

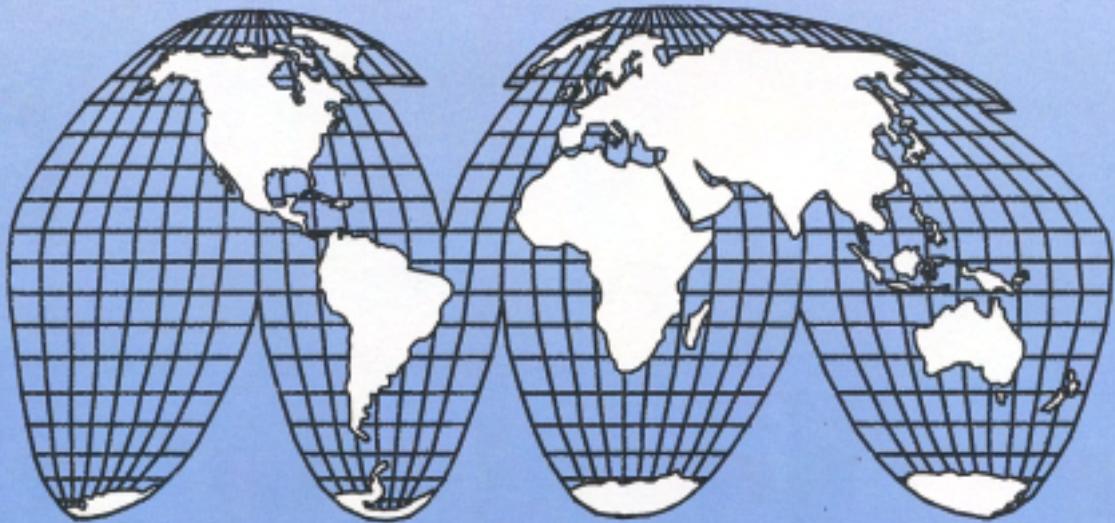
USAID

OFFICE OF INSPECTOR GENERAL

Audit of Performance Monitoring for Indicators Appearing In Selected USAID Operating Units' Results Review and Resource Request Reports

Audit Report Number 9-000-01-005-P

September 27, 2001



**U.S. Agency for International Development
Washington, D.C.**



U . S . AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Office of Inspector General

September 27, 2001

MEMORANDUM

FOR: DAA/PPC, Kenneth G. Schofield

FROM: IG/A/PA, Dianne L. Rawl /s/

SUBJECT: Audit of Performance Monitoring for Indicators
Appearing in Selected USAID Operating Units'
Results Review and Resource Request Reports
(Audit Report No. 9-000-01-005-P)

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

This report summarizes the results of seven Office of Inspector General audits conducted at selected operating units. Each of the seven audits resulted in recommendations addressed to the specific operating unit under review. In addition to those audits, this report contains three recommendations directed toward the Agency. Based on information provided by your Bureau, we consider Recommendation Nos. 1 and 3 to have received a management decision and final action. We do not consider Recommendation No. 2 to have received a management decision. Please provide within 30 days any additional information related to actions planned or taken to implement that recommendation.

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

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Summary of Results

This report summarizes the results of seven Office of Inspector General (OIG) audits conducted at selected operating units in Washington D.C. and in each of USAID's four geographic regions overseas. (See Appendix III for a detailed listing of subject operating units and audit reports.) These audits were requested by USAID's Bureau for Policy and Program Coordination (PPC). The audits were designed to determine if USAID's operating units monitored performance in accordance with Automated Directives System (ADS) E203.5.5 and other relevant guidance as demonstrated by indicators appearing in their Results Review and Resource Request (R4) reports. (See pages 6-7.)

According to the individual audit reports, five of the seven operating units generally monitored performance in accordance with ADS E203.5.5 and other relevant guidance, while two did not. However, all seven operating units had areas for improvement that the respective OIG audit teams felt warranted audit recommendations. Those areas for improvement fell into three main categories: 1) improving performance monitoring plans; 2) performing data quality assessments; and 3) disclosing data limitations. (See pages 7-8.)

While all seven audit reports included recommendations to improve performance monitoring for each of the specific operating units reviewed, we believe that there were also some corrective actions that USAID headquarters could take to improve the Agency, as a whole. (See pages 8-17.) Consequently, we recommend that PPC:

- develop a plan to train personnel regarding performance monitoring plans (see page 11);
- revise Agency guidance to clarify when to conduct data quality assessments (see page 14); and
- revise Agency guidance concerning the disclosure of data quality limitations (see page 17).

USAID management agreed with our findings and recommendations, with the exception of Recommendation No. 2. According to PPC officials, the effort needed to implement Recommendation No. 2 would have the effect of reducing the amount of performance information collected by operating units. (See pages 17-19.)

