



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/REGIONAL DEVELOPMENT MISSION FOR ASIA'S SAPAN PROGRAM IN THAILAND

AUDIT REPORT NO. 5-493-12-004-P
FEBRUARY 27, 2012

MANILA, PHILIPPINES



Office of Inspector General

February 27, 2012

MEMORANDUM

TO: USAID/Regional Development Mission for Asia's Mission Director, Michael Yates

FROM: Regional Inspector General/Manila, William S. Murphy /s/

SUBJECT: Audit of USAID/Regional Development Mission for Asia's Sapan Program in Thailand (Report No. 5-493-12-004-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments on the draft report and have included those comments in their entirety in Appendix II of this report.

This report contains nine recommendations to assist the mission in improving the efficiency and effectiveness of its program. On the basis of information provided by the mission in its response to the draft report, we determined that final action has been taken on four recommendations—1, 2, 5, and 9, while management decisions have been reached on the remaining five recommendations—3, 4, 6, 7, and 8. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final action to close the open recommendations.

I want to thank you and your staff for the cooperation and courtesies extended to us during this audit.

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SUMMARY OF RESULTS

Thailand is in the midst of rapid and dramatic political change and there have been five governments since 2006. There are thousands of civil society organizations (CSOs) in Thailand, though they have not yet had opportunities to expand their activities or constructively engage in policy debate, their right to which was codified in Thailand's 1997 constitution. One reason CSOs are weak, particularly in the deep south, is that while the Royal Thai Government supports community development organizations, it does not support issue-based advocacy groups that serve as a check and balance to the government. This lack of support, in addition to the phase-out of donor-provided support in the mid-1990s, has diminished the ability of CSOs and the media to play a watchdog role.

The frequent changes in government in the recent past, as well as limited resources, have also weakened independent government oversight agencies. These independent agencies, if strengthened and linked with CSOs and academic institutions, could play a key role in providing government oversight.

On March 29, 2010, USAID/Regional Development Mission for Asia awarded a 3-year, \$19.7 million contract (with 2 optional years together worth \$10.7 million) to Development Alternatives Inc. to implement a program meant to foster constructive civil society engagement with the Royal Thai Government. As of July 2011, cumulative obligations and disbursements under the program totaled \$13.8 million and \$4.1 million, respectively.

The Sapan Program—*sapan* means bridge in Thai—aims to accomplish this objective by (1) enhancing the capacity of key independent agencies (such as the Office of Auditor General and the National Anti-Corruption Commission) to provide effective government oversight, (2) strengthening the capacity of Thai CSOs and the media to serve as checks and balances for political processes and public policy, and (3) supporting civil peace-building efforts that will diminish the potential for radicalization and escalation of violent conflict in southern Thailand.

The objective of the audit was to determine whether the program was achieving its main goals as described in the objectives above.

After reviewing the program's current performance management plan, the audit team determined that the program had made limited progress in achieving its goals. No peace-building efforts had been reported. Factors limiting progress—largely outside the mission's control—included (1) less developed CSOs than originally anticipated, (2) initial public misgivings about USAID and a lack of confidence in its intentions, (3) challenges in establishing viable partnerships in the deep south, and (4) the cultural practice of deferring to one's superiors, which discourages individual initiative. The program also had to re-create relationships with stakeholders after approximately 15 years of essentially no in-country participation from USAID. These challenges delayed implementation and forced program officials to take a more cautious approach than planned.

Despite these challenges, the program has shown to be adaptive and flexible, responding to a different situation than anticipated in terms of the capacity of CSOs. Rather than continue to primarily focus on a core group of CSOs, program officials modified their approach to more deeply involve Thailand's universities, which act as neutral third parties networking between

independent government agencies and CSOs. This modified approach encourages a greater level of collaboration and accessibility with the CSOs through the intermediary universities.

While some factors were outside the mission's control, the audit identified others that the mission needs to address:

- The program lacks a defined strategy for providing technical capacity building (page 3).
- Program reporting did not meet standards (page 4).
- The contractor did not adequately monitor activities (page 7).
- Program communication and follow-up did not meet participants' needs (page 8).

The report recommends that USAID/Regional Development Mission for Asia:

1. Revise the Sapan Program's performance management plan to include performance indicators that reflect all the program's activities. All indicators should be precisely defined so that reported results accurately reflect intended accomplishments (page 4).
2. Develop and implement a strategy to shift training to capacity-strengthening activities for independent government agencies, CSOs, and the media (page 4).
3. Adjust targets in the performance management plan to reflect the change in the reporting period (page 5).
4. Require the contractor to meet deadlines for reporting results (page 6).
5. Establish ambitious but realistic end-of-program targets for all output and outcome indicators included in the performance management plan (page 6).
6. Obtain and report baseline data for all ten outcome indicators included in the performance management plan (page 6).
7. Work with its contractor to improve its procedures for monitoring Sapan Program-sponsored activities. These improved procedures would include closely tracking the participation of training recipients to verify that they receive intended instruction and are not paid when they do not attend (page 8).
8. Quantify the funds spent on flights, hotels, and per diem for the 28 individuals without adequate evidence of attending the sponsored training courses. If the mission determines that these expenses are unallowable, it should collect, as applicable (page 8).
9. Work with its contractor to establish and implement an action plan for communicating with program participants and conducting follow-up to maximize the effectiveness of sponsored activities (page 9).

Detailed findings follow. The audit scope and methodology are described in Appendix I. Our evaluation of management comments is included on page 10, and the full text of management comments appears in Appendix II.

AUDIT FINDINGS

Program Lacks a Defined Strategy for Providing Technical Capacity Building

To achieve the program's two capacity-building objectives, the contract states that the contractor must provide training and other direct technical assistance to build:

- Specialized skills associated with improving policies and procedures and with overseeing and enforcing laws and regulations (for independent agencies).
- Organizational capacity in developing issue-based campaigns, monitoring human rights, etc. (for CSOs).

