OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/IRAQ'S PERFORMANCE EVALUATION AND REPORTING FOR RESULTS MANAGEMENT PROGRAM

AUDIT REPORT NO. E-267-12-004-P
JULY 30, 2012

BAGHDAD, IRAQ

July 30, 2012

MEMORANDUM

TO: USAID/Iraq Mission Director, Alexander Dickie

FROM: Regional Inspector General/Cairo, Catherine Trujillo /s/

SUBJECT: Audit of USAID/Iraq's Performance Evaluation and Reporting for Results
Management Program (Report No. E-267-12-004-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we carefully considered management's comments on the draft report and have included those comments in Appendix II.

The final report includes five recommendations to assist USAID in strengthening its program. Final action has been taken on Recommendation 4. Management decisions have been reached on Recommendations 1, 2, 3, and 5.

Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close Recommendations 1, 2, 3, and 5.

Thank you and your staff for the cooperation and courtesies extended to us during the audit.

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
COR	contracting officer's representative
IFES	International Foundation for Electoral Systems
IRAP	Iraq Rapid Assistance Program
LGP III	Local Governance Program, Phase III
OIG	Office of Inspector General
PERFORM	Performance Evaluation and Reporting for Results Management Program
PMP	performance management plan
SIGIR	Special Inspector General for Iraq Reconstruction
SOW	scope of work

SUMMARY OF RESULTS

Security concerns and restrictions on personnel movement in Iraq hamper USAID/Iraq's ability to carry out normal oversight functions. USAID/Iraq has routinely cited these restrictions and security precautions as a significant deficiency in operations. In its annual reporting to USAID/Washington under the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255, 31 U.S.C. 3512), the mission has stated that it is difficult to meet with partners and monitor activities.

To help address this issue, USAID/Iraq awarded a contract to the QED Group (QED) to provide monitoring and evaluation services under the Performance Evaluation and Reporting for Results Management Program (PERFORM). The contract, managed by the mission's program office, began in October 2009 and totaled $7.5 million for a 2-year base contract. In June 2011, the mission exercised the option year, which extended the program to August 2012 and increased the amount to $14.3 million. The mission had disbursed $9.2 million as of April 1, 2012. The mission was also designing a new monitoring and evaluation program. To assess how well ongoing operations conformed to guidance and to aid the design of the follow-on, the mission requested a performance audit of its monitoring and evaluation program.

According to the contract, the objective of PERFORM was to develop and implement a performance management system that would give the mission performance information for reporting, analysis, and decision making. The contract covered three kinds of services—monitoring, evaluation, and sector assessments—that spanned all project phases. PERFORM staff would carry out sector assessments to inform program design, create performance management plans (PMPs), conduct routine monitoring and evaluation, track corrective actions, and share lessons learned.

The Office of Inspector General (OIG) conducted this audit to determine whether PERFORM improved program management and oversight of USAID/Iraq programs.

The audit determined that the program did not operate as intended and, therefore, the contract did not significantly improve program management and oversight at USAID/Iraq. The audit disclosed the following weaknesses:

- The mission did not fully use PERFORM's monitoring services (page 3). Technical offices relied instead on other arrangements. As a result, monitoring was inadequate.

- Some statements of work (SOWs) issued to contract for evaluations and some evaluation reports were technically flawed, weakening their credibility and usefulness (page 4).

- The mission did not manage the program effectively, contributing to unsatisfactory, late reports (page 7).

- The mission did not completely implement recommendations from an OIG audit of the program before PERFORM, predecessor program, the Monitoring and Evaluation Performance Program, Phase II (page 9).

To strengthen the mission's monitoring and evaluation system, the audit recommends that USAID/Iraq:

1. Establish and implement procedures to test and document implementing partners' reported performance data periodically (page 4).

2. Incorporate Agency guidance and tools (such as checklists) in planning evaluations, developing their scopes of work, reporting on them, and implementing their recommendations to improve their quality and usefulness (page 7).

3. Implement controls to maintain objectivity and independence in evaluation execution and reporting (page 7).

4. Implement a process to give the implementer feedback on evaluations, including input from technical offices (page 8).

5. Implement a new internal control procedure to track the timely sharing of evaluation and monitoring reports with program implementers (page 11).

Detailed findings appear in the following section. Appendix I contains information on the scope and methodology. Our evaluation of management comments appears on page 12, and management comments are presented in their entirety in Appendix II.

AUDIT FINDINGS

Monitoring Services Were Underused

USAID/Iraq's contract with QED states: "Due to the continued restrictions imposed by the security environment in Iraq, PERFORM will provide critical field monitoring and performance data verification services." These services include routine field monitoring, investigative monitoring, data quality assessments, assessments of implementing partners' data collection and reporting methodologies, and special reports.

The contract indicates that the mission expected QED to deliver up to 30 field monitoring reports over 3 years. To handle the workload, QED hired several local staff and awarded a subcontract to a local firm for data collection in the provinces.

QED did not execute any routine monitoring of USAID/Iraq projects. The Year 1 work plan indicated that the program was prepared to carry out 10 routine monitoring projects if requested. The Year 2 work plan did not include any routine monitoring projects.