Background

The Government Performance and Results Act of 1993 (Results Act) was passed to improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. The Results Act was designed to improve Federal managers' service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality. It was also designed to improve Congressional decision-making by providing more reliable information on the status of efforts to achieve statutory objectives and on the relative effectiveness and efficiency of Federal programs and spending.

In 1995, USAID developed a new performance reporting system which included an organized process for monitoring the progress of a program, process or activity towards its objective over time. USAID's new performance monitoring system required managers to (1) establish performance indicators, (2) prepare performance monitoring plans, (3) set performance baselines, (4) collect performance data, and (5) periodically assess data quality.

One component of USAID's new performance monitoring system has been the preparation of annual Results Review and Resource Request (R4) reports. These reports are the most significant performance reports that the Agency's individual operating units send to their respective bureaus. USAID's Automated Directives System (ADS) requires that the information in the R4 reports be used, as appropriate, for internal analyses, responding to external inquiries, and reporting on USAID-wide results, including Results Act reporting.

Audit Objective

This report summarizes the results of a series of audits performed by the Office of Inspector General in seven locations.¹ The audit effort was designed to answer the following question:

Did selected USAID operating units monitor performance in accordance with Automated Directives System E203.5.5 and other relevant guidance as

¹ The seven locations included: Washington, D.C., Ghana, Brazil, Malawi, Romania, Nepal, and Egypt.

demonstrated by indicators appearing in their Results Review and Resource Request reports?

This series of audits was unique in that it was requested by USAID's Bureau for Policy and Program Coordination (PPC) and one or more PPC officials actively participated in planning the worldwide effort and were present during audit fieldwork at most locations.

Appendix I describes the scope and methodology for these audits in more detail.

Audit Findings

Did selected USAID operating units monitor performance in accordance with Automated Directives System E203.5.5 and other relevant guidance as demonstrated by indicators appearing in their Results Review and Resource Request reports?

According to the audit reports of the seven individual operating units selected for this audit effort, five of the operating units generally monitored performance in accordance with Automated Directives System (ADS) E203.5.5 and other relevant guidance, as demonstrated by indicators appearing in their Results Review and Resource Request (R4) reports. The remaining two operating units did not generally monitor performance in accordance with ADS E203.5.5 and other relevant guidance.

With respect to the five operating units that had generally met ADS requirements, the OIG found that, in most cases, baselines had been properly established, data reported in the R4 reports agreed to source documentation, baseline data were comparable with the most recent data reported, and there were appropriate assignments of responsibility to operating unit personnel. However, each of the seven operating units had some weaknesses that resulted in OIG recommendations. One of the two operating units that had not met guidance had not prepared performance monitoring plans (PMPs) for five of six performance indicators tested, and another had not updated its PMPs since 1995.²

² See Appendix IV for a summary schedule of the reviewed operating units' compliance with required performance monitoring steps.

In summary, the OIG determined that all of the operating units reviewed needed to improve their performance monitoring in one or more of the following areas:

- Produce more complete performance monitoring plans to aid in the consistent collection and reporting of credible data.
- Perform and document "data quality assessments" as required by Agency guidance.
- Use R4 report comment sections to address known data limitations and thereby allow users to objectively assess results reported.

While the seven audit reports included recommendations to improve performance monitoring for each of the specific operating units reviewed, we believe that there were also some areas in which USAID could improve performance monitoring of the Agency, as a whole. Those areas are explained below.

Performance Monitoring Plans Need to be Prepared or Updated and Improved

Each of the seven operating units audited needed to either prepare or update and strengthen their respective PMPs. The OIG found that existing PMPs did not always meet USAID standards that require (1) precise indicator definition, (2) data source identification, (3) description of data collection method, and (4) specification of data collection frequency and schedule. The principal cause for these shortcomings was the lack of awareness among operating unit staff members of USAID's procedures for preparing and maintaining PMPs. Without plans, or up-to-date plans, the operating units did not have assurance that they were maintaining the controls that were essential for the operation of a credible and useful performance-based management system. The following paragraphs describe this opportunity for improvement in detail.

USAID's Automated Directives System (ADS), which documents the Agency's policies and procedures, states in Section 203.5.5(b) that PMPs shall be prepared by each operating unit. Further, ADS 203.5.5(b) explicitly describes the purpose and content of these PMPs as follows:

Information included in a performance monitoring plan shall enable comparable performance data to be collected over time, even in the event of staff turnover, and shall clearly articulate expectations in terms of schedule and responsibility. Specifically, performance monitoring plans shall provide a detailed definition of the performance indicators that will be tracked; specify the source, method of collection and schedule of collection for all required data; and assign responsibility for collection to a specific office, team or individual.

