



USAID
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OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID ACTIVITIES IN LIMITED-PRESENCE COUNTRIES MANAGED BY USAID/SOUTHERN AFRICA

AUDIT REPORT NO. 4-690-07-002-P
DECEMBER 18, 2006

PRETORIA, SOUTH AFRICA



Office of Inspector General

December 18, 2006

MEMORANDUM

TO: USAID/Southern Africa, Regional Director Erna Kerst

FROM: Acting Regional Inspector General/Pretoria, Matthew P. Rathgeber /s/

SUBJECT: Audit of USAID Activities in Limited-Presence Countries Managed by USAID/Southern Africa (Report No. 4-690-07-002-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 as Appendix II.

This report includes six recommendations that USAID/Southern Africa (1) establish procedures to ensure that data quality assessments be completed for all indicators published in annual reports, (2) establish procedures to ensure that all strategic objective teams have completed and approved performance management plans, (3) revise one indicator to better reflect the results of USAID activities, (4) establish procedures to ensure the accuracy of performance results included in annual reports, (5) establish procedures to ensure that activity information sheets for limited-presence countries are completed, approved and input into the appropriate data base, and (6) prepare a plan to obtain approval for and input overdue activity information sheets.

In your response to the draft report, you provided corrective action plans addressing the six recommendations above. Therefore, we consider that management decisions have been reached on these recommendations. Please provide the Office of Audit, Performance, and Compliance Division (M/CFO/APC) with the necessary documentation to achieve final action on these recommendations.

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 Regional Inspector General/Pretoria conducted this audit to determine whether USAID/Southern Africa monitored, evaluated and reported activities in Botswana, Lesotho, and Swaziland in accordance with applicable policies and procedures. An additional objective was whether the activities in these countries achieved their intended outputs. (See page 2.)

Generally, USAID/Southern Africa monitored and evaluated activities in Botswana, Lesotho, and Swaziland in accordance with applicable policies and procedures. For its strategic objective teams USAID/Southern Africa had: (1) established performance indicators, (2) prepared performance management plans, (3) set performance baselines, (4) designated cognizant technical officers for implementing partner agreements, (5) collected performance data, and (6) assessed data quality. As part of the performance management plans, USAID/Southern Africa assigned staff with required monitoring duties that included regularly conducted site visits and other activities in conjunction with its implementing partners. However, some required data quality assessments and a performance management plan were not completed, and one performance indicator reported results that were not attributable to USAID activities. (See page 3.)

Concerning the reporting of activities in Botswana, Lesotho, and Swaziland, USAID/Southern Africa generally reported activities in accordance with applicable policies and procedures. For regional activities that included Botswana, Lesotho, and Swaziland, USAID/Southern Africa published performance results in its annual report, which included performance indicators and results frameworks for the Mission's regional activities. However, activity information sheets that were required to identify the activities in the limited-presence countries were not completed and input into the required data base. Additionally, performance results were not always reported accurately in the annual report in fiscal year 2006. (See page 7.)

Regarding the achievement of outputs, USAID/Southern Africa's activities that affected the three limited-presence countries of Botswana, Lesotho and Swaziland only partially achieved their intended outputs. Three of the five performance indicators that we tested in the fiscal year 2006 annual report met or exceeded their respective targets for fiscal year 2005. Activities for the other two indicators did not achieve their intended outputs. (See page 10.)

This report includes six recommendations to improve USAID/Southern Africa's programs for activities in Botswana, Lesotho, and Swaziland. Those recommendations are that USAID/Southern Africa: (1) establish procedures to ensure that data quality assessments be completed for all indicators published in annual reports, (2) establish procedures to ensure that all strategic objective teams have completed and approved performance management plans, (3) revise one indicator to better reflect the results of USAID activities, (4) establish procedures to ensure the accuracy of performance results included in annual reports, (5) establish procedures to ensure that activity information sheets for limited-presence countries are completed, approved and input into the appropriate data base, and (6) prepare a plan to obtain approval for, and input, overdue activity information sheets. (See pages 4 through 10.)

For the six recommendations set forth above, USAID/Southern Africa concurred with the recommended action and has provided planned actions to address these recommendations. Therefore, we consider that management decisions have been reached on each of these six recommendations. See page 11 for our evaluation of management comments.

BACKGROUND

USAID's traditional management model is an in-country mission with resident U.S. direct hire and foreign national employees, as well as personal service contractors, filling program and administrative positions. However, USAID also funds new and continuing activities through regional and pillar bureaus in countries where it does not maintain a resident mission. These countries are referred to as limited-presence countries.

