



OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S REPORTING ON GLOBAL DEVELOPMENT ALLIANCES

AUDIT REPORT NO. 9-000-09-007-P
June 4, 2009

WASHINGTON, DC



Office of Inspector General

June 4, 2009

MEMORANDUM

TO: USAID/ODP, Director, Karen Turner

FROM: IG/A/PA, Director, Steven H. Bernstein /s/

SUBJECT: Audit of USAID's Reporting on Global Development Alliances
(Audit Report No. 9-000-09-007-P)

This memorandum transmits the final report on the subject audit. In finalizing this report, we considered your comments and have included them as appendix II.

Based on your comments and target completion dates, we concur that management decisions have been reached on all three of the report's recommendations. Recommendation No. 2 is closed upon issuance of this audit report. Please coordinate final actions on recommendation nos. 1 and 3 with USAID's Audit, Performance and Compliance Division (M/CFO/APC).

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

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SUMMARY OF RESULTS

USAID established the Global Development Alliance business model in 2001. These alliances are agreements between USAID and other parties in the development community to jointly define a development problem and contribute to its solution. Since 2001, public-private alliances have been increasingly emphasized as a business model to enhance USAID's effectiveness in delivering foreign assistance (see page 3).

The fiscal year 2007 Joint Department of State/USAID Highlights Report stated that USAID's public-private alliance model had leveraged \$5.8 billion in cash and in-kind contributions from more than 1,700 alliance resource partners since 2001. Such partners included more than 100 universities and 20 of the top 50 Fortune 500 companies (see page 3).

In July 2005, the Office of Inspector General issued an audit report on Global Development Alliances that disclosed, among other things, that USAID had not always reported alliance data accurately and completely, and had not fully disclosed the limitations of the data reported. As a followup to the 2005 audit, the objective of this audit was to determine whether USAID has fully and clearly disclosed the nature and limitations of alliance data in reports (see pages 3–4).

USAID has not fully and clearly disclosed the nature and limitations of reported data on Global Development Alliances. Although a new partnership reporting system has provided some benefit, the following weaknesses have adversely impacted the usefulness of the data:

- USAID has not consistently met USAID standards for data quality when reporting the alliances. This condition impacted the usefulness of the data that the USAID Administrator and others have used to make decisions (see page 5).
- USAID has not included sufficient disclosure statements about data limitations in reports that contain data on the alliances. Without proper disclosures, the transparency of the alliance data is limited, which may prevent users from being able to properly assess the data's value in drawing conclusions and making decisions (see page 8).
- USAID has not followed legal and USAID requirements for security controls for a new electronic Partnership Reporting System. Without the required due diligence on system security controls, this and other USAID systems are exposed to potential fraud or unauthorized access to sensitive information (see page 10).

This report provides three recommendations to correct these problems: (1) establish better controls over the reliability of reported data on Global Development Alliances, (2) require operating units to disclose any data limitations in monthly and annual reports, and (3) strengthen controls for the new electronic reporting system.

The Office of Development Partners concurred with the report's findings and recommendations, and began work on plans and corrective actions even before it received a draft of this report. Based on the Office of Development Partners response, the Office of Inspector General agrees that management decisions have been reached on all three of the recommendations. Recommendation no. 2 is closed upon issuance of this audit report (see page 13).

BACKGROUND

Over the past 30 years, financial resources dedicated to assisting the developing world have undergone a major transition, with more resources flowing to the developing world from the private sector. In recognition of this major shift, USAID established the Global Development Alliance business model in 2001. These alliances are agreements between USAID and other parties in the development community to jointly define a development problem and jointly contribute to its solution. While working closely with development partners is certainly not new to USAID, public-private alliances have been increasingly emphasized as a business model to enhance USAID's effectiveness in delivering foreign assistance since 2001.

In July 2005, the Office of Inspector General issued an audit report on Global Development Alliances¹ that identified the following weaknesses:

- (1) USAID did not always report its Global Development Alliances accurately and completely.
- (2) USAID did not always disclose the limitations of the data reported.
- (3) USAID did not always maintain documentation to support that its alliances met the criteria to be reported as Global Development Alliances or to support partner contributions reported to USAID/Washington.

