



# memorandum

*Regional Inspector General  
Pretoria*

**DATE:** October 19, 2000

**TO:** Director, USAID/Malawi, Kiertisak Toh

**FROM:** Regional Inspector General/Pretoria, Joseph Farinella

**SUBJECT:** **Audit of USAID/Malawi's Performance Monitoring for Indicators Appearing in the Fiscal Year 2002 Results Review and Resource Request Report, Report Number 4-612-01-001-P**

This is the final report on the subject audit. We received your comments to our draft report and included those comments as Appendix II to this report.

This report contains four recommendations on which management decisions have been reached. Please notify M/MPI when final action is complete. I appreciate the cooperation and courtesies extended to my staff during the audit.

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## **Background**

The Government Performance and Results Act of 1993 (Results Act) was passed to improve federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. The Results Act should also improve federal managers' service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality. Congressional decision making should also be improved by receipt of more objective information on the status of efforts to achieve statutory objectives and on the relative effectiveness and efficiency of federal programs and spending.

In 1995, the U.S. Agency for International Development (USAID) developed a new reporting system that included the Results Review and Resource Request (R4) report. This is the most significant performance report that the operating units send to their respective bureaus. USAID's Automated Directive System (ADS) requires that the information in the R4s shall be used, as appropriate, for internal analyses, responding to external inquiries, and USAID-wide results reporting.

USAID's performance monitoring system is an organized process for systematically monitoring the progress of a program, process, or activity towards its objectives over time. USAID's performance monitoring systems consist of: (1) establishing performance indicators, (2) preparing performance monitoring plans, (3) setting performance baselines, (4) collecting performance data, and (5) assessing data quality.

As of September 1999, USAID/Malawi had total obligations of \$259.1 million for its five strategic objectives. This audit examined performance data reported in all five of USAID/Malawi's strategic objectives for FY 2002.

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## **Audit Objective**

This audit is part of a worldwide series of audits that were requested by USAID's Office of Policy and Program Coordination (PPC) and are being carried out by USAID's Office of Inspector General (OIG). The audit objective and the scope and methodology for this series of audits were developed in coordination with PPC. The present audit was performed by the OIG's Regional Inspector General/Pretoria to answer the following audit objective:

**Did USAID/Malawi monitor performance in accordance with Automated Directive System E203.5.5 and other relevant guidance as demonstrated by indicators appearing in its Results Review and Resource Request report for Fiscal Year (FY) 2002?**

The audit scope and methodology are described in Appendix I.

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## **Audit Findings**

USAID/Malawi generally monitored performance in accordance with Automated Directive System (ADS) E203.5.5 and other relevant guidance as demonstrated by indicators appearing in its Results Review and Resource Request (R4) report for FY 2002. However, there were two exceptions in the five strategic objectives that we examined. These exceptions concerned (1) the completeness of data in its performance monitoring plan and (2) the absence of formal data quality assessments.

In accordance with USAID guidance and in monitoring the performance of its programs, processes, and activities towards respective objectives, USAID/Malawi had generally:

- established the basic controls of a performance monitoring system,
- established baselines to identify the point used for comparison when measuring progress toward specific objectives,
- assessed data quality, and

- issued its R4 report for Fiscal Year 2002.

In addition to the above, PPC conducted an on-site training workshop for all of the Strategic Objective Teams on April 3, 2000. The purpose of this workshop (requested by USAID/Malawi) was to instruct Mission personnel on current USAID guidance and requirements relative to performance monitoring, assessments and preparation of the Mission's R4.

However, we found certain exceptions with the performance monitoring system, data quality assessments, and some indicators. These areas are noted below:

### **Performance Monitoring Plan Needs to be Updated and Strengthened**

ADS 203, states that performance-monitoring plans shall be prepared for each operating unit's strategic plan. Information included in a performance monitoring plan shall enable comparable performance data to be collected over time, even in the event of staff turnover, and shall clearly articulate expectations in terms of schedule and responsibility. Specifically, performance monitoring plans shall provide a detailed definition of the performance indicators that will be tracked; specify the source, method of collection and schedule of collection for all required data; and assign responsibility for collection to a specific office, team or individual. In summary, performance-monitoring plans are one element of a performance monitoring system that functions as a critical tool for managing and documenting the data collection process.

