

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

**Audit Report No. 1-519-98-003-P  
September 10, 1998**

September 10, 1998

## MEMORANDUM

**FOR:** USAID/El Salvador Director, Kenneth C. Ellis

**FROM:** RIG/A/San Salvador, Timothy E. Cox

**SUBJECT:** Audit of the Quality of Results Reported in USAID/El Salvador's Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 1-519-98-003-P)

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

This report contains one recommendation for your action. Based on information provided by the Mission, a management decision has been reached on this recommendation. A determination of final action for this recommendation will be made by the Office of Management Planning and Innovation (M/MPI/MIC) when planned corrective actions are completed.

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

---

### Background

Passage of the Government Performance and Results Act of 1993 (Results Act) was intended, among other things, 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, that 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:<sup>1</sup>

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

In light of the problems reported, the OIG was concerned that these conditions may be pervasive throughout USAID. This USAID-wide audit of selected operating units was therefore carried out 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 performance indicators, but rather to determine if the performance results reported in the Results Review and Resource Requests (R4s) by operating units were objectively verifiable, supported, accurate, complete, and validated. This audit of USAID/El Salvador is one of 18 audits being done on a USAID-wide basis.

USAID/El Salvador's R4 prepared in 1997 was approved by USAID/Washington in May 1997, and included 34 indicators for which performance results (or baseline data) were reported for fiscal year 1996. Of the 34 performance indicators for which a result was reported for 1996, 25 performance indicators were randomly selected for audit. As of September 30, 1997, USAID/El Salvador had obligated and expended in support of its active programs a total of \$656 million and \$596 million, respectively.

---

## **Audit Objective**

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

---

<sup>1</sup> 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).

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

USAID/El Salvador did not report results data in its R4 prepared in 1997 which were objectively verifiable, supported, accurate, complete, and/or validated. In order to fully meet these standards, improvements were needed in 14 of the 25 results reported in the R4 that were part of our random sample of performance indicators.

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 a further discussion of relevant laws and regulations, as well as related USAID policies and procedures.)

For the purpose of this audit, the following definitions are used:

- *Objectively Verifiable*—Indicators are to be objective and the results are to be objectively verifiable. This means an indicator has no ambiguity about what is being measured; that is, there is general agreement over interpretation of the results. Indicators are also to be both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time, and operational precision means no ambiguity over what kind of data would be collected for an indicator.
- *Supported*—This means that adequate documentation supports the reported result. The support should be relevant, competent, and sufficient (as noted in the GAO'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 the number of children vaccinated 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). A result would also not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996. Since we only reviewed results in the performance data tables for 1996, a result would not be considered accurate if supporting documents showed the result was achieved in 1992.
- *Complete*—This means that the result (1) included all data which was anticipated to be measured for the indicator and (2) was 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. For the purposes of this audit, 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 recipient involved with the program, or from 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. (Note: Under the 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. USAID's validation process for external information will be assessed at a later time in another audit.)

As shown in Appendix III, our audit identified problems with 14 of the 25 performance results reported in the R4 for 1996 (which was prepared in 1997). A breakdown and examples of these problems are as follows:<sup>2</sup>

- Results for four indicators were not objectively verifiable. For example, one economic growth performance indicator was *Modernization of the State Index*. This index is composed of eight reforms in the Government of El Salvador's modernization plan combined into a single weighted index. The unit of measure is the percentage of reforms

---

<sup>2</sup> 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.

achieved. For 1996, the Mission reported that 10 percent of the reforms had been achieved. Rather than assigning predetermined weights to the eight reforms and arriving at a reportable result, the Mission determined the result of 10 percent and then weighted the eight reforms to arrive at that result. Using this methodology makes the indicator not objectively verifiable because it is subjective and open to interpretation of results.

One environment performance indicator was *Salvadorans with increased knowledge of environmentally sound technologies and practices*. The 1996 reported result was 300 men and 300 women. However, the Mission did not retain documentation on how the result was computed including its methodology. For example, the Mission did not have an acceptable definition of "increased knowledge." As such, the performance indicator was ambiguous as well as not operationally precise.

