Office of Inspector General

September 26, 2012

MEMORANDUM

TO: USAID/Afghanistan Mission Director, S. Ken Yamashita

FROM: OIG/Afghanistan Director, Jacqueline Bell /s/

SUBJECT: Review of USAID/Afghanistan's Monitoring and Evaluation System
(Report No. F-306-12-002-S)

This memorandum transmits our final report on the subject review. In finalizing the report, we carefully considered USAID/Afghanistan's comments on the draft, and we have included them in Appendix II.

This report contains ten recommendations to assist USAID/Afghanistan in improving its monitoring and evaluation system. In response to the draft report, USAID/Afghanistan generally agreed with the recommendations. According to our evaluation of USAID/Afghanistan's comments on our draft report, final action has been taken on Recommendations 2, 4, and 8, and management decisions have been reached on Recommendations 1, 3, 5, 6, 7, 9, and 10.

Thank you for your cooperation and courtesy extended to the team during this review.

SUMMARY

At the July 7-9 Tokyo Conference on Afghanistan, the Government of the Islamic Republic of Afghanistan and the international community agreed on ways to increase the effectiveness of international assistance to Afghanistan, including measures to "collectively review progress."[1] This emphasis highlights the importance of performance monitoring and evaluation by USAID/Afghanistan, which manages the country's largest and most complex development program.

A significant and continuing constraint to USAID/Afghanistan's program monitoring and evaluation is the security situation in Afghanistan. The country remains a high-threat environment, and security concerns often constrain the mission's ability to implement and monitor projects throughout the country. USAID/Afghanistan has repeatedly identified this impediment in annual reports to USAID/Washington. In addition, the constant staff turnover at USAID/Afghanistan erodes the staff knowledge base since managers and subordinate staff members are often unfamiliar with the projects under their purview.

As of March 31, 2012, the mission reported having 95 active awards with $4.5 billion in obligations and $3.6 billion in disbursements. Besides involving large dollar amounts, these programs—in agriculture, economic growth, infrastructure, democracy and governance, health, education, and stability—are widely dispersed geographically and often implemented in active war zones.

The Office of Inspector General (OIG) conducted this review to determine whether USAID/Afghanistan has a monitoring and evaluation system to manage program activities effectively. OIG selected a judgmental sample of 22 projects from a universe of active projects to review during fieldwork at USAID/Afghanistan, Regional Command Southwest in Kandahar Province, and the central management offices of two implementing partners in Kabul.

USAID/Afghanistan has implemented several elements of an effective monitoring and evaluation system. For example, the mission's performance management plan (PMP) identifies assistance objectives and the desired intermediate results to be achieved in different sectors. The PMP also includes performance measures or indicators used to gauge progress toward results. The PMP is an important component of the mission's monitoring and evaluation system.

Mission officials also use other techniques to monitor progress, including obtaining and reviewing periodic reports from implementing partners, meeting with implementing partner staff members, and conducting site visits. In some cases, the mission also relies on monitoring techniques suggested in "Lessons Learned: Monitoring and Evaluation in Complex, High-Threat Environments[2]." These include requiring that implementing partners submit photographs of accomplishments along with periodic performance reports. Moreover, to address the challenges associated with working in a war zone, USAID/Afghanistan has implemented an on-site monitoring program, under which field personnel have been trained and designated to perform some of the monitoring functions that would normally be done by agreement and contracting officer representatives (A/CORs) traveling from Kabul.

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[1] U.S. Department of State Fact Sheet, Office of the Spokesperson, July 8, 2012.
[2] USAID's Office of Transition Initiatives, April 2010.

In the area of evaluation, the mission develops an annual evaluation plan and conducts evaluations examining project performance at the midterm and at the end of each project. Once the evaluations are completed, the technical offices track actions taken on recommendations in the evaluation reports. For example, the Office of Democracy and Governance's evaluation of the Afghan Media Development and Empowerment Project used the project evaluation to develop the program description and work plan for the project extension. In addition, the mission has contracted with U.S.-based firms such as Checchi and Company Consulting Inc. to provide independent monitoring and evaluation of USAID/Afghanistan projects.[3]

While USAID/Afghanistan has implemented several elements of an effective monitoring and evaluation system, that system can be strengthened by addressing the following problem areas, discussed in more detail in the next section of the report.

- The mission did not issue guidance on monitoring (page 4). The mission does not have a current mission order addressing monitoring generally or its on-site monitoring program in particular. Further, no mission order details the roles and responsibilities of mission staff members in monitoring on-budget assistance, which is delivered through Afghanistan's own budgetary, spending, and accounting systems to help the government meet fiscal targets required by the International Monetary Fund and improve budget planning and cash-flow management.

- Not all projects had approved management plans (page 5). USAID/Afghanistan requires that its implementing partners develop project PMPs that the A/CORs have to approve. However, some A/CORs were not aware of guidance that could assist implementing partners in developing, and A/CORs in reviewing, project PMPs.

- Technical officers did not complete refresher training (page 6). AORs and CORs are required by USAID to maintain their designation through mandatory refresher training. Yet, while most AORs and CORs were aware of the refresher training requirement, some had not completed such training.

