

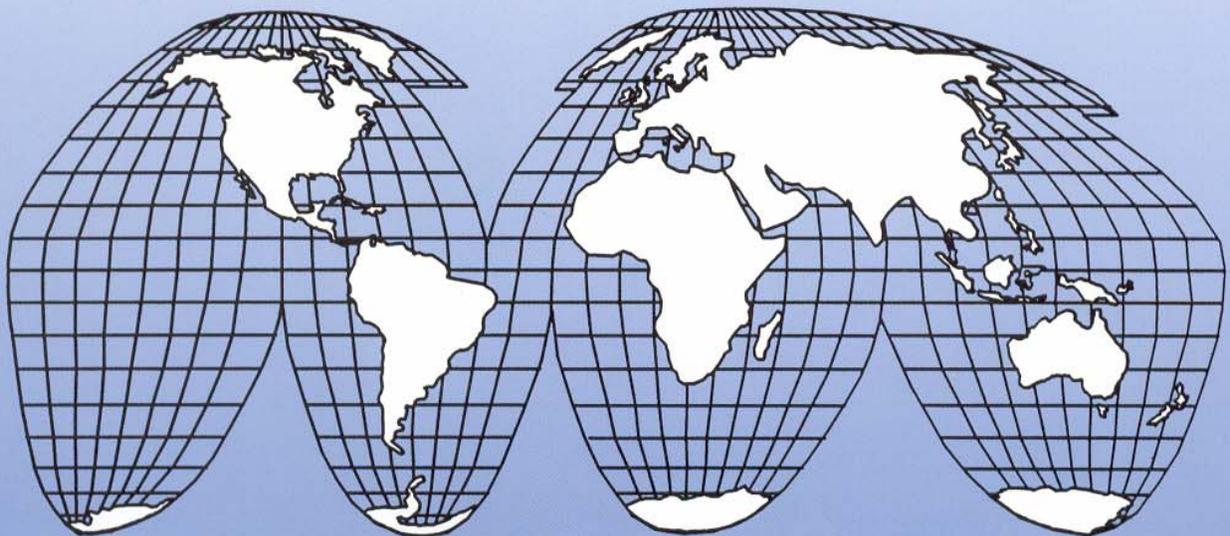
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Mali's Monitoring and Reporting of Its Sustainable Economic Growth Program

7-688-04-003-P

April 2, 2004



Dakar, Senegal



April 2, 2004

MEMORANDUM

FOR: USAID/Mali Director, Pamela White

FROM: Acting RIG/Dakar, Emmanuel Bruce Attah /s/

SUBJECT: Audit of USAID/Mali's Monitoring and Reporting of Its Sustainable Economic Growth Program (Report No. 7-688-04-003-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 one recommendation to which you concurred in your response to the draft report. Based on actions taken in response to the audit finding, the recommendation is considered closed upon issuance of this report. No further action is required by the Mission.

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

(This page intentionally left blank)

**Table of
Contents**

Summary of Results	5
Background	6
Audit Objective	6
Audit Findings	7
Did USAID/Mali monitor the performance of its Sustainable Economic Growth program to ensure that intended results were achieved?	7
Site Visits And SEG Structure Addressed In New Program	7
Data Assessment Not Performed But Addressed In New Program	9
Support For Annual Report Data Needs To Be Readily Accessible	11
Management Comments and Our Evaluation	13
Appendix I – Scope and Methodology	15
Appendix II – Management Comments	17

(This page intentionally left blank)

Summary of Results

The objective of this audit was to determine if USAID/Mali monitored the performance of its Sustainable Economic Growth (SEG) program to ensure that intended results were achieved. (See page 6.)

USAID/Mali made some efforts to monitor the activities of its SEG program, but these efforts did not provide the Mission with the full oversight of the program activities. SEG staff conducted some site visits and communicated with the various implementing partners. (See page 7.) However, site visits were not conducted on a regular or frequent basis, and documentation of visits and other partner contacts was limited. (See pages 7 to 8.) This was due, in part, to conflicting job priorities and the organizational structure of the program within the Mission. (See pages 8 to 9.) However, we believe the follow-on Accelerated Economic Growth (AEG) program addresses these weaknesses and no recommendation is being made. (See page 9.)

