



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID'S EVALUATION POLICY IMPLEMENTATION

AUDIT REPORT NO. 9-000-15-004-P  
SEPTEMBER 10, 2015

WASHINGTON, D.C.



*Office of Inspector General*

September 10, 2015

**MEMORANDUM**

**TO:** PPL, Assistant to the Administrator, Alex Thier

**FROM:** IG/A/PA, Acting Director, Donell Ries /s/

**SUBJECT:** Audit of USAID's Evaluation Policy Implementation (Report No. 9-000-15-004-P)

This memorandum transmits our final report on the subject audit. In finalizing the audit report, we considered your comments on the draft report and included them, without attachments, in Appendix II.

The report contains ten recommendations to help improve the Agency's evaluation policy, its implementation, and compliance with it by operating units. In your comments on the draft report, your office agreed with Recommendations 1, 2, 3, 4, 5, 6, 8, and 10, and disagreed with 7 and 9. We acknowledge management decisions on all ten recommendations and final action upon report issuance for 2, 7, and 9. However, we do not believe that the proposed actions for 7 and 9 will address the problems.

Please refer to our evaluation of management comments on page 9. The Audit Performance and Compliance Division will determine final action after your office completes the proposed corrective actions.

Thank you for the cooperation and assistance your staff extended to our team during this audit.

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## Abbreviations

The following abbreviations appear in this report:

ADS	Automated Directives System
CDCS	country development cooperation strategy
DEC	Development Experience Clearinghouse
DO	development objective
OIG	Office of Inspector General
PMP	performance management plan
PPL/LER	Bureau for Policy, Planning, and Learning/Office of Learning, Evaluation, and Research
PPR	performance plan and report
SOW	statement of work

# SUMMARY OF RESULTS

In June 2010 USAID created the Bureau for Policy, Planning, and Learning/Office of Learning, Evaluation, and Research (PPL/LER) to formulate policy and strengthen monitoring and evaluation of the Agency's work. PPL/LER issued a new evaluation policy in January 2011 with two main purposes: "accountability to stakeholders and learning to improve effectiveness."

The policy has not been updated since then. PPL officials said all subsequent revisions and additions have been made through the Automated Directives System (ADS) because that is the Agency's definitive source for policies and procedures. An official said the office would decide whether to update the policy itself after the next round of ADS revisions is complete.

The Office of Inspector General's (OIG's) Performance Audits Division conducted this audit to determine (1) whether USAID operating units were complying with the Agency's evaluation policy, and (2) whether the policy and its implementation can be improved.

We found that the operating units we chose generally complied with most of the 15 evaluation policy provisions we selected to determine compliance (Appendix III has the selected provisions). For example, they had established points of contact, developed mission orders for evaluation, and conducted evaluations when programs were innovative; in addition, PPL/LER had hired external evaluators to assess the quality of evaluation reports and how their findings were used.

However, we found the following problems.

- Fiscal years 2012 and 2013 evaluation registries submitted as part of the annual performance plans and reports (PPRs) had errors (page 3).
- The policy's requirement that operating units dedicate at least 3 percent of their program budgets on average to external evaluations may be unrealistic (page 4).
- Not all operating units conducted at least one performance evaluation of each large project they implemented, as the policy required, and not all operating units documented how they chose what projects to evaluate (page 5).
- Missions did not always perform impact evaluations properly for each development objective (DO) (page 6).
- Not all evaluation reports included a statement of work (SOW) (page 7).
- The Agency did not make sure that transparency requirements were met (page 7).

To address these concerns, we recommend that PPL:

1. Instruct operating units in writing to (a) follow the standardized template for mission orders on evaluation, (b) use the specified forms for revising evaluation data between their initial and final submissions to the PPR, and (c) institute a review process at the operating unit to verify that annual submissions to the PPR are complete and accurate (page 3).

2. Determine whether the 3 percent provision is realistic for all operating units, and, if not, amend the evaluation policy and ADS to provide greater flexibility (page 4).
3. Provide written guidance to operating units about maintaining documentation on calculations and amounts spent on evaluations and deviations from the evaluation policy and ADS (page 5).
4. Determine the intent of the “large project” requirement and, if applicable, make changes in the evaluation policy and ADS (page 6).
5. Provide written guidance to missions on creating and maintaining records of their analysis and calculation of large projects (page 6).
6. Implement an online tutorial on the main differences between impact and performance evaluations, and make it available to all Agency employees (page 7).
7. Add a requirement to the evaluation policy and ADS that missions document the impact evaluations they plan for each DO or an explanation of why one is not feasible (page 7).
8. Reiterate in writing that all external evaluations must include a SOW as an annex (page 7).
9. Amend its evaluation policy and ADS to require that evaluation points of contact for each operating unit submit the start and release dates for the evaluation online to USAID’s Development Experience Clearinghouse Web site within 30 days after the start of an evaluation (page 8).
10. Amend its evaluation policy and ADS to delete the requirement to submit draft evaluation reports to USAID’s Development Experience Clearinghouse (DEC) (page 8).

Detailed audit findings appear in the following section. Appendix I has information on the audit scope and methodology. OIG’s evaluation of management comments are on page 9, and the full text of management comments are in Appendix II.