- Some implementing partners did not record performance in Afghan Info (page 7). Afghan Info is the system the mission uses in reporting performance to stakeholders. Without contributions from all partners, data maintained and reported by Afghan Info is not complete.

- Mission officials did not consistently validate data reported to them (page 8).

The report recommends that USAID/Afghanistan:

1. Issue a mission order on project monitoring overall and specifically on on-site monitoring (page 5).

2. Issue a mission order on the design, implementation, and monitoring of on-budget assistance (page 5).

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3 As the implementer of the Services under Program and Project Offices for Results Tracking (SUPPORT) Project, Checchi is helping improve the mission's monitoring and evaluation and program information systems.

3. Direct mission staff members to resources that will assist them in (1) providing guidance to implementing partners on the development of effective project PMPs and (2) reviewing project PMPs (page 6).

4. Complete and approve the PMP for the Land Reform in Afghanistan Project (page 6).

5. Notify its staff of (1) the continuous learning requirements for A/CORs and (2) the means available for meeting those requirements (page 7).

6. Require that mission offices (1) verify that employees have met the mandated continuous learning requirement for A/CORs before nominating them to serve in those positions and (2) communicate employees' certification status when nominating them to serve as A/CORs (page 7).

7. Determine whether all partners with ongoing projects are reporting performance data in Afghan Info, and require any partners not reporting in Afghan Info to do so (page 8).

8. Provide its implementing partner on the Southern Region Agriculture Development Program with training on Afghan Info, verify that the partner has appropriate access to the system, and verify that the partner uses the system to report performance data (page 8).

9. Require Government of Afghanistan ministry recipients of on-budget assistance to report their performance data in Afghan Info, and verify that they are doing so (page 8).

10. Issue written instructions to agreement and contracting officers to verify data reported by implementing partners (page 8).

A description of the review's scope and methodology is in Appendix I. The mission's comments on the draft review appear in Appendix II, and our evaluation of those comments begins on page 9.

REVIEW RESULTS

Mission Did Not Issue Guidance
on Monitoring

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* defines internal control as "an integral component of an organization's management that provides reasonable assurance" that its operations are effective and efficient, among other things. In addition, as stated in the *Government Auditing Standards*, internal control, sometimes referred to as management control, in the broadest sense includes the plan, policies, methods, and procedures adopted by management to meet its missions, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations.

USAID's Automated Directives System (ADS) 596.3.1 states that USAID managers and staff members must develop and implement appropriate, cost-effective internal controls that produce results and assure the financial integrity of transactions. Clear policies, procedures, and guidance, such as mission orders, serve as important internal controls that help mitigate risk and support the success of development projects and programs.

Despite the importance of such controls, the mission does not have mission orders concerning monitoring, as discussed below.

On-Site Monitoring Program. Managing a development program in a high-threat environment such as Afghanistan presents special risks and challenges. For example, Kabul-based A/CORs are sometimes unable to visit project sites in high-risk locations. To help address these limitations, in September 2010 USAID/Afghanistan formally established its on-site monitoring program. On-site monitors (OSMs) are field-based mission staff members who have received training in carrying out some monitoring responsibilities normally performed by AORs or CORs. OSMs are in a unique position to monitor how well an implementing partner is progressing toward achieving project results. According to mission officials, they have trained more than 140 OSMs and issued 300 OSM designation letters, which formally designate OSMs to monitor specific projects.[4] The designation letters outline the OSMs' principal roles and responsibilities, as well as limitations on their authority.

Although designation letters tell the OSMs what to do, other mission personnel do not necessarily know what responsibilities have been delegated to OSMs. USAID/Afghanistan has not issued a mission order that addresses monitoring, including the mission's on-site monitoring program. Some mission officials voiced concerns with the mission's limited guidance regarding OSMs:

- One office director noted that clarification is needed of the roles and responsibilities of AORs/CORs who manage projects and of OSMs who are to monitor those projects.

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[4] The mission may designate multiple projects to an OSM to monitor.

- Some AORs/CORs do not believe that all OSMs have the technical skills necessary to monitor their projects properly. One field manager said some new field staff members have limited knowledge of the working environment in Afghanistan.

- Some OSMs noted that their lack of authority limited their ability to address problems with the implementing partners they monitor. (There is apparently confusion regarding this point, since an OSM is supposed to refer issues to the A/COR, rather than address them on his or her own.)

These issues could be clarified and addressed in a mission order. While the mission is working on a mission order addressing both the on-site monitoring mechanism and project monitoring overall, progress has been slow, in part because the mission has been preparing a mission order on project design (good project design enables more effective monitoring) as well as other mission orders. However, until the mission issues a comprehensive mission order addressing monitoring, the risk remains that AORs/CORs and the OSMs that monitor their projects and programs may not work together in the most effective manner and that the progress of projects and programs may suffer. Consequently, we make the following recommendation.

