

# USAID

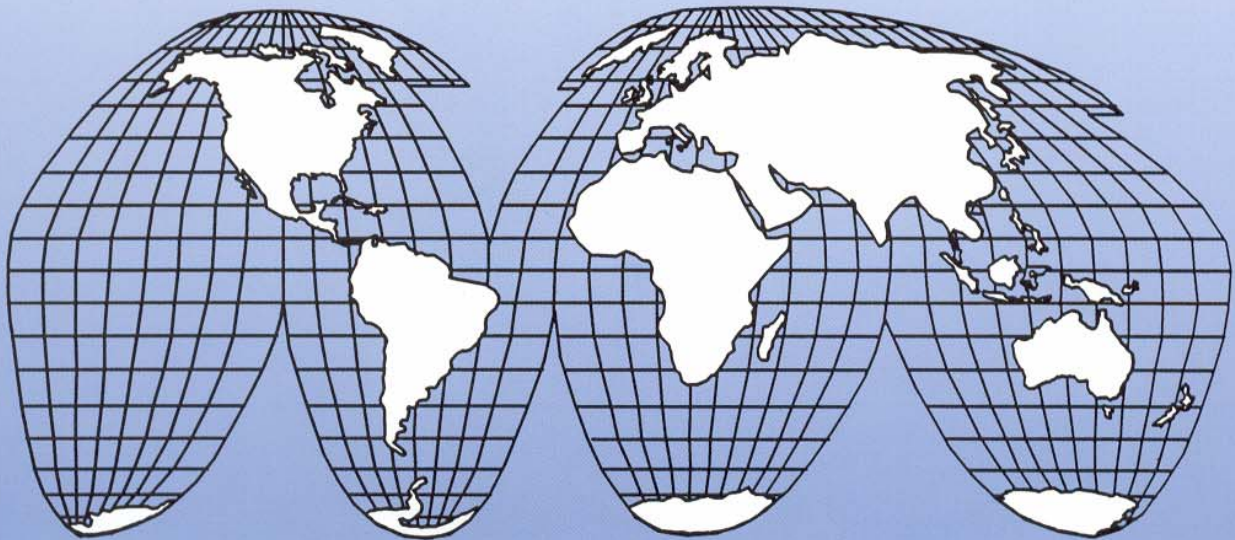
## OFFICE OF INSPECTOR GENERAL

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### Audit of USAID/Nigeria's Annual Reporting Process

7-620-05-002-P

November 18, 2004



Dakar, Senegal

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November 18, 2004

## **MEMORANDUM**

**FOR:** USAID/Nigeria Director, Dawn Liberi

**FROM:** RIG/Dakar, Lee Jewell III /s/

**SUBJECT:** Audit of USAID/Nigeria's Annual Reporting Process (Report No. 7-620-05-002-P)

This memorandum is our final report on the subject audit. In finalizing this report, we considered management's comments on our draft report and included them in Appendix II.

This report contains two recommendations to which you concurred in your response to the draft report. Based on appropriate action taken by the Mission, management decisions have been reached, and all recommendations are considered closed upon issuance of this report. No further action is required of the Mission.

I appreciate the cooperation and courtesies extended to the members of our audit team during this audit.

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## **Summary of Results**

The objective of this audit was to determine if USAID/Nigeria complied with USAID guidelines in meeting the annual reporting requirements specified in the Automated Directives System. (See page 6.)

Essentially, the fiscal year 2004 Annual Report prepared by USAID/Nigeria followed Automated Directives Systems and Bureau for Policy and Program Coordination guidance. The program narrative summary was detailed and informative and included all required information. The Mission conducted Data Quality Assessments as required with one minor exception. In addition, the information was consistent throughout the various sections of the report, and Strategic Objectives (SOs) were linked to appropriate performance goals. (See pages 7 to 8.)

However, in verifying 28 indicators and other results for accuracy, we found 7 material errors caused by a lack of review and cross-checking of data to source documents. Without such procedures in place, the Mission cannot be assured that correct information has been reported to USAID/Washington. We recommend that procedures be established requiring each SO team to cross-check and verify reported data with source documents. (See pages 9 to 11.)