PERFORM fell significantly short of expectations because the mission's technical officers did not take advantage of PERFORM to monitor activities as intended. Although the mission's technical offices participated in designing PERFORM, including deciding what services it would provide, the directors of all three technical offices—overseeing programs in democracy and governance, economic development, and capacity development—said in interviews that they had no need for PERFORM to conduct routine monitoring of their activities. Two directors explained that they relied on Iraqi counterparts to verify implementers' reported performance data.

Yet the technical office directors' reliance on informal verification was not well founded. In a number of performance audits, OIG and the Office of the Special Inspector General for Iraq Reconstruction (SIGIR) found that the mission did not have sufficient monitoring of the audited programs. Examples of the issues identified follow:

- *Agribusiness Program.* In May 2011, OIG reported that the Agribusiness Program's contractor did not comply with data collection and analysis methodologies defined in the PMP. Mission personnel did not enforce requirements for reporting results and did not validate the reported results to ensure they had adequate support.

- *Microfinance.* In August 2011, OIG reported that the contractor for the mission's microfinance activity under the Provincial Economic Growth Program was using two different methods to calculate jobs created and sustained by microloans, a program indicator. Mission personnel did not verify the results the contractor reported or assess data quality.

- *Community Action Program III.* In November 2011, OIG reported that the contractor for the program overstated the number of direct beneficiaries of its activities in greater Baghdad. The mission did not verify the performance data reported by the contractor or assess the quality of the data.

- *Community Action Program III.* A SIGIR study noted the apparent contradiction between the

mission's stated need for program monitoring and its underused monitoring contract. In April 2011, SIGIR issued a report ("The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight is Needed," SIGIR 11-014) concluding that the implementer did not have the resources to monitor its projects effectively. Neither the report nor USAID's comments on it addressed why the mission did not use PERFORM for site visits.

These systemic issues with monitoring call into question mission officials' decisions not to request independent field monitoring through PERFORM.

Although the PERFORM contract is set to expire in August 2012, QED will continue to provide services to the mission under its Manpower Project contract, which runs through September 2013. After the phasing out in 2011 of provincial reconstruction teams (civilian-military groups that work to strengthen provincial and district-level institutions and local leaders who support the central government), the mission hired and stationed field monitors throughout the country who report directly to the technical offices. The mission also hired three Baghdad-based performance management specialists for each of the technical offices. The mission updated the mission order on managing for results in January 2012, outlining three ways (including using field monitors) in which contracting officer's representatives (CORs) can monitor programs when security precautions do not allow site visits. Despite these changes, security problems still limit the ability of some program monitors to collect performance data. Therefore, the following recommendation focuses on improving the mission's overall monitoring system.

> **Recommendation 1.** *We recommend that USAID/Iraq's technical offices establish and implement procedures to test and document implementing partners' reported performance data periodically. The program office should track and report on technical offices' compliance with these procedures.*

Technical Flaws Weakened Evaluations' Credibility and Usefulness

USAID's evaluation policy (January 2011) defines an evaluation as "the systematic collection and analysis of information about the characteristics and outcomes of programs and projects as a basis for judgments, to improve effectiveness, and/or inform decisions about current and future programming." Criteria governing evaluations follow:

- USAID's Performance Monitoring and Evaluation TIPS Number 3, "Preparing an Evaluation Statement of Work," and a related publication[1] state that the SOW for the evaluation should limit the number of questions so that the evaluation can answer all of them completely.

- The SOW should, according to USAID's Automated Directives System (ADS) 203.3.2.5, describe strengths and limitations of the evaluation methods. Using a variety of analytical techniques in an evaluation adds analytical rigor by giving evaluators multiple sources of data from which to draw conclusions. For example, statistical surveys are useful because they allow evaluators to draw conclusions about a large population from a relatively small sample. For the results to be useful, the sample must be statistically valid, and the report

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[1] Micah Frumkin and Emily Kearney with Molly Hageboeck, "Quality Review of Recent Evaluation Statements of Work (SOWs)," Management Systems International for USAID, March 2010.

must include important methodological information to allow the reader to determine the reliability of the data. Another technique for finding out causes to problems and generating ideas for solutions is to use focus groups. However, information collected from the focus groups is not statistically meaningful because usually the evaluators do not randomly choose the participants, and the discussions are interactive, rendering the data unsuitable for quantitative analysis. Thus, an evaluation cannot quantify or extrapolate focus group data.

- Evaluations must be free of bias and the appearance of bias because evaluations must be credible to be useful, and they must be objective to be credible. An Agency-sponsored publication and Agency guidance[2] explain that independent evaluators are not necessarily free of bias and that controls should be included in the planning and implementation process to detect and prevent bias in evaluations. Reports should not present information gathered and opinions formed outside of the evaluation because they distort the results.

- Evaluation reports should make feasible recommendations. Agency policy and guidance describe feasible recommendations as action oriented, specific, time bound, and appropriate given available resources. ADS 203.3.6.6-7 (2008) calls for documenting and responding to evaluation recommendations and assigning responsibility and a timeline for completing proposed actions. Finally, the evaluation policy and USAID's Performance Monitoring and Evaluation TIPS Number 17, "Constructing an Evaluation Report," make clear that recommendations stemming from an evaluation should be integrated into decisions about future programming. According to the mission order on managing for results (November 2008), inadequately documenting actions taken in response to evaluation reports degrades institutional memory and hinders program management.

