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OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/IRAQ'S COMMUNITY ACTION PROGRAM II

AUDIT REPORT NO. E-267-08-005-P
August 5, 2008

BAGHDAD, IRAQ

Office of Inspector General

August 5, 2008

MEMORANDUM

TO: Acting USAID/Iraq Mission Director, Denise A. Herbol

FROM: Director, Office of Inspector General/Iraq, Jay R. Rollins /s/

SUBJECT: Audit of USAID/Iraq's Community Action Program II (Report No. E-267-08-005-P)

This memorandum transmits our final report on the subject audit. The report includes four recommendations. We have considered management's comments on the draft report and have included them in their entirety as appendix II of this report.

Based on those comments, we consider that management decision has been reached on all four recommendations. Please provide evidence of final action on each recommendation to the Audit Performance and Compliance Division upon completion.

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

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SUMMARY OF RESULTS

The Office of Inspector General in Iraq conducted this audit to determine whether USAID/Iraq's Community Action Program II was achieving planned results and to determine the impact of those results. Started in October 2006, this $150 million program was designed to promote the development of stable communities by assisting them in identifying and prioritizing problems, managing conflict constructively, meeting challenges with local and external resources, and incubating democratic principles. (See pages 2-3.)

We found evidence that USAID/Iraq's Community Action Program II had accomplished many projects designed to create a foundation for sustainable development. (See page 4.)

However, regarding the achievement of planned results and impact, we found that USAID/Iraq did not ensure that baseline values for performance indicators designed to measure progress were determined at the beginning of the program. This sometimes resulted in the establishment of unrealistic targets. Also, targets for program performance indicators varied from one source to another in such a manner that we could not determine definitively which targets were in effect during the time of our audit. (See pages 5-10.) Although USAID/Iraq has taken steps to improve the quality of performance data following a prior audit of the predecessor Iraq Community Action Program that noted data quality issues, data quality problems continued in the current program. (See pages 11-13.)

This report contains four recommendations. We recommended that USAID/Iraq: 1) reevaluate whether current targets are realistic and ensure that realistic targets are included in the performance management plan and Project Reporting System, 2) develop procedures to ensure that changes to performance indicators and targets are properly documented, 3) perform a data quality assessment to ensure that system flaws are identified and remedied, and 4) develop a plan to standardize data collection processes and analysis methods among the implementing partners to ensure that reported information is consistent and reliable. (See pages 10 and13.)

In response to our draft report, USAID/Iraq management agreed with all four recommendations and described corrective actions planned or taken to implement each recommendation. Based on those comments, we consider management decisions to have been reached on all four recommendations. (See page 14.)

BACKGROUND

The Office of Inspector General/Iraq conducted this audit to determine whether USAID/Iraq's Community Action Program II was achieving planned results, and to determine the impact of those results. The program began on October 1, 2006 and was scheduled to end on September 30, 2008. The program was originally allocated $95 million, but that allocation was subsequently increased by $55 million in September 2007, bringing the total to $150 million. The entire amount of $150 million had been obligated and $75.7 million disbursed as of May 26, 2008.

The ultimate goal of the program was to "strengthen responsible and effective local governance in Iraq by institutionalizing community-level mechanisms and capacity for citizen participation in local decision-making and development." The program was designed to promote grassroots democracy and better local governance via a "project and process" methodology of demand-driven community development. This was to be accomplished through the establishment of Community Action Groups (CAGs) comprised of volunteers elected in "town-hall" like meetings who would then spearhead community-prioritized development projects. Projects were to be principally funded by USAID, but also draw upon community and local government contributions. Typical projects consisted of improving community schools, health, roads and bridges, water and sewerage, and business/economic development. This methodology has been utilized by prior USAID programs in other countries that have experienced conflict.

USAID/Iraq implemented the program through a single cooperative agreement with an "umbrella" implementing partner that would then pass a portion of the funding on to three other implementing partners. Each of the four partners was responsible for implementing the program in a different geographic region of Iraq. The current program continued the work of a prior Iraq Community Action Program which began in May 2003 and ended on April 30, 2007.

CAP II-funded construction of a school in an area experiencing an influx of displaced families. Source: USAID/Iraq

Prior to the provision of this CAP II-funded medical waste incinerator, hazardous hospital waste was mixed with general community waste. Source: USAID/Iraq

AUDIT OBJECTIVE

As part of its fiscal year 2008 annual audit plan, the Office of Inspector General/Iraq conducted this audit to answer the following question:

- Are USAID/Iraq's Community Action Program II activities achieving planned results, and what is the impact of those results?

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

AUDIT FINDINGS

Performance information, most notably reports from implementing partners, provincial reconstruction team members, and independent program monitors, indicated that positive program activities were taking place in USAID/Iraq's Community Action Program II. The implementing partners, coordinated through a single prime partner, have issued annual and quarterly reports highlighting program achievements in their respective areas of responsibility throughout Iraq. These reports contained detailed information regarding specific projects, as well as on-site photographs. The partners also provided weekly reports to the provincial reconstruction teams operating in their geographic regions. The USAID representatives on the provincial reconstruction teams were designated as activity managers and, as such, their role included reviewing the weekly reports, approving quarterly work plans, suggesting potential projects, and making site visits on an occasional basis.