> **Recommendation 1.** *We recommend that USAID/Afghanistan issue a mission order on project monitoring overall and specifically on on-site monitoring.*

On-Budget Assistance. USAID/Afghanistan is working toward implementing more of its assistance through the Government of Afghanistan, with an ultimate goal of raising the share of on-budget assistance to 50 percent. According to mission's officials, on-budget assistance is a system used to deliver funds through the Afghan Government's financial management system. However, current guidance is insufficient regarding the roles and responsibilities of mission staff members in designing and implementing on-budget assistance projects, including responsibilities for monitoring and evaluation. While the mission has drafted a mission order, it has yet to be issued for reasons mentioned above. Lack of sufficient mission guidance concerning on-budget assistance increases the risk that such assistance may not be properly monitored and that the mission's on-budget assistance projects may not progress as intended.

> **Recommendation 2.** *We recommend that USAID/Afghanistan issue a mission order on the design, implementation, and monitoring of on-budget assistance.*

Not All Projects Had Approved Performance Management Plans

USAID/Afghanistan requires implementing partners to develop project PMPs and submit them to the mission for approval. The project PMP is designed to assist in monitoring, analyzing, evaluating, and reporting progress toward achieving the project's objective. To be effective, it must be well formulated. Requiring a project PMP is a good practice, since it can be a useful tool in monitoring a project's progress (ADS 203.3.3.4). For example, performance indicators included in the PMP should be unambiguous about what is being measured and should closely track the results that they are intended to measure (ADS 203.3.4.2). If this is not the case, performance indicators in the PMP may not accurately reflect progress on the intended dimensions of performance, which in turn could mean that mission officials and others do not have reliable information for making decisions. ADS 203 ("Assessing and Learning") and other Agency resources contain guidance on constructing good indicators and PMPs.

However, the mission's Land Reform in Afghanistan Project contract, valued at $140 million, had no approved PMP 18 months after the project began in February 2010. According to the COR, while numerous contract modifications delayed completion and approval of the project PMP, another reason for the delay was that the implementing partner lacked expertise in developing a PMP.

Two A/CORs, including the one for the land reform project, indicated they were not aware of guidance such as that found in ADS 203 that could assist them and their implementing partners in developing PMPs. They also said they were not aware of training that prepares A/CORs to review project PMPs and to provide guidance and feedback to implementing partners. Both agreed that an approved PMP would help AORs better monitor and evaluate an implementer's progress toward achieving intended program results.

Without a complete PMP, the mission lacks reasonable assurance that the project's activities are achieving intended results. Accordingly, we make the following recommendations.

> **Recommendation 3.** *We recommend that USAID/Afghanistan direct mission staff members to resources that will assist them in (1) providing guidance to implementing partners on the development of effective project performance management plans and (2) reviewing project performance management plans.*

> **Recommendation 4.** *We recommend that USAID/Afghanistan complete and approve the performance management plan for the Land Reform in Afghanistan Project.*

Technical Officers Did Not Complete Refresher Training

To be A/CORs, USAID employees must be certified. They gain certification by completing training, and they maintain certification by completing 40 hours of refresher training (called continuous learning) every 2 years.[5] In addition, they must report completed training courses to the Agency's Office of Human Resources' Training and Education Division, which maintains a transcript of courses completed by USAID employees.[6] (Employees have access to their transcripts, and others may check an employee's training status by contacting the division's training officer.)

Despite the requirement for refresher training, at least 6 of the 11 designated A/CORs working at USAID/Afghanistan who received certification between 2002 and 2009 had not completed the training. While almost all of the A/CORS interviewed were aware of the refresher training requirement, they gave various reasons for not meeting it. In most cases, A/CORs were unaware of refresher training opportunities at the mission—for example, online courses offered through USAID University. Others believed they were not eligible for training.

Responsibility for tracking such training rests with the Training and Education Division and with the individual A/COR. Still, the mission's technical offices nominate employees to serve as AORs and CORs, and its agreement and contracting officers designate AORs and CORs on USAID/Afghanistan agreements or contracts. ADS guidance (302.3.4.11.c and 303.3.14.c)

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[5] ADS 302.3.4.11.b and ADS 458.3.5.5.b list requirements for CORs, and ADS 303.3.14.b lists those for AORs.
[6] ADS 458.3.5.5.b.

states that by issuing the designation letter, the agreement or contracting officer "confirms that he or she has verified the appointee's eligibility, including his or her certification status." Yet the agreement and contracting officers in Kabul acknowledged they had not checked the certification status of individuals nominated to serve in such positions who were trained prior to 2009.

An A/COR who does not fulfill the refresher training requirement may not be current on A/COR best practices. Further, the mission may not be able to designate the employee as an A/COR without granting an exception, which should be done only in exceptional circumstances. Since the USAID technical office requiring the assistance or acquisition nominates the employee to serve as an A/COR, that office has a role to play in helping to ensure that the employee has met the refresher training requirement. Likewise, agreement and contracting officers play a role in determining whether a nominated employee has met the refresher training requirement. Accordingly, we make the following recommendations.