- Results for six indicators were not supported. For example, one performance indicator was *NRP [National Reconstruction Program] population served by MEA [Municipalities in Action] infrastructure projects*. The 1996 reported result was 79 percent. However, the Mission did not retain supporting documentation.

One economic growth performance indicator was *number of male and female direct beneficiaries receiving services (i.e., management, agricultural technical assistance, bulk input supply, processing, or produce marketing)*. The 1996 reported result was 31,425 males and 4,925 females. The supporting documentation for two of the seven data sources was based on estimates. In addition, although the results were reported by gender, only three of the seven data sources reported beneficiaries by gender.

For another example, a health performance indicator was *percent of cantones served by MOH [Ministry of Health] and/or NGO [non-governmental organization] health promoters*. The 1996 reported result was 84 percent, but was not supported because the Mission did not retain documentation on how the results or the methodology were derived.

- Results for three indicators were not accurate. For example, one performance indicator was *ex-combatants receiving vocational or academic training*. The 1996 reported result was 58; however, the actual result was 123 ex-combatants. Due to an oversight, the Mission understated results by only reporting data for the period of April 1996 to September 1996 rather than for the entire fiscal year.
- Results for seven indicators were not validated. For example, two interrelated economic growth performance indicators were rural *active clients* and *depositors* of participating credit unions. The 1996 reported results were 28,642 clients and 8,910 depositors based on information from two organizations. Also, in neither case did the Mission adequately validate the data sources. For one organization, although there was a validation related to the overall membership, this validation did not assess the methodology for determining the number of these members who were active rural clients. For the other organization,

there was an independent validation of the overall membership and the percentage of depositors a few months after the end of fiscal year 1996, but the Mission did not use these validated results for the R4 reporting of depositors. In addition, the validation did not evaluate the reported number of active clients. For the four indicators that were not objectively verifiable, we did not attempt to determine whether results were validated.

In some cases, a result had a problem because of more than one reason. However, to avoid duplication, we classified a result as having only one problem (except for validation). For example, one economic growth performance indicator was *percent of school children completing 6th grade in six years*. The 1996 reported results were 38 percent rural and 50 percent national with further breakouts by gender. However, the reported results were not complete because the calculation did not consider students who never made it to 6th grade. In addition, it was not accurate because the indicator was based on results achieved prior to 1996—specifically 1995. The results were also not supported because they were based on a fax from the Ministry of Education which did not provide sufficient support. For the purposes of this report, we classified this result as "not supported."

The above problems existed because USAID/El Salvador 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/El Salvador:

- Did not ensure four indicators were objective as prescribed by ADS E203.5.5.
- Did not always (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods; (2) critically assess the performance data at regular intervals to ensure the data are of reasonable quality and accurately reflect performance; and (3) reassess data quality as is necessary but at intervals of no greater than three years as prescribed by ADS E203.5.5.
- Did not, in six cases, maintain documentation to support reported results as prescribed by ADS E203.5.5.<sup>3</sup>

USAID/El Salvador officials cited several additional explanations for the problems. The officials acknowledged that more attention should be given to ensure that supporting documentation is obtained and maintained. In some cases, this documentation was not retained due to staff rotation and a consequent lack of clear responsibility. In other cases, staff said that when they lacked adequate supporting data, they relied on official estimates instead. In addition, the officials noted

---

<sup>3</sup> 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.

that they had not performed critical assessments to determine the reliability of performance data because of a lack of familiarity with the ADS requirement.<sup>4</sup>

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 results reporting cited in this report impair USAID/El Salvador's and USAID management's ability to (1) measure progress in achieving program objectives and (2) 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/El Salvador:**

- 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 any 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.**

---

## **Management Comments and Our Evaluation**

USAID/El Salvador was in general agreement with the contents of the draft report. The Mission stated that it is implementing the report recommendations by (1) scheduling a briefing on the audit results for Mission program managers, (2) revising deficient performance indicators that are still in use, (3) reviewing the indicators that were not audited to see if they comply with ADS standards, (4) reviewing current roles and responsibilities within the Mission to see if a more effective program monitoring system can be developed, and (5) hosting training for Mission staff