Reports from USAID/Iraq's monitoring and evaluation contractor[1] also provided convincing evidence that project activities were successfully taking place. For example, the contractor visited 221 projects to validate whether those projects actually existed. Once confirmed, monitors moved on to inspect project use, sustainability, and acceptance by the community. In a report issued in August 2007, the monitoring contractor indicated that over 90 percent of the projects visited were operational and that the remaining 10 percent were often not operational for justifiable reasons. Examples of projects that were operational included the following:

- Installation of a water network and water station provided safe drinking water for several villages in the Karbala Governorate,
- Construction of a new sports hall in Maysan provided youth with a place to practice and organize sport contests, and
- Desks and blackboards were provided for nine schools in Basra, before the project children sat on the floor and teachers were not able to use the old faded blackboards.

However, regarding the achievement of planned results, we found a lack of realistic and consistently defined performance targets, as well as problems with performance data quality. Further, because of delays in obtaining baseline data and the lack of comparable measurements over time we were unable to determine the impact of the program on higher-level objectives. These issues are discussed in the following sections.

[1] Due to the lack of security in Iraq, USAID utilizes the services of a contractor to monitor program activities that would normally be monitored by USAID employees.

Performance Indicator Targets Were Not Always Realistic or Consistently Defined

Summary: USAID policy states that establishing performance indicators is necessary for assessing program performance and that performance targets should be set that are optimistic but realistic. We found that USAID/Iraq did not ensure that baselines for performance indicators designed to measure progress over time were determined at the beginning of the program, sometimes resulting in the establishment of unrealistic targets. Furthermore, targets for performance indicators varied from one program source to another in such a manner that we could not determine definitively which targets were in effect during the time of our audit. The lack of realistic or consistently defined performance indicator targets diminishes the ability to measure performance results which makes it difficult for program managers and other stakeholders to assess the program's progress and to make necessary adjustments to assure achievement of higher-level goals.

According to ADS 203, one of the primary tools the Agency uses to manage for results is a performance management plan, which contains a results framework as one of its critical components. This framework illustrates the steps needed to reach USAID's goals by showing how lower-level results contribute to the achievement of higher-level objectives. The performance management plan defines specific performance indicators, determines baselines, and sets targets for those indicators. USAID uses performance indicators to observe progress by comparing actual results to planned targets.

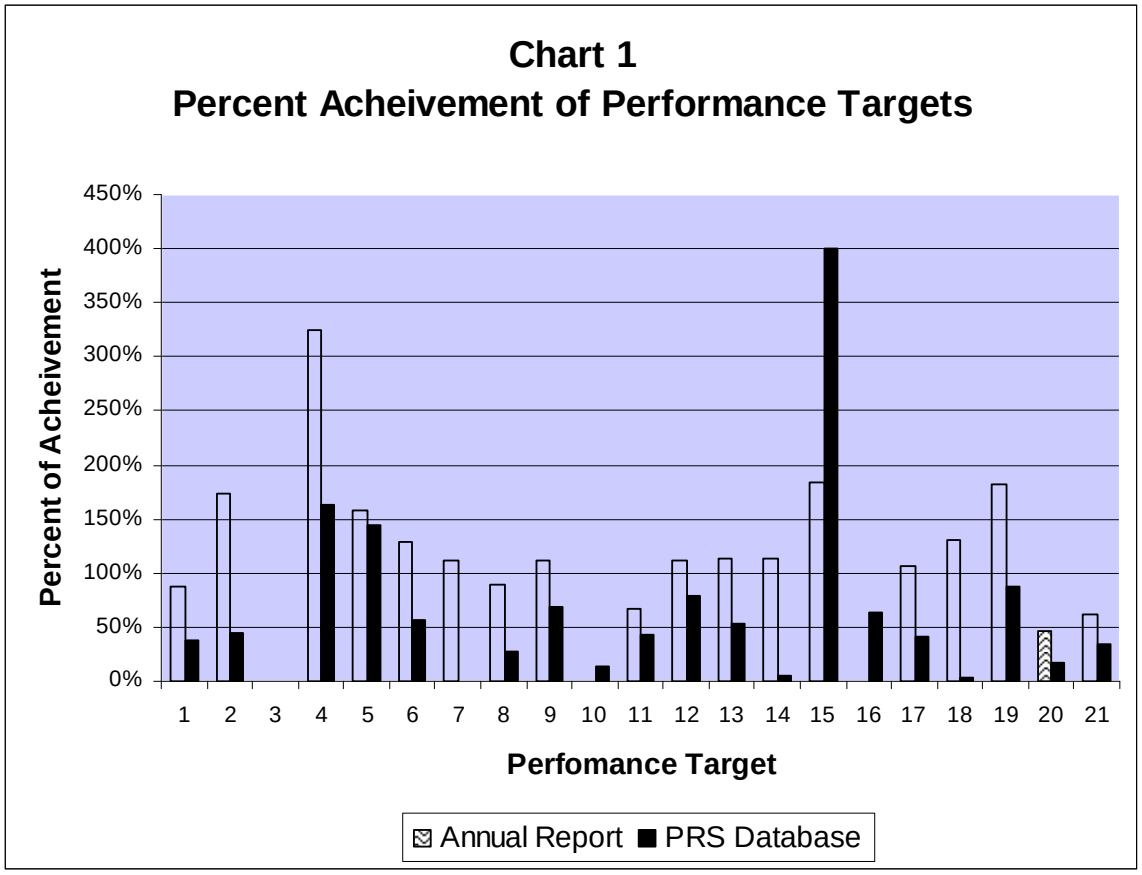
ADS 203.3.4.5 states that for each performance indicator in a performance management plan, USAID operating units should include baselines and set performance targets that can optimistically but realistically be achieved within the stated timeframe and with the available resources. The ADS goes on to define a baseline indicator as "the value of a performance indicator before the implementation of USAID-supported activities that contribute to the achievement of the relevant result." Baseline data and performance targets are critical to managing for results because they are key reference points for assessing program performance. Baseline data establishes a reference point for the start of the program period.