Activities managed under an in-country mission are normally part of an integrated strategic plan, with the performance results reported through USAID's annual report process for the respective country. However, for activities in countries that have no strategic plans and are not reported through the annual report process for the respective country, which are sometimes referred to as ANMIC (Activities Not Managed In-Country), USAID has established a database to capture data associated with these activities. Activity managers must use activity information sheets to record activity information in this database. The purpose of these procedures is to ensure that information on all activities undertaken in a given country is readily available for management and reporting purposes.

USAID's Automated Directives System (ADS) 203 states that operating units are responsible for establishing systems to measure activity progress towards intended results. The tools of assessing, learning, and sharing are interrelated through the concept of performance management. This is defined as the systematic process of monitoring the results of activities; collecting and analyzing performance information to track progress toward planned results; using performance information to influence program decision making and resource allocation; and communicating results achieved, or not attained, to advance organizational learning and tell USAID's story.

During fiscal year 2005, USAID/Southern Africa, located in Gaborone, Botswana, managed regional activities in 14 countries in southern Africa, among which were included the three limited-presence countries of Botswana, Lesotho and Swaziland. Since USAID/Southern Africa's programs are strictly regional in nature, the Mission could not identify funding specifically programmed for the three limited-presence countries mentioned above. However, for the entire portfolio, the Mission reported total program obligations of \$17 million in fiscal year 2005 in four strategic objectives.

AUDIT OBJECTIVES

This audit was conducted as part of the Regional Inspector General/Pretoria's annual audit plan. The audit was designed to answer the following questions:

- Has USAID/Southern Africa monitored and evaluated limited-presence country activities in accordance with applicable policies and procedures?
- Has USAID/Southern Africa reported limited-presence country activities in accordance with applicable policies and procedures?
- Have USAID/Southern Africa limited-presence countries activities achieved their intended outputs?

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

AUDIT FINDINGS

Has USAID/Southern Africa monitored and evaluated limited-presence country activities in accordance with applicable policies and procedures?

Generally, USAID/Southern Africa monitored and evaluated activities in Botswana, Lesotho, and Swaziland in accordance with applicable policies and procedures. However, some data quality assessments and a performance management plan were not completed, and a performance indicator reported results that were not attributable to USAID activities.

Nevertheless, in monitoring the performance of its activities in the subject countries, USAID/Southern Africa had generally established the basic controls for monitoring and evaluating activities as required by applicable policies and procedures. For its strategic objective teams, USAID/Southern Africa had: (1) established performance indicators, (2) prepared performance management plans, (3) set performance baselines, (4) designated cognizant technical officers for implementing partner agreements, (5) collected performance data, and (6) assessed data quality. As part of its performance management plans, USAID/Southern Africa assigned staff with required monitoring duties that included regularly conducted site visits and other activities in conjunction with its implementing partners.

However, there were certain areas in which the performance monitoring system could be strengthened. Data quality assessments were not always done, a performance management plan was not completed and approved, and one performance indicator reported results that were not attributable to USAID activities. These areas are discussed in detail below.

Data Quality Assessments Were Not Always Completed

<p>Summary: As a result of weak internal management controls, data quality assessments were not always completed for performance indicators reported in USAID/Southern Africa's annual report for fiscal year 2006 as required by applicable policies and procedures. Without data quality assessments, USAID/Southern Africa did not have reasonable assurance that data quality met validity, timeliness, and reliability standards, the lack of which could negatively affect management decisions.</p>
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The Automated Directives System (ADS) 203 states that operating units shall, at regular intervals, critically assess the data they are using to monitor performance to insure they are of reasonable quality and accurately reflect the process or phenomenon they are being used to measure. Data quality will be assessed as part of the process of establishing performance indicators and choosing data collection sources and methods. The guidance goes on to say that reassessments will be done as necessary, but at intervals of no greater than three years; and that whenever possible, reasonable standards of statistical reliability and validity should be applied.

For Strategic Objective No. 14, entitled *A More Competitive Southern African Economy*, no data quality assessments had been done for the three indicators reported in the fiscal year 2006 annual report. This was the result of weak internal management controls—the Mission did not require assessments to be completed prior to the publication of annual reports. Controls should have been in place to enforce ADS requirements and ensure that assessments were completed for performance indicators published in annual reports in accordance with applicable policies and procedures.

