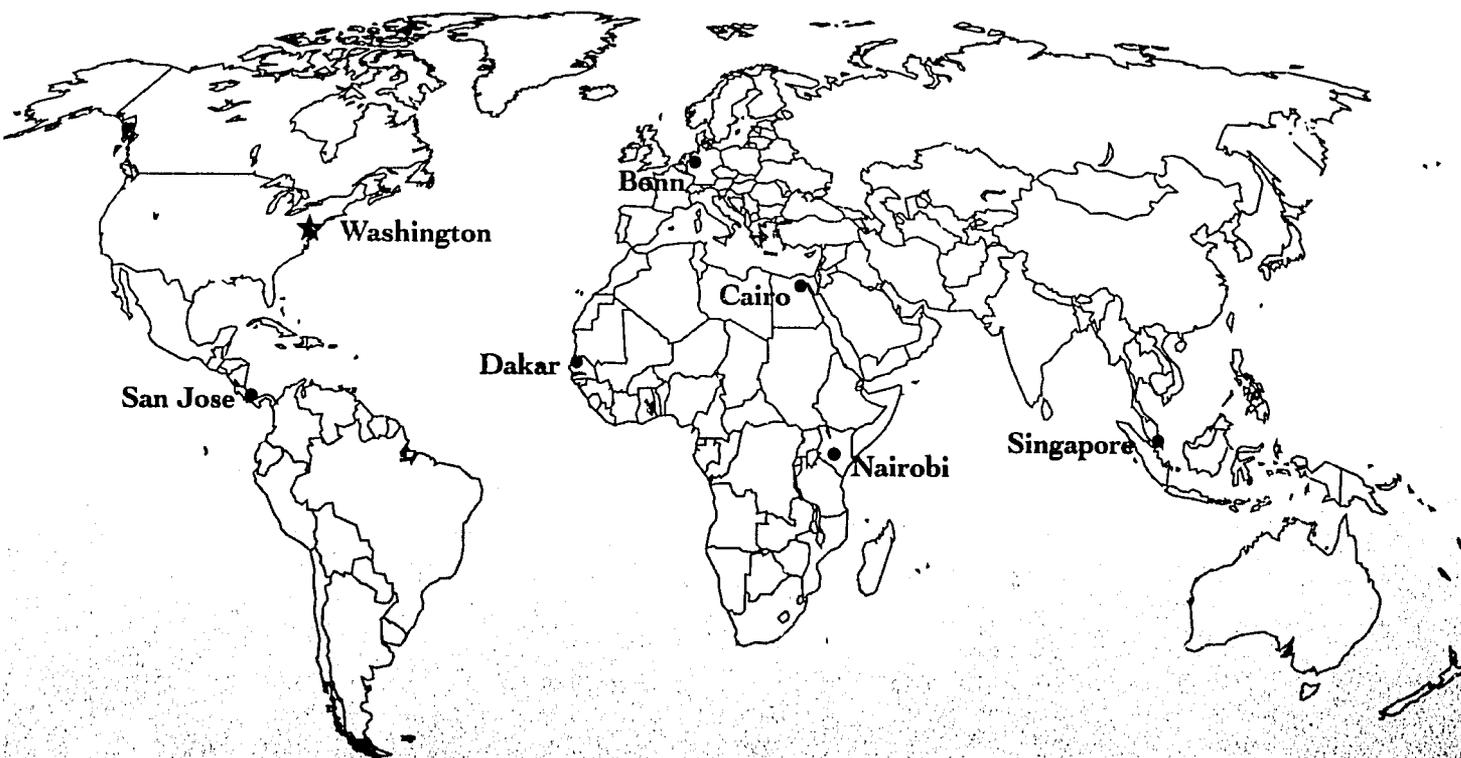


PD - ABL 351
95330

**Regional Inspector General for Audit
San José, Costa Rica**

**Audit of
USAID/El Salvador's Monitoring
and Reporting on Completed Projects**

**Audit Report No. 1-519-95-004
May 31, 1995**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



AGENCIA PARA EL DESARROLLO INTERNACIONAL
MISION ECONOMICA DE LOS ESTADOS UNIDOS EN COSTA RICA

Apartado Postal 825-1200
San José, Costa Rica
Teléfono: 20-4545
Telex 3550 AIDCR KR
Fax: (506) 20-3434

May 31, 1995

MEMORANDUM

TO: USAID/El Salvador Director, Henry W. Reynolds

FROM: RIG/A/San José, *Coinage N. Gothard*
Coinage N. Gothard, Jr.

SUBJECT: Audit of USAID/El Salvador's Monitoring and Reporting on Completed Projects

The Office of the Regional Inspector General for Audit/San José has completed its audit of USAID/El Salvador's project completion report process. This final audit report is being transmitted to you for your action.

In preparing this report we reviewed your comments on the draft report and included them as Appendix II. A summation of your comments has been included after each of the problem areas addressed in the report.

Based upon your written comments, we consider all recommendations resolved upon issuance of this report. The recommendations can be closed when USAID/El Salvador presents acceptable evidence that the planned actions have taken place. Please respond to the report within 30 days indicating any actions taken to implement the recommendations.

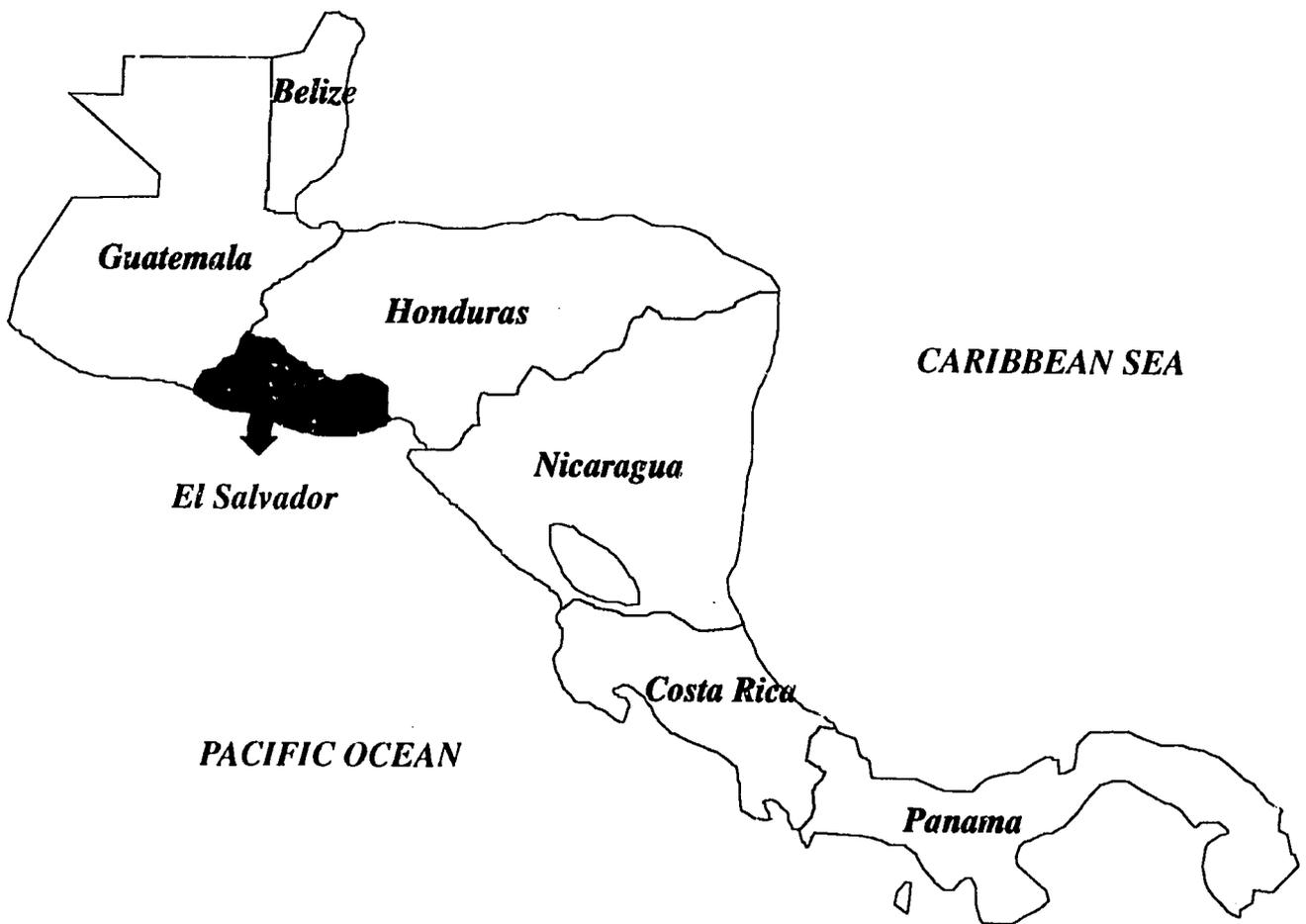
I appreciate the cooperation and courtesies extended to my staff during the audit.