ADS 203.3.4.7 indicates that USAID operating units may change, add, or drop performance indicators based on a compelling reason, but that changing performance indicators frequently may reduce the comparability of performance data over time and thereby weaken performance management and reporting efforts. The ADS 203.3.4.7 further states that operating units are responsible for documenting those changes by updating performance management plans to include a brief discussion of the reason(s) for the change, along with final values for all old indicators and baseline values for any new indicators.

Chart 1 shows combined partner performance indicator target results for CAP II for year one from two different USAID sources.[2] The chart illustrates that some target indicators

[2] CAP II Annual Program Report Year 1 and USAID Project Reporting System (PRS) as of February 25, 2008

for year one were materially over- and under-achieved as well as the discrepancies of target results from two data sources USAID relies on for monitoring program results.



See appendix IV for performance indicator titles.

Lack of a baseline assessment led to setting unrealistic targets - Although the Community Action Program II (CAP II) began in October 2006, the program did not have an approved performance management plan until February 2007. The plan included a results framework (see appendix III) which identified five principal program objectives. Three of the five objectives were matched with higher-level indicators that were selected to demonstrate whether or not the objective had been achieved. The remaining two objectives in the results framework dealt with training to build implementing partner expertise and the implementation of the Marla Ruzicka Iraqi War Victims Fund[3] and were not within the scope of this audit. The three objectives that we audited, along with their higher-level indicators, are presented in the following table.

[3] The Marla Ruzicka Iraqi War Victims Fund was the subject of a previous OIG audit, *Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund*, Report No. E-267-08-002-P, dated April 3, 2008.

Table 1: Program objectives and higher-level indicators reviewed during the audit	
Program Objective	**Higher-level Indicator**
Objective 1: Enhanced stability and social capital through stakeholder cooperation in implementing tangible projects that build local capacity to improve delivery of local services.	Percent of survey respondents who report a decrease in conflict in communities where CAP II works.
Objective 2: Strengthened community-level participation in support of a more effective, transparent, and democratic sub-national government.	Percent of Community Action Group survey respondents who report that their level of engagement with local government has increased.
Objective 3: Increased opportunities for local economic development at the community level	Percent of baseline and follow-up survey respondents who report that economic conditions in their households and communities, including employment, have improved.

There were twenty-one lower-level indicators designed to track intermediate results under the three objectives. (See appendix IV for a list of lower-level indicators and their related targets.)

USAID's cooperative agreement with the implementer stated that the implementer would design and implement a CAP II Baseline Assessment to capture the level of community mobilization, CAG development, local government linkages, and local economic opportunities throughout the target areas at the start of CAP II. The Baseline Assessment would be designed to leverage the existing grassroots data collection mechanisms of the implementer as well as secondary data available through USAID's monitoring contractor and other USAID programs. Results from the Baseline Assessment would be used to refine, and measure progress against, targets for the CAP II performance indicators.

However, only higher-level indicators for the three program objectives were measured in an attitudinal baseline survey of Iraqi communities. The prime implementing partner conducted the baseline assessment survey and the results were submitted to USAID/Iraq on March 22, 2007. The survey was conducted in order to "document the status of several key aspects of the program's Iraqi context and its citizens' opinions at the project's initiation." According to the assessment report, the baseline data that was collected would serve as the basis for assessing the program's progress and impact in follow-up assessments. The assessment consisted of surveys of program implementers, as well as "ordinary Iraqi community members," to determine baseline data in the following areas, among others:

- community conflict;
- levels of engagement with local governments; and
- economic conditions in households and communities.

Although these surveys aligned well with the three objectives and their related higher-level performance indicators, we noted two weaknesses in the baseline assessment that limited its usefulness. The first had to do with timing. The results of the assessment were not made available to USAID/Iraq until almost halfway through the first year of the CAP II and after the performance management plan had been approved. This reduced

the utility of using that baseline information for setting performance targets at the beginning of the program and including those targets in the performance management plan. Further, there were no plans to conduct another assessment until the end of the two-year program, which is contrary to the assessment report's stated goal of assessing the program's progress. Consequently, USAID/Iraq would only have one set of data points against which to measure progress toward achieving the higher-level objectives during the life of the program. The second weakness dealt with content. The assessment did not develop any baseline data with respect to the twenty-one lower-level performance indicators included under the three objectives identified in the performance management plan.