A results-oriented management approach relies on field managers to use performance information to make their decisions. Specifically, quality performance indicators and data will help (1) ensure that USAID program and budget decisions are as well-informed as practically possible, (2) support efficient use of USAID resources, (3) meet requirements of Federal legislation, and (4) address the information needs of USAID's internal and external users, which include senior management, Office of Management and Budget (OMB), and Congress. However, sound decisions require valid, current, and reliable information, the benefits of which depend substantially on the quality of the performance information available. Without data quality assessments, USAID/Southern Africa did not have reasonable assurance that data quality met validity, timeliness, and reliability standards, the lack of which could negatively affect decision making. Additionally, a specifically identified effect could be the attribution problem of one of the performance indicators discussed below.

Since USAID/Washington is currently revising its results framework, we are not making a recommendation to complete the data quality assessments at this time. However, to ensure that future data quality meets the required standards once the revised framework is implemented, we are making the following recommendation:

Recommendation No. 1: We recommend that USAID/Southern Africa establish procedures to complete data quality assessments for all indicators published in annual reports in accordance with applicable policies and procedures.

Performance Management Plans Were Not Always Completed

Summary: The performance management plan for Strategic Objective No. 15 was never completed and approved, contrary to USAID guidance. This occurred because of weak internal management controls. Without a proper performance management plan, USAID/Southern Africa was without a critical tool for planning, managing, and documenting data collection. Additionally, the Mission did not have assurance that it was maintaining the elements that are essential to the operation of a credible and useful performance-based management system.

ADS 203 states that performance management plans shall be prepared for each operating unit's strategic plan. Information included shall enable comparable performance data to be collected over time, even in the event of staff turnover, and shall clearly articulate expectations in terms of scheduling and responsibility. Specifically, performance management plans shall provide a detailed definition of the performance indicators that will be tracked; specify the source, method of collection and schedule of

collection for all required data; and assign responsibility for collection to a specific office, team or individual.

TIPS No. 7, entitled, *Preparing a Performance Monitoring Plan*, states that a strategic plan will have identified preliminary performance indicators, adding that the performance management plan builds on this initial information. The definition of each indicator and the unit of measure should be detailed enough to ensure that different people at different times would collect identical types of data. The source for each indicator must also be identified.

Comparable data must be gathered periodically to measure performance, with the frequency of collection depending on the type of data. Performance management plans can usefully provide the schedules and dates for data collection. The schedules should consider management's need for timely information for decision making. For each performance indicator, the responsibility of the Mission for the timely collection of data from their source should be clearly assigned to a particular office, team or individual.

A performance management plan for Strategic Objective No. 15, entitled *Rural Livelihoods Diversified in Southern Africa*, which funded activities in Botswana, was never completed or approved. This occurred because the Mission had weak internal management controls that did not require completed performance management plans from each of its strategic objective teams. For example, although the program office was aware that the strategic objective team had not completed the plan, it did not require that the plan be completed. Without a proper performance management plan, USAID/Southern Africa has been without a critical tool for planning, managing, and documenting data collection. The performance management plan contributes to the effectiveness of the performance monitoring system by assuring that comparable data will be collected on a regular and timely basis. Without a completed and approved plan, the Mission did not have assurance that it was maintaining the elements that are essential to the operation of a credible and useful performance-based management system.

Since USAID/Washington is currently revising its results framework, we are not making a recommendation to complete the performance management plan at this time. However, in order to provide the assurances afforded by performance management plans once the new framework is in place, we are making the following recommendation:

Recommendation No. 2: We recommend that USAID/Southern Africa establish procedures to complete and approve performance management plans for all strategic objective teams.

One Performance Indicator Reported Results Not Attributable to USAID Activities

Summary: One performance indicator was reporting results that were not attributable to USAID activities, contrary to USAID guidance. This occurred because the initial data quality assessment for the indicator was not completed. Consequently, some of the reported results were not attributable to USAID activities, which could negatively affect subsequent results-oriented management decisions.

According to ADS 203, performance indicators selected for inclusion in the performance management plan should measure changes that are clearly and reasonably attributable to USAID efforts. TIPS No. 12, entitled *Guidelines for Indicator and Data Quality*, states that one of the critical requirements for an indicator is the degree to which the indicator and the related data accurately reflect the process it is being used to measure. It continues by stating that an indicator is valid if it closely tracks the result it is intended to measure.

