



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/INDONESIA'S HIGHER EDUCATION LEADERSHIP AND MANAGEMENT PROJECT

AUDIT REPORT NO. 5-497-16-001-P
OCTOBER 6, 2015

MANILA, PHILIPPINES



Office of Inspector General

October 6, 2015

MEMORANDUM

TO: USAID/Indonesia Mission Director, Andrew Sisson

FROM: Regional Inspector General/Manila, Matthew Rathgeber /s/

SUBJECT: Audit of USAID/Indonesia's Higher Education Leadership and Management Project (Report No. 5-497-16-001-P)

This memorandum transmits our final report on the subject audit.

The report contains ten recommendations to help the mission address the issues identified in the audit.

After reviewing information provided in response to the draft report, we determined that the mission made management decisions on all recommendations and has taken final action on Recommendations 1 through 6, and 10. Please provide the necessary documentation to obtain final action on Recommendations 7 through 9 to the Audit Performance and Compliance Division in the Office of the Chief Financial Officer.

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

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Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
CLIN	contract line item number
COR	contracting officer’s representative
DIKTI	Direktorat Jenderal Pendidikan Tinggi (Directorate General of Higher Education)
FAR	Federal Acquisition Regulation
HEI	higher education institution
HELM	Higher Education Leadership and Management
M&E	monitoring and evaluation

SUMMARY OF RESULTS

According to USAID, Indonesia's universities are deficient in key operational areas like financial management, quality assurance, and information systems. The degrees awarded are not making graduates internationally competitive because they lack quality or are not in the right subjects. Many students who are poor or from rural areas either cannot afford or get to universities.

Recognizing that these deficiencies were holding back the country's development, the Directorate General of Higher Education, known in Indonesia as the *Direktorat Jenderal Pendidikan Tinggi* (DIKTI), part of the Ministry of National Education, asked USAID for technical assistance. In response, USAID designed the Higher Education Leadership and Management (HELM) Project and awarded a 5-year, \$19.7 million cost-plus-fixed-fee contract to Chemonics International Inc.¹ to implement it. HELM began in November 2011 and is scheduled to end in November 2016. As of December 2014, cumulative obligations totaled \$14.5 million, and disbursements totaled \$11.1 million.

The goal of HELM was to strengthen the management capacity of higher education institutions (HEIs) in Indonesia. The project was divided originally into three phases: assessment, implementation, and institutionalization. The activities that occurred in those phases broke down into five components: (1) supporting strategic planning and policy analysis at DIKTI, (2) designing technical assistance approaches to achieve system-wide reforms of higher education, (3) providing technical assistance to HEIs, (4) strengthening graduate programs in higher education leadership and management, and (5) implementing special initiatives.²

The Regional Inspector General (RIG)/Manila conducted this audit to determine whether HELM was achieving its objective of strengthening the management capacity of the institutions. However, we could not determine whether it was because its performance data were unreliable and the expected results listed in the contract were not updated to reflect changes in the project's scope and direction.

HELM made notable accomplishments in one area—quality assurance. Officials from the universities said the training in quality assurance was responsible for higher accreditation of their institutions as well as individual study programs. In addition, university leaders said that because of the encouraging results, they planned to allocate additional resources to expand their accreditation offices after the project ends. In 2014 (year 3), HELM reported that 78 percent of the universities reviewed by the national accreditation board had been accredited for the first time, maintained at least a B accreditation or improved their accreditation, which met the performance target.

However, university officials did not provide many examples of improvement in three other areas: general administration and leadership, financial management, and external collaborations.

Moreover, some of the changes in the project's direction were not written into the contract's modifications (page 4). In addition, the project's performance indicators did not provide reliable

¹ Chemonics is based in Washington, D.C.

² The mission restructured the components in September 2014 and again in February 2015.

information. Many had weak data, were inaccurate, or lacked support. Although the project met most of its targets, some were questionable because they were set too low or lacked baselines (page 5).

A consultant identified many of these problems more than a year earlier in an external assessment. According to that report, HELM focused more on reporting on deliverables instead of outcomes from technical assistance. The assessment also found that Chemonics employees managed performance data using Excel spreadsheets, which were inadequate for the volume and complexity of the data. The project staff created a plan to implement the corrective actions recommended by the assessment, but problems persisted.

We found two other problems that USAID/Indonesia should correct.

- HELM exceeded its budget for three contract line items (page 8). The problem occurred because of a breakdown in communication and internal controls.
- The project hired a beneficiary university to create a webinar that was not marked and branded properly (page 9). Chemonics corrected errors on the USAID logo on the webinar after audit fieldwork. However, Chemonics allowed the subcontractor to include its logo on the webinar pages, contrary to Agency policy.

To address these issues, we recommend that USAID/Indonesia:

1. Modify the HELM contract to identify clearly in section C.4.4 which results Chemonics will be required to deliver and report on (page 5).
2. Work with Chemonics to revise indicator definitions in the project's monitoring and evaluation (M&E) plan to clarify calculation methodology and disclose data limitations for seven indicators (page 7).
3. Require Chemonics to document the rationale for the project target for every indicator in the M&E plan (page 7).
4. Review and verify the accuracy of three baseline studies completed in January 2015 (page 7).
5. Direct Chemonics to strengthen oversight and controls over data verification and reporting by creating written procedures that clearly describe responsibilities of the project's M&E staff, consultants, and technical staff (page 7).
6. Require Chemonics to create written procedures for database management that include periodic data integrity checks (page 7).
7. Provide additional training in performance monitoring to the contracting officer's representative (COR) and the alternate COR (page 7).
8. Require CORs to track accruals by contract line item number (CLIN) in their quarterly reports (page 9).
9. Clarify branding requirements for subcontracts under HELM (page 11).

10. Require Chemonics to determine the allowability of approximately \$85,275 in costs for Gadjah Mada University to create webinars for HELM and collect from the subcontractor any amount determined to be unallowable (page 11).

