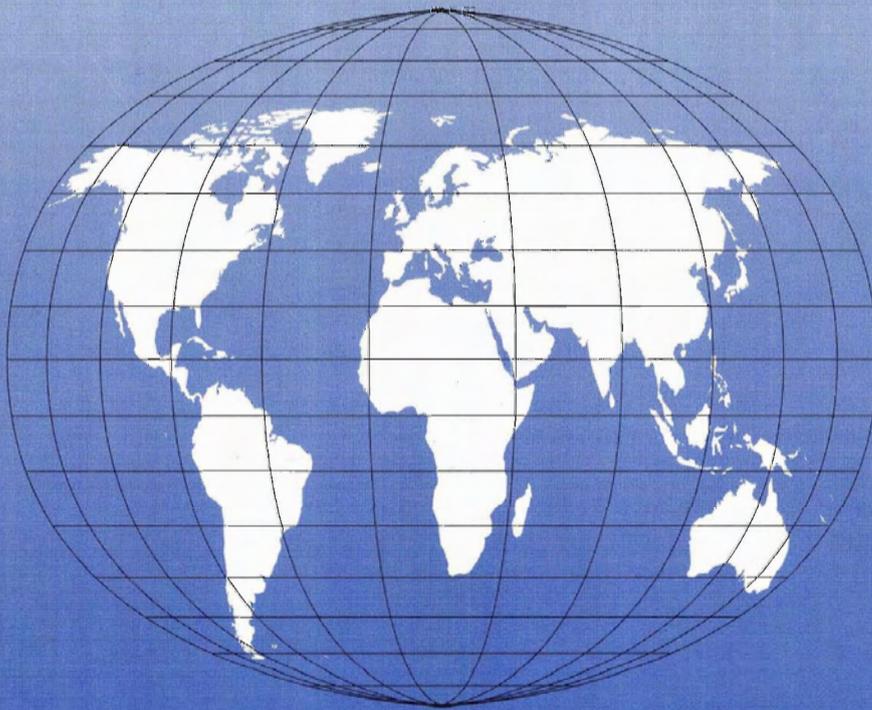


Report of Audit

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

**Report No. 7-620-98-004-P
September 24, 1998**



**Regional Inspector General
Dakar**

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

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

**Report No. 7-620-98-004-P
September 24, 1998**

**Regional Inspector General
Dakar**



Base 504599 8-80 (545622)

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS
RIG / DAKAR
AGENCY FOR INTERNATIONAL
DEVELOPMENT
WASHINGTON, D.C. 20521 - 2130

INTERNATIONAL ADDRESS
RIG / DAKAR
C/° AMERICAN EMBASSY
B.P. 49 DAKAR SENEGAL
WEST AFRICA

September 24, 1998

**MEMORANDUM FOR USAID/NIGERIA DIRECTOR,
FELIX N. AWANTANG**

FROM:


Henry L. Barrett, RIG/Dakar

SUBJECT: Audit of the Quality of Results Reported in USAID/Nigeria's
Results Review and Resource Request (R4) Report Prepared in
1997, Report No. 7-620-98-004-P

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have included them as Appendix II.

The report contains two recommendations. Based upon your comments and actions, USAID/Nigeria has made a Management Decision to address both recommendations. In accordance with USAID guidance, M/MPI/MIC will be responsible for determining when Final Action has occurred for Recommendation Nos. 1 and 2.

I appreciate the courtesies and cooperation extended to my staff by USAID/Nigeria 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 USAID'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 USAID'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, OIG was concerned these conditions may be pervasive throughout USAID and decided to perform this USAID-wide audit to (1) establish a baseline for future OIG audit work, (2) identify problems with current data reporting, and (3) 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. This audit of USAID/Nigeria is one of 18 audits being done on a USAID-wide basis.

USAID/Nigeria's R4 for fiscal year 1996, prepared in March 1997 contained five indicators and reported performance results for two of them. As of September 30, 1997, USAID/Nigeria reported that it had obligated and expended in support of its active programs a total of \$52.1 million and \$48.4 million, respectively.