USAID concurred with the audit report's recommendations and agreed to implement improved procedures to address the weaknesses. Subsequently, USAID reorganized and assigned the responsibility of reporting on Global Development Alliances to the Office of Development Partners, which reports directly to the Administrator. This office trains USAID staff, performs outreach to prospective and current alliance partners, facilitates the effective use of alliances in USAID programs, and disseminates Agencywide information on the alliances for both internal and external use.

The fiscal year (FY) 2007 Joint Department of State/USAID Highlights Report stated that USAID's public-private alliance model has leveraged \$5.8 billion in cash and in-kind contributions from more than 1,700 alliance resource partners since 2001. Such partners include more than 100 universities and 20 of the top 50 Fortune 500 companies.

In 2008, former USAID Administrator Henrietta H. Fore set a goal to triple the value of private-sector resources leveraged by USAID through public-private partnerships. This goal aims to expand the Agency's use of strategic alliances with the private sector and other nontraditional partners to increase and sustain USAID's development impact. The Private Sector Alliances division of the Office of Development Partners has taken the lead in providing guidance to the Agency on how this goal will be monitored and achieved. This division provides training and technical assistance to missions on a variety of public-private partnership activities.

¹ *Audit of USAID's Global Development Alliances*, Audit Report No. 9-000-05-006P, July 21, 2005.

To assist in implementing and monitoring activities to achieve the former Administrator's goal, on July 1, 2008, the Office of Development Partners implemented a system called the Partnership Reporting System to help gather Global Development Alliance data for reporting. This office grants mission personnel access to the system based on need. Missions are responsible for reporting pertinent data by the 15th of every month, unless otherwise stated, for inclusion in a monthly progress report to the Administrator.

AUDIT OBJECTIVE

This audit was included in the Office of Inspector General's annual audit plan for FY 2009 as a followup to the 2005 audit, and was conducted to answer the following question:

- Did USAID fully and clearly disclose the nature and limitations of Global Development Alliance data in monthly and annual reports?

Appendix I discusses the audit's scope and methodology.

AUDIT FINDINGS

USAID has not fully and clearly disclosed the nature and limitations of reported data on Global Development Alliances. Although a new reporting system has provided some benefit, reporting weaknesses have adversely impacted the usefulness of data that the USAID Administrator and others have used to make decisions.

The new reporting system has benefited USAID in several ways, according to a report issued by the Office of Development Partners. First, it has improved the sharing of information across the Agency, which is perhaps the most important advantage of the new system. Second, the geographic bureaus and missions are now able to track partnership activity, and the Office of Development Partners is better able to support missions because the system helps identify successes more easily. Third, the system assists in troubleshooting and coordinating the management of private-sector partners across the Agency. Fourth, some missions have now appointed their first point of contact for Global Development Alliances. These individuals have more knowledge of their missions' partnership activities and play a leadership role as partnership experts in their mission or bureau. They are also responsible for reporting data monthly to the Office of Development Partners, and are given greater incentive to drive partnership activities.

Several bureaus and missions also use the system as a management tool to track their own partnership-building progress. Their feedback has been positive, including the following provided by USAID/Russia to the Office of Development Partners:

"I wanted to share with you that we found this database to be very useful for our own management purposes. We would like to try using it for monitoring of our Global Development Alliances."

However, the new reporting process has not been adequately implemented to fully yield desired results. The following sections discuss the need to (1) better ensure the quality of reported data, (2) disclose the limitations of data in reports, and (3) improve the internal controls for the new partnership reporting system.

USAID Needs to Better Ensure the Quality of Reported Data on Alliances

Summary: USAID standards require that reported performance data have integrity and be precise, reliable, timely, and valid. However, USAID has not consistently met these quality standards when reporting on Global Development Alliances because USAID/Washington has not established sufficient management controls on the alliances. Not reporting quality data compromises the integrity of the decisionmaking efforts of the Administrator and others who rely on the data.

Approximately 87 missions have participated in USAID's public-private partnerships reporting process. They have been responsible for reporting activity data on a monthly basis through the Partnership Reporting System to the Office of Development Partners to keep the Administrator apprised of progress. These missions also have reported data for inclusion in the annual joint USAID/State performance report.

The Government Performance and Results Act of 1993 established requirements for strategic planning and performance measurement for all U.S. Government agencies. To help meet these requirements, USAID has established standards that require that reported performance data have integrity and be precise, reliable, timely, and valid. Automated Directives System (ADS) 203.3.5.1² calls for data to meet the following criteria:

Integrity: Data that are collected, analyzed, and reported should have established mechanisms in place to reduce the possibility that they are intentionally manipulated for political or personal reasons.

