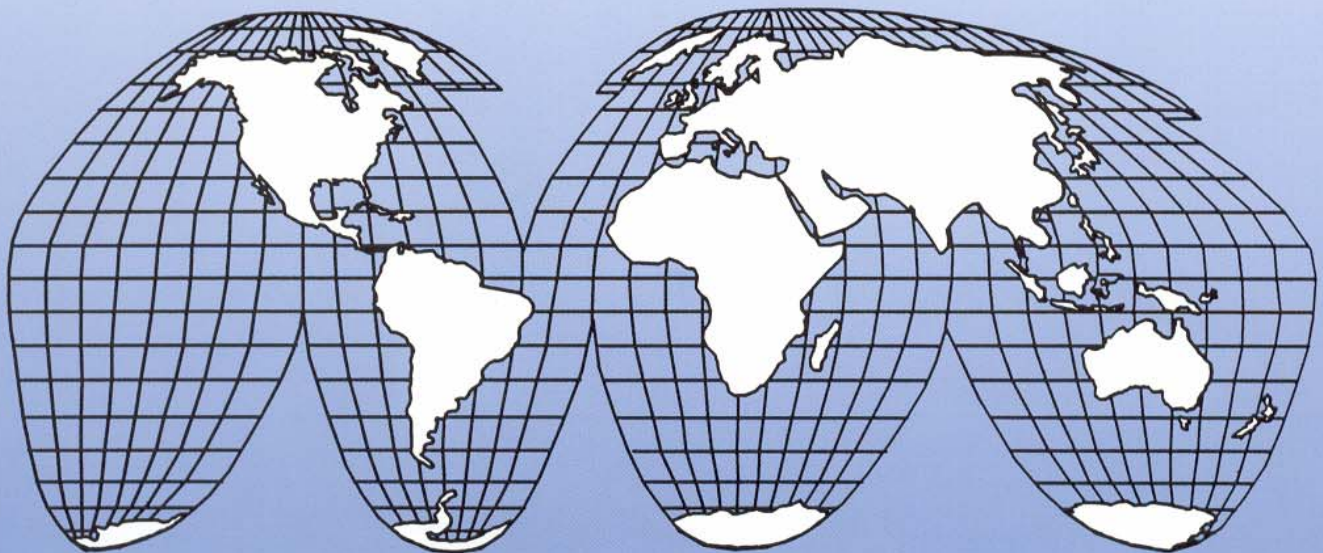# USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID's Implementation of the Office of Management and Budget's Program Assessment and Rating Tool

Audit Report Number 9-000-05-004-P

March 25, 2005

Washington, D.C.

March 25, 2005

MEMORANDUM

FOR: PPC/SPP/SRC, Joseph F. Lombardo

FROM: IG/A/PA Acting Director, Michael W. Clinebell /s/

SUBJECT: Audit of USAID's Implementation of the Office of Management and
Budget's Program Assessment and Rating Tool
(Report No. 9-000-05-004-P)

This memorandum transmits our final report on the subject audit. In finalizing our report,
we considered your comments on our draft report and have included your response in its
entirety in Appendix II.

This report includes three procedural recommendations. In your written comments, you
concurred with these recommendations and identified actions to address our concerns.
Consequently, management decisions have been reached on all three recommendations.
Please provide documentation supporting final action on these recommendations to
USAID's Office of Management Planning and Innovation.

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

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Summary of Results

The Program Assessment and Rating Tool (PART)—a government-wide initiative included in the President's Management Agenda of 2002—was developed by the Office of Management and Budget (OMB) in an effort to promote budget and performance integration. The PART is intended to serve as a tool for assessing individual agency performance in an objective manner, building upon the strategic framework established under the Government Performance and Results Act of 1993. The objectives of this audit were to determine if USAID was implementing this tool in accordance with OMB's guidance and whether USAID's assessments were supported with sufficient and adequate evidence. (See pages 7 and 8.)