For the performance indicator *Annual growth in value of exports from southern African countries to the U.S.*, the definition of the indicator included exports that were not covered under USAID-funded activities. The Mission was funding a “Trade Hub” under the “Trade Expansion for Southern Africa” (TESA) program, which directly supported the expansion of *African Growth and Opportunity Act* (AGOA) exports. However, the indicator was reporting export amounts for “all exports,” which included exports that were not supported under the TESA program. This resulted in exports not attributable to the program being reported, thereby reducing the validity of the indicator. Since export amounts are published for AGOA exports, reporting these exports instead of “all exports” would more closely reflect the results of the USAID-funded TESA program. This issue would easily have been recognized had a data quality assessment been done for this performance indicator when required.

As stated previously, a results-oriented management approach relies on field managers to use performance information to make their decisions. Specifically, quality performance indicators and data will help (1) ensure that USAID program and budget decisions are as well-informed as practically possible, (2) support efficient use of USAID resources, (3) meet requirements of Federal legislation, and (4) address the information needs of USAID’s internal and external users, which include senior management, Office of Management and Budget (OMB), and Congress. However, sound decisions require valid, current, and reliable information, the benefits of which depend substantially on the quality of the performance information available. Without accurate data attributable to its activities, USAID/Southern Africa did not have reasonable assurance that data quality met validity, timeliness, and reliability standards, the lack of which could negatively affect decision making.

In order to ensure that results attributable to the program are accurately reported in the Mission’s results framework, we are making the following recommendation:

Recommendation No. 3: We recommend that USAID/Southern Africa revise the definition for the performance indicator for “Annual growth in value of exports from Southern African countries to the U.S.” in order to report results attributable to USAID activities.

Has USAID/Southern Africa reported limited-presence country activities in accordance with applicable policies and procedures?

Generally, USAID/Southern Africa reported activities in Botswana, Lesotho, and Swaziland in accordance with applicable policies and procedures. However, there were several exceptions in data accuracy as well as the lack of activity information sheets.

Nevertheless, in reporting activities that were conducted in Botswana, Lesotho, and Swaziland, USAID/Southern Africa published performance results in its annual report, which included performance indicators and results frameworks for the Mission's regional activities.

However, performance results were not always reported accurately in the annual report in fiscal year 2006. Additionally, these regional activities did not report country-specific activities. Activity information sheets that were required for these limited-presence country activities were not completed, approved and input into the required data base. These issues are discussed in detail below.

Performance Results Were Not Always Reported Accurately

Summary: Performance results were not always reported accurately, contrary to applicable guidance. The principal cause for this was the lack of adequate editing controls and record-keeping systems to ensure that data quality was maintained and accurate results reported. Consequently, USAID/Southern Africa did not have reasonable assurance that activities were either achieving or not achieving intended results, which could negatively affect decision making.

Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states that all transactions and significant events need to be clearly documented and that the documentation should be readily available. Additionally, USAID's *Guidelines for Indicator and Data Quality*, TIPS No. 12, which summarizes the key references on performance measurement quality found in various parts of USAID's ADS, states that an indicator's validity can be affected by measurement error, sampling error, and transcription error. TIPS No. 12 further states that USAID's results-oriented management approach relies on managers to inform their decisions with performance information. Sound decisions require accurate, current, and reliable information, and the benefits of this results-oriented approach depend substantially on the quality of the performance information available.

For the results reported for fiscal year 2005 in USAID/Southern Africa's fiscal year 2006 annual report, three of the five performance indicators that we examined were not accurately reported when compared to the supporting documentation from the implementing partner.

- For the indicator *Annual growth in value of exports from Southern African countries to the U.S.*, the actual amount supported by source documents was 14.8 percent. The amount published in the annual report, however, was 30 percent.
- For the indicator *Key transaction costs reduced measured as hours at border to clear*, the actual amount supported by source documents was zero, due to the fact that the implementing partner had not programmed this activity in its work plan for fiscal year 2005. The amount achieved published in the annual report indicator table, however, was 15 percent, the same amount as the initial target

for that year, although the narrative portion of the report indicated that the target was not achieved.

- For the indicator *Value of exports of targeted commodities from Southern Africa to world markets*, the actual amount supported by source documents was \$2.7 million (in thousands of U.S. dollars) or \$2.7 billion. However, the published amount was \$3.5 million with the “thousands of U.S. dollars” designation dropped. It appears that the Mission meant this amount to be in thousands of U.S. dollars, or \$3.5 billion, an inconsistency which was confusing to the reader. Another reporting issue was the lack of disclosure that these results were lagged one year and that they were actually fiscal year 2004 trade figures.

