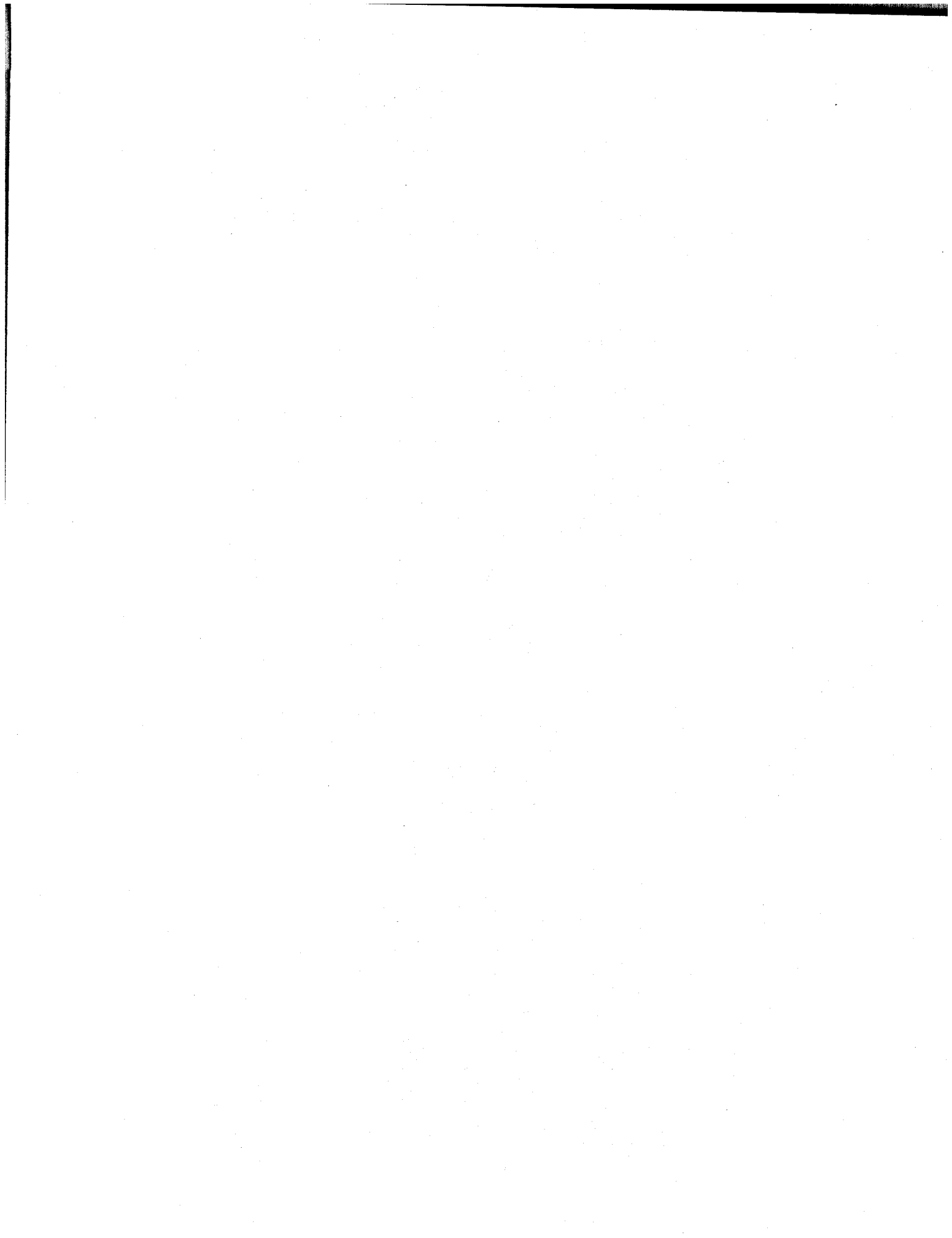

**Audit of the Quality of Results Reported in
USAID/Bangladesh's Results Review and
Resource Request (R4) Report Prepared in 1997**

**Report No. 6-388-99-001-P
October 8, 1998**

Regional Inspector General for Audit

Cairo, Egypt





CAIRO, EGYPT

**UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL/AUDIT**

Report No. 6-388-99-001-P
October 8, 1998

MEMORANDUM

TO: DIRECTOR, USAID/Bangladesh, Gordon West

FROM: RIG/A/Cairo, Lou Mundy *Lou Mundy*

SUBJECT: Audit of the Quality of Results Reported in USAID/Bangladesh's Results Review and Resource Request (R4) Report Prepared in 1997

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have made changes as deemed appropriate. Your comments are included in their entirety in Appendix II, and our evaluation of these comments is contained on pages 7 and 8.