---

<sup>4</sup> It should also be noted 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 201.5.11a 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 USAID and operating unit performance monitoring and evaluation systems. These policies and procedures also stipulate that each regional bureau (e.g., Bureau for Latin America and the Caribbean) should (1) provide oversight and support to operating units in developing their strategic plans for measuring program performance; (2) support its operating units in achieving approved objectives, and review and report annually those units' performance in achieving their objectives; and (3) manage 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 USAID-wide audit.

to address performance measurement issues. Based on the Mission's response, a management decision has been reached on recommendations 1.1 and 1.2.

---

## SCOPE AND METHODOLOGY

---

### Scope

We audited USAID/El Salvador'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/El Salvador from April 14, 1998 through June 23, 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 of 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 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. Of the 34 performance indicators for which a result was reported for 1996, 25 performance indicators were randomly selected based on assistance from the Department of Defense's Office of Inspector General.

To accomplish the audit objective, we interviewed officials from USAID/El Salvador and its implementing partners. We also 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 Mission personnel, and reviews of additional documentation from the Mission and its implementing partners.

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 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 (c) less than 80 percent of the time, we provided a positive, qualified, or negative answer to the audit question, respectively.

---



AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES OF AMERICA A. I. D. MISSION  
TO EL SALVADOR  
C/O AMERICAN EMBASSY.  
SAN SALVADOR, EL SALVADOR, C. A.

August 21, 1998

MEMORANDUM

TO: Timothy E. Cox, RIG/A/San Salvador

FROM: Kenneth Ellis, Director, USAID/El Salvador *K. Ellis*

SUBJECT: USAID/El Salvador's Response to the RIG Audit of the Results Review and Resource Request (R4) Report Prepared in 1997

USAID/El Salvador found the audit a useful catalyst for keeping the Mission focused on indicators and a worthwhile tool for showing how to develop, monitor, report and evaluate them more critically.

There is no such thing as perfect information. Our task is to provide ourselves and Agency management with information that has a confidence level high enough to allow funding decisions to be made and to measure, with reasonable accuracy, the impact of those decisions. We believe our existing systems do that, but mindful of time and resource constraints, improvements can always be made. Since the FY 1999 R4 (submitted in 1997), the Mission has taken steps to strengthen its performance monitoring systems. Overall responsibility for this effort, and leadership of the Mission's Monitoring and Evaluation Team, is assigned to the Strategic Development Office. This is reflected in the August 1997 update of the mission order on monitoring and evaluation. In addition, the Mission has obtained substantial assistance from USAID/W, contractors, and local partners to refine the indicators tracked. To further strengthen our performance monitoring system, USAID/El Salvador is implementing the RIG's recommendation by:

1. Scheduling a session for Mission program managers, as offered by the RIG, to review audit methodology and findings to improve the indicators and the reporting thereof, and consider options for in the Mission's own internal indicator reviews;
2. Taking immediate corrective actions on deficient indicators still in use;
3. Reviewing the non-audited indicators for compliance with ADS standards;

Memorandum to TCox  
RIG Audit to the R4/1997  
Page 2

4. Examining the existing roles and responsibilities of the Mission Monitoring and Evaluation Team for possible restructuring to yield a more effective program monitoring system within the Mission, and;
5. Hosting the Reaching-4-Results course in November 1998 that will train 13 Mission staff and two partner representatives, as well as others from the LAC region.

