

**Audit of the Quality of Results Reported
in USAID/India's Results Review and
Resource Request (R4) Report
Prepared in 1997**

**Audit Report No. B-386-98-006-P
September 3, 1998**

**Regional Inspector General
Budapest, Hungary**



September 3, 1998

MEMORANDUM

FOR: USAID/India, Linda Morse
FROM: RIG/Budapest, *James R. Bonnell* James R. Bonnell
SUBJECT: Audit of the Quality of Results Reported in USAID/India's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. B-386-98-006-P)

This is the final report on the subject audit. We considered USAID/India's comments on the draft report and made changes to the report as deemed appropriate. USAID/India's comments are presented as Appendix II to this report and our evaluation of these comments is contained on pages 9 to 13.

The audit report contains one recommendation. Based on USAID/India's comments on the draft report, we are unable to consider that a management decision has been reached with respect to the recommendation. Although USAID/India's comments state that actions will be taken to ensure clerical problems are avoided in preparing future R4s and that indicators needing to be more clearly defined will be corrected, the comments did not indicate that the Mission will take action to ensure its future R4 reported results are supported, accurate, complete and validated. Please respond to the report within 30 days indicating any actions planned or taken to implement the recommendation.

I appreciate the cooperation and courtesies extended by USAID/India staff during the audit.

Background

Passage of the Government Performance and Results Act of 1993 (Results Act), among other things, was intended to improve the effectiveness of federal programs and public accountability by promoting a new focus on results. The General Accounting Office (GAO) noted that key steps in building a successful results-oriented organization include collecting and using performance information in the decision making process. Congress also recognized, in the Results Act, agency managers need performance information to facilitate decision making leading to programs that meet intended goals. GAO also noted that successful implementation of the Results Act is dependent on good information for decision making purposes. In this regard, we adopted five characteristics of what we believe is good

management information: objectively verifiable, supported, accurate, complete, and validated.

Since USAID was established in 1961, it has initiated numerous systems to report on program results. However, none of these systems have been fully successful. Over the past several years, the Office of Inspector General (OIG) has intermittently reported on weaknesses in the Agency's ability to measure and report reliable program performance information. Examples of these audit reports include:¹

- A June 1995 report identified that USAID needed better direction and control procedures to ensure that: (1) objectively verifiable and measurable indicators are established to measure program performance, and (2) reliable and useful performance data are reported and documented.
- A March 1998 report on the Agency's fiscal year 1996 financial statements identified that 29 of the 38 (76 percent) of the quantified results reported in the program performance section of the overview section were either incorrect, vaguely set forth, or unsupported.
- Another audit report issued in March 1998 identified that 10 of 11 overseas missions reviewed had not developed or had not finalized a formalized, ongoing system of data collection and verification to report good performance data.

In light of the problems reported, and concerned these conditions may be pervasive throughout the Agency, we decided to perform this Agency-wide audit to: (1) establish a baseline for future OIG audit work, (2) to identify problems with current data reporting, and (3) to develop recommendations for improving data reporting. This audit was not intended to assess the quality of the performance indicators, (subject of a future audit), but rather to determine if the performance results reported in the R4s by operating units were objectively verifiable, supported, accurate, complete, and validated.

USAID/India's last R4 was approved by USAID/Washington in July 1997, and includes 36 indicators for which performance results (or baseline data) were reported for fiscal year 1996. As of September 30, 1997, USAID/India had obligated and expended in support of its active programs a total of \$240 million and \$120 million, respectively.

¹ The three audit reports referred to in this paragraph are Audit Report No. I-000-95-006 (dated June 30, 1995), Audit Report No. O-000-98-00 1-F (dated March 2, 1998), and Audit Report No. 9-000-98-001-P (dated March 26, 1998).

Audit Objective

The Regional Inspector General/Budapest, as part of an Agency-wide audit, performed the audit to answer the following question:

Did USAID/India report results data in its Results Review and Resource Request prepared in 1997, which were objectively verifiable, supported, accurate, complete, and validated?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did USAID/India Report Results Data in its Results Review and Resource Request prepared in 1997, Which Were Objectively Verifiable, Supported, Accurate, Complete, and Validated?

USAID/India did not report results data in its Results Review and Resource Request (R4) prepared in 1997 which were objectively verifiable, supported, accurate, complete, and validated.

Federal laws and regulations require federal agencies to develop and implement internal management control systems that: (1) compare actual program results against those anticipated, (2) provides for complete, reliable, and consistent information, and (3) ensures that performance information is clearly documented and that the documentation is readily available for examination. For example, Office of Management and Budget (OMB) Bulletin 93-06 requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results are properly recorded and accounted for to permit preparation of reliable and complete performance information. (See Appendix IV for a further discussion of relevant laws and regulations as well as related USAID policies and procedures.)

For the purpose of this audit, our definitions are as follows:

- ***Objectively Verifiable***—The indicator is objective and the results have to be objectively verifiable. This means the indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. The indicator is both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time. Operational precision means no ambiguity over what kind of data would be collected for an indicator.

