



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID/JORDAN'S
WATER RESOURCES
MANAGEMENT ACTIVITIES**

AUDIT REPORT NO. 6-278-05-003-P
June 7, 2005

CAIRO, EGYPT



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

June 7, 2005

MEMORANDUM

TO: Director, USAID/Jordan, Anne Aarnes

FROM: Acting Regional Inspector General/Cairo, Lloyd J. Miller /s/

SUBJECT: Audit of USAID/Jordan's Water Resources Management Activities
(Report No. 6-278-05-003-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on our draft report included as Appendix II.

This report includes two recommendations—(1) USAID/Jordan correct the error in its Fiscal Year 2004 Annual Report and (2) USAID/Jordan correct its Performance Management Plan to define data sources, methods of data collection, and schedules for data collection. In your written comments, you concurred with the recommendations and concluded final action on Recommendation No. 1 and proposed appropriate actions to address Recommendation No. 2. Therefore, we consider that a management decision and final action have been taken on Recommendation No.1. In addition, we consider that a management decision has been reached on Recommendation No. 2. When the Mission has completed actions on Recommendation No. 2, please coordinate final action on the recommendation with USAID's Office of Management Planning and Innovation.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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SUMMARY OF RESULTS

Regional Inspector General/Cairo performed this audit to (1) determine the status of USAID/Jordan's water resources management activities and (2) determine if the activities had progressed towards their intended results. (See page 2)

In regard to the status of activities, USAID/Jordan was managing 13 active projects with estimated costs of about \$250 million, as of August 2004. The following summarizes the status of the Mission's primary¹ activities as of June 30, 2004: (See page 4)

- One new management contract for water or wastewater system in place—The Mission developed the contract; however, the Government of Jordan decided not to use it because the Government considered it not economically viable.
- Wadi Mousa Private Sector Participation—USAID/Jordan issued a request for proposal; bids were submitted; but the Mission made no award. The Mission redirected this effort into the establishment of the Aqaba Water Company.
- Jordan Valley Authority develops and adopts a strategic plan appropriate to the needs of the coming years—Jordan Valley Authority developed and then adopted the strategic plan on June 11, 2003.
- Jordan Valley Authority's new accounting system approved by the Ministry of Finance—The contractor designed the system. However, a Government of Jordan employee testing the system changed the program code, which resulted in the program not working. Efforts are underway to correct the problem.
- Public Company in Aqaba Established—The Aqaba Water Company started operation on August 1, 2004.

In regard to progress towards intended results, USAID/Jordan's water resources management activities had mixed success. (See page 5) USAID/Jordan did not meet its targets for fiscal year 2003. The Mission did cite other accomplishments for fiscal year 2003. In addition, USAID/Jordan inaccurately reported in its Annual Report that it had met its targets for fiscal year 2003 in the water sector. (See page 8) To address this error, we recommended that the Mission revise its fiscal year 2004 Annual Report to correct the error identified in this report. Subsequent to the end of the audit fieldwork, the Mission notified USAID/Washington and corrected the error.

USAID/Jordan's Performance Management Plan for the water sector included many of the required elements described in the Automated Directives System. However, the Performance Management Plan did not include all required elements such as specified data sources, methods for data collection, and the schedule for data collection. (See page 9) We recommended that USAID/Jordan correct its Performance Management Plan to define data sources, methods of data collection, and schedules for data collection.

USAID/Jordan concurred with the audit findings and the report recommendations and has already taken action to implement Recommendation No. 1. For Recommendation No 2, USAID/Jordan is in the process of identifying appropriate data sources, collection methodologies and schedules for the Performance Management Plan. (See page 14)

¹ We considered activities with a budget of \$10 million or more as primary activities.

BACKGROUND

According to USAID/Jordan's 1997-2001 Strategy, water is the single most critical natural resource in Jordan. Industrial and agricultural growth, productivity, public health, environment, a democratic and pluralistic society—virtually all aspects of sustainable economic, social, and political development depend on availability of an adequate water supply.