Originally, the program envisioned working with a core group of CSOs in different regions of Thailand that would then reach out to a larger pool of organizations. Program representatives soon found out, however, that Thailand's CSOs were far less developed than anticipated. To adapt to this situation, and in response to other implementation difficulties, the program introduced an empowerment training course called OPERACY—not an acronym, but a name unto itself—to introduce new ideas to potential program participants, increase their exposure to USAID, and enhance their receptiveness to the development of technical capacity.

The OPERACY course aims to improve personal happiness, performance, and productivity in the family, workplace, school, and community by improving participants' skills and changing limiting attitudes and beliefs. Upon completion of this 5-day course, participants are expected to be more confident, proactive, productive, and responsible in performing their duties. Following the course, however, the program does not appear to have followed up with participants to drive home the key messages incorporated in the training or to initiate any technical skill building.

Despite the program's revised approach—incorporating OPERACY training to reach out to organizations and to act as a bridge to technical capacity building—the program's revised performance management plan does not reflect these new activities because program officials felt the OPERACY training fit under technical capacity building, which it does not. Without developing appropriate indicators to measure the effectiveness of skill-building activities, program personnel have instead been inaccurately reporting OPERACY training participants as having gained capacity in promoting transparency and accountability, as well as in management, communication, and planning—topics unrelated to OPERACY's curriculum to improve personal happiness, performance, and productivity.

One reason the results were reported inaccurately is that none of the output indicators contained in the program's performance management plan were formally defined. Instead, the contractor used an internal spreadsheet to define how it would count training beneficiaries. In this spreadsheet, *leadership and empowerment skills* have been included with technical skills—such as methods for soliciting public input, consultation methods, and design and implementation of project work plans—in crediting the number of individuals with CSOs and media outlets trained in management, communications, and planning. *Leadership and empowerment skills* are not mentioned in any of the informal definitions for training members of

independent agencies, though these OPERACY participants are counted among those trained in promoting transparency and accountability.

Even by including trainees whose training did not meet the definition, the program still did not meet its target. More than a year and a half into the program's implementation, the program had provided technical training to only 38 individuals, compared with a cumulative target of 972 by the end of the program's second year.¹ This target was reaffirmed in the performance management plan, which was revised in September 2011, indicating an expectation that the target would be accomplished.

In reporting OPERACY training as technical capacity development, and without a defined strategy to shift from OPERACY to the organizational capacity development originally envisioned, the program risks losing sight of its main objectives. Placing too much emphasis on OPERACY could adversely affect the program's ability to strengthen government oversight agencies, CSOs, and the media and support peace-building efforts. We therefore make the following recommendations.

Recommendation 1. We recommend that USAID/Regional Development Mission for Asia revise the Sapan Program's performance management plan to include performance indicators that reflect all the program's activities. All indicators should be precisely defined so that reported results accurately reflect intended accomplishments.

Recommendation 2. We recommend that USAID/Regional Development Mission for Asia work with its contractor to develop and implement a strategy to shift from OPERACY training to capacity-strengthening activities for independent government agencies, civil society organizations, and the media.

Program Reporting Did Not Meet Standards

The mission and the contractor did not adjust targets in the performance management plan to reflect a shortened reporting period, nor did they collect baseline data or establish required targets for all indicators.

Change in Reporting Period Not Reflected in Targets. The program began implementation in March 2010, completing its first full year in March 2011. In an effort to synchronize the reporting of program results with the mission's reporting to Washington—in line with Automated Directives System (ADS) 203.3.3.1(e)²—the mission shortened the second annual reporting period to just 5 months, ending on August 31, 2011, so that the program's progress could be examined at fiscal year-end on September 30.

Despite this foreshortened reporting period, the targets associated with the program's reported results still reflect intended progress for a full year ending March 2012. For example, the cumulative number of awareness-raising and good-governance campaigns sponsored by the

¹ Another 176 individuals received the OPERACY empowerment training, which does not provide the technical skills identified in the program's contract.

² ADS 203.3.3.1(e) states that, whenever possible, data should be collected and reported by U.S. Government fiscal year.

program was only 5 as of August 31, 2011, compared with a 2-year target of 93, as shown in the following table.

Reported Results Versus Targets

Indicator	Reported Progress	Cumulative Year 2 Target	Percent Accomplished*
Oversight awareness-raising campaigns	3	25	12
Good-governance, oversight, and advocacy campaigns	2	68	3
Total campaigns	5	93	5
People attending joint oversight awareness-raising campaigns	210	1,250	17
People attending good governance, oversight, and advocacy campaigns	168	3,400	5
Total campaign participants	378	4,650	8

* Data validated during audit.

While the achievement of 5 campaigns appears to be a significant deficiency in implementation, the target of 93 campaigns was expected to be accomplished by the end of March 2012, not August 2011. Unfortunately, we were unable to determine how much of the lack of progress in achieving these targets stemmed from the discrepancy between reported results and targets and how much from the delay in implementation caused by the program's revised approach.

ADS 203.3.5.1 states that, to be useful in managing for results and credible for reporting, data in the performance management plan should clearly and adequately represent the intended result (validity) and be sufficiently accurate to present a fair picture of performance (accuracy) and enable management decision making at the appropriate levels (precision).

Even though the program had a more cautious start than anticipated, the lack of reportable achievements was exacerbated by reporting progress as of August 2011 against targets for March 2012. This misalignment casts a particularly negative light on the program and may inhibit appropriate management decision making regarding extending the program into its 2 option years.

The mission's ability to make decisions is further impaired by delays in receiving reported results from the contractor. Specifically, the program's first annual performance report, due April 30, 2011, was not provided until August 2011—4 months late. The second annual performance report had not yet been provided upon the completion of audit fieldwork on November 2, 2011, despite being due September 30, 2011. We therefore make the following recommendations.

Recommendation 3. *We recommend that USAID/Regional Development Mission for Asia adjust targets in the Sapan Program's performance management plan to reflect the change in the reporting period.*

Recommendation 4. We recommend that USAID/Regional Development Mission for Asia require the contractor to meet deadlines for reporting results.

