



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

March 5, 1999

MEMORANDUM FOR AA/PPC, Tom. Enx

FROM: A-AIG/A, Paul Armstrong

SUBJECT: Audit of the Quality of Results Reported in USAID Operating Units' Results Review and Resource Request (R4) Reports Prepared in 1997 (Report No. 9-000-99-006-P)

This report summarizes the results of the Office of the Inspector General's (OIG) USAID-wide audit of the quality of results reported in USAID operating units' Results Review and Resource Request (R4) reports prepared in 1997. Audits were conducted at 18 operating units (Appendix V).

This capping report makes one recommendation. The Bureau for Policy and Program Coordination (PPC) agreed that meeting the audit recommendation is highly desirable and that the recommendation can be met "over time". However, based on the response provided for each of the four parts of the recommendation, we do not have a management decision because we could not determine whether PPC actually agreed to the specifics of the recommendation as to whether it would develop and implement quality standards and controls for both PPC and the regional and central bureaus. Also, while PPC's memorandum did provide helpful information on what corrective actions were being taken in some cases, in others we were not able to determine exactly what specific actions were being proposed. Furthermore, PPC did not provide the dates for achieving the corrective actions as required by USAID policy other than observing that the recommendation can be met "over time." Since we believe that it is critical for USAID to implement the corrective actions on a timely basis, we recommended that USAID implement these actions in regards to the R4s prepared in 1999. However, PPC did not address this part of the recommendation. Since a management decision has not been made on the recommendation, we would appreciate a response within 30 days of the issuance of this report (April 6, 1999). Your response to our draft report is included in its entirety as Appendix II.

I appreciate the courtesies and cooperation extended to the OIG audit staff during this USAID-wide audit.

EXECUTIVE SUMMARY

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 performance data; and (3) ensure that performance information is clearly documented and that the documentation is readily available for examination (see page 1).

The objective of this audit was to determine if **USAID** operating units reported results data in their annual Results Review and Resource Request (R4) prepared in 1997, which were objectively verifiable, supported, accurate, complete, and validated. Our audit, which was based on a statistical sample of 18 **USAID** operating units, found that the operating units did not report 1996 results data in their annual Results Review and Resource Request prepared in 1997, which were objectively verifiable, supported, accurate, complete and/or validated. In fact, based on a statistical sample, we found problems with 252 of the 302 results reviewed-or 83 percent (see pages 2 and 3).

The above problems existed because of deficiencies or weaknesses at the following three levels of organizations:

- Operating units did not always follow, or were not successful in following, prescribed **USAID** policies and procedures for measuring and reporting on program performance. For example, 90 reported results were not objectively verifiable because operating units did not follow prescribed requirements for establishing objective indicators for which results could be objectively verifiable. Nor did operating units always assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods as prescribed (see pages 5 and 7).
- The Bureau for Policy and Program Coordination (PPC) did not provide sufficient direction/support and oversight in requiring operating units to follow prescribed **USAID** policies and procedures-and federal requirements-for measuring and reporting on program performance. For example, PPC did not have (1) a system to monitor whether operating units followed prescribed **USAID** policies and procedures in reporting performance data in their **R4s** and (2) an action plan to correct identified problems: e.g., whether results reported in the **R4s** were objectively verifiable and whether operating units had regularly assessed performance data to ensure that reported data was of reasonable quality and accurately reflected performance (see page 12).
- Regional and central bureaus need to better carry out their assigned responsibilities for (1) reviewing and assessing the performance of each of its operating units in achieving that units' objectives and (2) managing the review of R4 submissions for operating units under

their authority. For example, these bureaus did not require operating units under their authority to specifically discuss in their R4s what the operating unit did to assess the reliability of performance data reported by them (see page 10).

Performance measurement problems have been previously reported. For example, over the past several years, the Office of the Inspector General has intermittently reported on weaknesses in USAID's ability to measure and report reliable program performance information. To illustrate, two audit reports issued in June 1995 identified that USAID needed better direction and control procedures to ensure that (1) objectively verifiable and measurable indicators are established to measure project and program performance and (2) reliable and useful performance data are reported and documented. Another audit report issued in March 1998 identified that 10 of 11 missions reviewed had not developed or finalized a formalized, ongoing system of data collection and verification to report good performance data (see page 1).

In our opinion, without reliable performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving their program objectives and related targets. The problems with performance indicators and reporting on performance also impair operating units' and USAID management's abilities to measure progress in achieving the operating units' program objectives and to use performance information in budget-allocation decisions. The problems also impair USAID's ability to comply with laws and regulations: e.g., to have internal controls to ensure reliable information is obtained, maintained, reported and used for decision making (see page 16).

This audit report includes one recommendation to the Bureau for Policy and Program Coordination (PPC) aimed at improving USAID's internal controls to ensure operating units report quality performance data to measure actual results against what was anticipated. These controls include better directions and oversight by USAID/Washington management (see page 16).

In responding to a draft of this report, PPC agreed that meeting the audit recommendation is highly desirable and that the recommendation can be met over time. However, based on the response provided for each of the four parts of the recommendation, we do not have a management decision because we could not determine whether PPC actually agreed to the specifics of the recommendation as to whether it would develop and implement quality standards and controls for both PPC and the regional and central bureaus. Also, while PPC's memorandum did provide helpful information on what corrective actions were being taken in some cases, in others we were not able to determine exactly what specific actions were being proposed. Furthermore, PPC did not provide the dates for achieving the corrective actions as required by USAID policy other than observing that the recommendation can be met "over time." Since we believe that it is critical for USAID to implement the corrective actions on a timely basis, we recommended that USAID implement these actions in regards to the R4s prepared in 1999. However, PPC did not address this part of the recommendation (see Appendix II).

Office of the Inspector General
March 5, 1999

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INTRODUCTION

Background

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 performance data; 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) 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.

Since USAID was established in 1961, it has initiated numerous systems to report on program results. However, none of these systems have been fully successful. Over the past several years, the Office of the 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

- Two audit reports issued in June 1995 which identified that USAID needed better direction and control procedures to ensure that (1) objectively verifiable and measurable indicators are established to measure project and 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 which identified that 29 of the 38 quantified results reported in the program performance section (76 percent) of the overview section were either incorrect, vague, or unsupported.
- Another audit report issued in March 1998 which identified that 10 of 11 missions reviewed had not developed or finalized a formalized, ongoing system of data collection and verification to report good performance data.

In light of the problems reported, and our continuing concern that these conditions may be prevalent throughout USAID, we decided to perform this USAID-wide audit to establish a

¹ The four audit reports referred to in this paragraph are Audit Report No. 1-000-95-006 (dated June 30, 1995), Audit Report No. 1-000-95-007 (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).

baseline for future OIG audit work, to identify problems with current data reporting, and to develop recommendations for improving data quality. This audit was not intended to assess the quality of the performance indicators, but rather to determine if the performance results reported in the R4s by operating units were objectively verifiable, supported, accurate, complete, and validated.