OIG testing determined that the selected operating units had not prepared or updated PMPs to meet the criteria in the applicable ADS. The following table and examples illustrate how PMPs for several indicators tested were deficient.

| Selected Operating Units And Number of Indicators Tested [X] | Performance Monitoring Controls | | | | |
|--|-----------------------------------|-------------------------------|---|---|----------------------------|
| | Indicator Precisely Defined | Data Sources Identified | Data Collection Method Described | Data Collection Frequency & Schedule | Responsibility Assigned |
| USAID/Ghana [10] | 60% | 80% | 80% | 80% | 100% |
| USAID/Brazil [8] | 63 | 75 | 38 | 100 | 100 |
| USAID/Economic Growth and Agricultural Development [6] | 0 | 17 | 0 | 17 | 17 |
| USAID/Malawi [7] | 57 | 100 | 57 | 0 | 71 |
| USAID/Romania [5] | 40 | 40 | 40 | 100 | 100 |
| USAID/Nepal [8] | 0 | 0 | 13 | 0 | 50 |
| USAID/Egypt [11] | 36 | 18 | 18 | 27 | 64 |
| Total average compliance with performance monitoring controls. ³ | 37% | 47% | 35% | 46% | 72% |

A recurrent problem was the lack of detailed definitions for each indicator in the operating units' PMP. For example, one of the indicators tested, "value of selected nontraditional exports," did not define which commodities should be included in the valuation. Specific commodities should have been identified in the PMP to

³ These percentages were calculated by summing the percentage compliance of each individual operating unit and dividing by the number of operating units reviewed.

ensure that data was comparable from year to year and that changes from baseline data were a true measure of performance.

Another common problem with the operating units' PMPs dealt with properly identifying the data source, method, and frequency of collection. For example, one operating unit's PMP for tracking "incidents of pneumonia" stated that data were from demographic health surveys collected annually by the local Ministry of Health and compiled every five years. However, OIG testing revealed that the data reported was from a private contractor and that the data were actually collected quarterly. This type of discrepancy highlights how staff turnover and the use of an obsolete PMP could impact the operating unit's performance monitoring and use of consistent, comparable data.

The principal causes for the weaknesses identified in the underlying audits were:

- 1) a general lack of awareness by operating unit staff members of USAID's latest standardized procedures regarding PMPs;
- 2) program staff generally inexperienced in the requirements for project design, implementation, and management and performance monitoring;
- 3) the lack of operating unit-specific procedures for ensuring that PMPs were prepared and maintained in accordance with USAID guidance;
- 4) staff turnover; and
- 5) changing plans and priorities.

Although all operating units gave reasons why their PMPs were incomplete, all concurred that their performance monitoring systems suffered by not following USAID guidance. Properly prepared PMPs contribute to the effectiveness of the performance monitoring system by helping ensure that comparable data will be collected on a regular and timely basis. They also provide operating units with reasonable assurance that they are maintaining the controls essential to the operation of a credible and useful performance-based management system. The OIG audits indicated that, without such plans, results reporting was disrupted and compromised by staff turnover, data was not accurate and

comparable from one period to the next, and the operating units' accomplishments were not accurately reported.

The OIG made specific recommendations to each of the seven operating units audited relating to its performance plans. For example, the OIG recommended that operating units take such actions as updating their current PMPs to precisely define indicators, identifying all data sources, describing data collection methods, and specifying data collection frequency and schedules. Operating Unit managers agreed to take action on all these recommendations and USAID management is tracking their progress.

Although the selected operating units will benefit from the individualized recommendations, the OIG believes that the lessons learned from these audits should be shared agency-wide through better training focused on performance monitoring and reporting. Therefore, the OIG makes the following recommendation.

Recommendation No. 1: We recommend that the Deputy Assistant Administrator of the Bureau for Policy and Program Coordination develop a plan to train appropriate operating unit personnel regarding the proper preparation, use, and maintenance of Performance Monitoring Plans.

Data Quality of Performance Indicators Was Not Assessed

Contrary to USAID guidance, six of the seven operating units audited had not performed required Data Quality Assessments (DQAs) for all of the performance indicators selected for audit. USAID guidance requires operating units to perform DQAs when performance indicators are established and at least every three years thereafter. These conditions resulted because operating unit personnel were unaware of USAID's requirements for DQAs and the requirements were not specific enough to guide users. Without performing required DQAs, operating units did not have assurance that data quality met validity, timeliness, and reliability standards for results-oriented management, and poor quality data could adversely affect management decisions relating to the use of scarce program funds. The following paragraphs describe this opportunity for improvement in detail.

