

“If it is not documented, it did not happen.” You may have heard this adage at some point in your development career. Clients expect that we document the results achieved for their development investment. Did DAI, and our client, get what was paid for – and is this documented? Oversight, monitoring, and evaluation are essential to assuring performance and deterring fraud.

The *Code of Business Conduct and Ethics* says the following regarding the value of performing and documenting high-quality work:

“DAI is committed to achieving the highest technical and professional standards. We ensure that services performed and products provided meet or exceed the quality specifications in contracts and other customer agreements by establishing and monitoring oversight systems, maintaining substantial evidence, documenting authorizations and approvals, and conducting training and regular reviews of performance.”

Ask yourself: Do we have the ability or mechanisms to internally review our results? Can we demonstrate success with documentary or tangible evidence? Are our oversight systems assuring that grantees and subcontractors are performing the agreed work and completing tasks in accordance with their agreements?

You are not alone. If you believe your monitoring and evaluation systems have gaps or uncertainties, please reach out to the corporate offices for assistance.

If you believe performance has been falsified, please reach out to: **Mike Walsh**, Chief Ethics & Compliance Officer ([mike\\_walsh@dai.com](mailto:mike_walsh@dai.com), 301-771-7998) or **Jeremy Finch**, DAI Europe’s Director of Internal Audit and Ethics & Compliance Officer ([jeremy\\_finch@dai.com](mailto:jeremy_finch@dai.com) +44-7834-439974).

This document and additional materials can be found at: <http://dai-global-conduct.com/excellence/ensuring-quality/>

## Performance Fraud

### Case Study I – Meeting Attendance and Verification

We looked into the documentation of a recent training that was conducted by a grantee and found that correction fluid had clearly been used on the sign-in sheet to change the meeting title, purpose, date, and location. In our follow-up verification call, we found that only four of the 20 participants listed on the attendance sheet responded: three of these did not attend the meeting, and the fourth described a training on a different topic. Finally, it turned out that the DAI Field Activities Monitor—whose signature was on the form—was actually on sick leave the day of the meeting.

The director of the grantee acknowledged the findings, promised to take disciplinary action against the field coordinator responsible for the meeting, and committed to conducting the session again—this time with the DAI Field Activities Monitor in attendance.

#### Take-aways:

- If it is not properly documented, it did not happen.
- Train project staff, monitors, and grantees/subcontractors to adhere to monitoring procedures, reporting issues, and concerns.
- Require as a condition of payment that a DAI project employee attend events conducted by a grantee. Grantees will be more inclined to plan events compatible with DAI attendance.
- A DAI project employee should take pictures and write an event report shortly after the event concludes.
- If participants, especially women, prefer not to be photographed, take pictures from the back of the room so that faces are not shown.
- If the project does not have the staff to be present at each activity, place more of the burden of proof on the grantee—while retaining DAI’s right to visit and audit at any time.
- Have project employees call randomly selected participants to verify their attendance at each event.
- Consistently manage photographs, participant sheets, and other performance documentation to ensure they are readily accessible and preserved.



## Case Study 2 – Participant Attendance and Documentation

On seeing that two participants in a training apparently had the same name, the M&E Manager asked the M&E Specialist for the original post-training evaluation forms to make sure we were not counting the same person twice. The M&E Specialist could not find the original documents in the file cabinet where they are usually kept. He tried calling the M&E Assistant who collected the forms, and eventually found the documents in the M&E Assistant's desk. In reviewing the two forms, he became immediately suspicious because the handwriting on the forms and the signatures looked very similar. In cross-checking the names of the two participants on the sign-in sheet, they looked different from each other—and from the evaluation forms. A further review found that all the post evaluation forms had the same handwriting, including the data collector's signature.

**What would your concerns be in this situation? What actions would you take to address this issue? What can be done to limit this risk?**

When the M&E Assistant returned to the office, he admitted that the participants departed before he was able to get them to complete the forms, so he filled them out. The M&E specialist also noted that the assistant refused to share the documents with him to do a quality check. The M&E Manager reported the data falsification to her supervisor. The M&E assistant was fired.

### Take-aways:

- A well-managed process with careful attention to detail is important to maintain a reliable and credible monitoring system.
- Effective supervision of staff helps to assure accountability for performance.
- The M&E Manager noted later that the assistant should have informed her at the time about the premature departure of the participants. The project could have followed up in some manner.
- During staff orientation, all incoming staff should be given a strong understanding of the project's objectives, and how they contribute to accomplishing them.
- Take a group photo of the meeting participants to document attendance.

## Case Study 3 – Data Quality Review

On a DAI agriculture project, an independent data quality reviewer found that 75 percent of attendee registrations at a project training had duplicate signatures or thumbprints. Accordingly, her preliminary draft raised the possibility of fraud, so the client was informed and DAI investigated. The independent review and further investigation revealed that the M&E system was insufficient to capture data of the quality needed, given the complexity of the project's indicators. It appears that the Chief of Party was not only reporting figures that were not substantiated by the data—she may also have been overstating the results.

Her replacement, an Acting Chief of Party who had worked for 35 years in agriculture, stated that he had never seen such significant improvements in crop production as were reported under the project. In fact, the numbers reported were too good to be true.