A total of 18 operating units were selected* using a statistical sample. These 18 operating units included 302 indicators for which performance results were reported for 1996. As of September 30, 1997, these operating units had obligated and expended in support of their active programs a total of approximately \$3.7 billion and \$2.7 billion, respectively.

Audit Objective

The Office of the Inspector General performed a worldwide audit to answer the following question:

Did USAID operating units report results data in their Results Review and Resource Requests prepared in 1997, which were objectively verifiable, supported, accurate, complete, and validated?

Appendix I describes the audit's scope and methodology.

² Twenty operating units were actually selected. One operating unit (**USAID/Eritrea**) did not report any performance results (or baseline data) for 1996. Another operating unit (**USAID/Niger**) was closed and the records were sent to other locations. Therefore, no audit work was performed for these two operating units.

REPORT OF AUDIT FINDINGS

Did USAID operating units report results data in their Results Review and Resource Requests prepared in 1997, which were objectively verifiable, supported, accurate, complete, and validated?

USAID operating units did not report results data in their Results Review and Resource Requests (R4s) prepared in 1997, which were objectively verifiable, supported, accurate, complete and/or validated. As shown below, we found problems with the results reported for 252 of the 302 indicators **reviewed**—or 83 percent. Based on our statistical sample, we are 94 percent confident that the number of results data reported in the R4s for 1996 which were not objectively verifiable, supported, accurate, complete, and/or validated ranges between 1,580 and 1,658 results for 1996 out of a universe of 1,940.

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 performance data; and (3) ensure that performance information is clearly documented and that the documentation is readily available for examination. For example, 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. Appendix III provides 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 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 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 was 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**—This includes (1) being within plus or minus one percent (1 .0 percent) of the actual documented result; and (2) being consistent with what was to be measured under the indicator, e.g., if the indicator was 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. (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.
- **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.

Significant Problems With Performance Data Reported by USAID Operating Units

As shown in Appendix IV, our audit found **problems**³ with 252 of the 302 results (83 percent) reported for performance indicators for which results were reported in the **R4s** for 1996 by the

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 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.

18 operating units included in our **audit**.⁴ A breakdown of these problems and related examples follows.⁵

- Results for 90 indicators were not objectively verifiable. For example, one indicator in USAID/El Salvador's R4 was "Salvadorans with increased knowledge of environmentally sound technologies and practices." The 1996 reported result was 300 men and 300 women. However, the Mission did not retain documentation on how the result was computed including its methodology. For example, the Mission did not have an acceptable definition of "increased knowledge." As such, the performance indicator was ambiguous as well as not operationally precise.

Also, for Africa Bureau's Office of Sustainable Development (AFR/SD), one indicator was the "[Number] of improved structural policies, programs and strategies (SPP) for broad-based Economic Growth that are implemented by African partners, donors, and USAID missions." AFR/SD reported for 1996 that four policies, programs and strategies were implemented. However, this indicator was not objectively verifiable because the R4 did not define or provide a baseline to measure "improved" policies, etc., or "broad-based" economic growth. The indicator is also not unidimensional because it attempts to measure three different conditions, "policies," "programs," and "strategies." AFR/SD also needed to be more precise in defining what it meant by "implementation," since the unfamiliar reader could have interpreted implementing as an initiating event or completion of the event or somewhere in between.

- Results for 77 indicators were not sufficiently supported. For example, one indicator in USAID/Bangladesh's R4 was "Number of marriages registered in target communities increased." The R4 reported 7,800. Mission officials said that this figure was based on telephone conversations with grantee officials.

In another case, at USAID/Zimbabwe, the indicator was "Number and Value of USAID-guaranteed Loans Extended to SMEs." The results data reported was based on information provided over the telephone by the financial institutions providing the loan servicing. Moreover, documentation subsequently received by the Mission from those institutions differed from the R4 results data.

⁴ Individual audit reports were issued for each of the 18 operating units reviewed (See Appendix V for report numbers and dates of issue). The individual audit reports discuss 143 specific examples of the 252 problems.

⁵ The numbers will not total 252 because we classified results as not validated in addition to another problem as noted previously in footnote number 3. As a result, of the 123 results classified as not validated, 108 pertained to the results which had problems being objectively verifiable, not being supported, accurate or complete. However, 15 results did not have any problems except that the results were not validated. Therefore, the 252 results with problems included 90 that were not objectively verifiable, 77 that were not supported, 49 that were not accurate, 21 that were not complete and 15 that were not validated (although 108 of the remaining 237 results had problems with validation, not including the previously mentioned 15 results which only had a validation problem).

- Results for 49 indicators were not sufficiently accurate. For example, one indicator in the Global Bureau’s Center for Human Capacity Development (G/HCD) was “Primary school achievement” and the unit of measure was the “5th Grade completion rate...” The R4 reported that the rate for 1996 was 64.2 percent. However, documentation provided by G/HCD officials showed that this was the percentage for 1991—not 1996. In addition, the documentation showed that this was the percentage of children reaching grade five, not completing that grade.

Results for another indicator, at USAID/Zimbabwe, was “Percent of Surveyed Population Reporting Appropriate Perception of Risk of HIV.” The R4 reported that 41 percent of the male and 47 percent of the female population surveyed had reported on their individual perception of the risk of HIV. However, a review of the supporting documents furnished by the Mission showed that such self-assessments of the risk of acquiring HIV/AIDS were 32.8 percent for males and 43.2 percent for females.

- Results for 21 indicators were not sufficiently complete. For example, one indicator, for the Republic of Georgia in USAID/Caucasus’ R4 report, was “Value of exports and non-factor [sic] services.” The R4 reported \$400 million supported by documentation from the International Monetary Fund, but this amount was incomplete as it did not include “non-factor [sic] services”. Mission officials stated that the indicator should have been changed accordingly.

At USAID/Nigeria, one indicator and the unit of measure was “Couple-Years of Protection.” The reported result was 648,831. However, this result was not complete because it reported results for nine months (October 1995 to June 1996), rather than the entire year.

- Results for 123 indicators were not sufficiently validated. For example, at USAID/Bangladesh, 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.

In another example, USAID/Madagascar had an indicator “Transition to community-based Title II food aid program.” For this indicator, 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.

In many cases, a result had a problem for more than one reason. 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. As a result, the number of problems noted above (i.e., 252 of 302 results) will not agree to the total of the individual problem categories (as previously discussed in footnote number 5).

A specific example of nonduplicating problems was for the USAID/Colombia indicator — “Percentage of decisions (dismissal or indictment) resulting from formal criminal investigations in the regional or other selected prosecutorial units.” The reported results were 27 percent for the regional courts and 39 percent for the ordinary courts. However, the actual results were 47 percent and 55 percent respectively. The inaccurate results were reported because they were based on data from a six-month period (January 1996 to June 1996) instead of a full year. Thus, although the data was also “not complete”, we classified the result as “not accurate.”

