



OFFICE OF INSPECTOR GENERAL

AUDIT OF SELECTED ACTIVITIES UNDER USAID'S HIGHER EDUCATION FOR DEVELOPMENT PROGRAM

AUDIT REPORT NO. 9-000-12-003-P
MARCH 29, 2012

WASHINGTON, D.C.



Office of Inspector General

March 29, 2012

MEMORANDUM

TO: EGAT/ED Director, Richard Whelden
USAID/Mexico, Mission Director, Tom Delaney

FROM: IG/A/PA Director, Steven Ramonas /s/

SUBJECT: Audit of Selected Activities Under USAID's Higher Education for Development Program (Report Number 9-000-12-003-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report and have included those comments in their entirety (without attachments) in Appendix II.

The report contains 14 recommendations to help strengthen management of USAID's Higher Education for Development Program. On the basis of your responses to the draft report, we determined that final actions have been reached on Recommendations 9, 11, and 13 and that management decisions have been reached on the remaining 11 recommendations. Please provide the Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer with evidence of final actions to close the 11 open recommendations.

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

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Abbreviations

The following abbreviations appear in this report:

- ACE American Council on Education
- ADS Automated Directives System
- AOTR agreement officer’s technical representative
- DQA data quality assessment
- EGAT Bureau for Economic Growth, Agriculture and Trade
- FY fiscal year
- HED Higher Education for Development
- LWA leader with associate award
- OAA Office of Acquisition and Assistance
- OIG Office of Inspector General
- PMP performance management plan
- TIES Training, Internships, Exchanges, and Scholarships
- USG U.S. Government

SUMMARY OF RESULTS

USAID believes that education is crucial in its mission to improve lives and create opportunities. Education programs are often carried out through partnerships that the Agency forms with U.S. and host-country institutions. Not only do these partnerships “enhance USAID’s ability to foster quality education for diverse learners of all ages,” they also reflect the Agency’s interest in building partnerships in all sectors. “Many partnerships combine the expertise and resources of USAID and several public and private sector entities such as higher education institutions, the private sector, and non-governmental organizations.”¹

In October 2005, USAID/Bureau for Economic Growth, Agriculture and Trade (USAID/EGAT) awarded a 5-year, estimated \$319 million² cooperative agreement to the American Council on Education (ACE) to implement the Higher Education for Development Program (HED). Under this leader with associate award (LWA)³ mechanism, HED was to deliver a variety of human and institutional capacity development activities. In September 2010, USAID/EGAT extended HED’s period of performance by another 5 years and increased the estimated cost by \$17 million, bringing the total to \$336 million.

HED seeks to improve the human and institutional capacity of higher education institutions in aid-assisted countries to address national and regional development needs, such as providing education, training, applied research, technology, and policy advice to encourage development, economic growth, good governance, and healthy societies. To accomplish these tasks, HED provides support for regional and worldwide activities under the leader award and issues sub-awards to selected U.S. institutions to form partnerships with foreign institutions in countries receiving aid to work together to implement HED activities.

As of March 31, 2011, HED managed 69 active higher education partnerships in 30 countries involving 71 host-country and 54 U.S. higher education institutions. USAID’s Latin America and the Caribbean Region had nearly half the partnerships, followed by Sub-Saharan Africa, Asia and Near East, and Europe and Eurasia Regions, as shown on page 2. As of September 30, 2011, HED had spent about \$53 million on education activities under the LWA.

The Office of Inspector General (OIG), Performance Audits Division, conducted this audit as part of its fiscal year (FY) 2011 audit plan to determine whether USAID adequately monitored selected activities under HED to ensure that intended results were being achieved.⁴ The audit specifically focused on USAID/EGAT’s monitoring of the results that the implementer (ACE) achieved under the LWA and 13 judgmentally selected partnerships (11 funded by associate awards from four USAID missions, including USAID/Mexico, and 2 funded under the leader award), as described in Appendix 1.

