



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

September 3, 1998

MEMORANDUM FOR Director, BHR/FFP William T. Oliver

From: IG/A/PA, David Conner

A handwritten signature in black ink, appearing to read "D. Conner", is written over the "From:" line and extends slightly to the right.

Subject: Audit of the Quality of Results Reported in the Bureau for Humanitarian Response's Office of Food for Peace Results Review and Resource Request (R4) Report Prepared in 1997 (Report No. 9-000-98-003-P)

This memorandum is our report on the subject audit. In preparing this report, we considered management's written comments on our draft report and included them as Appendix II.

The audit objective was to answer the question: Did the Bureau for Humanitarian Response's Office of Food for Peace (FFP) report results data in its R4 prepared in 1997, which were objectively verifiable, supported, accurate, complete and validated? The R4 reported 1996 results for four indicators in the R4. The audit did not find any cases where the reported results were not objectively verifiable or validated. However, all four reported results were not supported, accurate, and/or complete. The report contains one recommendation for action by your office.

In responding to the draft report, FFP management said that it had already begun to implement corrective actions; both as a result of the audit's preliminary findings and its own appraisal of the reporting process for the fiscal year 1997 R2. Therefore, FFP management questioned whether the issuance of a recommendation was still germane. While we recognize that corrective actions have begun, we believe it is still relevant to have a recommendation to ensure that the performance data identified in FFP's R4 prepared in 1999 are supported, accurate and complete.

Based on management's response, a management decision has been made. Management Bureau's Office of Management Planning and Innovation will be responsible for deciding when final management action related to the recommendation has occurred.

I appreciate the cooperation and assistance that you and your staff provided to the auditors during the audit.

---

## Background

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

Since USAID was established in 1961, it has initiated numerous systems to report on program results. However, none of these systems have been fully successful. Over the past several years, the Office of Inspector General (OIG) has intermittently reported on weaknesses in USAID's ability to measure and report reliable program performance information. Examples of these audit reports include: <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 USAID's fiscal year 1996 financial statements identified that 29 of 38 (76 percent) quantified results reported in the program performance section of the overview section were either incorrect, vague, or unsupported.
- Another audit report issued in March 1998 identified that 10 of 11 overseas missions reviewed either had not developed or finalized a formalized, ongoing system of data collection and verification to report good performance data.

In light of the problems reported, and our continuing concern that these conditions may be prevalent throughout USAID, the OIG decided to perform a USAID-wide audit to establish a baseline for future OIG audit work, to identify problems with current data reporting, and to develop recommendations for improving data quality. This audit was not intended to assess the quality of the performance indicators (subject of a future audit), but rather to determine if the performance results reported in the R4s by operating units were objectively verifiable, supported, accurate, complete, and validated. This audit of Bureau for Humanitarian Response's Office of Food for Peace is one of 18 audits being done on a **USAID-wide** basis.

---

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

The Bureau for Humanitarian Response's Office of Food for Peace (FFP) last R4 was reviewed by USAID/Washington in June 1997, but had not been approved as of the time of our audit. The R4 included four indicators for which performance results (or baseline data) were reported for fiscal year 1996. During fiscal year 1997, FFP had obligated and expended in support of Title II Emergency and Development programs a total of \$357.9 million and \$277.5 million, respectively.

---

### **Audit Objective**

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

**Did the Bureau for Humanitarian Response's Office of Food for Peace 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 the Bureau for Humanitarian Response's Office of Food for Peace report results data in its Results Review and Resource Request prepared in 1997, which were objectively verifiable, supported, accurate, complete, and validated?**

The Bureau for Humanitarian Response's Office of Food for Peace did not report results data which were supported, accurate, or complete. The audit did not find any cases where the results were not objectively verifiable or validated.

Federal laws and regulations require federal agencies to develop and implement internal management control systems that (1) compare actual program results against those anticipated; (2) provide for complete, reliable, and consistent information; (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 III for a further discussion of relevant laws and regulations as well as related USAID policies and procedures.)