In addition, even though the predecessor program had been in operation for three years prior to the start of CAP II, we found no evidence that historical information had been used to determine baselines or benchmarks for establishing lower level targets because the rationale in setting targets was not documented. The CAP II performance management plan, drafted by the implementing partner, was approved with a qualification by the USAID program manager who noted that the plan needed further review by USAID for adjustments to the work planning, reporting, and PMP systems to the provincial level. When the USAID program office reviewed the performance management plan they requested that the implementer add baseline information for the performance targets. To date the performance management plan has not been revised to include the baseline information. We did not find any documented evidence that baseline data for lower level indicators was developed and used or that a rationale was proposed for the establishment of the lower level indicator targets.

USAID guidance, “Performance Monitoring and Evaluation TIPS”, states that it is difficult if not impossible to establish a reasonable performance target without some idea of the starting point. Ideally, performance baselines - the value of the performance indicator at the beginning of the planning period - are obtained just prior to the implementation of the USAID program activities. However secondary data sources for baselines may be relied on, if available. In this instance, historical information from the predecessor program was available.

Without a baseline assessment or documentation of the basis for establishing targets to show that prior activities were used in the process, there was no rationale to demonstrate that the performance targets established to track the progress and success of the program were realistic, as required in the ADS. As a result many CAP II performance targets were reported as grossly over- or under-achieved during the first year of the program. For example, the target for youth beneficiaries for one implementing partner was set at 100,000 for the first year while the number reported as being achieved was 592,030, nearly six times the number targeted. As previously stated, no documentation exists to explain the basis for setting this or any of the lower-level indicator targets. Other examples of the over-and under-achieved targets by each partner are presented in the following table:

Table 2: Percent Achieved for Selected Indicators during the First Year of the CAP II Program [4]				
Indicator	**Partner 1**	**Partner 2**	**Partner 3**	**Partner 4**
1.1.1 - Number of local activities completed by Community Action Groups (CAGs)[5]	50%	13%	45%	32%
1.1.4 - Number of direct beneficiaries of local CAG activities (by category "Youth")	592%	3,803%	0%	46%
3.1.1 - Number of CAGs trained on topics related to local economic development	57%	333%	3%	50%
3.2.1 - Number of individuals who have received skills training for employment or entrepreneurship	2%	23%	147%	1,020%
3.2.2 - Number of short-term jobs created by CAG community activities	13%	15%	32%	107%
3.2.3 - Number of long-term jobs created by CAG community activities	488%	0%	52%	76%

Targets changed without explanation or authorization – Performance targets changed during program implementation in various tracking mechanisms used by USAID to monitor program results. The reasons for the changes were not documented and were not approved by the USAID program manager.

Various mechanisms were used to track and monitor the program's achievement of goals compared to planned activities.[6] These included the 1) Performance management plan (PMP), which establishes performance target indicators for measuring program results, 2) Annual work plan, which, as required in the grant agreement presents the comprehensive activities and planned results for the program, 3) USAID Project reporting system (PRS), which serves as the standardized monitoring system for CAP II and is intended to capture PMP performance indicators and be compatible with reporting requirements, and, 4) the annual report which provides detailed reporting and analysis on progress against annual targets for all PMP indicators. Values for target performance indicators should be consistent throughout these various document sources.

We noted, however, that these different program sources provided differing targets for performance indicators. The program manager stated he never approved any of the changes to the indicators and according to USAID/Iraq records some targets were changed unilaterally by at least one implementing partner and some targets for the first year of the program may have even been changed after the year had ended. The following table demonstrates the varying targets established for a single performance indicator—the number of local activities (projects) completed by community action groups.

[4] Source: USAID's Project Reporting System as of February 25, 2008. Indicator results are depicted as a percent of achievement of the established target.

[5] CAGs – Acronym for Community Action Group – Iraqi community volunteers elected in a town-hall-type meeting who then spearhead community-prioritized development projects.

[6] These monitoring sources are drafted and maintained by the implementing partner; however, the USAID program manager has final approval of the performance management plan.

Table 3: Indicator 1.1.1: Number of local activities completed by community action groups				
Source of Target:	**Master Work Plan (12/15/2006)**	**Performance Management Plan (2/2/2007)**	**Annual Report for First Year from Implementing Partners (2/2/2008)**	**Project Reporting System (2/25/2008 & 5/21/2008)**
Target for Year I	886	946	775	740
Target for Year II	1,115	913	n/a	1,015
Target for Life of Program	2,001	1,859	n/a	1,755

Such "moving" targets make it difficult to track progress and assess whether planned results are actually being achieved. As noted in the previous discussion, the lack of baseline data or other documented rationale for setting targets may have contributed to the lack of stability in the performance targets.

Further, targets for several performance indicators were not consistently defined. For example, targets for eight of the lower-level indicators were established as percentages in the performance management plan and the Project Reporting System, but appeared as absolute numbers for some of the implementing partners in the annual report. This ambiguous situation resulted in one implementing partner comparing an absolute number (797,077) against a target percentage (15%) in the annual report for the first year of the program. Such a comparison was meaningless since no additional information was provided to convert the absolute number into a comparable percentage.

In another example, targets in the Project Reporting System for one performance indicator—percent of community action group members who are women and youth—were split to independently measure results for women versus results for youth. On the other hand, the performance management plan and annual report for the first year included a single combined target which did not differentiate between women and youth. Consequently, targets for that indicator in the Project Reporting System did not match targets for the same indicator in the performance management plan and annual report.

