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October 30, 1998

MEMORANDUM FOR USAID/Colombia Director, Carl A. Cira, Jr.

FROM: RIG/A/San Salvador, Timothy E. Cox

SUBJECT: Audit of the Quality of Results Reported in USAID/Colombia's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-5 14-99-003-P)

This memorandum is our report on the subject audit. The report contains one recommendation for your action. Please advise me within 30 days of actions planned or already taken to reach a management decision on the recommendation.

I appreciate the cooperation extended to my staff during the audit.

Background

Passage of the Government Performance and Results Act of 1993 (Results Act) was intended, among other things, to improve the effectiveness of federal programs and public accountability by promoting a new focus on results. The General Accounting Office (GAO) noted that key steps in building a successful results-oriented organization include collecting and using performance information in the decision making process. Congress also recognized, in the Results Act, that agency managers need performance information to facilitate decision making leading to programs that meet intended goals. GAO also noted that successful implementation of the Results Act is dependent on good information for decision making purposes. In this regard, we adopted five characteristics of what we believe is good management information: objectively verifiable, supported, accurate, complete, and validated.

Since USAID was established in 1961, it has initiated numerous systems to report on program results. However, none of these systems have been fully successful. Over the past several years, the Office of Inspector General (OIG) has intermittently reported on weaknesses in USAID's ability to measure and report reliable program performance information. Examples of these audit reports include: ¹

- A June 1995 audit which reported that USAID needed better direction and control procedures to ensure that (1) objectively verifiable and measurable indicators were

¹ The three audit reports referred to in this paragraph are Audit Report No. 1-000-95-006 (dated June 30, 1995), Audit Report No. 0-000-98-001-F (dated March 2, 1998), and Audit Report No. 9-000-98-001-P (dated March 26, 1998).

established to measure program performance and (2) reliable and useful performance data were reported and documented.

- A March 1998 audit of USAID's fiscal year 1996 financial statements which showed that 29 of the 38 (76 percent) quantified results reported in the program performance section of the overview section were either incorrect, unsupported, or vaguely set forth.
- Another audit report issued in March 1998 which disclosed that 10 of 11 overseas missions reviewed had not developed, or had not finalized, a formal and ongoing system of data collection and verification to report good performance data.

In light of the problems reported, the OIG was concerned that these conditions may be pervasive throughout USAID. This USAID-wide audit of selected operating units was therefore carried out to (1) establish a baseline for future OIG audit work, (2) identify problems with current data reporting, and (3) develop recommendations for improving data reporting. This audit was not intended to assess the quality of performance indicators, but rather to determine if the performance results reported in the Results Review and Resource Requests (R4s) by operating units were objectively verifiable, supported, accurate, complete, and validated. This audit of USAID/Colombia is one of 18 audits being done on a USAID-wide basis.

USAID/Colombia's R4 prepared in 1997 was approved by USAID/Washington in April 1997, and included 15 indicators for which performance results (or baseline data) were reported for fiscal year 1996. As of September 30, 1997, USAID/Colombia had obligated and expended in support of its active programs a total of \$29.2 million and \$23.5 million, respectively.

Audit Objective

The Regional Inspector General/San Salvador, as part of a USAID-wide audit, performed the audit to answer the following question:

Did USAID/Colombia report results data in its Results Review and Resource Request prepared in 1997 which were objectively verifiable, supported, accurate, complete, and validated?

Appendix I describes in detail the audit's scope and methodology.

Audit Findings

Did USAID/Colombia Report Results Data in its Results Review and Resource Request Prepared in 1997 Which Were Objectively Verifiable, Supported, Accurate, Complete, and Validated?

USAID/Colombia did not report results data in its R4 prepared in 1997 which were objectively verifiable, supported, accurate, complete, and/or validated. In order to fully meet these standards, improvements were needed in all of the 15 results reported in the R4.

Federal laws and regulations require federal agencies to develop and implement internal management control systems that: (1) compare actual program results against those anticipated; (2) provide for complete, reliable, and consistent information; and (3) ensure that performance information is clearly documented and that the documentation is readily available for examination. For example, Office of Management and Budget (OMB) Bulletin 93-06 requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results is properly recorded and accounted for to permit preparation of reliable and complete performance information. (See Appendix III for a further discussion of relevant laws and regulations, as well as related USAID policies and procedures.)