- Supported-This means that there was adequate documentation that supports the reported result. The support should be relevant, competent, and sufficient (as noted in the General Accounting Office’s Government Auditing Standards). For example, a memo of a telephone conversation, or “best guesses” would not be considered adequate documentation.
- Accurate-This includes: (1) being within plus or minus one percent (1 .0 percent) of the actual documented result, and (2) being consistent with what was to be measured under the indicator, e.g., if the indicator was to vaccinate children under 5 years of age then the result would not be consistent if the supporting documents shows that the result was for children under 3 years of age. The result would also not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996. (Note: Since we only reviewed results in the “performance data tables” for "1996", the result would not be considered accurate if supporting documents showed the result was achieved in 1992.)
- Complete-This means the result includes all data against what was anticipated to be measured for the indicator and is for a full year. For example, if 20 regions were to be measured but only 18 regions were measured, the result would not be considered complete. Results would also be incomplete if only for a partial year (e.g., a six-month period, then the result would not be considered complete).
- Validated-This refers to the source of the data and the reliability of that source. We will consider the source reliable if it came from an independent source such as the World Bank, United Nations (U.N.), independent evaluators, or an independent Demographic and Health Survey. If the data came from a contractor involved with the program or the host country government, the data would only be considered from a reliable source if USAID or an independent entity had performed an assessment of the data and/or system for generating the data and found the data or system to be reliable. (We fully recognize that under the Government Performance and Results Act (GPRA) USAID must validate from all its outside sources including the World Bank, U.N., etc., but, for the purposes of this audit, we are not reviewing USAID's determination of validity of these independent sources. We plan to test USAID's validation process for external information, like the U.N., at a later time in another audit.)

As shown in Appendix III, our audit found problems' with 17 of the 25 sampled performance results in the R4 for 1996 (which was prepared in 1997). A breakdown and examples of these problems are as follows:

- Although USAID/India's R4 indicators were generally clearly defined, we identified 2 indicators in our sample of 25 indicators that were not objectively verifiable. For one indicator—"Types of USAID-supported models of financing urban infrastructure adopted by municipal, state and local governments and private groups"—the R4 reported that two models had been adopted. However, USAID/India had not defined at what stage a financing model is considered to be adopted. These financing models are complex, multi-stage processes with numerous points at which they could be considered "adopted. " USAID/India has identified the need to define at what point different models can be considered adopted but, at the time of our fieldwork, had not done so.

In the case of the indicator "Percentage of children under 2/under 3 reached with supplemental food," the word "reached" is not precisely defined resulting in ambiguity about what is being measured. Specific criteria had not been established to measure (1) how often eligible children receive supplemental food and (2) whether the child must consume all of it. The R4's result of 40 percent reported on children who had received supplemental food one time a week. However, 75 percent of these children shared the rations with family members. Furthermore, the unit of measure for this indicator is "Percentage of children 6-24 months and children 6-36 months" but the result reported only children aged 6-23 months.

- Results or baseline data for three indicators were not supported. For example, the R4 reported 40 percent for the indicator "Increased enrollment and retention of girls in primary schools in one district of Uttar Pradesh." However, this baseline amount was based on an e-mail, sent in response to USAID/India's inquiry, which cited the results of an informal survey. USAID/India did not report a 1996 result for this indicator in its R4 prepared in 1998.

² To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the type of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

In another case, the indicator was “Increased volume of shelter related credit to below median income households” with a reported result of 3.33 billion rupees (\$98.58 million)³. This figure was an estimate based on a percentage which used preliminary numbers for a seven-month period and the necessary data for this indicator continue to be unavailable in India. Mission officials acknowledged that the reported result was not supported.

- Six indicators had results that were not accurate with reported results that were both overstated and understated. For example, one indicator, “Price transparency improved in the securities markets,” reported six stock exchanges using a screen-based trading system rather than the five documented in the Securities and Exchange Board of India’s annual report. A clerical error in transcribing the data in the R4 led to this inaccuracy which was corrected in the R4 prepared in 1998. It should be noted the planned target was only two stock exchanges.

A clerical error also caused an inaccurate reported result for another indicator, “Percent of infants who receive breast-milk and solid/mushy foods at 6-9 months of age.” Early drafts of the R4 correctly showed the documented result of 74 percent accomplished by the Catholic Relief Service. However, the final R4 inexplicably reported 63 percent.

In a third case of inaccurate reported results, the R4 reported 5.3 percent for the indicator “Private power as percentage of power generating capacity.” This result used December 1995 wind-energy power data whereas the other components of the result-hydro, thermal, nuclear, and fossil fuel sources of power-used information as of March 1996. Had the Mission used the available March 1996 data for wind-energy power, as it did with the other power sources, the result would have been 5.47 percent.

- Reported results or baseline data for five indicators were not complete. Two of these reported results were correctly annotated as incomplete. For example, one indicator, “Percentage of pregnant women, delivered in the past year, who received 90-100 iron folic acid tablets,” had a reported baseline of 32 percent for women who received 50 or *more* iron folic acid tablets. The R4 performance chart’s annotation did state that this was actually the percentage of pregnant women who received 50 or more iron folic acid tablets and that the raw data would be reanalyzed for the receipt of 90-100 iron folic acid tablets and reported in next year’s R4. As a result of the reanalysis, the 1996 result was restated as 13 percent in the R4 prepared in 1998.

3 The exchange rate as of March 31, 1996, was 33.78 rupees to \$1.

In the other case, the indicator “Percentage of children 12-23 months old fully immunized by age 1,” reported a result of 13 percent which was taken from a draft baseline survey report covering five of the seven states to be surveyed. The annotation in the performance chart stated that the data were available from only five states and that the baseline and planned results may be revised when data from all seven states became available. The final baseline survey report, published after USAID/India submitted the R4, reported 28 percent for six of the seven states. The 1996 baseline was amended in the R4 prepared in 1998 to reflect the updated (but still incomplete) information.

The incomplete results for three other indicators were not annotated on the performance charts as being incomplete. The first one-“Increased share of power from clean technologies”-did not include data on clean coal technologies even though the performance chart cited them as examples of clean technologies. The R4 narrative stated that information on clean coal technologies was not available in 1996 and that targets would be set in 1997. The second indicator-“Increased value of horticultural exports”-reported \$494 million but did not contain data on floriculture products. This 1996 result was revised in the R4 prepared in 1998 to \$5 15.8 million which included floriculture products. The third indicator-“Number of exchanges of germplasm materials”-reported only the number of imports of germplasm materials rather than imports and exports.