USAID's governing policy in effect during the period covered by the underlying audits, states that "Data quality will be assessed as part of the process of establishing performance indicators and choosing data collection sources and methods. Data quality will be reassessed as is necessary, but at intervals of no greater than three years."⁴ The USAID Center for Development Information and Evaluation (CDIE) also issued guidance for assessing data quality.⁵ That guidance states that it is important to critically assess performance measurement systems and data sources from time to time to make sure that indicators are measuring the results and that data is being collected as originally intended. Further it states that assessments should be "systematic, documented and cover all performance indicators."

Only one of the seven operating units had performed DQAs for all indicators selected for audit. As illustrated in the table below, DQAs were performed for less than half of the performance indicators tested by the OIG.

| Selected Operating Units And Number of Indicators Tested [X] | Data Quality Assessments Performed |
|---|---|
| USAID/Ghana [10] | 30% |
| USAID/Brazil [8] | 25 |
| USAID/Economic Growth and Agricultural Development [6] | 50 |
| USAID/Malawi [7] | 100 |
| USAID/Romania [5] | 20 |
| USAID/Nepal [8] | 25 |
| USAID/Egypt [11] | 91 |
| Total average compliance with performance monitoring control. ⁶ | 49% |

The operating units that did not follow the policy and guidance in effect during the period covered by the audits were non-compliant because their staff members were not familiar with the DQA requirements and because the ADS did not present those

⁴ ADS E203.5.5e.

⁵ CDIE TIPS Number 12, *Guidelines for Indicator and Data Quality*.

⁶ These percentages were calculated by summing the percentage compliance of each individual operating unit and dividing by the seven total operating units.

requirements clearly. The requirement did not appear in ADS 201, which dealt with planning, even though DQAs are an integral part of the planning process. Instead, the requirements appeared in ADS 203, which dealt with monitoring and evaluating performance. However, ADS 203 did not provide sufficient detail to guide missions in performing DQAs. It only stated that reasonable standards of statistical reliability and validity should be applied whenever possible. What constituted reasonable standards was not explained any further.

Results-oriented management decisions require valid, current, and reliable information. Without DQAs, the selected operating units did not have reasonable assurance that data used to make management decisions met these standards. As a result, the OIG made specific recommendations in six of the seven underlying audits relating to the proper completion of DQAs. For example the OIG recommended that an operating unit complete DQAs on performance indicators or fully disclose in its R4 report (1) why indicators were not assessed, (2) the resulting limitations in the confidence in data quality, and (3) a time frame for performing DQAs. However, the individual audits did not address weaknesses in ADS guidance.

In recognition of the problems noted during the audit, PPC revised the ADS to provide additional guidance on performing DQAs. ADS 203.3.6.6, "Assessing the Quality of Performance Data," which took effect in August 2000, was revised to state that assessments are intended to ensure that performance information is sufficiently complete, accurate, and consistent and meets specific indicator quality requirements. However, the most important addition to the ADS was the following statement.

When conducting data quality assessments, operating units must...Document the assessment in the 'Comment' section of the appropriate R4 performance data table.

Statements related to DQAs were also added to ADS section 201.3.4.13(a), which was revised to state that PMPs should "Describe the quality assessment procedures that will be used to verify and validate the measured values of actual performance."

Although USAID proactively took steps to address noted problems at the Agency level, the OIG believes that the ADS, as currently written, can be misinterpreted as applying only to indicators

selected for inclusion in an operating unit's R4 report. The OIG believes that the ADS should be revised to state clearly that assessment of indicators, and their reassessment within three years, should apply to all indicators included in PMPs and not just to indicators reported in R4 reports. Therefore, the OIG makes the following recommendation.

Recommendation No. 2: We recommend that the Deputy Assistant Administrator of the Bureau for Policy and Program Coordination revise the Automated Directives System to clearly state that operating units are required to conduct Data Quality Assessments, and reassessments within three years, on all performance indicators included in Performance Monitoring Plans and not just on those indicators included in Results Review and Resource Request reports.

Operating Units Need to Disclose Data Quality Limitations in Their R4 Reports

Contrary to USAID guidance, six of the seven operating units selected for audit did not disclose known data quality limitations in their R4 reports. This occurred because of the lack of specific USAID guidance for performing DQAs, as well as the fact that DQAs for many indicators were not performed at all. As a result, USAID management, Congress, and other stakeholders did not have sufficient information to determine how much reliance could be placed on the data. The following paragraphs describe this opportunity for improvement in detail.