Detailed findings appear in the following section. Appendix I has information on the scope and methodology. OIG's evaluation of management comments starts after the audit findings, and the full text of the comments is in Appendix II. A table with the project's expected results is in Appendix III, and a table outlining the results of our testing of performance indicators is in Appendix IV.

AUDIT FINDINGS

Contract Did Not Reflect Changes to Expected Results

According to USAID/Indonesia's contract with Chemonics, signed in November 2011:

The Contractor is expected to achieve the results identified herein through the successful design and implementation of the activities and tasks prescribed in this statement of work. Project performance will be measured against the accomplishment of the required project activities and deliverables.

The contract also states that the mission expected the contractor to recommend changes to activities, de-emphasize less promising activities, and take advantage of opportunities in other areas that are within its scope. The contracting officer, however, must approve more significant changes to the scope of work and other contract terms and conditions.

Federal Acquisition Regulation (FAR) 52.243-7, "Notification of Changes," states that the contractor is required to notify the contracting office promptly of any action the mission takes that could be a change to the contract. USAID Acquisition Regulation 750.7106-3, "Mistakes," states that a contract can be modified to correct a mistake, such as an ambiguity that resulted in a contract that did not reflect the agreement as both parties understood it.

The contract listed 18 expected results, along with deliverables and some examples of activities, under the five original components. A complete list of expected and actual results is in Table 3 in Appendix III. The project has achieved or made progress on eight of them, and, according to the COR, three more will be accomplished during the final 2 years.

HELM did not achieve the expected results for the remaining seven, listed below.

1. HELM will help DIKTI develop and implement DIKTI's 2010-14 strategic plan by providing policy and analytical support.
2. HELM will help DIKTI develop and implement policies and approaches that improve financial planning, management, and securing of financial resources.
3. HELM will help DIKTI develop and implement policies that expanded access to higher education by Indonesia's lowest two economic quintiles (lowest 40 percent of the population) and women. The result will be measured by the percent increase in enrollment by the lowest two economic quintiles in beneficiary universities.
4. DIKTI will improve its capacity to foster sound financial planning and management practices consistent with the needs of universities and government. One of the needs is to increase participation of poor students in higher education.
5. Universities will become eligible to be direct recipients of USAID funding by meeting requirements outlined in Automated Directives System (ADS) 303 by the end of the project.

6. Universities will employ effective management approaches developed or taught during the project. HELM will facilitate the results by distributing publications and other materials from the project to universities.
7. University administrators will increase their understanding of and apply effective leadership, management, and decision-making approaches.

These problems occurred because the mission modified the contract three times during the first 3 years to adjust the project's scope, deliverables, components, and budget line items, but not the expected results. The project spent the first 2 years focused on carrying out activities and not on linking them to medium-term results or outcomes. Mission officials said this was an oversight. The education director said the contract, which was part of USAID's request-for-proposal in February 2011, had expectations that were in place before the project had undergone significant changes, such as canceling plans to help DIKTI create a 5-year strategic plan because DIKTI had already completed one by the time the project began.

Another factor was the inconsistent wording in the contract. For example, it states that Chemonics "will achieve" some results while it will "seek to achieve" others. Therefore, the mission and Chemonics did not agree on which results were required and which were not. Representatives from the contracting office said that in such a situation, it would be worthwhile to modify the contract to include more precise wording.

The chief of party said Chemonics was committed to achieving contractually required results, but had not made progress on some of them because it had to dedicate time and effort to new activities requested by the mission and DIKTI. For example, Chemonics expanded the project curriculum to accommodate 25 new beneficiary institutions in year 3.

A contract that does not reflect the project's expected results fully and precisely runs more risks. It may waste resources on results that are irrelevant, and it cannot assess success properly by comparing expected results to actual results.

To make sure HELM directs resources to the appropriate activities and achieves the expected results by the time it ends in 2016, we make the following recommendation.

Recommendation 1. *We recommend that USAID/Indonesia, through the responsible contracting officer, modify the Higher Education Leadership and Management Project contract to identify clearly in section C.4.4 which results Chemonics International Inc. will be required to deliver and report on.*

Performance Data Were Unreliable

ADS 203.3.11.1, "Data Quality Standards," states that to be useful for performance monitoring and credible for reporting, data should meet five standards of quality: validity, integrity, precision, reliability, and timeliness.

However, 9 of the 16 HELM indicators that we tested were inaccurate, unsupported, or had weak data. Some also had low targets or did not have baselines.

Data. Data for several indicators were of questionable quality. An indicator that tracked improvement in financial management was based on data reported from audits of universities,

but not all of the universities were audited. The chief of party said the project could not control or predict which universities would be audited in a given year. Chemonics did not disclose this data limitation in project documents.

In addition, Chemonics employees used the wrong calculation method for one indicator that tracked the number of people trained and for another indicator that tracked progress in the accreditation of study programs. The staff could not produce documentation to support the result reported for an indicator tracking improved ability of female participants to be effective in their jobs, which compromised the indicator's integrity.

The chief of party and an M&E consultant gave various reasons for the data problems. Some occurred because HELM staff misinterpreted supporting documentation or entered data incorrectly. In other cases, technical glitches resulted in errors. After audit fieldwork, the mission and Chemonics decided to drop seven indicators, but kept seven others that had unreliable results.

Targets. ADS 203.3.9, "Setting Performance Baselines and Targets," requires that every performance indicator should have performance targets that are realistic, but ambitious. The policy also states that the rationale for targets should be documented and updated as needed.

Despite the policy, Chemonics did not document how it calculated the targets or why they were ambitious and realistic. In addition, some of the targets were low. For one indicator tracking organizational improvements at participating universities, the target was 60, which averages out to 1.2 improvements for each of the 50 universities. HELM did not increase the 5-year target when it added another 25 universities in the third year.

The chief of party attributed the issue in part to not knowing how much demand for technical assistance and training HELM would have from the universities. Chemonics was aware of the problem at the end of the second year. It reported in the third-year work plan that the project needed to revise many targets that had already been met to reflect HELM's progress more accurately. However, the third-year M&E plan changed only one.

