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USAID
OFFICE OF INSPECTOR GENERAL

Audit of USAID/Ukraine's Activity Monitoring System

Audit Report No. B-121-01-006-P

June 28, 2001

Budapest, Hungary

U.S. Agency for
International Development

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/Budapest

June 28, 2001

MEMORANDUM

FOR: USAID/Ukraine Director, Christopher D. Crowley

FROM: Dir. of Audit Operations, RIG/Budapest, Nathan S. Lokos

SUBJECT: Audit of USAID/Ukraine's Activity Monitoring System (Report No. B-121-01-006-P)

This memorandum is our report on the subject audit. In finalizing the report, we considered your comments on the draft report. Your comments on the draft report are included in Appendix II.

This report contains seven recommendations for your action. Based on the information provided by the Mission, we determined that the Mission reached a management decision and took final action on each of the seven recommendations. Accordingly, no further action is required by the Mission on these recommendations.

We appreciate the cooperation and assistance provided to the auditors on this assignment.

Summary of Results

USAID/Ukraine needs to strengthen certain elements of their activity monitoring system. Our findings indicate that the performance monitoring plan needs improvement (page 4), progress reporting for one program reviewed was not adequate (page 7), the work plan approval process needs improvement (page 8), the performance monitoring plan omitted a significant activity (page 11), and a system to evaluate contractor performance needs to be implemented (page 11).

Background

The euphoria that greeted independent Ukraine in 1991 has subsided. As noted in USAID strategy documents, the G7[1] countries anticipated a quick and thorough destruction of Ukraine's Soviet past, but those expectations were overly ambitious and greatly exceeded what could realistically be done. Throughout the 1990s, Ukraine, with the support of the donor community, has accomplished much and its transformation to a democratic state may well be irreversible. However, the current economic and social situation could threaten to overturn progress made in its transition. Despite some progress in economic reform, most observers agree Ukraine has not made the tough, but necessary policy reforms done more successfully by its Central European neighbors (e.g., Poland, the Czech Republic, and Hungary). The transformation process will take much longer than anticipated and U.S. assistance will continue to play an important role into the next century.

The United States is the largest bilateral donor to Ukraine. Other major donors, as mentioned in the FY 2000 Congressional Presentation, include the World Bank, European Union, United Kingdom, Germany, Canada and the European Bank for Reconstruction and Development. USAID works closely with these donors to ensure that U.S. assistance programs are complementary, mutually reinforcing and do not duplicate each other. General donor meetings are held regularly, and seventeen sector-specific working groups meet periodically to exchange views and information on joint activities and key developments.

Since 1992, USAID/Ukraine has committed $329 million to support its assistance program. USAID has noted that its principal mission in Ukraine has been to help the country make the transition to a broad-based democracy with a market economy while supporting efforts of the

[1] Consisted of the United States, Japan, Germany, Britain, France, Canada and Italy.

Government of Ukraine to alleviate the privations imposed on the most vulnerable members of society during that economic transition.

USAID's program in Ukraine has three strategic objectives:

- To help create a broad-based market economy;
- To help build the framework and practices of a democratic political system that assures open economic and political participation; and
- To help make social services work for the people during and after the country's economic and political transition.

This audit examined the activity monitoring system of USAID/Ukraine, focusing on activities conducted during fiscal year 2000.

Audit Objective

In accordance with its Fiscal Year 2001 audit plan, the Office of the Regional Inspector General/Budapest performed this audit to review the Mission's activity monitoring system and, specifically, to answer the following audit objective:

- Did USAID/Ukraine have an activity monitoring system in place to ensure proper management oversight of USAID-funded activities?

Appendix I describes the scope and methodology for the audit.

Audit Findings

Did USAID/Ukraine have an activity monitoring system in place to ensure proper management oversight of USAID-funded activities?