As a result of the audit, we found that USAID/Washington prepared the PART in accordance with OMB guidance and provided sufficient and adequate evidence to OMB. However, the staff involved in implementing PART lacked adequate training; USAID-specific guidance for the implementation of PART was not available; and USAID did not maintain readily available documentation to support its answers to the PART questionnaire. (See pages 9, 10, and 11.)

This report includes three recommendations to strengthen USAID's preparation of the PART questionnaire through training, the promulgation of agency-specific guidance, and the maintenance of documentation supporting its answers to the PART questionnaire. (See pages 10, 11, and 12.)

Management comments are included in their entirety in Appendix II. In their comments, the Bureau for Policy and Program Coordination concurred with our recommendations and described actions they planned to take to address our concerns. When fully implemented, these actions should improve the PART preparation process. (See page 12.)

Background

In an effort to promote budget and performance integration, the Office of Management and Budget (OMB) developed the Program Assessment and Rating Tool (PART), a government-wide initiative included in the President's Management Agenda of 2002. The PART is intended to serve as a tool for assessing agency performance in an objective manner, building upon the strategic framework established under the Government Performance and Results Act of 1993.

Assessments are performed through completing a PART questionnaire which contains a series of questions designed to provide a consistent approach to rating programs across the Federal government and to focus on performance measures and performance measurement tools within each agency. As the lead agency coordinating its implementation of the PART, OMB provides guidance on completing the PART in an effort to achieve consistent results. In addition to

providing training and written guidance, OMB examiners collaborate with agencies to resolve specific problems and ensure that OMB standards are applied consistently.

OMB launched the PART for the preparation of the FY 2004 budget submission and required that agencies apply the tool to 20 percent of their programs based on each agency's budget request in dollars. Since the FY 2004 budget submission, agencies have been expected to cover an additional 20 percent of their programs in each subsequent budget year in order to achieve 100 percent coverage by budget FY 2008[1]. Therefore, agencies will be expected to have 60 percent of their programs evaluated by budget FY 2006. Starting with the FY 2005 budget submission, USAID elected, in consultation with OMB, to present its PART submission on a geographic basis—consistent with the joint USAID-State Department strategic plan—rather than by sector (e.g., economic growth, health) The following chart shows the history of the programs which have been PARTed in the past and their respective scores—which may include *Effective, Moderately Effective, Adequate, Ineffective,* and *Results Not Demonstrated.*

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[1]Budget FY 2008 refers to the budget submission to OMB for the fiscal year 2008. Agencies submit their budgets to OMB two years in advance, e.g., the budget for FY 2006 was submitted to OMB in the fall of 2004.

History of USAID's PART Assessment Program (Unaudited) [2]

Program Title	Agency Score	Program Results
BUDGET FY 2004		
Population	81.5	Moderately Effective
Global Climate Change	58.2	Adequate
PL 480 Title II Food Aid Program	60.4	Adequate
BUDGET FY 2005		
Latin America and Caribbean (LAC) - Child Survival and Health	63	Results Not Demonstrated
Latin America and Caribbean (LAC) - Development Assistance	65	Results Not Demonstrated
Agency Transition Initiatives Program	80	Moderately Effective
BUDGET FY 2006		
USAID Operating Expense / Capital Investment Fund	70	Moderately Effective
*LAC - Child Survival and Health	75	Moderately Effective
*LAC - Development Assistance	75	Moderately Effective
**Andean Counter Drug Initiative	STATE - 52	Adequate
**International Narcotics and Law Enforcement Assistance	STATE - 52	Adequate

*These programs were re-assessed for budget FY 2006 because they received a score of *Results Not Demonstrated* for budget FY 2005.
**These two programs were PARTed by the State Department with input from USAID.

The use of the PART during the program performance evaluation process is intended to generate defensible and consistent program ratings, which can then be linked to the budget process. The intention is to help identify a program's strengths and weaknesses to inform funding and management decisions aimed at making a program more effective. The PART incorporates all factors that affect and reflect program performance. And because the PART includes a consistent series of analytical questions, it allows programs to show improvement over time and allows comparisons between similar programs. In addition, OMB expects that, after all programs have been evaluated using PART, a bank of "best practices" will be available for agencies to use in developing new projects and evaluating old ones.