Additionally, both the Democracy and Governance SO team and the Education SO team did not include required information in their narratives addressing targets not met. This information was inadvertently omitted during the review process of the narratives by one team, and the other team was not aware of the reporting requirement. Without the required information, Annual Report users cannot be assured that the Mission has taken actions to address the situations. We recommend that USAID/Nigeria establish procedures to assign responsibility for verifying that each SO team has included all required information in the narratives of the Annual Report. (See pages 12 to 13.)

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## **Background**

Since 2001, each USAID Mission has been required to submit an Annual Report to the responsible bureau at USAID/Washington.<sup>1</sup> This report is the Agency's principal tool for assessing program performance on an annual basis and for communicating performance information to higher management levels and external audiences such as Congress and the Office of Management and Budget. To ensure consistency in reporting, each Mission prepares its report using a formatted template. Automated Directives System 203.3.8 contains policies related to preparing the Annual Report, and the Bureau for Policy and Program Coordination provides additional guidance, including detailed

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<sup>1</sup> Prior to 2001, Missions reported their results through the Results Review and Resources Request (R4).

instructions for completing each section of the report and a sample Annual Report as an example.

USAID/Nigeria submitted its fiscal year (FY) 2004 Annual Report to the Africa Bureau as required. In the report, USAID/Nigeria provided a narrative accounting of performance results for FY 2003 for four strategic objectives and one special objective:

- Strategic Objective 6: Transition to Democratic Civilian Governance Sustained
- Strategic Objective 7: Strengthened Institutional Capacity for Economic Reform and Enhance Capacity to Revive Agricultural Growth
- Strategic Objective 8: Develop the Foundation for Education Reform
- Strategic Objective 9: Increased Use of Family Planning/Maternal and Child Health/HIV/AIDS Services and Preventive Measures within a Supportive Policy Environment
- Special Objective 10: Improved Management of Critical Elements of the Infrastructure and Energy Sector.

Each strategic objective section of the Annual Report also included the mandatory strategic objective indicator table. The table included target and actual results over the past several years as compared to the base year for selected strategic objective-level indicators. USAID/Nigeria provided results information in these tables for five Democracy and Governance program indicators, two Economic Growth program indicators, three Education program indicators, and three Health program indicators. The Special Objective section did not include an indicator table.

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## **Audit Objective**

In accordance with its fiscal year 2004 audit plan, the Regional Inspector General/Dakar performed this audit to answer the following audit objective:

**Has USAID/Nigeria complied with USAID guidelines in meeting annual reporting requirements specified in the Automated Directives System (ADS)?**

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



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## **Audit Findings**

USAID/Nigeria followed guidance in preparing its Fiscal Year (FY) 2004 Annual Report as it relates to formatting and the required level of certain discussions of the program results and challenges faced by the Mission during the year. The Mission also conducted data quality assessments (DQAs) as required by the Automated Directives Systems (ADS). In addition, the reported information and results in the various sections of the Annual Report were consistent, and the Strategic Objective (SO) narratives were linked to appropriate goals. However, the Mission did not comply with the annual reporting requirements relating to reporting accurate information and including specific SO narrative information.

Essentially, the FY 2004 Annual Report prepared by USAID/Nigeria followed ADS and Bureau for Policy and Program Coordination (PPC) guidance. For example, ADS 203.3.8.7 and ADS 204.5.3 as well as PPC guidance discuss environmental compliance and the inclusion of an environmental section in the Annual Report, which USAID/Nigeria included in its report. This section is composed of a list of activities that might need a new or amended environmental assessment or examination. In addition, the section must state whether ongoing SOs and related activities are in compliance with their initial examination or assessment.

Also as required, the program narrative complied with PPC guidance by including the necessary sections. PPC guidance requires that the program narrative discuss various topics, including the following:

- Country setting
- Beneficiaries of USAID resources
- Challenges of the Mission
- Key achievements
- Conflict or Violence in the country
- Gender implications
- Trade capacity-building programs

USAID/Nigeria's Annual Report sufficiently addressed all of these topics in detailed narrative discussions.