USAID/Ukraine generally had an activity monitoring system that ensured proper management oversight of USAID-funded activities. However, we did note certain elements of the activity monitoring system that could be strengthened. Specifically, the Mission's performance monitoring plan needs improvement, progress reporting was not adequate, the work plan approval process needs improvement, the performance monitoring plan omitted a significant activity, and a system to evaluate contractor performance needs to be implemented.

USAID/Ukraine can monitor its activities using various methods such as an annual Results Review and Resource Request (R4) report that highlights program accomplishments and future strategic directions, a performance

monitoring plan that contains a variety of performance indicators, and a system to evaluate contractor performance.

In addition to examining monitoring on a Mission-wide level, we also reviewed monitoring performed of eleven individual programs in sub Strategic Objective 1.3c dealing with business development. USAID personnel overseeing these programs may use such means as award recipient work plans, progress reports and site visits to monitor activities at this level.

In accordance with USAID guidance and prudent managerial practices, USAID/Ukraine had generally established the basic management controls necessary to monitor its activities. For instance, USAID/Ukraine had prepared annual results review and resource request (R4) reports, Strategic Plans, ongoing results frameworks and performance monitoring plans, six month activity reports, and evaluation schedules. These plans, documents and reports covered the 13 strategic objectives, 127 intermediate results, and 199 performance indicators that covered the Mission's program in October 2000. We found that Mission personnel were knowledgeable about their areas of responsibility and that they monitored their activities using a variety of tools including award agreements, work plans, progress reports, site visits, and periodic communication with USAID implementing partners.

In addition to the above, USAID's Office of Policy and Program Coordination conducted a training workshop for USAID/Ukraine staff in February 2001. The workshop was a guide to the revised policies on managing for results contained in USAID's Automated Directives System, Series 200 (ADS 200) as of September 2000. By becoming familiar with the revised guidance for planning results, achieving results, and assessing/learning from results, Mission staff should be better able to effectively manage their activities in accordance with current USAID policies.

Although the Mission is implementing many elements of an effective activity monitoring system, we found that certain areas need strengthening. Those areas are noted below:

Performance Monitoring Plan Needs Improvement

USAID's ADS policies set certain requirements for performance monitoring plans (PMP). However, the Mission's most recent PMP did not fully meet those requirements. For instance, not all indicator definitions were sufficiently detailed, not all possible sources were included, the method and schedule of collection for required data was

missing and the responsibility for data collection was not assigned. This lack of compliance occurred because Mission personnel were not sufficiently familiar with ADS requirements. Without a PMP containing all the required elements, the effectiveness of the monitoring system is jeopardized.

According to ADS E203.5.5.b, performance monitoring plans (PMPs) shall provide a detailed definition of the performance indicators that will be tracked; specify the source, method of collection and schedule of collection for all required data; and assign responsibility for collection to a specific office, team or individual. In addition, the Center for Development Information and Evaluation's (CDIE) TIP No. 7 on Performance Monitoring and Evaluation states that "PMPs promote the collection of comparable data by sufficiently documenting indicator definitions, sources, and methods of data collection. This enables operating units to collect comparable data over time even when key personnel change."

At the time of audit, the Mission's most recent PMP (dated October 19, 2000) did not fully meet the above ADS requirements. For example, not all indicator definitions were sufficiently detailed, not all possible sources were included, the method and schedule of collection for required data was missing and the responsibility for data collection was not assigned.

Detailed indicator definitions are extremely important in ensuring that data is collected and reported in a consistent manner. During the audit we found that this consistency in reporting was not always taking place. For example, the data collected and reported on micro loan activity under the Mission's grant agreement with the European Bank for Reconstruction and Development (EBRD) was not consistent. This problem arose because the definition of which micro loans should be counted under the Mission's activities was not adequate.

