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October 13, 1998

**MEMORANDUM**

**FOR:** USAID/Mexico Director, Paul E. White  
**FROM:** RIG/A/San Salvador, Timothy E. Cox *Matthew Kelly*  
**SUBJECT:** Audit of the Quality of Results Reported in USAID/Mexico's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-523-99-001-P)

This memorandum is our report on the subject audit. In finalizing the report, we considered your comments on the draft report. Your comments on the draft report are included in Appendix II.

This report contains one recommendation for your action. Based on information provided by the Mission, a management decision has been reached on this recommendation. A determination of final action for this recommendation will be made by the Office of Management Planning and Innovation (M/MPI/MIC) when planned corrective actions are completed.

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

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**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:<sup>1</sup>

- A June 1995 audit which reported that USAID needed better direction and control procedures to ensure that (1) objectively verifiable and measurable indicators were 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/Mexico is one of 18 audits being done on a USAID-wide basis.

USAID/Mexico's R4 dated March 1997 was approved by USAID/Washington in July 1997, and included 16 indicators for which performance results (or baseline data) were reported for fiscal year 1996. As of September 30, 1997, USAID/Mexico had obligated and expended in support of its active programs a total of \$59.0 million and \$51.9 million, respectively.

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## **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/Mexico report results data in its Results Review and Resource Request prepared in 1997 which were objectively verifiable, supported, accurate, complete, and validated?**

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<sup>1</sup> 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).

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

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## **Audit Findings**

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

USAID/Mexico did not report results which were objectively verifiable, supported, accurate, complete, and validated. In order to fully meet these standards, improvements were needed in 14 of the 16 results reported in the R4 for the performance indicators we reviewed.

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 IV 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 purposes of this audit, we consider a source to be 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 contractor 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 III, our audit found problems with 14 of the 16 performance results reported in the R4 for 1996 (which was prepared in 1997). A breakdown and examples of these problems are as follows:<sup>2</sup>

- Four of the 16 performance indicators were not objectively verifiable. For example, the 1996 reported result for the population performance indicator *commercial sales of contraceptives per year* was 327,288 couple years of protection (CYPs). The Mission had not defined the term "commercial sales" and our review identified three different measures

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<sup>2</sup> 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 type of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

not defined the term "commercial sales" and our review identified three different measures of CYPs generated by partner non-Governmental Organizations (NGOs) or the commercial private sector. We classified this indicator as not objectively verifiable because without a definition of "commercial sales," we could not determine which measure of CYPs the Mission actually meant to report under this indicator.

One economic growth performance indicator was *percent of patent applications still pending*. The 1996 reported result was zero percent. The Mission could not explain how the percentage was computed. According to a 1994 USAID report, the indicator at one time was more precise--"Patent applications still pending after 8-11 years." Even so, this USAID report characterized the performance indicator as ambiguous and advised the Mission to further clarify the indicator. This was not done. Given the ambiguity, this performance indicator is not objectively verifiable.

- Reported results for eight performance indicators were not supported. One complex environmental performance indicator was *carbon dioxide emissions prevented through selected uses (per year)*. The reported result was 271,250 tons of carbon dioxide (CO<sub>2</sub>) emissions prevented through four separate energy programs. However, the indicator was not supported because the reported results for all four energy programs were not actual measured program performance but estimates. For example, the reported result included an estimated 200,000 tons of CO<sub>2</sub> prevented by replacing 1.7 million incandescent lights with compact florescent lights. The reported result was computed by taking an estimated annual reduction in CO<sub>2</sub> emissions of 118,000 tons and projecting it over 21 months to get 206,500, which was rounded to the 200,000 tons. Additionally, these 200,000 tons, the largest component of the performance indicator, are not based on any ongoing USAID program. Although USAID did support the original \$200,000 feasibility study in 1992, the current \$23 million program is not supported by any USAID funding.

One population performance indicator was *dependence of key family planning NGOs on USAID funding*. The 1996 reported results for the two partner NGOs were 52 and 23 percent, respectively. However, at USAID/Mexico the supporting documentation was limited to a fax transmission from the principal partner, International Planned Parenthood Federation, with only the cited percentages. We reviewed the supporting documentation at Planned Parenthood and noted that it too was limited to a fax transmission from one NGO and notations of a telephone conversation for the other NGO with only the percentage cited. In addition to being insufficiently documented, we noted other problems which caused us to conclude that the result was not supported. For example, one NGO reported 1996 results three times--each with a different result.