According to USAID/Jordan's 1997-2001 Strategy, Jordanians have long identified the lack of water as a critical development constraint. Historically, USAID has also emphasized water as a central concern. Existing aquifers are being depleted at a rapid rate and water rationing has been a fact of life for most Jordanians. For example, the demand for water was expected to reach 1.3 billion cubic meters by the year 2005, almost double the amount available during the mid-1990s. Rapid population increase, inefficient water management and use, lack of adequate wastewater treatment capacity, and inappropriate pricing policies have exacerbated the scarcity of water.

During 2003, a deteriorating security situation hindered USAID/Jordan's progress in the water sector. The assassination of a Mission official and the onset of the war with Iraq caused the Mission to evacuate personnel from the country. Furthermore, the Mission had to scale back on field visits and operate for prolonged periods without having American contractors and grantee employees in country. In addition, for most of the year, the Mission operated with only half of its American staff positions filled.

Through fiscal year 2003, USAID/Jordan's water resources management activities fell under the Mission strategic objective, "Improved Water Resources Management." This strategic objective started in October 1996 and ended in December 2003. From inception to June 30, 2004, the Mission expended \$196,929,174 in support of the strategic objective. For fiscal year 2003, the Mission expended \$32,866,935. Since the inception of the strategic objective in 1996, USAID/Jordan completed 28 projects.

USAID/Jordan's new Strategic Plan for 2004 through 2009 includes a new water sector strategic objective—"Enhanced Integrated Water Resources Management."

AUDIT OBJECTIVES

At the request of USAID/Jordan, we audited USAID/Jordan's water resources management activities to answer the following objectives:

- What is the status of USAID/Jordan's water resources management activities?
- Have USAID/Jordan's water resources management activities progressed² toward achieving their intended results?

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

² For the purpose of this audit, the term "progressed" means on schedule.

AUDIT FINDINGS

What is the status of USAID/Jordan's water resources management activities?

Through fiscal year 2003, USAID/Jordan's water resources management activities fell under the Mission strategic objective, "Improved Water Resources Management". In support of this strategic objective, the Mission aimed to accomplish three intermediate results: (1) strengthen water sector institutions, (2) increase the efficiency in use of water resources, and (3) improve the quality of wastewater.

In support of these intermediate results, the Mission was managing 13 active projects with estimated costs about \$250 million, as of August 2004. The five active projects with estimated costs greater than \$10 million accounted for about \$227 million—about 90 percent of the estimated cost of the 13 projects. The following table contains a brief description of these active projects during fiscal year 2003.

Table 1: USAID/Jordan Active Water Projects During Fiscal Year 2003

#	Project Name	Estimated Cost	Description
1	Zara Ma'in Water System	\$104,000,000	Water treatment plant, reverse osmosis facility, 6 pumping stations, control system, and 8 kilometers of pipeline.
2	Restructuring & Rehabilitation of Sixteen Water Distribution Zones in Greater Amman	\$65,000,000	Restructure and rehabilitate the network to modern design standards.
3	Aqaba Wastewater Facilities Expansion	\$37,500,000	Expand wastewater treatment plant.
4	Water Efficiency & Public Information for Action	\$10,000,000	Promote water conservation and increase public knowledge of water issues.
5	Education and Information Program to Improve Irrigation Water Use Efficiency	\$10,000,000	Initiate a long term program of water use efficiency in agriculture.
6	Jordan Valley Authority Strategic Planning Program—Phase II	\$6,300,000	Develop a strategic plan for the Jordan Valley Authority and build the Authority's strategic planning capacity.

#	Project Name	Estimated Cost	Description
7	Design, Implementation and Institutionalization of a Financial Accounting System in the Water Authority of Jordan and the Ministry of Water and Irrigation	\$6,000,000	Provide technical support to the Water Authority of Jordan and the Ministry of Water and Irrigation to design, implement, and institutionalize a financial accounting system.
8	Follow on the Host Country Contracting and Private Sector Participation	\$4,100,000	Assist the Water Authority of Jordan and the Ministry of Water and Irrigation to establish policies and procedures for procurement and management.
9	Phase II: Watershed Management Implementation	\$2,079,786	Watershed protection.
10	Skills Enhancement & Support to Decision Makers	\$1,930,000	Technical and managerial training for the Ministry of Water and Irrigation. Water quality studies.
11	Construction Management Services for Construction of the Mafraq Wastewater Treatment Plan	\$1,730,000	Construction management.
12	City Links Associate Award – Medical Waste Management – Jordan	\$450,000	Technical expertise.
13	Resource Cities	\$330,950	Exchange local government officials between the United States and Jordan for a period of 18-24 months.