The Mission's May 2000 R4 contained an intermediate result (IR) of "Improved access to finance" (IR 1.3c.3). To show progress toward that result, the Mission expected to see "Increased loan activity to SMEs" (small and medium sized enterprises) as measured by both the number of loans and the dollar amount loaned. From these definitions, we believe, and the Mission now concurs, that all loans should be counted. However, while the Mission's R4 reported the number of micro and small loans made by the banks using EBRD funds as well as some of the bank's own funds, it omitted micro and small loans disbursed with German funds.[2]

[2] USAID provides funds for technical assistance to increase the loan making capability of lending officers, regardless of source. The decision to not include loans issued with German funds was reportedly made by USAID management, but was not documented.

In contrast, the Mission's reporting to USAID's Global Bureau included all loans issued by the program, regardless of whether the funding source was EBRD funds, local bank funds or German funds. Thus, the lack of clear indicator definitions resulted in the Mission inconsistently reporting on its micro lending activities.

Another problem noted with IR 1.3c.3 in the Mission's PMP was that the listed sources for data on micro and small loans was not complete. The sources listed were EBRD, Western NIS Enterprise Fund and Eurasia Foundation. However, despite the fact that Counterpart Meta Center, a USAID-funded business incubator, concentrated a great deal of its efforts in the disbursement of micro and small loans, those loans were never counted under IR 1.3c.3. Since IR 1.3c.3 states that USAID is concentrating its efforts on "Improved access to finance" and specifically on "Increased loan activity to SMEs", the micro and small loans should be counted and reported, and the implementing entities for these loans should be listed as sources in the PMP.

As noted in our discussions with USAID officials, the Mission's PMP did not fully comply with the ADS requirements because activity management staff were not aware of those requirements. Moreover, the Mission's program office—which was responsible for putting the PMP together—was not familiar enough with those requirements to identify the deficiency.

The PMP is a critical tool for planning, managing and documenting the data collection process. It contributes to the effectiveness of the performance monitoring system by assuring that comparable data will be collected on a regular and timely basis. Such information is essential to the operation of a credible and effective performance-based management system. Without it, the effectiveness of the monitoring system is jeopardized.

> **Recommendation No. 1: We recommend that USAID/Ukraine revise its Performance Monitoring Plan to include detailed indicator definitions, data sources, the method and schedule of data collection, and the assignment of responsibility for data collection, as required by the Automated Directives System.**

Progress Reporting For One Program Reviewed Not Adequate

ADS policies lay out certain requirements for the collection and assessment of data used to monitor progress. However, for one micro lending program reviewed, USAID did not know how many loans up to $10,000 had been issued even though that was the intended emphasis of the program. In addition, specific goals and targets for the micro lending activities had not been established. Although we were unable to determine why these oversights occurred, we believe that they could hinder USAID in properly monitoring ongoing activities or in determining the effectiveness of its assistance.

According to ADS 203.5.5, USAID's operating units shall establish and maintain performance monitoring systems that regularly collect data which enable the assessment of progress towards achieving results. In addition, ADS 203.5.5e states that operating units shall, at regular intervals, critically assess the data they are using to monitor performance to ensure they are of reasonable quality and accurately reflect the process or phenomenon they are being used to measure.

We noted that progress reporting for the micro lending program, one of eleven programs reviewed, being implemented under USAID/Ukraine's grant agreement with the European Bank for Reconstruction and Development (EBRD) does not reflect and report on the activities specifically required in the grant agreement terms. The grant agreement states that USAID will provide funds for technical assistance for "basic micro loans" to microenterprises made under the program. In addition the grant agreement states that "USAID funding will be available **only** (bolding added) in support of the basic micro loan" and that these loans will be valued from $30 to $10,000. Obviously, the Mission intended that its efforts would be concentrated on loans up to $10,000 and, accordingly, would expect progress reporting on these loans.

However, instead of presenting information for basic micro loans up to $10,000; the progress reports combined basic micro loans of up to $10,000 with other micro loans up to $20,000 and, on an exceptional basis, up to $30,000. Although the progress reports identified the number of micro loans issued by the different banks and regions, the value of the individual loans were only shown in averages, which does not allow for the determination of whether or not the loans qualified as basic micro loans.