Baselines. ADS 203.3.9, "Setting Performance Baselines and Targets," states that a baseline is the value of a performance indicator at the beginning of USAID-supported strategies, projects, or activities. Establishing one is necessary to learn from and be accountable for the change that occurred during the project/activity with the resources allocated to that project/activity.

However, we found three problems pertaining to baselines. First, the project left baseline values out of the M&E plan since it started, even though the baseline for 12 indicators was zero. Second, Chemonics set targets without having completed a baseline study for five indicators introduced in the third year.³ Last, one of the baseline values did not match the supporting documentation; while an indicator that measured improvement in accreditation set a baseline of 30 percent, or 15 universities, we counted 11 universities or 22 percent that were accredited before 2014. Universities that were accredited before participating in HELM trainings comprised the baseline.

The problems with performance data occurred because of two systemic weaknesses in managing the data. First, Chemonics did not have written M&E procedures that outlined the division of responsibilities for data reporting and verification between project staff, M&E staff,

³ The indicators were 11.1, 12.1, 12.2, 13.1 and 13.2. The project later dropped 11.1 and 12.2.

and M&E consultants. It did not have procedures for managing the database either, even though the December 2013 assessment found that the database had problems. In addition, the COR said he did not review the database before approving the third-year annual report, which allowed errors to go undetected. After audit fieldwork, Chemonics brought in consultants to improve the database.

Without quality data, accurate baselines, and targets that are ambitious and realistic, the mission cannot assess performance properly and make informed decisions to make sure HELM meets expectations. This, in turn, could hurt the project's ability to succeed.

To address the deficiencies in management controls and oversight of performance data, we make the following recommendations.

Recommendation 2. We recommend that USAID/Indonesia work with Chemonics International Inc. to revise indicator definitions in the project's monitoring and evaluation plan to clarify calculation methodology and disclose data limitations for seven indicators.

Recommendation 3. We recommend that USAID/Indonesia require Chemonics International Inc. to document the rationale for the project target for every indicator in the monitoring and evaluation plan.

Recommendation 4. We recommend that USAID/Indonesia review and verify the accuracy of three baseline studies completed in January 2015.

Recommendation 5. We recommend that USAID/Indonesia direct Chemonics International Inc. to strengthen oversight and controls over data verification and reporting by creating written procedures that clearly describe responsibilities of the project's monitoring and evaluation staff, consultants, and technical staff.

Recommendation 6. We recommend that USAID/Indonesia require Chemonics International Inc. to create written procedures for database management that include periodic data integrity checks.

Recommendation 7. We recommend that USAID/Indonesia provide additional training in performance monitoring to the contracting officer's representative and the alternate contracting officer's representative.

OTHER MATTERS

Project Exceeded Budget for Three Contract Line Items

Section B.4.3 of the contract between USAID and Chemonics stipulated, “The contractor is not allowed to exceed each contract line item number (CLIN) nor is authorized to shift funding between CLINs without prior written approval of the contracting officer.” In addition, FAR 52.232-20, “Limitation of Cost,” states that the contractor should notify the contracting officer if the total cost will be either more or substantially less than previously estimated.

In July 2014 Chemonics proposed a revised budget to support a new implementation plan focused on technical assistance, training, and special initiatives. Part of the plan was to combine CLINs 1 through 4, thereby reducing the number of CLINs from five to two. However, when the mission modified the contract in September 2014, it left CLINs 2, 3, and 4 in place, but transferred their remaining funds—including the funds to cover the costs already charged to those three CLINs from May 2014 to September 2014—to CLINs 1 and 5. Table 1 below shows the revised budget after the contract modification.

**Table 1. HELM Budget Revision as of September 5, 2014
(Audited, Millions \$)**

CLIN	Component	Before	After
001	A	3.29	11.51
002	B	1.99	1.00
003	C	8.71	3.53
004	D	3.81	0.89
005	E	1.87	2.74
Total		19.68	19.68

After the modification took effect, Chemonics’s invoice for September 2014 showed that total costs under CLINs 2, 3, and 4 exceeded their budgets. The negative balances reappeared in subsequent invoices. For example, Table 2 on the next page shows the negative balances totaling \$1 million as of November 2014.⁴

⁴ There was a minor discrepancy in the budgeted amounts for CLINs 1 and 5 between the sixth modification and the November 2014 invoice; the total cost was the same.

**Table 2. HELM Invoice to USAID/Indonesia for the Period
Ending November 30, 2014 (Audited, Millions \$)**

CLIN	Budget	Cumulative Charges	Remaining Funds
001	11.67	4.39	7.28
002	1.00	1.07	(0.07)
003	3.53	4.21	(0.68)
004	0.89	1.14	(0.25)
005	2.58	0.86	1.73
Total	19.68	11.67	8.01

The situation occurred because of a communication breakdown. While the mission was approving the new budget, Chemonics officials were required to continue to operate under the original budget. They said they believed the new budget would combine the first four CLINs, which would have prevented the project from incurring negative balances.

Even though the negative balances appeared in the September 2014 invoice, the mission did not take action. The controller’s office did not detect the problem immediately because the control sheet that a voucher examiner used to monitor expenditures by CLIN was out-of-date. Consequently, the voucher examiner did not alert the COR. In addition, the COR did not anticipate the negative balances when preparing his quarterly accruals report because he was not required to break out costs by CLIN; the report tracked total costs only.

The communication breakdown compromised financial oversight and allowed the errors to remain unaddressed for months. This, in turn, could have affected implementation negatively if the mission had used incorrect financial information to make decisions about the project.

Because of the audit, the mission took corrective action and modified the contract in February 2015. The modification combined CLINs 1 through 4 and components A through D, and eliminated the negative balances. In addition, the controller’s office reviewed and updated the control sheets for all of the mission’s activities to reflect the correct budgets.