**Analysis of USAID/El Salvador's 1996 Indicators and Results  
(as reflected in its R4 prepared in 1997)<sup>5</sup>**

<b>Indicator</b>	<b>Objectively Verifiable?</b>	<b>Supported?</b>	<b>Accurate?</b>	<b>Complete?</b>	<b>Validated?</b>	<b>Explanation of problem, if any, except for not validated</b>
(1) NRP [National Reconstruction Program] population served by MEA [Municipalities in Action] infrastructure projects.	Yes	No			Yes	Reported result had no supporting documentation.
(2) Salvadorans using NRM [Natural Resources Management] technologies and practices in selected areas.	Yes	Yes	No		No	R4 reported 21,700 individuals while only 6,666 were supported by documentation.
(3) Salvadoran households using pollution prevention and abatement technologies and practices.	Yes	Yes	Yes	Yes	No	
(4) Ex-combatants receiving vocational or academic training.	Yes	Yes	No		Yes	R4 reported 58 ex-combatants. Supporting documentation showed 123 ex-combatants.
(5) Land bank clients with land in production.	Yes	Yes	No		Yes	R4 performance table reported 80% while supporting documentation indicated 91.4%.
(6) Active clients.	Yes	No			No	Results based on estimates.
(7) a) Coverage of the selected municipal services and b) satisfaction with municipal services in USAID Target Municipalities (TM) and nationwide.	Yes	Yes	Yes	Yes	Yes	

<sup>5</sup> 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.

**APPENDIX III**

<b>Indicator</b>	<b>Objectively Verifiable?</b>	<b>Supported?</b>	<b>Accurate?</b>	<b>Complete?</b>	<b>Validated?</b>	<b>Explanation of problem, if any, except for not validated</b>
(8) Depositors.	Yes	No			No	Results based on estimates.
(9) % of school children completing 6th grade in six years.	Yes	No			No	Ministry of Education did not have adequate support for the reported figures.
(10) Clients receiving credit.	Yes	Yes	Yes	Yes	Yes	
(11) People trained (by gender) under NRP.	Yes	Yes	Yes	Yes	Yes	
(12) Salvadoran private enterprises and communities using pollution prevention and abatement technologies and practices.	No					The Mission did not have acceptable definitions for the indicator's key terms.
(13) Modernization of the State Index.	No					Indicator is open to interpretation of results.
(14) Beneficiaries with increased income after receiving both training and credit.	Yes	Yes	Yes	Yes	Yes	
(15) Number of male and female direct beneficiaries receiving services (i.e., management, agricultural technical assistance, bulk input supply, processing, or produce marketing).	Yes	No			No	Data from 2 of 7 sources was based on estimates or was not precise. Only 3 of 7 sources reported data by gender.
(16) Percent of "cantones" served by MOH [Ministry of Health] and/or NGO [non-governmental organization] health promoters.	Yes	No			No	Documentation was not retained.
(17) Ex-combatants receiving rehabilitation services.	Yes	Yes	Yes	Yes	Yes	
(18) Ex-combatants receiving credit.	Yes	Yes	Yes	Yes	Yes	
(19) Roads improved which required rehabilitation in the NRP.	Yes	Yes	Yes	Yes	Yes	
(20) Salvadorans with increased knowledge of environmentally sound technologies and practices.	No					The Mission did not have acceptable definition of the indicator's key terms.

**APPENDIX III**

<b>Indicator</b>	<b>Objectively Verifiable?</b>	<b>Supported?</b>	<b>Accurate?</b>	<b>Complete?</b>	<b>Validated?</b>	<b>Explanation of problem, if any, except for not validated</b>
(21) Annual achievement test scores in 3rd grade language.	Yes	Yes	Yes	Yes	Yes	
(22) Citizen participation in civil society organizations (NGOs, professional associations, religious groups, neighborhood groups).	Yes	Yes	Yes	Yes	Yes	
(23) Annual achievement test scores in 3rd grade mathematics.	Yes	Yes	Yes	Yes	Yes	
(24) Ex-combatants and tenedores receiving land.	Yes	Yes	Yes	Yes	Yes	
(25) a) Effective implementation of integrated financial management systems at municipal level and b) frequency of dissemination of information on budget, procurement, and audit processes at national level and in targeted municipalities.	No					Indicator is not unidimensional, is ambiguous as to what data is to be collected, and key terms are not clearly defined.
Number of No Answers	4	6	3	0	7	

## **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**

The 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 it needs 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.

---

---