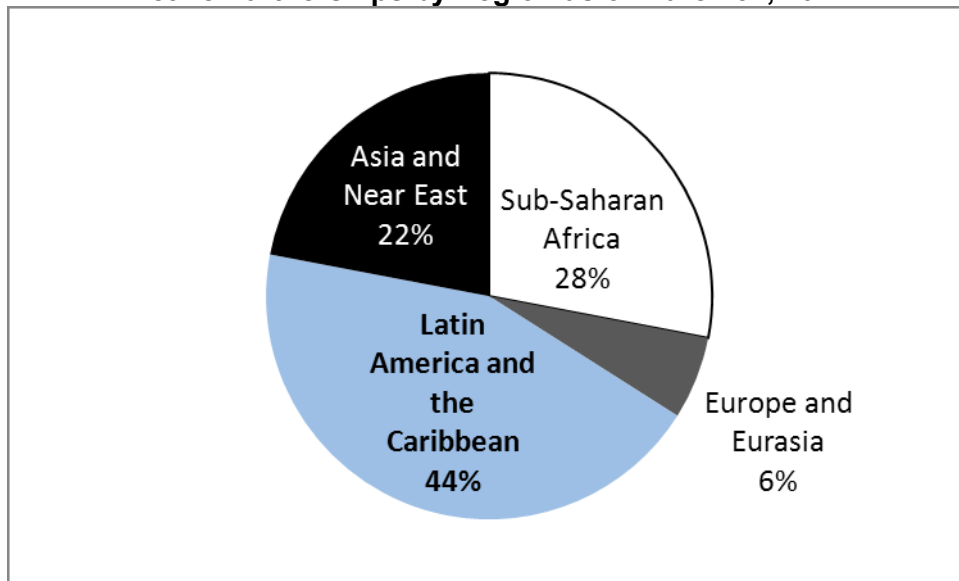
¹ See http://www.usaid.gov/our_work/education_and_universities.

² The estimated \$319 million included \$55 million for the leader award, \$250 million for associate awards, plus \$14 million through cost sharing.

³ An LWA involves the issuance of an award that covers a specified worldwide activity. The initial awardee is the leader, and under the leader award, a mission or bureau can award separate associate agreements to the leader award recipient, without additional competition, to support a distinct activity within the terms and scope of the leader award.

⁴ Appendix III lists HED’s performance indicators and actual results achieved from FY 2008 through 2010.

Active Partnerships by Region as of March 31, 2011



Audit testing confirmed that HED has had some success in improving human and institutional capacity development in host-country institutions. In addition, HED was effective in bringing stakeholders and higher education experts together to discuss ideas such as how to track the contributions higher education makes to international development. HED made positive contributions in addressing violence and social disintegration along the U.S.-Mexico border through its community outreach activities. The following are specific examples of some achievements:

- *Human capacity building.* To help Mexico adopt a more democratic rule of law, HED provided trial advocacy training to Mexican law school faculty and students, attorneys, and judges through HED's Training, Internships, Exchanges, and Scholarships (TIES) partnership between Emory University and Universidad Panamericana.
- *Institutional capacity building.* HED contributed to strengthening institutional capacity by revising the curricula and improving teaching for host-country institutions that provide tertiary education.
- *Roundtable activities.* In light of USAID's new education strategy, HED hosted a performance indicator roundtable on October 28, 2010, to identify clearly defined performance indicators that would help the U.S. Government track contributions higher education makes to international development.
- *Community outreach activities.* HED conducted community outreach activities to address violence and social disintegration along the U.S.-Mexico border. For example, at-risk youths in grades 6 through 12 who live in low-income neighborhoods of Ciudad Juarez participated in three after-school sessions per week, integrating sports and related social skills with academic instruction and visits to cultural organizations in the city.

Despite these positive outcomes, audit testing revealed that USAID/EGAT needs to strengthen its monitoring of HED activities to ensure that intended results are being achieved. Specifically, the audit found the following problems:

- Monitoring needs improvement (page 5).
- Performance data did not meet quality standards (page 8).
- Better communication is needed to improve results at USAID/Mexico (page 10).
- Unauthorized commitment occurred at USAID/Mexico (page 11).

To strengthen USAID's HED activities, the audit recommends that USAID/EGAT:

1. Develop a performance management plan (PMP) in accordance with USAID guidelines that includes the new performance indicators (page 8).
2. Review and revise targets as appropriate, and communicate with partners regarding established targets (page 8).
3. Conduct a more thorough, rigorous data quality assessment (DQA); specifically verify source data and data acquisition methodologies on all standard performance indicators that HED is required to report on (page 8).
4. Work with USAID's Office of Acquisition and Assistance (OAA) to establish a plan to transfer any Washington-based awards to the mission where the activity is occurring or to devise a plan to help monitor the activities (page 8).
5. Work with ACE to develop and implement procedures for regular monitoring of HED activities and data acquisition methods and verifying data quality (page 8).
6. Work with ACE to develop a more realistic reporting time frame for reporting data on HED's performance indicators and to minimize the need for estimates (page 10).
7. Develop and implement procedures to verify data included in its Performance Plan and Reports and USAID's Performance Accountability Report (page 10).
8. Fully disclose any data limitations in its Performance Plan and Reports and USAID's Performance Accountability Reports and the resulting implications for assessing the measurement and achievement of intended results (page 10).