¹ The three audit reports referred to in this paragraph are Audit Report No. 1-000-95-006 (dated June 30, 1995), Audit Report No. 0-000-98-001-F (dated March 2, 1998), and Audit Report No. 9-000-98-001-P (dated March 26, 1998).

Audit Objective

The Regional Inspector General/Dakar, as part of a USAID-wide audit, performed the audit to answer the following question:

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

USAID/Nigeria did not report results data which were 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) provide for complete, reliable, and consistent information; and (3) ensure 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 is properly recorded and accounted for to permit preparation of reliable and complete performance information. (See Appendix IV for 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 show 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 complete. Also, if the results were only for a partial year (e.g., a six-month period, then the result would not be complete).
- *Validated*—This refers to the source of the data and the reliability of that source. We considered 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 USAID must validate 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 problems² with one of two results reported for performance indicators for which results were reported in the R4 for fiscal year 1996 (which was prepared in 1997). A breakdown and examples of these problems are as follows:

- Results for one indicator was not complete. Indicator number 1, "Couple-Years of Protection," reported results for the first three quarters (October 1995 to June 1996) of the year, rather than the entire year.
- Results for one indicator was not validated. Indicator number 1, "Couple-Years of Protection," was also not validated. The source of data results for this indicator was provided by the Center for Development and Population Activities (CEDPA). The Mission did not perform an assessment of CEDPA's reporting system.

The above problems existed because USAID/Nigeria 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/Nigeria did not assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods as prescribed by ADS section E203.5.5³.

USAID/Nigeria reported results for only three quarters of the year because that is all the data that was available when the R4 was prepared. The Mission did not perform an assessment at CEDPA because it was not considered necessary since the Mission conducted field trips. However, we determined that these field trips were not the type of assessment required by the ADS.

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 indicator results as having 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 types of problems included in the hierarchy.

³ 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.

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 also impair USAID/Nigeria's and USAID management's ability to measure progress in achieving USAID's program objectives for Nigeria and to use performance information in budget allocation decisions. The problems also impair USAID's ability to comply with laws and regulations.

Recommendation No. 1: We recommend that USAID/Nigeria ensure that the performance data identified in its R4 prepared in 1999 are 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.

Other Related Matters

OMB Circular No. A-123, which provides standards for implementing the Federal Manager's Financial Integrity Act (FMFIA), requires agencies to annually submit to the President and the Congress (1) a statement on whether there is reasonable assurance that agency's controls are achieving their intended objectives, and (2) a report on material weaknesses in the agency's controls.

According to the Circular, a deficiency should be reported if it is or should be of interest to the next level of management. Moreover, agency managers and staff should be encouraged to identify and report deficiencies, as this reflects positively on the agency's commitment to recognizing and addressing management problems.

USAID's implementing guidance to operating units performing the fiscal year 1997 FMFIA review stated that existing sources of information should be used to supplement management's judgement in assessing the adequacy of management controls, this includes program evaluations, audits and other reviews of mission operations. Also included in the guidance was a "Management Control Checklist" to be used as a guide in self-assessing the adequacy of controls. In this checklist, under the heading "Program Assistance" several questions pertained to information, documentation, performance monitoring systems and the validity of data.

USAID's implementing guidance (issued in July 1997) to USAID missions included a "Management Control Checklist" which included questions regarding internal controls for measuring program performance. One of the questions on the checklist is:

The validity of data reported on performance indicators is reasonably verified, including that furnished by other organizations.

USAID/Nigeria answered the above question affirmatively based upon field trips conducted in October and November 1996. These field trips focused on the status of the program implementation and impact and did not include an assessment of the results data collection system or detailed testing of the validity of data submitted to the Mission.

Notwithstanding the above mentioned situation, it is the responsibility of the Mission to assure the quality of data and according to the ADS criteria previously mentioned, an assessment of the reporting system must be conducted at least every three years. This assessment requires an evaluation of the reporting system to include detailed testing of the validity of data reported to USAID. Without independent assessments the Mission can not assure the quality of the data it reports in its R4. Since results data are used to make future funding decisions and define future development activities, the importance of data quality can not be overemphasized.

