

**Audit of USAID/Regional Centre for  
Southern Africa's Results Review  
and Resource Request**

**Report No. 4-690-98-004-P  
August 28, 1998**

**REGIONAL INSPECTOR GENERAL/PRETORIA**



# memorandum

*Regional Inspector General  
Pretoria*

**DATE:** August 28, 1998

**TO:** USAID/RCSA/Botswana, Director, Edward Spriggs

**FROM:** RIG/Pretoria, Joseph Farinella *Joseph Farinella*

**SUBJECT:** Audit of the Quality of Results Reported in USAID/Regional Center for Southern Africa (RCSA)'s Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 4-690-98-004-P)

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have made changes as appropriate. Your comments are included in their entirety in Appendix II.

Based on the audit results, this report contains one recommendation. We appreciate the cooperation and courtesy extended by your staff during the audit.

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## 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, 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 the Agency's ability to measure and report reliable program performance information. Examples of these audit reports include:<sup>1</sup>

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

In light of the problems reported, we were concerned these conditions may be pervasive throughout the Agency. Therefore, we decided to perform this Agency-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, but rather to assess the reliability of the performance results reported in the R4s by operating units.

USAID/Regional Center for Southern Africa (RCSA)'s 1996 R4 was completed in March 1997 and includes one indicator for which performance results were reported. As of September 30, 1997, USAID/RCSA had reported cumulative program obligations and expenditures totaling \$307.6 million and \$144.3 million, respectively.

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### **Audit Objective**

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

**Did USAID/RCSA report results data in its Results Review and Resource Request (R4), prepared in 1997, which was objectively verifiable, supported, accurate, complete, and validated?**

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<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).

Appendix I describes the audit's scope and methodology.

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## **Audit Findings**

### **Did USAID/RCSA Report Results Data in its Results Review and Resource Request (R4) Prepared in 1997, Which Was Objectively Verifiable, Supported, Accurate, Complete, and Validated?**

USAID/RCSA's R4 document, prepared in 1997, contained one indicator with reported results for fiscal year 1996. The audit found that the result reported for this indicator was not supported because it was based on estimates and undocumented data. Because the reported result was not supported, it could not be regarded as accurate or complete. For the remaining attributes tested, we found that the result was objectively verifiable and the information sources valid.

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, consistent, and timely information which is prepared on a uniform basis; (3) ensure the 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, 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.)

USAID/RCSA's fiscal year 1996 R4 contains one indicator with a reported result<sup>2</sup>. The indicator addresses agriculture and natural resources productivity with the unit of measure being yield in metric tons of selected crops. The goal is to improve crop yields through the introduction of new plant varieties. Reported result was an increase in yield from sorghum and millet varieties of 15 percent and an increase in yield from cassava and sweet potato varieties of five percent.

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

The reported result was derived from two evaluations. An International Center for Research in the Semi-Arid Tropics (ICRISAT) evaluation on sorghum and millet production in the Southern Africa Development Community (SADC) established a results increase of 15 percent for both sorghum and millet. However, according to the evaluation, this result is a conservative estimate based on a testing range of increases of 10 to 50 percent in crop yields. Because the results are an estimate rather than exact calculations, we do not consider the results supported. Since the results are not supported, we also could not regard the results as accurate or complete.

An evaluation conducted by the Southern Africa Root Crops Research Network (SARRNET) was the basis for the reported five percent increase in both cassava and sweet potato. A review of the evaluation, however, only mentions five percent as an expected output not as a result. Based on this available documentation we do not consider the results reported to be supported. Since the results are not supported, we also could not regard the results as accurate or complete.

Without properly supported performance data, decision makers would not have full assurance whether an operating unit met, exceeded or fell short in achieving their program objectives and related targets. It could also impair USAID/RCSA's and USAID/Washington's ability to measure progress in achieving the Mission's program objectives and to use performance information in budget-allocation decisions.

As to the other attributes, we do consider the evaluations by international organizations to be a valid source of results information. We also consider the indicator, which addresses agriculture productivity by measuring crop yields, to be objectively verifiable.

Our findings and conclusions were discussed with USAID/RCSA officials upon completion of the audit. According to Mission officials, while the support now on file to document results may be limited, additional information was available at the time the results were calculated to provide assurance as to the results accuracy. The 15 percent yield increase was based on individual field tests which when compiled provided the 15 percent result. The five percent was also based on additional data which is no longer available. We accept the Missions comments but will recommend that adequate documentation to support results be maintained in the future.