To prevent a similar occurrence in the future, we make the following recommendation.

***Recommendation 8.** We recommend that USAID/Indonesia require contracting officer’s representatives to track accruals by contract line item number in their quarterly reports.*

Webinar Created With Project Funds Was Not Marked and Branded Properly

ADS 320.3.2, “Branding and Marking in USAID Direct Contracts,” states that the Agency requires exclusive branding and marking in activities implemented under a contract. Exclusive marking means contractors may mark USAID-funded programs and public communications only with the Agency’s logo and, when applicable, a host-government or other U.S. Government

logo. The policy also states that logos of contractors and subcontractors must not be used on USAID-funded program materials, although exceptions may be granted.

The mission added a branding and marking plan to the contract in April 2012. It stated that the contractor's logo could not appear on USAID-funded program materials and that Chemonics would provide program materials for review at any time during implementation.

The project worked with Gadjah Mada University to develop webinars for a special initiative called Blended Learning. In August 2014 Chemonics awarded a subcontract worth \$85,275 to the university to design and manage interactive courses through its Web site. The subcontract's section on branding required deliverables to comply with USAID's *Graphic Standards Manual*.

Chemonics showed the COR the webinar pages before using them. Yet the first webinar, which went up in November 2014, and all subsequent ones used a USAID logo that was modified or distorted improperly. In addition, hyperlinks had labels that were incorrect because they placed the name of project before the agency ("HELM-USAID") or were inconsistent. Gadjah Mada University also included its own logo alongside USAID's and DIKTI's in the webinar pages, as shown in the screen shot below.



HELM's Blended Learning webinars featured logos of USAID, DIKTI, and Gadjah Mada University, which hosts the webinars on its Web site. (Screenshot taken March 6, 2015, URL: <http://helm-mmp.t.pasca.ugm.ac.id/index.php/helm-usaid>)

Chemonics did not consult with a communications officer in the mission's program office who advises on marking and branding of public communications before the webinars went live since other mission officials had seen them. Nor did Chemonics ask for an exception from the policy disallowing contractor logos.

If implementing partners do not comply with branding and marking requirements, beneficiaries may not know about the full extent of U.S.-funded assistance. In addition, costs incurred for work that does not meet subcontract requirements may be questioned for allowability.

After the end of audit fieldwork, the communications officer reviewed the site and recommended corrections to the USAID logo. However, the issue of the appropriateness of cobranding the webinars with the university remained unresolved during the audit. The COR said the applicability of the Agency's marking and branding policy was not immediately clear because Gadjah Mada University hosted the webinars on its Web site and managed them. For this reason, we make the following recommendations.

Recommendation 9. *We recommend that USAID/Indonesia clarify branding requirements for subcontracts under the Higher Education Leadership and Management Project.*

Recommendation 10. *We recommend that USAID/Indonesia require Chemonics International Inc. to determine the allowability of approximately \$85,275 in costs for the subcontract to create webinars for the Higher Education Leadership and Management Project and collect from Gadjah Mada University any amount determined to be unallowable.*

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Indonesia agreed with and made management decisions on all ten recommendations. The mission proposed an acceptable alternative approach to Recommendation 8.

We acknowledge final action on Recommendations 1 through 6 and 10. Our evaluation of the management comments follows.

Recommendation 1. The mission modified the contract in May 2015 and updated the expected results in section C.4.4. We acknowledge the mission's management decision and final action.

Recommendation 2. The mission approved a new M&E plan in September 2015 that included revised definitions and data limitations for seven indicators. We acknowledge the mission's management decision and final action.

Recommendation 3. The mission approved a new M&E plan in September 2015 that included the rationale for the project target for each indicator. We acknowledge the mission's management decision and final action.

Recommendation 4. The mission reviewed the baseline studies completed in January 2015 and updated the current M&E plan with the corrected baseline values. We acknowledge the mission's management decision and final action.

Recommendation 5. The mission approved a new M&E plan in September 2015 that included data verification and reporting procedures for Chemonics's M&E staff, consultants, and technical staff. We acknowledge the mission's management decision and final action.

Recommendation 6. The mission approved a new M&E plan in September 2015 that included procedures for database management and data integrity checks. We acknowledge the mission's management decision and final action.

Recommendation 7. The mission plans to host a training course called "Essentials of Performance Management and Evaluation" in February 2016 for its CORs and alternate CORs. The target date for final action is March 31, 2016. We acknowledge the mission's management decision.

Recommendation 8. The mission proposed an alternative action, which we have accepted. The mission will implement a new procedure in which the voucher examiner who monitors each activity's expenditures by CLIN will inform the COR and contracting officer whenever a CLIN exceeds 80 percent of its budget. The financial management office will train CORs and agreement officer's representatives on the new procedure. The target date for completion is December 31, 2015. We acknowledge the mission's management decision.

Recommendation 9. The mission clarified branding requirements for HELM subcontracts to Chemonics. Going forward, the project team will consult with USAID on branding requirements

that are unclear, particularly for online media. Chemonics is working with Gadjah Mada University to correct the branding on the existing media. The target date for final action is December 31, 2015. We acknowledge the mission's management decision.

Recommendation 10. The mission had Chemonics review its subcontract with Gadjah Mada University, and Chemonics determined that the university complied with the terms of the contract and submitted all deliverables; therefore, no costs were deemed unallowable. The mission's contracting officer agreed with Chemonics's determination. We acknowledge the mission's management decision and final action.

SCOPE AND METHODOLOGY

Scope

We conducted this audit in accordance with generally accepted government auditing standards. They require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe the evidence obtained provides that reasonable basis.

The objective of the audit was to determine whether HELM was achieving its goal of strengthening the management capacity of Indonesian HEIs. To implement the project, USAID/Indonesia awarded a 5-year, \$19.7 million cost-plus-fixed-fee contract to Chemonics in November 2011. As of December 2014, the mission had obligated \$14.5 million and disbursed \$11.1 million.