> **Recommendation 5.** *We recommend that USAID/Afghanistan notify its staff of (1) the continuous learning requirements for agreement and contracting officer representatives and (2) the means available for meeting those requirements.*

> **Recommendation 6.** *We recommend that USAID/Afghanistan require that mission offices (1) verify that employees have met the mandated continuous learning requirement for agreement and contracting officer representatives before nominating them to serve in those positions and (2) communicate employees' certification status when nominating them to serve as agreement and contracting officer representatives.*

Some Implementing Partners Did Not Report Performance in Afghan Info

Standards for Internal Control in the Federal Government notes: "Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results." Monitoring performance measures and indicators is such a control activity. However, an entity's ability to monitor performance adequately depends on having complete and reliable data.

USAID/Afghanistan uses an information system called Afghan Info to collect performance information on its projects. The mission's implementing partners periodically enter performance information directly into Afghan Info. According to a senior mission official, the purpose of Afghan Info is to provide performance reporting to stakeholders—e.g., to various levels of USAID management as well as to outside parties like Congress.

Two of the projects reviewed, the Southern Region Agriculture Development Program and the District Delivery Program with combined budgets of $73 million, were not using Afghan Info to report on their activities. The chief of party for the agricultural program said he was unfamiliar with Afghan Info and had not received any training on it. The implementation letter for the District Delivery Program, which is an on-budget program, did not require the responsible Afghan Government directorate to report performance information in Afghan Info. Moreover, discussions with staff members of the Office of Program and Project Development revealed that there might be additional projects whose implementers were not reporting performance results in Afghan Info.

While many implementers successfully report on their projects' performance using Afghan Info, the absence of some projects' performance data prevents mission officials from using the system to monitor their projects' performance, as intended. To address this situation, we make the following recommendations.

> **Recommendation 7.** *We recommend that USAID/Afghanistan (1) determine whether all partners with ongoing projects are reporting performance data in Afghan Info and (2) require any partners not reporting in Afghan Info to do so.*

> **Recommendation 8.** *We recommend that USAID/Afghanistan provide its implementing partner on the Southern Region Agriculture Development Program with training on Afghan Info, verify that the partner has appropriate access to the system, and verify that the partner uses the system to report performance data.*

> **Recommendation 9.** *We recommend that USAID/Afghanistan (1) require Government of Afghanistan ministry recipients of on-budget assistance to report their performance data in Afghan Info and (2) verify that they are doing so.*

Mission Officials Did Not Consistently Validate Data Reported to Them

ADS 203.3.3.2.b notes that making decisions on the basis of performance data is one of the key principles of effective performance management. However, for performance data to lead to sound management decisions, the data should be reliable and accurate. Accordingly, the A/COR is expected to verify the accuracy of reports submitted by the implementing partner. ADS supplemental references (Performance Monitoring and Evaluation TIPS Number 12, "Data Quality Standards," and Number 18, "Conducting Data Quality Assessments") suggest verifying data by regularly spot-checking and reviewing documentation from implementing partners.

Yet 5 of 18 A/CORs interviewed said they did not use spot-checks or periodic reviews to validate the data in reports submitted by their implementing partners. The A/CORs offered various reasons for not doing so. For example, two AORs stated that they would not check data unless abnormalities were noted, such as when "numbers reported appear too high or too low." Then an AOR would contact the implementing partner with follow-up questions. A third AOR, whose project had recently started and did not have much data reported, said he was unsure how to verify data since he had not had the required refresher training in this area. As for CORs, two confirmed that they did not personally verify data. One relied on other technical offices and other CORs to verify data, while another said he expected OIG to verify data during the course of its audits and reviews.

Unreliable data can affect the appropriateness of management decisions and the ability of managers to evaluate the effectiveness and efficiency of their programs. To help ensure that A/CORs validate data, we make the following recommendation.

> **Recommendation 10.** *We recommend that USAID/Afghanistan issue written instructions to agreement and contracting officers' representatives to verify data reported by implementing partners.*

EVALUATION OF MANAGEMENT COMMENTS

After reviewing USAID/Afghanistan's comments on our draft report, we have determined that final action has been taken on Recommendations 2, 4, and 8, and management decisions have been reached on Recommendations 1, 3, 5, 6, 7, 9, and 10. USAID/Afghanistan should provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close all recommendations.

Recommendation 1. USAID/Afghanistan agreed to issue a mission order providing staff guidance on both monitoring and evaluation, including on-site project monitoring. Mission officials expect to issue this mission order by October 31, 2012. Given the mission's actions and plans, we consider that a management decision has been reached.

Recommendation 2. USAID/Afghanistan agreed to issue a mission order providing guidance on the design, implementation, and monitoring of on-budget assistance. On August 23, 2012, mission officials published on-budget assistance mission order. Accordingly, final action has been taken on this recommendation.

Recommendation 3. USAID/Afghanistan agreed to issue a mission notice by September 15, 2012, directing staff to resources on developing and reviewing project PMPs. Mission officials plan to provide additional guidance in a monitoring and evaluation mission order to be published by October 31, 2012. Based on these actions, a management decision has been reached on this recommendation.