- Results for three indicators were not validated. For two of the indicators, R4 data were provided by a USAID contractor and a Government of India authorized bilateral counterpart agency. Neither USAID/India nor an independent entity had performed an assessment of the data and/or system for generating the data for either source. For the third indicator, USAID/India deemed the source unreliable and did not attempt to assess it. The remaining indicator results came from either: (1) published statistics such as the *Centre for Monitoring Indian Economy* and *Foreign Trade Statistics*, (2) statistical baseline surveys contracted to independent parties, or (3) projects that USAID/India was actively involved in monitoring performance results. One indicator was determined not to be objectively verifiable; therefore, we did not attempt to determine the quality of the data source.

The above problems existed because USAID/India did not always follow or was not successful in following prescribed USAID policies and procedures (Automated Directives System [ADS] 200 Series) for measuring and reporting on program performance. For example, USAID/India:

- Did not ensure two indicators were objective as prescribed by ADS E203.5.5.
- Did not, in three cases, maintain documentation to support reported results as required by ADS E203.5.5.⁴
- Did not always assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods as prescribed by ADS E203.5.5.

USAID/India officials cited several explanations for the problems found during the audit. Mission officials said they had endeavored to formulate good objectives and, based on the audit results, they felt they had succeeded for the most part. They attributed this to USAID/India's annual review of the indicators in which they attempted to strengthen those determined not to be objectively verifiable. However, they also emphasized that it was difficult to establish clear and explicit indicators for some USAID activities.

Mission officials pointed out that USAID/India's programs cover a large country with an enormous population making it difficult to obtain accurate and complete performance data. They mentioned that they had not always adequately taken into account that good, reliable data may not be readily available to measure performance and report results as defined by the indicators. They acknowledged the need to develop good, reliable sources of data but pointed out that it could be a time-consuming and expensive process to validate data or the systems for generating the data.

In cases where reported results were inaccurate owing to clerical or transcribing errors, Mission officials stated USAID/India would do better on future R4s by exercising more care in drafting and proofing the document and in rounding off the reported results.

Another issue, according to USAID/India officials, is that a significant part of its budget is allocated based on the results reported in the R4. Accordingly, USAID/India is under pressure to report results for all of its indicators—even if only incomplete data are available when the R4 is prepared. The officials pointed out that, for the most part, they attempted to annotate the R4 when preliminary or incomplete data were reported and that subsequent R4s were amended when complete and accurate data have been obtained.

⁴ The guidance requires the operating unit to establish a performance monitoring system to collect and analyze data which will enable it to assess its progress in achieving results. This system should: (1) provide a detailed definition of the performance indicators to be tracked; (2) specify the data source and its method and schedule of collection; and (3) assign responsibility for data collection to an office, team or individual.

USAID/India started reporting results in a R4 format in 1995. Officials noted that it has been an evolving process within USAID/India (and USAID itself) as well as with its partners and stakeholders, especially in the area of adjusting data accumulation to fit the indicators. Compounding this problem, according to the officials, have been numerous changes in the indicators during the early years of preparing R4s.⁵

Without reliable performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving its program objectives and related targets. In our opinion, the problems with performance indicators and reporting on performance can impair USAID/India's and USAID management's ability to measure progress in achieving USAID/India's program objectives and to use performance information in budget allocation decisions. The problems also impair the Agency's ability to comply with laws and regulations.

Recommendation No. 1: We recommend that USAID/India:

- 1.1 ensure its performance indicators in the R4 prepared in 1999 are objective and clearly defined regarding what specific results are to be measured; and**
- 1.2 ensure that the performance data identified in its R4 prepared in 1999 are supported, accurate, complete, and validated; or fully disclose in the R4 data limitations and their implications for assessing the measurement and achievement of performance targets for each performance indicator, and a time frame for resolving the problems.**

⁵ We recognize that USAID/Washington bureaus are responsible for providing support to operating units to develop effective performance monitoring systems to report on program results and for reviewing the R4 process. For example, USAID's policies and procedures (ADS Sections 201.5, 1 la and 203.3) stipulate that the Bureau for Policy and Program Coordination should (1) ensure the adequacy of operating units' strategic plans for measuring performance and documenting impact and (2) provide technical leadership in developing Agency and operating unit performance monitoring and evaluation systems. These policies and procedures also stipulate that the Bureau for Asia and the Near East should provide: (1) oversight and support for its operating units in developing their strategic plans for measuring program performance, (2) supporting its operating units in achieving approved objectives, and reviewing and reporting annually those units' performance in achieving their objectives, and (3) managing the R4 submissions for operating units under its authority. The issue of USAID/Washington support and oversight will be addressed in another audit report which will be issued on completion of this Agency-wide audit.

Management Comments and Our Evaluation

In its written comments to the draft report (presented as Appendix II to this report), USAID/India took strong exception to our audit conclusions and did not fully address the audit recommendation. USAID/India believes the audit report ignores the learning context of the R4 process, pointing out that numerous changes were made since the 1996 R4 was prepared to improve its results reporting. For example, the Mission noted that eight indicators covered by the audit sample were dropped in the R4 prepared in 1998, others were modified, and data errors were corrected. The Mission characterizes its problems with reporting R4 results as essentially clerical or transcription errors, or as immaterial deficiencies, and states that the audit criteria were too tight or restrictive for overseas development work, exceeding accepted social science standards and practice. USAID/India further maintains that in its opinion it achieved an overall accuracy rate of 85 percent, claiming that achievements in three of the five criteria used in the audit were above 88 percent. According to the Mission, this performance, based on the OIG criteria cited in Appendix I of the report, merited a qualified rather than a negative answer to our audit objective. The Mission also provided information clarifying certain indicators or rebutting specific results we reported with respect to performance indicators discussed either in the body of our report or listed in Appendix III.