The audit examined activities under five original components. In planning and carrying out the audit, we assessed significant management controls such as policies and procedures, work plans, progress reports, financial documents, and supporting documentation for indicators. We reviewed USAID/Indonesia's FY 2014 annual self-assessment of management controls, a requirement of the Federal Managers' Financial Integrity Act of 1982.

The audit was performed from January 13 to February 6, 2015. We conducted fieldwork in Jakarta, and visited project sites in Medan, where the project has a regional office, and Padang. The audit covered the period from program inception until the end of the third year in December 2014.

Methodology

To answer the audit objective, we interviewed employees from USAID/Indonesia, Chemonics, JBS International (a subcontractor), and DIKTI. We visited five HEIs in Medan and Padang: Andalas University, Medan State Polytechnic, Medan State University, Padang State Polytechnic, and Padang State University. Together they have 81,220 students, or 14 percent of the 50 HEIs supported by the project. The audit team judgmentally chose sites to maximize audit coverage while visiting a variety of institutions by size, type, and length of involvement with the project.

The audit team tested and analyzed 16 of 17 performance indicators. We drew random samples for 11 indicators: 8 simple and 3 probability-proportional-to-size. Even though these were random, they were not large enough to project test results to the universe. We tested the entire universe instead of drawing samples for four indicators that had a small number of reported results. We did not draw a sample for one indicator because the supporting documentation consisted of anonymous questionnaires, which we would not have been able to compare to project records.

The results for five unreliable indicators were reported as a percentage. The project used incorrect methodology to calculate the percentage and could not produce documentation to support the basis for the calculation. In some cases, the results for individual universities in the sample were documented, but not the percentage for all universities that the target was based

on. For four indicators, we deemed the result unreliable because there was a difference of more than 15 percent between what was recorded and what was supported in the sample tested. In some cases, the project revised the reported result by a significant amount because of errors.

Table 4 in Appendix IV lists the methodology used and sample sizes for all indicators tested.

To answer the audit objective, we relied extensively on the computer-processed data in the HELM database maintained by Chemonics. Our review of system controls and the results of data tests showed an error rate that casts doubt on the data's validity. However, when these data are viewed with other available evidence, we believe the opinions, conclusions, and recommendations in the report are valid.

The audit team based its conclusions on computer-processed data on three factors: tests of indicators for which the project database was the source; lack of procedures over database management; and the results of an internal review of performance data completed by the project's M&E consultant.

MANAGEMENT COMMENTS



MEMORANDUM

TO: Matthew Rathgeber
Regional Inspector General/Manila

FROM: Derrick S. Brown /s/
Acting Mission Director, USAID/Indonesia

SUBJECT: Audit of USAID/Indonesia's Higher Education Leadership and Management Project (HELM) Report No. 5-497-15-XXX-P

DATE: September 25, 2015

This memorandum conveys USAID/Indonesia's management response to the above referenced Office of Inspector General (OIG) audit report of the HELM project, implemented by Chemonics International Inc. (Chemonics), dated August 26, 2015. The Mission thanks the OIG audit team for its professionalism and the opportunity to use the program audit as a management tool to improve program performance.

USAID/Indonesia's specific comments and responses to the audit's ten recommendations are provided below. In addition, since the audit team's field work and exit briefing on February 6, 2015, USAID/Indonesia and Chemonics have taken several measures to address the findings highlighted during the field work.

Recommendation 1:

We recommend that USAID/Indonesia, through the responsible contracting officer, modify the Higher Education Leadership and Management Project

contract to identify clearly in section C.4.4 which results Chemonics International Inc. will be required to deliver and report on.

Mission Response:

Through Modification 10 dated May 22, 2015, the original Statement of Work in Section C.4 has been deleted in its entirety and replaced. Section C.4.4 contains the results, required activities and deliverables that are expected from the Contractor (Attachment 1 - pages 6-11).

USAID/Indonesia believes that the above action fully addressed Recommendation 1 and requests its closure.

Recommendation 2: *We recommend that USAID/Indonesia work with Chemonics International Inc. to revise indicator definitions in the project's monitoring and evaluation plan to clarify calculation methodology and disclose data limitations for seven indicators.*

Mission Response:

Chemonics revised indicator definitions in the project's monitoring and evaluation (M&E) plan to clarify calculation methodology and disclose data limitations for the seven indicators. Details are provided in the revised Performance Management Plan (PMP) (Attachment 2 – pages 11-17 and Annex A on data limitations (pages 25-43)). The PMP was approved on September 23, 2015 (Attachment 3).

USAID/Indonesia believes that the above action fully addressed Recommendation 2 and requests its closure.

Recommendation 3: *We recommend that USAID/Indonesia require Chemonics International Inc. to document the rationale for the project target for every indicator in the monitoring and evaluation plan.*

Mission Response:

After the audit's field work concluded, Chemonics documented the rationale for the project target for every indicator. This documentation is contained in the revised PMP (Attachment 2 - Annex A: HELM Program Indicator Reference Sheets - pages 25-43). USAID/Indonesia reviewed and approved the revised PMP on September 23, 2015 (Attachment 3).

USAID/Indonesia believes that the above action fully addressed Recommendation 3 and requests its closure.

Recommendation 4: *We recommend that USAID/Indonesia review and verify the accuracy of three baseline studies completed in January 2015.*

Mission Response:

After the PMP was revised by Chemonics, USAID/Indonesia reviewed and verified the accuracy of three baseline studies completed in January 2015 that included the performance indicators 12.1, 13.1, and 13.2-. Details are provided in the revised PMP (Attachment 2 - pages 25-43). Correct baseline values are included in the revised PMP. The key revisions include:

- Indicator 12.1 (page 35): Replacing 0 (zero) as the baseline value in the old PMP, the revised PMP has 24% for Cohort 1 in FY 2013 and 8% for Cohort 2 in FY 2014. The baselines were verified by reviewing the partner institutions' audit reports.
- Indicator 13.1 (pages 36-37): Replacing 0 (zero) as the baseline value in the old PMP, the revised PMP has 10% for FY 2012, which is based on the study of data from the national accreditation body.
- Indicator 13.2 (page 38-39): Replacing 0 (zero) as the baseline value in the old PMP, the revised PMP has 274 for the baseline value in FY 2012. This value was determined from analysis of the national accreditation body's data.