The principal cause of the above reporting problems was the lack of management controls over editing the annual report and adequate record keeping systems. An adequate record keeping system is necessary to ensure that reported results are supported, and adequate editing procedures are necessary to ensure that the reported results accurately reflect source documents. These controls are essential for ensuring that reported performance results in annual reports are accurate and reliable as required by applicable policies and procedures.

As stated previously, a results-oriented management approach relies on managers to use performance information to make their decisions. Specifically, quality performance indicators and data will help (1) ensure that USAID program and budget decisions are as well-informed as practically possible, (2) support efficient use of USAID resources, (3) meet requirements of Federal legislation, and (4) address the information needs of USAID’s internal and external users, which include senior management, Office of Management and Budget (OMB), and Congress. However, sound decisions require valid, current, and reliable information, the benefits of which depend substantially on the quality of the performance information available. Without accurately reported results, USAID/Southern Africa did not have reasonable assurance that data quality met validity, timeliness, and reliability standards, the lack of which could negatively affect decision making.

To ensure that future performance results are accurately reported, we are making the following recommendation:

Recommendation No. 4: We recommend that USAID/Southern Africa establish procedures to review annual report data and report results for performance indicators that are supported and accurate in accordance with applicable policies and procedures.

Activity Information Sheets Were Not Input Into the Required Database

<p>Summary: Activity information sheets for the activities in three limited-presence countries in the region were not input into the required database as required by USAID guidance. USAID/Southern Africa had prepared draft activity information sheets; however, they were never approved and entered into the database. This occurred because the Mission had weak management controls to ensure that the sheets were approved and ultimately input. As a result, necessary information on all activities</p>
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undertaken in the three limited-presence countries was not readily available for management and reporting purposes.

ADS 203, entitled *Reporting Requirements for Activities Not Managed by Country Based USDH¹ Staff: Activity Information Sheets (AIS)*, requires operating units to use AISs to plan and report activities that are implemented in presence or non-presence² countries but are not part of the approved strategic plan for that country. It further states that the sheets are to be prepared and submitted for input prior to the initiation of the activities, and reviewed and updated annually or as new information becomes available.

Since USAID/Southern Africa is strictly a regionally-based operation, it did not have country-specific strategic plans for the three limited-presence countries of Botswana, Lesotho and Swaziland that were affected by its regionally funded activities. Therefore, AISs should have been prepared and submitted for input for those activities prior to their initiation. The Mission, however, never completed and input AISs for the subject activities during the entire fiscal year 2005. Although it had prepared draft AISs for the activities, it had never obtained required clearances for them, and never entered them into the required database³.

This occurred because the Mission had weak management controls for ensuring that AISs were completed, approved and input. Mission officials stated that part of the problem was the lack of response on the part of USAID/Washington officials during the approval process. Although this may have been the case in part, we noted that there was little evidence of consistent follow-up by Mission officials to obtain the necessary clearances for input.

Without reliable information on its activities in a given limited-presence country, USAID was unable to provide information in a timely manner to decision makers who must consider programming strategies and funding alternatives that ensure that all activities in specific countries comprise and support a coherent strategy that is not otherwise prohibited by legislation. Additionally, this information is necessary for responding to Congressional information requests, input into U.S. Embassy performance plans, and compliance with Federal requirements for performance reporting.

To ensure that activity information sheets are input into the required data base, we are making the following recommendations:

Recommendation No. 5: We recommend that USAID/Southern Africa establish procedures to complete, approve and input into the appropriate database all activity information sheets for limited-presence countries in accordance with applicable policies and procedures.

Recommendation No. 6: We recommend that USAID/Southern Africa solicit approval for and input overdue activity information sheets.

¹ U.S. Direct Hire

² "Non-presence" was the previously used term for "limited-presence."

³ Activities Not Managed In-Country database (ANMIC)

Have USAID/Southern Africa limited-presence country activities achieved their intended outputs?

For the five published indicators that we examined, USAID/Southern Africa's activities only partially achieved their intended outputs. As set forth in the table in Appendix III, three of the five indicators that we examined met or exceeded their respective targets for fiscal year 2005, while two indicators did not meet their targets. However, as explained below, the two indicators that did not achieve their intended outputs were not particularly useful in assessing the progress of limited-presence country activities during fiscal year 2005.