# AUDIT FINDINGS

## Annual Performance Plans and Reports' Evaluation Registries Had Errors

Section 3, "Basic Organizational Roles and Responsibilities," of the evaluation policy requires USAID operating units to prepare an inventory of evaluations they plan to conduct during the following fiscal year as well as any they have completed. The inventory should be included in the annual PPR, which is a joint effort between the State Department and USAID with information on foreign assistance. Operating units enter their inventory in a set format and have a limited time to respond to Washington's review comments and revise the data.

Data in the fiscal years 2012 and 2013 registries for 22 of the 31 operating units (71 percent) we reviewed had errors. Some evaluations listed as ongoing actually were completed, while others listed as completed were still ongoing or cancelled. Assessments and other types of reports were mistakenly listed as evaluations. Some operating units entered the wrong completion dates.

The units gave a variety of reasons for the errors. Employees in one said they could not revise any data after they were submitted to the PPR, and those in other operating units said they did not maintain records. Some turned evaluations into assessments, and some decided to conduct internal evaluations instead of external ones.

Officials in PPL/LER attributed the errors to timing. They said the evaluation registries provide information as of a certain date and confirmed that operating units have a limited period to revise the PPR data between the initial and final submissions.

The officials said the evaluation registries are their main source of evaluation information. They explained that they rely on the data to respond to congressional inquiries and report on the number of evaluations completed. They also use the information to see how much money has been budgeted for evaluations, how many impact evaluations are planned and conducted, and how evaluations are used.

Because of the errors we found, any Agency employee who relies on the evaluation registry within the PPRs for program and budget decisions may be using and reporting wrong information. We therefore make the following recommendation.

***Recommendation 1.*** We recommend that USAID's Bureau for Policy, Planning, and Learning instruct operating units in writing to (a) follow the standardized template for mission orders on evaluation, (b) use the specified forms for revising evaluation data between their initial and final submissions to the performance plan and report, and (c) institute a review process at the operating unit to verify that annual submissions to the report are complete and accurate.

## Allotting 3 Percent of Program Budget to External Evaluations May Be Unrealistic

Section 3, “Basic Organizational Roles and Responsibilities,” of the evaluation policy states, “On average, at least 3 percent of the program budget managed by an operating unit should be dedicated to external evaluation.” And Section 5, “Evaluation Requirements,” states, “USAID will devote approximately 3 percent of total program dollars, on average, to external performance and impact evaluation.”

However, 24 of the 31 operating units (77 percent) in our selection were not dedicating at least 3 percent of their program budget to external evaluations. Some of their explanations as to why are discussed below.

- USAID/Armenia officials provided information showing that over a period of 3 fiscal years, the mission spent \$1,195,339 or, on average, about 1.6 percent of its \$76.3 million program funds for external evaluations. They said they did not need to spend any more for them.
- USAID/Bangladesh officials said they conducted an external evaluation for each project and dedicated the resources necessary to cover the cost of those evaluations; however, they did not calculate whether the amount spent was at least 3 percent.
- Global Health Bureau officials said they based evaluation decisions more on whether the project was large or innovative rather than whether they would meet the 3 percent target.
- USAID/Ethiopia officials said they used the 3 percent target, but could not provide documentation to support that.
- USAID/India officials said they usually complied with the target, but not always. They also said USAID/Washington paid for the mission’s external evaluations out of USAID/Washington’s budget; therefore, the mission could not control the amount of Agency funds allotted to these evaluations.
- USAID/Mozambique officials said they would spend at least 3 percent of their program funds over the next 5 years on monitoring, evaluation, and training, not just external evaluations.

PPL/LER officials said the 3 percent target was based on the amounts other agencies and donors spent on evaluations and then set by an agency-wide policy task team who wrote the policy.

The current target does not allow operating units to make adjustments based on their particular needs or circumstances. As a result, they may perform unnecessary evaluations just to meet it, thus wasting funds that could be spent on other activities. Therefore, we make the following recommendations.

***Recommendation 2.*** *We recommend that USAID’s Bureau for Policy, Planning, and Learning determine whether the 3 percent provision is realistic for all operating units, and, if not, amend the evaluation policy and Automated Directives System to provide greater flexibility.*

**Recommendation 3.** *We recommend that USAID’s Bureau for Policy, Planning, and Learning provide written guidance to operating units about maintaining documentation on calculations and amounts spent on evaluations and deviations from the evaluation policy and Automated Directives System.*

## **Operating Units Did Not Evaluate All Large Projects or Document How They Chose What Projects to Evaluate**

Section 5, “Evaluation Requirements,” of the evaluation policy states that each operating unit must conduct at least one performance evaluation of each large project it implements. A “large project” was defined as one that equals or exceeds the cost of the average project size for the unit.

ADS 203.3.1.3 subsequently amended the definition to mean one that equals or exceeds the cost of the average project size for each DO. As a result, this requirement applied only to missions.<sup>1</sup> ADS also requires that operating units document their analysis of average project size and large project.

However, we found that 13 of the 31 missions selected had not complied with the requirements. For example, five did not have any documentation to verify that all large projects were evaluated or were going to be. Two set their own minimum dollar value without computing the value of a large project, and two based their evaluations on mission needs. One evaluated mechanisms instead of projects as defined in the policy because they did not have any projects. One based the computation of large project on a year’s funding instead of the amount of the entire project. One was late in organizing evaluations, and one did not evaluate a large project because of “political sensitivity.”

