OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan

Office of Inspector General, U.S. Agency for International Development

Draft Report

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MEMORANDUM

DATE: November 17, 2021

TO: USAID/Bangladesh, Mission Director, Kathryn Stevens
            USAID/Nepal, Mission Director, Sepideh Keyvanshad
            USAID/Pakistan, Mission Director, Julie Koenen

FROM: Asia Regional Office Acting Audit Director, Esther Park /s/

SUBJECT: Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan (5-000-22-001-P)

This memorandum transmits the final report on our audit of USAID's use of third-party monitors (TPMs) in Asia. Our audit objectives were to assess the extent to which selected USAID missions in Asia (1) used TPMs in managing their programs and (2) acted on information obtained from TPMs to ensure that identified issues had been addressed. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix B.

The report contains four recommendations to improve the selected missions' use of third-party monitoring contractors and the process for tracking and resolving the issues identified by third-party monitors. After reviewing information you provided in response to the draft report, we consider one closed (recommendation 3), and three resolved but open pending completion of planned activities (recommendations 1, 2, and 4). For recommendations 1, 2, and 4, please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff provided to us during this audit.

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INTRODUCTION

USAID, through the Bureau for Asia, distributed over $8.4 billion across 31 countries in Asia and the Pacific Islands during fiscal years 2015-2019 and uses monitoring as a critical oversight tool to help determine what effects programming has in a location and how programming should adapt to changing environments. To assist with oversight at the country level, USAID has long employed third-party monitoring as one of the mechanisms to supplement the Agency's efforts to ensure that projects and activities contribute to measurable results that are sustainable. Additionally, third-party monitoring assists the Agency in determining whether recipients met applicable requirements; had effective internal controls in place; and had activities that were free of fraud, waste, and abuse.

Despite the benefits of utilizing third-party monitors (TPMs), several recent OIG audits identified challenges to effective third-party monitoring and hesitancy among some mission staff to use TPMs.[1] Furthermore, a recent audit of USAID's use of third-party monitoring in Iraq found a lack of timely follow-up or resolution of issues identified by the third-party monitoring contractor.[2] As such, OIG initiated this audit to determine how USAID missions in Asia used TPMs in managing their programs and whether any common themes or challenges emerged. Specifically, our audit objectives were to assess the extent to which selected USAID missions in Asia (1) used TPMs in managing their programs and (2) acted on information obtained from TPMs to ensure that identified issues had been addressed.

We conducted our work in accordance with generally accepted government auditing standards. Our audit scope covered USAID third-party monitoring activities from July 1, 2018, through December 31, 2020. We judgmentally selected a sample of three missions—USAID/Bangladesh, USAID/Nepal, and USAID/Pakistan—out of the six missions in Asia and the Pacific Islands that were using the services of TPMs. Our selection of the three missions was primarily based on the number of TPMs working for each mission and the quantity of awards monitored by the TPMs. For the three selected missions, we then chose 7 out of 22 activities using third-party monitoring services, based on factors such as activity costs and location of activity implementation. For Bangladesh, we also selected two activities that did not use the services of a TPM to determine the reason for not utilizing those services. To conduct our work, we reviewed key USAID and mission documents relevant to this audit and interviewed officials from the Bureau for Asia, the three selected missions, TPMs, and implementers.

We judgmentally selected a sample of 24 findings or issues from those reported by the TPMs for the activities we selected. Selection was based on factors such as the period when findings or issues were reported and their priority. We reviewed supporting

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[1] In this report, we refer to third-party monitor, third-party monitoring contractor, and contractor to describe the contractor that provides third-party monitoring services to USAID. These terms are used interchangeably throughout the report.

[2] USAID OIG, "Enhanced Guidance and Practices Would Improve USAID's Transition Planning and Third-Party Monitoring in Iraq" (9-266-21-003-P), February 19, 2021.

evidence to determine if the actions taken were timely and sufficient to address the findings or issues. Due to COVID-19 travel restrictions, we limited our review to the actions as reported by USAID, TPMs, and implementers.

Appendix A provides more detail on our scope and methodology.

SUMMARY

USAID missions in Bangladesh, Nepal, and Pakistan contracted with TPMs for a variety of activities and services but used them to varying extents. One TPM provided services across a variety of sectors and activities, while others were contracted for their technical expertise in a specific sector. For example, USAID/Bangladesh contracted with a TPM that was open to providing services to activities across the entire mission, while activities reviewed in USAID/Nepal and USAID/Pakistan used TPMs that provided technical services specifically targeting the missions' construction activities. The missions used TPMs to varying extents. Specifically, for USAID/Bangladesh, 16 out of 96 activities used one TPM that was intended to provide monitoring services for programs across the mission due in part to a lack of guidance on how to use these services. In addition, some mission officials disclosed concerns about the quality of the products and services by this TPM, although other mission staff disputed these claims. Additionally, a mission official noted reluctance by technical offices to use third-party monitoring services because they preferred their own third-party monitoring contractor, or they wanted to perform monitoring themselves. Notwithstanding, the limited use of these services could have resulted in decreased efficiency in monitoring, particularly during COVID-19 when there were few mission staff available in-country to provide monitoring support.