Additionally, the SO teams met the annual reporting requirements related to conducting DQAs for 12 of the 13 indicators; the remaining indicator had DQAs performed for data from two of the three implementing partners. The purpose of a DQA is to ensure that the Operating Unit or the SO team is aware of the strengths and weaknesses of the data. DQAs look at the data collection process being implemented by the source collecting the data, which is different from cross-checking data. For example, the Health SO team used a Data Quality Assessment Checklist for each required indicator to meet ADS

requirements. The checklist included analysis of the validity<sup>2</sup> of the data by looking at possible measurement error, transcription error, and the representativeness of the data. In addition, the reliability<sup>3</sup> of the data, the timeliness, the precision<sup>4</sup>, and the integrity<sup>5</sup> of the data are all examined using the checklist. The Health team performed the DQAs in cooperation with the implementing partners. The Democracy and Governance team used another method to meet the DQA requirement. The team contracted with a private consultancy group to conduct, in 2001, an assessment of all the indicators to be used to monitor performance toward the Mission's SO, "Transition to Democratic Civilian Governance Sustained." For each indicator, the DQA also documented critical factors such as:

- the data source and method of acquisition by USAID,
- validity of the data,
- reliability of the data,
- timelines of the data,
- precision of the data, and
- whether safeguards were in place to ensure the integrity of the data.

Also as part of the audit, we reviewed the Annual Report for consistency across the various sections. The information reported in the cover memo, the program, SO, and resource request narratives and the performance results were consistently reported within the Annual Report. For example, the results reported in the cover memo for the amount of private sector investment in telecommunications was consistent with the information reported in the Economic Growth SO narrative.

Missions are also required to link each SO to one of the performance goals in the new joint Department of State-USAID Strategic Plan. USAID/Nigeria linked each SO to appropriate performance goals, which were included in the Annual Report. For instance, the Economic Growth SO was appropriately linked to the performance goal of "Institutions, laws, and policies foster private sector led growth, macroeconomic stability, and poverty reduction."

Nevertheless, as detailed below, USAID/Nigeria did not fully comply with ADS and PPC Annual Reporting guidance in two areas: reporting accuracy and specific SO narrative information.

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<sup>2</sup> Valid data should clearly and adequately represent the intended result.

<sup>3</sup> Reliable data should reflect stable and consistent data collection processes and analysis methods over time.

<sup>4</sup> Data should be sufficiently precise to present a fair picture of performance and enable management decision-making at the appropriate levels.

<sup>5</sup> Data that are collected, analyzed, and reported should have established mechanisms in place to reduce the possibility that they are intentionally manipulated for political or personal reasons.

## **Verifying and Cross-Checking Data Would Improve Accuracy**

Summary: In testing the accuracy of 28 indicators and other results, we found 7 material errors and other omissions due to a lack of review and cross-checking of data to source documents and mathematical calculations. Without such procedures in place as stated in TIPS No. 12, USAID/Nigeria cannot be fully assured that correct information has been reported to USAID/Washington.

To test the accuracy of 28 indicators and other results, results contained in the Annual Report were compared with source documentation provided by the SO and Special Objective (SpO) teams. Of these, 13 were indicators included in the strategic objective indicator tables as these represent the key measures for each program. We also judgmentally selected 15 other results reported in the narrative sections. These 28 indicators and other results were comprised of six Democracy and Governance results, six Economic Growth results, seven Education results, six Health results, and three Infrastructure and Energy results.

Seven material errors exist – equal to 25 percent of selected results.<sup>6</sup> In addition to the material errors, other omissions were noted in the Annual Report.

**Democracy and Governance** – Of the six results selected for testing from the Democracy and Governance section of the Annual Report, one material discrepancy was found. The figure reported for the indicator “percentage of judiciary requested budget approved (state level)” was 75 percent. However, the source documentation provided by the SO team showed 100 percent.

In addition to the one material discrepancy, the date for a DQA of another indicator in the indicator table was omitted. The Mission had, in fact, performed a DQA as required.

**Economic Growth** – Of the six results selected for testing, three material discrepancies were found.

First, the Annual Report showed 49 “additional fertilizer outlets” in the indicator table for FY 2003, but source documents showed the number of additional outlets as 25 for this same time period. In fact, further review of supporting documentation revealed that the 49 outlets reported for FY 2003 was actually the cumulative figure of additional fertilizer outlets for FY 2002 and FY 2003.