None of the officials at these missions explained specifically why they did not comply with the policy requirement. When asked about not maintaining documentation of how they calculated large projects, they cited changes or lack of continuity in responsible personnel.

PPL/LER’s director said USAID’s intent with the large project requirement was to evaluate the “majority of program dollars” and acknowledged that the definition could be improved. Other officials in the office said they did not know why missions did not follow the policy and ADS because the policy places the accountability for meeting its requirements with the mission program offices. They said they did not know whether missions completed evaluations on all large projects or how they calculated large projects because the missions are not required to give PPL/LER their evaluation plans or calculations.

The current definition does not take into account a project’s overall size—only its size relative to other projects at the mission. So projects evaluated at some missions might be significantly larger or smaller than those evaluated at others. As a result, some USAID projects worth large amounts of money might be missed while numerous small projects would receive evaluations when they are not necessary. Therefore, we make the following recommendations.

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<sup>1</sup> Washington operating units are exempt from this provision because they do not have anything equivalent to a CDCS or development objective.



**Recommendation 4.** *We recommend that USAID’s Bureau for Policy, Planning, and Learning determine the intent of the “large project” requirement, and if applicable, make changes in the evaluation policy and Automated Directives System.*

**Recommendation 5.** *We recommend that USAID’s Bureau for Policy, Planning, and Learning provide written guidance to missions on creating and maintaining records of their analysis and calculation of large projects.*

## **Missions Did Not Always Perform Impact Evaluations Properly for Each Development Objective**

USAID’s evaluation policy states that as part of preparing their performance management plan (PMP),<sup>2</sup> operating units will consider in each project’s design phase whether it will have one or more performance or impact evaluations. Moreover, for missions preparing a 3- to 5-year country development cooperation strategy (CDCS), the policy states, “Mission leadership will identify at least one opportunity for an impact evaluation for each Development Objective.”

According to ADS 203.3.1.1, “Impact and Performance Evaluations”:

**Impact evaluations** measure the change in a development outcome that is attributable to a defined intervention. Impact evaluations are based on models of cause and effect, and require a credible and rigorously defined counterfactual<sup>3</sup> to control for factors other than the intervention that might account for the observed changes.

**Performance evaluations** focus on descriptive and normative questions—e.g., what a project or program has achieved, how it is being implemented, and whether expected results are occurring. While they often incorporate before-after comparisons, they generally lack the rigorously defined counterfactual that impact evaluations must have.

However, five of the nine impact evaluations we reviewed did not meet ADS’s criteria for impact evaluations; they covered several interventions instead of one, and they did not use a counterfactual.

PPL/LER officials said this occurred because there is confusion between impact and performance evaluations, and the policy may be unclear about the requirement. They explained that when missions develop their strategies, they should consider whether there is an opportunity under each DO for an impact evaluation. Then during project design, the missions can determine whether an impact evaluation is feasible.

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<sup>2</sup> Missions use a PMP to plan and manage the process of monitoring, evaluating, and analyzing progress toward achieving the results they have identified in a CDCS—typically a 5-year strategy to “define development objectives and maximize the impact of development cooperation.” A DO is “the most ambitious result that a USAID Mission or Bureau/Independent Office (B/IO), along with its partners, can materially affect, and for which it is willing to be held accountable.”

<sup>3</sup> This sample control group, used to estimate the counterfactual, is not involved in the development intervention, but in every other respect is as similar as possible to those that are. It is also the results one would expect if the intervention had not been implemented.

Without a clear understanding of the criteria for an impact evaluation, USAID missions may be missing opportunities to judge the full effectiveness of their programs and learn from the results. Furthermore, some missions may not be complying with the policy because it does not state clearly what to do if an impact evaluation is unfeasible. Therefore, we make the following recommendations.

***Recommendation 6.*** We recommend that USAID’s Bureau for Policy, Planning, and Learning implement an online tutorial on the main differences between impact and performance evaluations, and make it available to all Agency employees.

***Recommendation 7.*** We recommend that USAID’s Bureau for Policy, Planning, and Learning add a requirement to the evaluation policy and Automated Directives System that missions document the impact evaluations they plan for each development objective or an explanation of why one is not feasible.

## **Not All Evaluation Reports Included Statement of Work**

The evaluation policy states that evaluation reports should “address all evaluation questions included in the scope of work” and “include the scope of work as an annex.” And ADS 203.3.1.5, “Statement of Work,” says, “A statement of work (SOW) will be needed to contract out evaluations to external entities. The SOW provides the framework for the evaluation and communicates the research questions.”

However, 26 percent of the operating units we reviewed had at least one report that did not include an SOW as an annex. None of the units explained why they were not following policy. When asked whether PPL/LER checks that SOWs are attached to evaluation reports, officials there said that while they helped create the policy, they do not enforce whether units follow it.

When an evaluation report does not include a SOW as an annex, the reader cannot readily ascertain whether the report answers the questions it was supposed to. To address this problem, we make the following recommendation.

***Recommendation 8.*** We recommend that USAID’s Bureau for Policy, Planning, and Learning reiterate in writing that all external evaluations should include a statement of work as an annex.