Another population performance indicator was *total annual Government of Mexico family planning budget*. The 1996 reported result was \$414 million (3.1 billion Mexican Pesos). The supporting documentation was not adequate as it consisted of a fax from a

Government of Mexico institution with the above amount in Mexican Pesos handwritten in the column for 1996. There was no other support such as a description of the methodology used for compiling these figures. Although USAID/Mexico did subsequently ask the government institution to submit a document describing the methodology used to obtain the reported result, it did not critically assess this methodology or the actual computations, and we could not reconcile the numbers in this document to the 1996 reported result.

Another environmental indicator was *number of beneficiaries adopting energy efficient and renewable energy technologies and practices*. The reported result of 15,000 beneficiaries was not supported because it was insufficiently documented and based on estimates. Specifically, it was based on a telephone conversation with a contractor who estimated the number of beneficiaries without regard to a particular year. The only supporting documentation for the telephone conversation was margin notes on an early draft of the "performance data table" for this indicator. Later, separate results for fiscal year 1996 were reported which were substantially different--2,363 beneficiaries versus 15,000. The documentation for the 2,363 was also insufficient to be supported.

- Reported results for two performance indicators were not accurate. For example, one environmental performance indicator was the *overall level of Mexican and other donor capitalization of the Mexico Nature Conservation Fund*. The 1996 reported result was \$23.0 million. However, documentation showed \$24.1 million. Thus, the reported result was understated by 4.7 percent. The variance occurred because two contributions by the Government of Mexico were not reported due to an oversight.
- Of the 12 indicators that were objectively verifiable, results reported for nine were not validated. These results were primarily based on information from partners or the Government of Mexico. However, neither USAID/Mexico nor an independent entity had performed an assessment of the data and/or the system for generating the data. For the four indicators that were not objectively verifiable, we did not attempt to determine whether the results were validated.

The above problems existed because USAID/Mexico 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/Mexico:

- Did not ensure four 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 eight cases, maintain documentation to support reported results as prescribed by ADS E203.5.5.<sup>3</sup>

USAID/Mexico officials cited several additional explanations for the problems. The officials said that they were aware of some problems in the environmental program but were not aware of the problems in other programs. The officials added that staff had made an effort to gather data and that they would be more rigorous in ensuring that supporting documentation was obtained and maintained for the 1998 R4. The officials also said they did not have the staff or funds necessary to perform assessments to determine the reliability of performance data. For example, they stated that because of this shortage in resources, the population program, which has just one staff person, was designed so that the partner institutions would be responsible for data assessments. However, the two partner institutions we interviewed stated that they had not made assessments of data quality. Furthermore, USAID/Mexico officials said they did not recognize the significance of the ADS requirement to assess data until our audit. Regarding the performance indicators which were not objectively verifiable, the officials stated that, because it was not a full Mission, USAID/Mexico had more flexibility over its operations in prior years. Consequently, it was an abrupt change and new culture for them to implement the ADS requirements.<sup>4</sup>

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/Mexico'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.

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<sup>3</sup> 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.

<sup>4</sup> 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 201.5.11a 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 its 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.

**Recommendation No. 1: We recommend that USAID/Mexico:**

- 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.**

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**Management Comments and Our Evaluation**

USAID/Mexico generally agreed with the contents of the draft report and stated it has taken measures to implement the report's recommendation. For example, USAID/Mexico stated that its 1998 R4, approved by USAID/Washington in June 1998, included a detailed explanation of steps taken to strengthen its indicators and reporting procedures. One step was the elimination of many of the indicators reviewed in this audit because of shifts in program emphasis. Additionally, USAID/Mexico stated that it has worked closely with implementing partners and USAID/Washington to develop new indicators and improve the reliability of data collected for all its programs. One cited reform was the development of new measurement concepts and reporting forms for the Environmental program. These concepts and forms will be distributed to partners in a series of intensive consultations to ensure their effective use. For the Democracy program, USAID/Mexico stated it has hired an experienced management consulting firm to develop a sound performance monitoring plan. Finally, USAID/Mexico commented that it is closely involved with its implementing partners and appropriate USAID/Washington Bureaus in putting lessons learned to work, to ensure the 1999 R4 meets USAID standards. Based on USAID/Mexico's response, a management decision has been reached for both parts 1.1 and 1.2 of the recommendation.