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<sup>6</sup> In assessing the accuracy of data, a threshold of five percent was used for materiality.

Second, the figure reported for the indicator “private sector market share of fertilizer sales” was 78 percent; however, source documentation showed 65,526 tons as being sold, which represented 73 percent.

Third, revenue gains from using an improved variety of cowpea were reported as \$600 per hectare for 600 farmers in each of four targeted zones: Kano, Kaduna, Jigawa, and the Federal Capital Territory. Yet, supporting documentation showed revenue gains of \$600 for 74 women farmers in Kano only. The documentation provided did not support revenues gains of \$600 in the remaining three territories.

**Education** – There were no material discrepancies noted in the seven selected results reported in the Education section of the Annual Report. But an omission of the date for a DQA of one indicator in the indicator table was noted. The Mission had, in fact, performed a DQA as required. In addition, the indicator table did not include FY 2002 actual and target figures for the “number of interactive radio instruction lessons produced” indicator.

**Health** – Two material discrepancies were found in the six Health program results reviewed. The figure reported for “sales of pre-packaged anti-malarial drugs” was 38,000 for 2003. Based on supporting documentation provided by the Mission, the actual sales for 2003 were 73,590. The Program Manager stated that the reported results reflected only the 4<sup>th</sup> quarter sales. The Annual Report narrative states that nearly 60,000 polio vaccinators were trained, and 35 million infants and young children were immunized with the polio vaccine. Supporting documentation provided, however, showed 48,271 vaccinators trained and 33.3 million people immunized.

In addition to the two errors noted above, another error found in the indicator tables relates to “number of condoms sold.” The FY 2003 target for condoms sold was reported in the FY 2004 Annual Report as 120 million, significantly lower than the 152.2 million target reported in the previous year’s Annual Report.

Also, the FY 2004 Annual Report showed a 1999 baseline figure for condoms sold of 58 million, which was incorrect. RIG/Dakar noted this error during an FY 2002 audit of the Mission’s monitoring of the performance of its HIV/AIDS program.<sup>7</sup> The Mission agreed to RIG/Dakar’s recommendation to report the correct figure of 51 million as the FY 1999 figure in future Annual Reports and other special reports. Although RIG/Dakar policy is to re-open previous recommendations when non-compliance is found, in this case the problem will be addressed by Recommendation No. 1, so RIG/Dakar will not reopen the recommendation from the FY 2002 audit.

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<sup>7</sup> Audit of USAID/Nigeria’s Monitoring of the Performance of its HIV/AIDS Program, July 23, 2002 (Report No. 7-620-02-004-P)

**Infrastructure and Energy** – Of the three results tested for accuracy from the Infrastructure and Energy narrative, one reported result had a material discrepancy. The figure reported for Nigerians who received training on passenger security in 2003 was 160. The Mission originally offered documentation that they believed supported this figure of 160 participants. However, the documentation actually showed that 21 people – not 160 – received the training.

These errors and omissions occurred because USAID/Nigeria had not developed procedures to ensure that data was reviewed or cross-checked as part of the reporting process. TIPS Number 12, which summarizes the key references on performance measurement quality found in ADS, indicates that while some errors in collecting data that focus on social and economic change are to be expected, transcription errors and other discrepancies can be easily avoided by careful cross-checking of the data to the source document. To further ensure accuracy of data, it would be prudent to re-verify mathematical calculations used in reporting program results.

Without procedures in place to ensure such cross-checking and re-verification of transcribed data and key mathematical calculations to source documentation, USAID/Nigeria cannot ensure that the data reported to USAID/Washington is accurate and error-free. To address this weakness, we make the following recommendation.

**Recommendation No. 1: We recommend that USAID/Nigeria develop specific procedures for each strategic objective team to cross-check and verify reported data with source documents and document this verification in the activity files.**

## **Strategic Objective Narratives Need To Include All Required Information**

Summary: USAID/Nigeria's FY 2004 Annual Report did not include a discussion of how the Mission planned to address shortfalls in meeting targets for two SOs as required by ADS and PPC guidance. This was due to the information being inadvertently omitted during the process of revising draft narratives by one SO team and the lack of awareness of the reporting requirement by another SO team. If the required information is not included in the narratives, Annual Report users will not be assured that the Mission is taking steps to address the situation.