As a result, although the micro lending program has been ongoing since September 1998, USAID/Ukraine does not know how many basic micro loans up to $10,000 have been issued under the program—even though that was the intended emphasis of the program. The recipient's current reporting system does not allow for a break out of the number of micro

loans. This situation arose because 1) the Mission did not specify that progress reporting must reflect the amounts of basic micro loans and 2) Mission staff did not make a critical assessment of the reported data to ensure that it was relevant to the program.

In addition to the above, the grant agreement did not establish specific goals to measure the effectiveness of the micro lending activities nor were periodic targets established for micro loans. The presence of targets is an important element in determining the progress of an activity—a fact emphasized by Section 226.51 of the U.S. Code of Federal Regulations, which states that performance reports shall generally contain a comparison of actual accomplishments with the goals and objectives established for the period.

While we were unable to determine why micro loan goals and targets had not been developed, in their absence, USAID was unable to make a comparison of actual to planned lending levels. Without such goals and targets concentrating on basic micro loans up to $10,000, USAID is not in a position to properly monitor ongoing activities or determine the effectiveness of its assistance.

Although the micro lending activity is scheduled to end on April 30, 2001, we believe it is still appropriate to collect data on basic micro loans that have been disbursed during the life of the project activities. This information will assist in determining the overall effectiveness of the program in achieving what USAID intended.

> **Recommendation No. 2: We recommend that USAID/Ukraine obtain data on micro loans disbursed under the European Bank for Reconstruction and Development activity with values up to $10,000.**

> **Recommendation No. 3: We recommend that USAID/Ukraine establish targets for planned lending activities and that actual lending activities are compared against these targets.**

Work Plan Approval Process Needs Improvement

USAID grants and cooperative agreements require periodic work plans that are approved by USAID. Of the work plans we reviewed, all of the work plans needed improvements in certain areas. In addition, we noted a need for better documentation in the activity monitoring process. These problems occurred due to inattention to award requirements and a lack of appreciation for documenting essential actions. Without proper approval of workplans, the activities may not lead to the expected results.

USAID contracts and cooperative agreements contain provisions requiring that contractors and grantees submit periodic work plans and that those work plans be approved by USAID. In addition, the Standards for Internal Control in the Federal Government[3] states, among other things, that internal controls, transactions and other significant events need to be clearly documented.

During the audit, we reviewed eight work plan requirements from the eight active contracts and cooperative agreements in the Business Development Division of the Mission's Office of Private Sector Development. We determined that the work plan approval process needed improvement in certain areas for all of the awards reviewed. Some of the problems with these required work plans included:

- Two of the plans were not prepared but there were indications of verbal agreement to certain planned actions.
- Three of the plans were prepared but lacked written USAID approval. One of the plans received periodic oral agreement.
- Three of the plans received written approval but only after the beginning of the time period covered by the plan. Subsequent changes did not have written approval.

Although we determined that activity monitoring was occurring within this Mission office, some of this monitoring was being conducted without documentary support. For example, activity managers frequently used telephone and e-mails to maintain contact with implementing entities but did not always document essential actions. Also, field site-visits were made, but there were no formal site-visit reports prepared to document what was observed and discussed. Moreover, numerous meetings took place on a regular basis, but without minutes being prepared to document the discussions and any agreements that may have been reached.

USAID's approval of changes to planned activities could have taken place in any of the above venues. Thus, documenting these events would strengthen the overall monitoring process and provide support for USAID's approval of contractor and grantee actions. This written approval could prove especially important in the case of work plan changes or if a dispute arose.