While all three missions did sometimes track, follow up on, and resolve issues identified by their TPMs, we found exceptions, such as issues that were not addressed in a timely manner or were missing documentation to support resolution. This is because the three missions lacked a systematic and centralized process to ensure that issues identified by TPMs were (1) resolved with supporting documentation, (2) being addressed by the technical offices or implementers, and (3) resolved in a timely manner. Lack of a systematic and centralized process at the three missions may have left important issues unaddressed, particularly after staff leave their positions and their successors may be unable to determine whether or how reported issues had been resolved. The existence of unresolved issues defeats the purpose of having TPMs point out issues of concerns.

We are making four recommendations to improve the selected missions' use of third-party monitoring contractors and the process for tracking and resolving the issues identified by TPMs. USAID agreed with all four recommendations.

BACKGROUND

USAID has remained committed to continuing its oversight of its programs and ensuring the accountable and effective use of U.S. taxpayers funds. According to the Agency's Automated Directives System (ADS) Chapter 201, operating units must:[3]

- Monitor implementation progress, including the quantity, quality, and timeliness of an activity's outputs.

- Track the achievement of an activity's outcomes.

- Ensure the quality and delivery of performance-monitoring data collected by implementers.

- Perform site visits to provide oversight over awards, inspect implementation progress and deliverables, verify monitoring data, and learn from implementation.

According to USAID, TPMs are contracted by the Agency to act as its eyes and ears when USAID staff are unable to carry out their oversight responsibilities by visiting project and activity sites.[4] This often occurs in nonpermissive environments, where missions rely on third-party monitoring systems to help supplement monitoring data and verify implementer reports. Third-party monitoring has been used to help assess and manage program performance in nonpermissive environments such as in Afghanistan, Egypt, Nigeria, Pakistan, Somalia, South Sudan, and Yemen. In October 2020, USAID published the discussion note "Third-Party Monitoring in Non-Permissive Environments." While this was not a mandatory directive, it addressed considerations for using TPMs to augment regular performance monitoring, as prescribed in ADS Chapter 201, to implement the Program Cycle, which is USAID's operational model for planning, delivering, assessing, and adapting development programming.[5]

There are other reasons for using TPMs as well, such as constraints on the availability of mission personnel, mission personnel ability to access sites, and the complexities of activities that require specific expertise. For example, USAID/Bangladesh mission officials noted that embassy personnel faced movement restrictions due to security concerns, thus limiting their access to USAID-funded sites.

Except for construction contracts, which encourage the use of architectural and engineering firms to perform quality assurance throughout the life of the construction activity, there is no specific guidance in the ADS related to the use of third-party

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[3] ADS Chapter 201, "Operational Policy for the Program Cycle," October 2020.
[4] USAID defines third-party monitoring as "the systematic and intentional collection of performance monitoring and/or contextual data by a partner that is not USAID, or an implementing partner directly involved in the work." USAID Bureau for Policy, Planning, and Learning, "Discussion Note: Third-Party Monitoring in Non-Permissive Environments," October 2020.
[5] USAID discussion notes explore principles or methods related to the Program Cycle and are intended to prompt inquiry. This note was published by the Bureau for Policy, Planning, and Learning.

monitoring for USAID programs.[6] Rather, the determination on the use of TPMs is left to each individual mission.

According to USAID, monitoring activities performed by third parties include:[7]

- Collecting and verifying data.

- Monitoring planning at the project level.

- Reviewing baselines and targets.

- Collecting baseline data.

- Tracking and analysis of contextual indicators.

- Verifying activity- or project-level results.

- Conducting or reviewing data quality assessments (DQAs).

USAID, through the Bureau for Asia, funds programs in 31 countries in Asia and the Pacific Islands, and in fiscal years 2015-2019, the Agency distributed over $8.4 billion in aid to programs in these countries.[8] USAID reported using third-party monitoring contractors in 6 of these 31 countries to monitor programs, as shown in Table 1.

Table 1. USAID Missions in Asia Using Third-Party Monitors

Mission	Number of Third-Party Monitoring Contracts	Contract Amount (US$)[a]	Number of Awards Monitored	Timeframe of Third-Party Monitoring Contracts
Bangladesh	2	$10.6 million	13	2017-2023
India	1	$89,208	1	2019-2022
Indonesia	3	$24.3 million	58	2016-2023
Nepal	2	$37.2 million	28	2015-2022
Pakistan	13	$144.7 million	72	2012-2023
Philippines	1	$7.9 million	3	2014-2020

[a] Contract amounts larger than $1 million have been rounded.
Source: OIG analysis of information provided by USAID.