The Democracy and Governance SO team and the Education SO team did not meet all of the targets for the reported indicators in the tables of the FY 2004 Annual Report. The Democracy and Governance team did not meet three of its five reported indicators, while the Education team did not meet two of its three reported indicators. For example, the Democracy and Governance team had a target of 65 for the number of key bills passed by National and targeted State Assemblies, but the actual number of bills passed for the year was 61. Neither of the two SO narratives included a discussion of how the teams would address these shortfalls.

In these cases, USAID/Nigeria did not fully comply with ADS and PPC Annual Reporting guidance regarding information included in the SO narratives. ADS 203.3.8.4 states that for targets not met, the Operating Unit must explain why the shortfall occurred. PPC Annual Reporting guidance requires that SOs which did not meet its targets in the indicator tables describe the management and/or budgetary steps they are taking to address this situation.

The Democracy and Governance Team Leader stated that the omission of this information in the narratives resulted from the information being inadvertently left out during the process of reviewing and revising the draft versions of the narratives. The auditors were not able to verify this information. In the case of the Education team, the omission was due to the team being unaware of the reporting requirement. In both of these cases, if procedures had been in place to verify that all required data was included in the narratives, this problem could have been avoided. When required information is not included in the narratives, Annual Report users will not be assured that the Mission is taking steps to address the situation. Therefore, we make the following recommendation.

**Recommendation No. 2: We recommend that USAID/Nigeria develop specific procedures that include assigning responsibility for verifying on an annual basis that**

**each strategic objective team has included required information in the narratives of the Annual Report.**

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**Evaluation of Management Comments**

USAID/Nigeria concurred with all of the findings and recommendations in the draft audit report. Based on appropriate action taken by the Mission, all recommendations are considered closed upon the issuance of the final report. The attachment to management comments is not included in this audit report.

Recommendation No. 1 recommends that USAID/Nigeria develop specific procedures for each strategic objective team to cross-check and verify reported data with source documents and document this verification in the activity files. The Mission concurred with this recommendation and has taken steps to address it. The Mission created Mission Order 200-10 *Procedures for Preparation of Mission Annual Report*, which states that each team will designate an individual to verify and cross check the accuracy of the information included in the Annual Report.

Recommendation No. 2 recommends that USAID/Nigeria develop specific procedures that include assigning responsibility for verifying on an annual basis that each strategic objective team has included required information in the narratives of the Annual Report. The Mission concurred with this recommendation and has taken steps to address it. Mission Order 200-10 *Procedures for Preparation of Mission Annual Report* also states that the Senior Strategic Analysis Advisor will be reviewing narratives to verify that all required information is included.

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**Scope and  
Methodology****Scope**

The Regional Inspector General/Dakar conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine if USAID/Nigeria complied with Automated Directives System (ADS) requirements and other guidelines in preparing its Annual Report. The audit was conducted at USAID/Nigeria in Abuja from August 30 to September 15, 2004.

We assessed the management controls of the Mission's annual reporting process, which included USAID guidance contained in the ADS, memoranda from the Bureau for Policy and Program Coordination (PPC), and other internal policies and procedures at both the USAID and Mission level. The audit scope focused on examining the procedures used by the Mission to prepare its fiscal year 2004 Annual Report, as well as on verifying the accuracy of the reported data. This included reviewing reports prepared by the Mission and partners, and reviewing and tracing selected results back to a variety of source documents.

However, for the second problem area in the Audit Findings section of this report, we were not able to verify the Democracy and Governance Strategic Objective (SO) Team Leader's statement regarding why all required information was not included in the SO narrative.

**Methodology**

To determine the extent to which the Mission complied with ADS and PPC guidance, we selected 28 indicators and other results reported from the four SO sections and one Special Objective section of the Annual Report. Of these, 13 were all of the indicators included in the SO indicator tables as these represent the key measures for each program. We also judgmentally selected 15 other results reported in the narrative sections we thought to be important measures for each program. Because the sample was not chosen statistically, we are not projecting our findings onto the entire population of indicators.