USAID/Southern Africa published five performance indicators to track the progress of its limited-presence country activities. Of the five indicators that we examined, the following three had met or exceed their intended targets.

- Value of exports or targeted commodities from Southern Africa to world markets [indicator included under Strategic Objective No. 14].
- Institutional development of OKACOM⁴ Secretariat (Institutional strengthening index; # of annual targets met) [indicator included under Strategic Objective No. 17].
- Number of International River Basin Organizations Strengthened (cum.) [indicator included under Strategic Objective No. 17.]

The remaining two indicators had not achieved their targeted outputs. For the first of these—activities to reduce key transaction costs at the border—USAID/Southern Africa did not provide the funding needed to implement the indicator activities under the related strategic objective (S.O. 14). As a result of this budget limitation; the implementing partner did not budget for any activity related to this indicator in its fiscal year 2005 work plan. Consequently, nothing was accomplished in regards to this indicator during fiscal year 2005, although activity did commence in the subsequent fiscal year. In addition, as previously discussed on page 9 of this report, the second of these indicators—annual growth in value of exports from Southern Africa to U.S.-assisted region (S.O. 14)—included exports that were not covered under USAID-funded activities and did not, therefore, reflect USAID's accomplishments. As a result, both of these indicators were of little use in assessing the progress of USAID/Southern Africa's limited-presence country activities in fiscal year 2005.

⁴ Okavango River Basin Water Commission

EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID/Southern Africa concurred with all six recommendations. The Mission described the actions taken and those planned to be taken to address our concerns. The Mission's comments and our evaluation of those comments are summarized below.

In response to Recommendation Nos. 1, 2, 4 and 5, concerning the establishment of procedures for data quality assessment completion, performance management plan completion and approval, annual report preparation, and activity information sheet completion, USAID/Southern Africa concurred with the recommendations. The Mission proposed establishing procedures through various mission orders for completing data quality assessments, completing performance management plans, preparing annual reports and completing activity information sheets. Based on this, we consider that a management decision has been reached for these recommendations.

For Recommendation No. 3, regarding the revision of a performance indicator, USAID/Southern Africa concurred with the recommendation. However, instead of revising the indicator, the Mission proposed dropping it and replacing it with an indicator from the new Foreign Assistance Standardized Program Structure. Consequently, we consider that a management decision has been reached for this recommendation.

With respect to Recommendation No. 6, concerning the input of overdue activity information sheets, USAID/Southern Africa concurred with the recommendation and provided a plan with target dates for soliciting approval for and inputting overdue activity information sheets. As a result, we consider that a management decision has been reached for this recommendation.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Pretoria conducted this audit in accordance with generally accepted government auditing standards. The fieldwork was conducted at USAID/Southern Africa in Gaborone, Botswana from June 13, 2006 to August 24, 2006. The scope was limited to fiscal year 2005 activities conducted by implementing partners.

For the three audit objectives, we examined contract, grant and cooperative agreements with selected implementing partners in Botswana, Lesotho, and Swaziland. From these agreements, we selected a sample of all five of the indicators that were reported on by implementing partners, which were included in the Mission's annual report published in fiscal year 2006.

We examined the significant internal control associated with the implementation of performance management plans and the reporting of results. This examination included monitoring and evaluating controls such as agreement requirements for reporting results, implementing partner reports, activity site visits, and periodic data quality assessments. We examined specific procedures for collecting, recording, and summarizing results from the service provider level through the entire system to the annual report. Our examination included determining whether policy and procedures were followed in determining the quality of reported data and whether the reported data/results were accurate. The types of evidence included reviewing strategic plans, annual reports, performance management plans, data quality assessments, trip reports, interviews with service providers, interviews with implementing partners, interview with USAID officials, primary and secondary source documents, implementing partner reports, and various record-keeping systems.

In conducting our fieldwork, we did not rely on, and therefore did not test, the validity of any computer generated data. Additionally, we found no significant prior audit findings affecting the areas examined during this audit.

Methodology

To accomplish our audit objectives, we interviewed cognizant officials from USAID, service providers, as well as implementing partners. We reviewed applicable USAID and Mission policies and procedures, examined original primary and secondary source documents, and assessed significant management controls and risk exposure relating to the monitoring and evaluating of activities, as well as reporting results. Management controls included the execution of performance management plans, in addition to the periodic assessment of the quality of reported data. Additional controls included those for collecting, recording, and summarizing results data from implementing partners and service providers, and reporting those results through the annual report process.