Baseline Data and Targets Not Collected or Established for All Indicators. The program currently uses 22 output-related indicators (for example, number of people trained) and 10 higher-level outcome-related indicators (examples of which appear below) to monitor its progress in implementation. While accomplishments (or an absence thereof) were reported on the 22 output (quantitative) indicators, no baseline data or accomplishments had been formally reported for the program's 10 outcome (impact) indicators.

Although baseline information was collected for three outcome indicators relating to perceptions of independent agency, CSO, and media specialists, this information was not included in the program's annual performance reports. The method for collecting data on the remaining seven outcome indicators (relating to public perceptions of independent agencies and CSOs, competitiveness indices relating to CSOs, and CSO capacity scorecards) had not yet been developed although the program was at the halfway point. In addition, no targets of any kind have been established for any of these ten outcome indicators, rendering any existing baseline data ineffective in determining actual progress toward achieving the intended goals of the program.

ADS 203.3.3 states that once an award is executed, program staff must complete the performance management plan (with relevant indicators and baseline data) within the first few months. This must also occur before major program implementation gets under way. ADS 203.3.4.5 goes on to say that for each indicator in a performance management plan, the team should include performance baselines and set targets that are ambitious but can realistically be achieved within the stated time frame. Targets should be set for the end of the program and may be set for the years in between. Furthermore, performance indicators should be available when they are needed to make decisions. If a performance indicator is not available every year (such as data from perception surveys or capacity scorecards), the schedule should be noted as a data limitation.

During an interview with audit staff, personnel from both the mission and contractor stated they saw the tools (such as the provincial competitiveness index) as a means to help independent agencies and CSOs learn how to assess themselves—not necessarily as measures of the program's own progress.

By not setting outcome-related targets, and by not establishing baseline data with which to compare program progress, the mission hinders its ability to assess the effectiveness of its efforts. Distinguishing between successful and ineffectual activities also becomes difficult. We therefore make the following recommendations.

Recommendation 5. We recommend that USAID/Regional Development Mission for Asia establish ambitious but realistic end-of-program targets for all output and outcome indicators included in the Sapan Program's performance management plan.

Recommendation 6. We recommend that USAID/Regional Development Mission for Asia obtain and report baseline data for all ten outcome indicators included in the Sapan Program's performance management plan.

Contractor Did Not Adequately Monitor Activities

According to ADS 203.3.5.1, “Data Quality Standards,” reported data must (1) clearly and adequately (validly) represent the intended result, (2) be sufficiently precise to present a fair picture of performance (precision), and (3) be controlled to reduce the possibility that it might be wrongfully manipulated (integrity). These standards help ensure that the mission is aware of the strengths and weaknesses of the data being provided.

Because the program is relatively new—just over halfway through its initial 3-year term—minimal impact data exists to measure programmatic success. Therefore, the audit focused on outputs in an effort to determine how successful the program has been at providing a foundation for accomplishing its high-level impact objectives. Accordingly, the audit team attempted to validate data on training-related indicators.

Training data was not adequately supported. The contractor was unable to provide adequate supporting documentation for 4 out of 15 training events to show that the participants actually received program-sponsored training. These participants represented 17 percent of the reportedly trained individuals. According to one contractor official, this lack of documentation occurred because of confusion as to whether the contractor or the externally hired trainer should perform the monitoring. For another 6 training events, the audit found that 9 to 32 percent of trainees did not attend the training on any given day. Only 5 of the 15 training events were adequately supported,³ meaning that training could be confirmed for only 19 percent of those reportedly trained. Examples of inadequate documentation and monitoring follow.

- During a 4-day training event in Northeastern Thailand, 23 of 87 participants (or 26 percent) did not attend any part of the event despite receiving payment for transportation and lodging.
- The program flew 20 training participants to Indonesia—paying for their flights, hotel stays, and per diem—to participate in a 5-day program to expose them to oversight techniques used by their Indonesian colleagues. Supporting documents indicate that one person attended only the first day, while another did not attend at all. The two were still paid per diem, and auditors saw no documentation indicating a reimbursement of per diem or other travel expenses.
- In Northern Thailand, three individuals did not attend any part of a 5-day training course, yet two of these three people were still paid per diem.

Another weakness in the program’s controls presented itself when the audit team observed a 2-day program-sponsored conference in Southern Thailand. The audit team members were asked to sign an attendance sheet along with the other participants, and like all the other participants were directed by the individual monitoring the attendance sheet to sign for both days at once because of an apparent weakness in monitoring controls.

The mission and the contractor counted trainees differently. According to the mission, a training participant must attend at least 75 percent of an event to be considered trained, though without

³ The 15 training events tested were all of the training activities conducted by the program from its inception through the end of audit fieldwork on November 1, 2011.

documentation of daily attendance, the mission is unable to determine who has met this criterion. According to one contractor official, the list of registered participants determines who and how many were trained; the contractor did not refer to the daily attendance documentation.

Without adequate monitoring controls in place, management cannot determine the effectiveness of program delivery or the efficiency with which program funds are spent. Therefore, we make the following recommendations.

Recommendation 7. We recommend that USAID/Regional Development Mission for Asia work with its contractor to improve its procedures for monitoring Sapan Program-sponsored activities. These improved procedures would include closely tracking the participation of training recipients to verify that they receive intended instruction and are not paid when they do not attend.

Recommendation 8. We recommend that USAID/Regional Development Mission for Asia quantify the funds spent on flights, hotels, and per diem for the 28 individuals without adequate evidence of attending the sponsored training courses. If the mission determines that these expenses are unallowable, it should collect them, as applicable.

Program Follow-Up and Communication Did Not Meet Participants' Needs

Follow-up of program activities increases the likelihood that program participants make proper use of, or benefit from, the sponsored events. However, program officials did not follow up.

For example, the program sent representatives from CSOs to Jakarta on a study tour to observe the tools that their Indonesian counterparts use to monitor government budgets and perform other oversight functions. This study tour received generally positive feedback because of the exposure to new concepts, but some representatives expressed frustration with the lack of program follow-up after their return to Thailand. One representative said that the trip was great at introducing them to monitoring local budget plans to fight corruption. However, after the CSO representatives' weaknesses in budget monitoring were pointed out, the program did not provide budget-monitoring tools for the organizations to begin using or suggestions for obtaining tools on their own.