In addition to these 13 projects, USAID/Jordan was managing 9 water projects that started in fiscal year 2004, with estimated costs of about \$120 million as of August 2004.

According to USAID/Jordan's Performance Management Plan, during fiscal year 2003, the Mission focused on the following primary activities to achieve its strategic objective and intermediate results.

One new management contract for water or wastewater system in place—project #8 from Table 1—This target was part of the Private Sector Participation project. USAID/Jordan assisted the Ministry of Water and Irrigation to develop a management contract for the new Wadi Mousa water and wastewater system, and develop private sector participation training plans.

USAID/Jordan developed the contract; however, the Government of Jordan decided not to use it because the Government considered it not economically viable.

Wadi Mousa Private Sector Participation Contracted—project #8 from Table 1—This target was designed to develop the framework (legal, regulatory, financial, and

operational) for private sector participation in the finance, management, and operation of water and wastewater services in Jordan.

The Government of Jordan decided to cancel the contract because it wanted to explore options for future private sector participation. According to a Mission official and Mission meeting records, the Mission redirected this effort into conducting a feasibility study leading to the establishment of the Aqaba Water Company.

Jordan Valley Authority develops and adopts a strategic plan appropriate to the needs of the coming years—project #6 from Table 1—This target was intended to develop a 2003-2008 strategic plan for the Jordan Valley Authority while building the Authority's strategic planning capacity and institutionalizing process.

Jordan Valley Authority developed and then adopted the strategic plan on June 11, 2003.

Jordan Valley Authority's new accounting system approved by the Ministry of Finance—project #7 from Table 1—The development of a new accounting system was part of a project to assist the authorities in setting rates and improving cost recovery through the development of relevant data, analytical tools, and strategic plans. This included the development of cost/tariff computer models that enabled managers to look at scenarios with variables including income, expenditures, employment levels, water sales, and unaccounted-for water.

According to Government of Jordan correspondence and a USAID/Jordan official, the contractor designed the system, and the system was run in parallel until the contractor verified the data. However, a Government of Jordan employee testing the system changed the program code without authorization, which resulted in the program not working. Efforts are underway to correct the problem.

Public Company in Aqaba Established—project #8 from Table 1—This target was a result of a project to assist the Ministry of Water and Irrigation and the Water Authority of Jordan to establish policies, procedures for procurement, project management of private sector participation activities, and institutional structure to assess the program. Technical assistance included the development and implementation of private sector participation for Aqaba and Wadi Mousa.

The Aqaba Water Company started operation on August 1, 2004.

Have USAID/Jordan's water resources management activities progressed toward their intended results?

USAID/Jordan's water resources activities had mixed success in progressing towards their intended results. USAID/Jordan did not meet targets for fiscal year 2003 from its Performance Management Plan. (See Appendix III)

Although the Mission did not meet its targets for fiscal year 2003, the Mission had other accomplishments during fiscal year 2003 as cited in its Annual Report. In addition, according to Mission officials and documentation, it has progressed towards its intended results since the inception of the Strategic Objective in 1996.

USAID/Jordan's Annual Report for fiscal year 2003 results noted six accomplishments, in addition to its targets. We verified all six of these reported accomplishments. For example, the Mission signed a \$31.8 million contract in February 2003 that will rehabilitate and expand wastewater treatment for the city of Aqaba, Jordan.

In addition, USAID/Jordan officials cited other accomplishments that were not met during fiscal year 2003 but represented the Mission's progress towards intended results of the strategic objective.

- The Aqaba Water Company started later than the planned dates as cited in the Mission's Performance Management Plan. Even so, the Company did start during the following fiscal year. It is the first Limited Liability Company in the water sector, according to a Mission official.
- The construction of the As-Samra Wastewater Treatment Plant started later than the planned dates in the Performance Management Plan. Even so, the Government of Jordan signed the Project Sponsors Agreement during the following fiscal year.
- The approval of the Financial Accounting System for the Jordan Valley Authority did not meet its planned dates in the Performance Management Plan. However, according to a Mission official, the Financial Accounting System was working successfully for the Aqaba Water Company.
- The Wastewater Reuse Project demonstrated success, according to a Mission official. Through pilot projects, the Reuse Project resulted in cash crop gain and the effort is now continuing on a private basis.