Based on USAID/India's comments, we made some minor corrections and added some clarifying language. We believe the report acknowledges the learning context of the R4 process and the many difficulties faced by overseas missions in meeting USAID's policies and procedures for preparing an R4. However, USAID/India's comments offered no specific information to cause us to alter our original overall conclusion-the USAID/India 1996 R4 results data were not objectively verifiable, supported, accurate, complete, and validated.

For example, USAID/India's position that it can average its "accuracy rate" for each criteria to claim an overall accuracy average of 85 percent is incorrect. Each reported result must meet **all** the criteria in order to be in compliance with USAID policies and procedures (identified in Appendix IV). A result can not be considered to have reached an acceptable threshold of 83 percent, for example, if it simply meets five of six criteria. In addition, footnotes 2 and 6 of this report, along with language at page 2 of Appendix I, point out that many indicators have multiple problems but only one was specifically cited in the report to simplify presentation.

We would like to emphasize that virtually all of the criteria used in the audit is USAID's criteria-not the OIG's. For example, the requirement for periodic assessments of data quality (not less often than every three years) is contained in ADS Section E203.5.5 and not promulgated by the OIG. The particular criteria that provoked the most criticism from USAID/India is our acceptance of data only if within one percent of the actual documented

result. The Mission's suggestion that this exceeds accepted social science requirements, standards and practices is not accompanied by an identification of what those specific requirements, standards and practices are. Although the errors for some of the indicators may not appear to be materially significant, we believe that our finding of problems with 17 of 25 indicator results reviewed is materially significant and illustrates that systems in place to collect and use results data have not always been effectively implemented. Based on our audit results, we cannot agree with USAID/India's position that problems with its R4 preparation are confined to one performance indicator that needs refinement and a few indicator results containing clerical errors.

USAID/India's response includes comments on virtually every one of the 25 indicator results in our audit sample, comments which were often intended to show that our position is incorrect or that the reported indicator results were accurate as presented. As we previously stated, however, except for some minor changes resulting from the Mission's comments, the specific and detailed comments on each indicator result have not caused us to change our audit conclusions. To illustrate, the following is a discussion of several reported results, showing the Mission's position based on additional information included in its comments, and our explanation as to why we are not changing our audit conclusion with respect to the specific indicator result in question.

Sample No. 4: The Mission reports that data on clean coal technologies were not included in the reported results for the 1996 R4 because "no power was generated from them at that time." However, the cable summarizing the review of the R4 in Washington states that "USAIDIW will work with USAID/India to identify an alternative SO indicator to capture the gains in carbon dioxide reduction achieved by efficiency improvements, as well as those attained from use of advanced coal combustion technologies. These savings are currently not quantifiable using the methodology employed by the ALGAS Project". Narrative in the R4 itself states that "Progress data on the percent increase in MW of energy produced through clean coal technologies are not available ..." In addition, USAID/India staff affirmed during the audit that the data were just not available; not that clean coal technologies were not in use in 1996. All of the above support our position that the problem was lack of data on the use of clean coal technologies, not that such technologies were not being used. Therefore, the results reported in the R4 were incomplete.

Sample No. 9: USAID/India states that the latest available data for the generation of wind power (in the spring of 1997 when the 1996 R4 was prepared) were as of December 1995 which is why this was reported while other sources of energy were reported as of March 1996. However, when the R4 was prepared the March 1996 wind power data **were available** in the Ministry of Nonconventional Energy Source's Annual Report as of March 31, 1996. Accordingly, the reported result with the outdated wind power figure was inaccurate.

Sample No. 15: USAID/India reports that it had rounded off 14.5 million condoms sold to the reported result of 15 million sold. We reported the result as inaccurate because the sales

to the nearest million would have been reported as 14 million sold.

Sample No. 17: The Mission's 1996 R4 reported result for "increased number of germplasm samples stored in genebanks" was 176,000 samples based on data from the National Bureau of Plant Genetic Resources' (NBPGR's) Research Highlights publication for 1992-93. Since the existing genebank was reported to be filled to capacity the same figure was reported in R4s for subsequent years until a new facility was built. However, the NBPGR's Research Highlights publication for 1995-96 reported 144,109 samples in the gene bank along with 797 samples in invitro storage resulting in our 144,906 total. We used data from the same source and calculated the total in the same manner as the Mission-but from the correct year-in making our determination that the reported result was incorrect. The Mission's contention that a portion of the germplasm samples are being regenerated in the field each year and should also be included in the result does not explain why the NBPGR's published result for 1992 was not similarly adjusted. Accordingly, we classified the reported result based on 1993 published data as inaccurate.

Sample No. 22: USAID/India concurs that the reported result of 3.33 billion rupees for "shelter-related credit to below median income households" was an estimate based on an interim report but states the correct result was reported in the 1998 R4. The mission indicated that the R4 table was duly annotated to show that the data were provisional and claimed the correct result-408 billion rupees-was reported in the 1998 R4. However, USAID/India cannot provide the correct result for this indicator because reliable data for it are simply not available in India, as we were told by Mission staff during the audit, and as clearly shown in an examination of the supporting documentation. Results for this indicator are simply estimates and continue to be estimates. The data presented in the R4, if closely examined, are illogical including declining cumulative figures. We continue to classify this result as unsupported.

Sample No. 23: The Mission acknowledges that the "number of exchanges of germplasm materials" should have included both exports as well as imports of germplasm materials but that the exports represent only about two percent of the import number that was reported for 1996 and extols the significant achievement of 74,328 exchanges exceeding the target of 5,000. To put this indicator in proper perspective, we should note that in reviewing supporting documentation we found that the 1995 reported result represented the export exchanges and excluded the imports-the opposite of the 1996 R4 result. But more importantly, the 1994 baseline amount was reported as only 6,097 exchanges when the Mission's own October 1995 Program Performance Monitoring Plan shows the 1994 result to be 66,097 exchanges. If the Mission's 1995 Plan is accurate then the indicator's achievements are not as impressive as presented. In addition, the target of 5,000 exchanges per year is inexplicably low when the baseline data reported are already 6,097 exchanges.