Precision: Data should be sufficiently precise to present a fair picture of performance and enable management decisionmaking at the appropriate levels.

Reliability: Data should reflect stable and consistent data collection processes and analysis methods from over time. The key issue is whether analysts and managers would come to the same conclusions if the data collection and analysis process were repeated. Operating units should be confident that progress toward performance targets reflects real changes rather than variations in data collection methods.

Timeliness: Data should be timely enough to influence management decisionmaking at the appropriate levels. One key issue is whether the data are available frequently enough to influence the appropriate level of management decisions. A second key issue is whether data are current enough when they become available.

Validity: Data should clearly and adequately represent the intended result.

² USAID's Office of Management Policy, Budget and Performance functions as the Bureau for Management's central unit for budget planning and implementation, policy formulation, performance monitoring and evaluation and administrative support services. As such, this office has responsibility for matters that pertain to ADS 203.

In reporting data on Global Development Alliances, however, USAID has not consistently met these quality standards. The following illustrate the problems found:

- A significant number of missions had not reported their data to the Office of Development Partners in a timely manner for inclusion in the monthly progress reports to the USAID Administrator. Specifically, 28 percent of the missions in June 2008, 15 percent in July 2008, and 46 percent in August/September 2008 did not report monthly activity by the 15th of the month as required.
- In reporting data for the FY 2007 annual report, USAID/Zambia included one alliance that did not meet the criteria for classification as a Global Development Alliance. According to the guidance issued by the Office of the Director of Foreign Assistance, "Understanding the full picture of what is being undertaken through Global Development Alliances is a priority for the USAID Acting Administrator. Therefore, Missions and Operating Units must accurately report on these partnerships in order to determine the amount of non-USG [U.S. Government] funds leveraged and the full scope and investments of our development programs. Data to be collected include alliance name, location, USAID obligation, Partner in-kind and cash contributions, and a short description of each alliance."
- In reporting data for the FY 2007 annual report, USAID/India reported projected contributions instead of actual contributions, which compromised the reliability of the joint USAID/State annual performance report for FY 2007. The mission said that the guidance from headquarters did not ask the mission to provide the actual FY 2007 partner contribution levels. Therefore, the mission reported projected life-of-project amounts that involved all years in addition to FY 2007.
- In reporting data for the FY 2007 annual report, USAID/Peru reported \$122,641 as contributions for one Global Development Alliance when the actual contributions were \$118,221.
- In reporting data for the FY 2007 annual report, USAID/South Africa did not include a \$1 million cash contribution made by one Global Development Alliance.
- USAID/Nigeria could not provide documentation to support reported information for the two Global Development Alliances selected for testing.

Contributing to these problems were inadequate management controls. For example, the Office of the Director of Foreign Assistance issued guidance for the FY 2007 joint annual performance report saying, "A data quality assessment is required on all data reported to Washington. Follow your Agency's guidance for completing and maintaining records on data quality assessments." However, USAID did not issue guidance that specifically addressed the completion and maintenance of records on data quality assessments for reporting systems related to the Global Development Alliances. Also, USAID's ADS did not specifically mention Global Development Alliances in the requirements for data quality assessments. As a result, the FY 2007 requirement for the annual performance report was not met. For example, in explaining why USAID/Peru did not conduct the required assessment, the mission said that "No DQAs [data quality

assessments] were in place, simply because the GDA [Global Development Alliance] partner data was not considered 'performance data' in the same sense as PMP [performance management plan] data reported to Washington was...."

Clear and thorough guidance to missions on reporting requirements is imperative to ensure that reported data have integrity and are precise, reliable, timely, and valid. These basic standards must be fulfilled in order to present a fair picture of performance and enable management decisionmaking at the appropriate levels. The absence of clearly defined controls and lack of understanding of required processes, including reporting of partner contributions, has adversely affected the integrity of USAID's Partnership Reporting System and management's subsequent decisionmaking ability. As a result, this audit makes the following recommendation.

Recommendation No. 1: We recommend that the Office of Development Partners, in consultation with the Office of Management Policy, Budget and Performance, design and implement controls, policies, and procedures to enhance the reliability of data reported for Global Development Alliances.