Due to the extensive variety of types of indicators and associated data, as well as the complexity of performance management plans, we did not set a materiality threshold for answering the audit objectives.

Of the four strategic objectives in the Mission's results framework, we judgmentally selected three for examination and testing. From the indicator tables in the fiscal year 2006 annual report (for activities during fiscal year 2005) for the strategic objective teams with activities in the subject limited-presence countries, we examined all of the five published indicators. Although the results are significant enough to establish the fact that there are systemic problems, the results of our samples cannot be projected to the entire universe of activity indicators.

MANAGEMENT COMMENTS



USAID | **SOUTHERN AFRICA**
FROM THE AMERICAN PEOPLE

November 17, 2006

MANAGEMENT DECISIONS MEMORANDUM

TO: RIG/Pretoria, Regional Inspector General, Nathan S. Lokos

FROM: USAID/Southern Africa, Regional Mission Director, Erna Kerst /s/

SUBJECT: Audit of USAID Activities in Limited-Presence Countries Managed by USAID/Southern Africa (Report No. 4-690-07-00X-P dated October 23, 2006)

This memorandum constitutes USAID/Southern Africa's management decisions with respect to the subject audit report.

Recommendation No. 1: We recommend that USAID/Southern Africa establish procedures to complete data quality assessments for all indicators published in annual reports in accordance with applicable policies and procedures.

USAID/Southern Africa Comments: USAID/Southern Africa agrees with the finding that data quality assessments were not always completed for performance indicators reported in USAID/Southern Africa's annual report for fiscal year 2006.

USAID/Southern Africa will be developing its FY07 Operational Plan for submission on January 31, 2007. In accordance with the *FY2007 Operational Plan Guidance* issued by the Office of the Director of U.S. Foreign Assistance, USAID/Southern Africa will identify activities at the Program Element, Program Sub-Element, and Implementing Mechanism levels. The Mission will also select corresponding indicators from a list of Standard Indicators. These indicators will form the basis for developing a new Mission Performance Management Plan that will replace existing Strategic Objective Mission Performance Management Plans.

Planned Actions: USAID/Southern Africa will establish procedures to complete data quality assessments for all Standard Indicators that are selected in the Operational Plan. These procedures will be included in a broader set of procedures for completing and approving a new Mission Performance Management Plan based on Program Elements,

Program Sub-Elements, Implementing Mechanisms, and corresponding Standard Indicators identified in the FY07 Operating Plan (see Recommendation #2 below). The procedures will be documented in a Mission Order, which will be issued no later than March 31, 2007.

Recommendation No. 2: We recommend that USAID/Southern Africa establish procedures to complete and approve performance management plans for all strategic objective teams.

USAID/Southern Africa Comments: USAID/Southern Africa agrees that the performance management plan for Strategic Objective No. 15 was never completed and approved, contrary to USAID guidance.

As stated above, USAID/Southern Africa plans to develop a new Mission Performance Management Plan based on Standard Indicators selected to correspond to Program Elements, Program Sub-Elements, and Implementing Mechanisms identified in the FY07 Operating Plan. This Mission Performance Management Plan will replace any existing Performance Management Plans for Strategic Objectives.

Planned Actions: USAID/Southern Africa will establish procedures to complete and approve a Mission Performance Management Plan based on Program Elements, Program Sub-Elements, Implementing Mechanisms, and corresponding Standard Indicators identified in the FY07 Operating Plan. These procedures will be documented in a Mission Order, which will be issued no later than March 31, 2007.

Recommendation No. 3: We recommend that USAID/Southern Africa revise the definition for the performance indicator for “Annual growth in value of exports from Southern African countries to the U.S.” in order to report results attributable to USAID activities.

USAID/Southern Africa Comments: USAID/Southern Africa agrees that this indicator was reporting results that were not attributable to USAID activities.

Planned Actions: USAID/Southern Africa plans to drop this indicator and select appropriate indicators from the menu of Standard Indicators for Program Area 2: Trade and Investment, under the Economic Growth Functional Objective in the new Foreign Assistance Standardized Program Structure. The target date for selecting these new indicators is January 31, 2007, which is the due date for the submission of the FY07 Operational Plan.

Recommendation No. 4: We recommend that USAID/Southern Africa establish procedures to review annual report data and report results for performance indicators that are supported and accurate in accordance with applicable policies and procedures.

USAID/Southern Africa Comments: USAID/Southern Africa agrees with the finding that performance results were not always reported accurately, contrary to applicable guidance, and that this was partly due to the “lack of adequate editing controls and record-keeping systems to ensure that data quality was maintained and accurate results reported”.