Sample No. 25: USAID/India acknowledges the reported baseline result of persons receiving training is inaccurate as it was based on the data available at the time the R4 was prepared in 1997. It should be noted this erroneous data were still not corrected in the R4 prepared in 1998—contrary to the Mission’s protests that data are corrected in future R4s when it receives updated information.

Sample No. 26: USAID/India points out that the inaccurate data cited in the audit-infants receiving food-were baseline data and not actually a result. However, a close review of the R4 shows that the transcription error (63 percent reported rather than the documented 74 percent) does pertain to results accomplished by the Catholic Relief Service (CRS) for 1996 and not baseline data. The CRS baseline data were presented for 1995.

In summary, while USAID/India took strong exception to our audit findings and conclusions, the Mission, in its comments, did not provide any additional information that would cause us to change our conclusions. In addition, USAID/India only partially addressed the audit recommendation. For example, USAID/India stated that action would be taken to ensure clerical problems are avoided in preparing future R4s and that indicators needing to be more clearly defined will be corrected. However, as our audit disclosed and as documented in this audit report, problems were also found with the Mission’s reported results not being supported, accurate, complete and validated-problems which must be addressed and corrected by the Mission in its future R4 results reporting. Accordingly, we are unable to consider that a management decision has been reached with respect to Recommendation No. 1.

SCOPE AND METHODOLOGY

Scope

We audited USAID/India's internal management controls for ensuring that it reported objectively verifiable, supported, accurate, complete, and validated performance results data in its Results Review and Resource Request (R4) report. (See pages 3 and 4 of this report for definitions.) We audited only the results (including baseline data) reported for 1996 in the R4 prepared in 1997. The audit was performed in accordance with generally accepted government auditing standards and was conducted at USAID/India from April 14 through May 1, 1998.

We limited our work on the validity and reliability of data to the results for only (1) the performance indicators identified in the “performance data tables” in the R4 (prepared in 1997), and (2) the actual results for which such data was shown for 1996. Therefore, if no actual results for an indicator were shown for 1996, we did not assess the validity and reliability for the results for that indicator. We did not review results reported in the narrative portion of the R4.

We did not attempt to determine if the baseline data for a prior year and the results reported for 1996 were consistent and based on comparable data.

Methodology

This audit is part of an Agency-wide audit. The Office of Inspector General's Performance Audits Division in Washington, D.C. is the lead office. Operating units were selected using a random sample based on assistance from statisticians from the Department of Defense's Office of Inspector General. The 25 USAID/India indicators reviewed in this audit were randomly selected by the same statisticians from USAID/India's 36 indicators with reported results. One of these 25 indicators (number 5) was subsequently determined to not have a reported result and was replaced by an alternate indicator (number 26).

To accomplish the audit objective, we interviewed officials from USAID/India and reviewed the documents which supported the reported results. Where problems were found, we verified to the extent practical, the causes of the problems. This included additional interviews with operating unit personnel.

To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the type of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

If the results reported for the indicators were found to be objectively verifiable, supported, accurate, complete and validated: (a) 95 percent or more of the time, (b) 80 to 94 percent of the time, or © less than 80 percent of the time, we would provide a positive, qualified, or negative answer to the audit objective, respectively.

Appendix II

Comments on the draft audit report provided by USAID/India



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT
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MEMORANDUM

August 7, 1998

TO : RIG/Budapest, James R. Bonnell

FROM : USAID/India Director, Linda E. Morse

SUBJECT : Draft Report on the Audit of **the** Quality of Results Reported in **USAID/India's** Results Review and Resource Request (R4) Report Prepared in 1997

As requested, our comments on the subject draft report are provided below. The signed representation letter is attached.

A. GENERAL COMMENTS

While the audit pointed out a number of essentially clerical and transcription errors in our data collection systems, we find the audit finding overstated and misleading. In addition, this audit is not a useful management tool because:

The audit criteria were too tight for overseas development work and **exceeded** accepted social science requirements, standards and practice. Findings based on these criteria then are not useful for managers of development programs.

The audit did not assess whether the purported deficiencies were material weaknesses.

The audit **completely** ignored the learning context of the 1997 R4. This was the first year of results **reporting** for five of eight SOs and SPOs. Subsequently in the 1998 R4 numerous changes were made to improve reporting. **Eight** indicators covered by the sample were dropped, others were modified and data errors corrected. **More** changes will be made in the 2001 R4 to further **improve** the reporting.

The Agency's latest Semiannual Report to Congress on Audit Management and Resolution emphasized that "USAID's performance data system must reflect the nature and canons of good social science data analysis, rather than the precision of a financial institution." The report further stated, "in a field as complex as social, political, and economic development, we are unlikely to **achieve** the degree of data precision and timeliness commonly associated with financial systems." The RIG should take this reality into account before finalizing the

report, especially since none of the audit findings on specific indicators were identified material weaknesses, on the basis of which management decisions would be influenced or systems changed.

Above all, the report's conclusion that "USAID/India did not report data in its Results Review and Resource Request (R4) prepared in 1997 which were objectively verifiable, supported, accurate, complete, and/or validated", is not supported or justified by the findings because:

Only two of the 25 indicators reviewed were categorized as "not objectively verifiable." Thus, 23 of the indicators, or 92%, were found to be verifiable. Other findings were not material thereby affecting the mission's decision making or accountability.

We have systems in place that provide reasonable assurance that data is collected and used to reach sound management decisions.

We achieved an overall accuracy average of 85%. Achievements in three of the five audit criteria were above 88%. According to the IG's reporting yardstick in Appendix I of the report, this performance merited a qualified rather than a negative answer to the audit objective.