This report contains two recommendations. In responding to those recommendations, USAID/Bangladesh outlined a plan of action and stated it has already undertaken steps to implement that plan. Based on the Mission's plan of action, a management decision has been reached on both Recommendation Nos. 1 and 2. USAID/Bangladesh should advise the Bureau for Management, Office of Management Planning and Innovation, Management Innovation and Control Division (M/MPI/MIC) when final action is complete and seek closure from them at that time.

We appreciate the cooperation and assistance provided by USAID/Bangladesh to the auditors on this assignment.

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 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.

Since USAID was established in 1961, it has initiated numerous systems to report on program results. However, none of these systems has 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 report identified 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 38 (76 percent) quantified results reported in the program performance section were either incorrect, vaguely set forth, or unsupported.
- Another audit report issued in March 1998 identified that 10 of 11 overseas missions reviewed had not developed or had not finalized a system of data collection and verification to report good performance data.

In light of the problems reported, we were concerned these conditions may be pervasive throughout USAID. Therefore, the OIG decided to perform a USAID-wide audit to establish a baseline for future OIG audit work, to identify problems with current data reporting, and to develop recommendations for improving data reporting. This audit was intended to determine if established performance indicators were objectively verifiable and if performance results reported by the operating units in the Results Review and Resource Requests (or "R4s") were supported, accurate, complete, and validated. The audit of USAID/Bangladesh is one of the 18 audits being done on a USAID-wide basis.

USAID/Bangladesh's R4 for its 1996 results identifies 68 performance indicators and reports performance results, or baseline data, for 55 indicators. According to the Mission, as of September 30, 1997, it had obligated and expended in support of its active projects a total of \$42.4 million and \$35.7 million, respectively.

Audit Objective

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

¹ The 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/Bangladesh establish performance indicators which were objectively verifiable and report results data in its Results Review and Resource Request prepared in 1997, which were supported, accurate, complete, and validated?

Appendix I describes the audit's scope and methodology.

Audit Findings

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

USAID/Bangladesh did not always establish performance indicators which were objectively verifiable and generally did not report results data in its Results Review and Resource Request (R4) prepared in 1997, which were supported, accurate, complete, and validated.

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, Audit Requirements for Federal Financial Statements, 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. (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, our definitions are as follows:

- *Objectively Verifiable*—The indicator is objective and the results have to be 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 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" would not be considered adequate documentation.

- *Accurate*—To be accurate means (1) being within plus or minus one 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 to vaccinate children 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. The result would also not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996.
- *Complete*—This means the result includes all anticipated data and is for a full year. For example, if 20 regions were to be measured but only 18 regions were included, the result would not be considered complete. Also, if the results were only for a partial year, then the result would not be complete.
- *Validated*—This refers to the source of the data and the reliability of that source. We consider the source reliable if it came from entities such as the World Bank, United Nations (UN), 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, like the UN, at a later time in another audit.)

As shown in Appendix III, our audit identified problems in 29 of the 30 performance indicators tested in the R4 for fiscal year 1996 (which was prepared in 1997). A break-down and examples of these problems are as follows:²

- Results for 13 indicators were not objectively verifiable. For example, one indicator was "Numbers of poor households overall producing fish and vegetables increased." This is not objectively verifiable because what is meant by *poor* is not clear and was not explained in the R4 or other documentation. Also, based on the results data the Mission was gathering, two different phenomena were being measured—the number of households producing fish *and* the number of households producing vegetables. Therefore, the indicator is not unidimensional. The indicator is misleading because the reader may interpret the indicator as meaning the number of households producing *both* fish and vegetables.

² To avoid enumerating several problems related to a reported result (e.g., a reported result could be both not supported and not accurate), we have reported only one problem per indicator according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, report 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.

- Results for 15 indicators were not adequately supported. For example, one indicator was the "Number of marriages registered in target communities increased." The R4 reported 7,800. USAID/Bangladesh officials said that this figure was based on telephone conversations with grantee officials.
- Results for 28 indicators were not validated.³ For example, one indicator was "Vaccination Coverage for Urban Children Increased and Sustained" and the unit of measure was the percentage of urban children "fully vaccinated by one year." The R4 reported an 81 percent achievement rate. However, that rate was provided by a Government of Bangladesh source which was not independent, nor were the results data and/or the system used to generate those results assessed by the Mission or an independent evaluator.