In two of the instances noted earlier in this section, according to a cooperative agreement recipient and a contractor, USAID's approval of planned activities was done orally. For example, in one instance, a

[3] Issued by the U.S. General Accounting Office in November 1999.

grantee stated "We held frequent discussions with our various USAID COTRs[4] in Kyiv about our plans and got an oral go-ahead for each request." This same grantee did not prepare the required annual plan that was noted in the cooperative agreement terms; however, in responding to auditor requests for these annual plans, the grantee stated "in retrospect an annual summary of planning would have been useful for us as well as USAID."

In another instance, a contractor was not required to prepare an annual work plan. However, the contract did require that the contractor meet at least monthly with USAID officials to review progress and to complete/approve a short-term work plan for the coming month. Also, in order to allow for more flexibility, the contract stated that, if approved by the COTR, those short-term work plans could cover different periods of time. USAID officials and contractor staff both stated that the monthly plans were approved orally and not in writing.

These deficiencies are the result of a lack of attention to award requirements and a general lack of understanding and appreciation for the need to document basic essential actions.

Without having approved work plans—or approved changes to work plans—USAID/Ukraine has no assurance that the activities being implemented will lead to the expected results. Moreover, since approved work plans establish the benchmarks against which contractor and grantee performance can be measured, the absence of such benchmarks can make assessing performance more difficult.

Recommendation No. 4: We recommend that USAID/Ukraine notify Mission personnel that 1) all activity work plans shall be approved in writing and 2) significant changes to work plans shall be approved in writing, in accordance with the award documents.

Recommendation No. 5: We recommend that USAID/Ukraine issue a memorandum reminding Mission staff that significant events (e.g. field site visits, important conversations, etc) and decisions should be documented in writing and maintained in official files.

[4] Contracting Officer's Technical Representative (COTR)

Performance Monitoring Plan Omitted A Significant Activity

ADS policies lay out certain requirements for the collection and assessment of data used to monitor progress. However, we found that a significant activity is not included in the Mission's PMP. Due to the activity's unique cross cutting nature, indicators were not originally established. The omission from the PMP may hinder the Mission's assessment of progress towards its results.

ADS 203.5.5 addresses performance monitoring and states that :

"The Agency and its operating units shall establish and maintain performance monitoring systems that regularly collect data which enable the assessment of progress towards achieving results. Operating unit performance monitoring systems shall track performance at both the results framework level and the activity level."

Despite this requirement, we found that one of the eleven programs reviewed—the Ukraine Market Reform Education Program (UMREP)—is not included in the Mission's Performance Monitoring Plan. The PMP contains no indicators for this significant activity ($8.2 million contract) and, although UMREP is a cross cutting activity that contributes to several strategic objectives, it is not included as a source for information under those strategic objectives. The omission of this activity from USAID/Ukraine's performance monitoring plan hinders the Mission's assessment of progress towards its results.

When queried, USAID and UMREP officials stated they had not originally provided indicators for this activity due to its cross cutting nature. However, they agreed with our assessment and believe that indicators should be developed. As a result, Mission and UMREP officials are now working to develop a number of indicators covering this activity.

> **Recommendation No. 6: We recommend that USAID/Ukraine review all significant activities for inclusion in the Performance Monitoring Plan.**

System to Evaluate Contractor Performance Needs to be Implemented

The ADS requires a system to evaluate contractor performance. However, the Mission's Regional Contracts Office has not implemented such a system due to a lack of personnel in previous years. The absence of the

Mission's required evaluation reports may prevent the most qualified contractor from being chosen for an award.

According to ADS 302 covering the evaluation of contractor performance,

"It is USAID policy that contracts in excess of $100,000, including individual task orders under indefinite quantity contracts, must be evaluated at least annually (for contracts exceeding one year in duration) and on completion of activities, as required by Federal Acquisition Regulation 42.1502[5]..."

The ADS further notes that more frequent evaluations may be conducted if the Contracting Officer (CO) and Cognizant Technical Officer (CTO) determine them to be in the best interests of the activity. In addition, the National Institutes of Health (NIH) Contractor Performance System (CPS) must be used to compile and record these reports, if the Contracting Officer has been given access to it by USAID's "Past Performance Coordinator".