Therefore, we request that the auditors change the overall conclusion to state that 'with a few exceptions, USAID/India reported data in its R4 prepared in 1997 that were objectively verifiable, supported, accurate, complete, and/or validated'.

This said, we have noted your recommendation. We will take action to ensure that where a performance indicator needs to be more clearly defined, that this is done. We will also ensure that the types of clerical problem that surfaced are avoided in the future.

B. SPECIFIC COMMENTS

1. Page 4: Two indicators not objectively verifiable

The Mission had already identified the problem the auditors found with the "urban" indicator (Sample no. 14) and planned corrective action for the next R4 prior to the audit.

We do not concur with the finding on the "reached with supplemental food" indicator (Sample 11). Food actually consumed is not what we want to measure and is, in fact, in a program covering over seven million children, not measurable. We will confer with partners in the field and USAID/W on the merits of this indicator.

2. Pages 4 and 5: Three results were unsupported

USAID/India deals with a multiplicity of institutions, different reporting years, and primary and secondary data sources for reporting progress under development programs.

Especially in establishing baselines of new indicators which may not be in cycle, the Mission has resorted to the universally accepted practice of estimating data and using information that is available at the time of reporting. The alternative would be not to report any baseline data for a year. Brief comments on the identified problems, none of which was material, follow:

We concur with the finding that the data reported for the Indicator: “Increased enrollment and retention of girls in primary schools in one district of Uttar Pradesh”(Sample No. 20) was unsupported because unpublished GO1 data was used from an e-mail. Contrary to the audit report statement this was baseline data and not a result. The Mission in preparation for the 2000 R4 could not verify the baseline and plans to undertake its own baseline survey for the 2001 R4.

We concur that the reported figure of Rs.3.33 billion for the Indicator: “Increased volume of shelter-related credit to below median income households” (Sample No. 22) was an estimate. However, the R4 table was duly annotated to show that the data was provisional based on an interim report from an authorized source of information. The correct result of Rs.4.08 billion was reported in the 1998 R4.

We concur that the reported baseline data for the Indicator “Number of providers given technical/behavioral service delivery in Uttar Pradesh and Madhya Pradesh” (Sample No. 25) varied from the actual. The difference occurred because the reported baseline was estimated on the basis of information available at the time.

Page 5: Six results were not accurate

The errors in several cases were clerical, with an error rate of less than 5%. Even in cases where errors were greater than 5% the findings were not material.

Some of these cases demonstrate the “no-win” situation the audit criteria pose for US AID Missions. Such is the case of our using December 1995 rather than March 1996 data for wind power. If we had estimated the data between December 1995 and March 1996 (actual data not being available), we would have been cited for “unsupported” data. If we had left out wind power, we would have been marked down for “incomplete” data. In the end, this indicator was classified inaccurate for a 3.4% or 0.17 percentage point difference between the reported and actual result. Rather than reflecting a weakness in quality of Mission data, we believe this reflects the inappropriateness of the audit criteria to development work.

The above said, and as already stated, the Mission does not condone clerical errors which m-c readily avoidable. We will make every effort in the next R4 to ensure that they do not happen again.

In the case of “Price transparency improved in securities market,”(Sample No. 6), the figure of five that was mistakenly transcribed as a six was still much higher than the planned target of two for 1996.

For the Indicator “Percent of infants who receive breast-milk and solid/mushy foods at 6-9 months of age,”(Sample No. 26), the transcribing error pertained to the baseline data and not a result. The baseline was revised in the subsequent R4.

Regarding the Indicator “Private power as percentage of power generating capacity” (Sample No. 9), data for power generating capacity, except wind power, was available for, and thus reported as of, March 1996. For wind power, the latest available data was for December 1995. This was used for completeness of reporting and caused the very small difference of 0.17 percentage points, which was not material.

For the Indicator “Increased foreign indirect institutional (portfolio) investment” (Sample No. 8), the actual result of \$2.04 billion was under-reported as \$1.98 billion due to a clerical error. Both these figures were lower than the target of \$2.5 billion for the year. The error of about 2 percentage points in reporting was not material.

Regarding the Indicator “Contraceptive social marketing sales in Uttar Pradesh (a) condoms,(b) pills” (Sample No. IS), the Mission incorrectly rounded off 14.5 million condoms as 15 million. The reported result was still substantially less than the target of 26 million. The difference of 2 percentage points was not material.

In the case of the remaining indicator “Increased number of germplasm samples stored in genebanks”(Sample No. 17), we were unable to reconstruct how the auditors arrived at the figure of 144,906 mentioned in the audit report as the 1995-96 documentation supports 156,780 samples. Nevertheless, under the USAID/India definition of “stored”, the number of samples (176,000) remained unchanged until the genebank capacity increased. Accordingly, this figure was reported in the R4. It is a standard practice to move about 10 to 15 per cent of stored germplasm samples from the genebanks each year to the field for regeneration in order to check permissible/viable germination limits. These samples are later returned to the genebank and other samples drawn. This is an ongoing process and the withdrawals are correctly reflected as germplasm samples available and hence in our view “stored” at the genebank.

4. Pages 5 and 6: Five results were not complete

The incompleteness of results cited in the audit did not have any material impact on our decisions regarding the program’s achievements or resource allocations. Two of the five cases were suitably annotated; two of the cases were clerical errors; and one was correctly reported.

In the case of two of the indicators, “Percentage of pregnant women, delivered in the past year, who received 90-100 iron folic acid tablets”(Sample No. 1), and “Percentage of children 12-23 months old fully immunized by age 1”(Sample No. 10), the R4 was annotated that the data was for only part of the program and that complete data would be reported in a subsequent year. The data was baseline and not results as shown in the audit report. Revised complete baseline data and targets were given in the subsequent R4

against which progress was reported. The incomplete baseline was not material.