Recommendation No. 2: We recommend that USAID/Nigeria, in preparing the fiscal year 1998 report under the Federal Managers' Financial Integrity Act, perform an assessment of internal controls related to the validity of data reported on performance indicators.

Management Comments and Our Evaluation

USAID/Nigeria generally agreed with the audit recommendations. In August 1998, USAID/Nigeria engaged a consultant to review the Mission's program monitoring plan to ensure that: 1) all performance indicators to be tracked have been identified; 2) the data source, method and schedule of collection have been specified; and 3) data collection and verification responsibility have been assigned at the USAID level. Based upon this review of the Mission's program monitoring plan, we believe that the Mission has made a Management Decision regarding Recommendation No. 1. Final Action can be considered taken when the Mission provides evidence that it has implemented the recommendations of this review.

Regarding recommendation No. 2 USAID/Nigeria stated that FY 1996 was an extremely difficult year in which to perform data validation because of several difficulties including the USAID Reduction-in-Force, Down-sizing of the Mission, Decertification of Nigeria and the unstable political environment in Nigeria. All these problems made program implementation and monitoring difficult, if not impossible for some activities. The Mission agreed to ensure that any issues that reflect a material weakness are included in the FMFIA report for FY 1998. Based upon this agreement, we believe that the Mission made a Management Decision. Final Action can be considered taken when the Mission provides its FY 1998 internal control assessment which includes the Mission's planned actions to improve the weaknesses in the Mission's program monitoring plan.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Nigeria'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 RIG/Dakar from April 20 through June 19, 1998. Because we were not granted a visa to travel to Nigeria, we performed this audit using email, fax and courier services.

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 also 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 a USAID-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.

To accomplish the audit objective, we used email to interview officials from USAID/Nigeria and reviewed the documents which supported the reported results. Where problems were found, we verified to the extent practical, the causes of the problems including additional interviews with Mission 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 indicator results as having 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 types 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 (c) less than 80 percent of the time, we would provide a positive, qualified, or negative answer to the audit question, respectively.



SEP 21 1998

United States Agency for International Development
USAID/NIGERIA

International Address:
1612, Adeola Hopewell
Victoria Island
Lagos, Nigeria

U.S. Postal Address:
USAID/Lagos
Dept of State
Washington D.C. 20521-8300
U.S.A.

September, 14, 1998

Mr. Henry Barrett
RIG/Dakar
C/o American Embassy
B.P. 49
Avenue Jeann XXIII
AND Rue Kleber
Dakar, Senegal

Dear Mr. Barrett:

USAID/Nigeria has responded to observations on the last R4 Audit Report. We had earlier sent the response on the E-mail to both you and Mr. Gerard Custer. Mr. Custer requested that we send you a hard copy, which is hereby attached.

We, however, hope that you would have received the E-mail copy prior to this.

Yours faithfully


Felix Awantang
USAID Director
Nigeria

USAID/Nigeria Response to Audit Observations

USAID/Nigeria commends the professionalism of RIG/Dakar staff in undertaking this audit under difficult conditions. The audit was conducted entirely by correspondence as the Nigerian authorities denied the Auditor a visa to travel to Nigeria. This incident itself was illustrative of the difficulties of implementing a program in Nigeria until very recently.

The R4 audit of USAID/Nigeria for FY 1996 focused on two indicators reporting on the family planning component of our program, condom sales and couple-years of contraceptive protection. USAID/Nigeria relied on data from two CAs for reporting on these indicators. For the first indicator, **condom sales**, all the data came from PSI which has a centralized and carefully monitored system for receiving and processing all USAID-funded contraceptives into the country. Your review, we believe, found the data generated by the system for this indicator to be acceptable. Data on the second indicator of audit interest - **couple-years of protection (CYPs)** - is generated from the same numbers used for the first indicator, plus numbers from other forms of family planning techniques. The raw data is, however, compiled from two CAs, PSI which generates over 99% of the data and CEDPA which generates less than 1% of the total data from community programs. The conversion formulas for all data were provided to the Auditors.