**Regional Inspector General for Audit
San José, Costa Rica**

**Audit of
USAID/El Salvador's Monitoring
and Reporting on Completed Projects**

**Audit Report No. 1-519-95-004
May 31, 1995**

CENTRAL AMERICA



EXECUTIVE SUMMARY

USAID Handbook 3, Chapter 14, requires project officers to prepare a Project Assistance Completion Report no later than six months after the Project Assistance Completion Date. Three major purposes of the report are to (1) identify project accomplishments compared to what was intended, (2) provide a summary of planned versus actual project contributions made by the host government and other participants, and (3) define continued USAID monitoring responsibilities including the timing and resources involved. USAID/El Salvador had completed 13 projects that had Project Assistance Completion Dates between January 1, 1991 and December 31, 1993. Obligations and expenditures for these 13 projects totaled \$273.2 million and \$273.1 million, respectively (see page 1).

USAID/El Salvador monitored the recommended actions identified in the completion reports for the three projects we reviewed. The recommended follow up actions were to be completed after the three projects ended and included: the liquidation of outstanding advances totaling \$143,797, designing and implementing a follow-on project, and obtaining semi-annual reports from a non-governmental organization responsible for managing a revolving fund to support activities related with the original project objectives (see page 3).

However, USAID/El Salvador could improve the project completion reporting process by ensuring that project completion reports are prepared timely, include reliable and complete data on project accomplishments, include summaries of counterpart contributions planned versus contributions actually made, and include recommendations identified in final evaluation reports and the status of their implementation. Some of the problems found include the following:

- USAID/El Salvador completed 11 of the 13 required project completion reports and the remaining two reports were being prepared. However, 7 of the completed reports were not prepared within the six-month period and only 2 of these reports were sent to USAID's Center for Development Information and Evaluation as required. Delays in preparing the reports and not sending them to the Center impairs the usefulness of the reports as management tools for USAID managers and the development community in general (see page 3).

- The four completed project reports reviewed in detail did not effectively compare planned and actual outputs and/or progress towards achieving the project purpose. Moreover, USAID/El Salvador could not provide documentation to substantiate the accuracy of the project accomplishments reported. Not describing project results in objectively verifiable terms compared to what was expected and not ensuring the reliability of data used to show progress diminishes the usefulness of the reports including USAID's ability to show measurable accomplishments for the money spent. USAID's expenditures for the four projects which we reviewed the reported accomplishments totaled \$167 million (see page 7).
- USAID policy prescribes that summaries of counterpart contributions are to be included in the completion reports. Although 9 of the 13 completed projects required counterpart contributions from the host-government and non-governmental organizations, none of the nine completion reports prepared for these projects included summaries comparing the counterpart contributions planned versus amounts actually made. As a result, counterpart contribution information is not being disseminated in project completion reports to USAID managers and others who may have a need for such information (see page 12).
- USAID/El Salvador considered that "final evaluations" had been done for the four projects reviewed in detail. However, of the three evaluation reports that included recommendations, the Mission's completion reports did not discuss the status of the recommendations not yet implemented or the need for post-project monitoring to ensure implementation of those recommendations. Reporting such monitoring actions and ensuring they were carried out could have precluded or at least mitigated the problem of USAID/El Salvador not having an effective evaluation recommendation follow-up system and not having documentation to support the status of implementing open recommendations in the three evaluation reports. USAID/El Salvador had paid \$160,834 to contractors and spent an estimated 269 staff days of its resources for the three evaluations (see page 14).

The report contains four recommendations to address the above problems and improve the project completion report process (see pages 4, 7, 13, and 14).

In responding to the draft audit report, USAID/El Salvador agreed with the reported findings and recommendations and provided planned actions to implement the four recommendations. Accordingly, these recommendations are resolved and will be closed upon completion of the planned actions. The

Mission's comments are discussed after each finding and are included in their entirety as Appendix II.

Office of the Inspector General

Office of the Inspector General
May 31, 1995

Table Of Contents

	<u>Page</u>
EXECUTIVE SUMMARY	1
INTRODUCTION	1
Background	1
Audit Objectives	1
REPORT OF AUDIT FINDINGS	3
USAID/El Salvador did not always prepare Project Assistance Completion Reports as required by USAID policy including discussions on project accomplishments, host country contributions, and continued USAID monitoring responsibilities.	3
Project Completion Reports Need to be Prepared Timely	3
Project Results Need to be Better Addressed	7
Completion Reports Need to Include Summaries of Counterpart Contributions	12
Need to Better Address Continuing Monitoring Responsibilities	14
APPENDICES	<u>Appendix</u>
Scope and Methodology	I
Management Comments	II
Time In Preparing 11 PACRs	III
Verification of Selected Project Accomplishments	IV

INTRODUCTION

Background

USAID Handbook 3, Chapter 14, requires project officers to prepare a Project Assistance Completion Report no later than six months after the Project Assistance Completion Date. Three major purposes of the report are to (1) identify project accomplishments (outputs) compared to what was intended, (2) provide a summary of planned versus actual project contributions made by the host government, donors, and other participants, and (3) define continued USAID monitoring responsibilities including the timing and resources involved.

As of September 30, 1994, USAID/El Salvador had completed 13 projects that had Project Assistance Completion Dates between January 1, 1991 and December 31, 1993. Obligations and expenditures for these 13 projects which totaled \$273.2 million and \$273.1 million, respectively.

Audit Objective

The Regional Inspector General for Audit/San Jose audited USAID/El Salvador's Monitoring and Reporting on Completed Projects to answer the following audit objective:

- **Did USAID/El Salvador prepare Project Assistance Completion Reports as required by USAID policy including discussions on project accomplishments, host country contributions, and continued USAID monitoring responsibilities?**

Appendix I contains a complete discussion of the scope and methodology for this audit including a scope limitation.