The evaluation SOWs and evaluation reports issued under PERFORM did not in all respects meet the above criteria. For example, we analyzed seven evaluation SOWs and six final reports and found technical and analytical problems that cast doubt on the quality of the findings and conclusions. Specifically, some evaluation reports (1) did not answer some questions, (2) incorrectly reported statistical survey or focus group data, (3) showed signs of positive bias, and (4) did not produce feasible or well-labeled recommendations.

Evaluations Did Not Answer Some Questions. QED's August 2010 final evaluation report on the Local Governance Program, Phase III (LGP III), did not answer several evaluation questions. For example, an evaluation question that the mission wanted PERFORM to address was, "What progress is being made toward the annual and program targets?" The evaluation did not report on progress, nor did it state what LGP III's annual and program targets were or identify the indicators used. It is unclear, however, why the mission was using resources intended for an evaluation to measure progress toward targets, which is the function of monitoring. The SOW did not explain why program monitoring did not provide this information and why the mission needed an evaluation.

The same evaluation was to answer questions about the success and sustainability of activities implemented with two Iraqi institutions. The evaluators distributed two surveys to provincial officials and staff. However, when reporting the results, the evaluators combined responses for the two institutions making it impossible to report on the success and sustainability of work with

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[2] Cynthia Clapp-Wincek and Richard Blue, "Evaluation of Recent USAID Evaluation Experience," Working Paper No. 320, Center for Development Information and Evaluation for USAID, June 2001; USAID Performance Monitoring and Evaluation TIPS No. 11, "Introduction to Evaluation at USAID."

each institution. Furthermore, a second survey addressing sustainability did not contain any data specifically about the two institutions for which the mission wanted information.

Evaluations Incorrectly Presented Survey and Focus Group Data. QED employed both quantitative and qualitative techniques, to add analytical rigor to evaluations. However, it made errors in reporting data obtained through statistical surveys and focus groups.

QED did not explain the sampling methodology used for surveys or indicate how representative the samples were. QED also omitted information such as the questionnaires used, size of the population, and margin of error. QED reported that it did not draw its samples from the entire population (further explained in the next section) and removed some of the responses received from its analysis because they were of poor quality. Since the samples used in the two survey reports were not random, one cannot infer that the conclusions reached apply to the population from which respondents were drawn.

QED relied on input from focus groups in five evaluations. However, in two evaluations QED incorrectly reported focus group data to support conclusions. The November 2010 evaluation of the Iraq Rapid Assistance Program (IRAP) stated on page vii: "Of the 53 focus groups held, 41 said IRAP projects had a positive impact on Iraq's stability." The April 2011 evaluation of the mission's *Tatweer* Program (*Tatweer* is Arabic for "development," and the program developed capacity in public administration) stated on page 88 that for one focus group, "80% of *Tatweer* training participants are 'very satisfied' whereas 20% are not as satisfied." Because information gathered through focus groups is not statistically meaningful, the information reported was not reliable for gauging success and satisfaction of the programs.

Evaluations Showed Signs of Positive Bias. The audit found three examples of the appearance of positive bias in the evaluation reports.

For example, QED reported that 25 percent of provincial council members refused to participate in a survey because the members did not have positive views of LGP III's activities. Yet, QED reported that there was a "strong acceptance" of LGP III based on the results from two surveys.

The team leader assigned to evaluate the Elections Support Program implemented by the International Foundation for Electoral Systems (IFES) previously worked for IFES. While this experience contributed to his knowledge, it may also cast doubt on the objectivity of the evaluation. The QED evaluation team reported mostly positive results: "The technical expertise provided to Iraq's [Electoral Management Body] by IFES since 2005 has been exceptional, in large part thanks to the strong quality and capacity of IFES staff in Iraq." The report stressed the continued need for IFES's technical assistance in Iraq and recommended that USAID continue funding the program. Moreover, QED's report structure made it difficult to distinguish facts from opinions. For example, one of the comments—"The recently concluded March 2010 parliamentary elections are a testament to the heroic efforts and sacrifice of millions of Iraqis"— did not clearly link to empirical data contained in the report.

In the evaluation report on the *Tatweer* Program, QED described in the methodology section that conducting interviews to collect success stories was one of the evaluation tools used. Success stories serve a purpose contradictory to an objective analysis and presentation of facts, and their inclusion undermines the credibility of the evaluation.

Evaluations' Recommendations Were Not Feasible or Clearly Identifiable. The audit examined the recommendations that QED made in its first four evaluations. In three, the

recommendations were not feasible or not clearly identified as recommendations. Therefore, the mission did not implement some of them. Examples follow:

- QED made recommendations for IRAP after it had ended.

- QED directed Elections Support Program evaluation recommendations to the program implementer and the mission's Iraqi counterparts. However, the mission did not design the evaluation to render recommendations for its implementer or counterparts.

- Three recommendations in the evaluation of LGP III did not require the mission to take any corrective action.

- QED did not clearly label its recommendations, causing the mission to miss them. The mission recorded 8 recommendations from the IRAP evaluation, while QED recorded 11. The mission recorded 17 recommendations from the evaluation on the Elections Support Program, while QED reported 27. As a result, in these cases the mission did not implement some recommendations.