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

- *Objectively Verifiable*—The indicator is objective and the results have to be objectively verifiable. This means the indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. The indicator is both

unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time. Operational precision means no ambiguity over what kind of data would be collected for an indicator.

- *Supported-This* means that there was adequate documentation that supports the reported result. The support should be relevant, competent, and sufficient (as noted in the General Accounting Office's Government Auditing Standards). For example, a memo of a telephone conversation, or "best guesses" would not be considered adequate documentation.
- *Accurate-This* includes (1) being within plus or minus one percent (1.0 percent) of the actual documented result; and (2) being consistent with what was to be measured under the indicator, e.g., if the indicator was to vaccinate children under 5 years of age then the result would not be consistent if the supporting documents shows that the result was for children under 3 years of age. The result would also not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996. (Note: Since we only reviewed results in the "performance data tables" for "1996", the result would not be considered accurate if supporting documents showed the result was achieved in 1992.)
- *Complete-This* means the result includes all data against what was anticipated to be measured for the indicator and is for a full year. For example, if 20 regions were to be measured, but only 18 regions were measured, the result would not be 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, then we considered the source reliable if USAID or an independent entity had performed an assessment of the data and/or system for generating the data and found the data or system to be reliable. (We fully recognize that under the Government Performance and Results Act (GPRA) USAID must validate from all its 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.)

Our audit found problems with all four results reported for performance indicators for which results were reported in the R4 for fiscal year 1996 (prepared in 1997). A summary follows:<sup>2</sup>

- Two performance results reported were not supported. The indicators relevant to the results were, “percentage of new approved **DAPs** [Development Activity Proposals] that identify objectively-measurable, program-linked performance indicators, as defined in FFP guidance” and “percentage of partners’ activities that report complete baseline data and set targets for objectively-measurable indicators within first year of implementation.” For both of these indicators, FFP was able to provide a document summarizing the results of the contractor’s review, but did not retain the actual review sheets that the contractor used to assess the **DAPs** and partners activities’ result reports. Because we were unable to review the actual assessments, we considered the results unsupported.
- One performance result reported was not accurate. The indicator was “percentage of scores of ‘good’ or ‘excellent’ by **PVOs** [Private Voluntary **Organizations**]/**Missions** on surveys of quality of **BHR/FFP** program support.” FFP was able to provide support for the result reported. However, we found that one of the four percentages reported should have been 89 percent, rather than the 91 percent reported. In addition to not being accurate, the reported result was not complete. The reported result was determined based on a percentage of the completed surveys received and not as a percentage of the total surveys sent out. We determined that approximately 19 **PVOs** and 19 missions should have received the surveys. Only five (26 percent) **PVOs** and five (26 percent) missions returned a completed survey.
- One performance result reported was not complete. The indicator was “percentage of scores 3 or above by **PVOs** on surveys of **DAP** quality guidance.” FFP was able to provide support for the result reported. However, we found that the result reported was determined based on a percentage of the completed surveys received and not as a percentage of the total surveys sent out. We determined that approximately 19 **PVOs** should have received the surveys. Only seven (37 percent) **PVOs** returned a completed survey.

The problems noted with the four indicators for which FFP reported results for 1996 basically were due to two reasons. The first reason being that the contractor that assessed the **DAPs** and **PVO** results reports did not retain the documentation of the score sheets for the **DAPs** and results reports reviewed. FFP officials and contractor officials said that both **USAID** and the contractor have moved locations since the assessments were done and the documentation could not be found. FFP officials stated that they now have a system in place for both FFP and the contractor to retain supporting documentation for results reported for all the indicators in the R4.

---

<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 only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate and not complete.

The second reason is that neither FFP nor the contractor realized that the results would be considered incomplete in the absence of reporting on the survey response rate. When they were made aware of this, they agreed that a response rate would have to be defined in order for the survey to be considered complete. They said that because of the nature of a survey, 100 percent response is seldom seen.