Audit Objectives

This audit was conducted as part of the OIG annual audit plan to answer the following questions:

- Is USAID implementing the Program Assessment and Rating Tool in accordance with Office of Management and Budget guidance?

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[2]Scores range from 0 to 100, however, regardless of overall score, a rating of *Results Not Demonstrated* is given when programs do not have agreed-upon performance measures or lack baselines and performance data.

- Are USAID's assessments, as reflected in the Program Assessment and Rating Tool questionnaire, supported with sufficient and adequate evidence?

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

Audit Findings

Is USAID implementing the Program Assessment and Rating Tool in accordance with Office of Management and Budget guidance?

USAID implemented the Program Assessment and Rating Tool (PART) in accordance with Office of Management and Budget (OMB) guidance. However, the process could have been more efficient and the PART more fully implemented had USAID personnel attended OMB training and had USAID issued agency-specific, written guidance concerning the PART and its preparation.

Each year, OMB provides guidance for the annual PART submission in the form of documents highlighting *Frequently Asked Questions*, specific guidance for each question in the PART questionnaire, and free, half-day training sessions for agency staff involved in preparing the PART questionnaire. In addition, an OMB examiner is assigned to each program and is an integral participant in the preparation process. Examiners are involved in such issues as:

1. ensuring that every answer on the questionnaire is addressed,
2. reviewing the evidence provided to ensure the questions are answered properly, and
3. helping to determine the performance measures.

This guidance is provided to ensure that this complex process is fully understood and implemented as intended.

The President's Management Agenda of 2002 stressed the need for agencies to place greater focus on performance and to identify high-quality outcome measures, accurately monitor the performance of programs, and begin integrating the PART presentation with the associated cost. The PART process is intended to be much more than a compliance exercise. Those involved in preparing the PART have to meet high standards, which can be especially difficult if they are unfamiliar with the objective of the PART process, do not allow the necessary time to complete it, and do not have adequate guidelines to follow to ensure that USAID receives the full benefit of the PART.

Staff Lacked Adequate Training

> Two of the eight USAID staff responsible for preparing the PART questionnaires for FY 2006 attended the free, half-day training offered by OMB. The *Standards for Internal Control in the Federal Government* notes that training is an important element of effective management. Training was not attended primarily because USAID did not have an individual coordinating the PART process. As a result, the process was not as efficient as it could have been.

Internal control is a major part of managing an organization. It comprises the plans, methods and procedures used to meet milestones, goals and objectives and, in doing so, supports performance-based management. The *Standards for Internal Control in the Federal Government*[3] notes that effective management of an organization's workforce is essential to achieving results. Those standards also stress that an important element of such management is training employees to meet changing organizational needs.

However, while preparing the PART is something that is fairly new to USAID and while OMB did offer half-day PART training sessions, only two of the eight USAID staff responsible for preparing the PART questionnaires for FY 2006[4] attended that training. This occurred primarily because in the months leading up to the training, USAID did not have an individual coordinating the PART process, someone who could ensure that those who were to be involved in PART preparation were informed of and attended the OMB training. Ultimately, in March 2004, USAID did assign someone to serve as its PART coordinator. However, March is also the beginning of the actual PART preparation phase and is when OMB issues new guidance and holds several free, half-day training sessions. When the PART coordinator did start, he alerted those involved in the process about the OMB training, but most could not attend due to the short notice.

As a result, most of the individuals involved in preparing USAID's PART entered the process without the benefit of the OMB training. Those involved in preparing the FY 2006 PART submission had very tight deadlines and were starting with no prior knowledge of the PART process. Preparing the PART for the first time proved to be a daunting task for most of those involved at the program level. One preparer stated that it took them at least one month of man-hours to prepare the PART questionnaire in the allotted two weeks.