**What are your concerns? Why do you think DAI did not learn of this issue sooner? What can be done to limit this vulnerability on other projects?**

### Take-aways:

- The COP was overwhelmed by the data issues. Instead of asking for help, she covered it up.
- The M&E system, staffing, and management were not up to the task of collecting reliable data. The function should have been more independent.
- The results reported should have raised questions and red flags.
- Previous data quality reviews should have caught the problems. Data quality reviews should be frequent and robust, with clear, timebound recommendations for issues identified.
- Spot checks between data reviews are helpful.

Data collection should ensure quality of the data by adopting: 1) standardized data collection forms; 2) involvement of all project staff and partners; 3) strict and consistent reporting schedule; 4) random spot checks and data verification; and 5) use of electronic data collection and storage, where possible. The quality of monitoring, evaluation and learning (MEL) data collected should be periodically checked with rapid internal data quality assessments. Projects should conduct comprehensive annual data quality assessments starting 12 months after MEL plan approval.

*USG Field Ops Manual, Chapter 5 – Technical Execution*

## Case study 4 – Monitoring of Construction Quality

Subcontractors hired to construct a community reservoir in an insecure region of the country used mortar over a stone flooring instead of reinforced concrete, causing this desperately needed water infrastructure to fail. DAI monitors did not visit the site during construction and at the completion of the work relied instead on a falsified engineer's report stating that the reservoir had been built to specifications. The community continued to suffer during protracted dry seasons because local instability prevented the project from repairing or reconstructing the reservoir. DAI reimbursed the client for the entire amount of the construction.

The more remote or insecure a project activity, the greater are the challenges to adequate monitoring and oversight, and the more likely we are to see fraud in the documentation of the work.

### Take-aways:

- Construction programs have a high potential risk for fraud and its associated financial and reputational consequences. Construction activities should be treated as a special risk type requiring qualified engineers, superior quality assurance, and monitoring of sign-offs.
- To monitor the work, the project should try to gain access to construction sites. There may be proxies available to check in on these sites, such as host government officials, UN staff, or other development implementers.
- Link subcontractor payments to photographic evidence, including before, during, and after shots from the same angle and distance. Include GPS coordinates in the picture if possible.
- If participants, especially women, prefer not to be photographed, take pictures of the participants from the back so that faces are not shown.
- Manage photographs, participant sheets, and other performance documentation in a consistent manner that is readily accessed and preserved.
- For high-profile and potentially risky construction programs, schedule at least one on-site visit by DAI staff, particularly at the final sign-off. If this cannot be done, consider whether the activity should be undertaken by DAI and raise the potential risk with the client.

## Case study 5 – Fund Disbursements and Value for Money

Case A: Farmers of a DAI agriculture project were selling aquaculture material accessed through the project rather than using it as intended—to improve their freshwater fish production. Monitoring by the project revealed that the farmers sold the material for more desperately needed cash to purchase other supplies. The client was kept informed of efforts to slow down the selling. The client's business manager insisted that DAI repay the cost of the activity because it didn't demonstrate value for the development investment. The close monitoring and early engagement of the client's technical staff enabled DAI to defend itself and make necessary adjustments to the second phase of the project.

Case B: Village-level cooperatives were having typical difficulties with loan applicants and processing, thus delaying disbursement of the funds they were supposed to be distributing. The project Grants Manager was not alarmed because he knew of the challenges, and the client was not looking for outcome indicators. The Finance Manager was content to report that the funds had been disbursed to the cooperatives and did not track their further on-lending. No alarm was raised by the project leadership either; they did not realize that the issue was growing in magnitude with each month. The client representative was pleased with the regular reports that funds had been disbursed to the cooperatives, but her site visit to the villages and the members revealed that few loans had been made.

### What distinguishes these two cases? What could have been done differently in Case B? When do you inform the client of difficulties?

In Case A, close monitoring and follow-up enabled DAI to minimize the reputational and financial impact of a failing activity. Case B is not an example of performance fraud, but rather how "lack of curiosity" can lead to a situation in which the right questions are not being asked. Everyone thought it was someone else's job to report concerns. Inaction can make us complacent, which results in errors that can be considered misleading or even deemed fraudulent in the worst cases.

If we ignore something that clearly needs attention, it will fester. An exaggeration compounds. What started out as ignoring a blind spot becomes a cover-up of a significant flaw requiring even greater courage to declare that we should have dealt with it earlier. And suddenly, and inadvertently, committed something that can be tantamount to fraud.

It is a tough environment in which we try to get perfect results but pretending that we have succeeded where we have not, ultimately wounds DAI, our clients, and the beneficiaries of our work.

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## Case study 5 – cont.

### Take-aways:

- Even when you are monitoring activities to collect meaningful information, you still need to step back and examine the context and the project's performance to ensure you're not missing anything.
  - Include field-based reality checks, particularly when disbursing funds and loans.
  - Raise concerns early and often – don't assume it is someone else's job.
  - Schedule regular (quarterly) reviews by peers from outside the program to ensure sufficient scrutiny.
  - Periodically engage targeted and intended beneficiaries receiving assistance to discuss project activity effectiveness.
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