In addition, program participants from a range of geographical areas, as well as organizations, expressed dissatisfaction with the program's communication. Representatives from all nine of the CSOs interviewed over the course of the audit listed specific skill sets they hoped to strengthen: budgetary review skills, organizational management, public policy advocacy, and media issues development. Some of the representatives said they had requested assistance from the program on these topics months earlier, but had never gotten a response; others said no discussion had taken place about services the program could offer in this regard.

Representatives from other entities, such as independent government agencies, also suggested that the program could improve its communications. A regional director of one of the targeted independent agencies said the program was sporadic in its communication and had no plan for interacting with his agency or the CSOs associated with it. During an initial conference with program officials a year earlier, he asked for support in training techniques and materials to help convey his agency's messages to the public. There was no response from program

representatives on this issue. He heard nothing from them for some time, until he was invited to OPERACY training, which he attended. The regional director did not receive any communication after the training and did not know what would happen next. He did not see a clear objective or plan to do anything with the program despite being told by his agency's central office in Bangkok to cooperate with the program.

The mission's technical representative to the program felt a potential contributor to the communication problem was that the contractor did not have sufficient staff to handle its workload. A contractor official also stated that each of the three regions covered by the program has only one program development officer, which is not enough to implement program activities in many provinces.

In not following up with program participants to help encourage them to take the desired actions intended by the sponsored event, the mission loses a valuable tool for strengthening the capacity of CSOs to serve as checks and balances in the political process and help shape public policy. Lack of communication can also leave program participants frustrated and less cooperative in the future. We therefore make the following recommendation.

Recommendation 9. *We recommend that USAID/Regional Development Mission for Asia work with its contractor to establish and implement an action plan for communicating with program participants and conducting follow-up to maximize the effectiveness of sponsored activities.*

EVALUATION OF MANAGEMENT COMMENTS

The Office of Inspector General has reviewed the mission's response to the draft report and determined that final action has been taken on four of the nine recommendations—1, 2, 5, and 9—while management decisions have been reached on the remaining five recommendations—3, 4, 6, 7, and 8. Our evaluation of comments on the nine recommendations is shown below.

In response to Recommendation 1, the mission had the contractor revise the performance management plan, including indicator definitions and targets, which the mission subsequently approved. We conclude that final action has been taken on this recommendation.

In response to Recommendation 2, the mission stated that while it agreed with the recommendation, it disagreed with the audit conclusion—suggesting the audit team did not clearly understand the fundamental role of OPERACY training. We believe the audit team clearly understood the purpose of providing OPERACY training. The team noted at the time of fieldwork a tendency for OPERACY training recipients to be counted as recipients of technical training. We further noted that OPERACY training, which encompasses leadership and personal empowerment topics, should be seen as preparation for technical skills training, not the technical training itself.

In December 2011, the mission approved a grant-under-contract to a service provider to implement the next phase of the capacity-building strategy—a movement from OPERACY to more specific managerial and technical training. We conclude that final action has been taken on this recommendation.

In response to Recommendation 3, the mission revised the annual reporting period to end on September 30. The mission informed the contractor by e-mail and planned to follow up with a formal letter approving the change. Updated indicator targets in the revised performance management plan have also been aligned with the new reporting period. We conclude that a management decision has been reached. Final action will be taken when the letter is issued to the contractor, which was expected by June 30, 2012.

In response to Recommendation 4, the contractor's chief of party requested discussion sessions 1 month prior to each reporting period to ensure that data has been collected and is analyzed for accuracy and completeness. We conclude that a management decision has been reached on this recommendation. Final action will take place when the mission demonstrates that the new practice results in timely program reporting.

In response to Recommendation 5, the mission and the contractor drafted a revised performance management plan, including targets for all output and outcome indicators which the mission subsequently approved. We conclude that final action has been taken on this recommendation.

In response to Recommendation 6, the mission has begun discussions with the contractor on how to collect baseline data and is expected to obtain this data by March 30, 2012. We

conclude that a management decision has been reached on this recommendation. Final action will be taken when baseline data has been obtained for all 10 outcome indicators.

In response to Recommendation 7, the mission agreed with the recommendation to improve monitoring procedures, but disagreed with the audit conclusions regarding a lack of documented trainee attendance. However, we believe that with 27 percent of the training events having no daily attendance documentation at all, and with another 40 percent of the training events showing a daily absence rate of as much as 32 percent, the audit team could not rely on the program's reported results.

The mission stated that it has discussed measures to be taken with the contractor including quarterly audits of the management information systems data and periodic training to ensure that staff members are qualified to carry out monitoring and evaluation tasks. The contractor will provide training in the coming weeks to correct staff weaknesses in this regard. The contractor has also improved the design of data collection forms and developed guidelines to ensure that partners use the forms to collect accurate and clear data. We conclude that a management decision has been reached on this recommendation. Final action will be taken upon the implementation of a quarterly management information systems audit and monitoring and evaluation training for implementing staff.

In response to Recommendation 8, the mission determined that \$18,086 in costs was associated with the 28 individuals who at the time of the audit lacked evidence of attending program-sponsored training. According to the mission, adequate alternative evidence was provided for all but four of these individuals, resulting in unallowable costs totaling \$449 to be recovered from the contractor. We conclude that a management decision has been reached on this recommendation and that final action will be taken when the mission presents satisfactory evidence to demonstrate that disallowed costs have been fully recovered.

In response to Recommendation 9, the mission initiated the recruitment of additional staff members—a program development specialist and a grants manager—on December 27, 2011, to address concerns raised during the audit. The program should be able to dedicate more staff time and energy to engage more personally with participants. We conclude that final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards 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 that reasonable basis.