For the purpose of this audit, the following definitions are used:

- *Objectively Verifiable*-Indicators are to be objective and the results are to be objectively verifiable. This means an indicator has no ambiguity about what is being measured; that is, there is general agreement over interpretation of the results. Indicators are also to be both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time, and operational precision means no ambiguity over what kind of data would be collected for an indicator.
- *Supported-This* means that adequate documentation supports the reported result. The support should be relevant, competent, and sufficient (as noted in the GAO's Government Auditing Standards). For example, a memo of a telephone conversation, or "best guesses" would not be considered adequate documentation.
- *Accurate*—This includes (1) being within plus or minus one percent (1.0 percent) of the actual documented result; and (2) being consistent with what was to be measured under the indicator (e.g., if the indicator was the number of children vaccinated under 5 years of age, then the result would not be consistent if the supporting documents show that the result was for children under 3 years of age). A result would also not be considered accurate if supporting documents showed that it was achieved prior to January 1, 1996. Since we only reviewed results in the R4 performance data tables for 1996, a result would

not be considered accurate if supporting documents showed that the result was achieved in 1992.

- Complete-This means that the result (1) included all data which was anticipated to be measured for the indicator and (2) was for a full year. For example, if 20 regions were to be measured but only 18 regions were measured, the result would not be complete. Also, if the results were only for a partial year (e.g., a six-month period), then the result would not be complete.
- *Validated-This* refers to the source of the data and the reliability of that source. For the purpose of this audit, we considered a source reliable if it is independent, such as the World Bank, United Nations (U.N.), independent evaluators, or an independent Demographic and Health Survey. If the data came from a recipient involved with the program, or from the host country government, the data would only be considered from a reliable source if USAID or an independent entity had performed an assessment of the data and/or system for generating the data and found the data or system to be reliable. (Note: For the purposes of this audit, we are not reviewing USAID's determination of validity of these independent sources. USAID's validation process for external information will be assessed at a later time in another audit.)

As shown in Appendix II, our audit identified problems with all **15** performance results reported in the R4 for 1996 (which was prepared in 1997). A breakdown and examples of these problems are as follows:*

- Results for two indicators were not objectively verifiable. For example, one intended result was the establishment of an environmental endowment for which the performance indicator and unit of measure was the percentage of *development and implementation of a long-term self-sufficient financial strategy*. The R4 reported that the actual result for 1996 was 20 percent. However, this indicator is not objectively verifiable. Specific criteria had not been established to objectively measure progress in implementing the anticipated self-sufficient financial strategy. Furthermore, the indicator is not clear as to whether the percentage applies to development or implementation of the strategy. USAID/Colombia officials said the 20 percent was based on the preparation of an early draft of a 1996 Consolidation Plan. ↴
- Results for three indicators were not supported. For example, one indicator was *length of time from opening of a preliminary investigation to achieving an investigative result*.

² To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified indicator results as having only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the types of problems included in the hierarchy.

The R4 reported 60 days. However, USAID/Colombia officials did not have supporting documentation for this data.

- Results for two indicators were not accurate. For example, one indicator was the *percentage of investigative findings resulting from the preliminary investigations of such crimes on the regional and other selected prosecutorial units*. The R4 reported 26 percent for the regional units and 48 percent for the ordinary units. However, documentation provided by USAID/Colombia officials showed significantly different results-49 percent for the regional units and 62 percent for the ordinary units.
- Results for eight indicators were not complete. For example, for the indicator *percentage of court findings resulting from total of cases addressed in the courts in a year*, the result was to include regional, ordinary and municipal courts. However, the reported result of 60 percent was for only municipal courts and did not include other courts.

Another indicator was the *number of conflicts annually resolved through alternative conflict resolution mechanisms operating in conciliation centers*. The R4 reported 13,303 agreements reached and 3,333 conciliations reached. However, the R4 noted that these results were not based on complete data since only 98 of the 140 centers reported information.

- Results for 11 indicators were not validated. These results were primarily based on information from the Government of Colombia Ministry of Justice or other justice system entities. However, neither USAID/Colombia nor an independent entity had performed an assessment of the data and/or system for generating the data.

In some cases, a result had a problem because of more than one reason. However, to avoid duplication, we classified a result as having only one problem (except for validation). A specific example is for the indicator *length of time from opening of a preliminary investigation to achieving an investigative result*. The result was supposed to include data from special units dealing with ordinary prosecutorial units and courts and from regional units and courts. The R4 reported a result of 60 days. However, the R4 noted that this result did not include data on regional units and courts. Furthermore, USAID/Colombia did not have documentation available to support even the 60 days. Thus, although the reported result was not based on complete data, we classified this result only as “not supported.”