Without reliable performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving their program objectives and related targets. In our opinion, the problems with performance indicators and reporting on performance impair FFP's and USAID management's ability to measure progress in achieving FFP's program objectives and to use performance information in budget-allocation decisions. The problems also impair USAID's ability to comply with laws and regulations.<sup>3</sup>

**Recommendation No. 1: We recommend that the Bureau for Humanitarian Response's Office of Food for Peace ensure that the performance data 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 a time frame for resolving the problems.**

---

## **Management Comments and Our Evaluation**

In responding to the draft report, FFP management said that it has already begun to implement corrective actions; both as a result of the audit's preliminary findings and its own appraisal of the fiscal year 1997 R-2 reporting process.<sup>4</sup> Therefore, FFP management questioned whether the issuance of a recommendation was still germane.

---

<sup>3</sup> We recognize that USAID/Washington bureaus are responsible for providing support to operating units to develop effective performance monitoring systems to report on program results and for reviewing the R4 process. For example, USAID's policies and procedures (Automated Directives System] ADS Sections 201.5.1 la and 203.3) stipulate that the Bureau for Policy and Program Coordination should (1) ensure the adequacy of operating units' strategic plans for measuring performance and documenting impact and (2) provide technical leadership in developing USAID and operating unit performance monitoring and evaluation systems. These policies and procedures also stipulate that the Bureau for Humanitarian Response should (1) provide oversight and support to its operating units in developing their strategic plans for measuring program performance; (2) supporting its operating units in achieving approved objectives, and reviewing and reporting annually those units' performance in achieving their objectives; and (3) managing the R4 submissions for operating units under its authority. The issue of USAID/Washington support and oversight will be addressed in another audit report which will be issued on completion of this USAID-wide audit.

<sup>4</sup> The R2 reporting process referred to in FFP management's comments is the results report included in the R4.

While we recognize that corrective actions have begun, we believe it is still relevant to have a recommendation to ensure that the performance data identified in FFP's R4 prepared in 1999 are supported, accurate and complete.

FFP management also stated that over the course of the audit the IG changed its criteria for accuracy (from +/- 2% to +/- 1 %). FFP acknowledged that a greater than one percent error in transcription of the results from source documents was made, i.e., the result of which was that 89%, not 91%, of Mission surveys rated the quality of FFP's support to the Missions as "good" or "excellent". Management further stated that this error was entirely unintentional and immaterial, and had no operational impact of FFP's management's interpretation of the result.

We believe that USAID operating units (including FFP) should be accurate when transcribing numbers from one document to another. Nevertheless, we recognize that the difference between the 91 percent reported versus the 89 percent documented is not significant enough, by itself, to affect management's interpretation of the result. However, we also noted in the audit report that the reported result was not complete. The reported result was determined based on a percentage of the completed surveys received and not as a percentage of the total surveys sent out. We determined that approximately 19 PVOs and 19 missions should have received the surveys; whereas only five (26 percent) PVOs and five (26 percent) missions returned a completed survey. We are not implying that the error was intentional.

FFP management believed that since the audit found that the indicators reviewed were objectively verifiable and validated, the audit should not refer to validated in the recommendation that was included in the draft of this audit report (objectively verifiable was not included in the recommendation).

Based on management's comments, this final report was revised to delete validation in the recommendations since we found no problems with this attribute during the audit.

FFP management also noted that its ability to measure progress and make budget allocation decisions was not impaired because the data generated by the R-2 is only one of several factors in making programmatic and budgetary decisions.

We recognize that there are other factors such as evaluations in the decision-making process. Nevertheless, we continue to believe that without quality performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving its program objectives and related targets. Also, as discussed in Appendix III, USAID guidance issued in January 1997 for preparing R4s states that (1) 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 (2) the most effective R4s are those that assess performance over the life of objectives, with an emphasis on the past year, using established indicators, baseline, and targets. Therefore, in our opinion, the problems with the reported results in the R4, which are discussed in this audit report, do impair FFP management's and USAID

management's ability to measure progress in achieving program objectives and to use performance information in budget-allocation decisions.