REPORT OF AUDIT FINDINGS

Did USAID/El Salvador prepare Project Assistance Completion Reports as required by USAID policy including discussions on project accomplishments, host country contributions, and continued USAID monitoring responsibilities?

USAID/El Salvador did not always prepare Project Assistance Completion Reports as required by USAID policy including discussions on project accomplishments, host country contributions, and continued USAID monitoring responsibilities.

USAID/El Salvador monitored the recommended follow-up actions to be completed after the three projects that had such recommendations ended. Examples of actions that were followed up included: the liquidation of outstanding advances totaling \$143,797, designing and implementing a follow-on project, and obtaining semi-annual reports from a non-governmental organization responsible for managing a revolving fund to support activities related with the original project objectives.

However, USAID/El Salvador could improve its reporting process for completed projects by ensuring that the completion reports: (1) are prepared timely and are sent to the Center for Development Information and Evaluation, (2) include reliable and complete data on project accomplishments, (3) include summaries of counterpart contributions mutually agreed to and amounts actually contributed, and (4) identify the status of evaluation report recommendations not yet implemented. These issues are discussed below.

Project Completion Reports Need to be Prepared Timely

USAID policy requires that Project Assistance Completion Reports be prepared not later than six months after the Project Assistance Completion Date and be sent to USAID's Center for Development Information and Evaluation (CDIE). Although USAID/El Salvador prepared the required final reports for 11 of the 13 projects that were completed during the period covered by the audit and the reports for the remaining two projects were being prepared, 7 of the 11 completed reports were not prepared within the six-month period and only 2 of the 11 reports were sent to CDIE. USAID/El

Salvador officials attributed the delays to the low priority placed on the preparation of the reports and to delays in getting information (e.g., final audits) they erroneously thought was needed for finalizing the reports. Regarding not sending the reports to CDIE, USAID/El Salvador officials said that they believed all the completed reports were sent to the Bureau for Latin America and the Caribbean because all project agreements and other project documents were sent to this location, but they could not support this action and did not know USAID required the reports to be sent to CDIE. Delays in preparing the reports and not sending the reports to CDIE impairs the usefulness of the reports as management tools for USAID managers and the development community in general.

Recommendation No. 1: We recommend that USAID/El Salvador instruct its staff that every effort should be made to ensure that Project Assistance Completion Reports are prepared within six months after the project completion date and are sent to USAID's Center for Development Information and Evaluation.

USAID Handbook 3, Chapter 14, requires project officers to prepare Project Assistance Completion Reports (PACRs) no later than six months after the Project Assistance Completion Date (PACD). The Handbook states that the principal focus of the report will be on the following issues (among others):

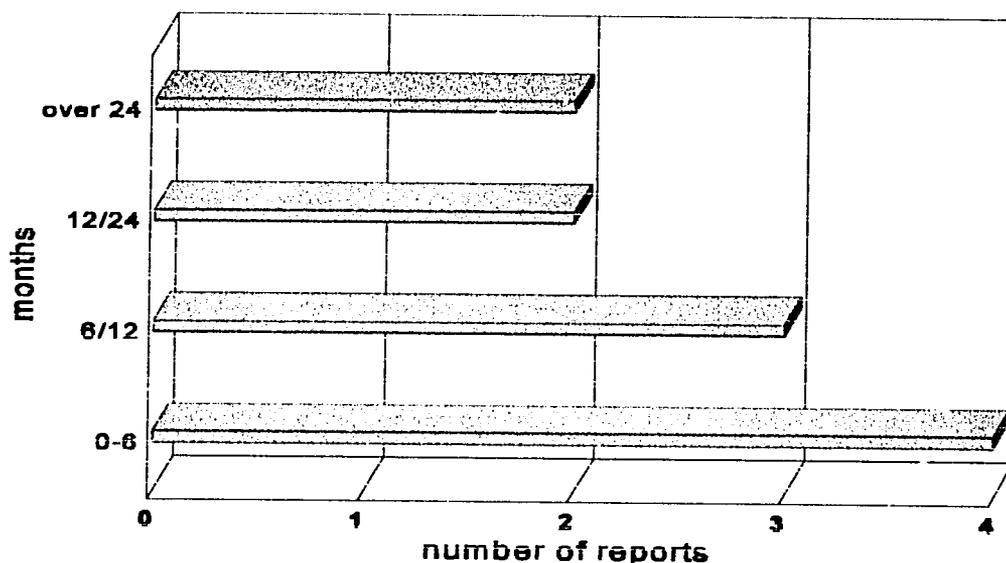
- an assessment of the extent to which the project achieved its purpose,
- recommendations for final adjustments in project design and borrower/grantee reporting requirements,
- a summary of lessons learned from the project that might be relevant to programming, design and implementation of other activities, and
- a definition of continuing and/or post-project USAID monitoring responsibilities (including the timing and resources involved).

The Handbook (Chapter 14) further states that depending on the type of project, the monitoring may continue for a few months (e.g., until all non-USAID inputs have been made) or several years (e.g., if financial covenants have to be monitored). The report is to be reviewed by appropriate mission staff and sent to CDIE to ensure that the institutional knowledge of USAID's activities is preserved.

USAID/El Salvador had completed 13 projects during the three year period ended December 31, 1993 and had prepared final PACRs for 11 of those

projects and draft PACRs for the other two projects.¹ However, only 4 of the 11 PACRs were approved within the six-month time frame while the others ranged from eight months to 33 months as illustrated below (and identified in Appendix III).

USAID/EL SALVADOR'S TIME IN PACR PREPARATION AFTER THE PACD FOR 11 COMPLETED PROJECTS



USAID/El Salvador officials attributed delays in preparing PACRs to various reasons; however, the consensus among these officials was that preparing these report was not considered a priority issue. Another reason was that some USAID/El Salvador officials erroneously thought that the PACR could not be finalized until all audits were completed and/or contractors' billings received. A few examples including the reasons for the delays are discussed below:

- The PACD for a private sector implemented component of the Water Management Project (519-0303) was September 30, 1991 but the PACR was not finalized until June 1992 (i.e., almost 9 months after the PACD). USAID/El Salvador officials said that preparation of this PACR was not a high priority issue at the time. USAID expenditures under this component totaled \$13.4 million.

¹ For one project (519-0303), USAID/El Salvador prepared two PACRs (one final and one draft) because this project had two distinct components—a Private Sector component (final PACR) and a Public Sector component (draft PACR) which expired in September 1991 and August 1992, respectively. For purposes of this report, we considered these two components as separate projects because USAID/El Salvador was preparing two PACRs. Whether we considered the components as separate projects or not is not relevant to the substance of the finding.

- The PACD for the Small and MicroEnterprises Program Project (519-0304) was June 30, 1992 but the PACR was not finalized until December 1993 (i.e., 17 months after the PACD). USAID/El Salvador officials said that they were waiting for the final audit and evaluation to be completed, and after the PACR started to circulate around the Mission for clearances, it got lost in the process and it was months later that it was finally recovered and finalized. These officials also said that finalizing the PACR was not a priority function. USAID expenditures under this project totaled \$6.0 million.
- The PACD for the Earthquake Reconstruction Project (519-0333) was April 30, 1993 but the PACR was not finalized until September 1994 (i.e., 17 months after the PACD). USAID/El Salvador officials attributed the delay to the "slow process" for the verification of contractors' billings. USAID expenditures under this project totaled \$97.7 million.