USAID Needs to Better Disclose the Limitations of Reported Data on Alliances

Summary: USAID standards require that reporting be transparent. However, USAID has not included sufficient statements to disclose data limitations in reports on Global Development Alliances. This occurred because USAID had not established sufficient reporting guidance on disclosures for alliance data. Not including proper disclosures impairs users' ability to consider the quality when forming conclusions and decisions about the alliances.

The Federal Managers' Financial Integrity Act of 1982 requires that the internal accounting and administrative controls of each executive agency be established in accordance with standards prescribed by the Comptroller General.³ One of those prescribed standards states,

Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

Consistent with this requirement, ADS 203.3.2.2e states that operating units should share information widely and report candidly. It further states that transparency involves (1) communicating any limitations in data quality so that achievements can be honestly assessed, (2) conveying clearly and accurately the problems that impede progress and steps that are being taken to address them, and (3) avoiding the appearance of claiming jointly achieved results as solely USAID results.

³ See *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1

The Office of Inspector General's audit of Global Development Alliances in 2005 found that the reporting on these alliances was not sufficiently transparent, especially with regard to the level of partner contributions. In response to the audit report's recommendations, USAID said that it would include the following footnote in reports that contained data on these alliances:

Funding reported by USAID includes monies obligated in the planning stage as well as actual expenditures. The partner contributions include committed contributions that are projected for future years as well as contributions already expended by partners.

Although USAID indicated that it intended to apply this language consistently in internal and external documents, the followup audit on the actions taken found a lack of such a disclosure statement in monthly and annual reports. The Office of Development Partners has not included the disclosure statement within each Global Development Alliance that is archived. Rather, the description of the section "About Alliance Data" contains the following disclosure: "Partner funding, as listed in alliance summaries, is composed of both cash and in-kind commitments by partners. It does not reflect actual funding to date."

However, this qualification was not made in monthly and annual reports. For example, the Joint Highlights of Performance, Budget, and Financial Information for FY 2007 reported that USAID had entered into alliances with more than 1,700 partners, leveraging \$5.8 billion in private funding. USAID/Washington's reporting of Global Development Alliance-related information should have disclosed the nature of these data. However, USAID/Washington did not consistently do so.

When staff of the Office of Development Partners were asked why the 2005 audit recommendation had not been implemented, they responded that they were not sure. They indicated that they were unaware of the prior audit and mentioned the reorganization and a change in staffing that took place following the audit. Staff speculated that these factors probably caused the plan of corrective action to fall through the cracks.

However, the audit identified the underlying cause to be insufficient written guidance for verifying and reporting data on Global Development Alliances and including the qualification for monthly and annual reports. Missions were not required to report data limitations for the database maintained by the Office of Development Partners. As a result, USAID's reporting was not as transparent as it could be.

Reporting unverified data without disclosing the data's limitations may prevent the users from being able to properly assess the data's quality and make the best decisions. Accordingly, this audit makes the following recommendation regarding disclosure of Global Development Alliance-related information:

Recommendation No. 2: We recommend that the Office of Development Partners provide written guidance to all operating units that report Global Development Alliance data that the data limitations be clearly and fully disclosed in all monthly and annual reports.

USAID Needs to Improve Controls for the Partnership Reporting System

Summary: ADS Chapter 545 details the security policies, consistent with Federal regulations, mandates, and directives, that serve as the highest level basis for information systems security within USAID. However, USAID did not comply with system security requirements in establishing a new monthly Partnership Reporting System. The Office of Development Partners did not inform the Office of the Chief Information Security Officer of the plans to implement a new electronic reporting system. Not having the required due diligence performed around the system exposes it and other USAID systems to the potential for fraud and unauthorized access to sensitive information.

To assist in implementing and monitoring activities to achieve the former Administrator's goal (triple the value of private-sector resources leveraged by USAID through public-private partnerships), on July 1, 2008, the Office of Development Partners implemented a system called the Partnership Reporting System to help gather Global Development Alliance data for reporting. According to the Office of Development Partners, the system is expected to cost more than \$100,000, as shown in table 1:

Table 1. Cost of Database

System Cost as of February 2009	Monthly Expenses for 20 Months Following February 2009	Total System Expenses as of November 2010
\$60,000	\$40,000	\$100,000

ADS Chapter 545 details the security policies, consistent with Federal regulations, mandates, and directives, that serve as the highest level basis for information systems security within USAID. Office of Management and Budget Circular A-130 requires that USAID provide “adequate security” for its information systems and data—defined as security measures commensurate with the risk and magnitude of harm resulting from the loss, misuse, or unauthorized access to or modification of information. The Federal Information Security Management Act of 2002 states that each Federal agency must implement an Agencywide information security program to protect its operations and assets.