To begin the evaluation process, the cognizant Contracting Officer (CO) identifies the contracts and task orders that are due for either interim or final performance evaluations. For each award, the CO completes the identification information in the appropriate form (depending on whether the CO has access to the CPS). The CO then sends the form to the CTO for the initial assessment. The CTO will return the form to the CO, who may revise the form as appropriate. The Contractor is then given 30 days to respond to the evaluation. After the thirty-day period, the information resulting from the evaluation is entered into the CPS.

The USAID/Ukraine Regional Contracts Office (RCO) has performed only one evaluation of contractor performance in the past three years. Although we did not determine a specific number of contracts and task orders that could have been subject to this requirement over the past three years, we did note that there were 54 active contracts and task orders that could have been subject to this requirement in FY 2000. Currently, there are 12 contracts and task orders over the $100,000 threshold which require annual or final contractor performance reports during the first six months of calendar year 2001. The Contracts Office does not maintain a schedule of when to perform the evaluations. Although one member of the Contracts Office staff has the necessary logon and password to access the CPS database, he has never accessed the system. According to RCO staff, a lack of personnel in previous years prevented implementation of the contractor evaluation system.

[5] According to FAR 42.1502, the threshold was lowered from $1million to $100,000 effective as of January 1, 1998.

Seventeen civilian agencies have subscribed to the NIH system, leaving the U.S. Department of Housing and Urban Development (HUD) and the National Aeronautics and Space Administration (NASA) as the only major agencies not covered by it. The past performance reports are a tool used to support future award decisions. The absence of USAID/Ukraine's required evaluation reports may prevent the most qualified contractor from being chosen for an award. The contracting staff intends to address this monitoring weakness by initiating a contractor performance evaluation system at the Regional Contracts Office in USAID/Ukraine during calendar year 2001. The Contracts Office has begun work on a course to train staff in this evaluation system.

Recommendation No. 7: We recommend that the USAID/Ukraine Regional Contracts Officer implement a system to evaluate contractor performance in accordance with the requirements set forth in the Federal Acquisition Regulations and Automated Directives System 302.

Management Comments and Our Evaluation

USAID/Ukraine officials have taken prompt action with regard to the seven recommendations in our report, and their comments (excluding lengthy attachments) are included as Appendix II to this report. Based on USAID/Ukraine's response, we have determined that final action has been taken on each of the seven recommendations.

Scope and Methodology

Scope

The Office of the Regional Inspector General/Budapest conducted an audit, in accordance with generally accepted government auditing standards, to determine whether USAID/Ukraine had an activity monitoring system in place to ensure proper management oversight of USAID-funded activities.

The audit examined the activity monitoring system of the Mission, focusing on activities conducted during fiscal year 2000. There were 124 awards totaling $401 million that were on-going in fiscal year 2000. Also, in order to focus on certain activity-level components, the audit specifically reviewed monitoring performed of eleven individual programs in sub Strategic Objective 1.3c (Expanded role of small and medium sized enterprises in the national economy). The eleven awards for these programs totaled $50 million. The audit was conducted at USAID/Ukraine in Kyiv, Ukraine from October 2000 through February 2001.

Methodology

As mentioned above, the audit objective was to determine whether USAID/Ukraine had an activity monitoring system in place to ensure proper management oversight of USAID-funded activities.

In answering the audit objective, we tested various aspects of the Mission's activity monitoring system. For instance, we included tests to determine whether Mission personnel: prepared R4 reports, ongoing results frameworks and performance monitoring plans that contained certain elements required by the ADS (e.g. performance indicators had a detailed description and specified the source, method, and schedule for data collection as well as the assignment of responsibility); conducted periodic portfolio reviews of activities; conducted evaluations of activities; had approved work plans and adequate progress reports for awards; conducted site visits; communicated with USAID partners, documented significant events and were knowledgeable about their assigned areas of responsibility; and implemented a system to evaluate contractor performance evaluation.