Although USAID/Mali indicated in its fiscal year (FY) 2004 Annual Report that a data quality assessment of the reported results had been conducted in 2001, they could not provide definitive documentation of the assessment. In 2001, a consultant was hired to review various performance management procedures at the Mission, and reported no findings regarding a data quality assessment, implying that such an assessment had been performed. As a result of misunderstanding the purpose of the consultant's work, Mission staff considered the consultant's report as adequate to claim that an assessment had been performed, and could not provide any other documentation. (See pages 9 to 10.) The follow-on AEG program places much emphasis on the need for conducting data quality assessments, and is formalizing the requirements in the new Performance Management Plan. Therefore, no recommendation regarding conducting a data quality assessment is being made. (See page 11.)

We selected 17 results reported in USAID/Mali's FY2004 Annual Report to determine (1) if the figures were accurate and (2) if the SEG team had maintained supporting documentation. (See pages 11 to 12.) We found discrepancies between the information contained in the Annual Report and the supporting documentation provided for 5 results. According to SEG staff, these discrepancies occurred as a result of obtaining updated information. The SEG team could not readily identify or provide the source document from which they extracted the reported data for 3 of the results. (See page 12.) We recommend that USAID/Mali develop procedures to require that Strategic Objective teams maintain supporting documentation for data reported in the Annual Report. (See page 13.)

Background

Notwithstanding its advancement in consolidating democracy, Mali's progress towards sustainable economic development remains fragile. The largely agricultural-based economy does not yet provide an adequate platform for reducing endemic poverty and improving the quality of life for the majority of the country's people. The Malian per capita income is only \$250 per year (about the same as it was 20 years ago) and 72 percent of the population lives below the Malian poverty level. In Mali, agricultural growth is essential to achieve poverty reduction and overall economic growth.

In fiscal year 1998, USAID/Mali began implementing a 5-year Sustainable Economic Growth (SEG) program as part of the Mission's Strategic Objective 2, Increased Value Added of Specific Economic Sectors to National Income. The goal of the SEG program was to increase the value-added or profits of specific economic activities in the cereals, livestock and non-traditional agricultural sub-sectors. This was to be achieved by increasing access to financial services; boosting Mali's competitiveness in producing, processing and marketing cereals, livestock, and non-traditional products; improving private sector marketing policy; stimulating better use of technology and natural resource management practices; and increasing access to both technical and market information. Since its inception, about \$76 million has been obligated for the program. The final program obligations occurred in fiscal year 2002, however, the Strategic Objective was extended to allow for the completion of activities, most of which concluded in fiscal year 2003.

The Mission is using the experiences and challenges of the completed SEG program to develop the new economic growth strategic objective and programs in the new 10-year Country Strategic Plan for fiscal years 2003 to 2012. The Accelerated Economic Growth (AEG) strategic objective is aimed at increasing productivity and incomes in selected agricultural sub-sectors of Mali. This strategy will build on the successes and lessons learned from the previous SEG program focusing on three inter-related areas: increased agricultural products (which includes expansion of irrigated agriculture to reduce the risks associated with fluctuating rainfall); increased trade of selected commodities; and improvement of agribusiness, microfinance and macro-bank sectors.

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: Did USAID/Mali monitor the performance of its Sustainable Economic Growth (SEG) program to ensure that intended results were achieved?

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

Audit Findings

Did USAID/Mali monitor the performance of its Sustainable Economic Growth (SEG) program to ensure that intended results were achieved?

USAID/Mali had some processes in place and made some efforts to monitor its Sustainable Economic Growth (SEG) program. However those processes and efforts did not provide for full monitoring and oversight of SEG program activities needed to ensure intended results were achieved. Problems regarding the monitoring of the program include the lack of a systematic and consistent approach to site visits, due in part to conflicting work priorities and the organizational structure of the program within the Mission. Also, USAID/Mali did not perform a data quality assessment as required by the ADS. Several discrepancies were found in the verification of Annual Report data, and SEG program staff did not maintain supporting documentation for results reported in the Annual Report, as required by ADS. In our opinion, the concerns related to the site visits and data quality assessment are addressed under the new Accelerated Economic Growth (AEG) program but corrective action is needed to address the lack of Annual Report supporting documentation.