In another case, a USAID/Haiti indicator was the “Number of local government units having completed training modules.” The 1996 reported result was 22. However, the reported result only reflected local communes and not other types of legally autonomous governmental units (as defined by the indicator’s unit of measure). The USAID/Haiti program did encompass other local governmental units and was much larger in scope than what was reported. The Mission only provided supporting documentation for the local communes, and this documentation showed a result of 24 communes—two more than the 22 communes actually reported. Although we classified the result as “not supported”, it was also “not accurate” and “not complete.”

The above problems existed because of deficiencies or weaknesses at the operating unit level and at two USAID/Washington organizational components: the regional and central bureau level, and the Bureau for Policy and Program Coordination (PPC). These issues are discussed below.

Need for Better Internal Controls at the Operating Units

The above problems existed because operating units did not always follow, or were not successful in following, prescribed USAID policies and procedures [Automated Directives System (ADS) 200 Series] for measuring and reporting on program performance (as discussed in Appendix III). For example, the operating units:

- Did not always ensure indicators were objective as prescribed by ADS E203.5.5;
- Did not always maintain documentation to support reported results as prescribed by ADS 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 as prescribed by ADS E203.5.5.

Operating unit officials cited several explanations for not following, or not being successful in following, the prescribed policies and procedures. As shown in Appendix VI, the explanations provided by operating unit officials fall into four primary reasons: operating unit officials (1) were not fully aware of USAID's prescribed guidance; (2) needed to provide more attention to ensure documents supporting reported results are obtained and maintained; (3) mentioned that they did not have sufficient staff or funds to perform assessments to determine the quality of reported results; and (4) said they lacked the expertise to develop good indicators and monitoring systems to measure results (e.g., they need related training).

USAID officials at most of the operating units reviewed generally concurred with the findings in the audit reports directed at their operations and expressed a real concern to improve their R4s to include results which are objectively verifiable, accurate, complete, and validated; and to maintain documentation to support reported results. Also some of the operating units have already taken action to resolve the problems found. Examples of the overall desire by operating units to improve the performance data identified in their R4s and actions already taken include the following:

- At USAID/El Salvador, the Mission stated that it is implementing the recommendations by (1) scheduling a briefing on the audit results for Mission program managers; (2) revising deficient performance indicators that are still in use; (3) reviewing the indicators that were not audited to see if they comply with ADS standards; (4) reviewing current roles and responsibilities within the Mission to see if a more effective program monitoring system can be developed; and (5) hosting training for Mission staff to address performance measurement issues.
- USAID/Guinea stated in its comments to the audit report that by November 30, 1998 it will hold a workshop with **all** its partners in which it will review all of its performance indicators to (1) determine that they are relevant; (2) ascertain that they are clearly defined and understood by all concerned parties; and (3) confirm that they are objectively and independently verifiable (e.g., unidimensional in measuring desired results). Additionally USAID/Guinea stated that it has drafted and will soon issue a mission order stipulating the mission requirements for a Performance Monitoring Plan. Also, all Mission Strategic Objective teams will have in place at the time of the preparation of the 1999 R4 a mission approved Performance Monitoring Plan, which will include a time frame and plan for resolving data problems identified through the mission review process.
- In responding to the draft report, Global Bureau's Center for Human Capacity Development (G/HCD) management accepted the findings and recommendations of the audit, and stated the findings were broadly in accord with its own internal assessment of the R4 prepared in 1997. G/HCD management also stated that it was taking steps to

improve the R4 which will be prepared in 1999. For example, G/HCD has hired a contractor to review performance indicators and collect performance data. Management also stated it will establish Indicator Review Panels, comprised of colleagues from around USAID, to establish a revised set of indicators that reflect the best judgment of USAID's technical experts in basic education, higher education, training and information technology.

Need for Better Direction and Oversight by USAID/Washington

However, the operating units cannot be expected to resolve the problems themselves. We believe, based on the results of the audit (i.e., problems with 252 of the 302 results--or 83 percent—reported for performance indicators), that many of the problems found at the operating units can be attributed to insufficient support (including direction) and oversight by USAID/Washington bureaus to ensure operating units followed and effectively implemented prescribed USAID policies and procedures, as well as federal laws and regulations, for measuring and reporting on program performance. Such support and oversight responsibilities are assigned by USAID's Automated Directives System for Managing for Results, which was initiated in October 1995.

For example, the policies and procedures (ADS Sections 201 .5. 11 a and 203.3) prescribe the following:

- Regional and Central bureaus are responsible for (1) providing oversight and support to their operating units in developing strategic plans for those operating units, (2) reviewing and assessing the performance of each of its operating units in achieving that unit's objectives, and (3) managing the review of R4 submissions for operating units under their authority.
- PPC is responsible for (1) establishing USAID policy regarding strategic planning requirements; (2) reviewing and concurring with operating unit strategic plans for conformance with USAID goals and program policies; (3) with the Bureau for Management, conducting the USAID reviews of bureau budget submissions and ensuring that performance and results information is used in budget allocation decisions; and (4) providing technical leadership in developing USAID and operating unit performance monitoring and evaluation systems.

Based on the problems found at the operating units reviewed, we believe that the USAID/Washington bureaus' staffs had not effectively carried out their assigned responsibilities. As discussed below, the regional and central bureaus as well as PPC need to improve and increase their efforts to carry out their assigned responsibilities.

Regional and Central Bureaus

Although the regional and central bureaus reviewed the R4s prepared by the operating units under their authority, as generally documented by memorandums or cables, the documentation prepared for the reviews generally did not discuss specific problems that were identified during our audit, and which should have been identified during the bureau review process. The regional and central bureaus also did not require operating units under their authority to specifically discuss in their R4s (1) what the operating unit did to assess the reliability of performance data provided by others (e.g., contractors or host governments), (2) plans to verify and validate performance data, and (3) significant data limitations and their implications for measuring performance results against anticipated performance targets! In addition, even when specific problems were identified, the bureaus generally did not establish an action plan (with specific timeframes) for correcting the problems, except that the problems should be corrected by the next R4 submission. In the few cases noted where an action plan was identified (e.g., assistance to be provided), the required actions generally were not implemented.

Examples of insufficient bureau review or action include the following:

- The Global Bureau's review of the Center for Human Capacity Development's (G/HCD) R4 in April 1996 identified problems with performance indicators not being objective. The R4 approval memorandum issued by Global Bureau in February 1997 stated:

"G/HCD agreed that, in the absence of complete performance data tables (i.e., baseline and targets), results were not objectively verifiable. Before the next R4 review, the Center will produce Agency-standard performance data tables, develop additional performance indicators, and correct data inconsistencies."