The above problems existed because USAID/Bangladesh did not follow or was not successful in following prescribed USAID policies and procedures for measuring and reporting on program performance. For example, the Mission:

- Did not always ensure its indicators were objective (as prescribed by Automated Directives System [ADS] 200 Series E203.5.5), and did not always assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods, and
- Did not maintain documentation to support reported results as prescribed by Office of Management and Budget (OMB) Bulletin 93-06, Audit Requirements for Federal Financial Statements, dated January 8, 1993.

Based on our audit criteria, USAID/Bangladesh officials generally concurred with our findings and cited additional explanations for the problems. For example, they said that they were aware of the requirement that indicators had to be objective but believed that applying the objectivity criterion to social science fields often requires more complex analyses as to what is being measured and what kind of data will be collected. The officials also said that they believed that USAID/Washington's approval of the Mission's indicators affirmed its judgment regarding the appropriateness of the indicators.

In regard to supporting documentation, USAID/Bangladesh officials stated that in some cases they relied on telephone conversations from grantees or subgrantees and did not believe it was important to obtain supporting documentation. In other cases, the officials said that supporting

³ For two of these indicators, an assessment of the grantee's reporting system had been performed by the OIG and reported on in a prior audit report (No. 5-388-97-002-P). That audit found that the grantee could not provide documentation to support baseline data, or documentation provided to support actual results showed that the actual results in the report were inaccurate. The OIG recommended that the Mission and grantee develop a system to ensure that baseline and actual results data reported by the grantee are accurate and supporting documentation is maintained.

documentation may have been available but was not retained. Further, as to sources of data, certain Mission officials acknowledged that the reported results were primarily based on information provided by the Mission's grantees and subgrantees which were not validated primarily because those Mission officials were unaware of the requirement to do so. However, Mission management indicated it is aware of these documentation requirements.

However, by the time we completed our audit, USAID/Bangladesh had taken action, or had agreed to take action, to correct some of the above problems. For example, for the R4 prepared in 1998, USAID/Bangladesh deleted 6 of the 13 indicators identified in Appendix III as not being objective. USAID/Bangladesh said the indicators were deleted because the officials recognized that the results did not clearly and accurately show what was anticipated under the indicators. In addition, some of the remaining seven indicators that were not dropped in their 1998 R4 were made more definitive.⁴ For example: one indicator was listed as "Number of local elites and opinion leaders reached by legal awareness programs in targeted communities increased." For the 1997 R4, we were not able to determine objectively what was being measured. However, in the 1998 R4, the Mission explained the definition of a "local elite" and an "opinion leader." Further, the Mission identified its targeted communities, i.e., its universe—220 unions with a population of 5.5 million. The actions taken on those 13 indicators were taken by the Mission, on its own initiative, prior to this audit.

Regarding another corrective action, Mission officials stated that, based upon the auditors' non-acceptance of national service statistics generated by the Government of Bangladesh (GOB), they do not plan to report results in the R4 performance tables for some indicators in which data was derived from that source. Instead, they plan to report official results in those tables every three years using a widely-known and more reliable source—the Bangladesh Demographic Health Survey (BDHS). Then, since the GOB's national health statistics have been useful at the Mission in determining performance "trends," they will report those trends only in the R4 narrative and "comments" section of the performance results tables during the years for which there are no BDHS statistics. This policy has been reflected already in the Mission's 1998 R4.

Further, as to the validation of data collected, Mission officials said that they would monitor more closely the requirement in each of its assistance acquisition awards that "the Recipient/Contractor develop and implement a system, acceptable to USAID/Bangladesh, which includes, but is not limited to, delineating specific procedures for testing the reliability of performance data results...." The officials said that this would be accomplished through in-house periodic financial systems reviews of recipients/contractors and/or annual recipient-contracted audits. The officials also stated that they would include in their periodic site visits a mechanism whereby they would periodically test/verify specific performance results reported by their recipients. This added function, they said, would be documented in their field trip reports.

⁴ For the 1997 R4 indicators that we found were not objective, we reviewed the 1998 R4 only to determine if those indicators had been deleted or if improvement had been made to them. We did not fully apply the objectively verifiable criteria to the improved indicators and, therefore, we are not concluding whether or not they fully met that criteria.