These problems stemmed from the way the mission divided responsibilities for its contract with QED. The mission's program office managed the contract with QED and determined when QED met the requirements outlined in the SOWs. But technical office staff members, who were not evaluation experts, wrote the SOWs. This division of labor resulted in insufficient oversight and quality control during planning, fieldwork, and reporting, leading to technical and analytical flaws in evaluations and to recommendations being overlooked.

Technical and analytical flaws in evaluations increase the risk of mission management making programmatic decisions based on incorrect data. And, recommendations that are not feasible or identifiable result in missed opportunities for the mission to improve programs. To improve evaluations, we make the following recommendations.

> ***Recommendation 2.*** *We recommend that USAID/Iraq incorporate Agency guidance and tools (such as checklists) in planning evaluations, developing their scopes of work, reporting on them, and implementing their recommendations to improve their quality and usefulness.*

> ***Recommendation 3.*** *We recommend that USAID/Iraq implement controls to maintain objectivity and independence in evaluation execution and reporting.*

Ineffective Management Contributed to Unsatisfactory and Late Reports

USAID provides managers with guidance on performance management and evaluation. According to Performance Monitoring and Evaluation TIPS Number 3, "Preparing an Evaluation Statement of Work," the SOW is the most critical document in the evaluation. The SOW functions as a contract between the mission and external evaluators and spells out the expectations and requirements for the evaluation. USAID's Performance Monitoring and Evaluation TIPS Number 17, "Constructing an Evaluation Report," also states that organizing an evaluation report into three main elements—findings, conclusions, and recommendations— ensures that the reader can trace each element back to the underlying facts and thus brings analytical rigor. In addition, these elements should be clearly labeled, separated, and organized

by evaluation questions. The links between the elements should be clear in the report. Finally, the evaluation final report should list all methodological tools used (such as surveys and questionnaires) and provide all relevant information, usually in the methodology section and annexes. The reader should have all the information to assess the reliability of the evidence and the persuasiveness of the findings.

The mission's contract with QED stated: "The [COR] will provide technical directions to the Contractor, which will be informed by the SOW and mission and Agency policies." In addition, the contract indicated QED would receive from the PERFORM COR "constant feedback . . . to ensure that the performance by the PERFORM contractor remains of a high standard." The feedback was to incorporate input from technical offices and be separate from the annual contractor performance reports.

The mission did not follow the guidance as prescribed. First, the mission did not clearly spell out evaluation expectations and requirements in the SOWs. Second, the evaluation and assessment SOWs lacked sufficient detail to produce the desired results. For example, the mission did not include objective requirements or standards for PERFORM to meet that would have improved the report drafting process as well as the quality of the reports. Third, the SOWs did not provide writing guidelines. For example, in one SOW, the mission's only requirement for the final report was that it not exceed 45 pages.

Even when QED sought assistance, the mission was not always helpful. For example, QED sent a letter to the USAID contracting office asking for changes to written procedures for evaluation quality control, clarification of the roles and responsibilities of the USAID mission's program and technical offices, and a communications protocol that PERFORM could use during projects. These requests suggest that PERFORM team members were not sure whom they were working for during evaluations and assessments. There is no record of a mission response to the letter.

As a result, QED did not deliver evaluation reports of the highest quality, and both QED and the mission spent a great deal of time revising the reports to make them acceptable. The problems encountered affected the timeliness of reports. For example, the number of days that passed between issuing the draft and issuing the final was excessive. For four evaluations completed, the mission took from 122 to 179 days to finalize the report because of the time needed for editing and review. One evaluation took almost 2 years. The lack of timeliness ultimately affects the reports' usefulness for making timely programmatic decisions.

Because earlier recommendations address several of the problems highlighted in this finding and because PERFORM is ending, we make only the following recommendation.

   Recommendation 4. *We recommend that USAID/Iraq implement a systematic feedback process that incorporates input from technical offices.*

Mission Did Not Completely
Implement Recommendations
From a 2008 Audit

In July 2008, OIG audited PERFORM's predecessor, the Monitoring and Evaluation Performance Program, Phase II, implemented by International Business and Technical Consultants Inc. The audit included five findings and made six recommendations. In November 2008, the mission issued a mission order on managing for results addressing the audit recommendations.   This audit followed up on five of the recommendations—the first recommendation, which pertained to provincial reconstruction teams, no longer being relevant— and found that the mission's actions were not completely effective.

Original Recommendation 2 – *We recommend that USAID/Iraq take steps to increase the frequency of monitoring those activities demonstrated to be highly vulnerable to fraud and abuse.*

One of several actions the mission took was to require annual risk assessments of projects to identify vulnerable activities and prioritize monitoring resources.   The managing for results mission order issued in November 2008 formalized the requirement.   However, the mission discontinued the assessments, explaining that they were not useful.   Moreover, when the mission updated the managing for results mission order in January 2012, it removed the requirement for periodic risk assessments of its programs.   Therefore, this audit concludes that the mission did not fully implement the recommendation.