The purpose of this audit was to determine whether USAID/Regional Development Mission for Asia's Sapan Program was achieving its main goals of strengthening government oversight agencies, CSOs, and the media and supporting peace-building efforts. To implement the program, USAID awarded a \$19.7 million cost-plus-fixed-fee contract to Development Alternatives Inc. covering the 3-year period from March 29, 2010, through March 30, 2013. As of July 2011, cumulative obligations and disbursements under the program totaled \$13.8 million and \$4.1 million, respectively.

The audit covered program activities over a 19-month period, from the inception of the program on March 29, 2009, through November 1, 2011. The latest available informally reported data was for the 18-month period ending September 30, 2011—in lieu of the annual performance report, which was not yet available. Auditors conducted visits to selected program-supported areas to interview training participants and grant recipients and to observe program-sponsored group interactions.

In planning and performing the audit, the audit team assessed management controls related to management review, proper execution of transactions and events, and performance targets and indicators. Specifically, we reviewed and evaluated the following:

- Program work plans for fiscal years 2010 and 2011
- FY 2010 Performance Plan and Report
- Certification required under the Federal Managers' Financial Integrity Act of 1982
- Portfolio review sheets
- Contract and modifications
- Reported results
- Financial reports

Audit fieldwork was performed at USAID/Regional Development Mission for Asia, as well as at the contractor's office in Bangkok, from October 3 to November 1, 2011. In that period, the audit team conducted site visits in five provinces to observe program activities and interview program participants as well as contractor staff. During these site visits, the auditors obtained input from 42 staff members from independent government oversight agencies, 13 members of various Thai CSOs, and 16 other individuals also involved with the program including university staff, university students, and local government officials.

Methodology

To determine whether the program was achieving its main goals, the audit team initially interviewed key staff at USAID/Regional Development Mission for Asia and at the contractor's office in Bangkok to gain an understanding of the program, the key players and their roles and responsibilities, and the reporting procedures and controls for monitoring the program. Additional work to answer the audit objective entailed conducting site visits to selected provinces to interview targeted program participants and observe program-sponsored activities. Auditors reviewed and analyzed documents to validate data reported under selected performance indicators.

The audit visited 5 of the 11 provinces where the program operates.⁴ These activities largely included interviews with training recipients as well as with other stakeholders engaged with the program on some level, such as grant recipients. The audit also made an effort to validate reported results for selected performance indicators through testing and analytical procedures.

To determine the reliability of computer-processed data received from the mission in support of its obligated and disbursed amounts, we reviewed prior audits of the mission's financial statements and internal controls. To determine the reliability of computer-processed data related to the program's output activities contained in the contractor's information management system, we selected all 15 of the program's training events and all five of its awareness campaigns within the database and verified reported attendance. Based on the audit procedures performed, we considered the computer-processed data used during the audit to be reliable, though the reported training figures proved unreliable because of insufficient documentation of attendance.

The audit team established a materiality threshold of 85 percent to assess the test results. For example, if at least 85 percent of tested results data reported under a specific performance indicator for a selected province were adequately supported, the auditors concluded that the reported results were reasonably accurate.

⁴ The audit team conducted fieldwork in Bangkok and Chiang Mai as well as the three high-priority provinces in the deep south—Songkhla, Pattani, and Yala.

MANAGEMENT COMMENTS



February 9, 2011

MEMORADUM

TO: William Murphy, RIG/Manila

FROM: Michael Yates, USAID/RDMA
Mission Director

SUBJECT: Management Decisions
Audit of USAID/Regional Development Mission for Asia's Sapan Program
(Report Number 5-493-12-00X-P)

REFERENCE: Mission's response to the audit recommendations

Please find below the actions planned/taken by the Mission to reach management decisions.

RDMA Management Response to Recommendations

I. Overall Comments

RDMA management very much appreciates the thoroughness and professionalism with which the audit was conducted. We appreciate the useful recommendations which will ensure a strengthened program moving into the future.

II. Comments on Recommendations

Recommendation No. 1: Revise the program's performance management plan to include performance indicators that reflect all the program's activities, including OPERACY training provided to independent agencies and civil society organizations, as well as sponsored activities involving universities and other organizations that are not the program's primary focus. All indicators should be precisely defined to ensure reported results accurately reflect intended accomplishments (page 5)

Management Response: RDMA Management agrees with this recommendation. The DAI-Sapan and RDMA/GVP management team met on 13 December 2011 for an all-day retreat during which time the program’s Performance Management Plan was revised, definitions and targets updated. The revised PMP was developed and drafted in January 2012 and has been presented to the COR for approval. The revised PMP includes performance indicators that reflect all the program’s activities.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Supporting Documentation:

- Email from DAI-Sapan COP, David Pottebaum, of 03 January 2012 with attachment “Sapan Program Performance Monitoring Indicators – Program Outcomes” for team comment by 13 January 2012.
- Email from DAI-Sapan COP, David Pottebaum, of 30 December 2012 with attachment “Sapan Output Indicators – Sapan Custom and USG Standard” for team comment by 13 January 2012.
- Copy of updated PMP.

Recommendation No. 2: Develop and implement a strategy to transition from OPERACY training to institutional capacity strengthening activities for independent government agencies, civil society organizations and media (page 6).

Management Response: RDMA management agrees with this recommendation, but disagrees with the audit conclusions. A lack of clarity in terms of the fundamental role of OPERACY as part of an integrated approach to capacity building for government agencies, civil society organizations and media may have contributed to the observations presented. Indeed, OPERACY (which includes personal empowerment and leadership training components) has been identified from the outset of the program as an initial element of institutional capacity strengthening (as noted in the contract Section C.6.2.2) followed by further management and operational training.

We view OPERACY as a key element of a continuum of critical organizational skills building and specifically a foundation for subsequent training on other managerial and technical themes. OPERACY includes modules on transparency, accountability and anti-corruption. Effective leaders are needed to facilitate and promote good governance and citizen involvement in local governance, and Sapan emphasizes building the capacity of leaders across political and social divides. Leaders are needed who have an ability to think and act strategically, using a systemic approach to reveal connections and strategic leverage points, to frame issues in new ways and to assess stakeholder interests. It is important they also have the interpersonal skills required to facilitate productive work – such as facilitation, negotiation and mediation skills, particularly important in a politically divided society. Finally, and perhaps most importantly, leaders are needed who have a clear sense of connectedness, high personal integrity and strong ethical conduct.