For the selected indicators and results, we performed substantive testing to ensure that the Mission complied with specific reporting requirements and that the underlying data included in the Annual Report was obtained and reported in accordance with Agency requirements. This testing included (1) determining if the teams maintained sufficient documentation to support the 28 indicators and results cited in the Annual Report; (2) verifying the accuracy of the 28 indicators and other results back to source documents; and (3) reviewing evidence of data quality assessments having been conducted as cited in the

strategic objective indicator table. Our verification included examining source documents and electronic and manual records.

We also interviewed responsible personnel on each SO and Special Objective team at the USAID Mission in Nigeria, as well as in the Program Office, regarding the process for preparing the Annual Report and the data sources for the various reported indicators.

A threshold of five percent was used for materiality in assessing the accuracy of data.

**Management  
Comments****MEMORANDUM**

**DATE:** November 8, 2004

**FOR:** Lee Jewell III, RIG/Dakar

**FROM:** Dawn Liberi, USAID/Nigeria Mission Director /s/

**SUBJECT:** Mission Comments on Draft Report on Audit of  
USAID/Nigeria's Annual Reporting Process

I am pleased to have the opportunity to provide comments on the Regional Inspector General's recent audit of USAID/Nigeria's annual reporting process. We would like to commend the RIG staff for their thorough assessment of our procedures and the useful observations they have made. USAID is fully committed to the systematic and comprehensive monitoring and evaluation of all of our activities, and the accurate reporting of program results. We welcome the opportunity to learn from the audit report, and take measures to further refine our annual reporting process.

It should be noted that performance management is a top priority of the Mission in the implementation of the Country Strategic Plan for 2004 – 2009. We have developed a Mission-wide performance management plan that was submitted to USAID/Washington on September 30, 2004. To ensure that all of our implementing partners have proper systems in place to monitor their activities and provide the Mission with data that meets agency requirements, we are putting a Mission-wide contract in place to provide oversight and technical assistance. In addition, we are in the process of recruiting a Performance Monitoring Specialist to assist USAID staff and implementing partners to develop, refine and implement results monitoring systems in accordance with the ADS.

It is testimony to the importance that the Mission has placed on performance management that RIG auditors found that for the most part, the Mission had complied with Agency guidance in the preparation of the Annual Report. We take particular pride in knowing that data quality assessments were found to have been properly conducted. As the auditors pointed out to us, this is a

challenging and laborious exercise that some other Missions have had difficulty carrying out properly. This accomplishment is even more noteworthy when one considers the environment in which USAID/Nigeria is operating. As in many developing countries, it is extremely hard to collect good quality data. The capacity of the Nigerian Government and other organizations to gather and report information is limited due to poor infrastructure and a lack of training.

### **Recommendation No. 1**

We agree with the recommendation that USAID/Nigeria develop specific procedures for each strategic objective team to cross-check and verify reported data with source documents and document this verification in the activity files. To this end, a draft Mission Order has been developed, attached to this memo as Annex I. We are confident that the procedures outlined in the Mission Order will reduce the incidence of transcription errors and ensure that the content of the Annual Report matches the information contained in source documents.

With regard to incorrect reporting of the FY 1999 baseline figure for condom sales, the correct figure of 51 million has been inserted into the performance data table and will appear in the FY 2005 annual report which we have begun to prepare.

### **Recommendation No. 2**

We agree with the recommendation that USAID/Nigeria develop specific procedures that include assigning responsibility for verifying on an annual basis that each strategic objective team has included required information in the narratives of the Annual Report. Such procedures have also been outlined in our newly developed Mission Order on procedures for preparation of the Mission Annual Report (See Annex 1). The Senior Strategic Analysis Advisor will be officially assigned responsibility for checking the contents of the report and verifying that each SO team has included all required information in the narratives of the Annual Report. After completing the review of the annual report, the Advisor will prepare a transmittal memo to the Mission Director confirming that the report adheres to all of the requirements described in the guidance.

The Mission welcomes any comments RIG/DAKAR may have on our draft Mission Order before we finalize and issue it. USAID/Nigeria believes that the issuance of the Mission Order addresses the two recommendations indicated in the audit report, and trust that will close both audit recommendations.