Original Recommendation 3 – *We recommend that USAID/Iraq establish policies and procedures to document compliance with Automated Directives System 203.3.6.7 [2008] for evaluations and to also document responses to findings and recommendations contained in monitoring reports of mission programs conducted under the Monitoring and Evaluation Performance Program, Phase II.*

The mission created a tracking form for documenting responses to evaluation and monitoring reports and recommendations. The mission formalized the related procedures in the managing for results mission order.   The mission's technical offices consistently documented initial responses to evaluation recommendations, but did not update their records to track implementation. The mission responded to one investigative monitoring report. Staff members in the program office said that the requirement for tracking recommendation implementation did not apply to monitoring reports.   Therefore, this audit concludes that the mission did not fully implement this recommendation.

Original Recommendation 4 – *We recommend that USAID/Iraq establish policies and procedures requiring that evaluation findings, conclusions, and recommendations be formally reviewed with the relevant implementing partner, and that the results of the review be documented.*

The mission incorporated the ADS requirement on sharing evaluations with implementing partners in its managing for results mission order. However, the mission's compliance with the requirement since 2008 has been inconsistent.   In a May 2011 audit of the mission's Agribusiness Program, OIG found that the mission did not share an evaluation with the implementer. In response to an audit recommendation, the mission shared other evaluation reports with the implementers of active programs.   This audit concludes that the mission partially implemented the recommendation because, although a policy existed, there were no

procedures or controls to detect noncompliance. Recommendation 5 on the following page addresses this weakness.

Original Recommendation 5 – *We recommend that USAID/Iraq establish policies and procedures permitting the USAID/Iraq Program Office to initiate monitoring and evaluation activities conducted under the Monitoring and Evaluation Performance Program, Phase II.*

The mission agreed with the recommendation in 2008 and included the following language in the managing for results mission order (page 4):

> [The program office COR] will identify opportunities for improving mission performance information and, when appropriate and in close coordination with technical offices, may initiate monitoring and evaluation activities conducted under [the monitoring and evaluation program].

Nevertheless, the mission's program office did not initiate any program-specific monitoring or evaluation activity during the first 2 years of PERFORM. Furthermore, because the language in the mission order was weak and did not address the issue identified in the original finding, this audit concludes that the mission's action was ineffective. The mission has since updated the performance management mission order (Number 535, issued January 2012; supersedes the mission order on managing for results) and removed this language. Recommendation 1 on page 4 of this report addresses the need for added tracking of monitoring activities.

Original Recommendation 6 – *We recommend that USAID/Iraq establish policies and procedures to help ensure that acquisition and assistance awards require implementing partners to submit appropriate monitoring and evaluation plans.*

A program office representative explained that a program's monitoring and evaluation plan is the PMP. During PERFORM, OIG audits reported multiple problems with PMPs (listed in Appendix III). Hence, the existence of plans did not guarantee that they were adequately maintained or followed. Nevertheless, this audit concludes that the mission implemented the recommendation.

The mission's program office was responsible for facilitating, in collaboration with technical offices, the tasks required to address the issues reported in the 2008 audit and outlined in the managing for results mission order. However, the mission had insufficient internal controls to detect when procedures were not being followed. For example, the mission did not have adequate procedures for tracking the sharing of evaluations with implementing partners. For the tracking of recommendations from investigative monitoring reports, there was not a clear understanding within the mission staff of the requirements in the mission order.

The incomplete implementation of recommendations left some underlying problems. For example, the mission discontinued a policy that was meant to increase monitoring of activities highly vulnerable to fraud and abuse (annual risk assessments), but did not replace it with another. While the mission order gave the program office the authority to initiate monitoring or evaluation independent of the technical office when appropriate, the program office instead chose close collaboration with technical offices. An earlier section of the report described the effects of insufficient monitoring. Finally, the lack of strong controls contributed to two instances where evaluations were not being shared with implementing partners.

The mission has made several changes since the initial audit. However, to help ensure that procedures are followed, we recommend the following.

>   ***Recommendation 5.*** *We recommend that USAID/Iraq implement a new internal control procedure to track the timely sharing of evaluation and monitoring reports with program implementers.*

EVALUATION OF MANAGEMENT COMMENTS

After evaluating USAID/Iraq's comments on our draft report, we have determined that final action has been taken on Recommendation 4. In addition, management decisions have been reached on Recommendations 1, 2, 3, and 5. Our evaluation of mission comments appears below.

Recommendation 1. The mission agreed to take several new actions to test and document implementing partners' performance data. Specifically, the program office will track and report on technical office follow-up of the annual review of PMPs and performance data carried out by the monitoring and evaluation contractor. In addition, testing of implementer-reported performance data will be part of semiannual performance reviews. Other planned or completed actions include offering monitoring and evaluation training to mission and implementing partner staff, requiring technical office field staff to use a monitoring reporting template, and creating a new tool to track actions taken in response to audit and evaluation findings. The mission expects to complete final action by September 30, 2012. Therefore, a management decision has been reached on this recommendation.

Recommendation 2. The mission agreed to improve tracking of evaluation recommendations by expanding its documentation systems and including review and clearance by the program office's performance management specialist. The program office will also periodically follow up with technical offices on recommendations. The mission expects to complete final action by September 30, 2012. Therefore, a management decision has been reached on this recommendation.