Sapan’s strategic approach begins by training local leaders to empower stakeholders in their locale by providing them hope and direction, to align them behind a common goal and to resolve conflicts as they arise, before moving on to more “hard” skills areas (such as change management, budgeting, etc.). Central to this is helping leaders to understand more fully their

own perceptions and expectations. Through greater self-awareness, they can learn that everyone has choices in forming their expectations and sense of self and that there are always positive and helpful ways of perceiving and responding to others. Self-awareness and leadership training is provided to persons at all levels of society to create a critical mass of people prepared to assist communities to engage with local government to improve governance in their areas. Without this foundation, managerial and technical training will have less impact than desired. This approach has guided Sapan training activities since the outset of the Program.

The OPERACY training has to date largely been provided to the Area Working Groups (comprised of CSO leaders, IA officials, students and University partners) as well as to a limited number of CSOs on an institutional level (i.e. Pratchatai, Women for Peace Association, Luukrieng Group). As the results of the University-based research and assessment of DG-related CSOs is completed and presented in February 2012, Sapan will have identified a cadre of CSOs working on DG-related issues to be trained in OPERACY and additional managerial and technical skills. Sapan has worked through Universities to complete this assessment and identify these CSOs as a means to ensure we do no harm, specifically to ensure that the program is not seen as “yellow” or “red” by approaching one color group first. (Note that the political divide in Thailand between so-called “yellow shirts” and “red shirts” remains deep. This has been provided in details in annual reports.)

While the program has been training key CSO/IA/media leaders in OPERACY and strengthening the ability of a cadre of Thai OPERACY trainers to provide the initial building blocks of our training program to Thai CSOs more broadly (and specifically those identified through the CSO assessments noted above), we have had a view toward the next range of modules in the training continuum. A key component of the University-led grants is a CSO assessment in which a comprehensive approach is used to assess the capacity and needs of local CSOs. Training programs will be designed around the results of these assessments.

To this end, Sapan undertook a *Market Survey of Thai Service Providers* to identify service delivery options for the managerial and technical training that would flow from OPERACY and based upon the needs identified through the CSO assessments. As that document indicates, we have found it more difficult than previously envisioned to identify organizations – both non-profit and for-profit – to deliver that training.

As noted in the annual report: Sapan learned that there are very few organizations that can (or want to) provide basic training to CSOs on themes such as financial accounting, budget management, human resource development, and project design and management. Lack of donor activity in Thailand over the past decade may be one reason for the lack of service providers (as donors tend to support CSO capacity building programs; without donors to do so, few CSOs would have the finances to invest in such training). Sapan also learned that casting a broad net in a general search for service providers may not be the most efficient method for finding partners. Rather, it may be better to develop a clear scope of work and associated vendor requirements and issue a specific, public request for proposals.

As a result, Sapan will conduct targeted searches for service providers as needs arise, using advertised open procurement processes to ensure transparency and accountability, and to facilitate selection of the most qualified service provider.

The contractor undertook multiple rounds of Expressions-of-Interest from possible vendors. In December 2011, the CTO approved a grant-under-contract to the first of those service providers

to implement the next phase of the capacity-building strategy, a movement from OPERACY to more specific managerial and technical training.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Supporting Documentation:

- Sapan Program Contract, Section C.6.2.2
- Deliverable *Market Survey of Thai Service Providers*

Recommendation No. 3: Align the timing of reported results and targets within the program's performance management plan to ensure reported results directly relate to comparable expectations (page 7).

Management Response: RDMA Management agrees with this recommendation. On 15 December 2011, DAI-Sapan COP officially requested to the COR that the reporting period for annual reports and indicators be re-aligned to the following schedule which itself aligns with USAID reporting periods and the PMP (should option years be exercised):

- March 29, 2010 – March 31, 2011 (completed)
- April 1, 2011 – September 30, 2011 (completed)
- October 1, 2011 – September 30, 2012
- October 1, 2012 – September 30, 2013
- October 1, 2013 – September 30, 2014
- October 1, 2014 – March 28, 2015

On 04 January 2012, the RCO indicated to the COR that the change in reporting dates can be documented initially through a letter to DAI and later incorporated formally into the next contract modification.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Supporting Documentation:

- Email from DAI-Sapan COP, David Pottebaum, of 15 December 2011;
- Email from RCO Thomas Stephens, of 04 January 2012.

Recommendation No. 4: Take steps to ensure required reporting is provided and approved in a timely manner (page 7).

Management Response: RDMA Management agrees with this recommendation. As noted under recommendation 3, above, the reporting periods (narrative and on PMP indicators) have been changed to ensure Program information is delivered to USAID in time to respond to internal reporting deadlines and requirements. In addition, the DAI-Sapan COP has requested that DAI and USAID hold discussion sessions one month prior to each reporting period to ensure data have been collected and are being analyzed for accuracy and completeness and that Program highlights are adequately reported.

RDMA management notes that Annual Reports are not the main source of information to

USAID/RDMA used to guide program strategy and decision-making. The Contractor sends “Fortnightly Highlights” to the USAID COR as the main and most regular source of information on program activities and achievements. This information is shared with others in USAID/RDMA and Embassy to inform other internal stakeholders of the actions and intent of the Sapan Program. During the period November 2010 to October 2011, the Contractor delivered 23 Fortnightly Reports to the USAID COR, including photos, stakeholder quotes on their engagement with the program and links to news items on the web related to program activities.

Likewise, financial data are delivered regularly to the USAID COR through monthly “Budget Snapshots.” These include summaries of past expenditures, pipeline estimates and complete lists of completed, on-going and planned activities. These reports have been provided since March 2011, corresponding to the end of the first year of the contract and beginning of Work Plan 3.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Supporting Documentation:

- Email from DAI-Sapan COP, David Pottebaum, of 11 January 2012.