USAID/Mali staff indicated that they did monitor the SEG program activities on an ongoing basis. These efforts included reviewing the partners' annual workplans as well as the quarterly and annual reports. SEG program staff also communicated regularly with the staff of the implementing partners, participating in meetings and other agricultural sector functions. In addition, the SEG Monitoring and Evaluation specialist provided documentation of his reviews of partners' workplans and reports, as well as for nine trips he made during the program implementation period to observe and discuss partner activities.

While these activities provided the SEG team with information for general program oversight, these efforts, however, did not provide the Mission with full oversight that would be provided with a more consistent approach to monitoring, which would include more frequent visits.

Site Visits And SEG Structure Addressed In New Program

Although the Monitoring and Evaluation Specialist conducted some site visits, these visits were infrequent and the documentation of these visits was extremely limited, contrary to USAID guidance regarding site visits. The lack of more frequent and consistent site visits occurred due to staff conflicting work priorities and the organizational structure of the program and its staff. However, the new AEG program addresses both of these problems.

As discussed previously, documentation in the Monitoring and Evaluation specialist's files showed that he made nine visits to observe partner activities between June 1999 and October 2001. However, the file did not contain reports for any trips in 2002 or 2003. According to the Monitoring and Evaluation specialist, he made additional site visits between 1999 and 2001, as well as during 2002 and 2003, but did not routinely document his visits. He told us he would often brief the team orally after the trip or use emails to communicate the results of the trip, but these emails were not maintained in the program files. Additionally, although the contract for one of the key partners in the program required at least quarterly contacts or visits, the Cognizant Technical Officer (CTO) for the contract acknowledged while phone contacts or meetings might have occurred, he did not document the contacts and that in the past two years, he had made only two site visits to observe the partner's activities.

USAID's Automated Directives System (ADS) section E303.5.13 states that site visits are an important part of effective award management and recommends that reports of the visits should be maintained in official files. Similarly, ADS section 303.3.4.c indicates that the responsibilities of the CTO include monitoring and evaluating the recipient and the recipient's performance by maintaining contact through site visits. Moreover, U.S. Government internal control standards require that important events be properly documented. We believe that site visits are an important event in the overall monitoring process and should be documented.

The lack of consistent and documented site visits occurred for several reasons. First, the Monitoring and Evaluation specialist told us that he had intended to make at least three visits per year to each of the key partners involved in the program. However, he also had other duties within the SEG team, and was the Mission's environmental officer. As a result of the constraints on his time, conflicting work priorities, as well as the time that would be needed to visit some of the sites (which could require a two day drive), he found that it was difficult to make more than one visit per year to each partner.

Another contributing factor was the organizational structure of the program within USAID/Mali. The SEG team was responsible for the overall program management, and the CTO for a contract with one of the key partners was a SEG team member. However, the Program Office had official oversight for cooperative agreements with other key partners. In some cases, the cooperative agreement covered a wide-range of activities supporting several of the Mission's strategic objectives. For example, CARE International was funded to conduct activities not only in support of the SEG program, but also in support of the Mission's health and democracy and governance objectives. According to USAID/Mali officials, the purpose of this arrangement was to have a single point of contact in the Mission for these partners, rather than three contacts from different Strategic Objective teams. However, Mission

officials acknowledged that in hindsight, this arrangement required more coordination both within and outside of the Mission, and was less effective than if each Strategic Objective team had oversight of their portion of the agreement.

Another factor was the design of the SEG program, which was divided into four results packages – cereal, livestock, alternative commodities and finance. Members of the SEG team had responsibility for managing one of the results packages, which might include various types of activities conducted by one or more of the partners. For example, the cereal results package included activities focused on increasing cereal production as well as improved marketing and trade of cereal products, which were conducted by four partners. Similarly, the livestock and alternative commodities results packages also included activities focused on increased production and trade. According to USAID/Mali staff, organizing the SEG team by agricultural subsector (such as cereal) rather than the activity focus (such as trade) was less effective and created some gaps in terms of monitoring partner activities.