In conclusion, USAID guidance issued in January 1997 for preparing R4s states that one of its goals is to generate R4s which ensure that USAID/Washington has the information needed to make results-based resource allocations among operating units and report on the USAID's achievements. However, the problems we have discussed in this report with performance indicators and reporting on performance could significantly impair USAID/Bangladesh's and USAID management's ability to measure progress in achieving program objectives and related targets, and to use performance information in budget-allocation decisions.

Therefore, USAID/Bangladesh needs to improve its performance indicators and reporting on performance, and ensure that reliable and complete data is collected and maintained to accurately measure performance toward achieving expected results.

Recommendation No. 1: We recommend that USAID/Bangladesh ensure its performance indicators in the R4 to be prepared in 1999 are objective and clearly defined regarding what specific results are to be measured.

Recommendation No. 2: We recommend that USAID/Bangladesh ensure that the performance data identified in its R4 to be prepared in 1999 are supported, accurate, complete, and validated; or fully disclose in the R4 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

Although USAID/Bangladesh disagreed in some respects with the criteria we used on this audit, it generally agreed that more work needs to be done to ensure that, for its 1999 R4, performance indicators are objective and clearly defined and that performance data are supported, accurate, complete, and validated. In response to the two recommendations, the Mission outlined a plan of action and has already undertaken steps to implement that plan. For example, the Mission stated that it has expanded the scope of its financial reviews it conducts on recipients to include a review of the recipients' procedures for monitoring progress toward the achievement of program objectives. In addition, it plans to revise its Statement of Work for recipient-contracted audits to include a requirement to test the reliability of performance data results submitted by USAID recipients.

Another example of the actions the Mission stated it has taken in response to our recommendations: its Population and Health team has added four new indicators against which it will be able to report performance using survey results from the World Health Organization, an entity source that, for the purpose of this audit, we consider reliable. The Mission stated that it would report performance data from that entity's surveys during the years in which a Demographic and Health Survey is not conducted.

Based on the Mission's plan of action, a management decision has been reached on both recommendations. USAID/Bangladesh should advise M/MPI/MIC when final action is complete and seek closure from them at that time.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Bangladesh's internal management controls for ensuring that it reported performance results data that were verifiable, supported, accurate, complete, and validated 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/Bangladesh from April 15 through May 6, 1998.

We limited our work on the validity and reliability of data for performance indicators identified in the "performance data tables" in the R4 (prepared in 1997), and the actual results for which such data was shown for 1996. In addition, we did not review results reported in the narrative portion of the R4 except to obtain, for certain sampled indicators, clarifying explanations as to reporting period, data completeness, and intended sources of data. Also, we did not attempt to determine the completeness of a reported result by additional audit steps, i.e., if the operating unit provided documentation to support the reported result and asserted that the result was accurate and complete, we examined that documentation without performing any additional audit fieldwork at the premises of contractors, grantees, etc.

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 (DOD). Based on the DOD statistical sample for this operating unit, USAID/Bangladesh, we reviewed the reliability of performance results reported in the R4 for 30 of the 55 performance indicators for which such performance was identified in the "performance data tables" for 1996. To accomplish the audit objective, we reviewed USAID/Bangladesh's R4 prepared in 1997 and supporting documents, for the performance indicators selected, to determine if:

- (a) performance indicators are objectively verifiable;
- (b) reported results are adequately supported;
- (c) documented results are within plus or minus 1 percent of actual;
- (d) results data are complete; and
- (e) results were validated, i.e., an assessment was performed of the data and/or system for generating the reported data.

Where problems were found, we reviewed to the extent practical, the causes of the problems. This included additional interviews with Mission and USAID personnel, and reviews of additional documentation at the Mission provided by Mission personnel, contractors, grantees, etc.

In answering the audit objective, our methodology was to: (1) provide a positive answer if 95 percent or more of the time appropriate criteria was met; (2) provide a qualified answer if the criteria was met 75 to 94 percent of the time; and (3) provide a negative answer if the criteria was met less than 75 percent of the time.

As USAID/Bangladesh had already prepared its R4 in 1998 for its 1997 performance results by the time we performed this audit, we reviewed the 1998 R4 only for the purpose of determining improvements and/or deletions that had been made to the 1996 indicators.