According to USAID documentation, the data collected by TPMs is used to assess and manage an implementing organization's performance, mostly on a quarterly basis, but

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[6] ADS Chapter 201, Mandatory Reference, "Management of Construction Risk," January 15, 2021.
[7] USAID, "Monitoring and Evaluation Platforms: Considerations for Design and Implementation Based on a Survey of Current Practices," September 2013.
[8] OIG analysis based on information from the USAID Foreign Aid Explorer, accessed January 8, 2020. USAID Foreign Aid Explorer has been merged into ForeignAssistance.gov and no longer exists as a stand-alone website. Malaysia was not included in the 31 countries since it was not part of the Bureau for Asia at the time of this analysis. Afghanistan was also not included since it was not yet merged into the Bureau for Asia and it was not yet under the OIG Asia Regional Office's oversight responsibility at the time of the analysis.

this can also occur in real time. The agreement officer's representative (AOR) or contracting officer's representative (COR) needs to be actively involved throughout the entire process, including following up on required actions to address issues identified by TPMs.[9]

OIG has previously reported on USAID's use of TPMs and has identified areas that needed improvements:

- A recent audit of USAID's management of third-party monitoring in Iraq found a lack of timely follow-up or resolution of issues identified by the third-party monitoring contractor. This was because USAID did not have a formal process in place with defined roles and responsibilities to track, respond to, and resolve issues identified by the contractor.[10]

- In an audit of USAID/Afghanistan's strategy for monitoring and evaluating programs, OIG found that the mission had not established annual monitoring plans, which resulted in a disconnect between TPM activities and the results reported to Congress and the public.[11]

- OIG's audit of USAID/Pakistan's education portfolio found that the mission had not developed adequate guidance for conducting or documenting site visits or for using TPMs.[12] Mission employees were reluctant to use TPMs for conducting site visits because they thought the contractor was too slow and may not have had the overall program knowledge to provide useful site visit information. As such, USAID/Pakistan rarely used the TPM for its education programs.

- In an audit of USAID's humanitarian assistance in central-west Africa's Lake Chad region, OIG found that the Agency lacked criteria that would trigger an assessment for evaluating the need for a TPM.[13]

SELECTED USAID MISSIONS CONTRACTED WITH THIRD-PARTY MONITORS FOR A VARIETY OF ACTIVITIES AND SERVICES BUT USED THEM TO VARYING EXTENTS

The TPMs for the missions we reviewed provided a wide range of monitoring, evaluation, learning, and adapting services for mission activities. The missions benefited

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[9] USAID Bureau for Policy, Planning, and Learning, "Discussion Note: Third-Party Monitoring in Non-Permissive Environments," October 2020.

[10] USAID OIG, "Enhanced Guidance and Practices Would Improve USAID's Transition Planning and Third-Party Monitoring in Iraq" (9-266-21-003-P), February 19, 2021.

[11] USAID OIG, "Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Programs Throughout Afghanistan" (F-306-16-001-P), December 10, 2015.

[12] USAID OIG, "USAID'S Pakistan Education Program Aligned With U.S. Strategy, But Insufficient Oversight Could Impede Accountability for Results" (5-391-20-001-P), July 22, 2020.

[13] USAID OIG, "USAID Has Gaps in Planning, Risk Mitigation, and Monitoring of Its Humanitarian Assistance in Africa's Lake Chad Region" (4-000-21-001-P), October 15, 2020.

from their use, because the TPMs provided independent verification of activity performance factors, such as construction milestones. Also, mission personnel noted that the TPMs allowed missions to track activities in remote locations. In the case of USAID/Bangladesh, the mission established a centralized third-party monitoring platform with one contractor to provide one-stop use for monitoring, evaluation, learning, and adapting services. However, there was limited use by the technical offices due in part to a lack of specific guidance on the use of such services.

USAID/Bangladesh Contracted for Third-Party Monitoring Across All Activities, While Mission Activities Reviewed in Nepal and Pakistan Targeted Construction

In 2018, USAID/Bangladesh established the Bangladesh Monitoring, Evaluation, and Learning (BMEL) activity, a third-party monitoring contract. Its purpose was to serve as a tool to conduct monitoring, evaluation, and learning and adaptive management services across the mission. It aimed to provide comprehensive monitoring and evaluation services to further strengthen implementation of the mission's development strategy.

The mission established BMEL to centralize services to streamline monitoring service delivery into a single task order, simplify coordination between contractor and technical offices, and reduce the contract's management burden on the mission. According to the contract, BMEL is an umbrella tool that would support the transition of the monitoring and evaluation awards within the mission at that time, which were being managed by various technical offices. For example, the TPM could perform a monitoring site visit in one location involving several activities or consolidate data collection to facilitate reporting at USAID headquarters.