In another Indicator, “Increased share of power from clean technologies”(Sample No. 4), the reported result did not include any data on clean coal technologies as no power was generated from them at that time, and hence it was not relevant. The performance table cited clean coal technologies, since we expect that power will be generated from them in future years. Related data will be reported at that time. We do not concur with the finding.

In the case of the Indicator “Increase in value of horticultural exports”(Sample No. 7), the data on floriculture was not reported in 1996 because the data source was changed. (Note, the auditors have made an error here as the figure of \$367 million referred to 1995 data and not to 1996.) The data for 1996 reported in the R4 was \$494 million which was subsequently revised to \$515 million and included floriculture. The addition of floriculture exports in 1996 would have raised the total horticultural exports by 4%. The target for that year was \$380 million. The underreporting did not have any material impact.

Regarding the Indicator “Number of exchanges of germplasm materials” (Sample No. 23) while the mission agrees that both imports and exports should have been reported, & omission did not have any material effect. The actual exports of 1,506, or only 2% of the reported result, were insignificant since the R4 figure of 74,328 already exceeded the target of 5,000 by 14.9 times. Inclusion of exports would have marginally increased this higher achievement to 15.2 times of the target.

5. Page 6: Three results were not validated

We use information available from various primary and secondary data sources that are considered adequate and cost effective for our reporting purposes. The auditors’ expectation that each and every result reported by a USAID contractor or counterpart agency should be assessed and validated by USAID or an independent entity is neither feasible nor realistic.

USAID/India does not and will not have the resources (staff and funds) to independently verify data sources that are considered acceptable by the donor community, the Government of India and Indian and American experts. We have no alternative but to continue to rely on such data sources, and when appropriate and possible, to independently validate secondary source data or collect primary data.

Concluding Comment

In conclusion, we would like to acknowledge that we have learned from the R4 audit process and are reviewing our indicators and systems to improve performance measurement. The audit helped us by pointing out that we need to pay greater attention

to reducing the clerical/transcription errors, and we will do so. However, by not presenting the audit findings in perspective, the report conveys a misleading impression about the quality of the Mission's performance in reporting results. We believe that the final report should be modified to correct this misleading impression.

Attachment : Representation Letter

Analysis of USAID/India's 1996 Indicators and Results⁶
(as reflected in its R4 prepared in 1997)

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem except for validated.
Percentage of pregnant women, delivered in the past year, who received 90- 100 iron folic acid tablets. (1)	Yes	Yes	Yes	No	Yes	The R4 reported a result of 32% for women who received 50 or more iron folic acid tablets. Subsequent reanalysis of the data to conform to the indicator yielded a result of 13%.
Increase in total investments in ACE-funded projects. (2)	Yes	Yes	Yes	Yes	Yes	No problems found.
Population served by nongovernment projects in Uttar Pradesh. (3)	Yes	Yes	Yes	Yes	Yes	No problems found.
Increased share of power from clean technologies. (4)	Yes	Yes	Unknown	No	Yes	Reported result did not include data for clean coal technologies even though the performance table cites it as one of the clean technologies.
Price transparency improved in securities market. (6)	Yes	Yes	No		Yes	Clerical error. R4 shows six stock exchanges instead of five.
Increase in value of horticultural exports. (7)	Yes	Yes	Unknown	No	Yes	Reported results did not include floriculture products.
Increased foreign indirect institutional (portfolio) investment. (8)	Yes	Yes	No		Yes	R4 shows \$1.98 billion instead of \$2.04 billion.
Private power as percentage of power generating capacity. (9)	Yes	Yes	No		Yes	R4 reported 5.3% whereas the recalculated result is 5.47%. The original computation used an outdated figure for wind energy.
Percentage of children 12-23 months old fully immunized by age 1. (10)	Yes	Yes	Yes	No	Yes	Reported result of 13% was based on draft baseline survey report. The draft report contained data on five out of seven states, Actual result in the final baseline survey report published subsequent to the 1996 R4 submission was 28%.

⁶ To avoid duplicating the problems related to the reported results (e.g. a reported result could be both not supported and not accurate), we classified only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the type of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

APPENDIX III

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem except for validated.
Percentage of children under 2/under 3 reached with supplemental food. (11)	No					Specific criteria defining how often children received supplemental food and whether they had to consume all of it had not been established.
Increased number of a) companies manufacturing clean technologies and b) power plants using clean technologies. (12)	Yes	Yes	Yes	Yes	Yes	No problems found.
Increased amount of private capital used to finance commercially viable urban environmental infrastructure. (13)	Yes	Yes	Yes	Yes	Yes	No problems found.
Types of USAID-supported models of financing urban infrastructure adopted by municipal, state and local governments and private groups. (14)	No					For each financing model the point at which it has been "adopted" needs to be defined.
Contraceptive social marketing sales in Uttar Pradesh (a) condoms, (b) pills. (15)	Yes	Yes	No		Yes	R4 shows 15 million condoms. This was rounded up from the documented result of 14,452,000 resulting in a variance of 3.79%.
Reduction in gaseous emissions and suspended particulate matter in air at (a) selected industrial sites and (b) selected power plants. (16)	Yes	Yes	Yes	Yes	No	Pollution data are collected and reported to USAID/India by the bilateral counterpart agency.
Increased number of germplasm samples stored in genebanks. (17)	Yes	Yes	No		Yes	R4 reported 176,000 samples using data from 1992-93 with the presumption that the number of samples remained unchanged until the genebank capacity increased. Documentation from 1995-96 from the same source supports 144,906 samples.
Increased amount of new capital (equity and debt) raised through the securities market. (18)	Yes	Yes	Yes	Yes	Yes	No problems found.
Plant load factor in coal-fired power plants increased. (19)	Yes	Yes	Yes	Yes	Yes	No problems found.
Increased enrollment and retention of girls in primary schools in one district of Uttar Pradesh. (20)	Yes	No			No	Reported result based on an e-mail using informal survey results.
Hectares of fly ash ponds and landfills avoided due to commercial utilization of ash. (21)	Yes	Yes	Yes	Yes	Yes	No problems found.