We are concerned that the audit observations on the quality of data for the second indicator focus disproportionately on deficiencies associated with data sources from CEDPA which constitutes less than one percent of the total data for this indicator. It is correct that CEDPA data covered only three, instead of four quarters of the period audited. However, we are talking of 25% of less than 1% of the total data (.0025%) which was incomplete and not verified. In the R4, a total of 648,831 CYPs were generated, 642,046 (99%) of which were reported by PSI and 6,785 CYPs (1 %) reported by CEDPA. We believe that with over 99% of the data for this variable in good shape, the data is not as weak as your report would suggest.

Planned Action for Recommendation Number One.

USAID/Nigeria agrees with the Auditors that the ideal situation is for us to use complete and validated information. USAID/Nigeria has initiated action to ensure that as the Nigeria program evolves in a more stable political environment it will be improving the quality of reported data. USAID/N engaged an outside consultant in August 1998 to review its program monitoring plan (PMP) to ensure that the PMP:

- 1) identifies all the performance indicators to be tracked,
- 2) specifies the data source and its method and schedule of collection, and
- 3) there is an assignment of responsibility for data collection and verification at the USAID level prior to use for official reporting.

This review has been completed and we are in the process of implementing its recommendations.

The full effect of this action will not be reflected in our FY 1998 and-prior year R4s which report on a turbulent period in Nigeria. USAID/Nigeria will disclose data limitations as advised in the audit report in future R4s.

Other Related Matters:

The audit comments on a material weakness with regard to the lack of data validation during FY1996 because of turmoil in Nigeria. For the two indicators of interest, we believe that data validation was relatively easy because of the nature of the data that feeds into these indicators.

USAID/Nigeria acknowledges that the circumstances of the Nigeria program during FY 1996 compromised the Mission's ability to provide complete and validated data. Some of the constraints were internal to USAID and we have indicated that the audit sampling could not have come up with a worse year for the Nigeria program. However, that is what a random sample is supposed to do. Here are our reasons for thinking FY 1996 was our worst year:

- 1) **Reduction-in-Force for USAID:** USAID/Nigeria lost two of its four Direct Hire staff during this period. The Director and Program Officer who were affected spent most of the latter part of FY 1996 focusing on leaving the Agency.
- 2) **Down-sizing of USAID/Nigeria:** Unrelated to the RIF, USAID/Nigeria had been instructed to down-size and the remaining staff spent their time focusing on closing down the activities of over ten CAs who had a variety of centrally-funded interventions in Nigeria. One of the remaining two Direct Hire staff was redeployed, leaving only one Direct Hire to manage the Nigeria program.
- 3) **Decertification of Nigeria in 1996:** As expected, Nigeria was decertified the same year for her non-compliance in the curbing of drug trafficking, and the entire USAID/Nigeria program was on "hold" from March 1996 through mid-September when a waiver was signed authorizing continuation of the program.
- 4) **Nigerian Environment:** Political instability in Nigeria with street violence, power outages and a shortage of fuel characterized much of 1996.

All these problems made program implementation and monitoring difficult, if not impossible for some activities.

These factors in a way posed a severe material weakness to the program at that time but it was not possible to foresee all of them as they were outside the control of the Mission.

Planned Action for Recommendation Number Two:

USAID will review the recommendations made in this audit report and ensure that they are reflected in the FMFIA report for FY 1998, if indeed these issues constitute a material weakness, as defined in the guidance for preparing the FMFIA report.

**Analysis of USAID/Nigeria's 1996 Indicators and Results
(as reflected in its R4 prepared in 1997)⁴**

No.	Indicator	Objectively Verifiable	Supported	Accurate	Complete	Validated	Explanation of Problem
1	Couple-Years of Protection (1)	Yes	Yes	Can not be determined	No	No	Reported on three quarters of the year. No assessment performed. Data not validated
2	Condoms sold (Special Objective 1)	Yes	Yes	Yes	Yes	Yes	
	"No" Answers	0	0	0	1	1	

⁴ 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 indicator results as having 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 types of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

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 information 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 requires 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 621A), 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 USAID and to Congress that relates USAID 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 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 fewer 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 results data for each performance indicator on a regular basis; and (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 USAID 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 USAID's achievements. The guidance also stated that the most effective R4s are those that (1) assess performance over the life of 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.