The lack of realistic or consistently defined performance indicator targets diminishes their usefulness to measure performance results, making it difficult for program managers and other stakeholders to assess the program's progress and to make necessary adjustments to assure achievement of higher-level objectives. Consequently, we are making the following recommendations.

Recommendation No. 1: We recommend that USAID/Iraq reevaluate current performance indicator targets under its Community Action Program II to determine whether they are realistic and ensure that realistic targets are included in the revised performance management plan and the Project Reporting System.

Recommendation No. 2: We recommend that USAID/Iraq develop procedures to ensure that changes to performance indicators and targets are properly documented.

Quality of Performance Results Data Needs to Be Enhanced

Summary: USAID policy provides guidance on ensuring the quality of performance results data. USAID/Iraq has taken steps to improve the quality of performance data following a prior audit of the predecessor Iraq Community Action Program that noted data quality issues. Despite actions taken to resolve those issues, the four implementing partners did not always have uniform guidelines for processing performance results data. As a result, many of the results being reported under the current program are inaccurate which makes it difficult for program managers and stakeholders to assess the program's progress and to make necessary adjustments to assure achievement of higher-level goals.

USAID ADS 203.3.5.1 states that to be useful in managing for results and credible for reporting purposes, data should be precise and reliable. Precise data should present a fair picture of performance and enable management decisionmaking at the appropriate levels. Reliable data should reflect stable and consistent data collection processes and analysis methods over time.

The Office of Inspector General in Iraq issued an audit report[7] on the Iraq Community Action Program (predecessor of the current program) in January 2005. The report noted that, due to untimely updating of the data and insufficient review of the data by the implementing partners and mission staff, some of the data were either under- or over-reported. The report recommended that USAID/Iraq develop and implement a plan of action to improve the integrity of the data collection and reporting system in order for it to be a more effective monitoring tool and a more accurate and reliable data source for reporting purposes.

As a result, a Web-based Project Reporting System was revised under the Community Action Program II in order to improve the timeliness and accuracy of performance results data. In December 2007, the prime partner held a workshop to train system users and to discuss issues regarding data collection and reporting that needed to be resolved. A report that was issued based on the workshop concluded that definition and data entry conventions varied among the partners. In addition, data was not being updated in the system on a regular basis. Inconsistencies in reporting affected various performance indicators, including data regarding job creation, the number of program beneficiaries, contributions from participating communities and local governments, and the number of completed projects.

Despite these actions, we found that data integrity problems continued under the current program. As noted earlier, the program was awarded under an umbrella agreement with one "prime" partner. However, a total of four partners actually implement the program, each having responsibility to enter their performance results data into a shared Web-based system. This has made it difficult to ensure that data were collected and reported consistently. In particular, the four partners did not always have uniform definitions and

[7] *Audit of USAID/Iraq's Community Action Program*, Report No. E- 267-05-001-P, dated January 31, 2005.

processes for results data entered into the system. Consequently, partners followed inconsistent processes and definitions when entering performance data into the system.

For example, the value of contributions to program-funded projects by participating communities and local governments was not consistently accounted for and entered into the system by implementing partners. Most partners differentiated between contributions from communities and contributions from local governments and entered the values of those contributions separately under the respective performance indicators designated by the system. One partner, however, entered the same value under each indicator, thereby contributing to inaccurate system reporting for those two indicators, as well as overstating the value of total contributions.

In another example, implementing partners did not consistently collect and enter job creation data. Some partners entered a head count for a specific week but when entering numbers for the following week did not report persons already reported in a prior week. Alternatively, some partners reported a head count for every week regardless of whether there was a change from one week to the next. In another case, one partner entered weekly employment figures based solely on estimates approved by the government in the project approval stage rather than actual employment figures. This occurred due to the lack of common guidelines for data entry. Consequently, each implementing partner had to decide independently how to collect and enter performance data into the system.

In addition to inconsistent data entry practices, the system itself suffered from design flaws. For example, in order to run a report that combined the results for all partners, the system added together values that were entered as percentages, instead of adding together the underlying numbers from the four partners and then deriving an aggregate percentage. Another design flaw that made system reports difficult to interpret concerned the comparison of actual to targeted values that were reported as percentages. For example, if a target value was expressed as ten percent and an actual value as seven percent, the system report would also present a third column, simply labeled “Achieved,” which showed seventy percent. While seventy percent is correct as a percentage of the targeted value achieved, the report presentation could lead to confusion and misinterpretation. In fact, there was confusion among implementing partner personnel over how to interpret these reports.

As a result of these data quality issues, the Project Reporting System produced reports that were problematic in terms of managing the program. For example, according to system-generated reports, targets were achieved for only three of twenty-one lower-level performance indicators during the first year of the program. On the other hand, the annual report issued by the implementing partners for the same period indicated that targets had been achieved or exceeded for thirteen of those same performance indicators. (See comparative results in appendix IV.)