## **USAID Did Not Make Sure Transparency Requirements Were Met**

According to Section 5, “Evaluation Requirements,” of the evaluation policy:

Operating units will provide information on-line in a fully searchable form about the initiation of evaluations and expected timing of release of findings. This information will be communicated to the public on the USAID website. . . . Completed evaluations (and drafts of reports of evaluations completed more than three months prior) must be submitted to the agency’s *Development Experience*

*Clearinghouse (DEC).*

The requirement to release draft reports is reiterated in ADS 203.3.1.10, "Sharing Evaluations to Enhance Agency Learning and Transparency," and it adds, "If the evaluation was not 'finalized,' the USAID Mission/Office should submit the last draft it received."

However, while completed evaluation reports were available to the public through the DEC, draft reports for evaluations completed more than 3 months before usually were not. We also found that operating units generally were not entering information about the initiation of evaluations and expected release of findings on the DEC, and PPL officials had not issued instructions on how to collect and post the information.

PPL/LER officials said draft reports were not being submitted to the DEC because they did not think it was appropriate to make them public; in addition, they said, the current evaluation policy conflicts with ADS 540.3.2.7, "Standards for Material Submitted to the [DEC]," which requires that material "be final and approved by the [contracting officer's representative] or another qualified reviewer" before it can be submitted to the DEC. ADS, they added, takes precedence over the policy.

Currently the public cannot search online for information on what USAID evaluations have started and when they are scheduled to be completed. In addition, the Agency runs the risk of posting unnecessary information from drafts on the DEC. To address these issues, we make the following recommendations.

***Recommendation 9.*** *We recommend that USAID's Bureau for Policy, Planning, and Learning amend its evaluation policy and Automated Directives System to require that evaluation points of contact for each operating unit submit the start and release dates for the evaluation online to USAID's Development Experience Clearinghouse Web site within 30 days after the start of an evaluation.*

***Recommendation 10.*** *We recommend that USAID's Bureau for Policy, Planning, and Learning amend its evaluation policy and Automated Directives System to delete the requirement to submit draft evaluation reports to USAID's Development Experience Clearinghouse.*

# EVALUATION OF MANAGEMENT COMMENTS

USAID/PPL agreed with eight of the ten recommendations (1, 2, 3, 4, 5, 6, 8, and 10) and disagreed with the other two (7 and 9). Based on comments from PPL, management decisions have been reached on all recommendations. However, we disagree with PPL's management decisions for Recommendations 7 and 9 because we do not believe the proposed actions will address our stated concerns. Our detailed evaluation of management comments follows.

**Recommendation 1.** PPL agreed with the recommendation to provide written guidance about the evaluation registry into its annual PPR guidance. PPL stated that it would keep updating its guidance each year based on feedback from the review processes of previous years. PPL plans to take final action during its next opportunity to provide such guidance on November 30, 2015. We acknowledge PPL's management decision.

**Recommendation 2.** PPL agreed with the recommendation to determine whether the 3 percent target is realistic for all operating units. PPL did a review of the target and said the Administrator's Leadership Council decided in May 2015 to keep it for 2 more years and gave more guidance on how operating units should calculate how much they spend on evaluations. The changes will be put into the ADS, and USAID will continue to monitor the target for appropriateness. We acknowledge PPL's management decision and final action.

**Recommendation 3.** PPL agreed with the importance of monitoring evaluation spending. In addition to providing written guidance about maintaining spending documentation, PPL will consider including written guidance on maintaining documentation for deviations from the ADS in the revised ADS or accompanying guidance. PPL expects to finish revising the ADS by November 30, 2015, and any accompanying guidance by May 31, 2016. We acknowledge PPL's management decision.

**Recommendation 4.** PPL agreed with the recommendation to determine the intent of the "large project" requirement and take appropriate action. PPL expects to finish revising the ADS by November 30, 2015, and the related evaluation policy by May 31, 2016. We acknowledge PPL's management decision.

**Recommendation 5.** PPL agreed with the recommendation to provide written guidance on calculating large projects. PPL will revisit and clarify this area in the ADS or accompanying guidance. PPL expects to finish revising the ADS by November 30, 2015, and any accompanying guidance by May 31, 2016. We acknowledge PPL's management decision.

**Recommendation 6.** PPL agreed with the intent of this recommendation to implement an online tutorial. In addition, PPL provided a variety of methods to meet the training objective. PPL expects to make new online courses in performance monitoring and evaluation available in 2016. We acknowledge PPL's management decision.

**Recommendation 7.** PPL disagreed with the recommendation to add a requirement to the evaluation policy and ADS that missions document the impact evaluations they plan for each DO or an explanation of why one is not feasible, because they believed the requirements for

impact evaluations proposed during the CDCS process should be different from the requirements of evaluations of innovative interventions. They said ADS already requires that missions document the opportunities for impact evaluations for each DO in their CDCSs, and they may decide that an impact evaluation is not appropriate for a variety of reasons. They also said that when impact evaluations are required (for innovative interventions), there is already a requirement in the evaluation policy for documenting why one is not feasible.