We also reviewed USAID/Bangladesh's procedures for carrying out its internal control assessment required under the Federal Managers' Financial Integrity Act (FMFIA) of 1982, OMB Circular No. A-123, and USAID's implementing guidance.



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
Dhaka, Bangladesh

M e m o r a n d u m

TO: Lou Mundy, RIG/A/Cairo

FROM: Gordon West, Director, USAID/Bangladesh *G. West*

SUBJECT: Audit of the Quality of Results Reported in
USAID/Bangladesh's Results Review and Resources Request
(R4) Report Prepared in 1997, Draft Report No. 6-388-98-
XXX-P

DATE: September 28, 1998

The USAID mission in Bangladesh appreciates the opportunity to comment on the subject draft audit report.

General Comments

We note that the subject audit is timely and useful, and highlights key areas in which USAID/Bangladesh can improve standards and practices with respect to results reporting. As mentioned in the audit report, the Mission had already deleted or improved a number of the indicators cited in the draft report prior to the audit. Many of the comments on specific indicators have already guided the Mission as we continue to refine our results measurement process.

With respect to the definitions of the criteria formulated by the Office of the Inspector General (OIG) for this audit, some we find unrealistic. For instance, in the developing country setting where USAID works, it is next to impossible, and would be prohibitively expensive, to achieve a uniform level of accuracy of (+/-) 1 percent. Sophisticated data collection and reporting systems do not exist here. The Bangladesh Demographic and Health Surveys (DHS), the best and most comprehensive source we have for broad impact measurement, must allow for an error rate of (+/-) 5 percent.

We note that creating standard criteria which would apply across-the-board may not take into account the linkage between the cost and benefit of data collection. It may not make sense for the U.S. Government to invest the same amount of effort and funding to track a small grants democracy program as for, say, our \$30 million annual health program.

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We also believe there must be an element of judgment on the general validity of data sources and the decision to use, or not use, certain data. We are not operating in a perfect world. Many countries have longstanding World Bank programs with great data banks, others do not. To only undertake programs in sectors and countries where statistics from world-renowned institutions exist may preclude USAID from working in many sectors and countries with the greatest need for assistance.

In summary, we are fully prepared to comply with the recommendations of the audit based on the Agency's performance measurement guidance. The standards and criteria for results reporting utilized by the OIG in the R4 audit differ in some respects from the standards and criteria included in current Agency guidance. We believe this is an issue that the Agency as a whole must review and act upon before we accept the responsibility, under this or future audits, of meeting specific criteria not yet adopted Agency-wide. That said, the OIG list of good reporting attributes and criteria represents valid areas for reviewing the quality of results reporting, and serves as a helpful guide as we continue to improve our Mission indicators and data systems in a cost effective manner.

Specific Comments

Page 3 of the draft audit report, last sentence: The report states that the result would not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996. The audit should not discount mission achievements during the first quarter of FY96, that is, 10/01/95 - 12/31/95. This R4 audit was an evaluation of SO performance for FY 1996, based on guidance developed by the Agency in 1995. This Agency guidance cites the fiscal years as the principal base reporting period for the R4s. For the FY97 R4, the base reporting period was 10/01/95 - 9/30/96.

Page 5, paragraph 5, second sentence: The report states that USAID/Bangladesh officials believed that "there was room for ambiguity in interpreting the objectivity criterion . . ." No one in the Mission was arguing for ambiguity, but rather pointing out that more complex analyses are often required in social sciences. We request that this quotation be re-stated as follows to reflect the latter concept:

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"For example, they said that they were aware of the requirement that indicators had to be objective. However, they noted that as the term "objectivity" is used in the social sciences, it usually connotes that specialists in a particular field agree on what is being measured and what kind of data will be collected."

Page 5, paragraph 5, third sentence: The audit report states that USAID/Bangladesh officials believed the indicators were appropriate "because they were approved by USAID/Washington." Washington approval was an affirmation of the Mission's own judgment regarding the appropriateness of indicators. We request that the sentence be re-stated as follows to reflect this fact:

"The officials also said that they believed that the approval by Agency technical and program experts in USAID/Washington affirmed the Mission's judgment regarding the appropriateness of the indicators."

Page 5, paragraph 5, fourth and sixth sentences: The report states that USAID/Bangladesh officials " . . . did not believe it was important to obtain supporting documentation." In regard to validating reported results, the report states that "the Mission was unaware of the requirement to do so." The above statements attributed to the Mission did not represent the views of Mission management. At the time the 1996 R4 was prepared in 1997, practices varied among SO teams with respect to obtaining and keeping documentation. In certain cases, we did not find the need to obtain the often voluminous documentation because we had evidence that the reporting sub-recipients were retaining the documentation in their system. We request that the above quotations be modified.

