



January 21, 2004

MEMORANDUM

FOR: USAID Mission to Ukraine, Belarus and Moldova, Mission Director, Christopher Crowley

FROM: Acting Regional Inspector General/Budapest, Jacqueline Bell /s/

SUBJECT: Follow-up of Recommendation Nos. 1 and 7 of Audit Report No. B-121-01-006-P, "Audit of USAID/Ukraine's Activity Monitoring System", issued on June 28, 2001.
(Report No. B-121-04-001-S)

This memorandum is our report on the follow-up of the June 2001 report recommendations. Although this is not an audit report, this report contains information for your consideration and action. I appreciate the cooperation and courtesy extended to my staff during the recommendation follow-up.

Background

Our June 2001 audit report determined that the Mission needed to strengthen certain elements of its activity monitoring system. The audit found, for example, that the Mission needed to improve its Performance Monitoring Plan and implement a system to evaluate contractor performance. To address the identified problems, the audit report contained seven recommendations including the following:

Recommendation No. 1: We recommend that USAID/Ukraine revise its Performance Monitoring Plan to include detailed indicator definitions, data sources, the method and schedule of data collection, and the assignment of responsibility for data collection, as required by the Automated Directives System.

Recommendation No. 7: We recommend that the USAID/Ukraine Regional Contracts Officer implement a system to evaluate contractor performance in accordance with the requirements set forth

in the Federal Acquisition Regulations and Automated Directives System 302.

In comments to our report, USAID/Ukraine stated that corrections had been made to Performance Monitoring Plan (PMP) indicator definitions and data sources. Furthermore, the Mission stated that (1) the Regional Contracts Officer had begun training Mission staff to use the contractor performance system, (2) awards requiring performance evaluations would be completed by June 2001, and (3) beyond this date, performance evaluations would be scheduled on award anniversary or completion dates.

In accordance with the Office of Management and Budget's Circular No. A-50 and Office of Inspector General audit policy, we selected Recommendations No. 1 and 7 for follow-up because they specifically dealt with activity monitoring and performance evaluation. The purpose of our recommendation follow-up was to ensure that management actions have corrected or are correcting the identified deficiencies.

Discussion

The Mission has taken action to eliminate the problems identified in the June 2001 audit report regarding its Performance Monitoring Plan (PMP). However, the Mission's effort to implement a system to evaluate contractor performance needs further improvement.

Management Actions Have Improved the Performance Monitoring Plan

In its written comments, the Mission stated it continually reviews and revises its PMP indicators, and that the identified problems with indicator definitions and data sources had been corrected. Furthermore, the Mission stated that the PMP had been amended to include the method and schedule of data collection, and the assignment of responsibility for data collection in accordance with the Automated Directives System (ADS).

We reviewed the 2002 and 2003 PMPs to determine if the plans included detailed indicator definitions, data sources, the method and schedule of data collection, and the assignment of responsibility for data collection. While the 2002 PMP had detailed indicator definitions for most Strategic Objectives and data sources, the method and schedule of data collection were often not defined.

In April and October 2002, IBM Business Consulting Services provided training and technical assistance to Mission staff on the preparation of the PMP, with special emphasis on performance indicators. The result was

Performance Indicator Review Sheets (PIRS) for each indicator which stated, among other things, detailed indicator definitions, data sources, the method and schedule of data collection, and the assignment of responsibility for data collection. These improvements were incorporated into the 2003 PMP process for all indicators.

Although the 2002 PMP did not fully address all the problems identified in the audit report, the Mission's subsequent effort in conjunction with IBM allowed the 2003 plan to meet all ADS requirements. The Mission's ongoing development of PIRS for new indicators will allow it to continue to strengthen its PMP.

USAID/Ukraine's Contractor Performance Evaluation Program Has Not Been Fully Implemented

In response to the recommendation that a contractor performance evaluation system be implemented, the Mission obtained access to the National Institute of Health's (NIH) Contractor Performance System (CPS)¹ and trained one of its regional contracting officers to use the system. Mission officials stated that additional actions would be taken to address the recommendation. These actions included:

- Completion of contractor performance evaluations for 12 task orders and contracts identified as requiring evaluations for 2001.
- Training of all appropriate Mission staff required to use the performance evaluation system.
- Evaluation reporting beyond June 2001 for all contracts and task orders, scheduled as anniversary or completion dates occur.

If fully implemented, these measures would ensure compliance with ADS and Federal Acquisition Regulation (FAR) requirements in the future. However, during our October 2003 review, the Mission had not completed all the proposed management actions. Specifically,

- While Mission staff stated they had completed all the 2001 performance evaluations, contractor performance evaluations were not completed for 2002 and, due to staff shortages, will not be finished.

¹ In September 1998, USAID subscribed to the NIH CPS, which captures contractor performance evaluation reports for USAID and other federal agencies. This system provides for more routine and comprehensive compiling and collecting of evaluation reports and also makes these reports more readily available to contracting personnel worldwide.

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- Not all Mission staff required to use the NIH system had access to or were familiar with system operations.
 - Contracts and task orders were not being scheduled for evaluation on the anniversary or completion dates.

As a result, the Mission had no system or procedures in place that would ensure continued compliance with ADS and FAR regulations regarding contractor performance reporting.

At the time of the follow-up review, the Mission had arranged a temporary duty assignment for an additional contracting officer to assist with contractor performance reports, and the Mission was in the process of completing all 2003 evaluations. The Regional Contracting Officer had also sent a notice to the Mission's Cognizant Technical Officers to remind them to complete their portion of the evaluation reports and reemphasize the importance of this work. During the follow-up review, the Mission agreed to develop and implement a plan of action that would ensure continued compliance with contractor performance reporting requirements by March 31, 2004.

Conclusion

USAID Mission for Ukraine, Belarus and Moldova has initiated appropriate efforts to improve its Performance Monitoring Plan. However, the Mission needs to take additional steps to implement a contractor evaluation system that meets ADS and FAR requirements.

Although the Mission has not yet developed a contractor performance evaluation system that fully meets ADS and FAR requirements, the Mission has taken steps to improve its reporting. Contractor evaluations for FY 2003 are currently being completed, and the Mission is developing a plan to ensure continued compliance with reporting requirements. Therefore, we do not believe it necessary to re-open the recommendation at this time. However, RIG/Budapest will seek periodic updates from the Mission to ensure that these reporting efforts are fully implemented and sustained.