We also made our own site visits to implementing partners to verify data reported in periodic progress reports. We performed file reviews, interviews of officials, and data analysis. In order to review ongoing monitoring at the activity level, we selected a judgmental sample of programs in sub Strategic

Objective 1.3c based on the valuation and the significance of these activities to the overall Mission's portfolio.

We examined documentation which included Mission staffing and organization documents; Mission historical funding data; Ukraine country data; applicable prior USAID and GAO reports; and other documentation necessary to answer the audit objective. We also considered specific criteria affecting activity monitoring such as USAID and Bureau R4 guidance including USAID Center for Development Information and Evaluation TIPS; USAID Automated Directives Systems, Acquisition Regulations and Contract Information Bulletins. Other criteria included the Code of Federal Regulations and Federal Acquisition Regulations.

Management Comments

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June 19, 2001

To: Director of Audit Operations, RIG/Budapest, Nathan Lokos

From: Christopher D. Crowley, Director for USAID Mission for Ukraine, Belarus and Moldova

Subject: Audit of USAID/Ukraine's Activity Monitoring System

As requested in your memo dated May 11, 2001, our comments to subject audit are in Attachment A (Mission memo dated March 1, 2001) and below. Based on this memo and the additional actions that were recently taken (see below for details), the Mission requests that the RIG/Budapest issue management decisions for all 7 recommendations and close recommendation numbers 1 to 6 upon issuance of the final report. Details are as follows.

Recommendation No. 1:

In accordance with our comments in our March 1, 2001 memo, the Mission continually reviews and revises its indicators, which are reflected in the Performance Data Tables for the FY 2003 R4 report. As reflected in the Missions Memorandum of the FY 2003 R4 (Attachment B), the Mission notified Washington of indicator changes proposed for SOs 2.2, 2.3, 3.2 and 3.4. We have also modified the indicators for SO 1.6 (Attachment B) in our Performance Monitoring Plan and it was reflected in the SO 1.6 narrative of the FY 2003 R4 (Attachment B).

In the course of revising our indicators, the Mission has corrected indicator definitions and data sources. We have also amended the Performance Monitoring Plan (PMP) to include the method and schedule of data collection, and the assignment of responsibility for data collection in accordance with the ADS (Attachment C). These additional columns in the PMP will be

fully updated by August 31, 2001. Based on these actions, the Mission's Performance Monitoring Plan is in accordance with the ADS and we request that this recommendation be closed upon issuance of the final report.

Recommendation No. 2:

USAID/Kiev has revised its Performance Monitoring Plan (PMP) to assure that all sources of micro loans are included in the PMP and these sources are used to report micro loan data in the yearly R4. The most recent R4 report included all micro loans under the EBRD program, including those issued by the German fund, as well as loans from the Counterpart Meta Center. Furthermore, the Mission continues to review all data reported to the Global Bureau on micro loans to assure that the data is consistent with the data reported in the R4.

Additionally, subsequent to the audit, EBRD is now providing data to USAID/Kiev on a monthly basis for loans ($10,000 or below) issued by the entire program, including the German funds (Attachment D). USAID will ensure that all future USAID-financed micro loan programs determine targets for micro loans and report the micro loans issued as a result of those programs in the R4 and in reports to the Global Bureau. Attachments D and E also provides documentation on the micro-loan targets established for the tranche of funds now being processed in the Mission.

It should be noted that the R4 will continue to report data on other loans to small and medium enterprises that exceed the micro loan category (over $10,000) since the Mission's programs also support small and medium enterprise growth. As the audit team noted, it is also a positive reflection of USAID activities that larger loans are made available to small and medium enterprises for enterprise growth and overall private sector development in Ukraine. This data will be included in next years R4 due to the fact that we only started collecting this information in FY 01.