For USAID/Nepal, our audit focused on one TPM that provided monitoring services to two construction activities. The TPM provided on-site monitoring and independent verification of construction quality, as well as the amount, quantities of materials, and value of work completed to ensure compliance with the terms of the contract. The TPM also maintained an issue log to record construction project problems. The log was intended as a tool for reporting and communicating issues to USAID and for tracking the issues through resolution. Mission officials noted that the TPM provided additional monitoring support to the mission, particularly in cases when the mission lacked staffing.

For USAID/Pakistan, our audit focused on the two third-party monitoring contracts that provided monitoring services to three construction activities. The TPM for these contracts conducted periodic site inspections to verify and report to USAID that construction milestones had been achieved before authorizing payment to the construction contractor.

USAID/Pakistan officials noted that the TPMs brought additional staffing for architectural and engineering services. They also pointed out that the TPMs' staff could visit sites that USAID staff could not visit because of the large number of visits required, the technical nature of the activities, and the restrictions placed on mission personnel, primarily due to security concerns.

For both Nepal and Pakistan, the TPMs also carried out on-site inspections of construction sites to ensure that the construction contractors followed environmental, health, and safety regulations.[14]

USAID/Bangladesh's Third-Party Monitoring Contract Usage Was Limited Due to Multiple Factors

Although USAID/Bangladesh used other mechanisms for evaluations, assessments, and quality assurance, the mission established BMEL as an umbrella tool that would centralize comprehensive monitoring services across the mission and support the transition of the current monitoring and evaluation awards within the mission, which were being managed by various technical offices.[15] At senior team meetings, USAID/Bangladesh senior leadership had encouraged the mission staff to use BMEL. Despite this encouragement, its usage was limited, with 16 of 96 activities using the TPM's services for site visits, evaluations, and assessments.

According to a mission official, the limited use of BMEL stemmed from lack of specific guidance on using such services. USAID/Bangladesh's mission order defined guidelines, procedures, and roles and responsibilities related to monitoring, evaluation, and learning, but it did not include specific guidance on how and when it was appropriate to use a TPM.

Additionally, other factors contributed to the limited use of BMEL, such as mission staff concern about the contractor's expertise and performance problems. Specifically, some mission officials stated that (1) the contractor did not have the expertise or knowledge on technical aspects of the programs and (2) issues or problems were linked to the contractor's performance, including a reported lack of understanding of USAID programs and recommendations that were unsuitable for addressing the related identified issues. However, other mission staff refuted claims about the quality of the TPM and stated that the mission followed a rigorous vetting process before selecting the TPM.

Also, a mission program official said technical offices were reluctant to switch to BMEL because they previously had their own monitoring, evaluation, and learning mechanisms, or they preferred to do their own monitoring. One AOR said that doing their own monitoring helped her better understand project activities and work more closely with the government because such dealings were sensitive.

The limited use of BMEL may have led to risks or challenges that could impair the success of the mission's activities. For instance, without the expanded and appropriate use of a TPM who is qualified to provide the services, the mission may miss the

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[14] USAID provides guidance on the use of architect-engineering firms to implement construction activities to minimize construction risks. ADS Chapter 201, Mandatory Reference, "Management of Construction Risk," January 15, 2021.
[15] USAID/Pakistan and USAID/Nepal have used other contracts to provide monitoring, evaluation, and learning services across their respective missions; however, those contracts were not covered in this audit since they have either expired or already been covered in another OIG audit noted in footnote 12 of this report.

opportunity to mitigate known risks and challenges to their activities. This could include travel restrictions due to security concerns that limit on-site oversight, the impact of activities on sensitive issues (such as lesbian, gay, bisexual, and transgender rights and countering violent extremism), and the impact of the COVID-19 pandemic on USAID-funded activities.

Despite other means of monitoring, the mission may not be fully maximizing the potential benefit of using BMEL to make monitoring more efficient, particularly during the COVID-19 pandemic.

On April 1, 2021, a senior USAID/Bangladesh official emailed mission management to encourage staff to use BMEL. The announcement included a third-party monitoring service request form, which outlined critical elements to assist the mission in determining when to use a TPM. This was a good first step, but an email does not meet the formality and significance of a mission order or a policy. In addition, new staff who joined the mission after April 2021 would not have received this email.

MISSIONS IN BANGLADESH, NEPAL, AND PAKISTAN DID NOT ALWAYS TRACK, FOLLOW UP ON, OR RESOLVE ISSUES IDENTIFIED BY THIRD-PARTY MONITORS IN A TIMELY MANNER

While all three USAID missions did sometimes track, follow up on, and resolve issues identified by their TPMs, we also found exceptions. These exceptions consisted of instances where issues identified by the TPMs were not addressed in a timely manner or were missing documentation to support resolution. This was because these missions did not have a systematic and centralized process with defined roles and responsibilities to ensure that issues identified by TPMs were resolved with supporting documentation and resolved by the technical offices or implementers in a timely manner. As a result, many important issues remained unresolved, which may have impacted the related activities.