Moreover, a similar lack of training was reflected in USAID's FY 2005 PART submission. The individuals preparing that submission also did not attend OMB's PART training. Two of the programs reviewed in the FY 2005 PART submission

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[3]The *Standards for Internal Control in the Federal Government* were issued by the U.S. General Accountability Office in November 1999.

[4]The PART submission for FY 2006 was prepared in the spring of 2004.

received ratings of *Results Not Demonstrated* because the answers on the questionnaire were not adequate, due partially, to a lack of knowledge about the PART process. These two programs were rePARTed for FY 2006, and the deficiencies were corrected. However, had those involved attended the OMB training and fully understood the intricacies and full intent of the PART, we believe that the process may have been more efficient and those involved may have better appreciated the full benefits of PART. Accordingly, we are making the following recommendation to strengthen USAID's preparation of the PART:

> **Recommendation No. 1: We recommend that the Office of Policy and Program Coordination, in coordination with the affected Bureaus, require that USAID staff involved in the preparation of the PART attend the training sessions offered by OMB prior to the preparation of the PART questionnaire.**

USAID Should Develop Guidance

USAID had not promulgated internal guidance addressing the collection of necessary data and the preparation of the PART. The *Standards for Internal Control in the Federal Government* notes that internal controls should be clearly documented. The absence of agency-specific guidance occurred primarily because USAID did not have a specific individual responsible for coordinating the PART process. As a result, USAID's PART submissions were not developed in the most efficient and effective manner.

As stated previously, internal control is a major part of managing an organization. Such controls are important because they assist management in achieving its goals and objectives. The *Standards for Internal Control in the Federal Government* notes that internal controls should be clearly documented. This documentation can take a variety of forms, including—but not limited to—management directives, administrative policies, or similar guidance. Such guidance is especially valuable in cases where agency staff are performing new functions, either because a new requirement has been added or because staff are new to the functional area. In these circumstances, documented guidance can quickly inform staff what must be done, why it must be done and how it must be done.

At the time of our audit, USAID had not promulgated internal guidance addressing the collection of necessary data and the preparation of the PART. As a result, USAID's PART submissions were not developed in the most efficient and effective manner. For example, one USAID PART submission participant stated that he learned through the process that the information the missions typically gather and record is not necessarily the same as that required for the PART. Another example, mentioned earlier, was one PART preparer who stated that it took them at least one month of man-hours to prepare the PART questionnaire in the allotted two weeks.

We believe that this absence of agency-specific guidance occurred primarily because USAID did not have a specific individual responsible for coordinating the PART process. USAID has now named a PART coordinator, who has begun establishing management controls for the PART. For example, this coordinator indicated that he is developing an "Advisory Review Panel" for the FY 2007 PART submission to help streamline the process and ensure USAID receives the full benefit of the process. While this is a positive step, we believe that the promulgation of formal written USAID guidance concerning PART and its preparation would further enhance the efficiency and effectiveness of USAID's PART process. Accordingly, we are making the following recommendation:

> **Recommendation No. 2: We recommend that the Office of Policy and Program Coordination develop and distribute formal, written, agency-specific guidance concerning the PART and the preparation of USAID's PART submission.**

Are USAID's assessments, as reflected in the Program Assessment and Rating Tool questionnaire, supported with sufficient and adequate evidence?

Although USAID's assessments, as reflected in the PART questionnaires, were supported with sufficient and adequate evidence, the documentation was not readily available within USAID.

During the PART process, USAID was required to submit supporting documentation to OMB. OMB was satisfied with the evidence that accompanied USAID's PART questionnaires for FY 2006 and did not make significant adjustments to the PART questionnaire based on that documentation.

**Documentation Supporting USAID's
PART Was Not Readily Available**

USAID/Washington did not maintain readily available documentation to support the answers on two of the PART questionnaires. The *Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and that such documentation needs to be readily available for examination. USAID's copies of the documentation had been sent to OMB and copies had not been retained due to a lack of time. Maintaining the documentation serves to support the credibility of the PART information reported outside of USAID.

The *Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and that such documentation needs to be readily available for examination.

