

**Audit of the Quality of Results in
USAID/Madagascar's Results Review and
Resource Request (R4) Report Prepared in 1997**

**Report No. 4-687-99-001-P
October 26, 1998**

REGIONAL INSPECTOR GENERAL/PRETORIA



memorandum

Regional Inspector General
Pretoria

DATE: October 26, 1998

TO: USAID/Madagascar Director, Karen M. Poe

FROM: RIG/Pretoria, Joseph Farinella *Joseph Farinella*

SUBJECT: Audit of the Quality of Results Reported in USAID/Madagascar's Results Review and Resource Request (R4) Report Prepared in 1997
(Report No. 4-687-99-001-P)

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have made changes as appropriate. Your comments are included in their entirety in Appendix II.

This report contains one recommendation. Based on your comments, we believe that a management decision has been reached on the recommendation. Please advise the Office of Management Planning and Innovation (M/MPI) in Washington when final action is complete.

We appreciate the cooperation and courtesy extended by your staff during the audit.

Background

Passage of the Government Performance and Results Act of 1993 (Results Act), among other things, was intended to improve the effectiveness of federal programs and public accountability by promoting a new focus on results. The U.S. General Accounting Office (GAO) noted that key steps in building a successful results-oriented organization include collecting and using performance information in making decisions. Congress also recognized in the Results Act that federal 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 several systems to report on program results, none of which have been fully successful. In three audit reports issued since June 1995, the Office of Inspector General (OIG) has identified weaknesses in USAID's ability to measure and report reliable program performance information. Examples of such findings are provided below.¹

- A June 1995 report concluded that USAID needed better direction and control procedures to ensure that (1) objectively verifiable and measurable indicators are established to measure program performance and (2) reliable and useful performance data are reported and documented.
- A March 1998 report on USAID's fiscal year 1996 financial statements identified that 29 of the 38 (76 percent) of the quantified results reported in the program performance part of the overview section were either incorrect, or vaguely set forth, or unsupported.
- Another audit report issued in March 1998 found that 10 of 11 overseas missions reviewed had not developed or finalized an ongoing system of data collection and verification to report accurate and reliable performance data.

In light of the above problems, the OIG was concerned that these conditions may be pervasive throughout USAID and therefore decided to perform a USAID-wide audit. The purpose was to establish a baseline for future audit work, identify problems with current data reporting, and develop recommendations to improve such reporting. The audit was not intended to assess the quality of performance indicators (subject to a future audit), but rather to determine if the performance results reported in the R4s by operating units were objectively verifiable, supported, accurate, complete, and validated. This audit of USAID/Madagascar is one of 18 done by the OIG on a USAID-wide basis.

USAID/Madagascar's R4 for fiscal year 1996 was approved by USAID/Washington in April 1997, and includes 18 indicators for which performance results were reported. As of September 30, 1997, the Mission had reported cumulative obligations and expenditures totaling \$235.8 million and \$109.5 million, respectively, in respect of its programs.

Audit Objective

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

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).

Did USAID/Madagascar report results data in its Results Review and Resource Request (R4) prepared in 1997, which were objectively verifiable, supported, accurate, complete and validated?

Appendix I describes the audit's scope and methodology, including several scope limitations.

Audit Findings

Did USAID/Madagascar Report Results Data in its Results Review and Resource Request (R4) Prepared in 1997, Which Were Objectively Verifiable, Supported, Accurate, Complete, and Validated?

USAID/Madagascar reported results data in its Results Review and Resource Request (R4) prepared in 1997 for 18 performance indicators all of which were objectively verifiable. However, the data reported was not always supported, accurate and validated. Appendix III provides a summary of the audit results.

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 which is prepared on a uniform basis; and (3) ensure that information is clearly documented and the documents are readily available.

For example, Office of Management and Budget Bulletin No. 93-06 requires federal 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. (See Appendix IV for a further discussion of the relevant laws and regulations as well as related USAID policies and procedures.)

For the purpose of this audit, our definitions of the five attributes tested to assess USAID/Madagascar's R4 data are as follows:²

- *Objectively Verifiable*—The indicator has to be objective and the results have to be objectively verifiable. This means the indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. The indicator is both unidimensional and operationally precise. To be

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 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.

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.