Each year USAID issues guidance for the preparation of R4 reports. The guidance cables in effect for the period covered by the audit effort were dated December 21, 1998 and December 3, 1999. Both cables strongly encouraged use of the comment section of the R4 report to discuss:

...the degree to which achievement of a target is attributable to USAID.... Further inclusions to the comment section are: Whether and how the operating unit assessed the reliability of performance data provided by others (e.g. contractors, host gov.), plans to verify and validate performance data, and *significant data limitations* and their implications for measuring

performance results against anticipated performance targets. [*Italics added for emphasis.*)]

The U.S. General Accounting Office, in its Evaluator's Guide to the Government Performance and Results Act, published in April 1998, defines *significant data limitations* as errors that would lead to the inaccurate assessment of goal achievement. Further, this report stated that potentially significant data limitations include inconsistent data collection, data not clearly defined, and inaccuracies due to imprecise measurement and recording.

The OIG was unable to determine whether six of the selected operating units had properly disclosed all data limitations because those operating units had not performed DQAs for all of the indicators reviewed.⁷ If the operating units had conducted DQAs for all indicators, the number of known data limitations and the need for their disclosure may have increased. Following are examples, from some of the individual operating unit audit reports, of known data limitations that were not disclosed in the R4 reports.

One operating unit reported data for the indicator "Increases in Per-Capita Food Production at Global/Regional Level." Although operating unit officials were aware that this data did not represent results attributable only to the operating unit's programs, but included results that might also be attributable to other donor programs or environmental factors, this significant data limitation was not disclosed.

Another operating unit's strategic objective team leader had concerns about data supplied by a contractor for the measurement of the distribution of Vitamin A. The team leader decided to report a more conservative estimate in the R4 report. Data quality limitations applicable to the estimate were not reported in the R4 comment section.

In another instance, OIG testing determined that strategic objective team members, to limit double counting, adjusted their operating unit's reporting of the number of "girls receiving quality basic education through USAID intervention." An adjustment was considered necessary because contractors had not been required to identify beneficiaries that participated in more than one of three educational areas. However, data quality limitations applicable to

⁷ See Appendix IV.

the operating unit's estimate of beneficiaries were not disclosed in the R4 report.

A major cause of operating units' failure to adequately report significant data quality limitations was the fact that ADS guidance provided insufficient detail to guide missions in performing DQAs and disclosing data limitations in PMPs and R4 reports. As stated in the previous section of this audit report, the ADS guidance dealing with DQAs only stated that reasonable standards of statistical reliability and validity should be applied whenever possible. Without further explanation or examples, the ADS did not provide sufficient guidance for operating units to conduct adequate DQAs and properly disclose any data limitations discovered as a result of those DQAs. In addition, in many cases the operating units audited had not performed DQAs for all indicators, or had not performed them adequately enough to determine the significance of discovered limitations.

DQAs are needed to identify and facilitate disclosure of data limitations and to ensure that users are aware of how much reliance can be placed on the results reported in R4 and other reports. It is also important to note that the performance data used in the R4 reports is the foundation for USAID's Congressional Budget Justification and the Agency Performance Report. Therefore, without proper disclosure of known limitations, not only USAID management, but also Congress and other interested users and stakeholders do not have sufficient information needed to effectively assess the reported performance and to determine how much reliance to place on the data.

The OIG made specific recommendations in six of the seven underlying audits relating to the proper disclosure of known data limitations. For example, the OIG recommended that an operating unit revise its procedures to ensure that data reported in its R4 report are "supported by adequate documentation, have comparable baselines, and disclose any data limitations in accordance with USAID and federal guidance." However, the individual reports did not make recommendations to correct weaknesses in ADS guidance.

Operating unit managers agreed to take action on all these recommendations and USAID management is tracking their progress. Although the selected operating units will directly benefit from these audits, the OIG believes that the lessons learned from these audits can benefit the Agency as a whole. Therefore,

since the OIG noted that the cause of the weaknesses of the selected operating units' R4 reports relating to the disclosure of known data limitations could be addressed by clearer agency guidance, the OIG is making the following recommendation.

Recommendation No. 3: We recommend that the Deputy Assistant Administrator of the Bureau for Policy and Program Coordination revise the Automated Directives System to better assist operating units in the proper identification and disclosure of data quality limitations.

Management Comments and Our Evaluation

In response to our draft report, management of USAID's Bureau for Policy and Program Coordination (PPC) indicated that it generally agreed with the findings and recommendations of the report, with the exception of Recommendation No. 2.

In our draft report we noted that, during the course of the seven audits—often before final audit reports and recommendations were issued—PPC took actions to address some of the common problems identified in the audits on an Agency-wide basis.