To help USAID/Mexico improve communications with USAID/EGAT and strengthen its internal controls to prevent future unauthorized commitments, the audit recommends that USAID/Mexico:

9. Develop procedures to better communicate with USAID/EGAT and seek participation to jointly evaluate problems or progress of HED and come up with steps to address those problems (page 11).
10. Review the unauthorized commitment and ratify it or take other action as deemed necessary, and document the deposition (page 12).

11. Implement procedures and issue instructions that all communication regarding changes that directly affect the award amount or other budgetary changes to the associate award and the subawards under it come directly from the agreement officer (page 12).
12. Implement procedures for the agreement officer to improve his or her supervision over the agreement officer's technical representative (AOTR) (page 13).
13. Counsel the staff members involved in providing inaccurate guidance to ACE on the extent of their authority and the risks involved if they exceed it (page 13).
14. Assess the training needs of agreement and contracting officers' technical representatives, and implement a plan to provide them and their alternates with refresher training as necessary to increase awareness of their roles and responsibilities (page 13).

Detailed findings follow. The audit scope and methodology are described in Appendix I. USAID/EGAT and USAID/Mexico's comments are shown in their entirety (without attachments) in Appendix II. Our evaluation of management comments is on page 14 of the report.

AUDIT FINDINGS

Monitoring Needs Improvement

USAID believes that achieving the objectives of its programs is crucial to maintaining the Agency's credibility and accountability to stakeholders. To this end, managing for results is a key process the Agency uses to achieve development objectives. USAID's Automated Directives System (ADS) 203.3.2 states:⁵

Performance management is the systematic process of monitoring the achievements of program operations. Monitoring reveals whether desired results are occurring and whether outcomes are on track.

ADS 203 provides tools such as the PMP and DQA to help USAID determine how well programs are working.

Additionally, ADS 303 sets guidelines for the AOTR⁶ so that he or she prudently manages programs by monitoring and evaluating their progress throughout the duration of the award. Specifically, the AOTR is responsible for maintaining contact with the recipients through site visits, by reviewing and analyzing reports, monitoring reporting requirements, and ensuring compliance with the terms and conditions of the award. Moreover, the AOTR is responsible for notifying the agreement officer promptly of any developments that could have a significant impact on the recipient's performance.

However, the AOTR responsible for monitoring HED did not effectively carry out all of his responsibilities in the following areas.

No Performance Management Plan. According to the LWA cooperative agreement, ACE was required to submit a PMP that identified benchmarks and facilitated the ongoing monitoring of results achieved. At a minimum, plans must permit collection of data for accurate reporting against the results and indicators. Plans must also include measures by which programmatic impacts (and not just programmatic events or outputs) can be assessed. Despite this requirement, ACE did not submit a PMP for AOTR approval to assist in managing HED's progress. Consequently, the following problems occurred:

- ACE did not establish baseline values to use in measuring the degree of change in conditions. According to the agreement, baselines were critical to measure success and fairly evaluate the recipient's progress. However, HED has not collected baseline data for its standard indicators since the program began in 2006, and USAID/EGAT has not made determining baselines a priority. Without performance baseline data, USAID/EGAT cannot definitively evaluate or measure the degree of change HED is making in higher education in targeted countries.

⁵ ADS 203, "Assessing and Learning," was revised on February 10, 2012. The citations in this report refer to the previous version of ADS, in effect at the time of the audit.

⁶ On January 1, 2012, USAID changed the term "AOTR" to "AOR" (agreement officer's representative) to align with changes in the Federal Acquisition Regulation. Because audit fieldwork occurred before the change, this report uses AOTR.