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## SCOPE AND METHODOLOGY

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### Scope

We audited USAID/Mexico'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/Mexico from March 3, 1998 through March 19, 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.

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### 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/Mexico, we reviewed all 16 performance indicators for which a result was reported in the 1997 R4.

To accomplish the audit objective, we interviewed officials from USAID/Mexico and its contractors and grantees. 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 contractors and grantees.

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 for the indicators 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.

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To: Cecilia Canas@RIG  
From: George Jiron@RIG  
Originated by: Paul White@DIR@MEXICO  
Cc:  
Bcc:  
Subject: fwd: Response to Audit of Quality of Results  
Attachment:  
Date: 10/6/98 8:45 AM

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From: Paul White@DIR@MEXICO, on 8/31/98 4:16 PM:  
To: Tim Cox@RIG@SAN SALVADOR  
Cc: Ross Wherry@LAC.SAM@AIDW, Frank E. Caropreso@LAC.DPB@AIDW

August 31, 1998

INFORMATION MEMORANDUM

TO: RIG/A/San Salvador, Timothy E. Cox  
FROM: Paul White, Director, USAID/Mexico  
SUBJECT: Audit of the quality of results reported in  
USAID/Mexico's Results Review and Resource Request (R4)  
Report prepared in 1997 (Report No. 1-523-98-00X-P)

Thank you for the opportunity to comment on your final draft report on the March, 1998 review of systems for measuring and reporting program performance in USAID/Mexico's 1997 R4 submission.

When I came on-board as the new Director of the Mexico Mission in April, 1998, one of my first priorities was to make sure that the problems signalled in your audit were addressed in our upcoming R4 submission. I am pleased to say that, thanks to extraordinary efforts by the Mission staff, our Mexican counterparts and our implementing partners, the R4 approved by USAID/Washington in June, 1998 contained a detailed explanation of steps taken to strengthen all of the indicators and reporting procedures mentioned by your team. We believe we were able to sharpen the focus of our indicators, and greatly enhance the reliability of the data reported. I am sending you a copy of the approved R4 document, so it can form part of the audit record.

USAID/Washington was equally concerned that the audit's findings be addressed. The R4 review process included considerable discussion with our colleagues in Washington's LAC and Global Bureaus concerning the corrections made to existing data, and the Mission's future plans for results measurement and reporting across the board. The specific indicators reviewed by your team were in the Environment and Family Planning areas. Most of these indicators will no longer be relevant for future reporting, because of a major shift in emphasis in the environmental area, and because USAID assistance in Family Planning is scheduled to end by March, 1999.

Nonetheless, the basic lessons of the audit will be used by USAID/Mexico in monitoring and reporting on future activities in all sectors, including those which your team did not cover. In response to your proposed audit recommendation, therefore, I am pleased to share with you our plans for results measurement and reporting in the R4 to be submitted in 1999:

Our Environment staff has developed an innovative new software program called "Access", which will enable our wide array of Mexican partners to identify appropriate performance indicators for their specific activities. These measures, in the aggregate, will tell us whether we are producing the Intermediate Results approved by USAID/Washington, which will help us meet the Mission's Strategic Objectives. The Environment Office staff has gone to the field to introduce the measurement concepts and new reporting forms to our partners. This will be followed by several rounds of intensive consultations with individual partners, to determine whether they are using this management information system properly, and whether they are taking the necessary steps to insure the reliability of data collected and reported. (Refinements will be made in environment SO's and Agency Global Climate Change indicators will be added, as needed.) If successful, this original program may eventually be adapted to our other sectors.

In accordance with instructions from USAID/Washington, our Family Planning program has been restructured to focus the remainder of the project on improved quality of care. Most of the indicators reviewed by your team were dropped, because they have been met or are no longer relevant. However, our staff has developed new indicators, in close consultation with our Mexican and cooperating agency partners, which will tell us whether the desired quality of care results and impact have been achieved by the time assistance ends next March. Steps have also been taken to improve the reliability of data collected under the remaining indicators. Both the concept of improved quality of care, and the new rigor of monitoring and reporting have been enthusiastically embraced by our partners. And we plan to follow closely their implementation of improved data collection and reporting procedures.