Monitoring of USAID-funded activities is an important requirement to ensure that the Agency achieves its intended results. Specifically:

- Federal internal control standards recognize that documentation is a necessary part of an effective internal control system to ensure its effective design, implementation, and operating effectiveness. In addition, management must obtain relevant data from reliable sources on a timely basis so that it can be used for effective monitoring. The standards also state that management should complete and document corrective actions to remediate internal control deficiencies on a timely basis.[16]

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[16] U.S. Government Accountability Office, Standards for Internal Control in the Federal Government (GAO-14-704G), Section 4, "Additional Considerations, Subsection OV4.08, Documentation Requirements;" Principle 13, "Use of Quality Information;" and Principle 17, "Evaluate and Remediate Deficiencies," September 2014.

- Agency policy states that monitoring is the ongoing and systematic tracking of information relevant to USAID's projects and activities. Data are the backbone of the accountability structure at USAID, and monitoring data gathered during program implementation help the Agency learn and adapt in a timely way and ensure that projects and activities contribute to measurable results that are sustainable after programs end.[17]

To assess whether issues were resolved in a timely manner for USAID/Nepal, we corroborated the target resolution dates established by the TPM with mission documentation. Since USAID/Bangladesh and USAID/Pakistan did not have established dates, we assessed each issue's resolution by confirming the lack of timeliness with the relevant COR and the TPM. The three USAID missions had access to a variety of tracking mechanisms, ranging from a TPM issues-and-recommendations tracker to third-party monitoring reports on issues and recommendations.

We found the following:

- For all missions, the tracking of issues identified by TPMs and any resolution of these issues—or addressing the suggested TPM resolutions to mitigate them—was left to the discretion of the relevant COR/AOR. The CORs/AORs did not always ensure that these issues were tracked and resolved accordingly.

- USAID/Pakistan did not maintain an issues tracker. Both USAID/Nepal and USAID/Bangladesh had a TPM issues-and-recommendations tracker; however, USAID/Bangladesh did not fully use it.

- CORs for USAID/Pakistan's and USAID/Nepal's programs received weekly and monthly reports with findings and recommendations from the TPMs. The technical offices for USAID/Bangladesh received reports with issues and recommendations generated after each third-party monitoring assignment was completed. But we found that many of these issues were not resolved, as they had no systematic process in place for tracking resolution of the issues.

Although the three USAID missions we audited sometimes tracked, followed up on, and resolved issues identified by their TPMs in a timely manner, we also found exceptions. Of the 24 issues audited, 5 were not resolved in a timely manner, and another 10 were unresolved or lacked documentation supporting resolution. For example, one reported issue in Nepal—related to a delay in the delivery of roofing materials for school construction—was resolved after 19 months. In Pakistan, one issue that pertained to the poor quality of bricks being used for wall construction was reportedly resolved. However, we determined that supporting documentation was not sufficient to prove it was. The COR of the TPM agreed with this conclusion. In addition, a delay of school construction activities in Nepal due to lack of manpower has been unresolved for almost three years, which has contributed to the delay of the overall project, according to the TPM.

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[17] ADS Chapter 201.3.1.3, Section D, "Monitoring," October 2020.

Table 2 provides a breakdown by mission of the resolution of issues.

Table 2. Resolution of Issues Identified by Third-Party Monitors

Mission	Number of issues resolved in a timely manner	Number of issues resolved late[a]	Number of months late issues were resolved	Number of issues unresolved[b]
USAID/Bangladesh	3 of 6	3 of 6	13-19 months	0 of 6
USAID/Nepal	1 of 6	2 of 6	5-19 months	3 of 6
USAID/Pakistan	5 of 12	0 of 12	N/A	7 of 12
Total	9 of 24	5 of 24		10 of 24

Notes:

[a] To assess if issues were resolved "in a timely manner" or "late" for USAID/Nepal, we corroborated the target resolution dates established by the TPM with mission documentation. Since USAID/Bangladesh had not established target resolution dates, we assessed the issue's resolution by confirming the lack of timeliness with the relevant COR and the TPM. For USAID/Pakistan, the resolutions for all issues were timely.

[b] The number of unresolved issues includes four that were reportedly resolved, but where resolution was not supported by documentation: two from Nepal and two from Pakistan.

Source: OIG analysis of documentation needed to support resolution of sample issues for USAID/Bangladesh, USAID/Nepal, and USAID/Pakistan.

For USAID/Bangladesh, the mission did not use the TPM tracker to track and monitor identified issues. Also, although the TPM tracker contained information on monitored activities, it did not provide any information on how previously identified issues were resolved, or how and if anything had been done to address recommendations made by the TPM to address identified issues. According to the mission, the resolution and tracking of issues and related recommendations was left to the discretion of the relevant COR/AOR.

For one reviewed USAID/Bangladesh activity, which involved the monitoring of three health clinics, the third-party monitoring report identified several distinct recommendations about issues found for each clinic. Notwithstanding, only the "general" recommendations (or recommendations that were common for all three clinics) were included in the TPM tracker, while the others were omitted. As a result, this casts doubt about the completeness of the TPM tracker.