Based on these actions, we request that recommendation be closed upon issuance of the final report.

Recommendation No. 3

The Mission established targets in the FY 2003 R4 report for micro loans (lending activities) and has compared the actual lending activities against these targets (Attachments D & E). Based on these actions, the Mission requests that this recommendation be closed upon issuance of the final report.

Recommendation No. 4:

At the request of the Deputy Director on 25 February 2001, Office Directors submitted a list of contracts, task orders and cooperative agreements requiring USAID approval of work plans,

showing the date of written approval of the work plan or the reason the work plan was not approved. Copies of written approvals were provided to the Regional Contracts Office. RCO will follow up with each office on a quarterly basis. In addition, the RCO issued an e-mail to RCO staff notifying them that any contract, task order or cooperative agreement requiring submission of a work plan to USAID should also require CTO approval of the work plan in writing (see Attachment F). We are also modifying the procedures for the semi-annual SAR reviews to require the SOs to report on the status of approved work plans in writing. Based on these actions, the Mission requests that this recommendation be closed upon issuance of the final report.

Recommendation No. 5:

The Deputy Mission Director issued a memorandum via e-mail on 15 June 2001 (see Attachment G), advising mission Cognizant Technical Officers that all important agreements reached with contractors or recipients should be documented in writing and included in the project files. Examples of such documents are trip reports, CTO approval of key personnel or other information relating to "substantial involvement" under cooperative agreements, substantive discussions related to performance or implementation, etc. Based on these actions, the Mission requests that this recommendation be closed upon issuance of the final report.

Recommendations No. 6

USAID has reviewed all significant activities for inclusion in the Performance Monitoring Plan. The Mission definition for significant activity is both Mission and USAID/W funded activities with a total lifetime cost of $500,000 or more and which will continue beyond the end of the fifth month of the next reporting period.

USAID/Ukraine is in the final process of taking all appropriate actions to move UMREP from SO 1.3c to SO 4.2. The March 2001 R4 indicated that UMREP would be moved from SO 1.3c to SO 4.2 as a cross-cutting new activity in FY 2002. However, notifications under SO 1.3c for FY 2001 still included UMREP, which is consistent with previous budget allocation and funding. The Mission has also developed and approved 3 new indicators for UMREP (Attachment H).

Other activities in SO 4.2 are either politically mandated or cross-cutting. The cross-cutting activities within SO 4.2 are Participant Training and Anti-Trafficking in Women activities. The politically mandated activities include Eurasia Foundation, Poland Ukraine American Cooperation Initiative (PAUCI), and the Ukraine Land Resource Management Center.

In addition, under SO 1.3c, the Mission reviewed 5 other

activities (see below). Of these, Junior Achievement falls below the $500,000 threshold. This activity may be modified to increase the total estimated cost to $600,000. If this occurs, it will be added to the PMP.

Business Education/Consortium for Enhancement of Ukrainian Management Education (University of Minnesota and others (CEUME)) is listed in the PMP.

Volunteer Activities/Alliance (IESC, ACDI/VOCA, and others) is politically directed.

National Telephone Cooperative Association (NTCA) and the Center for Economic Initiatives (CEI) are both congressional earmarks and are not listed in the PMP because they are difficult to measure and, in accordance with ADS 201.3.4.6 guidance, do not contribute directly to the Mission's strategic objectives.

Based on these actions, the Mission requests that this recommendation be closed upon issuance of the final report.

Recommendation No. 7

Mission is committed to the time frame identified in Mission Response dated 1 March 2001 to have contractor performance reports for 11 task orders and contracts finalized in the NIH system by 30 July 2001 (see Attachment I for details and explanation of 11 task orders and contracts instead of 12). Based on these actions, the Mission requests that a management decision be issued and that this recommendation be closed on July 30, 2001.

As also requested in your memo, we signed and attached the audit representation letter for subject audit (Attachment J). The Mission appreciates all of your assistance in this matter.