Such data integrity problems need to be resolved in order to improve the system’s ability to produce accurate and reliable reports on program performance. While we recognize that USAID/Iraq and its implementing partners are already working on resolving these issues, we reiterate the necessity of a quick resolution. Without accurate and reliable information on program results, USAID/Iraq and other stakeholders may not know if the program is having the desired effect or whether activities need to be adjusted in order to achieve desired results. Therefore, we are making the following recommendations:

Recommendation No. 3: We recommend that USAID/Iraq perform a data quality assessment to ensure that flaws in the Project Reporting System are identified and corrected.

Recommendation No. 4: We recommend that USAID/Iraq develop a plan to standardize data collection processes and analysis methods among the program implementing partners.

EVALUATION OF MANAGEMENT COMMENTS

In response to our draft report, USAID/Iraq management agreed with all four recommendations and outlined actions planned and taken to implement the recommendations. Based on our evaluation of management's comments, we consider that management decisions have been reached on all four audit recommendations. Management comments are included in their entirety as appendix II.

Management concurred with Recommendation 1 and indicated that USAID/Iraq was working with the implementing partner to ensure that data reported for year one was accurate and to establish new targets for year two that reflected realistic assumptions. Management plans to update both the performance management plan and the project reporting system to reflect these changes. Final action is anticipated for September 30, 2008, when the Community Action Program (CAP) II ends. Although these actions will have little impact on the current program, management points out that they will provide strong baseline data for an anticipated follow-on program. Accordingly, we consider that a management decision has been reached for Recommendation 1.

Management concurred with Recommendation 2 that changes in the performance management plan targets must be properly approved and documented. Management noted that, to date, none of the changes to the indicators have been approved by the cognizant technical officer. Nevertheless, management stated that USAID/Iraq was preparing a mission order that will address how revisions to performance management plans should be documented. USAID/Iraq anticipates final action by September 30, 2008. Accordingly, we consider that a management decision has been reached for Recommendation 2.

Management concurred with Recommendation 3 that relevant CAP II performance data should be accurate in order to set a baseline for the performance management plan of the anticipated follow-on program. However, management noted that the project reporting system would not be used after CAP II ends and that, therefore, correcting the system's flaws would not serve any useful purpose. Accordingly, management stated that it would conduct a data quality assessment only of CAP II indicators that would be pertinent for setting baselines for the follow-on program. Final action is anticipated for April 30, 2009. Accordingly, we consider that a management decision has been reached for Recommendation 3.

Management concurred with Recommendation 4 and indicated that USAID/Iraq was working with its implementing partners to standardize the reporting of program data. This would help ensure that reported data matched the definitions in the approved performance management plan and that the data was reported consistently among partners. Final action is anticipated by September 30, 2008. Accordingly, we consider that a management decision has been reached for Recommendation 4.

SCOPE AND METHODOLOGY

Scope

We conducted this performance 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.

The purpose of the audit was to determine if USAID/Iraq's Community Action Program II activities were achieving planned results and what has been the impact of those results.

The Community Action Program II is implemented by four implementing partners. The program commenced on October 1, 2006 and will end on September 30, 2008. The program was originally allocated $95 million. That allocation was subsequently increased by $55 million on September 28, 2007, for a total of $150 million.

The scope of the audit included activities conducted under three of the five program objectives. The remaining two objectives dealt with training to build implementing partner expertise and the implementation of the Marla Ruzicka Iraqi War Victims Fund and were not within the scope of the audit.

In conducting the audit, we assessed certain internal controls with respect to the program. Specifically, the team assessed:

- Quarterly and annual reports submitted by the implementing partners
- Reports prepared by USAID/Iraq's monitoring and evaluation contractor
- Results reported by the program's Web-based Project Reporting System
- USAID/Iraq's FY 2007 Federal Managers' Financial Integrity Act self-assessment

We were unable to visit program activities in the field or interview local implementers or beneficiaries due to the security situation within Iraq. However, we were able to obtain sufficient, competent evidence through alternative procedures such as examining program documents and reports, and interviewing USAID officials and implementing partner representatives.

The audit fieldwork was performed from January 16, 2008 to May 26, 2008.

Methodology

To answer the audit objective, we examined pertinent documentation such as cooperative agreements, minutes from USAID/Iraq portfolio reviews, independent evaluations, performance management plan, implementing partners' work plans, and implementing partners' performance reports. We interviewed the USAID/Iraq cognizant technical officer responsible for the program, as well as representatives from the four implementing partners (two partners were sent questionnaires via email). We also

interviewed several USAID/Iraq representatives on provincial reconstruction teams who acted as activity managers for the program.

We did not establish any materiality thresholds for this audit.

MANAGEMENT COMMENTS

DATE: July 31, 2008

TO: Jay R. Rollins, Director OIG /Iraq

FROM: Denise A. Herbol, Acting Mission Director /s/

SUBJECT: USAID/Iraq Management Comments on Draft Audit report E-267-08-00X-P, Community Action Program II.

USAID/Iraq appreciates the opportunity to provide comments on the Office of Inspector General's draft audit report regarding the Community Action Program II. We have reviewed the report in detail and appreciate the useful and constructive suggestions. USAID/Iraq offers the following management comments for your consideration in preparation of the final report.

Recommendation No.1: We recommend that USAID/Iraq reevaluate current performance indicator targets under its Community Action Program II to determine whether they are realistic and ensure that realistic targets are included in the revised performance management plan and the Project Reporting System.