Without conducting timely and frequent site visits, the Mission could not be fully assured that the partners were carrying out activities that contributed to and ensured achievement of the strategic objective. Furthermore, without formally documenting visits and other key encounters with implementing partners, important program information may not be available to Mission management, and would ultimately be lost if Strategic Objective team members were to leave USAID.

However, in the new AEG program, changes have been made or are in the process of being made that address these issues. For example, rather than focus on various agricultural sub-sectors, the AEG program has been restructured in three sectors – trade, finance and production. A separate contract has been awarded for each of these three sectors, with separate CTOs, all of whom are located within the AEG office. At the time of our audit, two of the three contracts had been awarded, specifically stating that the CTO must meet at least quarterly with the contractor. Finally, at the Mission level, the Program office is in the process of developing a new Mission-wide Monitoring and Evaluation strategy. This strategy will encompass all aspects of monitoring and evaluation, including site visits and verifying reported results data.

Therefore, because the SEG program is completed and the new AEG program appears to be structured to improve monitoring of the program, we are not making any recommendations on this finding.

**Data Assessment Not Performed
But Addressed In New Program**

The Mission did not conduct a data quality assessment on results reported in the fiscal year (FY) 2004 Annual Report as required by ADS. The Annual Report includes a reference to such an assessment, but is referring to work conducted by a consultant, which the Mission staff mistakenly considered a data quality assessment. As a result, data was submitted to Washington without a data quality assessment having been conducted. However, under the new AEG program, the requirement for a data quality assessment is incorporated into program documents and thus addresses this weakness.

USAID/Mali staff could not provide definitive documentation of a data quality assessment being performed on the SEG program results reported in their FY2004 Annual Report although the report indicates such an assessment was performed in 2001. The Program Office provided a copy of a report prepared in 2001 by a consultant group, indicating that this was the data quality assessment they had considered when claiming in the Annual Report that such an assessment had been performed. However, a review of the report revealed that the consultants had not conducted a data quality assessment, but rather been hired to review and report back to USAID/Washington on various performance monitoring practices at the Mission. One of these practices was to determine whether the Mission had conducted a data quality assessment. While the consultants did identify several weaknesses related to USAID/Mali's Performance Monitoring Plan, they did not report any findings related to the lack of a data quality assessment. Thus, the report implies that such a data quality assessment had been performed, which contributed to the Mission's misunderstanding of the results of the report. The SEG program staff also provided a 1997 report containing a consultant's observations of the reliability and validity of the data sources used to report results for the strategic and intermediate results indicators. It is uncertain as to whether this report was considered by the consultants in 2001 as adequate to meet the data quality assessment requirements. In any case, the 1997 assessment is too old to be considered as a data quality assessment for data reported in fiscal year 2004.

ADS Section 203.3.5.2 states that data reported to USAID/Washington for Government Performance and Results Act purposes must have had a data quality assessment at some time within the three years before submission. The purpose of a data quality assessment is to ensure that the Mission and Strategic Objective team are aware of the strengths and weaknesses of the data, and the extent to which the data can be trusted to influence management decisions. ADS Section 203.3.8.3 further clarifies that the data subject to the data quality assessment is that which is formally submitted to assess the Strategic Objective performance or for indicators included in the performance measures table of the report.

A data quality assessment was not performed as required due to misunderstanding of the purpose and results of the consultant's work performed at the Mission in 2001. As a result, the Mission's Annual Report

included performance data for three SEG strategic objective indicators that had not been subjected to a data quality assessment.

Our review of the draft Performance Monitoring Plan (PMP) for the new AEG program indicates that considerable emphasis is being placed on ensuring the quality of the data used to report results, and especially on conducting data quality assessments. Specifically, the draft PMP requires the Strategic Objective team to integrate data quality assessments into ongoing activities, including random checks of partner data with regularly scheduled site visits. It also includes a data quality checklist to be used by team members when conducting data quality assessments and requires findings from such assessments to be documented and filed in the performance management files. The PMP includes references to ADS requirements to perform such assessments at least every three years and incorporates a line item for conducting data quality assessments in the Performance Management Tasks table.

Therefore, because the SEG program is completed and the new AEG program incorporates formal procedures in the PMP to assure that data quality assessments will be performed in accordance with the ADS, we are not making any recommendations on this finding.