- *Supported*—This means that there is adequate documentation that supports the reported result. The support should be relevant, competent, and sufficient (as noted in the General Accounting Office’s Government Auditing Standards). For example, a memo of a telephone conversation, or “best guesses/estimates” would not be considered adequate documentation.
- *Accurate*—This included (1) being within plus or minus one percent (1.0 percent) of the actual documented results; and (2) being consistent with what was to be measured under the indicator, e.g., if the indicator was to vaccinate children under 5 years of age, the result would not be consistent if the supporting documents shows that the result was for children under 3 years of age. The result would also not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996. (Note: Since we only reviewed results in the “performance data tables” for “1996,” the result would not be considered accurate if supporting documents showed the result was achieved in 1992.)
- *Complete*—This means the result includes all data against what was anticipated to be measured for the indicator and is 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. The result would be considered complete only if the R4 was annotated and the reported results were based on incomplete or partial year data. (Note: if the R4 did not annotate such cases, the result would be reported as not accurate.)
- *Validated*—This refers to the source of the data and the reliability of that source. We considered the source reliable if it came from an independent source 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 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. (For the purposes of this audit, we are not reviewing USAID’s determination of validity of these independent sources. We plan to test USAID’s validation process for external information at a later time in another audit.)

As shown in Appendix III, the audit found that all the 18 performance indicators in the Mission’s R4 prepared in 1997 were objectively verifiable. Moreover, eight indicators

reported results that were supported, accurate, complete and validated. However, the remaining ten reported performance results data that were either not supported, or not accurate, or not validated. Examples of such reporting are provided below.

- Results for seven indicators were determined to be not supported because they were based on estimates or provisional information. For example, the data of 170,000 CYP reported for the indicator, *Couple Years of Protection (CYP)*, was an estimate of protection provided by family planning services based on the volume of contraceptives distributed. Similarly, the indicator, *Contraceptive Prevalence Rate (CPR) For Modern Methods*, reported an 11 percent CPR derived from various health surveys conducted in 1995 and thereafter updated by an estimated percentage to arrive at the 1996 results.
- Results reported for two indicators were not accurate i.e. , within plus/minus one per cent of the reported results. For example, the data reported for the indicator *Kilometers of Roads or Equivalent Rehabilitated*, was not accurate because it differed from the actual documented results. The R4 results data showed that 297 kilometers of road were rehabilitated. This information was based on management's projection which differed from the actual data of 245 kilometers, reported to the Mission subsequent to the preparation of the R4.
- Results reported for four indicators were considered not validated because neither the Mission nor an independent entity had assessed the data to determine reliability. For example, for the indicator, *Transition to community-based Title II food aid program*, the reported data of 70 communities that screened children, provided health education and distributed food was derived from a report submitted to the Mission by Catholic Relief Services (CRS), the organization that implemented this USAID-funded program. While Mission officials monitored this activity, they did not perform an assessment or an evaluation to determine the validity of the data reported by CRS.

The above problems occurred because USAID/Madagascar did not always follow USAID policies and procedures (Automated Directives System (ADS) 200 Series). For example, the Mission did not always (1) maintain adequate documentation to support reported results, and (2) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods, as prescribed by ADS section E203.5.5.

Without accurate and reliable performance data, USAID/Madagascar management would not have adequate assurance whether an operating unit met, exceeded or fell short in achieving their program objectives and related targets. It could also impair the Mission's and USAID/Washington's ability to measure progress in achieving the Mission's program objectives and use performance information in making budget allocations.

We discussed our findings with USAID/Madagascar officials upon completion of the audit. Those officials attributed the reporting problems primarily to constraints imposed by the R4 reporting deadlines which did not allow sufficient time to obtain the required documentation and incorporate the data in the Missions' R4.

They also believed that results data based on provisional figures should be considered acceptable for reporting purposes because the alternative would be not to report any data at all or delay reporting until the following year. In both situations, USAID/Washington would be unable to make the required programmatic and budget allocation decisions.

Mission management further stated that they developed R4 information in partnership with other donors and Government of Madagascar counterparts. Local sources were extensively used to design, collect and analyze sectoral data. However, the data thus obtained did not always correspond to USAID's R4 reporting cycle because Madagascar reports on a calendar year basis rather than the U.S. fiscal year. This timing difference made it difficult, if not impossible, to get official data which was not of a provisional nature.

It should 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 (Automated Directives System [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's and the operating units' performance monitoring and evaluation systems. These policies and procedures also stipulate that the Africa Bureau 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.

Mission officials also stated that the audit was useful because it provided them a greater understanding of the R4 reporting process which they believed would result in refinement of the Mission's performance indicators and results data as well as improvements in its procedures for documentation and reporting.