Recommendation 4. USAID/Afghanistan disagreed with completing and approving a PMP for the Land Reform in Afghanistan Project, which officials said had a completed PMP as of May 2011, 4 months after project start-up. Mission officials said the implementing partner revised the PMP twice; the second revision was awaiting approval at the time of the review and was approved in March 2012.

Although mission officials provided a draft PMP to auditors during fieldwork in February 2012, it was in their August management comments (shown in Appendix II) that they informed us they had approved the PMP and provided a copy of it. Having approved the plan, the mission has taken final action on this recommendation.

Recommendation 5. USAID/Afghanistan agreed to notify its staff about requirements for each A/COR certification level and ways available for meeting the requirements by September 15, 2012. Based on these actions, a management decision has been reached on this recommendation.

Recommendation 6. USAID/Afghanistan agreed and planned by September 15, 2012, to begin using a checklist to document A/CORs' training. A/CORs will list all training completed, and both they and their supervisors will be asked to certify that the training and relevant experience are sufficient to meet the continuous learning and experience requirements. Thus, a management decision has been reached on this recommendation.

Recommendation 7. The mission agreed to determine whether all partners with ongoing projects are reporting performance data in Afghan Info and to require partners that are not reporting to do so. By December 31, 2012, the mission plans to inform relevant officials of the importance of reporting in the system and ensure that requisite training and access are provided. In addition, mission officials plan to review Afghan Info data quarterly to verify the quality and completeness of implementers' reporting. Accordingly, a management decision has been reached on this recommendation.

Recommendation 8. USAID/Afghanistan disagreed, saying that staff members of the Southern Region Agriculture Development Program received training from the mission's Office of Program and Project Development and have been entering information in Afghan Info for several quarters.

We note that USAID/Afghanistan provided training to the implementer and ensured its appropriate access to the system in April 2012. Consequently, the mission has taken final action on this recommendation.

Recommendation 9. USAID/Afghanistan disagreed with requiring Government of Afghanistan ministry recipients of on-budget assistance to report their performance data in Afghan Info. However, on August 23, 2012, the mission issued a mission order on on-budget assistance. It requires on-budget assistance monitors to conduct periodic reviews of programs and projects and advise government recipients of on-budget assistance. A subsequent mission order on project monitoring and evaluation, to be published by October 31, 2012, will provide additional guidance to staff monitoring on-budget assistance activities. Based on these actions, a management decision has been reached on this recommendation.

Recommendation 10. USAID/Afghanistan agreed, saying that the mission order on monitoring and evaluation, to be published by October 31, 2012, will provide clear direction on validating data. Mission officials plan to collaborate with multiple stakeholders to verify system data by December 31, 2012. Accordingly, a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

OIG conducted this review in accordance with the general standards in Chapter 3 and the evidence and documentation standards in Paragraphs 7.19 and 7.22 of *Government Auditing Standards*. Those standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our review objective. We believe that the evidence obtained provides that reasonable basis.

The objective of this review was to determine whether USAID/Afghanistan has a monitoring and evaluation system to manage program activities effectively. The mission had 95 active awards with total obligations of approximately $4.5 billion and total disbursements of approximately $3.6 billion as of March 31, 2012. A judgmental sample of 22 projects was selected from the universe of active projects for further review. Since the testing was based on a judgmental, not a statistical, sample, the results and conclusions related to this analysis are limited to those projects.

The review was performed in Afghanistan from December 1, 2011, through April 30, 2012. Fieldwork was conducted at USAID/Afghanistan, Regional Command Southwest in Kandahar Province, and the central management offices of two implementing partners in Kabul.

Methodology

To answer the review objective, we identified and assessed the internal controls for monitoring and evaluating USAID/Afghanistan's projects. The assessments were based on discussions with USAID officials and implementing partners, review of Agency guidance, and review of mission documentation. We developed a list of questions for assessing the mission's internal controls for monitoring and evaluation. These questions formed the basis of interviews with mission personnel and implementing partners. We reviewed the grants, cooperative agreements, contracts, implementation letters, statements of work, monitoring and evaluation plans, PMPs, and progress and financial reports to determine the requirements for monitoring and evaluation both at the mission and in the field. We used this information in assessing the mission's monitoring and evaluation of activities. We also reviewed USAID/Afghanistan's Federal Managers' Financial Integrity Act report for fiscal year 2010. We reviewed prior audit reports to identify internal control and other issues relevant to this review.

MANAGEMENT COMMENTS

USAID | AFGHANISTAN
FROM THE AMERICAN PEOPLE

MEMORANDUM   August 20, 2012

TO: Jacqueline Bell, OIG/Afghanistan Director

FROM: S. Ken Yamashita, Mission Director, USAID/Afghanistan/s/

SUBJECT: Review of USAID/Afghanistan's Monitoring and Evaluation System
(Report Number F-306-12-XXX-S)

REFERENCE: NLokos/BIsham memo dated 07/14/2012

As requested in referenced memo, set forth below are the Mission's comments on the findings and recommendations in the draft audit report.