However, the problems were not resolved. Furthermore, although the Global Bureau reviewed G/HCD's R4 in May/June 1997, the Bureau had not finalized its R4 "review agreements" memorandum, which was to summarize performance and specific agreements reached on G/HCD's strategic objectives. The draft memorandum (as of March 26, 1998) did not identify specific problems with the R4 indicators and reported results; but, the memorandum did state that "G/HCD agrees to have a complete performance monitoring plan in place before the next R4." Our review of G/HCD's R4 prepared in 1997

⁶ The Government Performance and Results Act (Results Act) requires federal agencies to prepare annual performance plans which (1) establish performance indicators to be used in measuring or assessing the relevant outputs and outcomes of each program activity, (2) provide a basis for comparing actual program results with the established performance goals, and (3) describe the means to be used to verify and validate measured values. In relation to the Annual Performance Plan, the U.S. General Accounting Office's "An Assessment Guide to Facilitate Congressional Decisionmaking" (GAO/GGD/AIMD- 10.1.18) states: "The Results Act requires that agencies describe in their annual performance plans how they intend to verify and validate performance data. The procedures should be credible and specific to ensure that performance information is sufficiently complete, accurate, and consistent to document performance and support decisionmaking..."

identified problems with all 26 results reported for 1996: 21 were not objectively verifiable, four were not accurate, and one was not supported by documentation.

- The Bureau for Latin America and the Caribbean's reviews of **USAID/Colombia's** R4 in May 1996 and April 1997 identified problems with performance indicators and targets as well as the availability of quality data to measure performance. Documentation also showed that during the 1997 review, **USAID/Colombia** requested assistance from the Bureau to (1) refine performance indicators and targets and (2) provide training to **USAID/Colombia** staff in performance measurement methodology. However, the requested assistance was not provided by the time of our audit in January 1998. Our review of **USAID/Colombia's** R4 prepared in 1997 identified problems with all 15 results reported for 1996: eight were not complete, three were not supported, two were not objectively verifiable and two were not accurate. Also, 11 of the 15 were not validated.
- **USAID/Zimbabwe** officials said that they met with Africa Bureau officials to "informally discuss" the R4 at various technical review meetings. However, neither **USAID/Zimbabwe** nor Africa Bureau officials could provide any documentation to support the findings or agreements resulting from those reviews. Our review of **USAID/Zimbabwe's** R4 prepared in 1997 identified problems with 7 of the 13 results reported for 1996 in which four were not supported and three were not accurate. Also, the same seven were not validated.
- **USAID/Bangladesh** officials said "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." They also noted that since the indicators were approved by **USAID/Washington**, they believed that the indicators were appropriate. In fact, **USAID/Washington's** comments (dated May 5, 1997) on the R4 stated: "...AID/W's overall assessment is that mission performance has been commendable..." Our review of **USAID/Bangladesh's** R4 prepared in 1997 identified problems with 29 of the 30 reported results tested for 1996: 13 were not objectively verifiable, 15 were not supported, and 28 were not validated.'

⁷ **USAID/Washington's** comments did identify some concerns. For example, they stated that the R4 relies heavily on service statistics, which may exhibit some inconsistency from year to year, thus partially lowering the confidence level for the determination that progress towards three strategic objectives was "commendable and on track." The comments also stated that **USAID/Washington** was ready to assist the Mission wherever possible to assure the quality and measurability of the strategic objectives and their corresponding intermediate results.

⁸ The numbers do not total 29 because we classified results as not validated in addition to another problem as noted previously in footnote no. 3. As a result, of the 28 results classified as not validated, 27 pertained to the results which had problems being objectively verifiable or not being supported. However, one result did not have any problems except that the result was not validated. Therefore, the 29 results with problems included 13 that were not objectively verifiable, 15 that were not supported, and 1 that was not validated (although 27 of the remaining 29 results had problems with validation).

Bureau for Policy and Program Coordination

In our opinion, there was insufficient direction/support and oversight by PPC officials for requiring operating units to follow prescribed USAID policy and procedures—and federal requirements—for measuring and reporting on program performance. For example, PPC did not have (1) a system to monitor whether operating units followed prescribed USAID policies and procedures in reporting performance data in their R4s and (2) an action plan to correct identified problems; e.g., whether results reported in the R4s were objectively verifiable and whether operating units had regularly assessed performance data to ensure that reported performance data were of reasonable quality and accurately reflected performance.

In addition to a need to improve their participation-or at least the documentation of their participation-and oversight in the R4 review process, PPC officials should also take a more assertive role in promoting the need for operating units to follow prescribed USAID policies and procedures and to meet federal requirements. For example, the USAID guidance cable issued by PPC for preparing the R4s in 1997 did not emphasize the need for performance data to be reported on a fiscal year basis. Although the cable stated that actual performance covered should be through fiscal year 1996, the guidance essentially allows operating units to report whatever performance data that happens to be available. For example, the guidance stated:

“...In cases where up-to-date performance data are not available because of the timing of data collection, you [i.e., operating units] should provide other evidence of progress toward achieving targets.”

Furthermore, the guidance issued for preparing the R4s in 1998 is even more vague on what was required to be reported. Although the guidance states that the R4s should describe progress over the past year relative to planned results defined by approved indicators and related baseline data and targets, the guidance did not specifically mention that the actual results should cover fiscal year 1997 nor that the results had to be consistent with the approved indicators and targets. Instead the guidance stated:

“Where up-to-date performance data are not available because of the timing of data collection, provide other evidence of progress, including proxy indicators, anecdotal material, or qualitative discussion.”

Concerning this audit, some PPC officials believed that the audit focused on “relatively minor problems” and that the criteria we were using for assessing the performance data was too stringent. For example, in August 1998, PPC officials who were responsible for managing USAID’s system for measuring program performance sent us a memorandum based on their review of five draft audit reports that were part of this worldwide audit. The officials believed that the auditors’ criteria and standards for performance data resulted in incorrect and misleading findings about the quality of results reported by USAID operating units. The officials stated that while some problems remain as USAID implements new systems to measure results under difficult and diverse development circumstances, they believed that their track record in collecting

and analyzing performance data is, in fact, quite strong. Also, the officials stated in December 1998 that performance data is just one significant element in determining whether progress is being made against program objectives and related targets. Other elements include information from program evaluations and the narrative sections of the **R4s**.

As previously discussed, the audits found problems with 252 of the 302 results reviewed (identified in Appendix IV)-which computes to 83 percent-and included the following: 90 results not objectively verifiable, 77 results not supported, 49 results not accurate, 21 not complete, and 123 results not validated. Furthermore, as discussed in this report, with the exception of “validation”, we classified a result as having only one problem when, in many cases, there were several problems (e.g., result being both not supported and not accurate). Therefore, we do not agree with the PPC officials that the **findings** focused on “relatively minor problems.”

We also recognize that the standards used for this audit regarding accuracy and completeness were stringent; but, we used these standards because **USAID** had not established specific standards. Furthermore, even though we used a stringent standard of one percent for determining the accuracy of reported data, the individual audit reports (listed in Appendix V) show that the auditors found at least 26 of the 33 reported results, had numerical differences. These differences were not accurate by at least 5 percent-ranging between 7.4 percent and 226 percent.’

In addition, we recognize that other sources of information in addition to performance indicator results reported in the **R4s** are used to make decisions. However, the **USAID** Performance Monitoring and Evaluation Series (TIPS) number 6 states:

“Performance indicators are at the heart of a performance monitoring system, they define the data to be collected to measure progress and enable actual results achieved over time to be compared with planned results. Thus, they are a indispensable management tool for making performance-based decisions about program strategies and activities.”