We believe that the Mission's comments were positive and would generate a process that could result in improvements to the current planning guidance established by USAID. Based on the audit results, the following recommendation would adequately address the situation we found in USAID/Madagascar.

Recommendation No. 1: We recommend that the Director, USAID/Madagascar, ensure that the performance data identified in the Mission's R4 prepared in 1999 are supported, accurate, complete, and validated, or 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

In their response to our draft audit report, USAID/Madagascar concurred with Recommendation No. 1. We therefore consider that the Mission has made a management decision concerning the recommendation. USAID/Madagascar should notify the Office of Management Planning and Innovation, Bureau for Management, when final action is complete. In addition, the Mission made the following comments.

They disagreed with our finding on page 5 of the report that states, "Results for seven indicators were determined to be not supported because they were based on estimates or provisional information". The Mission referred to draft USAID guidance on performance monitoring and evaluation which permits the use of preliminary estimates so long as they are clearly indicated as such and replaced as soon as the final data becomes available.

We believe that the draft guidance, when operative, should provide USAID operating units greater flexibility in reporting provisional or estimated data in the R4s. However, our assessment was based on the criteria (see page 4), which considers results data based on provisional or estimated information as lacking adequate documentary support.

The Mission did not agree with our conclusion that the R4 data relating to the indicator, "Number of clients at the National Savings Bank" was not accurate (see Appendix III) because a subsequent R4 prepared by USAID/Madagascar for fiscal year 1999 clearly disclosed the data limitations by stating that it excluded individuals and companies which purchased savings bonds from the National Savings Bank. The Mission therefore asked that since the problem had been identified and corrected, the audit report should delete the negative assessment.

We recognize that the correction made by USAID/Madagascar would result in a more accurate reporting of data for fiscal year 1999. However, our assessment of the R4 data in Appendix III of this report was based on results reported by the Mission for fiscal year 1996.

Regarding the results data reported in respect of four indicators that were determined to be not validated (see Appendix III), the Mission agreed with our assessments of the results data for three of those indicators but not with the one reported for the indicator "Couple Years of Protection." This was because, in their opinion, the reported data was (1) based on estimates

that were conservative, (2) within approximately 10 percent of the actual results when they were subsequently known, and (3) met the Mission's target established for that indicator.

We note the Mission's position and the rationale behind their actions. However, our determination whether or not the R4 data was validated was based on the criteria established for this attribute on page 4 of this report.

The complete text of USAID/Madagascar's management comments is included in Appendix II.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Madagascar'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 reported (including baseline data) for 1996 in the R4 prepared in 1997. The audit was performed in accordance with generally accepted government auditing standards and was conducted at the Mission's offices in Antananarivo, Madagascar, from May 4 through May 19, 1998.

The audit included the following scope limitations:

- 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 the fiscal year 1996. Therefore, if no actual results for an indicator were shown, we did not assess the validity and reliability of the results for that indicator. We did not review results reported in the narrative portions of the R4.
- We did not attempt to determine the adequacy of the relationship (e.g., cause and effect) between the intermediate results and the strategic objectives presented in the R4.
- We did not attempt to determine if the baseline data and the results reported were consistent and based on comparable data.
- We did not attempt to determine the completeness of a reported result by additional audit steps. If the operating unit provided documentation to support the reported result and asserted that the result was complete, we accepted it without performing any additional audit work.

Methodology

This audit is part of a USAID-wide review. The Office of Inspector General's Performance Audits Division in Washington, D.C. is the lead office. Operating units (such as USAID/Madagascar) were selected using a random sample based on assistance from statisticians from the Department of Defense's Office of Inspector General.

Where problems were found, we verified to the extent practical the causes thereof by interviewing Mission personnel and reviewing additional documentation, as deemed necessary. Also, we obtained a written representation from cognizant Mission officials for all essential assertions relating to the audit objective.

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 indicators 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 it 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 provided a positive, qualified, or negative answer to the audit question, respectively.

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MEMORANDUM

DATE : October 20, 1998
TO : Joseph Farinella, RIG/Pretoria
FROM : Karen M. Poe, Mission Director *Karen M. Poe*
SUBJECT : Comments on the Draft Audit Report of
USAID/Madagascar's Results Review and
Resource Request (R4) Report Prepared in 1997

Thank you for providing USAID/Madagascar the opportunity to comment on the subject draft Audit Report. We concur with the recommendation to either provide performance data that are supported, accurate, complete and validated or to mention in the R4 the reasons why they do not meet those criteria. We would like to offer the following comments on the report.