Recommendation 3. The mission agreed to reinforce independence and objectivity in evaluations and assessments during in-briefs, the development of methodologies and implementation plans, and the selection of consultants. The program office will oversee this process, which will incorporate an Agency-developed checklist. The mission expects to complete final action by September 30, 2012. Therefore, a management decision has been reached on this recommendation.

Recommendation 4. The mission agreed and developed a new tool to seek written feedback from technical offices on evaluations and assessments. The mission submitted the tool to our office for review. The program office will coordinate the feedback process. Based on the mission's actions in response to the recommendation, final action has been taken on Recommendation 4.

Recommendation 5. The mission agreed to implement an additional control to ensure that evaluation and monitoring reports are shared with implementers, as required by its performance management mission order. The mission's program office will begin tracking technical offices' compliance with the requirement. The mission expects to complete final action by September 30, 2012. Therefore, a management decision has been reached on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General conducted this audit in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

The objective of the audit was to determine whether monitoring and evaluation activities carried out by the QED Group under PERFORM improved USAID/Iraq's program management and oversight. The program was funded at $14.3 million for 2 years and 10 months. Disbursements totaled $9.2 million as of April 1, 2012.

During the audit period, the QED Group had two active contracts with the mission, PERFORM and Manpower, a personnel services program; we excluded activities conducted under Manpower. PERFORM provided services to USAID/Iraq and USAID/Washington's Office of U.S. Foreign Disaster Assistance. We focused on work performed for the mission in Iraq.

The audit period covered the first 2 years of PERFORM, from October 2009 to September 2011. The audit examined evaluation, monitoring, and assessment projects, both completed and in progress.

In planning and performing the audit, we assessed the significant internal controls used by USAID/Iraq to manage and monitor the PEFORM contract. We assessed key internal controls by reviewing tracking reports and supporting documentation required by mission policy that pertained to PERFORM, particularly the managing for results mission order. In addition, we reviewed financial records, original contracts and modifications, periodic activity reports, a contractor performance review, portfolio reviews, procedures manuals, and internal communications.

Audit fieldwork took place between October 2011 and May 2012. Most of the fieldwork took place at USAID/Iraq at the U.S. Embassy Baghdad compound. The audit team made one visit to the QED compound in Baghdad's Red Zone. We interviewed several people by telephone. The audit obtained program records and other documentation from the QED Group's headquarters in Washington, D.C.

Methodology

We reviewed projects completed or started during the first 2 years of PERFORM, including seven evaluations, three assessments, and several monitoring activities. To assess the quality of PERFORM deliverables, we reviewed final reports and requirements for them in the PERFORM contract, ADS, the USAID evaluation policy, mission orders, project SOWs, and project documents. To assess the quality of evaluation SOWs and reports, we compared them with standards in Agency policy, guidance, and best practices.

We interviewed personnel from the mission's program office, which managed PERFORM. In

addition to current staff, we interviewed by telephone personnel who were involved in designing PERFORM in 2009 and who managed the program during its first year.

We interviewed directors and officers from the mission's three technical offices and asked about their opinions of and experiences with PERFORM. We also asked their opinions about the program office's management of PERFORM, specifically how they were made aware of PERFORM's services and whether the program office had regularly solicited their feedback.

We interviewed five current PERFORM staff members in Iraq. We did not interview senior staff who managed PERFORM during most of the program's first 18 months, such as the chief of party and the acting chief of party. We did not interview any of the short-term consultants that QED hired to carry out evaluations, assessments, and monitoring reviews in Iraq. The QED Group's headquarters in Washington, D.C., provided project-related documents and financial records and responded to questions by e-mail.

We interviewed by telephone a representative from USAID's Office of Learning, Evaluation and Research in Washington, D.C. This office, which wrote the Agency's current evaluation policy (which took effect January 2011), also supplied policy and background information.

MANAGEMENT COMMENTS

June 17, 2012

MEMORANDUM
UNCLASSIFIED

TO: Catherine Trujillo, Regional Inspector General/Cairo

FROM: Alex Dickie, Mission Director

SUBJECT: Management Response to Draft Audit of USAID Iraq's Monitoring and
               Evaluation Program (PERFORM) Implemented by the QED Group
               Audit Report No. E-267-12-00X-P

Thank you for the opportunity to comment on the subject Draft Audit Report. USAID/Iraq recognizes the value of this audit as a management tool to further strengthen our programs, and we extend our appreciation to OIG/Iraq for the cooperation exhibited throughout this audit. I would also like to recognize and commend the Program Office, which manages the PERFORM project and is responsible for establishing our monitoring and evaluation (M&E) guidance, for requesting the audit to be conducted early in the fiscal year in order to use the results in the design of the new M&E project.

The audit highlighted challenges and shortcomings in the mission's project M&E practices, and we broadly accept the findings and recommendations identified in the audit report. While the mission has made many important improvements over the past year (and since the audit performance period), we shall continue to track our compliance with Agency standards and best practices and improve the quality of our M&E work.

USAID/Iraq expects all evaluations to be neutral and unbiased. Positive comments regarding a project are factual and not evidence of bias. The draft report itself does not conclude that there was bias in the evaluations; it merely gives examples of what it calls an "appearance of positive bias" and "signs of positive bias."