USAID/Malawi's performance monitoring plan generally defined the technical elements of the indicators as required by USAID guidance. The plan also identified the data sources, by entity, to further ensure consistency. Additional controls included units of measure and the identification of Mission offices responsible for data collection.

However, the plan did not always meet standards in the areas of indicator definition and data collection frequency and schedule. (See Appendix III)

- (1) Under the standard for "indicator definition," we found that of the seven indicators reviewed three were not precisely defined. For example, under Strategic Objective No. 4 the indicator "Increased access to quality and Efficiency of Basic Education Especially for Girls" states, "The indicator gives mean scores gained on..." whereas the unit of measure consists of a percentage which is intended to measure the change in mean scores. Also, for the indicator under Strategic Objective No. 3 which measures the number of villages with drug revolving funds (DRF) and DRF volunteers, the definition shown on the performance monitoring plan does not define the acronyms used or the fact that the Mission only wants USAID-funded programs. Finally, under Strategic Objective No. 2, the definition in the performance monitoring plan was not consistent with that shown in the Mission's R4.

(2) Under the “frequency of data collection” standard, all seven indicators showed either “annual”, “every year” or “quarterly” as the frequency for collecting data. However, according to Mission officials several indicators are on a fiscal year basis while others are on calendar year. This data should be included in the plan since the lack of this information makes it difficult for managers to know what schedules were in effect at a given time or what changes may have taken place.

In addition, for two of the seven indicators, the office shown as being responsible for data collection no longer existed, and for three of the indicators, the method for calculating the specific data point was missing.

The above condition occurred because there was a lack of Mission specific procedures for ensuring that monitoring plans were prepared and maintained in accordance with USAID guidance. In our opinion, there was also a general lack of awareness by the Strategic Objective Teams of USAID’s latest standardized procedures regarding this issue.

Without detailed and adequate performance monitoring plans, USAID/Malawi was without a critical tool for planning, managing, and documenting data collection. For example,

- Under the indicator “Villages with drug revolving funds (DRF) and DRF volunteers” (3.3.3), the total number of villages and DRF volunteers for 1999 were overstated in the Mission’s FY2002 R4 because of an incomplete definition for, or a misunderstanding of, the indicator.

For the “CHAPS” Center in the Mangochi District, actual results provided to the mission included villages and volunteers funded by other donors; 20 of 53 villages and 120 of the 194 volunteers reported by CHAPS were not funded by USAID. This might have been prevented had the definition for the indicator specified only USAID-funded villages and volunteers.

- Under another indicator (No. 4.1.1), we were unable to obtain satisfactory data behind the percentages reported under units of measure for the indicator “learning achievement in reading English and numeracy competency for boys and girls at standard 3”. We believe the cause is due to the lack of understanding in the definition of the indicator by both the Mission and its partners.

Without adequate and complete plans, the Mission had little assurance that it was maintaining the controls that are essential to the operation of a credible and useful performance-based management system. Therefore, to correct these deficiencies, we are making the following recommendations.

**Recommendation No. 1: We recommend that USAID/Malawi:**

- 1.1 correct the two indicators (S.O. 3.3.3 and S.O. 4.1.1) that were potentially misleading in its FY 2002 Results Review and Resource Request submission to USAID/Washington;**
- 1.2 update its performance monitoring plan in accordance with current USAID guidance and requirements; and**
- 1.3 review its performance-monitoring plan annually to ensure that it is in compliance with the latest USAID guidance, and the results of the review are documented.**

In addition to the above we also found that:

**Data Quality Assessments  
Need to be Documented**

Results-oriented management decisions require valid, current, and reliable information, and the benefits of this approach depend substantially on the quality of the performance information. Data quality assessments provide management with reasonable assurance that data quality meets validity, timeliness, and reliability standards necessary for sound management decisions. ADS 203 states that data quality will be assessed as part of the process of establishing performance indicators and choosing data collection sources and methods. Reassessments will be done as necessary, but at intervals of no greater than three years. Whenever possible, reasonable standards of statistical reliability and validity should be applied. Data quality will be assessed as part of the process of establishing performance indicators, and reassessed as is necessary, but at intervals of no greater than three years. However, the ADS is silent on a prescribed format for these assessments .

According to Mission officials, informal assessments were done during periodic SO team meetings, through on-site visits by project officials and, in some cases, through periodic formal evaluations.