In addition to the delays in completing the PACRs, USAID/El Salvador was also not sending the reports to CDIE. As shown in Appendix III, only 2 of the 11 completed PACRs had been sent to CDIE. When we asked CDIE officials what were the adverse effects when PACRs were not sent to CDIE and included in its Development Information System (DIS), the officials stated:

... The lack of these documents in the DIS clearly makes it impossible for any lessons learned from these projects that may be documented in the PACRs to be available to other USAID managers and the development community generally.

USAID/El Salvador officials said that they believed all the completed reports were sent to the Bureau for Latin America and the Caribbean because all project agreements and other project documents were sent to this location, but they could not support this action and did not know USAID required the reports to be sent to CDIE.

In conclusion, not ensuring that completion reports are completed in a timely manner and sent to CDIE as required by USAID policy diminishes USAID's attempt to ensure that the institutional knowledge of its activities and the usefulness of the reports as management tools for USAID managers (e.g., identifying lessons learned that can be used in developing similar projects) and the development community in general. Therefore, USAID/El Salvador should instruct those officials responsible for preparing project completion reports that these reports must be prepared within the six-month period prescribed by USAID policy and should be sent to CDIE.

Management Comments and Our Evaluation

USAID/El Salvador agreed with Recommendation No. 1 and stated that its Mission Operation Manual No. 770 will be amended to require that Project Assistance Completion Reports be prepared within six months after the project completion date and that the reports to be sent to USAID's Center for Development Information and Evaluation.

Based on USAID/El Salvador's planned actions, the RIG/A/San Jose considers Recommendation No. 1 resolved and can be closed when we receive documentation that planned actions have been implemented.

Project Results Need To Be Better Addressed

USAID guidance prescribes that Project Assistance Completion Reports include a brief review of project accomplishments including a comparison of original or revised anticipated outputs and actual outputs and progress towards achieving the project purpose. Our review of PACRs for four of the largest completed projects found that these reports did not effectively compare planned versus actual outputs and/or progress towards achieving the project purpose. Moreover, USAID/El Salvador could not provide documentation to substantiate the accuracy of all the project accomplishments reported. These weaknesses occurred because the indicators established for measuring project results were not well defined and objectively verifiable as prescribed by USAID policy and because USAID/El Salvador officials simply overlooked some reporting requirements. Regarding the reliability of data reported, USAID/El Salvador officials said that the existing procedures needed updating to include a checklist for ensuring the information included in the completion reports is documented. Not describing project results in objectively verifiable terms compared to what was expected and not having documentation to substantiate the reliability of data used to show progress diminishes the usefulness of the reports including USAID's ability to show measurable accomplishments for the money spent. USAID's expenditures for the four projects reviewed totaled \$167 million.

Recommendation No. 2: We recommend that USAID/El Salvador:

- 2.1 ensure that project completion reports discuss actual compared to planned results to enable USAID management and others to objectively evaluate and measure project accomplishments against what was anticipated when the project was authorized (or revised); and**

2.2 ensure that specific documentation is prepared and maintained in its project files to support information regarding project accomplishments discussed in the project completion reports.

USAID Handbook 3 (Chapter 14) states that a principal focus of PACRs are to identify what has actually been accomplished compared to what was originally expected. The ability to demonstrate project results has gained new emphasis within the past couple of years. For example, in the February/March 1994 hearings before the House Committee on Foreign Affairs, the USAID Administrator stated:

The success of foreign assistance is determined by its impact upon developing nations. Inputs are meaningless without reference to effects.

With this in mind, USAID will measure its results by asking how projects and programs achieve discrete, agreed objectives. This is a demanding approach that forces everyone involved in the foreign assistance process to focus on how projects actually affect the way people live and to distinguish self-sustaining accomplishments from ephemeral ones.

To ensure the credibility of accomplishments being reported, USAID needs to have systems for obtaining information on project results and ensuring the reliability of such information. Also, the United States General Accounting Office's guide, Assessing Internal Controls in Performance Audits, requires the documentation of internal control systems and states:

Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

USAID/El Salvador had not met these requirements to the level that the PACRs were useful to USAID management and others to objectively evaluate and compare actual project results against what was anticipated when the projects were authorized (or revised). For example, for the four PACRs we reviewed in detail -- projects for which USAID had spent a total of \$167 million--none of the reports provided information that could be objectively evaluated to show actual accomplishments against what was anticipated when the projects were authorized (or revised). Examples of problems found regarding the reporting -- or lack of reporting -- on project results are discussed below:

- The Water Management Project's (519-0303) purpose was "To promote diversified irrigated farming in El Salvador through institution

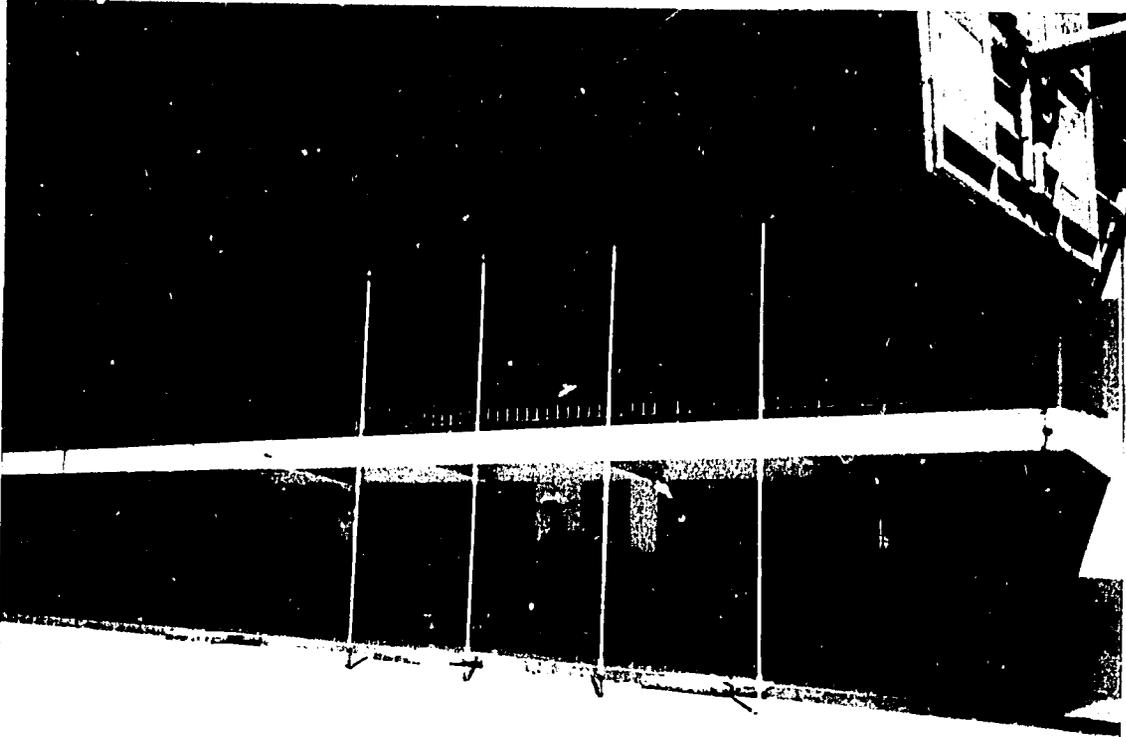
strengthening, technology transfer, training and credit assistance." The project paper's logframe included 10 objectively verifiable indicators to identify what was expected to accomplish this project purpose. USAID/El Salvador officials said that 4 of the 10 objectively verifiable indicators were to be addressed under the project component implemented by a private sector organization, and a governmental organization was responsible for accomplishing the remaining six indicators. However, the PACR finalized for the private sector component does not provide information to allow an objective evaluation to compare what was actually accomplished against what was anticipated for the four indicators that were established for this component. For example, three indicators to achieve the project purpose were for certain types of people trained and "applying new skills"--one such indicator was: "Farmers with irrigation systems trained and applying new skills in on-farm water management and irrigated farming". Although the PACR identified 1,582 farmers were applying skills in on-farm water management, it did not identify the number of farmers that were actually trained. Also, no targets had been established on the number of persons that were expected to be trained and, therefore, a reader of the report could not determine whether the number trained was higher or lower than originally expected. Another indicator was: "Salvadoran farmers adopt precision irrigation on approximately 2,500 Has.[hectares] for production of high labor, high value, non-traditional export crops." Although the report states that precision irrigation was adopted for 2,727 hectares, it did not mention that these hectares were used for "high labor, high value, non-traditional export crops" nor what impact adopting precision irrigation actually had on accomplishing the project goals of increased production and productivity in farms with irrigation systems.