The Statement of Work (SoW) for the Tatweer evaluation did not include a provision regarding success stories. Rather, an email request was sent during the evaluation process asking the contractor to gather success stories for the Development Outreach and Communication section in the Program Office. The SoW the contractor attached to the evaluation report incorrectly included this provision, as the SoW was never amended. The request to gather success stories

was never intended to bias the evaluation, and the evaluation team was not advised to use success stories as a means of collecting data for the evaluation. The Contracting Officer Representative instructed the contractor that "this additional task should not distract the team from concentrating on the evaluation questions and compromise the team neutrality." He further advised the contractor to separate the gathering of success stories from the assessment.

Focus groups are one of the rapid appraisal tools used by social scientists. The purpose is to learn the determinants of success or failure from knowledgeable people. Evaluations use focus groups to corroborate or triangulate findings from surveys. A good evaluation should use both qualitative and quantitative data collection methods. Particularly in Iraq, where sampling is a challenge, rapid rural appraisal and participatory rural appraisal techniques are a last resort to get evaluation questions answered.

With regard to the qualifications of consultants hired by QED to do the evaluations, it is important to remember that QED recruited consultants after obtaining approval from the technical offices. There may have been, after the fact, dissatisfaction with the consultants, but the technical offices had approved them.

The draft report is misleading when it states that the most specific report requirement in the Civil Society Assessment SoW was that the final report "not exceed 45 pages." Please see pages 3 thru 6 of the SoW which set forth several specific requirements for the report:

(1) An analysis of the state of Iraqis' civil society and primary challenges and opportunities for its advancement including:
    a. a sector profile,
    b. NGO sustainability,
    c. a donor matrix and
    d. key findings.

(2) A proposed strategy for programming, including prioritized areas of intervention and program recommendations.

The SoW describes what is to be included in each of these items in specific detail.

Recommendation 1. *We recommend that USAID/Iraq's technical offices establish and implement procedures to periodically test and document implementing partners' reported performance data. The Program Office should track and report technical offices compliance with this verification reporting.*

The Mission agrees with this recommendation. USAID/Iraq recruited three performance management specialists for each of the three technical offices. In addition, 8 Iraqi field monitors have been hired by USAID/Iraq while QED hired 13 Iraqi field monitors to work for the three technical offices. An additional 2 Iraqi field monitors are waiting for vetting to be on-board. While Contracting Officer Representatives (CORs) and Agreement Officer Representatives (AORs) are ultimately responsible for ensuring the validity of reported performance data, the Performance Management Specialists provide added technical expertise, and the Iraqi field

monitors provide routine reporting and frequent, on-site verification. Furthermore, the Program Office's M&E contractor prepares annually an external review of the implementing partners' project monitoring plans and their performance data. Such a review is on-going now, and the Program Office will track and report on technical office follow-up going forward. In addition to this, the Mission will take the following actions in order to implement this recommendation:

(a) **M&E Training:** USAID/Iraq will organize M&E training for its staff and M&E staff of the implementing partners to enhance their understanding of the Agency's standards on performance reporting. PERFORM will provide training specifically addressing data quality issues to the field monitors to improve their skills in data verification.

(b) **Routine reviews of partners' project monitoring plans and data quality assessments (DQAs):** Technical offices will develop reporting templates for the Iraqi field monitors which require periodic checking of data quality. The Program Office's M&E contract will also conduct annual reviews of partners' performance data.

(c) **Develop a tracking tool to monitor and implement recommendations from the Lessons Learned Report:** The Program Office developed an M&E lessons learned report which relied heavily on past audit findings and previous evaluation reports. In line with this, the Program Office developed a tracking tool to follow up on progress toward addressing those findings which is reviewed weekly within the mission (Attachment I). Testing of reported performance data will also be added to the reporting template of the semi-annual portfolio reviews. The action items underlined are already included in this tracking tool for implementation and periodic review by the Program Office.

Target date for completion of these actions is September 30, 2012.

Recommendation 2. *We recommend that USAID/Iraq incorporate agency guidance and tools (such as checklists) in evaluation planning and scope of work development, reporting, and recommendation implementation to improve the quality and usefulness of evaluations.*

The Mission agrees with this recommendation. The Mission has already started using the Bureau for Policy Planning and Learning's (PPL) new evaluation planning checklist (developed in 2011) for all evaluations. USAID/Iraq recognized the need to adhere to the highest standards in planning for and carrying out high quality evaluations by revising its Mission Order on Performance Management (MO# 535, Attachment II) in January 2012. This MO calls for a strict application of ADS 203.6.3 and the Agency's new Evaluation Policy.

In order to improve tracking of evaluation implementation, the Program Office will modify its current evaluation implementation tracker to include additional fields that capture the use of Statement of Work checklists and clearance by the Mission's Performance Management Specialist. The Program Office will also periodically follow up with technical offices to ensure

that evaluation findings and/or recommendations are utilized in our work. These findings, recommendations, and follow-ups will also be reported by the technical offices during the semi-annual portfolio reviews, as is currently the practice.

Target date for completion of this action is September 30, 2012.

Recommendation 3. *We recommend that USAID/Iraq develop controls to maintain objectivity and independence in evaluation execution and reporting*

The Mission agrees with this recommendation. USAID/Iraq will implement the Agency's Evaluation Policy and its revised Mission Order on Performance Management which requires that evaluations maintain objectivity and independence.