Another indicator with more than one problem was *percentage of decisions (dismissal or indictment) resulting from formal criminal investigations in the regional or other selected prosecutorial units*. The reported results were 27 percent for the regional courts and 39 percent for the ordinary courts. However, the actual results were 47 percent and 55 percent respectively. The inaccurate results were reported because they were based on data from a six-month period (January 1996 to June 1996) instead of a full year. Thus, although the data was also not complete, we classified the result as “not accurate.”

The above problems existed because USAID/Colombia did not always follow or was not successful in following prescribed USAID policies and procedures (Automated Directives System [ADS] 200 Series) for measuring and reporting on program performance. For example, USAID/Colombia:

- Did not ensure two indicators were objective as prescribed by ADS E203.5.5.
- Did not always (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods; (2) critically assess the performance data at regular intervals to ensure the data are of reasonable quality and accurately reflect performance; and (3) reassess data quality as is necessary but at intervals of no greater than three years as prescribed by ADS E203.5.5.
- Did not, in three cases, maintain documentation to support reported results as prescribed by ADS E203.5.5.³

USAID/Colombia officials cited several additional explanations for the problems. The officials said that more accurate and complete data was not available for a full year and they sometimes had to rely on telephone conversations to get the information. The officials also said they had not performed critical assessments to determine the reliability of performance data reported by the Government of Colombia and others because they did not have the resources necessary to perform such assessments. The officials also acknowledged that they have not emphasized the importance of ensuring that supporting documentation is maintained for reported results. They also said they did not have the expertise needed in all cases to develop objective indicators.

Furthermore, documentation related to the 1997 review showed that USAID/Colombia requested assistance from USAID/Washington to (1) refine performance indicators and targets and (2) provide training in performance measurement methodology. However, USAID/Colombia officials said that the requested assistance was not provided. In the interim, USAID/Colombia hired a contractor to assist in developing better indicators at the time of our audit.⁴

³ The guidance requires the operating unit to establish a performance monitoring system to collect and analyze data which will enable it to assess its progress in achieving results. This system should: (1) provide a detailed definition of the performance indicators to be tracked; (2) specify the data source and its method and schedule of collection; and (3) assign responsibility for data collection to an office team or individual.

⁴ It should also be noted that USAID/Washington bureaus are responsible for providing support to operating units to develop effective performance monitoring systems to report on program results and for reviewing the R4 process. For example, USAID's policies and procedures (ADS Sections 201 .5. 11 a and 203.3) stipulate that the Bureau for Policy and Program Coordination should (1) ensure the adequacy of operating units' strategic plans for measuring performance and documenting impact, and (2) provide technical leadership in developing USAID and operating unit performance monitoring and evaluation systems. These policies and procedures also stipulate that each regional bureau (e.g., Bureau for Latin America and the Caribbean) should (1) provide oversight and support to operating units in developing their strategic plans for measuring program performance; (2) support its operating units in achieving approved objectives, and review and report annually those units' performance in achieving their objectives; and (3) manage the R4 submissions for operating units under its authority. The issue of USAID/Washington support and oversight will be addressed in another audit report which will be issued on completion of this USAID-wide audit.

Without reliable performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving its program objectives and related targets. In our opinion, the problems with performance indicators and results reporting cited in this report impair USAID/Colombia's and USAID management's ability to (1) measure progress in achieving program objectives, and (2) use performance information in budget allocation decisions. The problems also impair USAID's ability to comply with laws and regulations.

Recommendation No. 1: We recommend that USAID/Colombia:

- 1.1 ensure its performance indicators in the R4 prepared in 1999 are objective and clearly defined regarding what specific results are to be measured; and**
- 1.2 ensure that the performance data identified in its R4 prepared in 1999 are supported, accurate, complete, and validated; or fully disclose in the R4 any data limitations and their implications for assessing the measurement and achievement of performance targets for each performance indicator, and a time frame for resolving the problems.**

Management Comments and Our Evaluation

USAID/Colombia did not provide comments on our draft audit report. However, the Mission did provide comments on an earlier discussion draft that we presented at the audit exit conference. We considered these comments in preparing the final audit report.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Colombia's internal management controls for ensuring that it reported objectively verifiable, supported, accurate, complete and validated performance results data in its Results Review and Resource Request (R4) report (See pages 3 and 4 of this report for definitions). We audited only the results (including baseline data) reported for 1996 in the R4 prepared in 1997. The audit was performed in accordance with generally accepted government auditing standards and was conducted at USAID/Colombia from January 20, 1998 through January 29, 1998.