- ACE did not set realistic performance targets. Agency directives define a performance target as a specific, planned level of result to be achieved within an explicit time frame, which should be ambitious but achievable. However, according to ACE, the targets had no real basis, nor were they assessed; in fact, ACE and the AOTR said targets were usually a “shot in the dark” or a “moving target.” Therefore, USAID/EGAT’s reported results were significantly higher or lower than the targets, ultimately making them ineffective in measuring HED’s performance. For example, for FY 2008 USAID/EGAT planned to train 2,800 host-country individuals (Performance Indicator 4); however, HED trained 9,689 or 346 percent of the target (Table III-2 in Appendix III). That same year, USAID/EGAT planned to strengthen institutional capacity of the participating universities by making 106 organizational improvements (Performance Indicator 9); HED made 236 instead, or 223 percent of the target (Table III-2 in Appendix III). Unrealistic and moving targets made it difficult to track progress and assess whether planned results were actually achieved.
- ACE did not establish a consistent, reliable system of data collection. From the beginning of HED until 2011, ACE struggled with accessing and compiling the data for the nine performance indicators. First, it had to get the data from many independent data sources. For example, ACE extracted data from more than 69 progress reports. Second, the data were buried within the narratives of the progress reports. Since ACE did not integrate the standard indicators within its reporting process, there was no systematic way to know which activities related to fulfilling specific indicators. ACE had to manually enter the data into Excel once the data were extracted—a process that was highly susceptible to errors such as double counting and inaccurate reporting. This problem is discussed in the next finding.

According to USAID/EGAT, it was very difficult to prepare a PMP because of the change in USAID’s administration, the shift in performance planning to the State Department, and the constant changes in the overall focus and type of indicators USAID/EGAT wanted to measure. In addition, it seemed impractical at the time to do so until the Agency established clear guidance regarding the performance indicators.

Monitoring HED’s progress is essential to making sure that intended results are achieved and compiling reliable data to help decision makers make informed decisions. The PMP contributes to the effectiveness of the performance monitoring system by ensuring that performance data are collected on a regular, timely basis. Without a well-defined PMP, neither USAID/EGAT nor ACE had a consistent method for determining whether desired results were being achieved or whether USAID/EGAT or ACE was maintaining the elements that were essential to a credible, useful performance-based management system.

At the time of the audit, ACE was working in close collaboration with USAID/EGAT to develop systems that address the problems caused by the lack of a PMP, including establishing new performance indicators.

Lack of Thorough, Rigorous Data Quality Assessments. In line with USAID’s principle of achieving its development objectives, all data used in external reports about the Agency must undergo a DQA. The purpose of the assessment is to ensure that USAID and the implementer are aware of the strengths and weaknesses of the data as determined by applying data quality standards provided in Agency directives and that they are aware of the extent to which the data integrity can be trusted to influence management decisions. Additionally, the rigor of the DQAs, as stated in Agency directives, depends on the kind of sources used and the level of control that USAID has over the data. Although USAID/EGAT required ACE to conduct DQAs, the assessments did not include a rigorous review of the data.

Limited Site Visits. USAID/EGAT, ACE, and the mission did not make enough site visits to monitor HED's activities effectively. While USAID/EGAT staff members conducted some visits between October 2008 and March 2011, their reports on the visits did not indicate whether they verified data quality or validated results reported by HED. The AOTR for the LWA said the staff members did not spot-check data for validity and reliability. Rather, they relied on ACE to verify the accuracy of the data since it was responsible for the results. According to USAID/EGAT, staff shortages, limited operating expense funds, and other office responsibilities prevented the staff from conducting more regular site visits. ACE's ability to make field visits diminished because of security restrictions and lack of funding, thus forcing it to monitor progress primarily through phone calls, electronic communication, and progress reports.

Associate Awards Not Transferred to the Field. ADS 200.3.2.4 states:

USAID's principle of empowerment and accountability reflects the belief that success requires that USAID allows those organizational units that are closest to the "front lines" to participate in decision-making and that it maintains an appropriate balance between authority and responsibility. Empowerment and accountability directly complement the guiding principles of teamwork and managing for results. It recognizes that to succeed, USAID should delegate authorities to the people closest to the action, who are in the best position to see and react to a changing environment and to the changing needs of customers, partners, and stakeholders.

The AOTR's ability to manage and provide effective oversight of HED was impaired because, along with the LWA, the AOTR had to manage six associate awards for USAID missions in Burundi, Egypt, El Salvador, Guyana, Jordan, and South Africa.