All evaluation in-briefs will stress the importance of objectivity and independence. SoW's will require evaluation teams to maintain professional independence and objectivity during the evaluation and within the report. Objectivity and independence will be further reinforced by approval requirements of methodologies, implementation plans and consultants by technical offices in consultation with Program Office. Recent evaluations by QED have required, all evaluators to sign a conflict of interest disclosure statement. All future evaluation SoWs will require this as a standard practice. The Mission's Performance Management Specialist will review and approve SoWs based on the Agency's SoW checklist.

Target date for completion of this action is September 30, 2012.

Recommendation 4. *We recommend that USAID/Iraq develop a systematic feedback process that incorporates input from technical offices.*

The Mission agrees with this recommendation and has already taken action. The Program Office works closely with the technical offices on all aspects of performance management, especially on evaluations and assessments. The Program Office routinely seeks written feedback on all drafts of deliverables and provides this feedback to its contractor in order to produce a better product. In response to this specific recommendation, the Program Office has developed a new tool to solicit additional written feedback on specific aspects of each evaluation and assessment immediately on completion of each deliverable. (Attachment III)

Recommendation 5. *We recommend that USAID/Iraq design a new internal control procedure to track the timely sharing of evaluation and monitoring reports with program implementers.*

The Mission agrees with this recommendation. The Mission Order for Performance Management (MO# 535), issued in January 2012, indicates that sharing of evaluation reports with the implementing partners is the responsibility of technical offices. Technical offices already routinely report on how evaluation findings have been utilized and shared during the portfolio reviews which occur semi-annually. Moreover, as indicated under recommendation

2 above, the Program Office has developed a tool to follow up with technical offices to ensure that evaluation findings and/or recommendations are considered in our work. In order to strengthen the process, the Program Office will add a control in this tracker to note when the technical offices share the evaluation reports.

Target date for completion of this action is September 30, 2012.

Based on the above, the Mission requests RIG/Cairo to concur that management decisions have been made for Recommendations No. 1 through 5.

<u>Attachments</u>

    I.   Performance Management (M&E) Action Items and Status Follow up Tool
   II.   MO # 535 – Mission Order on Performance Management
 III.   Evaluation/Assessment Feedback Tool
 IV.   OIG/Iraq Draft Audit Report

Audit Findings on Monitoring and Evaluation

Audit Title, Date (Report Number)	Finding	Cause (excerpted from report)
Audit of USAID/Iraq's Electoral Technical Assistance Program, March 2012 (E-267-12-003-P)	Program did not use a PMP to track and report results.	Neither the mission officials nor IFES could explain why a PMP was not prepared at the start of the program, why they did not update the PMP regularly, or why they did not track and report results against a plan. Mission officials said that IFES reported its results in narrative form in quarterly reports. (page 12)
Audit of USAID/Iraq's Community Action Program Activities Implemented by International Relief and Development, November 2011 (E-267-12-001-P)	Implementer overstated the number of direct beneficiaries.	In addition, USAID/Iraq did not assess the quality of this data—relying instead on the implementer's reporting. . . . The overstatement of direct beneficiaries occurred, in part, because USAID/Iraq relied on its partners instead of monitoring or verifying reported data. (page 12)
	Performance monitoring was not sufficient.	USAID/Iraq did prepare a PMP for the Community Action Program of International Relief and Development in February 2009, which was approved in March 2009. However, since March 2009, USAID/Iraq has not updated and approved a PMP that reflects ongoing results and the numerous subsequent changes in program direction. (page 15)
Audit of USAID/Iraq's Microfinance Activity Under Its Provincial Economic Growth Program, August 2011 (E-267-11-003-P)	Jobs data were calculated inconsistently.	Second, although required, USAID/Iraq has not conducted a data quality assessment for this indicator. Third, during site visits, USAID/Iraq personnel did not verify reported data. Fourth, the performance monitoring plan did not specify how data was to be reviewed or list any known data limitations. (page 6)
Audit of USAID/Iraq's Agribusiness Program, May 2011 (E-267-11-002-P)	Performance results were not measured, reported, or supported.	Although a rigorous methodology was outlined in the contractor's performance monitoring plan, it was not realistic and not used. USAID officials did not receive results, did not enforce the requirement for reporting results, and did not monitor the results that were reported to ensure that they had adequate support. (page 7)

Audit Title, Date (Report Number)	Finding	Cause (excerpted from report)
	Program evaluation was not shared with contractor.	The contractor's chief of party for the agribusiness program stated that the results of the evaluation were never shared with him; the contracting officer did not know whether the results were shared or discussed with the contractor. (page 16)
	PMP was not current, not realistic, not aligned with implemented projects, and not used.	Because the October 2008 performance management plan was not an agile management tool, the [COR] did not use it. . . . USAID/Iraq did not enforce the requirement to report results against the performance management plan at least quarterly. (page 20)
	USAID/Iraq did not conduct data quality assessments for key data reported to USAID headquarters.	Because of turnover among mission staff, the audit team could not determine why the October 2008 report did not include data quality assessments for sales and jobs. (page 21)