Page 5, final paragraph and page 6, top of page: The report states that by the time the audit was completed, "USAID/Bangladesh had taken action, or had agreed to take action, to correct some of the cited problems. For example, for the R4 prepared in 1998, USAID/Bangladesh deleted 6 of the 13 indicators identified in Appendix II as not being objective. . . . In addition, some of the remaining seven indicators that were not dropped in their 1998 R4 were made more definitive." We would like to clarify that the actions cited were taken by the Mission, on its own initiative, based on its continuing technical review process, prior to this audit, and not as a result of this audit. We suggest that the report include this clarification, at the end of the first paragraph on page 6, as follows:

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"The actions cited were taken by the Mission, on its own initiative, prior to this audit."

Page 5, footnote: The report cites a prior OIG report wherein a grantee was reported to have failed to provide documentation to support baseline data; or documentation provided to support actual results showed that the actual results in the report were inaccurate. The Mission is not aware of such an audit report. There was, however, an OIG performance audit of USAID/Bangladesh's population activities in September 1995, which reported that the Mission had made progress towards output targets as intended. The performance audit noted that this progress, in turn, contributed to the overall success of the Mission's population program.

Comments Regarding the Audit Recommendations

Recommendation no. 1: That USAID/Bangladesh ensure its performance indicators in the R4 to be prepared in 1999 are objective and clearly defined regarding what specific results are to be measured.

Recommendation no. 2: That USAID/Bangladesh ensure that the performance data identified in its R4 to be prepared in 1999 are supported, accurate, complete, and validated; or fully disclose in the R4 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.

Mission response: USAID/Bangladesh fully supports the idea that the Mission should continuously improve the quality of our performance monitoring and evaluation systems. We will follow Agency guidance for the development of, and reporting on our indicators in future R4s. Each of our three strategic objective (SO) teams has already begun a thorough review of their performance indicators in preparation for the R4 to be prepared in 1999. To the best of their ability, the SO teams will ensure that the indicators are objective and clearly defined, and that the performance data are appropriately reported in accordance with Agency criteria.

We have expanded the scope of our in-house financial reviews conducted on our various recipients, to include a review of the recipients' procedures for monitoring progress toward the achievement of program objectives. To-date, we have completed two financial reviews that included this additional procedure. Furthermore, our recipients are now required under the terms of their cooperative agreements (CAs) to submit an annual monitoring and evaluation (M & E) report which will include plans to verify

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the data collected at the field level. In addition, we plan to revise the Statement of Work (SOW) for our recipient-contracted audits (RCAs) to include a requirement for the auditors to review/test the reliability of performance data results submitted by the USAID recipients. Finally, we have begun including in our periodic site visits a mechanism whereby our activity managers would test/verify specific performance results as reported by their partners. This added function is being documented in the field trip reports.

Specific Team Actions

The Population and Health (PH) Team has formally reviewed its five SO indicators and 22 intermediate results (IR) indicators. For the FY 1998 R4 to be prepared in 1999, the PH Team will limit its reporting to those objectively verifiable indicators in which there are accurate, complete, supported, and validated data available for that year. The nationwide demographic and health survey (DHS), which is conducted every three years, will not be conducted until Year 2000. Therefore, the results for a total of four SO and 16 IR indicators, which are based on DHS data collection, will not be reported on in the FY 1999 reporting.

To supplement the information on the USAID PH program in Bangladesh and provide quality information on critical areas usually addressed in the DHS, the PH Team will add five (5) new IR indicators in the FY 1999 R4. The nationwide WHO/UNICEF surveys, which are accurate within (+/-) 8 percentage points, will be the data source for four of these five new IR indicators. The confidence level of (+/-) 8 percent will be so footnoted in the indicator table. These new indicators will be included in the PH performance data tables in the years in which a DHS is not conducted. Including these new IR indicators, the PH Team will report on one SO indicator and on 11 IR indicators in the R4 to be prepared in 1999. The PH Team has also developed a validation plan for each indicator, which includes monitoring visits to field sites to validate data, and reviews by the USAID demographer of survey methodologies.