The LWA AOTR is based in Washington, while the cognizant mission AOTR and missions are responsible for the administration and management of the associate awards. However, in an effort to get awards signed, OAA in Washington negotiated six associate awards in September 2008 for \$3.7 million in total and instructed USAID/EGAT to transfer them to the missions mentioned above. Three years later, USAID/EGAT had transferred only three. The remaining three are still under the management and administration of the LWA AOTR. Since these awards were due to end early in 2012, the LWA AOTR had to manage them during the majority of their duration—approximately 2.5 years.

According to USAID/EGAT, the delay occurred because of many unforeseen events, such as transferring procurement document records, launching the Agency's new acquisition and assistance system, and multiple changes of agreement officers in the Office of Education.

The missions and their AOTRs must also be willing to accept the awards. In this case, the missions simply declined to do so for various reasons, such as change in priorities, lack of an AOTR, and heavy workloads. In the case of Guyana, USAID officials stated that since the mission planned to close in 2012, it was not time-conducive to transfer the award.

To succeed as the directive states, programs should be managed by organizational units closest to the front lines. Specifically, by transferring the management of associate awards to the respective USAID missions, the LWA AOTR should be able to focus more on managing and monitoring the leader award.

To address the HED management problems described above, we make the following recommendations.

Recommendation 1. *We recommend that USAID/Economic Growth, Agriculture and Trade develop a performance management plan in accordance with USAID guidelines that includes the new performance indicators.*

Recommendation 2. *We recommend that USAID/Economic Growth, Agriculture and Trade, in coordination with the American Council on Education and Higher Education for Development, review and revise its targets as appropriate and communicate with partners regarding established targets.*

Recommendation 3. *We recommend that USAID/Economic Growth, Agriculture and Trade conduct a more thorough and rigorous data quality assessment, verifying source data and data acquisition methodologies, on all standard performance indicators that Higher Education for Development is required to report on.*

Recommendation 4. *We recommend that USAID/Economic Growth, Agriculture and Trade work with USAID's Office of Acquisition and Assistance to establish a plan to transfer any Washington-based awards to the mission where the activity is occurring or to devise a plan to aid in monitoring the activities.*

Recommendation 5. *We recommend that USAID/Economic Growth, Agriculture and Trade work with the American Council on Education to develop and implement procedures for regular monitoring of Higher Education for Development activities and data acquisition methods and verification of data quality.*

Performance Data Did Not Meet Quality Standards

To help projects deliver their planned outputs and meet their overall objectives, ADS 203.3.2.1 outlines performance management steps for operating units to follow. The steps include: (1) establishing a performance management framework; (2) collecting and analyzing performance information to track progress toward planned results; (3) using performance information to influence development objective decision-making and resource allocation; and (4) communicating results achieved, or not achieved, to advance organizational learning and demonstrate the Agency's contribution to achieving the overall U.S. Government (USG) foreign assistance goal.

In addition, for performance data to be useful in managing for results and credible for reporting, ADS 203.3.5.1 states:

Operating units should ensure that the performance data meet data quality standards of validity and reliability to clearly and adequately represent intended results and to confidently ensure that progress toward performance targets reflects real changes rather than variations in data collection methods respectively.

ADS further states that known data limitations should be reported so that decision makers understand what the data can and cannot say.

Contrary to these directives, the audit found that for FYs 2008, 2009, and 2010, USAID/EGAT officially certified and reported performance data that were not valid or reliable in various formal reports, such as Performance Plan and Report and most importantly, the Agency's Performance Accountability Report. Specifically, there were significant variances between what USAID/EGAT reported as achieved and what the program actually achieved per HED's database on four of the nine performance indicators shown in Appendix III (Table III-1). For example, USAID/EGAT reported that 479 host-country individuals completed exchange programs through higher education institutions (Performance Indicator 2) in FY 2008, but only 285 did, resulting in an overstatement of 68 percent. For FY 2010, USAID/EGAT reported that 191 host-country individuals completed the programs, while only 102 did, resulting in an overstatement of 87 percent. For Performance Indicator 6, USAID/EGAT reported that 208 higher education activities addressed development needs; however, HED achieved only 102, resulting in an overstatement of 104 percent for FY 2009.

These variances were mainly due to inconsistent data collection methodologies and a lack of an adequate review of performance data to ensure accuracy. For example, Performance Indicator 2 was supposed to track only the number of host-country individuals completing U.S.-funded exchange programs conducted through higher education institutions. However, USAID/EGAT counted all individuals completing such programs instead of only those from host countries.