Recommendation No.5: Establish ambitious, but realistic end-of-program targets for all output and outcome indicators included in the Sapan Program’s performance management plan (page 8).

Management Response: RDMA Management agrees with this recommendation. The DAI-Sapan and RDMA/GVP management team met on 13 December 2011 for an all-day retreat during which time the program’s Performance Management Plan was revised, and targets were identified for all output and outcome indicators. The PMP has been finalized as of January 2012. Further discussions were held to refine the targets and indicators at a senior management meeting on 18 January 2012. The PMP has been finalized and is attached. It will be reviewed annually to update indicators and targets as necessary and assure progress toward Sapan’s end-of-project goals.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Supporting Documentation:

- Email from DAI-Sapan COP, David Pottebaum, of 16 January 2012 with attachment “Sapan Program Performance Monitoring Indicators – Program Outcomes” for discussion at a senior management meeting on 18 January 2012.
- Email from DAI-Sapan COP, David Pottebaum, of 10 January 2012 with attachment “Sapan Output Indicators – Sapan Custom and indicators” for team comment by 13 January 2012.
- Copy of final PMP

Recommendation No. 6: Obtain and report baseline data for all 10 outcome indicators included in the Sapan Program's performance management plan (page 8).

Management Response: RDMA Management agrees with this recommendation. The DAI-Sapan and RDMA/GVP management team met on 13 December 2011 for an all-day retreat during which time the program's Performance Management Plan was revised, and discussions regarding baseline data occurred. For 7 of the 10 indicators, the team either has or is collecting the baseline data. For the remaining 3 others, the team is still discussing what needs to be done to accomplish this. The team has set 30 March 2012 as the target for completing of all baseline data. The PMP has been finalized as of January 2012.

Of the 7 indicators, 2 had been developed and measurements were being taken at the time of the audit – CSO Capacity Scorecards (indicators 2.3.4. and 3.3.2.). University partners were conducting assessments of CSOs in their locales using the questionnaire (long form scorecard) at the time of the audit (as part of the University-led grant activities). This scorecard was discussed in the December PMP meeting. The revised scorecard was delivered to USAID for review and comment on 13 January 2012.

The assessment and documenting of baseline information could not have been completed earlier because core CSO partners had not been selected (the scorecards are to be used to track core partner development over the course of the program). The length of time required to select core partners was due in part to difficulties finding capable and interested organizations described elsewhere in this report. It was also due to the tactic of working with University partners to engage local CSOs, which necessitated a longer calendar of events to arrive at the final selection of CSO partners.

In addition, work to collect baseline data on Youth Perceptions of Social and Economic Opportunities (indicator 3.3.3.) was ongoing through a grant with The Asia Foundation which has significant survey experience in southern Thailand.

At the time of the audit, 6 of 10 proposed outcome indicators had been designed or drafted (i.e., designed, as in the case of panel scores; drafted, as in the case of Youth Perceptions, which will need to be clarified and shortened at the end of the survey and review of data that can be used to measure progress) and baseline data had been or were being collected.

Of the remaining 4 indicators, 1 has been dropped following discussions in December 2011 (due to difficulty in obtaining useful data in a timely manner). The other three are being designed and data will be collected by March 2011. Of these, it is important to note that baseline data could not have been collected earlier for 2 indicators – Public Perception of Partner CSOs and Public Perception of CSO Capacity to Promote Peace – because core CSO partners had not been selected.

Note that the revised list of Outcome Indicators includes 8 Indicators (2 indicators for CSO Scorecards have been consolidated; Indicator on Provincial Governance Index has been dropped). Targets for 5 indicators have been established; Targets for 3 remaining will be established by March 2012.

Supporting Documentation:

- Email from DAI-Sapan COP, David Pottebaum, of 03 January 2012 with attachment

“Sapan Program Performance Monitoring Indicators – Program Outcomes” for team comment by 13 January 2012.

- Email from DAI-Sapan COP, David Pottebaum, of 16 January 2012 with attachment “Sapan PMP outcome indicators – Program outcomes Revised 13 January 2012” for discussion at team meeting on 18 January 2012
- Copy of final PMP.

Recommendation No. 7: Improve its monitoring procedures over Sapan-sponsored activities to ensure actual accomplishments—not projected—are reported. These improved procedures would also closely track the participation of training recipients to ensure they receive intended content and are not paid when they do not attend (page 9).

Management Response: RDMA management agrees with the recommendation to improve monitoring procedures over Sapan-sponsored activities. However, RDMA disagrees with the audit conclusions that (1) projected accomplishments, not actual, were reported and (2) participants did not attend trainings. RDMA maintains that OPERACY is a core element to the Sapan training program (as detailed in RDMA’s response to Recommendation Number 2). Further, the Contractor has provided evidence that the vast majority of participants attended the trainings (as set forth in RDMA’s response to Recommendation Number 8).

We recognize the importance of the RIG’s observation and acknowledge that monitoring information provided to the Audit Team was not clearly presented. The Contractor has improved the design and use of data collection forms, such as sign-in sheets and other participation data, and has developed guidelines to ensure that the vendor/partners collect accurate and clear data. RDMA technical staff will monitor implementation of these guidelines during their field monitoring visits.

RDMA and the Contractor takes data accuracy and clarity very seriously and will take all steps necessary to ensure quality control and have discussed measures to be taken with the COR. For example, quarterly audits of MIS data will be conducted and periodic staff training provided to ensure staff is qualified to carryout M&E tasks. The Contractor has held meetings with staff and the COR on this matter, and will provide training in the coming weeks to correct potential staff weaknesses in this regard.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Recommendation No. 8: Quantify the funds spent on flights, hotels and per diem for the 28 individuals without adequate evidence of attending program-sponsored training courses. If the contractor is unable to provide the mission with sufficient alternative evidence that these individuals attended the training events, these costs should be recovered from the contractor. (page 9).

Management Response: RDMA management agrees with the recommendation. The amount of funds spent on flights, hotels and per diem for the 28 individuals for which the audit report observed inadequate evidence of attending program-sponsored training courses amounts to \$18,086.06.