The problems of inadequate **USAID/Washington** direction and oversight for program management had been identified in other reports. For example:

- A joint **USAID-OMB** “SWAT Team” report issued in July 1992 stated: “There is no uniform guidance for oversight of field activities.” The report stated that the Washington office that should have played a major role in setting standards and defining responsibility for field activity monitoring failed to do so. As a result, there was no central guidance to Mission Directors to assure consistent and adequate field activity monitoring. The report concluded that a lack of uniform guidance and standards, compounded by

⁹ The individual audit reports identified 49 results that were classified as “Not Accurate,” but the auditors were not able to determine how much the numerical difference was for nine results because the actual result could not be determined. For example, if the result was to include data from two sources but only included data **from** one source, the reported result was not correct but the actual numerical results could not be determined.

inconsistent bureau requirements, creates confusion and weakens oversight. The SWAT Team also concluded that without clearly articulated responsibilities and standards, neither Washington managers nor Mission Directors could be held accountable for oversight of field activities. The SWAT Team recommended that **USAID** (1) clearly define the responsibilities for project and program activity monitoring and oversight at all levels including **USAID/Washington** regional bureaus, Director of Policy, and the Administrator and Deputy Administrator; (2) develop and implement **USAID**-wide standards for reporting project and program activity status; and (3) formally specify the information required for project and program oversight at each level of management and communicate these needs up and down the organizational ladder.

- Also, a 1995 OIG audit report¹⁰ identified that **USAID/Washington** needed to provide direction and oversight to ensure operating units establish objectively verifiable indicators to measure program performance and report reliable performance data. The recommendations in that audit report were closed based on PPC and the Regional and Central bureaus being assigned the responsibilities to ensure operating units follow prescribed guidance for monitoring program performance. Unfortunately, the **USAID/Washington** bureaus have not effectively implemented their assigned responsibilities.

Furthermore, during the audit, the Chairman of the House Committee on International Relations sent a letter to the **USAID** Administrator in April 1998 regarding **USAID's** Fiscal Year 1999 Annual Performance Plan (submitted to the House in February 1998). The letter commended **USAID** staff on the hard work and dedication to the implementation of the Government Performance and Results Act, which required an Annual Performance Plan for measuring program performance. However, the letter noted that the Plan fell short in three key areas, one of which was:

“Independence: under the plan it appears that program officers and missions will measure their own baselines, set targets and measure their progress towards those targets. For this system to truly work, AID must establish independent evaluators to measure these three factors to ensure honest grading outside without the inherent conflict of interest of program officers measuring the performance of their own projects.”

In response to the Chairman's concerns, **USAID** management (in a letter sent August 27, 1998) stated that various controls within **USAID's** review and approval process intend to keep self-assessments from becoming self-serving. For example, **USAID** management stated that operating units must report their progress annually in the R4, which is sent to **USAID/Washington**. They cited the following controls:

¹⁰ Audit Report on **USAID's** Systems for Measuring Program Results (Report No. I-000-95-006; dated June 30, 1995).

"..**At** the operating unit level, these self-assessments are reviewed and confirmed by the Mission Director before being reported to Washington. In Washington, they are reviewed by panels of individuals knowledgeable about the sector and/or country and region. These individuals either validate the operating unit's self - assessment of performance or disagree with it and explain why. Washington decisions on staffing and resources are informed by this independent assessment of performance.. .

This is not to say our system is perfect. It is new and there are gaps in it. We are well aware that problems with the validity and reliability of program level data exist. The nature and degree of these problems vary across operating units, the countries, and sectors within which **USAID** works, but we are trying to resolve these issues in ways compatible with the quality of data normally available within our work environment.. ."

Subsequent to the completion of the field work for this audit, **USAID** issued "Guidelines for Indicator and Data Quality" (TIPS No. 12) in October 1998 which was intended to identify (1) key criteria for operating units to use in assessing the quality of their performance indicators and data and (2) **USAID's** review and approval procedures for indicators and related data. The guidelines state: "Because performance data have become more important to Agency decisions, clear criteria for judging the quality of these data have become increasingly crucial."

Although the guidelines emphasize the need for better performance indicators and quality data, we believe the guidelines fall short of correcting the problems discussed in this audit report, especially the need for better direction and oversight by **USAID/Washington**. For example, the new guidelines merely restate the requirements for objective indicators and procedures to validate the reliability of data, requirements that already exist in prescribed **USAID** policies and procedures (as discussed in Appendix III) which were used as the criteria for this audit. Also, the new guidelines do not specifically discuss what documentation is acceptable to support reported results and how long the documentation needs to be maintained. The audit identified that at least 207 of the 302 results reviewed--or 69 percent--had problems in meeting these three criteria (i.e., objectively verifiable, supported, and validated).

In addition, in response to a previous OIG audit recommendation, PPC reported in its 1998 Federal Manager's Financial Integrity Act submission to the Administrator that **USAID** has a material weakness regarding performance measurement. **USAID** reported that its performance reporting does not yet adequately link its performance goals with its programs, ensure sufficiently current results or adequate quality of indicators, thereby limiting the utility of these systems as a management tool. PPC further noted that this material weakness impaired **USAID's** ability to obtain, maintain, report and use reliable and timely performance information for decision making.

In our opinion, without reliable performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving their program objectives and related targets. We believe that the problems with performance indicators and reporting on performance

show weaknesses in USAID's internal controls to prepare reliable performance information. And, in turn, these weaknesses impair operating units' and USAID management's abilities to measure progress in achieving the operating units' program objectives and to use performance information in budget-allocation decisions. The problems also impair USAID's ability to comply with laws and regulations. Therefore, USAID/Washington bureaus need to ensure that indicators included in operating units' R4s are objective, that quality data is available to measure performance, and that operating units regularly assess performance data identified in their R4s to ensure that the data is accurate, complete, supported by documentation from reliable sources, and that the supporting documentation is maintained. Also, USAID needs to develop a more structured system to monitor the progress by operating units in correcting data limitation problems identified in the R4s.

Recommendation No. 1: We recommend that the Bureau for Policy and Program Coordination develop and implement quality standards and controls for the Bureau for Policy and Program Coordination and the regional and central bureaus (for operating units under their authority) to assure that (a) the indicators in the R4s are objective and clearly defined regarding what specific results are to be measured (b) performance data reported in operating unit R4s prepared in 1999 are sufficiently accurate, complete, validated and supported, (c) any deficiencies in meeting these standards are fully disclosed including the reasons for the deficiencies, and (d) appropriate plans (including a timeframe) for correcting such deficiencies are discussed.

Management Comments and Our Evaluation

We appreciate the comments provided by the Bureau for Policy and Program Coordination (PPC) to our draft report. We recognize that USAID must abide by the various government performance requirements such as the Government Performance and Results Act (GPRA). PPC has responded to these requirements, for example, by revising its guidance for R4 results measures and issuing technical guidance (TIPS). PPC has also prepared a "PPC Work Plan for Overseeing the Agency's Implementation of the Results Act and Key Related Tasks." This work plan focuses on the key aspects of planning, measurement, monitoring and reporting of performance results.