We corroborated the Mission's assertions by reviewing site visit reports, minutes of SO Team meetings, and some of the evaluations on file at the Mission. For example,

- The minutes of an SO2 Mini-Retreat held in December 1997, showed that the team reviewed existing strategy, looked at lessons learned and used this information to guide discussions on how from lessons learned it might adjust, revise or modify its indicators.
- At an expanded SO3 quarterly team meeting held on June 30, 1998, the team assessed its guidelines for the indicator, "Villages with drug revolving funds (DRF) and DRF volunteers". Also, at another expanded team meeting held in October 1999, the team examined the validity of its indicators to date with the purpose of improving them.

- The Mission also provided us with copies of two reports titled, “Evaluation of USAID/Malawi Girls Attainment in Basic Education and Literacy (Gable) Program” and “Southern Malawi Rural School Snapshots” which addressed some deficiencies in the quality of education in Malawi. This information, in turn, led to the establishment of some of the indicators for this SO.

Based on this evidence, we concluded that the Mission had complied with the “*basic*” requirement for conducting periodic assessments. Nevertheless, we consider that in order for a data quality assessment to be in full compliance with USAID guidance, it needs to be formally documented as such.

Without appropriate documentation to demonstrate what had been done, what the results were, and what conclusions were made, these assessments become a subjective matter, and management cannot be sure that such assessment activities were sufficient.

Without formal data quality assessments, USAID/Malawi did not have reasonable assurance that data quality met validity, timeliness, and reliability standards for results-oriented management, the lack of which could negatively affect decision making. Therefore, we are making the following recommendation.

**Recommendation No. 2: We recommend that USAID/Malawi include in its performance monitoring plan a schedule detailing the dates “formal” assessments were performed, the dates when these assessments are due, and references to the appropriate USAID guidance that specifies how these assessment should be performed.**

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## **Management Comments and Our Evaluation**

In its response to our draft audit report, the Mission agreed with the findings and recommendations contained in the report. In addition, the Mission stated that it had already either initiated or completed action on the recommendations. Based on this action, a management decision was reached on Recommendation Nos. 1.1, 1.2, 1.3 & 2 upon issuance of this report. USAID’s Office of Management Planning and Innovation [M/MPI] should be advised for final action on the recommendations.

The Mission’s comments are included in their entirety in Appendix II.

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**SCOPE AND  
METHODOLOGY**

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**Scope**

We audited USAID/Malawi's controls over performance monitoring in accordance with generally accepted government auditing standards. The audit also assessed USAID/Malawi's internal controls governing the quality of data reported in its FY 2002 R4. Specifically, the audit addressed whether: (1) baselines were established, (2) adequate performance monitoring plans were completed, (3) data quality assessments were done, and (4) data reported in the subject R4 complied with USAID and federal guidance.

The audit examined 7 of the 20 indicators reported in USAID/Malawi's FY 2002 R4 and included at least one indicator from each of USAID/Malawi's 5 strategic objectives. In total, the strategic objectives had reported unliquidated obligations of \$87.1 million as of September 30 1999. We did not verify the reliability of the Mission's computer generated data; nor did we project the results of our test to items that we did not test.

Fieldwork was performed at USAID/Malawi in Lilongwe, Malawi from March 28 through June 1, 2000.

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**Methodology**

We began the fieldwork with a study and evaluation of the Mission's internal control system as it related to performance monitoring for its strategic objectives. This included an analysis of Mission guidance, the procedures followed for developing the performance indicators and procedures for data collection and reporting. We then analyzed the Mission's internal control system and compared our results to the requirements found in USAID and relevant federal guidance. The basic controls that we tested were whether the Mission:

- Established indicator baseline data either in the strategic plan or a subsequent Results Review and Resource Request;

## **APPENDIX I**

**Page 2 of 2**

- Prepared performance monitoring plans that contained a detailed definition of the indicator that set forth precisely all technical elements of the indicator statement;
- Prepared performance monitoring plans that identified all data sources;
- Prepared performance monitoring plans that described the data collection method in sufficient detail to enable consistent use in subsequent years;
- Prepared performance monitoring plans that specified frequency and schedule of data collection;
- Prepared performance monitoring plans that assigned responsibility for collecting data;
- Completed an assessment of data quality for the indicators either at the establishment of the indicator or at an interval no greater than three years;
- Reported data that was adequately supported by source documents;
- Reported baseline data in the R4 that were comparable to the data reported for the indicator in subsequent years; and
- Disclosed known data limitations (if any) in the comments section of the R4 report.