While we acknowledge PPL's management decision, we disagree with it. The current evaluation policy does not state specifically that an opportunity for an impact evaluation may not be feasible for each DO. As a result, some missions have tried to perform impact evaluations when they should not have, and this problem may continue unless the policy is clarified. We acknowledge final action upon issuance of the audit report.

**Recommendation 8.** PPL agreed with the recommendation to reiterate in writing that all external evaluations should include an SOW as an annex. PPL said this requirement is already mentioned in the ADS as well as in other resources. PPL said it would make sure this guidance stays in the revised ADS. PPL expects to finish revising the ADS by November 30, 2015, and any accompanying guidance by May 31, 2016. We acknowledge PPL's management decision.

**Recommendation 9.** PPL disagreed with the recommendation that it amend its evaluation policy and ADS to require that evaluation points of contact for each operating unit submit the start and release dates for the evaluation to USAID's DEC. PPL officials said the DEC is not designed to track evaluation start and end dates. They acknowledged that missions are required to submit start and end dates for all planned, ongoing, and completed evaluations as part of the evaluation registry. The officials said they were working with the State Department on a "next generation" information system for PPR data so start and end dates can be entered at any time of the year, not just during the PPR reporting period.

Although we acknowledge PPL's management decision and final action upon issuance of the audit report, we do not believe it addresses a broader point of the finding. The evaluation policy states that information about evaluation start and end dates will be provided online in a fully searchable form and be communicated to the public on the USAID Web site. PPL's proposed action does not address the requirement, because the PPR data are not available to the public.

**Recommendation 10.** PPL agreed with the recommendation that it amend its evaluation policy and ADS to delete the requirement to submit draft evaluation reports to USAID's DEC. PPL officials said the intent of the policy and ADS was to post completed reports on the DEC, not the drafts. They said they would clarify and make this change in the ADS. PPL expects to finish revising the ADS by November 30, 2015, and any accompanying guidance by May 31, 2016. We acknowledge PPL's management decision.

# SCOPE AND METHODOLOGY

## Scope

OIG's Performance Audits Division 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 objectives. We believe that the evidence obtained provides that reasonable basis.

The purpose of this audit was to determine (1) whether USAID operating units were complying with the Agency's evaluation policy, and (2) whether the policy and its implementation could be improved. The audit covered the period from when the Agency issued the policy in January 2011 through December 2, 2014, with a special focus and review of evaluation data reported for fiscal years 2012 and 2013. We conducted fieldwork in Washington, D.C., and by e-mail correspondence with 4 Washington bureaus and 31 selected missions from June 9, 2014, through December 2, 2014.

The audit team assessed whether PPL/LER used sufficient internal controls to monitor and encourage operating units to comply with the evaluation policy. We interviewed PPL/LER and other Washington bureau employees and reviewed documentation to validate responses about the implementation of the policy's provisions. We also extracted data from the PPRs and confirmed reported information with the monitoring and evaluation points of contact at selected Washington bureaus and USAID missions. As part of our assessment, we reviewed the following documents:

- *USAID Evaluation Policy*, January 2011
- checklist for assessing USAID evaluation reports
- standard mission order on evaluations
- CDCSs of selected missions
- PMPs of selected missions
- *USAID Evaluation Policy: Year One, First Annual Report and Plan for 2012 and 2013*, February 2012
- *USAID Evaluation Policy, Answers to Frequently Asked Questions (FAQs)*, Issue 1, March 25, 2011
- *Evaluation, Bureau for Policy, Planning, and Learning: Evaluation of Program Cycle Implementation Final Report*, September 2013

Although we reviewed data about evaluations for reasonableness and compared the operating units' lists of projects with what they reported in their PPRs, for logistical reasons we did not

verify that the lists covered their entire portfolios of projects or were otherwise complete. We also relied on the operating units' assertions as to whether or not they had innovative projects or approaches for which an impact evaluation would be required (or a reason why it would not). We could not verify the amounts operating units reported spending on evaluations.

## Methodology

To gain an understanding of the evaluation policy requirements, OIG reviewed it and the updates in ADS 203, "Assessing and Learning." The team also gained historical perspective on the subject by reading *Meta-Evaluation of Quality and Coverage of USAID Evaluations, 2009-2012*, published in August 2013, as well as *USAID Evaluation Policy: Year One* and *FAQs*.

To answer the audit objectives, we made a random selection of operating units that included 31 missions out of approximately 82 (about 38 percent) and 4 Washington pillar<sup>4</sup> bureaus to determine whether they complied with selected requirements of the policy. Because of access restrictions to some of the missions in the Middle East and a request by the Latin America and Caribbean bureau to exempt Honduras, we eliminated four. The 27 that remained represented missions from each of USAID's five geographical areas.

We selected the four bureaus that had foreign assistance funds. We judgmentally selected the following 15 key provisions of the evaluation policy. To test for compliance, we performed the following audit procedures:

1. Verified that each operating unit had a monitoring and evaluation point of contact by e-mailing requests for information to those PPL/LER listed and receiving responses from them.
2. Visited mission Web sites to verify that each had a mission order on evaluation; if they did not, we asked the mission why.
3. Reviewed PMPs to verify that they had evaluation plans.
4. Extracted the evaluation data reported in fiscal years 2012 and 2013 from PPRs and confirmed the data with the sample operating units for accuracy.
5. Asked operating units whether they dedicated at least 3 percent of their program budgets to external evaluations and asked for supporting documentation.
6. Reviewed calculations of average project size in dollars by DO from missions and verified that all large projects were identified for evaluation.
7. Reviewed when evaluations were performed in project cycles to make sure the results would be available in time to help managers make decisions before projects ended.
8. Reviewed CDCS documents to verify that missions considered whether to conduct at least one impact evaluation per DO.