Despite these positive accomplishments, USAID/Jordan (1) did not meet its intended results for the Water Resources Management Strategic Objective during fiscal year 2003, (2) inaccurately reported summary of results in USAID/Jordan's Annual Report, and (3) did not have a complete Performance Management Plan. These issues are discussed below.

USAID/Jordan Did Not Meet Planned Targets

Summary: USAID's Automated Directives System says that operating units should "set performance targets that can optimistically but realistically be achieved within the stated timeframe and with the available resources." For fiscal year 2003, USAID/Jordan did not meet any of its performance targets. According to Mission officials, this occurred because of a deteriorating security situation, the assassination of a Mission official, and the war with Iraq. In addition, the Mission had not set or adjusted its performance targets that could optimistically but realistically be achieved. By not meeting its performance targets, the Mission may have delayed targets that were scheduled in the following years.

USAID's Automated Directives System (ADS) 203.3.4.5 says that operating units should "set performance targets that can optimistically but realistically be achieved within the stated timeframe and with the available resources."

During fiscal year 2003, USAID/Jordan did not meet its intended results for the Water Resources Management Strategic Objective. As illustrated below in Table 2 and in more detail in Appendix III, the Mission did not meet its planned targets for all seven performance indicators for the Mission’s water resources management activities.

Table 2: Performance Indicators and Results for Fiscal Year 2003 Water Resources Management

Number of Performance Indicators	Targets Met	Targets Not Met	Targets Partially Met
7	0	4	3

For example, for the performance indicator, *Index of Stronger Water Institutions*, USAID/Jordan intended to have two planned results—(1) one new management contract for water or wastewater system in place during fiscal year 2003 and (2) Jordan Valley Authority develops and adopts a strategic plan appropriate to the needs of the coming year. The Mission partially met this target. For the first planned result, USAID/Jordan developed the contract; however, the Government of Jordan decided not to use it because the Government considered it not economically viable.

In another example, for the performance indicator, *Total Wastewater Treatment Capacity Available*, USAID/Jordan intended to have five planned results—(1) construction at the As-Samra project to start during fiscal year 2003, (2) construction at Mafraq to start during fiscal year 2003, (3) construction at Aqaba project to start during fiscal year 2003, and (4) feasibility and design to begin for two plants for two small communities. The Mission partially met this target. For the first planned result, according to a Mission official, because of uncertainties due to the war/political situation in the region, it took 18 months to finalize the financial agreement, which was signed in December 2003. The financial agreement was a necessary precursor for construction to begin. For the second planned result, USAID/Jordan had a request for proposal for the project and received three responses. However, a contractor withdrew its proposal for security reasons and the project was put on hold. USAID/Jordan met the third planned result. For the fourth planned result, the contract was not signed until late fiscal year 2003, a necessary precursor to start feasibility and design.

In another example, for the performance indicator, *Index of Water Policy Implementation*, USAID/Jordan intended to have one planned result—Jordan Valley Authority’s new accounting system approved by the Ministry of Finance. The contractor designed the system, and the system was run in parallel until the contractor verified the data. However, a Government of Jordan employee testing the system changed the program code without authorization, which resulted in the program not working.

According to USAID/Jordan officials, a deteriorating security situation, the assassination of a Mission official, and the onset of the war with Iraq caused the Mission to evacuate personnel from the country. Furthermore, the Mission had to scale back on field visits and operate for prolonged periods without having American contractors and grantee employees in country. The Mission also operated with only half of its American staff positions filled for most of the year. Given the above, activities were often delayed, which resulted in targets not being met. In addition, the Mission had not set or adjusted its performance targets that could optimistically but realistically be achieved, in contrast with the requirement of the Automated Directives System 203.3.4.5. By not meeting its

performance targets, the Mission may have thereby delayed targets that were scheduled in the following years.