- The PACR for the Earthquake Reconstruction Project (519-0333) stated: "Except for credit activities, all original project targets were exceeded ..." However, the report does not address accomplishments for the two indicators established for measuring accomplishments at the project "purpose" level. For example, one indicator was: "Businesses assisted by the Project will be producing at [least] an equal level to that prior to the earthquake." However, the PACR does not identify whether this was accomplished. Also, although the report identifies some accomplishments such as 7 public health and medical facilities were reconstructed and equipped with basic medical equipment and water production and treatment were increased, the report does not identify what was originally expected to be accomplished which would allow a reader of the report to compare planned versus actual accomplishments. Furthermore, in some cases such as the two examples noted above, quantifiable or even objectively

verifiable and measurable indicators with specific targets had never been established.

In addition to some of the PACRs not providing useful information for comparing actual results against what was anticipated, we also found that USAID/El Salvador did not have a system for ensuring that the information included in the PACRs was reliable. For example, our tests for 30 of the 45 project accomplishments reported in the four PACRs reviewed showed that USAID/El Salvador could only provide documentation to support 19 of the 30 project accomplishments reported (as shown in Appendix IV). For the other 11 project accomplishments, documentation was provided to partially support four of the reported accomplishments but no documentation was available to support the other 7 reported project accomplishments. Specific examples of accomplishments not supported include the following:

- The PACR for the component implemented by a private sector organization under the Water Management Project (519-0303) identified that 2,727 hectares of land had been irrigated under the project. However, USAID/El Salvador officials said they obtained this information from a report prepared by the implementing organization, but the documentation provided covered only about 113 irrigated hectares and supporting documentation for the remaining 2,614 hectares was not available. The officials also said the project manager updated the number of hectares irrigated in the Semi-Annual Reports from similar reports provided by the implementing organization.
- The PACR for the Earthquake Reconstruction Project (519-0333) identified that "800 education support areas were constructed" and "24 kilometers of highway were rebuilt". USAID/El Salvador officials provided a final report from the contractor who performed the reconstruction of 24 kilometers of highway. However, this report documents a total of 27 kilometers of highway were rebuilt instead of the 24 kilometers reported in the completion report. USAID/El Salvador officials said they obtained the reported numbers by estimating the number of road kilometers completed by adding from the point of initiation to where the road ended. The officials also said regarding the construction of 800 education support areas that they obtained the reported amount by estimating the number of offices constructed for various school directors, libraries, warehouses, multiple use rooms, auditoriums and laboratories under the project. However, the officials could not provide documentation showing the breakdown of how these activities were distributed throughout the number of activities constructed.



The above photo illustrates classrooms were rebuilt at the Buena Vista School under the Earthquake Reconstruction Project; however, the project's completion report does not provide information to objectively measure planned versus actual accomplishment such as the number of classrooms expected and actually rebuilt. [San Salvador, October 25, 1994]

The above problems occurred due to a number of reasons. For example, most of the indicators established during project design for measuring project progress were not well defined and/or objectively verifiable which precluded useful reporting in comparing planned and actual accomplishments. Also, USAID/El Salvador officials said the projects covered under the audit were implemented during the years of civil unrest in the country and because of the emergency conditions of the time, things were done quickly and some project design requirements may have been overlooked. They also attributed this weakness to completion reports being prepared by someone not as knowledgeable as the original project officer due to the latter's reassignment from post. Regarding the reliability of data reported, USAID/El Salvador officials said that the existing procedures needed updating to include a checklist for ensuring the information included in the completion reports is documented.

In conclusion, USAID/El Salvador needs to put more attention to ensure that project completion reports identify planned and actual results to enable

USAID management and others to objectively evaluate and measure project accomplishments. It also needs to ensure that documentation is maintained to substantiate information regarding project accomplishments discussed in the project completion reports. This report also discusses: (1) the lack of objectively verifiable indicators with specific targets; and (2) how this precludes completion reports from including sufficient information to show whether or not project objectives were accomplished. However, we are not making a recommendation to review current projects because our office recently issued a report to the USAID Deputy Administrator identifying this as a USAID-wide problem and making recommendations to correct the problem.

Management Comments and Our Evaluation

USAID/El Salvador agreed to the two actions recommended under Recommendation No. 2. To implement Recommendation No. 2.1, USAID/El Salvador stated that its Mission Operation Manual No. 770 will be amended to require that Project Assistance Completion Reports include a brief review of project accomplishments in light of conditions at the outset of the project and to compare anticipated outputs and actual outputs. Regarding Recommendation No. 2.2, the Mission stated that its Mission Operation Manual No. 770 will be amended to require that information supporting the Project Assistance Completion Reports be attached to the reports and kept in official files.

Based on USAID/El Salvador's plan of action to implement the recommended actions, RIG/A/San Jose considers Recommendation Nos. 2.1 and 2.2 resolved and can be closed when we receive documentation that planned actions have been implemented.

Completion Reports Need to Include Summaries of Counterpart Contributions

USAID policy prescribes that Project Assistance Completion Reports should include summaries comparing planned versus actual counterpart contributions to a project. Nine of the 11 reports on completed project requiring counterpart contributions totaling \$37.1 million did not include summaries comparing planned versus actual contributions. USAID/El Salvador officials did not include summaries of counterpart contributions in the project completion reports. This occurred because similar information was included in the semi-annual project implementation reports and Mission management does not require this information to be included in the completion reports. As a result, counterpart contribution

information is not being disseminated in project completion reports to USAID managers and others who may have a need for such information.

Recommendation No. 3: We recommend that USAID/El Salvador instruct its staff to ensure that project completion reports adequately address counterpart contributions.

USAID Handbook 3 (Chapter 14) states that Project Assistance Completion Reports (PACRs) should provide a summary of actual project contributions made by the host-government or other recipients and compared them to the contributions required under the project agreement. The Handbook also states that one reason USAID's monitoring may continue after project completion is to ensure the host country and other recipients provide the required contributions to the project.

USAID/El Salvador was responsible for preparing completion reports on 13 projects completed during the three-year period ended December 31, 1993. We reviewed the 11 final reports for these projects and found that 9 of the 11 completed projects required counterpart contributions (the counterpart contribution requirement was waived for one project and not required for the other project) totaling \$37.1 million. However, none of the nine project completion reports included summaries of the counterpart contributions planned versus the amounts actually contributed to the projects.²

USAID/El Salvador did not believe it was necessary to include information of counterpart contributions in the PACRs because this information was reported in its Semi-Annual Reports (SARs). Also, Mission management did not require this information to be included in the completion reports.