Background: USAID Madagascar develops its Country Strategic Plan and Results Report and Resource Requests (R4) in partnership with our implementing and donor partners and Government of Madagascar (GOM) counterparts. Throughout this collaborative process we have provided leadership for joint donor and GOM development of sectoral policies and indicators for program impact. To ensure sustainability and use of data for decision making by policy makers in Madagascar, to the extent possible, we use Malagasy institutions and researchers to design, collect and analyze sectoral data. These data are then used not only in the USAID/Madagascar Results Report, but also in similar reporting done by the GOM and donor partners in each sector. However, these data sets are not always available annually, nor do they always match the Results Reporting cycle of USAID or the U.S. fiscal year, since Madagascar follows a calendar rather than fiscal year. The timing of the R4 deadline, falling only two months after the end of the prior calendar year, makes it difficult, if not impossible, to get official data which is not provisional for the previous calendar year.

1. **Unsupported:** "Results for seven indicators were determined to be not supported because they were based on estimates or provisional information (p. 4)." We disagree with this conclusion. The latest version of the draft TIPS on Performance Monitoring and Evaluation recognizes that while "decision-making should be informed by the most current data that are practically available....Frequently...data...will reflect substantial time lags between initial data collection and final analysis and publication. Many of these time lags are unavoidable..." The draft TIPS then goes on to offer a solution to this problem:

"Sometimes preliminary estimates may be obtainable, but they should be clearly flagged as such, and replaced as soon as possible as the final data becomes available from the source." This is precisely what USAID/Madagascar has been doing, and as the TIPS suggests, in so doing we are acting entirely in accordance with Agency policy. Thus, we recommend that all criticisms of our indicators as being "unsupported" because they are estimates or based on preliminary data, be deleted from the report. We acknowledge that the TIPS guidance we refer to is not yet final, nonetheless it would be informative if the audit noted in the definition section of "supported" that the Agency is revising its policy guidance to explicitly deal with the problem of the use of preliminary data from official sources.

2. **Inaccurate:** Two of USAID/Madagascar's indicator were found to be "inaccurate". In one case (kilometers of roads rehabilitated), by the time of this audit, the Mission had already identified the problem and corrected the mistake. The result that was reported in the Madagascar R4 for FY 1999 was based on a management projection obtained from the contractor's annual report. This estimate was corrected by the NRO team the following year when it reassessed the quality of the data reported in the previous year's contractor report. We acknowledge that the R4 table should have specified that the 1996 actual kilometers of road rehabilitated reported was based on a management estimate.

As for the other "inaccurate" indicator, "Number of clients at the National Savings Bank," the audit's finding (see Appendix III) is that we "Did not include all known clients of the National Savings Bank." The Madagascar R4 for FY 1999 clearly indicated that the number of clients reported "does not include individuals and companies which have purchased Saving Bonds from the National Savings Bank (CEM) (p. 4)." In addition, since our objective was to INCREASE the number of clients at the CEM, in reporting a number LOWER than that estimated by the auditors to represent the total number of CEM clients, we were reporting conservatively; thus, our data is not inaccurate in any meaningful sense, for as the audit itself implies the number of CEM clients at the time of the R4 was AT LEAST as high as the number we reported.

Thus, we recommend that the audit state that our FY99 R4 included only one "inaccurate" indicator, and that the Mission had already identified and corrected that problem by the time of the audit.

3. **Not validated:** Results for four indicators were determined to be not "validated" because they were based on estimates or provisional information meaning that: "...neither the mission nor an independent entity had assessed the data to determine reliability (p.5)." The four indicators so criticized were all in the HPN realm:

- Total Fertility Rate
- Contraceptive Prevalence Rate for Modern Methods
- Couple Years of Protection
- Transition to Community-Based Title II Food Aid Program

To respond to these findings, we would like to draw your attention again to the draft TIPS, which includes a Section on "Judging the Quality of Data from Secondary Sources." That section reads:

"USAID's performance monitoring systems often rely on data from existing secondary sources, which can vary considerably in terms of quality. In some cases a data source is sufficiently reliable so that independent data checks are only necessary at rare intervals. In other instances data may need to be spot checked. In still others, a record-by-record check is needed. Realism, as well as technical acuity, are necessary to select the type of validation that is appropriate. It is too simplistic - and wrong - to assume whole categories of sources (e.g., NGOs, government agencies) are invalid or unreliable. Ideally, each source need to be evaluated individually, in terms of the adequacy of its data quality assurance systems. Such an undertaking, however, is no small task, and may require considerable resources."