In addition to the above, PPC agreed that meeting the audit recommendation is highly desirable and that the recommendation can be met "over time". However, based on the response provided for each of the four parts of the recommendation, we do not have a management decision because we could not determine whether PPC actually agreed to the specifics of the recommendation as to whether it would develop and implement quality standards and controls for both PPC and the regional and central bureaus. Also, while PPC's memorandum did provide helpful information on what corrective actions were being taken in some cases, in others we were not able to determine exactly what specific actions were being proposed. Furthermore, PPC did not provide the dates for achieving the corrective actions as required by USAID policy other than observing

that the recommendation can be met “over time.” Since we believe that it is critical for USAID to implement the corrective actions on a timely basis, we recommended that USAID implement these actions in regards to the R4s prepared in 1999. However, PPC did not address this part of the recommendation.

Regarding part (a) of the recommendation, PPC’s response mentioned that it has been aggressive in working to comply with the GPRA mandate and that USAID is using a phased approach to improving its measurement of results as evidenced by a GPRA work plan issued in September 1998. However, this work plan is very general and it does not address the specifics of this recommendation.

PPC’s response for part (b) talked about the definitions for what constitutes accurate, complete, and validated data. However, we could not determine if PPC was agreeing that it would develop and implement quality standards and controls for both PPC and the regional and central bureaus. PPC needs to implement these standards and controls to ensure that performance data reported in operating unit R4s are sufficiently accurate, complete, validated and supported.

For part (c), PPC stated that in its GPRA work plan, USAID intends to assess the effectiveness of the checks and balances in the reporting process. This plan calls for the production of a “best practices” description of how compliance with standards will be implemented and checked upon by PPC. We agree that PPC had noted what corrective action it will take. However, we cannot agree that a management decision has been reached because PPC did not provide the date when this planned action will be accomplished.

Regarding part (d) of the recommendation, PPC said that it will modify its GPRA work plan to include the appropriate planning necessary to correct the deficiencies agreed to in part (c) of the recommendation. In effect, PPC has noted the general corrective action that it will take, but they did not specify whether timeframes will be established for correcting deficiencies.

We appreciate the cooperation that PPC has provided to our audit team during this audit.

SCOPE AND METHODOLOGY

Scope

We audited USAID operating units' internal management controls for ensuring that they reported objectively verifiable, supported, accurate, complete, and validated performance results data in their Results Review and Resource Request (R4) reports. (See pages 3 and 4 of this report for definitions.) We audited only the results (including baseline data) reported for 1996 in the R4s prepared in 1997. The audits were performed in accordance with generally accepted government auditing standards and were conducted at 18 operating units from October 1997 through December 1998.

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

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

Methodology

This audit was a worldwide audit. Twenty operating units were originally selected using a random sample based on assistance from statisticians from the Department of Defense's Office of Inspector General. One operating unit (USAID/Eritrea) did not report any performance results (or baseline data) for 1996. Another operating unit (USAID/Niger) was closed and the records were sent to other locations. Therefore, no audit work was performed for these two operating units.

To accomplish the audit objective, we interviewed officials from various operating units, regional and global bureaus, and the Bureau for Policy and Program Coordination. We also reviewed the documents which supported the reported results. Where problems were found, we verified to the extent practical, the causes of the problems. This included additional interviews with USAID personnel.

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.

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

MANAGEMENT COMMENTS



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Assistant
Administrator

February 22, 1999

MEMORANDUM

TO: Acting AIG/A, Paul Armstrong

FROM: AA/PPC, Thomas H. Fox

SUBJECT : Audit of the Quality of Results Reported in
USAID Operating Units' Review and Resource
Request (R4) Reports Prepared in 1997
(Report No. 9-000-99-xxx-P).

Thank you for providing PPC an opportunity to comment on the audit of the Quality of Results Reported in USAID Operating Units' Review and Resource Request (R4) Reports prepared in calendar 1997. PPC fully agrees with OIG that meeting the audit recommendation is highly desirable. PPC believes that it can be met over time.

PPC understands and accepts that the OIG does not approve of the Agency's existing standards and approach to refining standards on the basis of experience (i.e., "learning by doing"). PPC also accepts OIG's audit findings based on their application of OIG's standards. However, as the Agency' repeatedly noted throughout this audit, a number of the "quality standards" used in this audit are not likely to be the ones USAID will ultimately use because they have not been demonstrated to be feasible or appropriate in USAID's working environment. The OIG's use of relatively absolute and stringent standards as defined in this audit (e.g., accurate "within plus or minus one percent") remains questionable. The institutional and financial cost of achieving OIG standards in all countries and for all USAID activities has not been evaluated relative to the benefits

¹ The term "Agency" rather than "FFC" is used because PPC actively involved all operating bureaus in this audit from the outset. Indeed, actively involving operating bureaus reflects the importance PPC places on audits of data quality. Also, engaging operating bureaus in this manner is a PPC tool for ensuring that bureaus implement standards and controls the same way.

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derived from meeting OIG standards. There will be countries and activities for which a lesser standard (and lower cost) will still provide adequate information upon which better management decisions can be made.

Given the complexities and pitfalls in setting standards, the Agency approach to improving performance information is to incrementally realign and refine guidance and standards. USAID will make changes based upon its reviews of emerging experience (to which this audit contributes) and on balancing the desire for better performance information with the demand for programs being implemented. USAID expects this OIG audit will be helpful in identifying where greater effort could improve USAID's oversight of results measurement. Findings in Office of Inspector General audits often improve USAID's implementation. However, USAID would like to establish more clearly the standards of successful results measurement systems and approaches before OIG begins any future audits to assess the adequacy of performance measures. The absence of such a clear understanding before and during this audit led to some confusion and contention about what standards are, or should be applied, to measure results.

SPECIFIC ASPECTS OF THE RECOMMENDATION:

FIRST PHRASE of the recommendation: "We recommend that the Bureau for Policy and Program Coordination develop and implement quality standards and controls for the Bureau for Policy and Program Coordination's and the regional and central bureaus' (for operating units under their authority).,."

PPC's will continue to set policy to define, refine and implement quality controls within guidance and feedback provided from OMB and Congress. Its oversight role will continue to evolve, just as federal government performance standards change under GPRA, GMRA, and the other 12 acts described by the GAO in Managing for Results-the Statutory Framework for Performance-based Management and Accountability. PPC's constant adjustment to statutory requirements is demonstrated by the bureau's ongoing revision of guidance for R4 results measures, technical (TIPS) best practices, move to an off-the-shelf-accounting systems and many other tools required to measure results.