The variances for Performance Indicator 6 occurred because ACE was unable to review the quality and accuracy of reported information. According to ACE, USAID/EGAT required it to submit performance data during the first week of November of each fiscal year—almost immediately after the October 31 deadline. As a result, ACE was unable to fully review the quality and accuracy of reported information under such a tight time frame. Moreover, not all partnerships submitted performance data on time.

Further, performance data that USAID reported internally and externally did not capture the actual achievements for FYs 2008 to 2010. Instead, USAID reported estimates for five of the nine standard performance indicators without disclosing that HED data were estimates, and USAID did not correct the information (Tables III-2 and III-3 in Appendix III). For example, USAID/EGAT underreported the number of scholarships given to attend higher education institutions (Performance Indicator 3) by 30 percent in FY 2009. Similarly, USAID/EGAT underreported the number of organizational improvements that strengthened the capacity of the institutions (Performance Indicator 9) by 50 percent in FY 2010.

ACE and its partners used estimates because they said that USAID/EGAT's deadline gave them very little time to check, verify, and consolidate data. However, USAID/EGAT did not disclose this data limitation in its formal reports so that decision makers could clearly understand that performance data were based on estimates. Because various stakeholders use information from these reports as they examine past performance to assess future plans and establish future year budgets, using estimates can lead to making incorrect decisions.

Additionally, we found that none of the three partnerships whose offices we visited could fully support reported results during site visits. In one instance, one partnership could not support the number of host-country individuals it trained. Most significantly, the reported results of this particular partnership accounted for at least 60 percent of the entire HED reported results contributing to one performance indicator. In another instance, a program representative informed us that he was not sure whether the activities reported in progress reports even happened, making the reported results questionable.

Such data integrity problems need to be resolved in order to improve USAID/EGAT's ability to present accurate, reliable results that describe its achievements to Congress, the Office of Management and Budget, other USG agencies, the public, donors, multinational organizations, host-country partners, and nongovernmental organizations. Because of these problems, the Agency's reported results in Appendix III should be interpreted with caution.

While we recognize that USAID/EGAT and ACE are already working to resolve these problems, we reiterate the necessity of resolving them quickly because of the significance of the reports. Without accurate, reliable information on program results, USAID/EGAT will not be able to monitor HED's progress adequately to determine whether it is achieving intended results or report reliable information to decision makers. Therefore, we make the following recommendations.

Recommendation 6. We recommend that USAID/Economic Growth, Agriculture and Trade work with the American Council on Education to develop a more realistic reporting time frame for reporting data for Higher Education for Development's performance indicators and to minimize the need for estimates.

Recommendation 7. We recommend that USAID/Economic Growth, Agriculture and Trade develop and implement procedures to verify data included in its sector's Performance Plan and Report and USAID's Performance Accountability Report.

Recommendation 8. We recommend that USAID/Economic Growth, Agriculture and Trade fully disclose any data limitations in its sector's performance plan and report and USAID's performance accountability report and their implications for assessing the measurement and achievement of intended results.

Better Communication Is Needed to Improve Results at USAID/Mexico

ADS 203.3.2.1.d states that one of the four principle steps in performance management is:

Communicating results achieved or not achieved, to advance organizational learning and demonstrate the Agency's contribution to achieving the overall USG foreign assistance goal. Communication is a powerful element of performance management.

ADS 203.3.2.2 further elaborates that to implement performance management effectively, USAID Missions, Bureaus/Independent Offices, and their Development Objective teams should demonstrate a broad commitment to key principles and practices that foster a performance-oriented culture. USAID's credibility is enhanced when its teams employ the following principles and practices as regular parts of their performance management efforts:

- Seek participation (ADS 203.3.2.2.c) by involving USAID and USG entities in collecting, interpreting, and sharing performance monitoring experiences; jointly reviewing evaluation results; jointly planning for dissemination of those evaluation results among others.
- Be transparent (ADS 203.3.2.2.e) by conveying clearly and accurately the problems that impede progress and steps that are being taken to address them.

Yet the audit found that USAID/Mexico did not communicate with the USAID/EGAT AOTR, who managed the core LWA cooperative agreement, thus missing an opportunity to achieve the best possible development outcomes and to create synergies to make a bigger impact.