Recommendation 1: We *recommend that USAID/Afghanistan issue a mission order providing guidance on project monitoring overall, and specifically, on-site monitoring.*

Mission Comments: USAID/Afghanistan concurs with this recommendation. USAID/Afghanistan understands the importance of having specific Mission guidance to ensure complete, accurate and timely monitoring data on all of its projects. Mission decision-making relies on this data to determine if we are achieving our goals and how we need to support or alter our programmatic strategy. The environment of Afghanistan and the scope of USAID/Afghanistan's portfolio make data collection challenging, and the on-site monitoring (OSM) program was a concerted effort to address that challenge.

While the OSM program has helped significantly, we acknowledge that its effectiveness could be further enhanced by clarifying the roles and responsibilities of the different actors involved. It should be noted that the OSM program is only one aspect of our monitoring strategy, and its prominence will change as the composition and size of our field presence reduces with the U.S. and coalition military drawdown within the next two years.

Such reduction is in fact currently occurring. Over the past 10 months, the number of USDH (FSO and FSL) staff positions in the field has declined by 16% while the number of FSN field staff positions has declined by 50%. Thus, the challenges of monitoring programs will remain and are expected to increase with the imminent pull-out of the military.

Despite this situation, USAID/Afghanistan recognizes that the entire monitoring strategy needs to be better clarified so that technical offices and COR/AORs understand the roles that they, their implementing partners and any other actors play in this important aspect of program/project management.

Actions Taken/Planned:

As correctly stated in OIG's draft report, the Mission has developed a draft mission order which covers both monitoring and evaluation (M&E) issues. It has been in draft status for some time in order to ensure that it captures all Mission perspectives. Clearance on the M&E mission order has been delayed, pending the issuance of a mission order on project design which is the foundation for an effective monitoring and evaluation system. The mission order on project design was issued on July 15, 2012 and the draft M&E mission order is currently in the final vetting and clearance process.

Target Final Action Date: October 31, 2012

The Mission deems that Recommendation 1 is being adequately addressed and therefore requests OIG's concurrence to the management decision.

Recommendation 2: *We recommend that USAID/Afghanistan issue a mission order providing guidance on the design, implementation, and monitoring of on-budget assistance.*

Mission Comments: USAID/Afghanistan concurs with this recommendation.

OIG states that "the Mission has insufficient guidance concerning on-budget assistance." USAID/Afghanistan notes that 2 specific policy directives and required procedures on the use of partner country systems were recently issued under ADS 220 - Use of Reliable Partner Country Systems for Direct Management and Implementation of Assistance.

Although optional, we agree that mission-specific instructions on the design, implementation and monitoring of On-budget Assistance (OBA) programs need to be developed to guide program managers toward more effective program execution and reasonable assurance that program objectives are appropriately met.

Actions Taken/Planned:

To address prior OIG and GAO audit findings in FY 2011, the Mission initiated the development of a mission order that provides the recommended guidance on OBA. Much like the M&E mission order, a delay in the clearance and approval of the OBA mission order occurred pending approval of a mission order on project design that lays out over-all guidance on project design and management, including that of OBA activities. The OBA mission order is currently in the clearance process and is expected to be finalized and issued in October 2012.

Target Final Action Date: October 31, 2012

The Mission deems that Recommendation 2 is being adequately addressed and therefore requests OIG's concurrence to the management decision.

Recommendation 3: *We recommend that USAID/Afghanistan direct mission staff to resources that will assist them in (1) providing guidance to implementing partners on the development of effective project performance plans and (2) their review of project performance plans.*

Mission Comments: While USAID/Afghanistan concurs with this recommendation, we do not fully concur with some of the underlying findings.

USAID/Afghanistan notes that all Agreement Officer and Contracting Officer Representatives (AOR/CORs) do receive training on the development of project indicators and project PMPs and general project monitoring processes within the AOR/COR certification course. There are other courses that address project PMP development and review, as well as ADS references and guidance on these topics.

USAID also notes that the report does not indicate how many AOR/CORs were interviewed and how many were not aware of available guidance. Neither does the report mention the cause as to why those AOR/CORs were not aware of existing guidance. We request that OIG clarify this in the report so that we can gain a better understanding of the magnitude of the problem.

The Mission also notes that the ADS only require a PMP for each development objective, not project PMPs. However, the Mission agrees with OIG's statement that requiring a project PMP is good practice. As such, the Mission currently requires a project PMP for all projects being developed now and in the future. Quality Assurance Surveillance Plans (QASPs) may be required in lieu of PMPs if it is more appropriate and vice-versa. These project PMPs, or QASPs, will stem from the logical frameworks that are required as part of the project design process. As project PMPs or QASPs become more critical to project management at USAID/Afghanistan, the Mission will need all AOR/CORs to understand the importance and purpose of these documents.

Actions Taken/Planned:

1) Mission staff will be directed to relevant resources through a mission notice by September 15, 2012.
2) USAID/Afghanistan will work with USAID's Policy, Planning and Learning (PPL) Bureau to ensure that OPPD's M&E Unit understands all of the guidance on developing project PMPs. PPL is still finalizing its guidance on project monitoring; therefore, OPPD's M&E Unit will provide further guidance to AOR/CORs when it is available from PPL.
3) OPPD's M&E Unit will assist in project PMP development at the onset of a project. Project PMP review will be made an integral part of the Mission's portfolio reviews. The M&E Unit staff will provide appropriate guidance to AOR/CORs to correct any deficiencies noted during the portfolio reviews, especially when a project PMP is missing. The next portfolio review will occur in August and September of 2012.
4) Further guidance will be provided to Mission staff upon issuance of the M&E mission order.