Among USAID's security policies is ADS 545.3.1.4, which lists the requirements for risk management. Risk management is the process of identifying risks, assessing the likelihood of their occurrence, and then taking steps to reduce the risk to an acceptable level (i.e., mitigation). According to this chapter,

(a) The CISO [Chief Information Security Officer] must establish and maintain procedures for establishing the security levels for USAID information systems to comply with Federal regulations.

(b) The System Owner and System ISSO [Information System Security Officer] must establish a security level for each information system using USAID published procedures and guidelines.

(c) The System Owner must conduct an initial risk assessment for each information system using USAID published procedures and guidelines.

(d) The System Owner must conduct followup risk assessments annually, or whenever the system, or its operating environment, significantly changes.

(e) The System Owner, System ISSO, and System Administrator must take corrective or remedial action to mitigate vulnerabilities detected during risk assessments.

(f) The CISO must verify that the security level has been correctly established for each USAID information system.

(g) The CISO must verify that corrective or remedial actions have been taken by the System Owner, System ISSO, and System Administrator.

USAID has not complied with legal requirements and the above USAID policies in establishing and maintaining the new Partnership Reporting Systems.

For example, the Office of Development Partners did not perform the required initial risk assessment. This occurred because the Office of Development Partners did not inform the Office of the Chief Information Security Officer of the plans to implement a new electronic reporting system. Obtaining the involvement of the CISO would have better ensured that USAID's published procedures and guidelines would be properly followed to establish the system's appropriate security level. The CISO was not notified of plans to implement a new electronic system, and as a result could not verify that the security level had been correctly established for the system, such as by verifying whether system security, data sensitivity assessments, and a privacy impact assessment had been performed. Similarly, the CISO could not perform the required validation that the Office of Development Partners had selected and implemented the appropriate managerial, operational, and technical controls.

Because legal requirements and USAID policies were not followed, the audit found security weaknesses in the system. For one thing, according to the system administrator, only one level of access existed that granted all users full update access for the missions to which they are assigned. This means that all users can edit and update data, regardless of whether they have the authority to do so, which jeopardizes the integrity of the system's output. For example, auditors with temporary access during this audit were able to change the Global Development Alliance data that a mission had entered during testing.

In addition, the Office of Development Partners does not have an adequate process in place to ensure that access to the system is adequately monitored. According to the system administrator, access to the Partnership Reporting System is granted based on personnel needs at missions, but once access is granted, no process is in place to ensure that such access is adequately managed and revoked as necessary. As mission personnel leave the Agency or move to other missions or assignments and no longer need access, no control process exists to ensure that their access is revoked and timely access is granted to incoming personnel, thereby ensuring adequate continuity of the reporting process.

The system is also Web-based and can be accessed outside of the USAID security networks, which increases the potential for hackers to gain access to confidential USAID and partner information. To address these weaknesses, this audit makes the following recommendation.

Recommendation No. 3: We recommend that the Office of Development Partners, in collaboration with the Chief Information Security Officer, use USAID's published procedures and guidelines to establish appropriate managerial, operational, and technical controls, including the performance of the required risk assessment.

EVALUATION OF MANAGEMENT COMMENTS

The Office of Development Partners (ODP) concurred with the report's findings and recommendations, and provided plans and target dates for implementing the recommendations. ODP emphasized the change in program direction that occurred shortly before the audit began and, with those changes, the commencement of new reporting needs. ODP also provided additional information on the complexities of the issues. The following summarizes our evaluation of ODP's comments on each of the three recommendations.

Recommendation no. 1: ODP plans to work with USAID's Office of Management Policy, Budget and Performance; Office of General Counsel; and Office of Acquisition and Assistance to design and implement controls, policies, and procedures to ensure data quality and reliability of Agencywide partnership data for Global Development Alliances. Under guidance from the Office of Management Policy, Budget and Performance, ODP plans to negotiate with the Department of State's Office of Director of Foreign Assistance to include partnership data on Global Development Alliances in the Agency's official, standardized reporting system. ODP plans to end data collection and shut down the Web-based Partnership Reporting System upon successful negotiation and planning for inclusion of partnership data in this standardized reporting system. ODP also plans to work with the Office of Management Policy, Budget and Performance and the Office of Director of Foreign Assistance to develop and disseminate new guidance for Agency partnership reporting in the standardized reporting system.