USAID/Indonesia believes that the above actions fully address Recommendation 4 and requests its closure.

Recommendation 5: *We recommend that USAID/Indonesia direct Chemonics International Inc. to strengthen oversight and controls over data verification and reporting by creating written procedures that clearly describe responsibilities of the project's monitoring and evaluation staff, consultants, and technical staff.*

Mission Response:

Chemonics has developed written procedures that describe responsibilities of the project's M&E staff, consultants, and technical staff. Details are covered in the

revised PMP (Attachment 2 - Annex C: M&E Standard Operating Procedure 1 - Data Quality Protocol (updated May 2015) - pages 45-53).

USAID/Indonesia believes that the above actions fully address Recommendation 5 and requests its closure.

Recommendation 6: *We recommend that USAID/Indonesia require Chemonics International Inc. to create written procedures for database management that include periodic data integrity checks.*

Mission Response:

Chemonics has developed written procedures for database management that include periodic data integrity checks. Details are covered in the revised PMP (Attachment 2 - Annex D: M&E Standard Operating Procedures 2 – Indicator Database Management Guidelines (updated May 2015) - pages 54-71). These procedures will be used for the future quarterly reporting.

USAID/Indonesia believes that the above actions fully address Recommendation 6 and requests its closure.

Recommendation 7: *We recommend that USAID/Indonesia provide additional training in performance monitoring to the contracting officer's representative and the alternate contracting officer's representative.*

Mission Response: The Mission will host the Bureau of Policy, Planning and Learning's Office of Learning, Evaluation and Research's (PPL/LER) - sponsored course Essentials Performance Monitoring and Evaluation Training, from February 22-26, 2016. The target audience is CORs and alternate CORs.

The target final action date for Recommendation 7 is March 31, 2016.

Recommendation 8: *We recommend that USAID/Indonesia require contracting officer's representatives to track accruals by contract line item number in their quarterly reports.*

Mission Response:

While we agree with the recommendation's intent that the COR should track the expenditure levels by the Contract Line Item Numbers (CLINs), we suggest another method to track the expenditures by CLIN. An expenditure control sheet is maintained by the payment section for each award and already shows the expenditures by CLIN. In the past, this information was not routinely shared with either the COR or the Contracting Officer (CO). Fields indicating the percentage attained for each CLIN in the current year and the remaining year has been added to the control sheet (Attachment 4 - cells T133, V133, and W133 for Year 4; cells T140, V140, and W140 for Year 5). In addition, when the percentage reaches or exceeds 80%, the cell's background will turn red as an extra reminder to the Voucher Examiner who will inform both the COR and CO of the expenditure level attained for the specific CLIN. This will provide time for the COR and CO to work with the implementer on the budget realignment, if needed. The Office of Acquisition and Assistance and the Office of Financial Management will provide a training session on CLINs to CORs and Agreement Officer's Representatives (AORs) and how expenditures are tracked by CLIN.

The target final action date for Recommendation 8 is December 31, 2015.

Recommendation 9: *We recommend that USAID/Indonesia clarify branding requirements for subcontracts under the Higher Education Leadership and Management Project.*

Mission Response:

The issue relates to the absence of USAID's logo on the blended learning hosted by the HELM's sub-contractor University of Gajah Mada (UGM). This was the result of unclear information from Chemonics to UGM that USAID was the funding agency and certain branding requirements must be met. USAID/Indonesia clarified to Chemonics the branding requirements for subcontracts under HELM. Subsequently, Chemonics met with UGM and required them to correct all branding issues, which UGM has agreed to do at no additional cost.

Chemonics also performed an internal review of the HELM contract and USAID's branding guidelines. In the future, when branding requirements are unclear (especially as they relate to online information), the project team will consult directly with USAID to ensure that there is no misinterpretation on key issues.

Attached is a matrix (Attachment 5) that the project has used to track the key issues

identified, which shows that with the exception of rebranding of modules and the YouTube videos, all other branding issues have been resolved. Videos uploaded by HELM will be temporarily removed and branded accordingly. The difficulty with the branding of videos is that the videos were taken by course participants during the blended learning workshop, uploaded by them to YouTube and then linked to the UGM blended learning site. UGM will monitor and delete the links of those videos taken by participants that did not comply with the branding requirements.

The target final action date for Recommendation 9 is December 31, 2015.

Recommendation 10: *We recommend that USAID/Indonesia require Chemonics International Inc. to determine the allowability of approximately \$85,275 in costs for the subcontract to create webinars for the Higher Education Leadership and Management Project and collect from Gadjah Mada University any amount determined to be unallowable.*

Mission Response:

The subcontract between Chemonics and the University of Gadjah Mada (UGM) (Attachments 6A and 6B) details the scope of work to be performed, including deliverables and the fixed price for each deliverable during the period of performance. Since the audit debrief in February 2015, Chemonics reviewed its subcontract with UGM and worked with UGM to resolve the branding issues as detailed in Recommendation 9. Chemonics determined that UGM complied with the terms and conditions of the contract and all deliverables have been submitted. Chemonics is currently reviewing the deliverables and has requested both clarifications and revisions from UGM. These clarifications and requested revisions are unrelated to either the branding or marking. The Contracting Officer has agreed with Chemonics' determination that there are no questioned costs related to the UGM subcontract (Attachment 7).

USAID/Indonesia believes that the above actions fully address Recommendation 10 and requests its closure.

USAID/Indonesia requests RIG/Manila's concurrence that management decisions have been reached on Recommendations Nos. 1 through 10. Final actions have been achieved for Recommendation Nos. 1, 2, 3, 4, 5, 6, and 10, and USAID/Indonesia requests their closure. We look forward to further strengthening the HELM project through implementation of the audit's recommendations.

