the country team was not involved in any assessment of the SRs' programmatic capabilities.

According to the OIG, PSI and the Global Fund Secretariat are now arranging technical assistance on program management for the SRs.

The OIG reported that a re-programming exercise involving both grants is currently underway. "The success of this re-programming is critical to ensure catch-up of activities and improved implementation and absorption rates," the OIG said.

In response to the OIG findings, the Secretariat said that it will work with PSI to ensure that for the next implementation period (a) grants are disbursement ready with budgets and activities approved; and (b) arrangements are made to sign (or extend) SR agreements in a timely manner. In addition, the Secretariat will develop a tool and a process for program capacity assessment of SRs; and ensure that these assessments are conducted before any agreements with new SRs are signed.

Unbalanced assurance framework

There is a functioning assurance framework in place to safeguard the Global Fund grants, the OIG stated, but it is not adequately balanced between financial and programmatic assurance. For example, the local fund agent (LFA) conducts regular financial assessments and reviews of procurement and supply chain management. However, in the period assessed by the audit, the OIG said, the LFA's mandate with respect to programmatic and data quality review was limited. None of the other assurance providers – the grants' external auditor, the internal audit function at PSI headquarters, and the internal audit function at OHMaSS – have regularly included verification of programmatic results.

The limited programmatic assurance for 2016 has resulted in poor oversight of the programmatic and data quality areas, the OIG said. In addition, there are lost opportunities to ensure that financial assurance is linked to programmatic performance assurance. However, the OIG reported, the Secretariat is planning to implement programmatic assurance mechanisms in 2017, including a Health Facility Assessment and a data quality audit.

The priority in the first year of the grants was to ensure that there was no interruption of services, rather than building capacity at SR level.

Limited sustainability of capacity building

In order to achieve sustainable and long-term programmatic impact, the OIG said, grants must contribute to building the capacity of local health systems and partners. The Global Fund can address capacity building on a strategic national level, on a tactical level through the design of grant activities, and on an operational level through building the resources and skills of SRs.

Several donors in Haiti are engaged in initiatives to build capacity at the national level, the OIG stated. However, coordination among donors is limited. The OIG said that when the grants were initially signed, the agreements did not include a long-term capacity development plan for local partners. The OIG said

that the priority in the first year of the grants was to ensure that there was no interruption of services, rather than building capacity at SR level.

According to the OIG, PSI submitted a draft capacity building plan covering SRs on 29 November 2016. The plan had not yet been approved at the start of the audit in February 2017. However, the OIG said, PSI had already taken steps to build operational capacity at the SR level, including conducting training and information sessions, developing tools and templates and placing focal points in SRs that were government entities. Nevertheless, since the plan was only recently approved and limited reporting was available, the OIG said that it was not able to assess the effectiveness of the capacity building activities.

The OIG also noted that there was no national health system capacity building plan that the Global Fund could support through its grants.

To address these issues, the Global Fund Secretariat said that it will work with PSI and relevant in-country stakeholders to ensure that:

- grants in the next implementation period include a component of capacity development activities focusing on national implementers with the most significant capacity gaps (developed in coordination with other donors); and
- an updated SR capacity development plan is approved and implemented.

Gaps in financial controls

The OIG said that PSI has designed adequate financial controls, including reliable accounting systems, a budgetary monitoring system, segregation of duties and an internal audit function. However, it added, improvements are required for fraud prevention, reporting mechanisms and internal controls of expenses, especially those of government SRs.

In 2016, there was no mechanism in place to ensure that programmatic data is accurately collected, recorded and reported on a regular basis. This was compounded by the fact that reporting by SRs was neither timely nor complete despite repeated efforts to improve it.

The OIG said that PSI allocates 18% of the budget of the two active grants to human resources, grants and contracting, institutional assessments, monitoring and evaluation, training, and administration. Procurement represents 26% of the budget; and 90% of the procurement goes through the Global Fund's Pooled Procurement Mechanism. The remaining 56% of the budget is implemented by 14 SRs for other grant activities. PSI's financial analysts review SR expenditures on a monthly basis and issue verification reports.

The audit identified problems in three areas:

- Fraud prevention. PSI's mechanisms for preventing, detecting, following-up and reporting on cases of potential fraud are inadequate. Although PSI has provided fraud-related information and training to OHMaSS, this has not been sufficient to ensure a systematic approach to identifying fraud redflags and following up on identified cases.
- Linkage between financial controls and programmatic activities. PSI verifies SR expenditures with a focus on the availability of documents to support expenditures, but with less attention to the correlation between the expenditure and the relevant program activity. This results in inefficient use of program funds.
- SR expenditures. The internal financial controls for government SRs require improvements due to the absence of reliable accounting systems, policies and procedures that are not updated, and the lack of an internal audit function.

The OIG said that its review of SR expenditures for the fourth quarter of 2016 revealed systematic control weaknesses for expenditures related to travel, training, fuel consumption, school fees expenses and related procurement processes. The review identified the following irregularities:

- Several emergency procurements did not comply with tender documentation requirements.
- There was inadequate supporting documentation for travel costs and no third-party documentation for school fee payments.
- There was unjustified over-spending from the approved budget, and spending that was not budgeted for – totaling \$185,000.
- Some SRs that receive funds from other donors do not have a systematic allocation mechanism to charge common costs across donors or grants or to avoid double payments for the same activity.

In response to these findings, the Secretariat said that it will work with PSI to perform a comprehensive review of school fees activities for all SRs (with assistance from the LFA where required) and to implement an action plan to address current control gaps.

Programmatic and health product data management

OIG said that PSI has weak controls over programmatic and health product data quality at the source level, and limited mechanisms in place to ensure that the data it receives from SRs are accurate and complete. This can result in inaccurate data being used to quantify health products and prioritize disease interventions, with potential adverse effects for patients and grant performance.

In 2016, the OIG said, there was no mechanism in place to ensure that programmatic data is accurately collected, recorded and reported on a regular basis. This was compounded by the fact that reporting by SRs was neither timely nor complete despite repeated efforts by PSI to improve it. In addition, the OIG said, there were discrepancies in the data reported by SRs due to a poor understanding of the indicators to be reported. For example, health facilities reported on the number of HIV tests provided to pregnant women instead of the number of pregnant women tested.

The OIG said that the LFA was not mandated to conduct on-site data verification or other reviews of programmatic data quality at source level during the audit period.

The OIG stated that PSI recognizes that there are problems with programmatic data quality and that it has implemented measures to address the problem. These include conducting programmatic on-site data verification of three SRs working on HIV prevention; and recruiting 20 quality assurance officers.

In response to the OIG's findings, the Secretariat will request that the LFA verify the implementation of quality assurance mechanisms planned as part of a recently approved monitoring and evaluation plan;and will evaluate whether PSI is addressing quality assurance weaknesses identified by the OIG.

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