The above plans have a combined target completion date of on or around December 31, 2009. ODP requested closure of recommendation no. 1.

We concur that a management decision has been reached based on the plans and target completion date provided. The recommendation can be closed upon the presentation of documentation to USAID's Audit, Performance and Compliance Division evidencing that the planned actions have been taken.

Recommendation no. 2: In December 2008, after discussion of this issue with the audit team, ODP consulted with the Office of General Counsel and developed and issued the following data disclaimer to all staff members of ODP/Private Sector Alliances Division to use when officially communicating cumulative partnership data:

"Partner contributions are estimates provided to USAID by its partners and may include contributions by various partners including the private sector, nongovernmental organizations, foreign governments, and other organizations. Estimated contributions include cash and in-kind resources. In-kind resources estimates may have been valued by non-USAID partner organizations. Partner contribution estimates are not audited."

ODP also provided evidence that it had disseminated guidance to all missions and Washington operating units that report Global Development Alliance data that the data limitations be clearly and fully disclosed in all appropriate reports and communications to media.

Based on the completed actions, the Office of Development Partners requested closure of recommendation no. 2.

We concur that a management decision has been reached and that the completed actions meet the intent of the recommendation. Therefore, recommendation no. 2 is closed upon the date of issuance of this audit report.

Recommendation no. 3: Even before the draft audit report was issued, ODP contacted the Chief Information Security Office (CISO) and initiated a review and complete risk assessment of the Partnership Monthly Reporting System. ODP has established additional levels of access as required, including administrative (ODP /Private Sector Alliances Division managers), editor (with country-specific edit authorities, for field Global Development Alliance points of contact), and view-only (for those who need to access and view but not edit information). ODP continues to work with the CISO as its assessment and full recommendations for action are pending.

ODP plans to shut down the Partnership Monthly Reporting System as ODP shifts its data collection and management needs through formal inclusion into the Agency's formal data collection system.

The above action steps have a combined target completion date of on or around December 31, 2009. Based on the planned actions, Office of Development Partners/Private Sector Alliances Division is requesting closure of recommendation no. 3.

We concur that a management decision has been reached based on the plans and target completion date provided. The recommendation can be closed upon the presentation of documentation to USAID's Audit, Performance and Compliance Division evidencing that the planned actions have been taken.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General Performance Audits Division conducted this performance audit 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted to determine whether USAID has fully and clearly disclosed the nature and limitations of Global Development Alliance data in monthly and annual reports.

In planning and performing the audit, we reviewed the *Audit of USAID's Global Development Alliances Report* (No. 9-000-05-006-P), dated July 21, 2005. With respect to internal controls for reporting alliance data, we gained an understanding of the control environment, risk assessment, control activities (including written policies and procedures, and data collection systems), information and communication, and monitoring at the selected mission and at USAID/Washington. We assessed the effectiveness of the internal controls in those categories.

To allow for a detailed evaluation of USAID's reporting, we reviewed and assessed internal and external alliance-related reporting from October 1, 2007, through September 30, 2008, and evaluated whether the alliance is being accurately reported on a monthly and annual basis.

Methodology

To determine whether USAID was ensuring that the intended results were achieved, the audit team first reviewed the *Audit of USAID's Global Development Alliances Report* and the applicable guidance and procedures issued to missions in response to the report.

We met with USAID Washington officials from the Office of Development Partners and the Africa, Asia, and Latin American and Caribbean Bureaus regarding the implementation of the Global Development Alliance in order to gain an understanding of how USAID uses the Global Development Alliance data, which key systems are involved in administering partnerships, and what were the requirements of the Office of Development Partners during implementation. We also collected and evaluated supporting documents related to sampled Global Development Alliances to evaluate the accuracy of the fiscal year (FY) 2007 annual and FY 2008 monthly data.

To assess the effectiveness of corrective action taken, we selected USAID/India, USAID/Nigeria, USAID/Peru, USAID/South Africa, and USAID/Zambia because they were the same five missions covered by the 2005 audit. We sent a survey to the missions to evaluate the policies and procedures used for reporting Global Development Alliance data. We reviewed the missions' FY 2007 Global Development Alliance reporting templates, the FY 2007 annual reports, and supporting documentation.