All three missions lacked a systematic and centralized process to ensure that issues identified by TPMs were (1) resolved with supporting documentation, (2) being addressed by the technical offices or implementers (i.e., the status), or (3) resolved in a timely manner.

Without a system to track the timely resolution status of issues and recommendations, with defined roles and responsibilities for mission staff, and without a process to ensure the accuracy and completeness of weekly and monthly reports, it was challenging for USAID to keep track of the issues raised. For instance, a USAID/Pakistan official managing 175 activities stated that without a system to track monitoring findings, it was difficult for him to manage the issues and recommendations reported to him.

Lacking a centralized tracking system for the three missions could have resulted in leaving important issues unaddressed. Also, when mission staff responsible for monitoring leave their positions, their successors may be unable to determine whether or how the issues were resolved without a tracking system or documentation of the resolution. This is particularly critical in Pakistan, where assignments by Americans in-country are shorter than in other countries (usually 1-2 versus 4 years). Additionally, issues reported by TPMs provide early warning that results may not be achieved as planned. Therefore, without timely resolution of problems identified, USAID may not be able to take early enough action to help ensure results are achieved as planned.

CONCLUSION

In today's operating environment, USAID faces a host of challenges in implementing activities, monitoring progress, collecting data, and tracking performance indicators. These challenges include the need to make multiple site visits, sometimes in nonpermissive environments; security restrictions and remote locations that impede mission staff travel; and staffing challenges that are often specific to each country. While USAID missions in Bangladesh, Nepal, and Pakistan have used TPMs to overcome these challenges, this audit identified hindrances to the missions' ability to fully benefit from their use, such as a lack of clear criteria in using TPMs and some concern voiced about the quality of the products and services by the third-party monitoring contractor at USAID/Bangladesh. In addition, the absence of a central tracking system prevented missions from addressing all the issues identified by TPMs, which may defeat the purpose of having them identify the problems in the first place. Implementing formal policies and identifying roles and responsibilities to address these challenges would put the missions in a better position to utilize TPMs more fully and ensure that issues identified by TPMs are resolved and tracked, further bolstering the Agency's monitoring capabilities and reach.

RECOMMENDATIONS

We recommend that USAID/Bangladesh, USAID/Nepal, and USAID/Pakistan take the following actions:

1. USAID/Bangladesh issue formal policy or guidance on the use of third-party monitors to include when and how mission offices can use the services of qualified third-party monitors.

2. USAID/Bangladesh develop and implement a process with defined roles and responsibilities to track and resolve issues raised by third-party monitors, including documented actions undertaken to address them.

3. USAID/Nepal develop and implement a process with defined roles and responsibilities to track and resolve issues raised by third-party monitors, including documented actions undertaken to address them.

4. USAID/Pakistan develop and implement a process with defined roles and responsibilities to track and resolve issues raised by third-party monitors, including documented actions undertaken to address them.

OIG RESPONSE TO AGENCY COMMENTS

We provided our draft report to USAID on September 23, 2021. On November 1, 2021, we received the Agency's response, which is included as Appendix B of this report.

The report included four recommendations, which the Agency agreed with, and we acknowledge management decisions on all of them. We consider one recommendation closed (recommendation 3) and three recommendations resolved but open pending completion of planned activities (recommendation 1, 2, and 4).

APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from November 2020 through September 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit to assess the extent to which selected USAID missions in Asia (1) used TPMs in managing their programs and (2) acted on information obtained from TPMs to ensure that identified issues had been addressed.

Our audit scope covered USAID third-party monitoring activities in selected Asia missions from July 1, 2018, through December 31, 2020. For Pakistan, we selected reports between February 2020 and February 2021 to obtain additional information, because the TPMs experienced startup delays that resulted in reporting starting in January and March 2020. In answering the audit objectives, the team examined seven third-party monitoring activities at three USAID missions—USAID/Bangladesh, USAID/Nepal, and USAID/Pakistan. We also interviewed and inquired with officials from the Bureau for Asia and selected missions, TPMs, and implementers who were knowledgeable and/or managed the third-party monitoring activities that we examined. For Bangladesh, which contracted with a TPM to provide comprehensive monitoring services across the mission, we also selected 2 out of 80 activities that did not use the services of a TPM, primarily based on activity sector and costs. For these two activities, we interviewed relevant officials to determine the reason for not utilizing those services.

To conduct this audit, we judgmentally selected a sample of three missions—USAID/Bangladesh, USAID/Nepal, and USAID/Pakistan—out of the six missions that were using the services of TPMs in Asia and the Pacific Islands (out of 31 total missions). We selected the three missions primarily based on the number of TPMs working for each mission and the number of awards monitored by the TPMs. We also considered other factors such as the nature and/or risks of the activities monitored, the services provided by the TPMs at the missions, and OIG resources and timelines. For the three missions, we then selected a sample of third-party monitoring contracts as well as a sample of activities to determine how third-party monitoring services were used. To assess the extent to which the missions had acted on information from TPMs, we tested a sample of findings and issues identified by TPMs for selected activities. The results from these samples cannot be used to make inferences about the population. However, we determined that our method for selecting the missions, TPMs, and activities was appropriate for our audit objectives and that this selection would generate valid, reliable evidence to support our findings and conclusions.