For example, with regard to the issues addressed in Recommendation No. 1 concerning the need for training appropriate personnel regarding the proper preparation, use, and maintenance of performance monitoring plans (PMPs), PPC had already taken the following actions:

- Developed a new worldwide Performance Management Training program for fiscal year 2001 with workshops that include practical, interactive case studies to help trainees learn how to develop a comprehensive PMP; and
- Issued revised guidance⁸ that reiterated the minimum elements of a PMP, added requirements that a "written PMP document must be in place for each Strategic Objective within one year of strategy approval," and assigned responsibility for the PMP by stating that "the PMP must be reviewed and approved by the Head of the Operating Unit."

⁸ ADS 201.3.4.13, (effective 8/00).

With regard to the issues addressed in Recommendation No. 3, concerning the need for revised guidance to assist operating units in identifying and disclosing data limitations, PPC had already revised the ADS to include the following requirements:

- PMPs must "Describe the known data limitations, discuss the significance of the limitations for judging the extent to which goals have been achieved, and describe completed or planned actions to address these limitations."
- Data reported in the R4 reports must meet certain quality standards including reasonable standards of validity, reliability, timeliness, precision, and integrity. Whenever these quality standards cannot be met, known weaknesses must be identified in the comment section of the data table used for reporting. In addition, specific steps for correcting or overcoming these weaknesses must be discussed as well.

Based on these actions, as well as PPC's comments (included verbatim in this report as Appendix II), we consider Recommendation Nos. 1 and 3 to have received a management decision and final action upon issuance of this report.

With regard to Recommendation No. 2, which dealt with the need to perform data quality assessments (DQAs), PPC disagreed with the OIG's conclusion that DQAs should be required for all performance indicators included in PMPs. According to PPC, this requirement would have the effect of *reducing* the amount of information collected by USAID missions—resulting in less data used for decision making.⁹ PPC management felt strongly that new ADS guidance,⁹ issued in September 2000, was sufficient to meet both USAID's needs, as well as the needs of oversight agencies, to have reliable data on Agency accomplishments. Based on the issuance of this new guidance, PPC management believed that it had taken final action on this recommendation.

While we understand that there may be situations in which operating units might want to test the efficiency and effectiveness of performance indicators without being locked into making sometimes costly and time-consuming

⁹ ADS 203.3.6.5.

DQAs, we believe that indicators included in PMPs are, by their very selection, significant and relevant to program management. Consequently, we continue to recommend that DQAs be required for all performance indicators included in PMPs, regardless of whether or not they are selected for inclusion in an R4 report. Therefore, we do not consider Recommendation No. 2 to have received a management decision and request PPC management to provide any additional information related to actions planned or taken to implement that recommendation within 30 days.

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**Scope and
Methodology****Scope**

These audits of the selected operating unit's controls over performance monitoring were conducted in accordance with generally accepted government auditing standards. The audits assessed the selected operating unit's internal controls governing the quality of data reported in their fiscal year 2001 or 2002 Results Review and Resource Request (R4) reports. Specifically, the audits addressed whether: (1) baselines were established, (2) adequate performance monitoring plans were completed, (3) data quality assessments were performed, and (4) data reported in the subject R4 report complied with reporting requirements.

These audits did not review the selected operating units' entire R4 reports for fiscal year 2001 (prepared in calendar year 1999) or 2002 (prepared in calendar year 2000). Instead, the audits examined representative samples of judgmentally selected indicators reported in the respective reports. Each OIG audit team justified the selection of indicators tested by choosing indicators from most (if not all) of each operating unit's strategic objectives (SO). Audit teams also considered such factors as the amount of funding associated with the SOs, future plans and operating unit management input.

The auditors reviewed performance monitoring documentation including performance monitoring plans (when available); strategic planning documentation; and R4 reports for fiscal years 1999, 2001 and 2002 (when available). The auditors also reviewed documentation to support the 1998 or 1999 baselines (when available) and data quality assessments (if performed). In addition, the auditors interviewed program officials and support contractors. The audit did not assess the performance indicators themselves, and only limited tests were performed of the data itself.

The fieldwork for the underlying audits was conducted in:

- Accra, Ghana, from January 31, 2000, through February 25, 2000;
- Brasilia, Brazil, from March 21, 2000, through May 18, 2000;

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- Washington, D.C., from April 14, 2000, through August 9, 2000;
 - Lilongwe, Malawi, from March 28, 2000, through June 1, 2000;
 - Bucharest, Romania from September 13, 2000, through September 28, 2000;
 - Katmandu, Nepal, from October 16, 2000, through November 2, 2000; and
 - Cairo, Egypt, from August 29, 2000, through December 6, 2000.

Methodology

Officials from the Bureau for Policy and Program Coordination (PPC) requested that we perform this audit work to determine whether the quality of data reported in R4 reports had improved. Officials from PPC provided assistance to the OIG during the above audits in accordance with a joint Memorandum of Understanding (MOU) which outlined specific responsibilities and conditions of both PPC and OIG. According to the MOU, PPC staff members were to assist in the audits as “specialists,” knowledgeable in the area of performance indicators in general and Agency guidance in particular. Accordingly, all conclusions and reports that ensue from these audits are the sole responsibility of the OIG.