Based on management's response, a management decision has been made.

## SCOPE AND METHODOLOGY

---

### Scope

We audited the Bureau for Humanitarian Response's Office of Food for Peace 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/Washington from March 5, 1998 through May 28, 1998.

We limited our work on the quality 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.

---

### Methodology

This audit is one of 18 audits being done on a USAID-wide basis. The Office of the Inspector General's Performance Audits Division in Washington, D.C. is the lead office. Operating units to be audited 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 interviewed officials from the Bureau for Humanitarian Response's Office of Food for Peace. 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 operating unit personnel.

To avoid duplicating the problems related to the reported results (e.g., a reported result could be both not supported and not accurate), we classified 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 would provide a positive, qualified, or negative answer to the audit question, respectively.



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

AUG 18 1998

MEMORANDUM FOR I/A/PA, David Conner

From: D/BHR/FFP, William T. Oliver

Subject: Management Comments on the Draft Report on the IG/A's  
Audit of Quality of Results in BHR/FFP's R-4 for FY  
1999 Prepared in CY 1997

The Draft report concludes that one performance result is both inaccurate as well as incomplete. Thus, it appears to us that over the course of the audit, the IG changed its criteria for accuracy (from +/- 2% to +/- 1%). We acknowledge that a greater than nine percent error in transcription of the results from source documents was made, e.g. the result of which was that 89% not 91% of Mission surveys rated the quality of BHR/FFP support to the Missions as "good" or "excellent". This error was entirely unintentional and immaterial. BHR/FFP thus contends that the degree of inaccuracy (approximately 2%) is insignificant in relation to the level of the indicator. It therefore, has no operational impact on BHR/FFP management's interpretation of the result.

Although our relationship with the auditors was constructive, it appeared to us that the criteria being used to judge the accuracy of our indicators data collection seemed, as noted above, to change over the course of the exercise. Moreover, BHR/FFP has already begun to implement corrective actions; both as a result of the audit's preliminary findings which were shared with us, and our own appraisal of the FY '97 R-2 reporting process. We therefore question whether the issuance of a recommendation is still germane. Our corrective actions include a system for documenting and storing data for tracking FY '97 results, and the addition of the rate of responses to the comments section of the tables for those performance indicators that are based on surveys.

While concluding that the indicators reviewed were objectively verifiable and validated, the Draft Audit Report also states that the IG will be testing the Agency's process for validating its results against information from external sources at some future date. We therefore suggest that pending the completion of this exercise, and since the indicators reviewed were found to be validated, that reference to the validation of our results be omitted from the recommendation, if one is made.

We would also like to point out that the IG's opinion (page five, para. six) concerning BHR/FFP's ability to measure progress in

achieving its program objectives and make budget allocation decisions as being impaired by admitted R-2 shortcomings, does not take into account that the data generated by the R-2 is only one of several factors that come into play in our arriving at programmatic and budgetary decisions, BHR/FFP also conducts an extensive process of reviewing each Title II-funded activity's performance annually prior to making resource commitments.

Clearances: PPE:TMarchione:(draft) 8/12/98  
DD/FFP:JMarkunas: *Jm* 8/18/98  
DFT:FFP/DP:DR ~~WILSON~~:p:\bhrpub\docs\audres8.10

## **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, in addition to the Government Performance and Results Act, 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 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 require systems of internal controls that ensure that all transactions and other significant events are to be clearly documented, and that the documentation be readily available for examination.

OMB Circular No. A-123 (dated June 21, 1995), which is the executive branch's implementing 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 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 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 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; (3) reassess data quality as is necessary but at intervals of no greater than three years. These policies and procedures also state that if data for a performance indicator prove to be unavailable or too costly to collect, the indicator may need to be changed.

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

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