Target Final Action Date: October 31, 2012

The Mission deems that appropriate actions are being taken to address Recommendation 3. We therefore request OIG's concurrence to the management decision.

Recommendation 4: *We recommend that USAID/Afghanistan complete and approve the performance management plan for the Land Reform in Afghanistan project.*

Mission Comments: USAID/Afghanistan does not concur with this recommendation and the underlying findings.

On page 6, 2nd paragraph of the draft report, OIG states that for the Mission's Land Reform in Afghanistan (LARA) project, a project PMP had not been approved by the mission 18 months after the project start.

The Mission would like to clarify that a performance monitoring plan (PMP) was submitted to USAID by Tetra Tech ARD, the LARA project implementing partner (IP), in April 2011 in compliance with the approved 90-day mobilization plan. The original LARA PMP was subsequently revised and approved in May 2011, within four months of the project start date of January 31, 2011.

In September/October 2011, the work plan for the LARA project was revised and the IP submitted a revised PMP accordingly. The revised PMP was submitted to OPPD for clearance in December 2011.

USAID/Washington subsequently released a new set of standard indicators in 2011, which were later released to the field missions in 2012. Several new standard indicators related to land titling and land tenure were added. In February 2012, USAID/Afghanistan provided the new standard indicators to the IP for inclusion in the PMP. The IP revised the PMP in March 2012 to reflect the revised work plan and new indicators. The PMP was approved by the COR and OPPD in March 2012. A copy of the approved LARA PMP and proof of USAID approval is shown in Attachment 1.

Based on the above, the Mission therefore requests OIG to consider the deletion of Recommendation 4 and correction of the report as appropriate.

Recommendation 5: *We recommend that USAID/Afghanistan notify its staff of (1) the continuous learning requirements for Agreement Officer and Contracting Officer Representatives before nominating them to serve in those positions and (2) the means available for meeting those requirements.*

Mission Comments: USAID/Afghanistan concurs with this recommendation. As of January 1, 2012, a new three-tiered certification program for all AOR/CORs was established by M/OAA with differing requirements for each level, including the new requirement for the AOR/CORs to have relevant USAID work experience at levels II and III.

Actions Taken/Planned:

USAID/Afghanistan is currently in the process of setting the award dollar threshold required for each certification level to determine continuous learning requirements for each AOR/COR.

Once USAID/Afghanistan has determined the AOR/COR certification level required for each award, the Office of Acquisition and Assistance(OAA)/Afghanistan will send out a reminder detailing the requirements for each certification level and ways available for meeting these criteria.

Target Final Action Date: September 15, 2012

The Mission deems that appropriate actions are being taken to address Recommendation 5. We therefore request OIG's concurrence to the management decision.

Recommendation 6: *We recommend that USAID/Afghanistan require that mission offices (1)*

verify whether employees have complied with the mandated continuous learning requirement for Agreement and Contracting Officer Representatives before nominating them to serve in those positions and (2) communicate the status of employees' compliance with that requirement when nominating them to serve as Agreement and Contracting Officer Representatives.

Mission Comments: USAID/Afghanistan concurs with this recommendation. This action would help to ensure that all nominated AOR/CORs are eligible to be appointed or if a waiver would be required.

Actions Taken/Planned:

OAA/Afghanistan, in conjunction with actions being undertaken to address Recommendation 5, will prepare and distribute to all offices a checklist that all proposed AOR/CORs will be required to complete. This checklist will require that all eligible training and relevant experience be listed from the date of the AOR/COR certification course.

The proposed AOR/COR will then need to sign this checklist and have his/her supervisor certify that the training and relevant experience acquired by the nominee are sufficient to meet the AOR/COR's continuous learning and experience requirements for the specific award as detailed in the guidance to be issued by OAA/Afghanistan in response to Recommendation 5. This checklist will then be submitted to OAA/Afghanistan as part of the nomination process.

Target Final Action Date: September 15, 2012

The Mission deems that appropriate actions are being taken to address Recommendation 6. We therefore request OIG's concurrence to the management decision.

Recommendation 7: *We recommend that USAID/Afghanistan determine whether its ongoing projects are reporting performance data in Afghan Info and require any projects not reporting in Afghan Info to do so.*

Mission Comments: USAID/Afghanistan concurs with this recommendation.

Afghan Info is an innovative management information system (MIS) for USAID/Afghanistan that provides the Mission with ready access to more information than most USAID missions in the world. In order to serve its purpose of informing relevant stakeholders that need to make effective management decisions, it needs to contain the most accurate and complete information available. Currently, all grants and contracts signed by OAA contain clauses requiring the implementing partners to submit their relevant quarterly reporting information to Afghan Info. The Mission will need to be more rigorous in enforcing these contractual clauses.