The Food Security (FS) Team had already made significant changes in the presentation of its strategic objectives, intermediate objectives, and performance indicators. In the R4 prepared in 1998, the FS Team consolidated three SOs into a single strategic objective which focuses on improving food security for poor households. In addition, the number of IRs had been reduced from seven to two, and the number of IR indicators reduced from 21 to 16. Of the eight indicators that pertain to the FS activities and included in the audit sample, four had already been dropped by the Team prior to the audit. Those dropped had all been cited with at least one problem in the draft audit report, and of the

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four remaining indicators, one was found acceptable. The FS Team has shared with the auditors the improved reporting formats and documentation systems developed for the R4 prepared in 1998.

For the R4 to be prepared in 1999, the FS Team has already requested all reporting entities to provide results data on the current set of performance indicators not later than December 1, 1998, based on results for the fiscal year October 1, 1997 to September 30, 1998.

The Food Security Team is currently in the process of re-examining its strategic direction and areas of focus. As a result of this exercise, it is likely that some performance indicators (e.g. those with a specific health focus) will be shifted or dropped, and others will be added. Such changes in indicators are a natural outcome of changes in specific programs and/or activities, as well as a reflection of the FS Team's efforts to better measure the impact of its programs.

The Responsive Government (RG) Team has initiated the review of their performance indicators. For the R4 to be prepared in 1999, the team will establish more definitive criteria to measure progress. For the R4 to be prepared in Year 2000, the Team has engaged the services of indicator experts from the United States and from the region, to assist them in developing appropriate indicators. The process is expected to be completed by the end of this calendar year.

It should be noted that the development of Democracy and Governance (D/G) indicators is in its early stages worldwide. The D/G sector continues its efforts in developing indicators, which effectively capture the objectives of its programs. As a result, we often rely on indicators which are more narrow and output-oriented and show short-term change. These indicators sometimes do not assess/measure the longer-term significance of the program in contributing to U.S. goals and objectives in the sector. If it is not possible to implement objective quantitative measures which accurately reflect a particular program objective being achieved, the RG Team will present qualitative data in the R4 to assess progress in achieving the SO and/or relevant IR.

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Conclusion

Based on the foregoing discussions of results measurement and reporting for the USAID/Bangladesh program, the Mission has developed a plan of action to meet Agency standards and criteria for establishing objectively verifiable indicators and for reporting results that are supported, accurate, complete and validated. The plan of action is outlined above. The actions being undertaken in line with this plan will result in an R4 report submitted in the spring of 1999 that will meet the spirit of the draft audit report recommendations. If Agency guidance regarding standards and criteria for program performance measurement changes as a result of further discussions and agreement between the Bureau for Policy and Program Coordination (PPC) and OIG, we will adjust USAID/Bangladesh's performance indicators and results reporting in accordance with the new guidance.

We believe that the plan of action set forth in this memorandum, and the implementation of this plan that will be evidenced in the next R4 report submitted in the spring of 1999, respond satisfactorily to the draft audit report recommendations. We seek your concurrence that the audit recommendations be resolved upon report issuance and promptly closed upon satisfactory review of the next R4.



Vaccination coverage for urban children increased and sustained.	Yes	No			No	Documentation provided did not support reported result.
Sales of Oral Rehydration Sals (ORS) packets by the Social Marketing Company.	Yes	Yes	Yes	Yes	No	No relevant, independent assessment/evaluation of the data and/or the system for generating the data was conducted.
Use of ORS/Oral Rehydration Therapy (ORT) to treat children under three years of age increased.	Yes	No			No	Calculated result was not sufficient as it was based on undocumented weighting factors applied to urban and rural children. Further, these factors were applied to data for 1994 and 1995, not 1996.
Percent of children under three years who received a Vitamin A capsule in last 6 months.	Yes	No			No	Documentation provided was not relevant—it provided results for children age 12 to 59 months.
Percent of aggregate costs of USAID funded Non-Governmental Organizations (NGOs) covered by program generated revenues increased.	Yes	No			No	Documentation was not sufficient as it did not adequately support the attested result calculation.
Local government and community contribution to the Family Planning Program increased.	No				No	Indicator is not objectively verifiable because it is not unidimensional nor are local government, community, and Family Planning Program defined.

To avoid enumerating several problems related to a reported result (e.g. a reported result could be both not supported and not accurate), we have reported only one problem per indicator according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, report 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.