As a result of not including counterpart contribution information in project completion reports, this information is not disseminated to USAID managers and others who may have a need for such information. Therefore, USAID/El Salvador needs to ensure that project completion reports adequately address counterpart contributions.

Management Comments and Our Evaluation

USAID/El Salvador agreed with Recommendation No. 3 and stated that its Mission Operation Manual No. 770 will be amended to require that Project

² Only the project completion reports for the Agrarian Reform Financing Project (519-0307) and the project with the International Executive Service Corps (519-0371) did mention in their narrative sections contributions to the projects of \$17 million and \$97,000, respectively, but these two reports did not include summaries of the contributions required and actually made to the projects as prescribed in Chapter 14 of the Handbook.

Assistance Completion Reports include a summary of planned and actual counterpart contributions.

Based on USAID/El Salvador's planned action, RIG/A/San Jose considers Recommendation No. 3 resolved and can be closed upon our receipt of documentation that the planned actions have been implemented.

**Need to Better Address
Continuing Monitoring Responsibilities**

USAID policies require that PACRs include the definition of continuing and/or post-project USAID monitoring responsibilities, (including the timing and resources involved), and an outline on any arrangement for and expected timing of a final project evaluation. The policies also require that missions establish a follow-up system to ensure that evaluation recommendations are implemented. USAID/El Salvador considered that "final evaluations" had been done for the four projects reviewed. However, of the three evaluation reports that included recommendations, the Mission's completion reports did not discuss the status of the recommendations not yet implemented or the need for post-project monitoring to ensure implementation of those recommendations. Mission officials also did not believe it was necessary for the PACRs to identify the status of recommendations nor to include the responsibilities for continuing and/or post-project monitoring of open evaluation recommendations because the evaluation summaries already included this information and assigned someone to take necessary action. Reporting such monitoring actions and ensuring they were carried out could have precluded or at least mitigated the problem of USAID/El Salvador not having an effective evaluation recommendation follow-up system. It could have also mitigated the problem of not having documentation to support the status of implementing the recommendations in the three evaluation reports. USAID/El Salvador paid \$160,834 to contractors and spent an estimated 269 staff days of its resources on the three evaluations.

Recommendation No. 4: We recommend that USAID/El Salvador:

- 4.1 issue instructions that Project Assistance Completion Reports address the status of performing project evaluations and include as part of the continuing and/or post-project monitoring the need to ensure evaluation recommendations are implemented; and**
- 4.2 require that evaluation recommendations that have not yet been implemented are appropriately addressed in Evaluation Summary Reports and establish a routine follow-up system for**

assuring the evaluation recommendations are properly implemented.

USAID Handbook 3 (Chapter 14) states that an important element of the PACR is the recommendations for continuing USAID support and monitoring actions and, therefore, the report should include a definition of continuing and/or post-project USAID monitoring responsibilities (including the timing and resources involved). Also, if not already scheduled, the report is suppose to outline any arrangements for and the expected timing of a final project evaluation. Depending on the type of project and its characteristics in terms of innovations and size of USAID assistance, monitoring may continue for a few months (e.g., until all non-USAID inputs have been made) or several years (e.g., if operations are to be reported and analyzed). However, Chapter 14 further states that "post project" monitoring should be limited to those projects in which USAID has a specific longer term interest so that the attention of USAID staff can be applied to developing and implementing current projects.

Regarding requirements for evaluations, USAID Handbook 3 (Chapter 12) requires that missions prepare an USAID Evaluation Summary on all interim and final project evaluations and that these summaries include: the mission's acceptance or rejection of recommendations made in the evaluation, a schedule of the actions to be taken to implement the recommendations and when those actions should be completed, and identification of who is responsible for implementing the recommended actions. The sponsoring mission is required to establish systems for following up on evaluation recommendations to ensure that the recommendations are appropriately implemented. If evaluation recommendations are rejected, the sponsoring mission must explain why a recommendation is unacceptable. Chapter 12 further states that the evaluation process is not complete until action has been taken on the recommendations of the evaluation report. While the USAID officer (usually the project officer) responsible for the evaluation is required to complete the USAID Evaluation Summary, the Mission Evaluation Officer is responsible for ensuring the summary is completed and following up on all actions to be taken in response to evaluation recommendations to ensure that they are implemented.

Our in-depth review of four PACRs found that each contained recommendations for post-project monitoring and USAID/El Salvador did ensure that the recommended monitoring was performed. Examples of the post-project monitoring recommended and performed included the following:

- liquidating outstanding cash advances totaling \$143,797.

- designing and implementing a follow-on project,
- and obtaining semi-annual reports from an organization responsible for managing a revolving fund to support credit, technical assistance, and training activities.

However, the four PACRs reviewed did not address the status of performing final evaluations nor included recommendations for continuing and/or post-project monitoring to ensure that those recommendations included in the evaluation reports were implemented. For example, although USAID/El Salvador considered that "final evaluations" had been done for the four projects for which we reviewed the PACRs in detail, two were done approximately two years prior to the project completion date.³ USAID/El Salvador said that no subsequent evaluations were performed for these two projects because of the closeness of the second evaluation to the project completion date for one project and for the other, the evaluation covered the project up to the original completion date which was extended due to remaining unspent funds. Although the PACRs for these two projects identify that an evaluation was performed, they do not identify why subsequent evaluations were not planned or performed.

In our opinion, USAID/El Salvador should have identified in the PACRs for the two projects (where the "final evaluations" were performed two years prior to the project completion dates) the reason why subsequent evaluations were not going to be performed. This would be consistent with the USAID requirement to stipulate in the PACRs an outline of any arrangements for and the expected timing of a final evaluation report. More importantly, including post-project monitoring responsibilities to ensure the final evaluation recommendations were implemented could have precluded or at least mitigated the problem of USAID/El Salvador not having an effective evaluation recommendation follow-up system. Examples of problems found regarding the recommendations for the three projects reviewed where the evaluation reports contained recommendations included the following:

- USAID/El Salvador finalized a completion report for a component of the Water Management Project implemented and completed by a private sector organization (PACD September 1991) and was in the process of finalizing another completion report for the two components implemented and completed by the Government of El Salvador (PACD

³ The last evaluation for Project Number 519-0303 was completed in June 1990 although the Project Assistance Completion Date for the components implemented by the Government of El Salvador was August 1992. The last evaluation for Project Number 519-0307 was completed in September 1991 while the PACD was July 1993.

August 1992). However, the last project evaluation which included all project components was completed in June 1990. Also, although the evaluation report included a total of 47 recommendations and the Evaluation Summary Report (approved by USAID El Salvador management in October 1991) stated that "The Mission agrees with most of the recommendations including the need to continue project activities", the Evaluation Summary Report only identified five actions were required including two to extend project activities and three that were very general (e.g., "Improve technical adequacy and quality of training"). Although USAID/El Salvador officials had a document that showed the five actions had been completed, the officials could not provide any documentation to support how those actions were completed. Furthermore, USAID/El Salvador could not provide any documentation on the status of implementing any of the 47 recommendations included in the evaluation report. USAID/El Salvador estimated this evaluation cost \$40,000 in contractor costs plus 90 person-days of USAID/El Salvador and "Borrower/Grantee Professional" staff time.