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<sup>4</sup> Pillar bureaus focus on specific subjects, such as health, rather than a region.

9. Asked operating units whether they performed impact evaluations on projects deemed innovative or involving a new approach.
10. Reviewed two evaluation reports per operating unit to determine that officials from host governments and local institutions as well as local evaluators participated in the design and performance of evaluations.
11. Reviewed two evaluation reports per operating unit to verify that the SOW was included as an annex and that the report addressed all the same questions listed in the SOW.
12. Interviewed PPL/LER employees to verify that they had organized occasional external technical audits of operating units' compliance with the evaluation policy.
13. Accessed USAID's internal and external Web sites to verify that operating units provided information online in a fully searchable form about when evaluations began and when their findings were expected to be released.
14. Accessed USAID's external Web site to verify that completed evaluations (and drafts completed more than 3 months prior) were submitted to the DEC.
15. Asked operating units whether all quantitative data collected by USAID or one of the Agency's contractors or grantees for the purposes of an evaluation were uploaded or organized for future uploading to a central database.

Because of the methods used in our selections, restrictions on reviewing some of the selected missions, and not testing all operating units for all attributes, we cannot project our results to the entire population of missions and bureaus.

Exceptions judged material or pervasive (at least 25 percent of operating units not complying or issues involved) in our tests were developed fully as findings. The results of the compliance testing cannot be projected to the Agency as a whole because, as discussed above, we did not use a specified statistical method in choosing our samples.

The integrity of computer-processed data was not of a significant concern in this audit, as we relied largely on Agency standard periodic reports and operating units' confirmations and manually produced documents.

To determine whether the policy and its implementation could be improved, we interviewed Agency officials. We also analyzed contradictions and conflicts between the policy and ADS requirements or exemptions to determine when reconciliations between them might be needed.



# MANAGEMENT COMMENTS



June 24, 2015

## MEMORANDUM

**TO:** IG/A/PA Director, Jon Chasson

**FROM:** SDAA/Bureau for Policy, Planning and Learning (PPL), Patricia Rader

**SUBJECT:** Audit of USAID's Evaluation Policy Implementation, Audit Report No. 9-000-15-0XX-P

This memorandum transmits PPL's response to the draft report on the subject audit. We are pleased that the OIG found that the operating units selected for the audit generally complied with most of the 15 evaluation policy provisions selected to determine compliance.

PPL agrees with some but not all of the problems as they are stated in the audit. We acknowledge that (1) there are errors made by operating units in the Evaluation Registry section of the PPR; (2) some operating units are not dedicating at least 3 percent of program funds on average to external evaluations; (3) not all operating units are conducting at least one performance evaluation of each large project they implement; (4) Operating Units need more resources related to impact evaluations; (5) some evaluation reports do not include the statement of work; and (6) some USAID Operating Units continue to post draft reports of evaluations to the Development Experience Clearinghouse (DEC). We have or are taking steps to address these issues, and many of these steps are detailed below in our response to each of the audit recommendations.

Despite these limited challenges, USAID has made significant improvements to our evaluation practice since releasing the Evaluation Policy in 2011 and codifying it with some updates in USAID's Automated Directives System (ADS). For example, the number of evaluations produced each year has increased to approximately 250 evaluations per year. Approximately 95 percent of all evaluation reports are posted to the DEC where they are publicly available (the 5 percent that are not posted could impair foreign assistance objectives or release information that could compromise the safety of USAID partners abroad.) The Meta-Evaluation of the Coverage and Quality of USAID Evaluations 2009-2012 also showed improvements in the quality of evaluations since the Evaluation Policy was put into place.

PPL is in the process of updating ADS guidance on the program cycle, including evaluation, and we will take into consideration OIG recommendations as part of this process. Below we explain completed, in process or planned actions in relation to the recommendations with which we agree; or offer explanations for those recommendations with which we do not agree, and offer plans for arriving at alternative actions that we believe will be more likely to result in the desired outcomes.

***Recommendation 1.*** *We recommend that USAID's Bureau for Policy, Planning, and Learning instruct operating units in writing to (a) treat evaluation data as much of a priority as all other information submitted annually to the performance plan and report, (b) follow the standardized template for mission orders on evaluation, (c) use the specified forms for revising evaluation data between their initial and final submissions to the performance plan and report, and (d) institute a review process at the operating unit to verify that annual submissions to the report are complete and accurate.*

**PPL Response:** PPL agrees with the recommendation and will continue to provide written guidance about the Evaluation Registry each year as part of the overall PPR guidance. This guidance includes a "template," revised annually, that provides further instructions for each data field of the Evaluation Registry. Missions can use this template to collect the data across their various offices to prepare for input into the Evaluation Registry of the PPR. PPL will continue to emphasize in the written guidance the need for evaluation data to be reported accurately. PPL will continue to encourage missions to follow the standardized template for mission orders on evaluation. PPL will continue to review and encourage bureaus to review the evaluation registry data after it is submitted by operating units, but before it is made final, as it has for the past two years. PPL's review identifies potential errors, asks missions to verify that specific data is complete and accurate, and provides general feedback to missions. PPL continues to update its guidance each year based on feedback from the review processes of previous years.