Taking in consideration the above circumstances, we are not making a recommendation for two reasons. First, the Mission was operating under unusually difficult constraints including the deteriorating security situation, the assassination of a Mission official, the war with Iraq, and the evacuation of Mission personnel. Second, the Mission adopted a new Strategic Plan in October 2003 that was revised in December 2003. The new Strategic Plan incorporated revised performance indicators and performance targets starting with fiscal year 2004.

Annual Report Needs Correction

Summary: Government standards for internal control require the accurate and timely recording of transactions and events. Contrary to these standards, USAID/Jordan inaccurately reported that it had met its targets for fiscal year 2003 in the water sector. According to Mission officials, the inaccurate reporting occurred because of an oversight. Although we considered this one reporting error to be an isolated instance, the reporting of an inaccurate summary of results increased the risk that managers at USAID/Washington could have made improper conclusions and programmatic decisions about the Mission's water resources management program.

The United States General Accountability Office issued in November 1999 the "Standards for Internal Control in the Federal Government." The General Accountability Office Standards included examples of control activities to help ensure that management directives are carried out. One of these control activities is the "accurate and timely recording of transactions and events."

In one instance, USAID/Jordan reported the following inaccurate result for its water sector.

- The Mission reported that USAID/Jordan had met its targets for fiscal year 2003 in the three primary activity sectors – water, health and economic opportunities.

According to audit results, the Mission did not meet its targets for the water sector in fiscal year 2003. According to Mission officials, the inaccurate reporting occurred because of an oversight. Specifically, this error occurred in the cover memo for the Annual Report and not in the report's discussion of results for the strategic objective. The reporting of an inaccurate summary of results in USAID/Jordan's Annual Report increased the risk that managers at USAID/Washington could have made improper conclusions and programmatic decisions about the Mission's water resources management program. USAID/Jordan needs to correct the reporting error.

Recommendation No. 1: We recommend that the Director, USAID/Jordan, revise the Fiscal Year 2004 Annual Report to correct the error identified in this audit report.

In February 2005, USAID/Jordan notified USAID/Washington of the error contained in this audit report. The Mission provided substitute language that corrected and accurately reported its results for fiscal year 2003 for the water sector.

Performance Management Plan Needs Correction

Summary: Automated Directives System 203.3.3.1 specifies the contents of a complete Performance Management Plan including data sources, data collection methodologies, and schedules for data collection. Contrary to these requirements, USAID/Jordan's Performance Management Plan did not include these elements. This was due to inadequate supervision of a temporary employee assigned to complete the Performance Management Plan. Without specified data sources, methods for data collection, and the schedule for data collection, USAID/Jordan was without a complete critical tool for planning, managing, and documenting data collection.

Automated Directives System (ADS) 203.3.3.1 describes the contents of a complete Performance Management Plan including the calendar of performance management tasks, the set of performance indicators, baseline values, targeted values, data sources, methods for data collection, schedules for data collection, known data limitations, and quality assessment procedures. Specifically, ADS 203.3.3.1d requires that the Mission specify the source of the data and the method for data collection. It says:

The description of data collection should be operationally specific enough to enable an objective observer to understand how the raw data are collected, analyzed for meaning, and reported. A specific USAID Office, team, or individual should be assigned the responsibility of ensuring that the data are acquired by USAID in time to feed into decision making and preparation of the Annual Report. Data collection methods should be consistent and comparable over time, and any changes should be documented in the PMP.

In addition, ADS 203.3.3.1e requires that the Mission specify the schedule for data collection. It says:

Identify what actual time period the data cover, when data will be collected, and a person at USAID who is responsible for the collection and analysis of raw data, or the submission to USAID. Note that whenever possible, data should be collected and reported on in a U.S. fiscal year. In many cases data for certain performance indicators may not be available for this time period.

USAID/Jordan Performance Management Plan for the water sector included many of the required elements. However, it did not specify data sources, methods for data collection, and schedules for data collection—including distinguishing between fiscal year and calendar year reporting. The Performance Management Plan was incomplete due to inadequate supervision of a temporary employee. Specifically, the USAID officer responsible for completing the strategic objective's Performance Management Plan was out on extended leave. The temporary replacement employee hired on purchase order

was not specifically instructed to take on this Performance Management Plan task during the preparation of the Annual Report.