Attachments:

1. HELM Contract Modification No. 10, dated May 22, 2015
2. HELM Performance Management Plan (PMP) Version 07/2015
3. USAID Mail – COR approval for the PMP
4. HELM Voucher Control Sheet from the Office of Financial Management
USAID/Indonesia
5. Matrix of Key Issues related to Branding
6. Subcontract between Chemonics (HELM) and Graduate School Universitas
Gadjah Mada (UGM)
7. USAID Mail - Contracting Officer's Concurrence on Chemonics'
Determination on UGM's Subcontract

cc: Lawrence Dolan, USAID/Indonesia/EDU
Peter Cronin, USAID/Indonesia/EDU
Remy Rohadian, USAID/Indonesia/EDU
Patrick Wilson, USAID/Indonesia/OAA
Sandra Savage, USAID/Indonesia/OAA
Nancy Fisher-Gormley, USAID/Indonesia/PRO
Belinda Barrington, USAID/Indonesia/RLO
Elizabeth A. Chambers, USAID/Indonesia/OFM
Financial Analysts, USAID/Indonesia/OFM

Table 3. Contract Expected Results (Audited)

Expected Result	Actual Result
1. HELM helped DIKTI develop and implement DIKTI's 2010-14 strategic plan by providing policy and analytical support.	Not achieved: The project did not help develop DIKTI's strategic plan. The project launched in 2011 after DIKTI completed its strategic plan for 2010-14. DIKTI instead asked that the project help with implementation in year 1.
2. HELM helped DIKTI develop and implement policies and approaches that improved financial planning, management, and securing of financial resources.	Not achieved: The project did not track implementation of policies. According to the mission, the project cannot decide or predict what policies and approaches DIKTI will adopt.
3. HELM helped DIKTI develop and implement policies that expanded access to higher education by Indonesia's lowest two economic quintiles (lowest 40 percent of the population) and women. The result is measured by the percent increase in enrollment by the lowest two economic quintiles in beneficiary universities.	Not achieved: The project did not track implementation of policies or increase in enrollment of students from the lowest two economic quintiles.
4. HELM helped develop policies and mechanisms that strengthen quality assurance throughout the system and at individual institutions. The result is achieved by creating one institutional policy or mechanism per university per year.	In progress: The project tracked progress in quality assurance at the institutional level with indicator 13.1.
5. HELM helped develop policies and mechanisms that improved the quality and relevance of academic programs of universities and benefits to local communities through external collaborations.	In progress: The project tracked progress in external collaborations with indicator 14.
6. DIKTI improved its capacity to foster sound financial planning and management practices consistent with the needs of universities and government. One of the needs is to increase participation of poor students in higher education.	Not achieved: The project did not track improvement in the capacity of DIKTI or increase in the number of poor students enrolled. The COR said the project carried out activities to build capacity in universities, but not DIKTI itself.
7. HELM improved each university's capacity in financial management, quality assurance, external collaboration, and university leadership and management.	In progress: In year 3 the project introduced outcome indicators for the four core areas.
8. Each beneficiary university helped at least one other university (outside of the project) improve its management practices using approaches developed under the project.	Not yet started: According to the mission, the project will achieve this in year 5.

Expected Result	Actual Result
9. Universities became eligible to be direct recipients of USAID funding by meeting requirements outlined in ADS 303 by the end of the project.	Not achieved: According to the mission, this result is no longer expected.
10. Each university improved the quality and relevance of at least one academic program.	In progress: The project tracked progress in quality assurance in study programs with indicator 13.2.
11. Each beneficiary university helped at least one other university (outside of the project) improve the quality of teaching, research, and service delivery using approaches developed under the project.	Not yet started: According to the COR, the project will achieve this in year 5.
12. HELM disseminated technical studies on higher education reform completed during the project to universities.	Not yet started.
13. Beneficiary universities employed effective management approaches developed or taught during the project. HELM facilitated the result by distributing publications and other materials from the project to the universities.	Not achieved: According to the mission, the project tracked dissemination of materials through Web site hits, but not whether universities used them.
14. HELM established at least five partnerships between U.S. and Indonesian institutions to improve financial planning, university leadership, quality assurance, or collaboration with external stakeholders.	In progress: The project tracked progress in establishing partnerships with U.S. institutions with indicator 7.
15. HELM highlighted public diplomacy opportunities that featured U.S.-Indonesian collaboration in higher education.	In progress: The project tracked progress in creating public diplomacy opportunities with indicator 4.
16. University administrators increased their understanding of and applied effective leadership, management, and decision-making approaches.	Not achieved: The project was supposed to track progress with indicator 11.1, for which the project did not report a result in year 3. The indicator was later dropped.
17. HELM established or strengthened graduate-level programs in higher education leadership and management in at least three universities.	In progress: The project tracked progress in establishing graduate programs in higher education administration with indicator 8.
18. HELM provided timely assistance for special initiatives to advance reforms and innovation in the management of higher education.	In progress: Special initiatives included the Action Research Program and Blended Learning.