Anticipated date for closing recommendation: Review of PPR data takes place annually, and the next opportunity to provide guidance on the PPR is November 30, 2015.

***Recommendation 2.*** *We recommend that USAID's Bureau for Policy, Planning, and Learning determine whether the 3 percent provision is realistic for all operating units, and, if not, amend the evaluation policy and Automated Directives System to provide greater flexibility.*

**PPL Response:** PPL agrees with the recommendation and recently undertook a review of the 3 percent target. In the fall of 2014, USAID's Administrator's Leadership Council (ALC) asked PPL to lead a cross-Agency working group to examine the 3 percent target and determine if the target should change. This review culminated at the ALC on May 19, 2015, where the following decisions were made by the ALC: (1) keep the 3 percent target for two additional years in order to have more data with which to judge whether or not the target is appropriate; and (2) Calculate agency spending on evaluation to: (a) include just USAID Forward countries in the calculation (listed at <http://www.usaid.gov/usaidforward/usaid-forward-draft/frequently-asked-questions>, with some changes due to closed missions) and the four technical bureaus (E3, DCHA, BFS, and GH); (b) include in the numerator the evaluation registry budget information for completed evaluations and an estimated annual average for ongoing evaluations; (c) use the total obligations

in the fiscal year by mission/bureau for the total program funds (denominator) as defined for USAID Forward and as reported through Phoenix; (d) remove transfers to Public International Organizations from the denominator. These changes will be codified in the ADS. USAID will use this calculation to monitor evaluation spending over the next few years to determine whether the 3 percent target is appropriate or not.

Anticipated date for closing recommendation: On May 19, 2015, the ALC reached its decision to maintain the 3% target. This target will be revisited in 2017.

***Recommendation 3. Provide operating units with written guidance about maintaining documentation on calculations and amounts spent on evaluations and deviations from the evaluation policy and ADS.***

**PPL Response:** PPL agrees with the importance of monitoring evaluation spending and already provides written guidance through the PPR process related to missions documenting the amounts spent on evaluation in the Evaluation Registry. PPL will consider including written guidance on maintaining documentation for any deviations from the ADS in the revised ADS or accompanying guidance.

Anticipated date for closing recommendation: PPL expects the revision of the ADS to be completed by November 30, 2015. Guidance accompanying the updated ADS will be completed by May 31, 2016.

***Recommendation 4. Determine the intent of the "large project" requirement, and if applicable, make changes in the evaluation policy and ADS.***

**PPL Response:** PPL agrees with the recommendation and will determine the intent of the “large project requirement,” and if appropriate, make changes to the ADS and Evaluation Policy during and following the current revisions of the ADS 200 - 203 chapters.

Anticipated date for closing recommendation: PPL expects the revision of the ADS to be completed by November 30, 2015. The Evaluation Policy will be revised to reflect the updated ADS by May 31, 2016.

***Recommendation 5. Provide written guidance to missions on creating and maintaining records of their analyses and calculations of large projects.***

**PPL Response:** PPL agrees with the recommendation and has provided guidance on how to calculate a large project, however we recognize that this needs to be revisited and clarified. PPL will consider including written guidance on maintaining documentation on calculations for large projects in the revised ADS or accompanying guidance. (*Dependent on whether large project is included in ADS revisions*).

Anticipated date for closing recommendation: PPL expects the revision of the ADS to be completed by November 30, 2015. Guidance accompanying the updated ADS will be completed by May 31, 2016.

***Recommendation 6.*** *Implement an online tutorial on the main differences between impact and performance evaluations, and make it available to all Agency employees.*

**PPL Response:** PPL agrees with the intent of this recommendation, though we are not certain if an online tutorial is the only tool that should be employed. Since learning is absorbed through multiple means, PPL will provide several vehicles to deepen understanding of the differences between impact and performance evaluations. PPL has classroom training on performance monitoring and evaluation that directly addresses the differences between impact and performance evaluations. There have been two classroom trainings offered over the past four years that address these differences: Evaluation for Program Managers, and Evaluation for Evaluation Specialists. As of June 2015, a new Performance Monitoring and Evaluation course has taken their place and will be offered in Washington, DC and in missions. This training content is also expected to be part of new online courses in performance monitoring and evaluation that are being developed. A section on ProgramNet is devoted to resources around impact evaluation, which include some that outline differences in planning and procurement of performance versus impact evaluations. Finally, PPL promotes a free 5-week online course on impact evaluation among USAID staff, which is offered by MIT's Poverty Action Lab twice per year.

Anticipated date for closing recommendation: PPL expects to make new online courses in performance monitoring and evaluation available in 2016.