USAID/Iraq concurs with the finding that CAP II PMP targets require revision. In December 2007 it became clear that the performance data table submitted by CHF for year one was clearly of low quality and needed to be revisited. There were problems of clearly inaccurate numbers, variations among the CAP implementing partners and an underlying need to reassess the assumptions behind targets. Since year two of the program included a substantial increase in the funding available, new targets for year two would need to be submitted and approved in a revised performance monitoring plan. USAID/Iraq requested that CHF revisit the PDT submission and work with all the CAP II alliance partners to insure that numbers were accurate and reflected a consistent methodology across partners. Upon final submission of a performance data table for year one that satisfies the CAP II CTO and Mission M&E Specialist, new targets will be presented for year two that represent both the correction of the underlying realism of the assumptions and the increase in funding for year two. While this late approval may not be relevant to the few remaining months of CAP II, it will strengthen the baseline data for CAP III, under which the anticipated awards will be structured accordingly. The revision of the targets to match the approved PMP in PRS will be completed by September 30, 2008 when the CAP II program ends.

Recommendation No.2: We recommend that USAID/Iraq develop procedures to ensure that changes to performance indicators and targets are properly documented.

USAID/Iraq concurs that changes in PMP targets must be properly approved and documented.

Revised PMP targets have not been approved by USAID for CAP II year two. Under the substantial involvement provisions of the CAP II Cooperative Agreement, approval of the performance monitoring plan and its associated targets rests with the CTO and cannot be changed unilaterally by the implementing partner. Various submissions of data reports and revised PMP proposals from CHF did contain revised targets, but these were not approved by the CTO.

To address the question of documentation, USAID/Iraq is currently preparing a "Managing For Results" Mission Order which addresses what documentation will be required for documenting the development and revision of performance monitoring plans. This Mission Order will be issued by September 30, 2008.

Recommendation No.3: We recommend that USAID/Iraq perform a data quality assessment to ensure that flaws in the Project Reporting System are identified and corrected.

USAID/Iraq concurs that CAP II performance data relevant to CAP III objectives should be accurate in order to serve as a baseline for the CAP III PMP. The PRS system used under CAP II will not be used for CAP III. Given the fact that CAP II is approaching closeout, however, USAID/Iraq does not feel correcting its flaws is relevant.

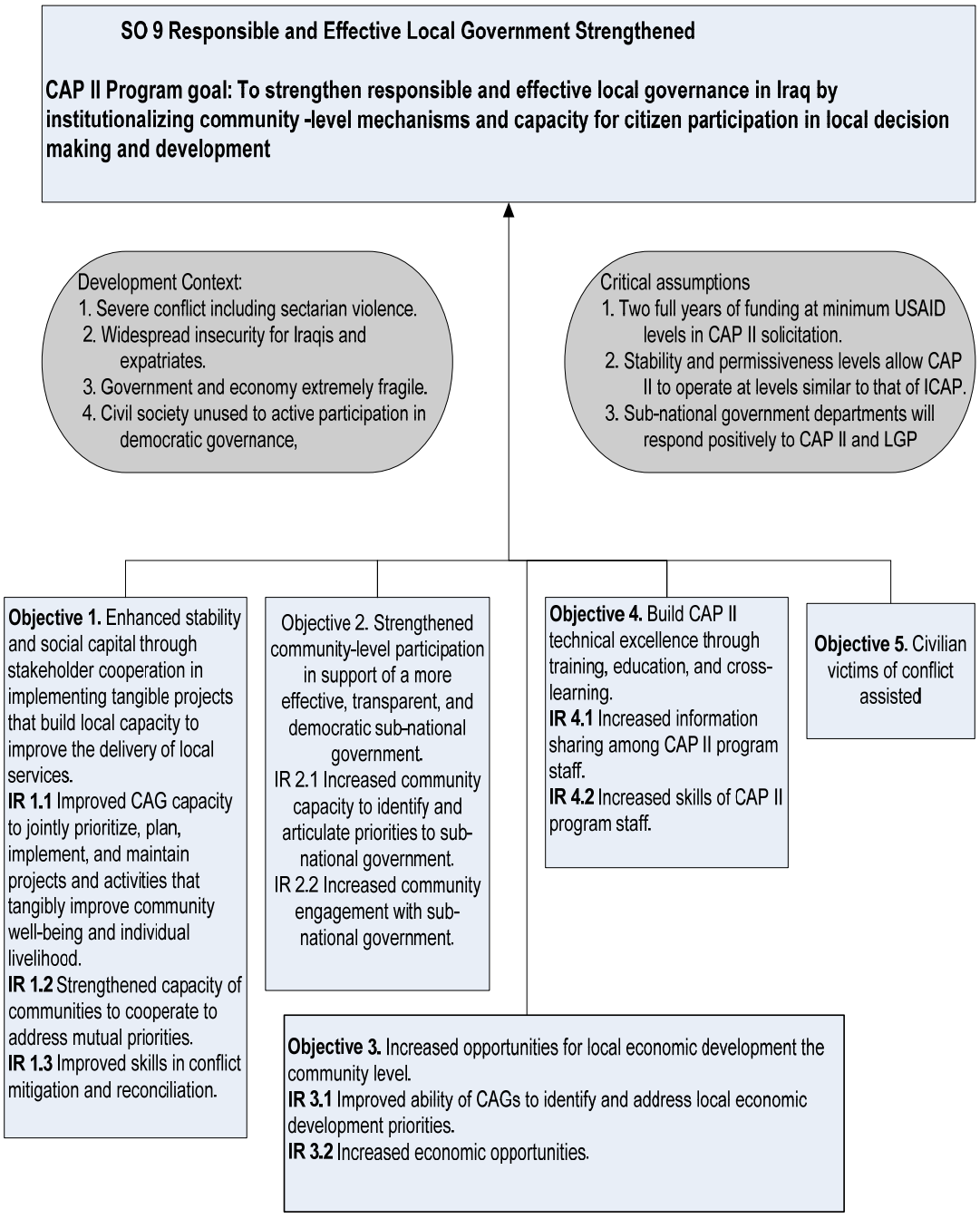
In developing a PMP for CAP III, when awarded, USAID/Iraq will work with its monitoring and evaluation contractor to assess the quality of CAP II performance indicators that are relevant to the objectives of CAP III in order to ensure that the CAP III PMP baseline data and targets are accurate and realistic. It is anticipated that this will be completed with the approval of the CAP III PMP by April 30, 2009.