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for validated
Percentage of Social Marketing Company (SMC) operating costs covered by program generated funds increased.	Yes	No			No	Grantee-provided documentation was not sufficient to support reported result.
Low levels of contraceptive stockout rates (BDG system only) at point of service delivery sustained.	Yes	No			No	Methodology used to determine percentage of stockout rate not adequately documented.
Development of new, positive service delivery policies.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>new, positive service delivery policies</i> had not been defined—neither was <i>with the potential to improve the national FP/MCH program</i> (included in the indicator's unit of measure).
Estimated beneficiaries (direct and indirect) from operations research (OR).	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>beneficiary</i> and <i>OR</i> had not been defined.
Yearly averages of stunting among children (6-59 months) reduced.	Yes	No			No	Documentation was not sufficient nor competent.
Numbers of poor households overall producing fish and vegetables increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>poor</i> had not been defined. Also, indicator was not unidimensional.
Percent of public food distribution system (PFDS) food going to effectively targeted programs.	Yes	Yes	Yes	Yes	Yes	
Real value-added in agriculture increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>real value-added</i> had not been defined.

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for validated
Number of agribusiness investments increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., it is unclear what is meant by <i>investments</i> and whether it is <i>investments</i> and/or <i>productivity</i> being measured.
13,040 kilometers of environmentally sound market roads added to rural road network by 1999.	Yes	No			No	Prior audit report (No. 5-388-97-002-P dated 5-30-97) found that the grantee's reporting system was not adequate.
Number of small rural businesses using electricity increased.	Yes	No			No	Documentation was not sufficient as it could not be determined that result reported is for small businesses only.
Per capita Gross Domestic Product (GDP) growth increased.	Yes	No			No	No relevant documentation provided to support reported result.
Percentage of population with access to disaster relief supplies (e.g., ORS) within 72 hours increased.	Yes	No			No	Prior audit report (No. 5-388-97-002-P dated 5-30-97) found that supporting documentation was not adequate. Also, documentation does not specify that access to supplies is within 72 hours.
Number of USAID project loans increased.	Yes	No			No	Documentation was not sufficient as results were not documented by one of the two grantees.
Number of women elected to non-reserved and chairperson seats on local elected bodies.	Yes	No			No	Reported result not supported as it was taken telephonically by Mission without record of conversation.
Number of associations advocating customer interests in target communities increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>association</i> , <i>customer interests</i> , <i>target community</i> , and <i>advocating</i> are not defined.
Customer confidence in ability of associations to advocate their interests in target communities increased.	No				Yes	Specific criteria had not been established to objectively measure progress, i.e., <i>customer confidence</i> , <i>associations</i> , <i>advocate</i> , and <i>interests</i> are not defined.

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem, if any, except for validated
Percentage of adults reached by effective voter awareness programs increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>effective voter awareness programs</i> had not been defined. Also, elements of the percentage calculation are ambiguous.
Number of women alternative dispute resolution clients in target communities increased.	Yes	No			No	Reported result was not supported with sufficient documentation as it did not agree with recorded results which were taken telephonically by Mission (and without record otherwise of conversation).
Number of adults reached by effective legal awareness programs increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>effective legal awareness programs</i> had not been defined.
Number of local elites and opinion leaders reached by legal awareness programs in target communities increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>local elites, opinion leaders, reached, and legal awareness programs</i> had not been defined.
Number of marriages registered in target communities increased.	Yes	No			No	Reported result was not supported with sufficient documentation as it was taken telephonically by Mission without record of conversation.
Number of <i>shalish</i> in target communities using improved Alternative Dispute Resolution (ADR) techniques increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>improved</i> had not been defined.
Bangladesh Independent Garment Workers Union (BIGU) members' sense of empowerment vis-a-vis employers increased.	No				No	Specific criteria had not been established to objectively measure progress, i.e., <i>sense of empowerment</i> was ambiguous.
Totals	Yes:17 No: 13	Yes: 2 No: 15	Yes: 2 No: 0	Yes: 2 No: 0	Yes: 2 No: 28	

**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 USAID policies and procedures.

Laws and Regulations

Chief Financial Officers Act of 1990 requires management internal controls which provides 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 systemic measurement of performance.

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

OMB Circular No. A-123 (dated June 21, 1995), which is the executive branch's implementing policies 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 Assistant Act (Section 621A), as amended in 1968, requires USAID to develop and implement management systems that provide for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to the 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; (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 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 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 life of the 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.