The audits began with a series of meetings with operating unit officials to discuss each indicator reported in the respective R4 reports. Based on those meetings, a judgmental sample of indicators was selected for review at each audit site. Using ADS E203.5.5 and other guidance,¹⁰ the basic controls tested were whether the operating units:

¹⁰ Other relevant guidance included USAID Bureau for Policy and Program Coordination, "FY 2001 Results Review and Resource Request Guidance," December 21, 1998 and "FY 2002 Results Review and Resource Request Guidance," December 3, 1999; U.S. General Accounting Office Report No. GAO/GGD-10.1.20, "The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans," April 1998; and USAID Center for Development Information and Evaluation TIPS No. 7, "Preparing a Performance Monitoring Plan," 1996.

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- Prepared performance monitoring plans that (1) contained a detailed definition of the indicator that set forth precisely all technical elements of the indicator, (2) identified all data sources, (3) described the data collection method in sufficient detail to enable it to be applied consistently in subsequent years, (4) specified frequency and schedule of data collection, and (5) assigned responsibility for collecting data;
 - Established indicator baseline data either in the strategic plan or a subsequent Results Review and Resource Request report;
 - Completed an assessment of data quality for all indicators when initially included in a performance monitoring plan, or at an interval no greater than three years after being included in a performance monitoring plan;
 - Reported data that was adequately supported by source documents;
 - Reported baseline data in the R4 report that were comparable to the data reported for the indicator; and
 - Disclosed known data limitations (if any) in the comments section of the R4 report.

The underlying premise for these audits was that performance monitoring provides reasonable assurance that data reported by the Agency meets USAID's quality standards.

In forming an overall opinion on whether the selected operating units monitored performance in accordance with Agency guidance, the OIG reviewed a summary of the selected operating unit's performance monitoring controls in four areas: (1) establishing baselines, (2) preparing performance monitoring plans, (3) assessing data quality, and (4) reporting results in the R4 report. Although we numerically summarized the results of these reviews (see Appendix IV), the combination of all the assessed controls could not adequately be reduced collectively to one overall numerical scoring system or threshold in forming our opinion. Consequently, we relied on our professional judgement, rather than a pre-defined materiality threshold, to determine whether or not common findings warranted Agency-wide audit recommendations.

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Management
Comments



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

September 21, 2001

MEMORANDUM

FROM: DAA/PPC, Kenneth G. Schofield /s/
TO: IG/A/PA, Dianne L. Rawl
SUBJECT: Draft Audit Report for the "Audit of
Performance Monitoring for Indicators
Appearing in Selected USAID Operating Units'
Results Review and Resource Request Reports"

Thank you for the opportunity to comment on this report. PPC agrees with the findings of the report. With regard to the three recommendations of the report, PPC has the following comments:

Recommendation No. 1:

We recommend that the Deputy Assistant Administrator of the Bureau for Policy and Program Coordination develop a plan to train appropriate operating unit personnel regarding the proper preparation, use, and maintenance of Performance Monitoring Plans.

The OIG considers that management has taken final action on this recommendation. The recently completed audit effort was unique in that it was requested by PPC management and PPC staff members actively participated in planning the worldwide effort and in fieldwork at most locations. During the course of the audits, oftentimes before final OIG audit reports and recommendations were issued, PPC took action to address the problems noted by revising guidance or training.

PPC agrees with the OIG conclusion.

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WASHINGTON, D.C. 20523

Recommendation No. 2:

We recommend that the Deputy Assistant Administrator of the Bureau for Policy and Program Coordination revise the Automative Directives Systems to require operating units to perform Data Quality Assessments and reassessments within three years on all performance indicators included in Performance Monitoring Plans, regardless of whether the indicator is selected for inclusion in the operating unit's Results Review and Resource Request reports.

PPC disagrees with the OIG conclusion because of its sweeping nature. Current guidance, which recommends the expansion of Results frameworks and performance monitoring plans to be more effective management tools would be thwarted by a requirement that ALL performance indicators have a formal Data Quality Assessment. Certainly, we agree, as stated in ADS 203.3.6.5, that: "Whenever operating units are collecting and using data for internal management reasons, prudence dictates that managers be fully aware of the strengths and weaknesses of the data they use." Nonetheless, we feel that requiring that all indicators in a performance monitoring plan have a *formal* data quality assessment will have the effect of *reducing* the amount of information that missions collect, and, paradoxically, diminish the amount of data available for decision making.