Indicator	Objectively Verifiable?	Supported?	Accurate?	Complete?	Validated?	Explanation of problem except for validated.
Increased volume of shelter-related credit to below median income households. (22)	Yes	No			No	Reported results of 3.33 billion rupees (\$98.58 million) based on incomplete preliminary data and estimates.
Number of exchanges of germplasm materials. (23)	Yes	Yes	Unknown	No	Yes	R4 reported 74,328 exchanges for "imports" only. The actual result of 80,822 includes both "imports" and "exports." The prior R4 reported only "exports".
Securities depository system established and functioning. (24)	Yes	Yes	Yes	Yes	Yes	No problems found.
Number of providers given technical/behavioral service delivery in Uttar Pradesh and Madhya Pradesh. (25)	Yes	No			Yes	The R4 reported 1,000 public, 1,500 private and 4,800 other providers given service deliveries. Available documentation supports 1,052 public, 2,827 private and 4,155 other providers given the service deliveries.
Percent of infants who receive breast-milk and solid/mushy foods at 6-9 months of age. (26)	Yes	Yes	No		Yes	Transcribing error led to an incorrect reported result for one of the project's NGOs of 63%. The documented result was 74% .
Total Answered "No"	2	3	6	5	3	

Federal Laws and Regulations and USAID Guidance Relevant to Measuring Program Performance

There are numerous federal laws and regulations requiring USAID (and other federal agencies) to develop and implement internal management controls to measure and report on program performance. Discussed below are examples of those requirements as well as related USAID policies and procedures.

Laws and Regulations

Chief Financial Officers Act of 1990 requires management internal controls which provide for: (1) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial needs of agency management, and (2) the systematic measurement of performance.

Standards for Internal Controls in the Federal Government issued by the U.S. General Accounting Office in 1983 require systems of internal controls that ensure that all transactions and other significant events are to be clearly documented, and that the documentation be readily available for examination.

OMB Circular No. A-123 (dated June 21, 1995), which is the executive branch's implementing policy for compliance with the Federal Managers' Financial Integrity Act of 1982, requires agencies to have management internal controls to ensure that: (1) programs achieve their intended results, and (2) reliable and timely information is obtained, maintained, reported and used for decision making.

OMB Bulletin 93-06 (dated January 8, 1993) requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results are properly recorded and accounted for to permit preparation of reliable and complete performance information.

The Foreign Assistance Act (Section 621 A), as amended in 1968, requires USAID to develop and implement a management system that provides for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to the Agency and to Congress that relates Agency resources, expenditures, and budget projections to program objectives and results in order to assist in the evaluation of program performance.

USAID Policies and Procedures

The most recent USAID system, known as the Automated Directives System for Managing for Results (ADS 200 Series), for measuring and reporting on program performance was initiated in October 1995. This new system requires (Section 203.5. 1a) that operating units establish performance monitoring systems to regularly collect and analyze data which will enable them to

track performance and objectively report on the progress in achieving strategic objectives and intermediate results. The system also requires (Sections 203.5.5, 203.5.5e, E203.5.5, and 203.5.9a) operating units to:

- establish objective performance indicators (with related baseline data and targets) to measure progress in achieving program objectives;
- critically assess the performance data at regular intervals to ensure that reported performance data are of reasonable quality and accurately reflect performance; and
- prepare an annual Results Review and Resource Request (R4) report which must include reliable performance information on progress in achieving its program objectives for the immediate past fiscal year.

TIPS No. 6, “Selecting Performance Indicators,” which is supplemental guidance to the ADS, defines objective as:

“An objective indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. It is both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time. . . . Operational precision means no ambiguity over what kind of data would be collected for an indicator. For example while *number of successful export firms* is ambiguous, something like *number of export firms experiencing an annual increase in revenues of at least 5 percent* is operationally precise.”

TIPS No. 7, “Preparing a Performance Monitoring Plan,” which is also supplemental guidance to the ADS, stipulates that each performance indicator needs a detailed definition. The definition should be detailed enough to ensure that different people at different times, given the task of collecting data for a given indicator, would collect identical types of data. The definition should be precise about all technical elements of the indicator statement. For example, the TIPS states:

“As an illustration, consider the indicator *number of small enterprises receiving loans from the private banking system*. How are small enterprises defined--all enterprises with 20 or few employees, or 50 or 100? What types of institutions are considered part of the private banking sector--credit unions, government-private sector joint-venture financial institutions?”

ADS Section E203.5.5 also requires operating units to: (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods, (2) collect actual results data for each performance indicator on a regular basis, (3) reassess data quality as is necessary but at intervals of no greater than three years. These policies and procedures also state that

if data for a performance indicator prove to be unavailable or too costly to collect, the indicator may need to be changed.

In addition, ADS section 203.5.8c states that the Agency will conduct a review of performance on an annual basis which will include analyzing operating units' performance and "shall focus on the immediate past fiscal year", but may also review performance for prior years.

USAID guidance issued in January 1997 for preparing the R4s stated that the goal of the guidance was to generate R4s which ensure that USAID/Washington management has the information they need to make results-based resource allocations among operating units and report on the Agency's achievements. The guidance also stated that the most effective R4s are those that: (1) assess performance over the life of the objectives, with an emphasis on the past year, using established indicators, baseline data and targets, and (2) state explicitly whether and how much progress or results surpassed, met or fell short of expectations. The guidance stated that the results should cover actual performance through fiscal year 1996.