We limited our work on the validity and reliability of data to the results for only (1) the performance indicators identified in the "performance data tables" in the R4 prepared in 1997, and (2) the actual results for which such data was shown for 1996. Therefore, if no actual results for an indicator were shown for 1996, we did not assess the validity and reliability of the results for that indicator. We did not review results reported in the narrative portion of the R4.

We did not attempt to determine if the baseline data for a prior year and the results reported for 1996 were consistent and based on comparable data.

Methodology

This audit is part of a USAID-wide audit. The Office of Inspector General's Performance Audits Division in Washington, D.C. is the lead office. Operating units were selected using a random sample based on assistance from statisticians from the Department of Defense's Office of Inspector General. For USAID/Colombia, we reviewed all 15 performance indicators for which a result was reported in the 1997 R4.

To accomplish the audit objective, we interviewed officials from USAID/Colombia and its implementing partners. We also reviewed the documents which supported the reported results. Where problems were found, we verified to the extent practical, the causes of the problems. This included additional interviews with Mission personnel, and reviews of additional documentation from the Mission and its implementing partners.

To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified indicator results as having only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the types of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

If the results reported were found to be objectively verifiable, supported, accurate, complete and validated: (a) **95** percent or more of the time, (b) **80** to 94 percent of the time, or (c) less than **80** percent of the time, we would provide a positive, qualified, or negative answer to the audit question, respectively.

**Analysis of USAID/Colombia's 1996 Indicators and Results
(as reflected in its R4 prepared in 1997)⁵**

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for not validated
(1) Percentage of court findings on crimes investigated plus confirmation of findings by a higher court if appeals or reviews were made, resulting from the preliminary investigations of such crimes in a given year.	Yes	Yes	Unknown	NO	No	Data was for the period January to June 1996.
(2) Length of time for a criminal case to be completed from the opening of the preliminary investigation to the court finding.	Yes	No			No	Some data was based on undocumented phone conversations.
(3) Percentage of investigative findings resulting from the preliminary investigations of such crimes on the regional and other selected prosecutorial units.	Yes	Yes	No		Yes	Reported results were 26 percent for regional units and 48 percent for ordinary units. Actual results were 49 percent and 62 percent, respectively.
(4) Length of time from opening of a preliminary investigation to achieving an investigative result.	Yes	No			No	Documentation was not available at the time of the audit.
(5) Percentage of decisions (dismissal or indictment) resulting from formal criminal investigations in the regional or other selected prosecutorial units.	Yes	Yes	No		Yes	Reported results were 27 percent for regional units and 39 percent for ordinary units. Actual results were 47 percent and 55 percent, respectively.

⁵ To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified indicator results as having only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the types of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

APPENDIX II

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for not validated
(6) Length of time from the initiation of a formal criminal case investigation to a final case decision or to higher prosecutorial unit, if appeals were made, in the regional and other selected prosecutorial units and criminal courts.	Yes	No			No	Documentation was not available at the time of the audit.
(7) Percentage of court findings resulting from total of cases addressed in the courts in a year.	Yes	Yes	Unknown	No	No	Data was for the period January to June 1996.
(8) Number of conflicts annually resolved through alternative conflict resolution mechanisms operating in conciliation centers.	Yes	Yes	Unknown	No	No	Based on only 98 out of 140 centers reporting.
(9) Percent of cases received at the houses of justice which are resolved through ADR [alternative dispute resolution] mechanisms.	Yes	Yes	Unknown	No	No	Some data was not for a full year.
(10) Total number of cases assigned to public defenders and percentage of cases addressed out of the total cases assigned.	Yes	Yes	Unknown	No	No	Data was for the period January to November 1996.
(11) Percentage of favorable sentences for the defendants assisted by public defenders of total sentences in cases assigned to public defenders.	Yes	Yes	Unknown	No	No	Data was for the period January to November 1996.
(12) Percentage of disciplinary actions by AGO [Attorney General's Office] against justice sector personnel involved in human rights violations out of total disciplinary actions by the AGO against public officers involved in human rights violations.	Yes	Yes	Unknown	No	No	Data was for the period July 1995 to May 1996.
(13) Percentage of disciplinary actions by AGO against justice sector personnel involved in bribery and illicit enrichment out of the total disciplinary actions by the AGO against justice personnel.	Yes	Yes	Unknown	No	No	Data was for the period July 1995 to May 1996.
(14) Development and implementation of a long-term self-sufficient financial strategy.	No					No criteria established to objectively measure results.