- Another project (519-0304) had a Project Assistance Completion Date of June 1992 and the final project evaluation was completed in February 1992. Although the evaluation report included 22 "action" recommendations and the Evaluation Summary Report (not dated) identified 14 of these actions as "most important", the Evaluation Summary Report did not discuss the reason the remaining 8 recommendations were not considered "most important" and only identified 3 actions that were required to be followed on including two dealing with a follow-on project and one that "AID will meet with PROPEMI [a non-governmental organization] to review evaluation recommendations and conclusions." Although USAID/El Salvador officials had a document that showed the three actions were completed (someone wrote in "complete"), the officials could not provide any documentation to support that two of the actions were actually completed. Furthermore, USAID/El Salvador could not provide any documentation on the status of implementing any of the 22 recommendations in the evaluation report -- including the 14 actions it classified as "most important". USAID/El Salvador estimated that this evaluation cost \$58,727 in contractor costs plus 143 person-days of USAID/El Salvador and "Borrower/Grantee professional" staff time.

The problem with the evaluation recommendation follow-up system is apparently not limited to just the projects we reviewed. After numerous requests for the status of the recommendations for those projects, the USAID/El Salvador Evaluation Officer provided a document (not dated) to the auditors in December 9, 1994 that showed the status on implementing

the "actions required" that were identified in the Evaluation Summary Report. The document included a total of 33 project evaluations and approximately 150 "required actions" listed in the Evaluation Summary Reports; but, the document did not identify what the status was for 69 of the actions required. For most of the remaining required actions (approximately 80), the document only listed the status as "completed".

USAID/El Salvador officials said they did not believe it was necessary for the PACRs to identify whether final evaluations would or would not be performed nor assign responsibilities for post-project monitoring to ensure recommendations in final evaluations would be implemented. The reason cited by the officials was that the evaluation summaries already included this information and assigned someone to take necessary action.

Regarding the evaluation follow up system, USAID/El Salvador project officers said they did not believe it was their responsibility to ensure that recommendations in evaluations reports were implemented. The officers believed the monitoring of the implementation of the recommendations was the responsibility of the USAID/El Salvador Evaluation Officer. However, the USAID/El Salvador Evaluation Officer, who had just been assigned to that position in November 1994 when the previous Evaluation Officer was transferred to another post, said he had not yet implemented a system to follow up on evaluation recommendations and was not aware of any system his predecessor had established.

In conclusion, USAID/El Salvador needs to establish better internal controls to ensure that (1) PACRs address the status of project evaluations and the need to perform continuing and/or post-project monitoring on the implementation of evaluation report recommendations and (2) establish an evaluation follow up system to ensure evaluation recommendations are appropriately implemented. Not ensuring that evaluation report recommendations are implemented diminishes the potential usefulness of the evaluations and in return the benefits for which USAID money was spent. For just the three reports with recommendations, USAID had paid contractors about \$160,834 and used an estimated 269 person-days of its staff resources. The need to establish a system to ensure the evaluation recommendations are appropriately implemented is especially important since USAID/El Salvador current evaluation plan for fiscal year 1995 includes evaluations of eight projects of which USAID/El Salvador will pay a total of \$190,000 for just four of these evaluations and for the other four projects, it did not yet have estimates of evaluation costs.

Management Comments and Our Evaluation

USAID/El Salvador agreed with Recommendation Nos. 4.1 and 4.2. For Recommendation No. 4.1, the Mission stated that its Mission Operation Manual No. 770 will be amended to instruct project officers to address evaluation recommendations in the Project Assistance Completion Reports. Regarding Recommendation No. 4.2, the Mission stated that its Mission Operation Manual will be amended to require routine follow-up on evaluation report recommendations.

Based on USAID/El Salvador's planned actions, RIG/A/San Jose considers Recommendation Nos. 4.1 and 4.2 resolved and can be closed upon our receipt of documentation that the planned actions have been implemented.

SCOPE AND METHODOLOGY

Scope

We audited USAID/El Salvador's monitoring and reporting on completed projects in accordance with generally accepted government auditing standards. The audit covered projects having completion dates between January 1, 1991 and December 31, 1993. As of September 30, 1994, the Mission Accounting and Control System showed a total of 13 (see report footnote 1) completed projects which had obligations and expenditures of \$273.2 million and \$273.1 million, respectively. The audit was conducted at the San Salvador offices of USAID/El Salvador from September 26, 1994 through February 8, 1995. The audit included the following scope limitations:

- We did not attempt to verify the overall reliability of the computer-generated data in USAID/El Salvador's Mission Accounting and Control System which was used to identify completed projects and their related funding (i.e., obligations and expenditures).
- The audit field work was impaired to some extent because project officers for several completed projects were no longer assigned to the mission and recently assigned management staff were not familiar with the completed projects. Also, although we requested repeatedly that the mission provided documentation to support implementation of recommendations reported in project evaluation reports, the mission could not provide such documentation.
- The auditors did not have the expertise to determine whether some indicators established for measuring project results were adequate in showing progress in achieving the project objectives. However, the problems found and reported in this report were evident and did not require special expertise to determine that they were not quantifiable nor were they precise enough to allow an objective determination to compare progress (i.e., results) and accomplishment against what was anticipated when the projects were undertaken.

- We did not attempt to verify the overall reliability of the documentation provided to support selected project accomplishments shown in Appendix IV.

Methodology

To accomplish our audit objective we reviewed the requirements for preparing project assistance completion reports, specifically whether the reports: (1) were timely prepared, (2) included project accomplishments compared to what was intended, (3) provided a summary of planned counterpart contributions versus contributions made, and (4) defined continued USAID monitoring responsibilities (including recommendations reported in project evaluation reports). We also reviewed 11 of the 13 project completion reports prepared on the completed projects to determine if the reports were timely prepared and included summaries of counterpart contributions required and made. To determine if the project completion reports included a comparison of performance indicators and the reliability of the information reported, we judgmentally sampled the project papers and logframes of 4 of the 13 completed projects (these projects included 61 percent of the obligations and expenditures of the 13 completed projects). Also, for these same four projects, we reviewed the final evaluation reports and their related evaluation summaries to compare the recommendations included in the reports against what was reported in the project completion reports. Although we requested documentation supporting implementation of the reported recommendations, USAID/El Salvador could not provide such documentation. However, we did review USAID/El Salvador's documentation supporting reported project accomplishments and USAID continued monitoring responsibilities (excluding monitoring of recommendations reported in evaluation reports). We interviewed USAID/El Salvador officials and reviewed relevant documents to determine whether performance indicators for the sampled four projects were well defined and could be quantitative for measuring progress. We conducted field visits and photographed certain project results reported in two of the project completion reports.



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO EL SALVADOR
OFFICE OF PROGRAM AND PROJECT DEVELOPMENT (PPD)

May 4, 1995

MEMORANDUM

TO: Coinage N. Gothard, RIG/A/San José

FROM: Henry W. Reynolds, DDIR *HW Reynolds*

SUBJECT: Comments on the Draft Report of the Audit of USAID/El Salvador's
Monitoring and Reporting on Completed Projects

Thank you for the opportunity to respond to the subject report. Following are our comments, directed to specific points in the report.

Recommendation No. 1:

"We recommend that USAID/El Salvador instruct its staff that every effort should be made to ensure that Project Assistance Completion Reports are prepared within six months after the project completion date and are sent to USAID's Center for Development Information and Evaluation (CDIE)."

USAID/El Salvador Response:

The Office of Program and Project Development will make sure that the Mission Operation Manual (MOM), "Project Close-Out," Number 770, will be amended by June 8, 1995, to include that the PACRs are to be prepared within six months after the project completion date and that Program and Project Development Office will send the PACRs to USAID's (CDIE).