To answer the first objective:

- We judgmentally selected 4 of 17 third-party monitoring contracts that were providing monitoring and evaluation services at the selected missions. Our selection

was based on the contract period and costs. We then selected 7 of 22 activities that were using the services of the TPMs, based on types of services, activity sector and costs, and risks and complexities of activities. We reviewed relevant third-party monitoring award documents, such as contracts and progress reports to gather information such as:

– USAID's policy for identifying third-party monitoring needs;

– The nature and scope of third-party monitoring services required;

– Systems or tools the selected missions used to track and monitor outputs and deliverables; and

– Missions' guidance and oversight of reporting and the recommendations follow-up process.

- We reviewed Agency and selected missions' policies and guidance and interviewed officials from the missions, TPMs, and implementers to gather information on USAID's use of TPMs. We gathered information such as:

  – USAID policies and guidance on third-party monitoring and how they were communicated and implemented;

  – How the missions identified third-party monitoring needs;

  – The nature and scope of services required and performed by the TPMs;

  – The systems or tools the selected missions used to track and monitor the outputs and deliverables (e.g., monitoring site visit reports and evaluation reports) of the TPMs;

  – The systems or tools the TPMs used to track and monitor the services;

  – The missions' guidance and oversight of reporting and recommendation follow-up process; and

  – The benefits and challenges of using TPMs.

  The policies and guidance reviewed included the Agency policy related to monitoring, evaluation, and learning (ADS Chapter 201); Discussion Note: Third-Party Monitoring on Non-Permissive Environment; Guide to Remote Monitoring Approaches During COVID-19; Adopting Innovative Practices to Continue Monitoring Programs in the Current Operating Environment; and mission orders for selected missions.

- We also reviewed the missions' Federal Managers Financial Integrity Act (FMFIA) certifications and supporting documentation as well as the Contractor Performance Assessment Reports (CPARs) for selected TPMs to identify risks or issues that could impact the use of TPMs.

To answer the second objective:

- We judgmentally selected a sample of 24 findings or issues from the list of issues or reports by the TPMs for the activities we selected.[18] Our selection was based on factors such as the period when findings or issues were reported and priority or importance of findings or issues. We reviewed supporting evidence—such as reports, photographs, and other documentation—to determine if the actions taken were timely and sufficient to address the findings or issues. Due to COVID-19 travel restrictions, we were not able to visit implementation sites; therefore, we limited our review to the actions as reported by USAID, TPMs, and implementers and did not verify the corrective actions in the field due to travel restrictions.

- We interviewed officials from the selected missions, activities, and implementers to obtain their perspective on the quality and usefulness of the selected third-party monitoring reports, including the process for verification of issues or findings identified by TPMs. We also corroborated information gathered from the documents reviewed.

For the two audit objectives, we conducted a total of 34 interviews and meetings with officials from the selected missions, TPMs, and implementers to include CORs and AORs, program office officials, chiefs of party to the third-party monitoring awards, and program managers or other officials who were knowledgeable of the selected activities.

We also reviewed relevant past reports from USAID OIG and the U.S. Government Accountability Office (GAO) to determine any relevant issues that may have impacted our audit.

We relied largely on documentation and testimonial evidence from USAID, selected TPMs, and selected implementers to support our findings and conclusions. We used their computer-processed data related to the activities that were using a TPM. We assessed and tested the data and found that it was sufficiently reliable for our audit purpose.

In planning and performing the audit, we gained an understanding and assessed internal controls that were significant to the audit objectives. Specifically, we designed and conducted procedures related to four of the five components of internal control as defined by GAO.[19] These included the Risk Assessment, Control Activities, Information and Communication, and Monitoring.

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[18] We judgmentally selected a total of 6 out of 25 findings or issues for USAID/Bangladesh and 6 out of 79 findings or issues for USAID/Nepal. We were unable to determine the total population of findings or issues for USAID/Pakistan due to lack of tracker; therefore, we used selected TPM monthly reports to select our sample of 12 findings or issues for testing.

[19] GAO, Standards for Internal Control in the Federal Government, September 2014.

APPENDIX B. AGENCY COMMENTS

MEMORANDUM

TO: Christine M. Byrne, Deputy Assistant Inspector General for Audit

FROM: Karen Freeman, Acting Assistant Administrator, USAID/Asia Bureau /s/

DATE: October 19, 2021

SUBJECT: Management Comments to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, *Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan* (5-000-22-00X-P) (Task No. 55100220)

  The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The Agency agrees with the recommendations, herein provides plans for implementing them, and reports on significant progress already made.