We reviewed three PART questionnaires submitted to OMB for FY 2006:

- Operating Expenses/Capital Investment Fund (OE/CIF)
- Latin America and Caribbean Bureau's Development Assistance Program (LAC-DA)
- Latin America and Caribbean Bureau's Child Survival and Health Program (LAC-CSH)

We determined that USAID/Washington did not maintain readily available documentation to support the answers on the questionnaire for the LAC-DA and LAC-CSH programs that were PARTed for FY 2006. This documentation had been sent to OMB to support USAID's PART submission, but copies had not been retained due to a lack of time.

Moreover, USAID did not maintain readily available documentation to support the programs which were PARTed for FY 2004 and 2005. The supporting documentation for the FY 2004 and 2005 PART questionnaires was unavailable because prior to March 2004 there was no PART coordinator to maintain the documentation.

Maintaining the documentation that is the basis of USAID's PART submission is important because such documentation supports the credibility of the PART information reported outside of USAID. Ultimately, we were able to determine that USAID's PART submission for FY 2006 was supported with sufficient and adequate evidence by obtaining the supporting documentation, but to do so, we had to obtain the documentation from OMB. Accordingly, we are making the following recommendation:

> **Recommendation No. 3: We recommend that the Office of Policy and Program Coordination maintain documentation supporting its PART submissions.**

Evaluation of Management Comments

In their response to our draft report, the Bureau for Policy and Program Coordination (PPC) concurred with our recommendations and described actions they planned to take to address our concerns. Specifically, the Bureau will (1) ensure that at least one representative from each affected Bureau has attended the OMB training, (2) develop and distribute agency-specific guidance, and (3) retrieve copies of the FY2006 PART supporting documentation and maintain such documentation for all subsequent PART cycles. PPC also proposed changes in the wording of one of our recommendations, which we considered and made, as appropriate. When fully implemented, the Bureau's actions should improve the PART preparation process.

Scope and Methodology

Scope

The Office of Inspector General's Performance Audit Division conducted this audit in accordance with generally accepted government auditing standards. The purpose of this audit was to determine if USAID was implementing the Program Assessment and Rating Tool (PART) in accordance with the Office of Management and Budget (OMB) guidance and whether USAID's assessments were supported with adequate and sufficient evidence.

The scope of the audit was limited to those PART submissions which were completed solely by USAID for the most current budget year submission, budget FY 2006. These included:

- Operating Expenses and Capital Investment Fund (OE/CIF);
- Latin America and Caribbean Bureau's Development Assistance Program (LAC-DA); and
- Latin America and Caribbean Bureau's Child Survival and Health Program (LAC-CSH).

In planning and performing the audit, we assessed the effectiveness of USAID internal controls related to the process of assessing performance measurements. The USAID internal controls identified included:

- Designation of a PART coordinator to manage the PART process as well as to prepare the questionnaire based partially on evidence received from the Bureaus;

- Collaboration with an OMB liaison to facilitate the PART process, including reviewing the evidence for adequacy; and

- Collaboration with the Program Evaluation Team at OMB to ensure consistency in the PART questionnaires.

The audit was conducted at USAID's Headquarters in Washington, D.C. from September 15, 2004 through February 10, 2005.

Methodology

In order to answer our audit objectives, we identified and reviewed OMB's PART reporting guidance available through the OMB website, including the *Frequently Asked Questions* and the budget FY 2006 PART instructions.

In planning and performing the audit, we obtained an understanding of rules, regulations, USAID procedures, and internal controls related to the preparation of the PART.

We conducted interviews with the USAID PART coordinator, officials in the Office of Policy and Program Coordination, the Latin America and Caribbean Bureau, the Office of Financial Management, and two OMB officials, both of whom were the examiners for one of USAID's PARTed programs for FY 2006. Our interviews with the officials and the examiners were conducted to determine their respective role in the PART process, their knowledge of the process, and what guidance they followed in the PART preparation.

For each of the programs that were PARTed, we requested the PART questionnaires as well as the supporting documentation submitted to OMB with the questionnaire. We reviewed the documents to determine whether USAID prepared the questionnaires in accordance with OMB guidance and whether the supporting documentation was sufficient and adequate.