Table 4. Indicator Test Results (Audited)

Indicator	Conclusion	Methodology
1. <i>Number of host-country individuals trained as a result of USG investments involving higher education institutions</i>	<u>Unreliable.</u> The project incorrectly calculated the results for the first 2 years, resulting in double-counting. So the project revised the second-year result from 1,420 to 634, a difference of 55 percent. For this reason, the indicator was not reliable (data quality weakness).	Drew random samples of 25 participants from each of the first 3 years and cross-referenced training logs against the database. The percentage of the universe represented by the samples could not be calculated because of problems with the database.
2. <i>Number of USG-assisted host-country policy development and reform activities utilizing host-country higher education institutions</i>	<u>Reliable</u> Note: Indicator dropped from project.	Drew random samples totaling 8 activities from 14 reported during the first 3 years and cross-referenced them against documentation of relevant workshops and forums.
3. <i>Proportion of females who report increased self-efficacy at the conclusion of USG supported training/programming</i>	<u>Unreliable</u> The percentage reported as a result was not supported by documentation because the project did not provide all of the participant questionnaires needed to verify it. The M&E staff also did not track the questionnaires in the database. For this reason, the indicator is of questionable integrity (data quality weakness).	Asked for copies of all questionnaires received to verify the reported result. The project's staff could not provide all of the documents.
4. <i>Number of public diplomacy opportunities highlighted</i>	<u>Unreliable</u> The project used inconsistent methods for calculating results and double-counted some events. It reported 11 events completed during the first 3 years, but only 9 were supported, a difference of 18 percent. For this reason, the indicator was not reliable (data quality weakness). Note: Indicator dropped from project.	Reviewed documentation of all public events reported during the first 3 years and examined media articles.
5. <i>Number of USG-supported organizational improvements that strengthen the institutional capacity of host country higher education institutions</i>	<u>Unreliable</u> Some improvements were not verified before the end of reporting period. So the project later revised the result from 25 to 35, a difference of 29 percent. For this reason, the indicator was not timely (data quality weakness).	Drew a random sample that included 14 improvements at 3 universities out of 35 reported for the third year. Examined surveys submitted by the universities.

Indicator	Conclusion	Methodology
6. <i>Number of host-country institutions with increased management or institutional capacity as a result of USG investments involving higher education institutions</i>	<u>Generally reliable</u> The project revised its reported result from eight to nine. We do not consider the difference material. Note: Indicator dropped from project.	Drew a random sample of three universities out of nine that reported improvement. Reviewed surveys completed by the universities.
7. <i>Number of USG-assisted higher education partnerships between US and host country institutions that address regional, national, and local development needs</i>	<u>Reliable</u>	Drew a random sample of four partnerships out of eight reported for the third year and reviewed memorandums of understanding.
8. <i>Number of graduate programs in [higher education] administration developed or strengthened</i>	<u>Reliable</u>	Reviewed memorandums of understanding with all four universities that the project helped establish programs.
9. <i>Number of community colleges benefiting from HELM capacity development support</i>	<u>Reliable</u> Note: Indicator dropped from project	Reviewed memorandums of understanding with all three community colleges supported by the project.
10. <i>Assessments of HEI reform implementation are completed and shared with stakeholders</i>	<u>Generally reliable</u> The project revised its reported result from nine to ten because of a computer glitch, according to project officials. We do not consider the difference material. Note: Indicator dropped from project.	Reviewed nine deliverables counted toward the reported result.
10.1. <i>Percent of HELM-supported HEI faculties who effectively implement strategic plans containing targets in leadership and management</i>	<u>No result reported</u> DIKTI did not provide the data needed to track the result. Note: Indicator dropped from project.	Not tested.
11.2 <i>Percent of HEIs participating in Action Research which have developed and piloted a new change management initiative and reached their targets</i>	<u>Unreliable</u> The percentage reported for the third year was not supported. Even though the project reported a third-year result of 48 percent, it did not document how universities reached their targets because the time frame for completing initiatives is longer than 1 year. For this reason, the indicator is not timely (data quality weakness).	Drew a random sample of four universities out of ten that were participating in the Action Research Program. Reviewed progress reports prepared by universities and a subcontractor, as well as documentation of the project's verification of reported actions.

Indicator	Conclusion	Methodology
12.1 <i>Percent of HELM-supported HEIs with poor baseline performance on audit reports that exhibit improvement</i>	<p><u>Unreliable</u> Project staff incorrectly interpreted poor baseline performance. The original result of 20 percent was based erroneously on ten audit reports. The project later revised the result to 50 percent based on two audit reports, a difference of 30 percent. Because of the small number of audits on which the result is based, the indicator is not valid (data quality weakness).</p>	Reviewed audit reports for two universities.
12.2 <i>Percent of HELM-supported HEIs able to accurately forecast budgets</i>	<p><u>Unreliable</u> The result reported for the third year was not supported by documentation. The records provided by the contractor showed that 44 percent of universities improved their ability to forecast, not the 71 percent originally reported. The baseline was incorrectly calculated. Note: Indicator dropped from project.</p>	Drew a random sample of 6 universities out of 25 that had accurately forecast their 2013 budgets. Reviewed the contractor's tracking spreadsheets for financial data provided by universities.
13.1 <i>Percent of HELM-supported HEIs reviewed by [the national accreditation board] that are either newly accredited, maintain an accreditation ranking of B or higher, or improve their accreditation ranking</i>	<p><u>Generally reliable</u> The result was supported, but the baseline was questionable.</p>	Drew a random sample of 8 universities from a universe of 33 newly accredited universities. Reviewed the contractor's tracking sheets of data produced by the national accreditation board.
13.2 <i>Percent of HELM-supported HEI study programs reviewed by [the national accreditation board] that are either newly accredited, maintain an accreditation rank of B or higher, or improve their accreditation ranking</i>	<p><u>Unreliable</u> The project incorrectly calculated the result by including universities that maintained a C accreditation. The project revised its result from 82 percent originally reported to 58 percent after a review by an M&E consultant.</p>	Drew a random sample of 6 universities out of a universe of 50. We reviewed accreditation data reports produced by the Indonesian accreditation board provided by the contractor. Reviewed an analysis of the indicator results performed by the M&E consultant.

Indicator	Conclusion	Methodology
14. <i>Number of new partnerships actively pursued by HELM-supported HEIs</i>	<p><u>Unreliable</u> The reported result was not supported by documentation because the project did not track or verify the start date of partnerships and whether they were attributable to the project. Within our sample of 11 partnerships, 4 started before the universities were trained. Thus, 40 percent of the partnerships in the sample were counted incorrectly.</p>	Drew a random sample of 11 partnerships out of 190 reported for the third year and reviewed reports provided by universities.

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