Action Requested:

USAID/El Salvador requests that Recommendation No. 1 be resolved based on our plan to amend the related MOM.

Recommendation No. 2:

"2.1. Ensure that project completion reports discuss actual as compared to planned results to enable USAID management and others to objectively evaluate and measure project accomplishments against what was anticipated when the project was authorized (or revised)."

USAID/El Salvador Response:

The MOM No. 770, amendment will include a statement that the PACRs have to include a brief review of project accomplishments in light of conditions at the outset (initially planned outputs), the expectations of project design and changes in the project environment and/or design during implementation (including a comparison of revised outputs and actual outputs).

"2.2. ensure that the specific documentation is prepared and maintained in its project files to support information regarding project accomplishments discussed in the project completion reports."

USAID/El Salvador Response:

The revised MOM No. 770, will state that the information supporting the PACRs should be attached to the report and will be kept in the PPD official files.

Action Requested:

USAID/El Salvador requests that Recommendation No. 2 be resolved based on our plan to amend the related MOM.

Recommendation No. 3:

"We recommend that USAID/El Salvador instruct its staff to ensure that project completion reports adequately address counterpart contributions (including quantified and verified amounts) so that the Mission management can determine whether or not the required contributions were made."

USAID/El Salvador Response:

The revised MOM No. 770, will include the requirement for a summary of contributions made by the B/G, donor and participants (i.e., planned versus actual inputs) as stated in the AID Handbook 3 App 14A.

Action Requested:

USAID/El Salvador requests that Recommendation No. 3 be resolved based on our plan to amend the related MOM.

Recommendation No. 4:

"4.1. Issue instruction that Project Assistance Completion Reports address the status of performing project evaluations and include as part of the continuing and/or post-project monitoring the need to ensure evaluation recommendations are implemented;"
and

USAID/El Salvador Response:

The PACR MOM No. 770, will be amended to instruct Project Officers to address evaluation recommendations in the final reports.

"4.2 Require that evaluation recommendations that have not yet been implemented are appropriately addressed in Evaluation Summary Reports and establish a routine

follow-up system for assuring the evaluation recommendations are properly implemented."

USAID/El Salvador Response:

Similarly, routine follow-up on coordination recommendations will be implemented as a part of the Semiannual Review (SAR) process and reflected in the MOM No. 770 for the SARs.

Action Requested:

USAID/El Salvador requests that Recommendation No. 4 be resolved based on our plan to amend the related MOM.

Following are some general comments, directed to specific points in the report.

I. 519-0303 - Water Management Project

RIG Observation: "Although the report states that precision irrigation was adopted for 2,727 hectares, it did not mention that these hectares were used for high labor, high value non-traditional export crops."

USAID/El Salvador comment: This comment should not be included in the Report because the Private Sector Component was not designed to support traditional, low labor, low value, local market agriculture.

Project 519-0303 should be separated into two components, the Private Sector Component and the GOES/MAG Component. Please indicate throughout the report which component is being referred to.

11

Time In Preparing 11 ⁴ PACRs (As of September 30, 1994)							
PROJECT NO. (519)	PACD	PACR SENT CDIE	OBLIGATIONS (000)	REPORTS PREPARED AFTER PACD (MONTHS)			
				0-6	6- 12	12- 24	Over 24
1. 0296	6/30/93		13,550		11		
2. 0303	9/30/91	Yes	13,442		9		
3. 0304	6/30/92		5,999			17	
4. 0307	7/31/93		49,878		8		
5. 0333	4/30/93		97,720			17	
6. 0336	12/31/91	Yes	4,700	6			
7. 0337	9/30/93		17,970	4			
8. 0353	7/31/91		1,810				29
9. 0370	5/15/91		70				33
10. 0371	12/31/91		392	5			
11. 0372	3/31/93		734	3			
TOTALS		2	\$206,265	4	3	2	2

⁴ Although 13 projects were completed, PACRs had not been finalized for two of these projects (517-0303 implemented by the government and 517-0281).

Verification of Selected Project Accomplishments Reported in USAID/El Salvador Prepared PACRs		
PROJECT NO.	SELECTED PROJECT ACCOMPLISHMENT	WAS DOCUMENTATION AVAILABLE TO SUPPORT ACCOMPLISHMENT ⁵
519-0303	FUSADES	
	A. END OF PROJECT STATUS:	
	1. 2,727 hectares irrigated	Supporting documentation provided for only 113 hectares
	2. 39 enterprises using FUSADES to export non-traditional crops	Documentation available to support only 26 of the 39 enterprises
	3. 45 field agents trained	Documentation supports 41 agents trained
	4. 1,582 farmers applying skills on-farm water management	Supporting documentation was not provided
	B. Major Outputs	
1. \$16.1 million value of non-traditional crops exports	Supporting documentation was not provided	
2. 882,000 labor created (person days)	Supporting documentation was not provided	
3. \$10.7 million credit approved	Supporting documentation was not provided	
519-0304	A. END OF PROJECT STATUS:	
	1. Credit and training program established.	Supporting documentation was provided
	2. On site Technical Assistance to 300 and 900 businesses	Supporting documentation was provided
	3. 8,614 new jobs created	Supporting documentation was provided
	4. 618 businesses graduated to formal credit system	Supporting documentation was provided
B. MAJOR OUTPUTS:		
1. 11,971 TA to businesses	Supporting documentation was provided	

PROJECT NO.	SELECTED PROJECT ACCOMPLISHMENT	WAS DOCUMENTATION AVAILABLE TO SUPPORT ACCOMPLISHMENT ⁵
	2. 3,427 (\$7.42 million) loans made	Supporting documentation was provided
	3. 8,382 training to small-micro enterprises	Supporting documentation was provided
519-0307	A. END OF PROJECT STATUS: 1. \$71.7 million increase in credit flow	Supporting documentation was not provided
	2. \$109.1 million value of production	Supporting documentation was provided
	3. \$5.5 million value of non-traditional agricultural exports	Supporting documentation was provided
	4. 25.5 million person/days	Supporting documentation was provided
	B. MAJOR OUTPUTS: 1. 6,405 loans (\$46.6 million)	Supporting documentation was provided
	2. 15 seminars and policy studies	Supporting documentation was not provided
	3. Training: 72 in country courses 128 in country seminars 99 overseas training	Documentation provided supported only 25 short training courses, 6 field trips and 51 seminars.
519-0333	MAJOR OUTPUTS: 1. 14 public markets constructed. 2. 2, 200 classrooms	Supporting documentation was provided
	3. 800 education support areas	Supporting documentation was not provided
	4. 24 kilometers of road rebuilt	Supporting documentation provided for 27 kilometers.

PROJECT NO.	SELECTED PROJECT ACCOMPLISHMENT	WAS DOCUMENTATION AVAILABLE TO SUPPORT ACCOMPLISHMENT⁵
	5. 7 public health & medical facilities 6. 13,062 housing units 7. Credit to 4 private schools, 3 small businesses and 20 private medical facilities	Supporting documentation was provided Supporting documentation was provided Supporting documentation was provided
Grand Totals	Total reported in PACRs = 45 items Total selected for verification = 30	Documented = 19 items Partially documented = 4 Not documented = 7

⁵ For this determination, we merely determined if documentation was available to support the reported accomplishment. We did not attempt to verify the reliability of the reported data.

2.