The Office of the Director of U.S. Foreign Assistance is in the process of introducing new integrated strategic planning, budget planning, program planning, and results monitoring tools. This will affect the “annual report” and the process required to review data and report results for performance indicators.

Planned Actions: USAID/Southern Africa will establish procedures to review annual report data and report results for performance indicators that are supported and accurate in accordance with applicable policies and procedures, including any new guidance issued by the Office of the Director of U.S. Foreign Assistance. These procedures will be documented in a Mission Order, which will be issued no later than April 30, 2007.

Recommendation No. 5: We recommend that USAID/Southern Africa establish procedures to complete, approve and input into the appropriate database all activity information sheets for limited-presence countries in accordance with applicable policies and procedures.

USAID/Southern Africa Comments: USAID/Southern Africa agrees with the finding that Activity Information Sheets for the activities in the three limited-presence countries were not put into the Activities Not Managed In-Country (ANMIC) database. We also agree that there has been inadequate follow-up by Mission officials to obtain the necessary clearances for input.

The Operational Plan, due on January 31, 2007, will identify activities for implementation using FY07 funds. Per the *FY2007 Operational Plan Guidance* (October 13, 2006), where activities and funding are sufficiently discrete to attribute to a country, Regional Platforms are responsible for identifying countries benefiting from their New Obligation Authority budget. However, if the assistance truly transcends a single country’s borders, the benefiting country can be left as “Regional” in the Operational Plan. Although we have not yet received FY07 Budget Planning Levels, we anticipate that we will focus our limited resources on truly regional activities.

Preliminary guidance from USAID/Washington during the Operational Plan Training in Pretoria in February 2006 suggests that the new Foreign Assistance Coordination and Tracking System (FACTS) will include information that now goes into the ANMIC database. As a result, the ANMIC database may be phased out.

Planned Actions: If USAID does not phase out activity information sheets in FY07, USAID/Southern Africa will issue a Mission Order outlining the procedures to complete activity information sheets, obtain the necessary approvals, and enter data into the

ANMIC database in accordance with applicable policies and procedures, including ADS 203.3.9. The target date for issuing the Mission Order is January 31, 2007.

Recommendation No. 6: We recommend that USAID/Southern Africa solicit approval for and input overdue activity information sheets.

USAID/Southern Africa Comments: USAID/Southern Africa agrees with the finding that Activity Information Sheets for the activities in the three limited-presence countries were not put into the required ANMIC database. We also agree that there has been inadequate follow-up by Mission officials to obtain the necessary clearances for input.

Planned Actions: USAID/Southern Africa will take the following actions:

Action	Target Date
Send copies of FY06 Activity Information Sheets to affected Missions and Embassies for comment, to ensure that they have no objections	--Copies sent by 11/17/06 --Deadline for comments/objections: 12/8/06
Follow up with GC and AFR on at least a bi-weekly basis to obtain necessary clearances on FY06 Activity Information Sheets, which were sent to USAID/W in August 2006	Clearances to be obtained by 1/15/07
Send electronic copies of cleared FY06 Activity Information Sheets to AFR/DP and PPC	1/31/07
The Regional Program Planning Office in USAID/Southern Africa will submit cleared FY06 Activity Information Sheets to npctemplate@dec.cdie.org	1/31/07

OUTPUT ACHIEVEMENTS

Strategic objective (SO): 690-017

SO Title: Improved Management of Selected River Basins

Indicator	FY-2005 Target	FY-2005 Actual	Achieved Targets
Institutional development of OKACOM ⁵ Secretariat (Institutional strengthening index; # of annual targets met)	5	5	Yes
Number of International River Basin Organizations Strengthened (cum.)	1	1	Yes

Strategic objective (SO): 690-014

SO Title: A More Competitive Southern African Economy

Indicator	FY-2005 Target	FY-2005 Actual	Achieved Targets
Annual Growth in value of exports from Southern Africa to U.S. assisted region	18%	14.8%	No
Key transaction costs reduced measured as hours at border to clear	15 hours	None	No
Value of exports of targeted commodities from Southern Africa to world markets	\$2,201,470 (in thousands)	\$2,730,986 (in thousands)	Exceeded

⁵ Okavango River Basin Water Commission

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave, NW
Washington, DC 20523
Tel: (202) 712-1150
Fax: (202) 216-3047
www.usaid.gov/oig