Support For Annual Report Data Needs To Be Readily Accessible

As part of the audit, we selected 17 of the results reported in the Mission's FY2004 Annual Report to Washington to (1) verify the accuracy of the results reported and (2) determine whether the SEG team had maintained documentation to support the reported results. While we found no material errors, significant discrepancies were noted for 5 of the results, attributed to obtaining updated data. The SEG team could not easily provide documentation for 3 of the selected reported results, because they were not aware of ADS requirements to maintain such support. As a result, the Mission increased its vulnerability of reporting inaccurate data to Washington.

To verify the accuracy of the reported data, we selected 17 results reported in the Annual Report. We attempted to trace the figures back to source documents, which included implementing partners' reports and government agricultural statistical reports.

For 15 of the results, we were able to trace the data back to source documents, but were unable to trace 2 of the results because the SEG team could not provide the correct documents to support the figures. For 10 of the 15 results we were able to trace, we found no significant discrepancies between the data as reported in the Annual Report and the source documents. There were

minor math errors associated with 2 of the traced results, but these errors were not material.

However, for the remaining 5 traced results, we found significant discrepancies between the source document and the results reported in the Annual Report. For example, the Mission reported that 6,700 metric tons of onions, 355 metric tons of green beans and 750 tons of sesame were produced in 2002/2003 agricultural season. However, the agricultural production report from a regional agricultural organization provided by SEG as the supporting document contained different data – 5,439 metric tons of onions, 525 metric tons of green beans and 600 metric tons of sesame. Similarly, data reported on the number of the sales of environmentally-friendly stoves differed between the Annual Report (73,500 sold) and the implementing partner’s annual report (68,594 sold).

Although we were able to ultimately trace 15 of the 17 reported results back to source documents, SEG staff could not easily access the supporting documentation for the data reported in the FY2004 Annual Report. For example, for three of the results the SEG team could not readily provide the proper source documents and did not maintain a file containing support for their narrative submission to the Annual Report. For each of these results, the team provided several different reports. Ultimately the correct source was found and provided for one of the results related to cereal production, allowing us to trace the data back to the source document. However, as mentioned above, the team was unable to provide the correct supporting documentation for two of the results related to a decline in crop production and we were unable to trace these results back to source documents.

Both the ADS and annual reporting guidance issued by the Policy and Program Coordination (PPC) Bureau emphasizes the importance of the narrative section of the Annual Report. Specifically, the PPC guidance states that information included in the strategic objective level narrative section of a Mission’s Annual Report provides input into Agency decision-making on programs and resources and for inclusion in Bureau- and Agency-level reporting. ADS Section 203.3.8.3 states that while the data included in the narrative is not subject to a data quality assessment, operating units are required by the ADS to maintain supporting documentation.

According to the SEG staff, the discrepancies in the reported data occurred as a result of receiving updated information from the government and partners after the issuance of their reports. For example, although the Mission and partners observed a fiscal year reporting period, many of the agricultural statistics were not reported until later in the calendar year. In those cases, the SEG staff contacted the partners to obtain the latest agricultural data to include in the Annual Report. However, whether obtained via telephone or email or other methods, this updated information was not always documented in the program files, and thus could not be traced or verified. SEG staff told

us that they were not aware of any requirements to maintain such specific documentation to support the narrative of the Annual Report.

Without maintaining supporting documentation for information included in the narrative section of the Annual Report as required by ADS, USAID/Mali increases its vulnerability of reporting inaccurate or mis-attributed data to USAID/Washington. In this age of audit readiness and accountability, it is prudent to maintain back-up documentation that can be easily accessed.

Therefore, to address the lack of documentation, we make the following recommendation:

Recommendation No. 1: We recommend that USAID/Mali develop specific procedures to require that each Strategic Objective Team maintain supporting documentation for results and other data included in the Annual Report.

**Management
Comments and
Our Evaluation**

In response to the draft report, USAID/Mali agreed with all of the findings and the recommendation, acknowledging the shortcomings associated with monitoring and reporting of results under the Sustainable Economic Growth program. Based on appropriate action taken by the Mission, the recommendation is considered closed upon issuance of this report. The attachments to management comments are not attached in this audit report.