APPENDIX II

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for not validated
(15) Development of a strategic plan and a project strategy implemented.	No					No criteria established to objectively measure results.
Number of No Answers	2	3	2	8	11	

Federal Laws and Regulations, and USAID Guidance Relevant to Measuring Program Performance

There are numerous federal laws and regulations requiring USAID (and other federal agencies) to develop and implement internal management controls to measure and report on program performance. Discussed below are examples of those requirements as well as related USAID policies and procedures.

Laws and Regulations

Chief Financial Officers Act of 1990 requires management internal controls which provide for (1) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management; and (2) the systematic measurement of performance.

Standards for Internal Controls in the Federal Government issued by the U.S. General Accounting Office in 1983 requires systems of internal controls that ensure that all transactions and other significant events are to be clearly documented, and that the documentation be readily available for examination.

OMB Circular No. A- 123 (dated June 21, 1995), which is the executive branch's implementing policy for compliance with the Federal Managers' Financial Integrity Act of 1982, requires agencies to have management internal controls to ensure that (1) programs achieve their intended results; and (2) reliable and timely information is obtained, maintained, reported and used for decision making.

OMB Bulletin 93-06 (dated January 8, 1993) requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results are properly recorded and accounted for to permit preparation of reliable and complete performance information.

The Foreign Assistance Act (Section 621A), as amended in 1968, requires USAID to develop and implement a management system that provides for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to USAID and to Congress that relates USAID resources, expenditures, and budget projections to program objectives and results in order to assist in the evaluation of program performance.

USAID Policies and Procedures

The most recent USAID system, known as the Automated Directives System for Managing for Results (ADS 200 Series), for measuring and reporting on program performance was initiated in October 1995. This new system requires (Section 203.5.1 a) that operating units establish

performance monitoring systems to regularly collect and analyze data which will enable them to track performance and objectively report on the progress in achieving strategic objectives and intermediate results. The system also requires (Sections 203.55, 203.5.5e, E203.5.5 and 203.5.9a) operating units to:

- establish objective performance indicators (with related baseline data and targets) to measure progress in achieving program objectives;
- critically assess the performance data at regular intervals to ensure that reported performance data are of reasonable quality and accurately reflect performance; and
- prepare an annual Results Review and Resource Request (R4) report which must include performance information on progress in achieving its program objectives for the immediate past fiscal year.

TIPS No. 6 “Selecting Performance Indicators,” which is supplemental guidance to the ADS, defines *objective* as:

An objective indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. It is both unidimensional and operationally precise. To be *unidimensional* means that it measures only one phenomenon at a time. ... *Operational precision* means no ambiguity over what kind of data would be collected for an indicator. For example, while *number of successful export firms* is ambiguous, something like *number of export firms experiencing an annual increase in revenues of at least 5 percent* is operationally precise.

TIPS No. 7 “Preparing a Performance Monitoring Plan,” which is also supplemental guidance to the ADS, stipulates that each performance indicator needs a detailed definition. The definition should be detailed enough to ensure that different people at different times, given the task of collecting data for a given indicator, would collect identical types of data. The definition should be precise about all technical elements of the indicator statement. For example, the TIPS states:

As an illustration, consider the indicator *number of small enterprises receiving loans from the private banking system*. How are small enterprises defined—all enterprises with 20 or fewer employees, or 50 or 100? What types of institutions are considered part of the private banking sector—credit unions, government-private sector joint-venture financial institutions?

ADS Section E203.5.5 also requires operating units to (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods; (2) collect results data for each performance indicator on a regular basis; and (3) reassess data quality as is necessary but at intervals of no greater than three years. These policies and

procedures also state that if data for a performance indicator prove to be unavailable or too costly to collect, the indicator may need to be changed.

In addition, ADS section 203.5.8c states that USAID will conduct a review of performance on an annual basis which will include analyzing operating units' performance and "shall focus on the immediate past fiscal year," but may also review performance for prior years.

USAID guidance issued in January 1997 for preparing the R4s stated that the goal of the guidance was to generate R4s which ensure that USAID/Washington management has the information it needs to make results-based resource allocations among operating units and report on USAID's achievements. The guidance also stated that the most effective R4s are those that (1) assess performance over the life of objectives, with an emphasis on the past year, using established indicators, baseline data and targets; and (2) state explicitly whether and how much progress or results surpassed, met or fell short of expectations. The guidance stated that the results should cover actual performance through fiscal year 1996.