MANAGEMENT COMMENTS



May 26, 2009

TO: IG/A/PA, Steven H. Bernstein, Director

FROM: ODP/OD, Karen D. Turner, Director /s/

SUBJECT: Management Comments on the Audit of USAID's Reporting on Global Development Alliances (Audit Report No. 9-000-09-XXX-P)

This memorandum transmits the Office of Development Partners Private Sector Alliances' (ODP/PSA) response to draft audit report no. 9-000-09-XXX-P "Audit of USAID's Reporting on Global Development Alliances", dated April 23, 2009.

Background

Since 2001, USAID's Global Development Alliance (GDA) Secretariat, currently the Private Sector Alliance Division of the Office of Development Partners (ODP/PSA), has developed and promoted an innovative methodology of development through partnering with the private sector. "Global Development Alliances" or "GDAs" refer to specific programmatic activities initiated and managed both by ODP/PSA and by Washington Operating Units and field Missions. An important aspect of the work of ODP/PSA since its founding is the collection and analysis of data relating to GDA partnership activity and leveraging contributions.

In October 2008, the Office of the Inspector General (IG) initiated an audit of ODP/PSA's data management and reporting on GDAs. The draft report to that audit was completed and transmitted to the Office of Development Partners for comment on April 23, 2009. The ODP/PSA Division found the audit to be professional and extremely useful. ODP/PSA Division wishes to thank the auditors for their hard work and persistent efforts to improve the Global Development Alliances program.

Management Comments

Recommendation No. 1: *We recommend that the Office of Development Partners, in consultation with the Office of Management Policy, Budget and Performance, design and implement controls, policies, and procedures to enhance the reliability of data reported for Global Development Alliances.*

In response, ODP/PSA accepts the IG's recommendation and is prepared to enact the corrective actions described below.

As background to ODP's planned actions in response to this recommendation, we find it relevant to highlight two issues. The first issue relates to the new reporting system which received significant scrutiny by the IG auditors, and the second relates to unique challenges regarding partnership reporting which will influence our response actions.

- A. On June 16, 2008 (just four months prior to the IG audit), then-Administrator Henrietta Fore formalized via Agency Notice her goal to triple the value of resources leveraged through partnerships. This notice detailed her directions that data for this initiative be collected at both annual and monthly junctures; and specifically that ODP/PSA would be responsible to provide her with "monthly updates on Agency wide progress" which would be accomplished through Mission reporting into a "brief online survey each month". A very short time frame was established in the notice – with the first report required at the midpoint of the following month, July 15, 2008. In response, ODP/PSA established the externally-hosted, web-based Partnership Monthly Reporting System, and distributed guidance to the Agency for its use. It is also notable that, as part of the tripling initiative, Administrator Fore expanded the scope of data which would be collected and analyzed, specifically to include public private partnership data from collaborations representing a less than 1:1 leveraging arrangement, as well as Development Credit Authority activities.
- B. One of the issues ODP/PSA will need to address in working to ensure future quality and consistency of partnership data is how should the Agency document and justify reporting on non-binding, non-auditable arrangements regarding partners' contributions. Nearly all of USAID's GDAs and other public private partnerships incorporate standard grants and contracts between USAID and its activity implementers – and for these activities all Agency performance reporting requirements apply. However, GDAs also have non-auditable, non-legally-binding MOUs documenting and describing the role and provision of in-kind/cash contributions (often executed through their own parallel giving mechanisms) by our resource-providing private sector partners. As such, in order to track partners' contributions, USAID has historically sought data through implementer narrative reporting and via resource partners' voluntary data sharing. ODP/PSA (with advice from offices including GC, OAA and M/MPBP) will need to design and implement guidance on an appropriate and "sufficient" level of documentation from resource partners regarding these contributions (for example, establishing a requirement of certification letters from companies as to the level of their cash and in-kind contributions). Formal audits are not contemplated as these are resource *providing* partners – not *users* of USAID resources.