Recommendation No.4: We recommend that USAID/Iraq develop a plan to standardize data collection processes and analysis methods among the program implementing partners.

USAID/Iraq concurs that CAP implementing partner data collection must be standardized. After the initial submission of the year one PDT, USAID/Iraq requested that CHF convene the CAP II chiefs of party and their monitoring and evaluation staff to review each performance indicator and ensure that reporting matched the definitions in the approved PMP and that they were reported in a consistent way across partners. This process of harmonization is on-going and will yield data comparable across partners by the time of CAP II closeout on September 30, 2008.

Moreover, the CAP III PMP will be designed under the leadership of USAID/Iraq in collaboration with apparently successful applicants in a way that insures consistency across partners from the beginning. It is anticipated that this will be completed with the approval of the CAP III PMP by April 30 2009.

Community Action Program II Results Framework[8]



[8] Acronyms: 1) CAP II – Community Action Program II, 2) LGP – USAID/Iraq's local governance program, 3) CAG – Community Action Group, 4) ICAP – Iraq Community Action Program (predecessor of CAP II).
Source: Iraq Community Action Program II (CAP II) CAP II Baseline Assessment Report.

Comparison of Intermediate Results per CAP II Annual Report and Project Reporting System for First Year (10/1/06-9/30/07)								
	Per Annual Report (percent achieved calculated by audit)				Per PRS as of 2/25/08 (percent achieved calculated by PRS)			
Indicator	**Target**	**Actual**	**Percent**	**>100%**	**Target**	**Actual**	**Percent**	**>100%**
1. Number of local activities completed by CAGs	775	682	88%		740	280	38%	
2. USD ($) value of local contributions to community activities that CAGs implement	$2,212,000	$3,830,849	173%	Yes	$2,775,000	$1,218,395	44%	
3. Percent of CAGs that have implemented activities with non-USAID funding					18%	0%	0%	
4. Number of direct beneficiaries of local CAG activities	2,154,375	6,981,391	324%	Yes	2,154,375	3,521,424	163%	Yes
5. Percent of CAG members who are women and youth (PRS Women only as indicator is split out)	19%	30%	158%	Yes	17%	24%	144%	Yes
6. Number of CAGs participating in cluster projects	76	97	128%	Yes	22%	12%	56%	
7. Number of cluster projects completed	69	77	112%	Yes	70%	0%	0%	
8. Number of CAGs trained in conflict mitigation and reconciliation	73	65	89%		42%	12%	28%	
9. Number of CAGs trained on engaging sub-national government	123	136	111%	Yes	33%	23%	69%	
10. Percent of CAGs referred to ICSP for CSO training					47%	6%	13%	
11. Number of CAGs that have become formal Civil Society Organizations	6	4	67%		2%	1%	43%	
12. Percent of CAGs that have directly initiated engagement with sub-national government	46%	56%	111%	Yes	46%	36%	79%	
13. Percent of CAGs that have leveraged sub-national government contributions for their activities	55%	62%	113%	Yes	48%	25%	53%	
14. Percent of total CAG activities that have had contributions from sub-national government	55%	62%	113%	Yes	40%	2%	5%	
15. Aggregate value of local government contributions to CAGs	$1,604,374	$2,936,761	183%	Yes	$2,479,374	$9,921,897	400%	Yes
16. Percent of CAGs that have established mechanisms for citizen input into local government decision-making					33%	21%	63%	
17. Number of CAGs trained on topics related to local economic development	92	98	107%	Yes	78	33	42%	
18. Number of new local activities initiated by CAGs which directly address local economic development	26%	34%	131%	Yes	25%	1%	4%	
19. Number of individuals who have received skills training for employment or entrepreneurship	1,590	2,890	182%	Yes	1,590	1,393	88%	
20. Number of short-term jobs created by CAG community activities	56,052	26,183	47%		56,052	10,063	18%	
21. Number of long-term jobs created by CAG community activities	4,375	2,684	61%		4,375	1,545	35%	
Number of targets achieved (100 percent or greater)				13				3

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