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, *Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan* **(5-000-22-00X-P) (Task No. 55100220)**

Please find below the management comments from the U.S. Agency for International Development (USAID) on the draft report produced by the Office of the USAID Inspector General (OIG), which contains four recommendations for USAID:

Recommendation 1: We recommend that USAID/Bangladesh to issue formal policy or guidance on the use of third-party monitors, to include when and how Mission offices can use the services of qualified third-party monitors.

- **Management Comments:** USAID/Bangladesh agrees with this recommendation. The Bangladesh Monitoring, Evaluation, and Learning (BMEL) contract is an important Mission tool consisting of three distinct components: performance monitoring; evaluation; and collaboration, learning, and adapting. Given the breadth of the USAID/Bangladesh portfolio, Mission Management believes that it is important to have a range of options to ensure effective oversight of its programs. The best option is to use USAID staff for performance monitoring. When that is not possible, third-party monitors should be used. The Mission designed the BMEL contract to provide effective and timely performance monitoring across the portfolio, when it is needed. The Mission's Monitoring, Evaluation, Learning and Analytics (MELA) mission order clarifies roles and responsibilities related to performance monitoring.

  The Mission has begun updating the MELA Mission Order to clarify the guidance and purpose of third-party monitors, through the BMEL contract, including when and how Mission offices can use these qualified third-party monitors.

- **Target Completion Date:** October 23, 2022

Recommendation 2: We recommend that USAID/Bangladesh develop and implement a process with defined roles and responsibilities to track and resolve issues raised by third-party monitors, including documented actions undertaken to address them.

- **Management Comments:** USAID/Bangladesh agrees with this recommendation. The Mission will develop and implement a process with specific roles and responsibilities of staff and teams primarily involved with the management of USAID development programs. USAID/Bangladesh will update its mission order on MELA to include this new process as part of the Mission's guidance on implementing agency requirements on MELA.
- **Target Completion Date:** October 23, 2022

Recommendation 3: We recommend that USAID/Nepal develop and implement a process with defined roles and responsibilities to track and resolve issues raised by third-party monitors, including documented actions undertaken to address them.

- **Management Comments:** USAID/Nepal agrees with the recommendation and has developed and begun to implement the recommended process. Beginning in July 2021, USAID/Nepal started implementing a more formal process for documenting and tracking issues raised by its third-party monitors. Information captured and analyzed includes recommended actions, by whom those actions are to be taken, and the status of resolution of the issues in question. During each weekly Construction Portfolio Progress Meeting between USAID/Nepal and the third-party monitor, a summary of the open issues per construction site is included in the discussion and presentation slides, as well as a note on current status of the issue, the proposed action, responsible person, and due date. A copy of this slide deck is retained in an Agency-approved archive for future **reference and is attached to this submission at Tabs 1 and 2**. USAID/Nepal is confident that the new process will allow Contracting Officer Representatives and other team members to track open project issues and document/decide actions for closure on a weekly basis.

  The implementation plan for responding to the audit includes: Documentation of open project issues per construction site in the weekly progress meetings between the Third-Party Monitor and the Contracting Officer Representatives (CORs) and other USAID/Nepal team members. Information per issue includes identification date, current status, priority level, next action toward resolution, responsible person, and due date. Ultimately, the CORs will follow up with individuals responsible for each action and ensure issues are resolved and documented in ASIST.

  USAID/Nepal is confident that this new tracking process will ensure that the steps taken to address and resolve issues raised by construction activity Third Party Monitors will be timely and well documented for future reference.

- **Target Completion Date:** This implementation plan was developed and implemented starting on July 13, 2021. USAID recommends closure of this recommendation upon issuance of the Final Report. Supporting documentation is attached at Tab 1 and Tab 2.

Recommendation 4: We recommend that USAID/Pakistan develop and implement a process with defined roles and responsibilities to track and resolve issues raised by third-party monitors, including documented actions undertaken to address them.

- **Management Comments:** USAID/Pakistan Mission agrees with the recommendation and will take the following steps to develop and implement a process to track and resolve issues raised by third-party monitors:

- o Identify an effective medium or instrument to record and track issues raised by third-party monitors and actions undertaken by the Mission;
- o Define clear roles and responsibilities for responsible parties, including documented actions undertaken to address them; and
- o Incorporate final guidance and process into the Performance Monitoring Mission Order - 200.1.

- ● **<u>Target Completion Date</u>:** August 31, 2022

In view of the above, we request that the OIG inform USAID when it agrees or disagrees with a management comment.

APPENDIX C. MAJOR CONTRIBUTORS TO THIS REPORT

The following people were major contributors to this report: Christine Byrne, audit director; James Charlifue, assistant director; Esther Park, assistant director; Andrian Smith, lead auditor; Fawad Aslam, auditor; Benjamin Owusu, auditor; Sally Pabello, auditor; and Saifuddin Kalolwala, legal counsel.