The "Couple Years of Protection" indicator should not be considered as "not validated" because we were only able to use data from the first six months of 1996. Our estimates were conservative. When the full 1996 data were available in 1997, the actual results were found to be 10% higher than our estimate, and met our target.

The three remaining HPN indicators should be considered as "Not Validated:"--Total Fertility Rate and Contraceptive Prevalence Rate for Modern Methods because they did not have independent survey results to validate them, but were best estimates, based on extrapolations, and the Title II indicator because we did spot check or otherwise validate the NGO data. We have taken steps to correct this situation, as noted below.

The Mission acknowledges that it was over ambitious in selecting indicators and targets for the population program and for some of the child survival activities. The historical context is relevant. The Malagasy government did not develop an official population policy until 1990. Thus, not much data was available at the time of the family planning project was developed in early 1992. Using the results of this audit and working closely with sector partners, the Mission is developing more appropriate indicators that can be fully supported, and when they are reported in the R4, are "objectively verifiable, accurate, complete and validated." The following three specific steps are being taken:

1. The HPN office is working closely with the Malagasy National Statistics Institute (INSTAT) and UN partners to develop HPN modules for national surveys supported by the World Bank, the UN and other donors. These will provide data on key SO2 indicators (for example, contraceptive prevalence, immunization coverage and nutrition status). The surveys will be conducted in 1999 and 2000 to provide DHS-like objective and quantitative indicators. These will be used, as much as possible, in the future, rather than estimates.
2. Special cluster surveys are also being developed with child survival partners to reflect the HPN situation in the geographical regions where the Mission is focusing its efforts. Some of these will be used in the next R4.
3. A review of indicators related to new or expanded activities such as nutrition, disaster preparedness, AIDS/STD prevention, and phase 2 of the HPN program will be undertaken during the second quarter of FY99 to ensure that the indicators and data sources will provide good management information for decision making.

Analysis of USAID/Madagascar's 1996 Indicators and Results
(As reflected in its R4 prepared in 1997)³

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for Validated
1) Increased investment	Yes	No			Yes	Results data was based on provisional information supplied by the Government of Madagascar
2) Increased employment	Yes	No			Yes	Same as above
3) Central Bank advances to Treasury as share of GDP	Yes	No			Yes	Same as above
4) Banking system credit to private sector as share of GDP	Yes	No			Yes	Same as above
5) Deposits in National Savings Bank	Yes	Yes	Yes	Yes	Yes	
6) Clients of National Savings Bank	Yes	Yes	No		Yes	Did not include all known clients of National Savings Bank
7) Total Fertility Rate	Yes	No			No	Based on estimates
8) Contraceptive prevalence rate (CRP) for modern methods	Yes	No			No	Based on estimates
9) Couple years of protection	Yes	No			No	Based on estimates
10) Total number of sites providing FP services nationwide	Yes	Yes	Yes	Yes	Yes	
11) Use of childhood immunization services - measles	Yes	Yes	Yes	Yes	Yes	
12) Use of childhood immunization services - DPT3 coverage	Yes	Yes	Yes	Yes	Yes	
13) Transition to community-based Title II food aid program	Yes	Yes	Yes	Yes	No	

³ 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.

APPENDIX III
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14) Environmental policies: Developed/Enacted	Yes	Yes	Yes	Yes	Yes	
15) Qualified protection area management plans developed and implemented	Yes	Yes	Yes	Yes	Yes	
16) Qualified forest management plans: Developed and implemented	Yes	Yes	Yes	Yes	Yes	
17) Kilometers of roads or equivalent rehabilitated	Yes	Yes	No		Yes	Reported- 297 kilometers; Actual - 245 kilometers
18) Hectares of natural habitat designated within protected area system	Yes	Yes	Yes	Yes	Yes	
NUMBER OF "NO" ANSWERS		7	2		4	

**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 needs of agency management; and (2) the systemic measurement of performance.

Standards for Internal Controls in the Federal Government issued by the U.S. General Accounting Office in 1983 require management 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 is 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 assists in comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to USAID management and to the 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 203.4.1a) 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 (Section 203.5.5, 203.5.5e, and E203.5.5 and 2.3.5.9a) 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 reliable performance information on progress in achieving its program objectives for the immediate past fiscal year.

TIPS No. 6, 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 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 actual results data for each performance indicator on a regular basis; (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 the Agency 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 of 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 they need 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 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.