You did not review our HIV/AIDS or Democracy programs in your audit. But we have applied your team's findings to these areas as well. Our HIV/AIDS program has undergone a transition from a small pilot AIDS activity to a national and state-level effort to strengthen AIDS strategic planning and quality of services and information. We are in the process of explaining measurement and data collection requirements to our Mexican counterparts. And we plan to take a similar developmental route as the democracy sector, (see below), with technical assistance from the Global Bureau.

In the June, 1998 R4 review, we agreed with our LAC and Global colleagues that the Mission would revise its proposed Democracy indicators for greater specificity and reliability. That process is underway now, and we have contracted an experienced management consulting firm to help us put together a sound performance monitoring plan. We also expect to continue our dialogue with the cognizant Bureaus in Washington, to insure that they are in agreement with our selected indicators, and feel comfortable with the level of data reliability.

In closing, the Mexico Mission appreciates the insights gained from the March, 1998 audit. We have found this a most valuable management experience. And we are closely involved with our counterparts, implementing agents and the appropriate USAID/Washington Bureaus in putting the lessons learned to work, to insure that the R4 submitted in 1999 meets Agency standards. We believe we have taken all necessary steps to address the problems indicated by your audit team, and we assume that USAID/Washington approval of our 1999 R4 submission will constitute grounds for closure of your final audit recommendations.

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

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for not validated
1. CYPs [Couple Years of Protection] per year for key family planning NGOs [non-Governmental Organizations].	Yes	No			No	Data was not adequately supported because the Mission provided two sets of results for 1996 with significant differences. We could not readily determine which was correct.
2. Commercial sales of contraceptives per year.	No					The term "Commercial Sales" was not defined; therefore, the indicator was ambiguous as to what was to be measured and what data was to be collected.
3. Total annual Government of Mexico family planning budget.	Yes	No			No	Data based on insufficient fax documentation.

<sup>5</sup> 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 type of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

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Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for not validated.
4. Percent of total costs recovered by key family planning NGOs.	Yes	No			No	Some data based on insufficient fax documentation. Also, one NGO provided three sets of data for 1996, all with different results. The Mission did not know which set was correct and considered all the NGO data as not reliable.
5. Dependence of key family planning NGOs on USAID funding.	Yes	No			No	Some data based on insufficient fax documentation. Also, one NGO provided three sets of data for 1996, all with different results. The Mission did not know which set was correct and considered all the NGO data as not reliable.
6. Carbon dioxide emissions prevented through selected uses (per year).	Yes	No			No	Reported results were based on estimates rather than actual performance.
7. Average annual deforestation rate in target areas reduced.	Yes	Yes	No		No	Reported result was based on deforestation rates for years from 1988 through 1995. No 1996 data was included in the calculation.
8. Number of firms adopting energy efficient and renewable energy technologies and practices.	No					No definition for nor specific criteria for objectively measuring components of the indicator.

**APPENDIX III**  
**Page 3 of 3**

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for not validated
9. Number of beneficiaries adopting energy efficient and renewable energy technologies and practices.	Yes	No			No	Reported result is an estimate from a telephone conversation.
10. Number of core areas in protected areas system demonstrating improved management capability.	Yes	Yes	Yes	Yes	Yes	
11. Number of target protected areas and their buffer zones being managed according to NGO work plans.	No					No definition for nor specific criteria for objectively measuring components of the indicator and/or unit of measure.
12. Number of people in target areas participating in and earning income from alternative, sustainable, nature-based economic activities (sex-disaggregated).	Yes	No			No	Supporting documentation was insufficient and not understandable.
13. Establishment and effective management of Mexico Nature Conservation Fund.	Yes	Yes	Yes	Yes	Yes	
14. Overall level of Mexican and other donor capitalization of the Mexico Nature Conservation Fund.	Yes	Yes	No		Yes	Reported result was \$23.0 million and documented result was \$24.1 million for a variance of 4.7 percent.
15. Percent of patent applications still pending.	No					The Mission could not provide the methodology for calculating the percentage.
16. Percent of SEMARNAP [Secretary of Environment, Natural Resources, and Fisheries] inspections that follow developed norms for industrial pollution control.	Yes	No			No	No data was gathered for 1996; the Mission repeated the 1995 result.
Number of No Answers	4	8	2	0	9	



**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**

The 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 203.5.1a) 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 203.5.5, 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.

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