We recognize the Mission position on our audit findings and conclusions and believe that their comments were positive and will generate a process that could result in improvements to the current planning guidance established by USAID. Based on the existing criteria, we believe that the following recommendation would adequately address the situation we found in USAID/RCSA.

**Recommendation No. 1: We recommend that the USAID/RCSA, ensure that the performance indicators identified in its R4 prepared in 1999 are supported, accurate, and complete; 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 the time frame for resolving the problems.**

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## **Management Comments and Our Evaluation**

USAID/RCSA officials agreed that more work needs to be done to ensure that the performance indicators in the next R4 are supported, accurate, and complete as outlined in the recommendation. They further stated that the R4 prepared in 1997 was only the second R4 prepared for the RCSA and they recognized the need for improvement. The RCSA has since contracted with a firm which will help develop a Performance Monitoring Plan.

Based on the above, a final management decision has been reached on the recommendation. USAID/RCSA should advise M/MPI when final action is complete.

<p><b>SCOPE AND METHODOLOGY</b></p>
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**Scope**

We audited USAID/RCSA's management controls for ensuring that it reports reliable performance results data in its Results Review and Resource Request (R4) report. We audited only the results reported for the fiscal year 1996 in the Mission's R4 prepared in March 1997. The audit was performed in accordance with generally accepted government auditing standards and was conducted at the Mission's offices in Gaborone, Botswana, from June 1 through June 5, 1998.

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

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

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**Methodology**

This audit is part of an Agency-wide review. The Office of Inspector General's Performance Audit 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 reviewed USAID/RCSA's R4 to determine if (a) the indicator is objectively verifiable; (b) results are documented; (c) the data was complete; and (d) the results were adequately supported.

When 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, as deemed necessary. Also, we obtained a written representation from cognizant Mission officials for all essential assertions relating to the audit objective.

In 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.



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Memorandum

Date: August 13, 1998  
To: Joseph Farinella, Regional Inspector General/Pretoria  
From: Edward Springs, Mission Director  
Subject: Audit of USAID/Regional Center for Southern Africa(RCSA)  
Reliability of Data Presented in R4 Reporting Prepared in 1997,  
Report No. 4-690-98-004-P

We reviewed the subject audit report and agree that more work needs to be done to ensure that the performance indicators in the next R4 are supported, accurate and complete, as outlined in recommendation number one. The R4 prepared in 1997, from which the sample indicator and targets were selected for the audit, was only the second R4 for the RCSA and we recognize the need for improvement. The RCSA has since contracted with a firm that is currently helping us develop a Performance Monitoring Plan, which will be completed by October, 1998 and will cover all the SOs. Under the Performance Monitoring Plan all of the indicators are being reviewed to ensure they meet the Agency's requirements and accurately reflect performance. Once the Performance Monitoring Plan is in place the same contractor will continue to work with the SO teams in collecting and analyzing the data for the next R4 to be prepared in 1999.

We have gained considerable experience over the past year and a half in establishing performance indicators, and believe the steps outlined above will provide adequate assurance that the information in the next R4 will meet the Agency's requirements. We appreciate the cooperative approach your staff took during the audit and hope the audit recommendations will result in better R4s.

### **Laws, 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 provides for (1) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial needs of agency management; and (2) the systemic measurement of performance.

Standards for Internal Controls in the Federal Government issued by the U.S. General Accounting Office in 1983 require management 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 policies 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 is 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 management system that provide for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to the Agency and to Congress that relates Agency resources, expenditures, and budget projections to program objectives and results in order to assist in the evaluation of program performance.

**USAID Policies and Procedures**

The most recent USAID system, known as the Automated Directive 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 203.4.51, 203.5.5e, and E203.5.5) operating units to:

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

TIPS No. 6, 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.”

ADS Section E203.5.5 also requires operating units to (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods; (2) collect actual results data for each performance indicator on a regular basis; (3) reassess data quality as is necessary but at intervals of no greater than three years. These policies and procedures also state that if data for a performance indicator is not available or too costly to collect, the indicator may need to be changed.

In addition, ADS Section E203.5.8c states that the Agency will conduct a review of performance on an annual basis which will include analyzing operating unit performance

and "shall focus on the immediate past fiscal year", but may also review performance for prior years.

USAID guidance issued in January 1997 for preparing the R4s stated that the goal of the guidance was to generate R4s which ensure that USAID/Washington management has the information they need to make results-based resource allocations among operating units and report on the Agency's achievements. The guidance also stated that the most effective R4s are those that (1) assess performance over the 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.