A materiality threshold was not established for this audit as the nature of the audit did not lend itself to the establishment of such a threshold.

Management Comments	**MEMORANDUM**	March 21, 2005

TO: Acting IG/A/PA, Roosevelt Holt

FROM: Director, PPC/SPP, Joseph Lombardo /s/
                DAA/PPC, Barbara Turner /s/

SUBJECT: Bureau for Policy and Program Coordination Comments on Draft Report on Audit of USAID's Implementation of the Office of Management and Budget's Program Assessment and Rating Tool – PART (Report No. 9-000-05-00X-P)

Thank you for your draft memorandum of February 2005 which transmitted your draft audit report of USAID's implementation of OMB's PART. We are grateful for the efforts of your staff in conducting this performance audit.

USAID PPC concurs with the spirit of all the findings in this audit report and proposes a few clarifications and modifications.

Following are our management decisions and corrective actions regarding the proposed audit recommendations.

Recommendation No. 1: We recommend that the Bureau of Policy and Program Coordination, in coordination with the affected Bureaus, require that USAID staff involved in the preparation of the PART attend the training sessions offered by OMB prior to the preparation of the PART questionnaire.

We agree with this recommendation, and note that for the FY 2007 PART cycle which is currently underway, PPC/SPP has ensured that at least one representative from each affected Bureau has attended the OMB PART Training. In fact, a total of (20) USAID employees have attended the PART training, including nine from the Bureau for Africa alone. A paragraph has been inserted in the USAID agency-specific instructions for complying with OMB's PART Guidance that requires attendance at the training by at least one bureau representative, though a much broader participation is recommended.

Recommendation No. 2: We recommend that the Bureau of Policy and Program Coordination develop and distribute formal written guidance concerning the PART and the preparation of USAID's PART submission.

We accept the spirit of this recommendation, but would like to provide clarification and a modification of the Recommendation language to more precisely define the problem, which we believe will lead to a more effective corrective action.

Proposed Recommendation No. 2: We recommend that the Bureau for Policy and Program Coordination (PPC) develop and distribute agency-specific guidance for complying with OMB's annual PART Guidance. This will serve to ensure that affected USAID bureaus will have timely, relevant and appropriate agency-specific instructions for complying with OMB Guidance for completing the PART, but reduces or eliminates the potential for incorrect interpretations of the guidance by PPC, and ensures that PPC maintains an "honest broker" role and does not supercede or supplant OMB's guidance.

We agree with this recommendation. The current OMB PART Guidance is over 70 pages in length, is very explicit in its definitions, deadlines, and requirements, and is available electronically and in hard-copy to all agency employees; OMB offers free, 2 ½ hour training sessions for all federal employees at the beginning of every PART cycle; the PART Template (an Excel workbook) is issued with a full set of instructions, accompanied by "pop-up" help boxes in every field of the template; and, there are numerous other tools available on OMB's website, and through the PPC PART Coordinator, to assist affected bureaus in complying with OMB's Guidance. Therefore, it is not necessary to develop separate guidance, but it is necessary to develop and implement agency-specific instructions for complying with that guidance. For the FY 2007 cycle, PPC/SPP developed and distributed such instructions to all affected bureaus on March 10, 2005; these instructions are included as an attachment to this memo.

Recommendation No. 3: We recommend that the Bureau of Policy and Program Coordination maintain documentation supporting its PART submissions.

We agree with this recommendation, though as was pointed out during the audit exit conference, the PPC PART Coordinator did maintain *electronic* copies of all evidentiary documents supporting the LAC Bureau PARTs, and the intent was to retrieve the LAC Evidence Binders from OMB at the conclusion of the PART appeal process and make copies for permanent retention by the agency. However, we agree in substance that a record copy of all PART evidence binders should be maintained by PPC for all completed PARTs; this practice has been instituted for the FY 2006 PARTs, and will be continued for FY 2007 and all subsequent PART cycles.