Because the Mission's performance monitoring control system was generally functioning as intended, we assessed control risk as medium. We reviewed whether reported results agreed to source documents using an error threshold of plus or minus five percent.



United States Agency for International Development

MEMORANDUM

**To:** Joseph Farinella, Regional Inspector General, Pretoria  
**From:** Kiertisak Toh, Mission Director, USAID/Malawi *KToh*  
**Date:** September 25, 2000  
**Subject:** The Audit of USAID/Malawi's Performance Monitoring For Indicators  
Appearing in the FY 2002 R4, Report No. 4-612-00-00x-P

We have received the draft report and agree with the recommendations made. In order to close these recommendations, the mission has taken the following actions:

**Recommendation No. 1.1:**

We recommend that USAID/Malawi correct the two indicators (Strategic Objective 3.3.3 and Strategic Objective 4.1.1) that were potentially misleading in its FY 2002 Results Review and Resource Request (R4) submission to USAID/Washington.

**Mission Action:**

As recommended, USAID/Malawi clarified/corrected the two indicators (Strategic Objective 3.3.3 and Strategic Objective 4.1.1) in the FY 2002 R4 and the corrected indicators were submitted to USAID/Washington on 04-27-00.

**Recommendation No. 1.2:**

We recommend that USAID/Malawi update its Performance Monitoring Plan (PMP) in accordance with current USAID guidance and requirements.

**Mission Action:**

USAID/Malawi updated its PMP on September 20, 2000 in accordance with current USAID guidance and requirements contained in ADS 200-203: Programming Policy, and Performance Monitoring and Evaluation TIPS issued by USAID Center for Development Information and Evaluation (CDIE) in USAID/Washington.

**Recommendation No. 1.3:**

We recommend that USAID/Malawi review its performance Monitoring Plan annually to ensure that it is in compliance with the latest USAID guidance and the results of the review are documented.

Office of the Mission Director

**Mission Action:**

USAID/Malawi has prepared Mission Order No. 1010 that sets policies and procedures for monitoring and evaluating USAID/Malawi's performance. The Mission Order requires annual reviews and updating of the Mission's PMP and documenting these reviews as part of the Mission's own R4 Review process in order to ensure that the PMP is a "living document" that complies with latest USAID guidance and meets the management needs of the Mission and its development partners.

**Recommendation No.2:**

We recommend that USAID/Malawi include in its PMP a schedule detailing the dates "formal" assessments were performed, the dates when these assessments are due, and references to the appropriate USAID guidance that specifies how these assessments should be performed.

**Mission Action:**

USAID/Malawi updated its PMP on September 20, 2000 and included explicitly columns for "formal" assessments for each indicator. It spells out schedule of when "formal" assessments were performed, where they are documented and dates when the next assessments are due. The Mission Order No. 1010 also directs that, data quality will be reassessed as necessary, but no less than once every three years.

Based on the above Mission actions, RIG/Pretoria is requested to make the determination upon issuance of the final audit report that the management decision has been reached on the audit recommendations.

## APPENDIX III

### Summary Schedule USAID/Malawi's Performance Monitoring Controls For Indicators Appearing in the FY 2002 Results Review and Resource Request Report

Indicator	1. Baseline Established	In the Performance Monitoring Plan...					7. Data Quality Assessment Done	In the R4...		
		2. Indicator Precisely Defined	3. Data Sources Identified	4. Data Collection Method Described	5. Data Collection Frequency & Schedule <sup>1</sup>	6. Responsibility Assigned		8. Data Agrees to Source	9. Comparable Baseline	10. Data Limitations Disclosed
Number of profitable agribusiness and cooperatives	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	N/A
Volume and value of goods marketed through agribusiness: (i) inputs; (ii) outputs	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes
Number of condoms sold to wholesalers and retailers	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	N/A
Learning achievement in reading English and numeracy competency for boys and girls at Standard 3	Yes	No	Yes	No	No	No	Yes	Yes	Yes	N/A
Villages with drug revolving funds (DRF) and DRF volunteers	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	N/A
Occasions on which parliamentary committees consulted with non-government and private sector associations	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes
Adoption of improved soil conservation practices	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes

<sup>1</sup> Generally, "annual" was specified, but not whether it referred to calendar, fiscal or some other time frame.