Recommendation part (a) "the indicators in the R4s are objective and clearly defined regarding what specific results are to be measured"

The report indicates that USAID's performance indicators are currently structured so as to preclude it from reporting accurate performance data. USAID has been very aggressive in working to comply with the GPRA mandate. Based on the experience gained USAID believes it is appropriate to simplify our measurement process so that policy officials, counterparts and stakeholders will understand and accept which measures can be quantified readily and which cannot. USAID agrees that where it establishes measures which rely on quantitative data, the data must be readily available and routinely verifiable. Results measures will be discontinued (as provided for in OMB requirements) if they are not effective and economical to maintain and to review. PPC and the CFO staff will work together to better integrate GPRA and GMRA requirements for performance measurement. USAID invites the OIG staff to work with it on redefinition of the requirements of GPRA and GRMA.

USAID's phased approach to improving its measurement of results is again evidenced in PPC's recently issued clarifying guidance to USAID Missions about R4s, documents used for reporting on measurement of results. On September 18, 1998 PPC's Assistant Administrator also approved an internal "PPC Work Plan for Overseeing the Agency's Implementation of the Results Act and Key Related Tasks." This guidance responds to several findings in this audit. However, there are some differences and measures that require clarification between OIG, USAID and others. One primary difference is the need to clarify that the term "objective" can mean non-quantifiable, as is permitted under GPRA. While most indicators can be quantified, there are important ones in some goal areas, such as democracy and governance, that are not. The definition provided by the IG does not exclude non-quantifiable data.

Recommendation part (b) "Performance data reported in operating unit R4s prepared in 1999 are sufficiently accurate, complete, validated and supported,"

It is necessary for the OIG and PPC to come to agreement on the definition of what constitutes accurate, complete, validated and supported data. Such a definition may be

forthcoming from others as GPRA, GMRA and other reporting Acts are modified and refined. If that does not occur PPC proposes to formally meet with OIG staff, and other interested parties, within three months of the issuance of this audit to agree upon more precise definitions of "quality standards and controls." PPC believes that the term "accurate" needs clarification beyond what is in the audit report. There are several ways that this term can be used, and precision is required:

- a. Accurate means that the figure reported faithfully repeats the findings in the source document. i.e., that the value presented in the report is essentially the same as in the source document, and that there is no transcription error.
- b. Accurate means that, if numbers are rounded, it can only be done on the third significant figure. If a report states that a particular figure is '78.3', for example, the R4 could report it as '78' but not as 80.
- c. Accurate means that the reported value meets the definitional criteria, i.e., that if the indicator requires nutritional status of children under three is required, that nutritional status of children under age one or five is not accurate.
- d. Accurate can also mean how close the indicator is to 'reality'. In statistics, this is the 'standard error', and is usually represented by a range around the figure, i.e., 78 \pm 5. While the IG report does not address this meaning of the term, it is an issue that needs to be addressed. Thus, for example, UN figures are supposed to be \pm 10% of the 'real' value. Some USAID surveys, such as the Demographic and Health Survey, is supposed to be within \pm 5%. While the greatest accuracy possible is always desired, the cost of increasing accuracy increases exponentially. Thus, for example, a survey with an accuracy of \pm 1% will cost approximately ten times the amount of one that is \pm 10%.

Complete: PPC agrees that data should be 'complete' in that they include all data that was anticipated for the indicator and the time-period. However, in the real world, there are times that 'complete' data are not available. For the example cited, for example, it may be that one year data are available for all 20 provinces, and that the next, because of insurrection or floods, data for only 18 are available. Reporting 'incomplete' data is acceptable if the discrepancy is referenced.

Validated: PPC agrees that GPRA requires USAID to estimate the validity of data presented in its reports. However, in practice, this can be very difficult to do, if for example, the only economic data for a particular country is that reported by the Ministry of Finance in its application for a World Bank loan. It is often not feasible or cost effective for USAIDs to establish a separate survey to determine such data, and in these cases it is acceptable to report the questionable data, if the concerns are documented in the report.

Recommendation part (C), "any deficiencies in meeting these standards are fully disclosed including the reasons for the the deficiencies,"

PPC's September 18, 1988 Work Plan for Overseeing the Agency's Implementation of the Results Act and Key Related Tasks describes, in section 5.1, how USAID intends to "assess and monitor checks and balances in the [reporting] processes. This plan calls for production of a "best practices" description of how compliance with standards will be implemented, and checked upon by PPC. Once the best practices guide is completed it is hoped that OIG will review it to ensure it has adequate measures for meeting standards, and for disclosing reasons for deficiencies in meeting standards.

Recommendation Part **(d)**, "appropriate plans (including a time frame) for correcting such deficiencies are discussed."

PPC will be modifying its September 18, 1998 Work Plan to ensure that it includes the appropriate planning necessary to correct deficiencies agreed to in part(C) of the recommendation.

In the future **USAID's** criterion for data-gathering will increasingly emphasize that all data gathered must be useful for management purposes as envisaged by the new Managerial Cost Accounting Standards. **OMB's** last review of the **USAID** budget indicated that they were already able to use **USAID** performance information to evaluate **USAID's** proposed budget

Implementing results reporting requirements in an Agency like **USAID**, with funding in more than 100 foreign countries, is complex. These countries and the thousands of **USAID** non-governmental and private voluntary agencies working in them with **USAID**, often find it difficult to conform to performance standards and fiscal year accounting different from their own.

In conclusion, PPC recognizes the importance of good performance information to effective management and looks forward to working with the OIG towards this end.

**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 and related USAID policies and procedures.

Laws and Regulations

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

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

OMB Circular No. A-123 (dated June 21, 1995), which is the Executive Branch's implementing 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.

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

USAID Policies and Procedures

The most recent USAID system, known as the Automated Directives System for Managing for Results (ADS 200 Series), for measuring and reporting on program performance was initiated in October 1995. This new system requires (Section 203.5.1 a) that operating units establish performance monitoring systems to regularly collect and analyze data which will enable them to track performance and objectively report on the progress in achieving strategic objectives and intermediate results. The ADS 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.

ADS Section E203 5.5 also states:

“The Agency and its operating units shall establish performance monitoring systems which meet Agency standards for: developing performance indicators and baselines, managing and documenting the data collection process and ensuring the quality of performance data. ”

ADS Section E203 .5.5 further requires operating units to (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods; (2) collect results data for each performance indicator on a regular basis; and (3) reassess data quality as is necessary but at intervals of no greater than three years. These policies and procedures also state that if data for a performance indicator prove to be unavailable or too costly to collect, the indicator may need to be changed.

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

The **USAID** Performance Monitoring and Evaluation Series (TIPS) number 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. 6 also states:

“Performance indicators are at the heart of a performance monitoring system--they define the data to be collected to measure progress and enable actual results achieved over time

to be compared with planned results. Thus, they are an indispensable management tool for making performance-based decisions about program strategies and activities.”

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?”

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 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.