***Recommendation 7.*** *Add a requirement to the evaluation policy and ADS that missions document the impact evaluations they plan for each DO, or document an explanation of why an evaluation is not feasible.*

**PPL Response:** PPL disagrees with this recommendation because the requirements for impact evaluations proposed during the Country Development Cooperation Strategy (CDCS) process should be different from the requirements of evaluations of innovative interventions. The ADS already requires that missions document the opportunities for impact evaluations they propose for each DO in their CDCS. However, missions may decide that an impact evaluation is not appropriate for a variety of reasons other than feasibility, including cases where the nature of the intervention does not lend itself to an impact evaluation, if other sources of evidence are more appropriate, or if there are higher priorities for an Operating Unit. In cases where impact evaluations are required (for innovative interventions), there is already a requirement in the evaluation policy for documenting if an impact evaluation is not feasible. In addition, all planned, ongoing and completed evaluations must be entered into the Evaluation Registry.

***Recommendation 8.*** *Reiterate in writing that all external evaluations must include a statement of work as an annex.*

**PPL Response:** PPL agrees with the recommendation. This is currently captured in ADS 203.3.1.8 titled "Documenting Evaluations" which states that "The evaluation report should include the evaluation statement of work as an annex." This is reinforced by additional tools, such as the How-To Note for preparing Evaluation Reports available online to staff and partners

at [Programnet.usaid.gov](http://Programnet.usaid.gov) and [usaidlearninglab.org](http://usaidlearninglab.org). It is also covered in webinars and training courses. PPL will ensure this guidance remains part of the ADS 200-203 that is currently under revision.

Anticipated date for closing recommendation: PPL expects the revision of the ADS to be completed by November 30, 2015. Guidance accompanying the updated ADS will be completed by May 31, 2016.

***Recommendation 9.*** Amend its evaluation policy and ADS to require that evaluation points of contact for each operating unit submit the start and release dates for evaluations to USAID's Development Experience Clearinghouse website within 30 days after the start of an evaluation.

**PPL Response:** PPL disagrees with the recommendation as it pertains to the Development Experience Clearinghouse (DEC), but agree that start and end dates should be part of the Evaluation Registry. In consultation with the DEC, it was reinforced that the DEC is a repository for development experience material that is designed to include a variety of content types (documents, videos and audio files, congressional and progress reports), but is not specialized to track one type of content, like evaluation. In addition, the DEC is not equipped to track start and end dates for the information it houses. However, USAID missions are required to submit start and end dates for all planned, ongoing and completed evaluations as part of the Evaluation Registry, which is completed annually as part of the Performance Plan and Report. All evaluation entries in the Evaluation Registry do have start and end dates associated with them. PPL is currently working with State/F on a “next generation” information system for PPR data so that evaluation start and end dates can be entered at any time of the year, and not just during the PPR reporting period.

***Recommendation 10.*** Amend its evaluation policy and ADS to delete the requirement to submit draft evaluation reports to the DEC.

**PPL Response:** PPL agrees with the recommendation. The intent of the Evaluation Policy and ADS was not for draft evaluation reports to be posted on the DEC. Rather, only completed reports should be posted. PPL will clarify and make this change as part of the ADS revisions currently underway.

Anticipated date for closing recommendation: PPL expects the revision of the ADS to be completed by November 30, 2015. Guidance accompanying the updated ADS will be completed by May 31, 2016.

# SELECTED 15 PROVISIONS OF EVALUATION POLICY TESTED

1. Operating units will identify an evaluation point of contact.
2. USAID missions will prepare a Mission Order on evaluation describing the context-specific approaches and expectations regarding evaluations.
3. Operating units will prepare on a yearly basis an inventory of evaluations to be undertaken during the following fiscal year, as well as those completed.
4. The information discussed in Item 3 above will be included in the annual PPR.
5. On average, at least three percent of the program budget managed by an operating unit should be dedicated to external<sup>5</sup> evaluations.
6. Missions that are preparing a three- to five-year CDCS will identify at least one opportunity for an impact evaluation for each development objective.
7. Operating units will provide information online in a fully searchable form about the initiation of evaluations and expected timing of release of findings.
8. Each operating unit is required to conduct at least one performance evaluation of each large project it implements.
9. The performance evaluation must be timed so that findings will be available as decisions are made about new strategies, project designs and procurements.
10. Any activity within a project involving untested hypotheses or demonstrating new approaches that are anticipated to be expanded in scale or scope through US Government foreign assistance or other funding sources will, if feasible, undergo an impact evaluation. If it is not possible to undertake effectively an impact evaluation, operating units may instead undertake a performance evaluation provided that the final evaluation report includes a concise but detailed statement about why an impact evaluation was not conducted.
11. USAID evaluations will include an approach that encourages participation by national counterparts and evaluators in the design and conduct of evaluations.
12. The evaluation report should include the SOW as an annex, and address all evaluation questions included in the SOW.

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<sup>5</sup> "External" means that the team leader is from outside of the Agency with no fiduciary relationship to implementing partner.

13. PPL/LER will organize occasional external technical audits of operating units' compliance with the evaluation policy, including through random checks of the technical quality of evaluation scopes of work, evaluation reports and utilization of evaluation findings.
14. Completed evaluations (and drafts completed more than three months prior) must be submitted to the Agency's DEC.
15. All quantitative data collected by USAID or one of the Agency's contractors or grantees for the purposes of an evaluation must be uploaded and stored in a central database.

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Audit Task No. 99100314