Without specified data sources, methods for data collection, and schedules for data collection, USAID/Jordan was without a complete critical tool for planning, managing, and documenting data collection. The Performance Management Plan contributes to the effectiveness of the Mission's performance monitoring system by ensuring that comparable data will be collected on a regular and timely basis. Without precise data sources and data collection methodologies and schedules, USAID/Jordan did not have sufficient assurance that it was maintaining essential controls to the operation of a credible and useful performance-based management system. Otherwise, results reporting may be disrupted or compromised by staff turnover, data may not be comparable from one period to the next, and the Mission does not have a sufficiently detailed road map to manage its performance monitoring process. As a consequence, the Mission needs to correct its Performance Management Plan.

Recommendation No. 2: We recommend that the Director, USAID/Jordan, correct the current Performance Management Plan to include all required elements such as defined data sources, methods of data collection, and schedules for data collection.

EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID/Jordan informed the Assistant Administrator for the Asia and Near East Bureau of the error in its Annual Report. USAID/Jordan provided substitute language to correctly reflect the actual results. Based on the actions taken to implement the recommendation, both a management decision and final action have been reached for Recommendation No. 1. USAID/Jordan engaged consultants to help the Mission identify appropriate data sources, collection methodologies and schedules for the Performance Management Plan of the water sector. Based on the action taken to address Recommendation No. 2, we consider that a management decision has been taken. When this action is completed, the Mission can coordinate final action on Recommendation No. 2 with USAID's Office of Management Planning and Innovation. Appendix II contains management's comments in their entirety (without attachments).

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Cairo audited USAID/Jordan's water resources management activities in accordance with generally accepted government auditing standards. The purpose of the audit was to determine (1) the status of USAID/Jordan's water resources management activities and (2) if these activities progressed toward their intended results.

We performed our fieldwork at USAID/Jordan in Amman. In addition, we met with officials from the Ministry of Water and Irrigation in Amman and the Aqaba Water Company. We visited a wastewater treatment project in Aqaba and three sites of the Amman Potable Water activity. We also visited a water reclamation demonstration farm in Irbid. Fieldwork was performed from October 12, 2004, to November 4, 2004.

The audit scope included assessing significant management controls over the reporting of performance results. Such controls included:

- Collection of data—project officers collected data from partners through monthly or quarterly progress reports
- Verification of data—project officers verified data through site visits
- Reporting of data—before the Mission reports results in the Annual Report, project management office initiates discussions with the technical office. The program and technical offices work together to ensure the completion of required data quality assessments.

Audit evidence included documentation such as Annual Reports, Performance Management Plans, contractor performance reports, as well as interviews with USAID, implementing partners, and Government of Jordan officials.

No prior audit findings affected the Mission's water resources management activities. In addition, the audit included tests on fiscal year 2003 results for seven performance indicators that USAID/Jordan used for its water resources management activities. Our tests included reviewing USAID/Jordan's Annual Report and Performance Management Plan and tracing reported data back to source documents.

Methodology

Initially, we interviewed Mission officials to identify how they monitor their water resource management activities and how they ensure the reliability of reported results. We also reviewed project documents and contractor progress reports. Further, we reviewed USAID/Jordan's current Strategic Plan, results packages, and water resource management related Performance Management Plans.

For the Annual Report for fiscal year 2003 results, USAID/Jordan did not report results for its seven performance indicators of the water sector. Aside from the performance indicators, the Annual Report discussed six accomplishments of the water sector during fiscal year 2003. We tested and verified these six accomplishments. To verify results,

we reviewed and assessed the adequacy of supporting documentation, interviewed Mission and partner officials, and performed site visits as needed.

Although USAID/Jordan did not report results for its seven performance indicators in its Annual Report, the Mission did include these seven indicators with targets (planned results) in its Performance Management Plan. We determined actual results for each of the seven performance indicators. To determine actual results, we reviewed and assessed the adequacy of supporting documentation, interviewed Mission and partner officials, and performed site visits as needed. After the audit determination of results, we compared the audited results to the Mission's planned targets and assessed if the Mission's activities were on schedule toward achieving their intended benefits.

The Mission did not report results against the seven performance indicators for the water sector in its fiscal year 2004 Annual Report and its 2003 Performance Management Plan. Consequently, we could not compare reported results with results determined by audit. However, we did compare targets (planned results) versus results determined by audit.