Recommendation No. 1 recommends that the Mission develop specific procedures to require each Strategic Objective Team maintain supporting documentation for results and other data included in the Annual Report. The Mission concurred with this recommendation, recognizing that back-up documentation should be easily accessible. To address this recommendation, USAID/Mali issued a Mission Order on March 19, 2004 with procedures for each Strategic Objective Team to create a formal filing system for documentation to support their Annual Report submissions.

(This page intentionally left blank)

**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/Mali monitored the performance of its Sustainable Economic Growth (SEG) program to ensure that intended results were achieved. The audit was conducted at USAID/Mali in Bamako from January 21 to February 3, 2004. Meetings were also conducted with officials from two implementing partners, Chemonics and CARE International.

We assessed the management controls of the SEG program that included USAID guidance contained in the Automated Directives System, mission reports, 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 monitor SEG program activities primarily in fiscal year 2003, although we also assessed the extent to which procedures were in place through the life of the program. This included reviewing reports prepared by the Mission and partners, reviewing and tracing selected results back to a variety of source documents, and visiting partner offices.

At the Mission's request, we also reviewed various program documents for the new Accelerated Growth Program (AEG). These documents included the Mission's draft Performance Monitoring Plan (PMP), two contracts, the draft PMPs for the trade and finance projects, and the first year workplan for the finance project.

Methodology

While conducting fieldwork, we performed limited tests of compliance with USAID procedures regarding results reporting and program monitoring at the Mission level. To verify the accuracy of performance results that were reported to USAID/Washington in the fiscal year 2004 Annual Report (for activities conducted in fiscal year 2003), we traced the reported data back to source documents, which included agricultural and economic reports prepared by the Malian government as well as implementing partners' reports. We limited our verification of the Annual Report data back to these sources, and did not trace the partners' data back to their supporting documentation. The SEG program activities concluded between June and September 2003, and many of the partners no longer maintained their program documentation in Mali. Our verification included examining source documents and electronic and manual records.

We also interviewed responsible personnel at the USAID Mission in Mali as well as at the two implementing partners' offices concerning program activities, monitoring efforts and data accuracy issues.

In assessing the accuracy of the data, we used a threshold of one percent for transcription accuracy and five percent for computation accuracy.

**Management
Comments**

USAID/Bamako
Office of Financial Management
MEMORANDUM

To: Lee Jewell III, RIG/Dakar

From: Pamela White, Director /s/

Through: Kathy Body, Controller /s/

Date: 03/24/04

Subject: RIG/Dakar Audit of USAID/Mali's Monitoring and Reporting of its Sustainable Economic Growth Program (Report No. 7-688-04-00X-P)

Recommendation No.1 reads as follows: "We recommend that USAID/Mali develop specific procedures to require that each Strategic Objective Team maintain supporting documentation for results and other data included in the Annual Report."

USAID/Mali wishes to thank RIG/Dakar for its timely audit of the monitoring and reporting of the Sustainable Economic Growth (SEG) program. As correctly noted in the draft audit report, USAID/Mali has taken important steps to improve its monitoring and evaluation (M&E) system to coincide with the beginning of its new country strategy. These steps include: (i) organizing the follow-on Accelerated Economic Growth (AEG) program into these distinct elements each overseen by a CTO located within the AEG team who is responsible for ensuring that adequate contact is maintained with implementing partners, including through site visits; (ii) establishing a framework for the introduction of rigorous M&E practices to be followed by all Strategic Objective teams within the Mission; and (iii) developing iteratively an AEG Performance Monitoring Plan (PMP), in close collaboration with key implementing and development partners, consistent with the Agency's Automated Directive System (ADS) guidance.

The Mission acknowledges that there were shortcomings associated with the monitoring and reporting of results under the previous SEG program. It is extremely helpful to have the measures taken to correct these problems validated by the experienced staff of the RIG. The Mission's intent is

to ensure that the measures instituted by the AEG program are adhered to and that other Strategic Objective teams do the same.

With respect to the only recommendation of this audit, the Mission is pleased to inform the RIG that it issued a Mission Order effective March 19, 2004 (separate attachment) that directly responds to this recommendation. **Therefore, USAID/Mali requests that RIG/Dakar close this recommendation.**