PPC, therefore, feels strongly that current guidance in ADS 203.3.6.5 is sufficient to meet both USAID's needs, as well as the needs of oversight agencies to have reliable data on Agency accomplishments. We note that this guidance was also issued in September, 2000, is a part of the training programs recognized by recommendations one and three as being appropriate responses to issues in performance management, and had not yet been fully implemented at the time of the audits covered in this report.

We therefore feel that, with the issuance of ADS 203, specifically 203.3.6.5, management has taken final action on this recommendation.

We also agree with the OIG that data quality limitations should be disclosed when these indicators are reported to Washington or oversight agencies. This issue is also addressed in the most recent version of ADS 203, as well as in the annual reporting cable.

Recommendation No. 3:

We recommend that the Deputy Assistant Administrator of the Bureau for Policy and Program Coordination revise the specific ADS sections that address data quality limitations to assist operating units in the proper identification and disclosure of this important information.

The OIG considers that management has taken final action on this recommendation. As discussed previously, during the worldwide audit effort PPC acted proactively to revise the ADS as problems surfaced. To address the weakness noted above, the ADS was revised to include the following requirements.

PPC agrees with the recommendation that management has taken final action on this recommendation.

Again, we appreciate the work that has been done on the issues of performance management, as well as the opportunity that we had to work together with the OIG and RIGs to perform the audits.

**Selected
Operating
Units
Audited**

Report No. 7-641-00-007-P, "Audit of USAID/Ghana's Performance Monitoring for Indicators Appearing in the FY 2001 Results Review and Resource Request," June 30, 2000

Report No. 1-512-00-005-P, "Audit of USAID/Brazil's Performance Monitoring for Indicators," July 17, 2000

Report No. 9-000-00-003-P, "Audit of Global Bureau's Center for Economic Growth and Agricultural Development's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report," September 26, 2000

Report Number 4-612-01-001-P, "Audit of USAID/Malawi's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report," October 19, 2000

Report No. B-186-01-003-P, "Audit of USAID/Romania's Performance Monitoring for Indicators," February 26, 2001

Report No. 5-367-01-002-P, "Audit of USAID/Nepal's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report," March 9, 2001

Report No. 6-263-01-003-P, "Audit of USAID/Egypt's Performance Monitoring for Indicators Appearing in the FY 2002 Results Review and Resources Request Report," March 20, 2001

SUMMARY SCHEDULE
Percentage of Indicators in Compliance
with Listed Performance Monitoring Controls

| Selected Operating Units And Number of Indicators Tested [X] | In the Performance Monitoring Plan... | | | | | 6. Data Quality Assessment Done | 7. Baseline Established | In the R4 Report... | | |
|--|---|-------------------------------------|---|---|----------------------------------|---|-------------------------------|-----------------------------------|------------------------------|---|
| | 1. Indicator Precisely Defined | 2. Data Sources Identified | 3. Data Collection Method Described | 4. Data Collection Frequency & Schedule | 5. Responsibility Assigned | | | 8. Data Agrees to Source | 9. Comparable Baseline | 10. Data Limitations Disclosed ¹¹ |
| USAID/Ghana [10] | 60% | 80% | 80% | 80% | 100% | 30% | 100% | 80% | 90% | n/a |
| USAID/Brazil [8] | 63 | 75 | 38 | 100 | 100 | 25 | 88 | 38 | 63 | n/a |
| USAID/Economic Growth and Agricultural Development [6] | 0 | 17 | 0 | 17 | 17 | 50 | 100 | 50 | 100 | n/a |
| USAID/Malawi [7] | 57 | 100 | 57 | 0 | 71 | 100 | 100 | 100 | 100 | 100 |
| USAID/Romania [5] | 40 | 40 | 40 | 100 | 100 | 20 | 100 | 80 | 100 | n/a |
| USAID/Nepal [8] | 0 | 0 | 13 | 0 | 50 | 25 | 100 | 75 | 88 | n/a |
| USAID/Egypt [11] | 36 | 18 | 18 | 27 | 64 | 91 | 100 | 100 | 100 | n/a |
| Total average compliance with performance monitoring steps. ¹² | 37% | 47% | 35% | 46% | 72% | 49% | 98% | 75% | 92% | n/a |

Based on the audit results for the selected operating units, the following table summarizes the performance monitoring controls for the reviewed indicators appearing in the operating unit's respective fiscal year 2001 or 2002 R4 reports.

¹¹ Because six of the seven operating units had not performed DQAs for all indicators reviewed, the OIG was unable to determine whether *all* data limitations were properly identified and disclosed for those six units.

¹² These percentages were calculated by summing the percentage compliance of each individual operating unit and dividing by the number of operating units reviewed.

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