Aside from the seven performance indicators, we did test and verify six other accomplishments discussed in the Annual Report. For testing performance indicator results determined by audit and other accomplishments, we used two thresholds—one for accuracy and a second for the achievement of intended results.

- First, to determine whether performance results or accomplishments were accurately reported, we used a five percent accuracy threshold between reported results and the results verified by our audit.
- Second, to determine whether a performance indicator or accomplishment achieved its intended results, we used three different reportable condition thresholds, varying by type of performance indicator, as follows.
 - For numerical performance indicators measured in millions of cubic meters, we used a five percent threshold.
 - For numerical performance indicators measured in number of water systems designed or constructed (usually less than 10), we used a threshold “greater than one system” difference.
 - For institutional and policy performance indicators measured in index points (usually less than 10), we used a threshold of “greater than one point” difference.

In addition, Mission officials provided their perspectives on the additional accomplishments of the Mission's water sector aside from information included in USAID/Jordan's fiscal year 2004 Annual Report and the 2003 Performance Management Plan.



OFFICE OF THE DIRECTOR

May 8, 2005

To: David Prichard, Regional Inspector General/Cairo

Through: Andrew Plitt, Financial Management Office Director

From: Anne Aarnes, USAID Director/Jordan

Subject: Management Comments for Draft Report on Audit of
USAID/Jordan's Water Resources Management Activities,
(Report No. 6-278-05-XXX-P)

We have reviewed the draft report on the Audit of USAID/Jordan's Water Resources Management Activities, and we concur with the audit findings and the recommendations presented therein. We appreciate that the draft report accurately describes the difficulties experienced by the Mission during FY 2003, including the assassination of a beloved colleague, the war in neighboring Iraq, and the related absences of many staff and contractors from the country due to evacuations. As a result of these hardships program implementation in the sector suffered. Nevertheless, the audit proved helpful by identifying a reporting error and highlighting opportunities to strengthen the performance monitoring of the Mission's water activities. Our specific comments are presented below.

Recommendation No. 1: We recommend that the Director, USAID/Jordan, revise the Fiscal Year 2004 Annual Report to correct the error identified in this audit report.

As acknowledged in the draft report, USAID/Jordan informed the Assistant Administrator for ANE in February 2005 of erroneous language contained in the cover memo of the 2004 Annual Report indicating that all targets had been met. Substitute language was provided to correctly state that performance targets in the water sector were not fully met. It is our hope that the documented action taken by the Mission in this regard will serve to close this recommendation.

Recommendation 2: We recommend that the Director, USAID/Jordan, correct the current Performance Management Plan to define data sources, methods of data collection and schedules for data collection.

USAID/Jordan accepts the related finding and has engaged consultants to help the Mission identify appropriate data sources, collection methodologies and schedules for the Performance Management Plan of the water sector, conforming to the ADS 203.3.3.1 guidance. We expect this work to be completed within the next 30-60 days. Once the Mission's Performance Management Plan is amended to incorporate these corrections, a copy will be provided to the appropriate office to close the recommendation. We hope that the management decision taken as a result of this audit recommendation will be acknowledged in the final report.

We would like to thank the staff of the Office of the Regional Inspector General for the cooperation and professionalism displayed in the conduct of the audit.

**Performance Indicators and Results for
Fiscal Year 2003 Water Resources Management**

#	Performance Indicator	Targets (Planned Results)	Actual Results Determined by Audit	Difference	Met Target?
1	2.1—Index of Stronger Water Institutions	2	1	-1	Partially Met
2	2.1.2—Index of Water Policy Implementation	1	0	-1	Not Met
3	2.1.3—Index of Private Sector Participation and Cost Recovery	2	0	-2	Not Met
4	2.2—Volume of Fresh Water Made Available	2	1	-1	Partially Met
5	2.2.1—Number of Water Systems Designed or Constructed/Rehabilitated.	1	0	-1	Not Met
6	2.3—Total Wastewater Treatment Capacity Available	4	1	-3	Partially Met
7	2.3.1—Number of Wastewater Treatment Systems Designed or Constructed	3	0	-3	Not Met

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