RDMA management went through significant documentation that provided us with sufficient alternative evidence; we have found that there were four persons who received payments but either did not attend the course as required (3 persons) or DAI could not obtain evidence to support attendance (1 person). The total payments provided to these persons are \$449 which will be recovered from DAI. The RDMA Contracting Officer has reviewed and accepted this alternative evidence and these costs are no longer questioned.

In addition, Contractor has strengthened documentation systems, including emphasizing greater training of subcontractors and grantees to accurately record attendance.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Supporting Documentation:

- Email from DAI-Sapan Operations Manager, Sherwin Reyes, of 20 January 2012 with attachment [Study Trip on Local Governance in Indonesia for CSO Leaders, 11-19 September 2011]
- Email from DAI-Sapan Operations Manager, Sherwin Reyes, of 20 January 2012 with attachment [Personal Empowerment and Self Awareness Training (OPERACY) for IA, Government and Civil Society Representatives – Northern Thailand]
- Email from DAI-Sapan Operations Manager, Sherwin Reyes, of 31 January 2012 with attachment [Personal Empowerment and Self Awareness Training (OPERACY) for University Area Working Groups, 15-19 June 2011]
- Email from DAI-Sapan Operations Manager, Sherwin Reyes, of 6 February 2012 with attachment [Follow-up memo for record regarding Personal Empowerment and Self Awareness Training (OPERACY) for University Area Working Groups, 15-19 June 2011]
- Copy of memo requesting Contracting Officer's determination of allowability of questioned cost.

Recommendation No. 9: Establish and implement an action plan to ensure a consistent and effective level of communication with program participants and to conduct follow-up after implementing activities to maximize the effectiveness of sponsored activities (page 10).

Management Response: RDMA Management agrees with this recommendation. As of 27 December 2011, DAI-Sapan has already initiated the recruitment of additional staff – a Program Development Specialist and a Grants Manager – to directly address concerns raised in the draft RIG review to ensure an effective level of communication with program participants. This also responds to the project’s own experience as documented in the second annual report on pages 8-9: *“Technical skills development and measures. At the summary session for the Indonesia study tour, Sapan spoke with participants on several topics, including whether they were interested to gain skills in using tools they had seen or heard of in the course of the visit. Participants expressed interest, but on return to Thailand had not presented proposals to Sapan for action and funding. This highlights the challenge Sapan faces in helping local CSOs turn ideas into proposals, and proposals into action. More mentoring and guidance are required than was expected at the outset of the Program. In the coming period, Sapan will dedicate more staff time and energy to working with CSO representatives in this regard. At the same time, Sapan will reconsider its overall staffing profile, and how this might limit Program response the needs of local CSOs, and determine whether additional professional staff are required.”*

RDMA management recognizes that the audit team had an opportunity to attend one of the follow-up activities from the Indonesia study tour. While the study tour itself took place between 11-19 September 2011, three weeks later from 12-13 October the first follow-up event occurred at the University-led Grant National Meeting in Songkhla which the audit team attended. This was designed as the first “follow-up” event after the tour, a chance to share findings with their colleagues. The second “follow-up” activity is the design of measures (i.e., tools), within the University-led grant projects, that the participants might use to address local governance issues. Budget monitoring might be one tool used in this process. This design and testing process is scheduled to take place in November 2011 through February 2012.

It should also be noted that at the summary session for this study tour (held on the last day in Indonesia), USAID/RDMA and Contractor talked at length with participants on several topics, including whether they were interested to gain skills in using such tools and how they might do so. Participants are working with Universities in their locales as members of “area working groups.” This is a key element of the governance structure of the university-led grant approach. These groups are now beginning to consider tools they would like to build or become experts in using to address local governance issues (including budget monitoring). Thus, the support and foundation for the first steps had been laid before the participants traveled to Indonesia (i.e., the University-led grants and area working groups).

RDMA management and contractor have expended considerable time and effort over the first period of project implementing to further refine understanding and appreciation for the operating environment. What has become clear is the need for extensive and more than planned “hand-holding” of CSO partners and partner organizations. Unlike other country context where USAID/RDMA and contractor staff have worked in Southeast Asia, it has been noticed that Thai CSOs require much more time-consuming mentoring and coaxing than counterparts in other countries. Following the Indonesia study tour for example, Sapan received not one proposal or concept note from any participants for follow-on activities. Perhaps our expectations were too

high in this regard – as one of the key principles of Sapan is local ownership and agenda-setting. In future, Sapan will dedicate more staff time and energy, including additional professional staff currently being recruited, to be able to more personally engage participants in this manner.

On several occasions early in the program Contractor staff held meetings with CSO groups to discuss their training needs and priorities. Discussion included services (training themes) Sapan might support. In these meetings, CSO representatives expressed their desire for hands-on training that would lead to tangible action to address local needs. Based on this, Sapan designed the University-led grants to provide in-the-field training to CSO representatives, and to develop and test tools to address local governance issues. This informal training and tool development approach may not be perceived by CSO stakeholders as “training” or “follow-on actions,” when, in fact, they are so and are being done in the way the stakeholders requested themselves.

USAID/RDMA and the Contractor held many meetings in the first year of the program with local CSOs and IAs. Discussion focused introducing Sapan to these stakeholders and on seeking input on program strategy and activities. CSO and IA needs and priorities were also discussed. As these were introductory meetings, Sapan had no expectation of quick follow-up with the individuals or organizations which met at that time. These persons and groups may have believed otherwise (but, also worth nothing, this did not lead to written proposals for support). Again, the Contractor will discuss this matter with staff and ensure that expectations are not raised unrealistically during future meetings with local organizations.

RDMA management therefore believes that the final action has been taken and requests that this recommendation be closed on issuance of the report.

Supporting Documentation:

- Email from DAI-Sapan COP, David Pottebaum, of 7 February 2012

The Mission shall request for M/CFO/APC’s closure of all recommendations upon RIG/Manila’s concurrence of the Mission’s management decisions.

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