APPENDIX IV

**Analysis of Operating Units' 1996 Indicators and Results
(as reflected in their R4s prepared in 1997)"**

Operating Unit	Total Results Reviewed	Total without Problems	Total with Problems	Not Objectively Verifiable	Not Supported	Not Accurate	Not Complete	Not Validated
AFR/SD	25	1	24	21	2	1	0	0
BHR/ASHA	2	0	2	0	1	1	0	0
BHR/FFP	4	0	4	0	2	1	1	0
G/HCD	26	0	26	21	1	4	0	0
Bangladesh	30	1	29	13	15	0	0	28
Colombia	15	0	15	2	3	2	8	11
Ecuador	25	3	22	7	8	7	0	12
El Salvador	25	11	14	4	6	3	0	7
Georgia	12	0	12	3	4	3	2	3
Guinea	15	6	9	3	3	0	2	4
Haiti	25	2	23	3	8	7	2	19
India	25	8	17	2	3	6	5	3
Madagascar	18	8	10	0	7	2	0	4
Mexico	16	2	14	4	8	2	0	9
Nigeria	2	1	1	0	0	0	1	1
Reg. /So. Afr.	1	0	1	0	1	0	0	0
Senegal	23	1	22	7	1	7	0	15
Zimbabwe	13	6	7	0	4	3	0	7
Total	302	50	252	90	77	49	21	123

¹¹ 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.

**Office of the Inspector General's Audit Reports
on the Quality of Results Reported in USAID Operating Units'
Results Review and Resource Request (R4) Reports Prepared in 1997**

- Audit of the Quality of Results Reported for the Republic of Georgia in USAID/Caucasus' Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. B-1 14-98-005-P, dated August 26, 1998)
- Audit of the Quality of Results Reported in USAID/Regional Center for Southern Africa's (RCSA) Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 4-690-98-004-P, dated August 28, 1998)
- Audit of the Quality of Results Reported in the Bureau for Humanitarian Response's Office of Food for Peace Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 9-000-98-003-P, dated September 3, 1998)
- Audit of the Quality of Results Reported in USAID/India's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. B-386-98-006-P, dated September 3, 1998)
- Audit of the Quality of Results Reported in USAID/El Salvador's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-5 19-98-003-P, dated September 10, 1998)
- Audit of the Quality of Results Data Presented in USAID/Guinea's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 7-675-98-003-P, dated September 24, 1998)
- Audit of the Quality of Results Data Presented in USAID/Nigeria's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 7-620-98-004-P, dated September 24, 1998)
- Audit of the Quality of Results Reported in the Global Bureau's Center for Human Capacity Development Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 9-000-99-001-P, dated October 5, 1998)
- Audit of the Quality of Results Reported in the Bureau for Humanitarian Response's Office of American Schools and Hospitals Abroad Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 9-000-99-002-P, dated October 7, 1998)

- 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, dated October 8, 1998)
 - Audit of the Quality of Results Reported in USAID/Mexico's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-523-99-001 -P, dated October 13, 1998)
 - Audit of the Quality of Results Reported in USAID/Ecuador's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-518-99-002-P, dated October 13, 1998)
 - 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, dated October 26, 1998)
 - Audit of the Quality of Results Data Presented in USAID/Senegal's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 7-685-99-001-P, dated October 28, 1998)
 - Audit of the Quality of Results Reported in USAID/Colombia's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-514-99-003-P, dated October 30, 1998)
 - Audit of the Quality of Results Reported in USAID/Zimbabwe's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 4-613-99-002-P, dated November 10, 1998)
 - Audit of the Quality of Results Reported in USAID/Haiti's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-521-99-004-P, dated November 30, 1998)
 - Audit of the Quality of Results Reported by the Africa Bureau's Office of Sustainable Development in its Results Review and Resource Request Report Prepared in 1997 (Report No. 9-000-99-003-P, dated December 17, 1998)
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**Analysis of Reasons Cited by Operating Units for Problems
with the Indicators and Reported Results
(as reflected in their R4s prepared in 1997)**

Operating Unit	Officials Were Not Fully Aware of Requirements	More Attention is Needed to Ensure Documents are Obtained and Results are Supported	Insufficient Staff or Funds to Assess Validity of Data	Lack of Expertise to Develop Objective Indicators/Need for Training	Other Reasons (if reasons cited did not include any of the other reasons identified in this analysis)
AFR/SD	N/A	N/A	N/A	N/A	Familiarity with the subject matter; urgency to complete and issue the R4; over-reliance on contractors
BHR/ASHA	N/A	N/A	N/A	N/A	Mission officials were unable to review the R4 before it was distributed due to time constraints
BHR/FFP	N/A	N/A	N/A	N/A	Contractor did not retain documentation; unaware of problem with surveys
G/HCD	N/A	N/A	Yes	Yes	Need for USAID standards and guidance for collecting and reporting data; indicators were beyond G/HCD's manageable interest; lack of direction and oversight from USAID/Washington
Bangladesh	Yes	Yes	N/A	N/A	Applying the objectivity criterion requires more complex analyses; the Mission believed that U&AID/Washington approval affirmed the Mission's indicators as to being appropriate
Colombia	N/A	Yes	Yes	Yes	

Operating Unit	Officials Were Not Fully Aware of Requirements	More Attention is Needed to Ensure Documents are Obtained and Results are Supported	Insufficient Staff or Funds to Assess Validity of Data	Lack of Expertise to Develop Objective Indicators/Need for Training	Other Reasons (if reasons cited did not include any of the other reasons identified in this analysis)
Ecuador	N/A	Yes	N/A	Yes	Requirement for maintaining supporting documentation was not clearly established
El Salvador	Yes	Yes	N/A	N/A	Rotation of staff and lack of clear responsibility; relied on official estimates
Georgia	N/A	Yes	Yes	N/A	Lack of approved strategy; lack of time; problems with host country
Guinea	Yes	Yes	N/A	Yes	
Haiti	Yes	Yes	N/A	Yes	
India	N/A	N/A	N/A	N/A	Difficult to establish clear and explicit indicators for some USAID activities; India is a large country so good data is not available or may be time-consuming and expensive; more care will be given to proofing documents; pressure to report results for all indicators-even if only incomplete data is available; numerous changes in the indicators
Madagascar	N/A	N/A	N/A	N/A	Problems due to time constraints; considered provisional figures acceptable rather than not report any data

APPENDIX VI
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Operating Unit	Officials Were Not Fully Aware of Requirements	More Attention is Needed to Ensure Documents are Obtained and Results are Supported	Insufficient Staff or Funds to Assess Validity of Data	Lack of Expertise to Develop Objective Indicators/Need for Training	Other Reasons (if reasons cited did not include any of the other reasons identified in this analysis)
Mexico	N/A	Yes	Yes	N/A	Not aware of extent of inaccuracies; implementation of the ADS is new to them
Nigeria	N/A	N/A	N/A	N/A	Only 9 months of data was available when R4 was prepared; Mission believed field trips were sufficient to assess quality of data
Reg. Ctr/ So. Africa	N/A	Yes	N/A	N/A	
Senegal	N/A	Yes	N/A	N/A	Uncertain of the data collection and reporting requirements; some confusion about what an assessment required
Zimbabwe	N/A	N/A	Yes	N/A	A system of quality control is needed; reliance on outside sources which were not sufficiently informed about USAID reporting needs
Total Operating Units Citing Reason for Problem with Reported Result	4	10	5	5	14