Actions:

In response to Recommendation 1, ODP/PSA will work with USAID's Office of Management Policy, Budget and Performance (M/MPBP) to design and implement controls, policies and procedures to ensure data quality and reliability of Agency-wide GDA partnership data. This solution will involve the following actions:

1. ODP/PSA will work with USAID offices including GC, OAA and M/MPBP to identify an appropriate and “sufficient” level of documentation from resource partners regarding their contributions.
2. Under guidance from M/MPBP, ODP/PSA will negotiate with the Department of State Office of Director of Foreign Assistance (State/F) to include GDA/partnership data in the Agency’s official, standardized reporting system (currently FACTS).
3. ODP/PSA will end data collection and shut down the web-based Partnership Reporting System upon successful negotiation and planning for inclusion of partnership data in FACTS.
4. In collaboration with USAID/MPBP and State/F, ODP/PSA will develop and disseminate new guidance for Agency partnership reporting in FACTS.

The above action steps have a combined target completion date of on or around December 31, 2009. Based on the background information and planned action steps above, ODP/PSA is requesting closure of Recommendation No. 1.

Documentation Attached:

- Annex 1.1: Agency Notice on Tripling
- Annex 1.2: ODP/PSA Guidance to Field on Partnership Monthly Reporting System (PMRS)

Recommendation No. 2: *We recommend that the Office of Development Partners provide written guidance to all operating units that report Global Development Alliance data that the data limitations be clearly and fully disclosed in all monthly and annual reports.*

In response, ODP/PSA accepts the IG’s recommendation and is prepared to enact the corrective actions described below.

As a note of reference, M/MPBP has advised ODP/PSA that the Agency’s official reporting system (FACTS) is not set up to accommodate disclosure of data limitations within Mission and Washington operating units’ submissions. Once GDA data is incorporated into FACTS, Mission reporting on indicators relative to GDA activity will be required, and such reporting will trigger Data Quality Assessments (DQAs). Through the DQA process, Missions will document and record the limitations of their GDA data against the standards of validity, reliability, integrity, precision, and timeliness; however they will retain and/or archive that data at the operating unit (OU) level – and as such the data limitations would not be disclosed in their annual reports. Of note, upon verification of the OU annual report (of which the GDA data will be a part), US Ambassadors (or their designees) formally endorse the quality of each OUs data.

Actions:

In response to Recommendation 2, ODP/PSA has already taken the following corrective actions:

1. In December 2008, after discussion of this issue with the IG auditing team, ODP/PSA (in consultation with USAID/General Counsel) developed and issued the following data disclaimer to all staff members of ODP/PSA to use when officially communicating cumulative partnership data:

- *"Partner contributions are estimates provided to USAID by its partners and may include contributions by various partners including the private sector, non-governmental organizations, foreign governments and other organizations. Estimated contributions include cash and in-kind resources. In-kind resources estimates may have been valued by non-USAID partner organizations. Partner contribution estimates are not audited."*
2. ODP/PSA has disseminated guidance (via Division Chief's 5.21.09 email message) to all Missions and operating units that report Global Development Alliance data that the data limitations be clearly and fully disclosed in all appropriate reports and communications media.

Based on the above completed actions, ODP/PSA requests closure of Recommendation No. 2.

Documentation Attached:

- Annex 2.1: Division Chief's 5.21.09 email to Missions/Washington Operating Units.

Recommendation No. 3: *We recommend that the Office of Development Partners, in collaboration with the Chief Information Security Officer, use USAID's published procedures and guidelines to establish appropriate managerial, operational, and technical controls, including the performance of the required risk assessment.*

In response, ODP/PSA accepts the IG's recommendation and is prepared to enact the corrective actions described below.

Actions:

Even as the IG audit was proceeding in February 2009, ODP/PSA contacted the Chief Information Security Office (CISO) and initiated a review and complete risk assessment of the Partnership Monthly Reporting System (PMRS). ODP/PSA has established additional levels of access as required including *Administrative* (for ODP/PSA managers), *Editor* (with country specific edit authorities - for field GDA Points of Contact), and *View-Only* (for those with a need to only access and view, but not edit information). PSA continues to work with CISO as their assessment and full recommendations for action are pending.

In response to this recommendation, ODP/PSA plans to shut down the PMRS system as ODP/PSA's shifts its data collection and management needs through formal inclusion into the Agency's formal data collection system FACTS. The permanent de-activation of the ODP/PSA-established web-based PRS system will render moot this specific recommendation.

The above action steps have a combined target completion date of on or around December 31, 2009. Based on the planned actions, ODP/PSA is requesting closure of Recommendation No. 3.

U.S. Agency for International Development
Office of Inspector General
1300 Pennsylvania Ave., NW
Washington, DC 20523
Tel: (202) 712-1150
Fax: (202) 216-3047
www.usaid.gov/oig