Actions Taken/Planned:

In coordination with the Office of Afghanistan and Pakistan Affairs (OAPA), the Mission will review Afghan Info on a quarterly basis to ensure the quality and completeness of Implementing Partner (IP) reporting. As part of this process, the Mission will convey to the responsible U.S. Government Officials and the IPs the importance of reporting and ensure that the requisite training and access is provided. OAPA will periodically review Afghan Info for the completeness of the portfolio listed in the system, as updated information is available. Requiring the IPs to report to Afghan Info and ensuring that they do so will be an ongoing process.

Target Final Action Date: December 31, 2012

The Mission deems that appropriate actions are being taken to address Recommendation 7. We therefore request OIG's concurrence to the management decision.

Recommendation 8: *We recommend that USAID/Afghanistan provide its implementing partner on the Southern Region Agriculture Development Program with training on the Afghan Info system and ensure that the partner has appropriate access to the Afghan Info system.*

Mission Comments: USAID/Afghanistan does not concur with this recommendation.

The Mission notes that the Southern Region Agriculture Development Program (SRADP) has been reporting information to the Afghan Info system for several quarters. OPPD's M&E unit has also provided training and direct guidance to SRADP. This recommendation appears to be based solely on the comments from the program's Chief of Party who may not have been aware that SRADP has reported information in Afghan Info for several quarters. Afghan Info reports are available for OIG's review to confirm SRADP's use of Afghan Info.

The Mission therefore requests OIG to consider the deletion of Recommendation 8 and correction of the report as appropriate. We also request that OIG indicate on page 7, last paragraph, the total number of projects sampled.

Recommendation 9: *We recommend that USAID/Afghanistan require the Government of the Islamic Republic of Afghanistan (GIRoA) ministry recipients of on-budget assistance report their performance data in Afghan Info.*

Mission Comments: USAID/Afghanistan does not concur with this recommendation.

Implementing assistance through host governments requires a different approach than the ones we are used to taking with traditional mechanisms such as direct contracts and grants with non-government entities. *Requiring* host governments to perform certain acts can raise complicated issues, such as issues of sovereignty and diplomacy.   While we can instruct GIRoA ministries to report on projects they implement through on-budget mechanisms, as instruments of a sovereign nation, they are not obligated to follow these instructions. Withholding funds for on-budget programs on the basis of GIRoA ministries' failure to report performance data in Afghan Info would negatively impact our development and diplomatic goals. The Mission will have to devise a compromise that respects GIRoA's sovereignty while still allowing us to monitor on-budget project performance and progress.

Specifically, the mission order on OBA, signed on August 23, 2012, includes a specific section on on-budget monitoring and evaluation, which allows the Mission to monitor on-budget project performance and progress. In addition, the mission order on M&E, which is expected to be signed by October 31, 2012, will provide further guidance in this area.

The Mission deems that requiring GIRoA ministry recipients to report in Afghan Info is not actionable and therefore requests OIG to consider the deletion of Recommendation 9.

Recommendation 10: *We recommend that USAID/Afghanistan (1) communicate in writing the importance of verifying the accuracy and reliability of data reported by implementing partners by periodically validating that data to primary source evidence and (2) implement written*

procedures to help ensure that the accuracy and reliability of data reported by implementing partners is verified to primary source evidence, including data in Afghan Info.

Mission Comments: USAID/Afghanistan concurs with this recommendation.

USAID/Afghanistan will continue to use Afghan Info as a tool to inform decision-making relating to program management and implementation. For Afghan Info to be truly useful for that purpose, the information contained in Afghan Info needs to be reliable and accurate.

While we believe that the system already contains a wealth of good data, it is incumbent upon us to do what we can to thoroughly verify all of the information reported to us by our implementing partners. This will require collaboration among a range of actors including Mission staff, our USG colleagues, our implementing partners, donor counterparts, host government counterparts and our beneficiaries themselves. Such collaborative effort must start with clear direction and initiative on the part of the Mission.

Actions Taken/Planned:

1) The M&E mission order will be issued by October 31, 2012 to provide clear direction regarding this point.
2) USAID/Afghanistan has worked through its on-site monitors, in conjunction with OPPD's M&E Unit and the OAA Compliance Team to verify partner-reported data and it will continue to do so.
3) The Mission recently signed a monitoring and evaluation contract, dubbed "SUPPORT II", that will be able to expand our capability in verifying implementing partner data. The commencement of activities under the SUPPORT II contract will occur in the next couple of weeks. Verification of data reported by implementing partners will occur on an ongoing basis for as long as the SUPPORT II contract remains effective.
4) Mission staff is also working directly with Embassy counterparts from a variety of USG agencies to strengthen our efforts in collecting complete and accurate data, especially in light of future changes in our mobility due to troop draw downs. USG coordination in order to maintain and improve data verification has occurred and will continue to occur on an ongoing basis over time.

Target Final Action Date: December 31, 2012.

The Mission deems that appropriate actions are being taken to address Recommendation 10. We therefore request OIG's concurrence to the management decision.