USAID/Mexico had the largest associate award (totaling \$20.2 million) with ACE. Although the mission and USAID/EGAT collaborated before and during the negotiations for the award, the auditors learned that they did not communicate much afterward. For example, the auditors learned that USAID/Mexico experienced financial management problems with ACE, such as a large financial pipeline due to low burn rates among the partnerships caused by delays in submitting their expense vouchers. However, the mission did not communicate with USAID/EGAT to find a viable solution because the lines of communication were unclear since the associate award was between ACE and the mission, not directly with USAID/EGAT.

Communication leads to improved processes, better application of lessons learned, and identifiable solutions to minimize errors, weaknesses, and deficiencies. Communication between USAID/EGAT and missions should enable HED to make significant improvements on a wider platform and achieve desired results. In addition, the problem discussed above could have been avoided had USAID/Mexico communicated with USAID/EGAT to evaluate jointly the progress and problems that impeded progress and develop steps to address them. Therefore, we make the following recommendation.

***Recommendation 9.** We recommend that USAID/Mexico develop and implement procedures to better communicate with USAID/Economic Growth, Agriculture and Trade, and seek participation to evaluate jointly the progress and problems that impede progress of Higher Education for Development and come up with steps to address those problems.*

Unauthorized Commitment Occurred at USAID/Mexico

ADS 303.3.18 states:

When a USAID official, who does not have the authority to do so, acts in a way that leads a recipient or potential recipient acting in good faith to believe that USAID has committed to make a specific award; change the amount of an existing award; or, revise an existing award budget, program description, or any of the terms and conditions of the award, the official has made an unauthorized commitment. It is against U.S. Government and USAID policy to enter into unauthorized commitments.

USAID's directives on the AOTR's scope and authority include steps on how to avoid making unauthorized commitments. Specifically, the Additional Help for ADS Chapter 303 ("Agreement Officer's Technical Representative Designation – Cooperative Agreement Administration") states that the AOTR's authority does not include making any changes in the program description, the terms and conditions of the award, or the total estimated budget. This is the sole responsibility of the agreement officer because the agreement officer has legal responsibility for the award; therefore, only the agreement officer can take action on behalf of USAID to enter into, change, or terminate an award.

Despite these directives, USAID/Mexico's AOTR led ACE officials to believe that the mission approved their request to make three new sub-awards and that the mission would later increase the associate award's ceiling amount to cover additional costs, but this was done without expressed approval from the agreement officer, resulting in an unauthorized commitment totaling \$3.3 million.

In May 2010, USAID/Mexico gave ACE approval to issue subawards to three partnerships whose work would focus on some of the country's most pressing needs. In July 2010, ACE officials asked the mission to increase the ceiling from \$20.2 million to a projected level of \$23.5 million when they realized that by issuing the new subawards, the existing ceiling of the associate award would be exceeded by \$3.3 million.

According to USAID/Mexico's records, the AOTR advised ACE officials that there was no need to increase the ceiling at that time because (1) ACE was not committing funds in signing subawards, (2) ACE was sub obligating funds well within the ceiling at that time, (3) ACE had an existing mortgage of \$7 million,⁷ and (4) future funding depended on availability of funds, satisfactory performance, and mission objectives. Based on this information, ACE proceeded to issue one new subaward in July 2010 and the other two in September 2010. ACE officials said they believed that the clear message from USAID was to issue the new subawards regardless of the uncertainty of funding.

However, the AOTR's advice to ACE was misguided and contrary to USAID policy directives. First, signing subawards does commit funds. As defined by ADS 621, "A commitment is an administrative reservation of funds in anticipation of an obligation, and a binding agreement such as a signed subaward is the supporting documentation required to record the obligation." Second, when ACE issued the new subawards, it exceeded the ceiling of the associate award, despite having an existing mortgage of \$7 million. Third, although future funding depends on the availability of funds and other stated conditions, this does not allow the mission to enter into unauthorized commitments. Finally, the AOTR exceeded authority outlined in her AOTR designation letter and ADS 303; only the agreement officer can take action on behalf of USAID to enter into, change, or terminate an award.

As previously stated, it is against USAID policy to enter into unauthorized commitments. Doing so potentially holds the USG liable for commitments it did not make. ADS 303.3.18 requires that unauthorized commitments be ratified—or approved—by an official who has the authority to do so. Agencies are to take positive action to prevent, to the maximum extent possible, the need for ratification actions.

To address the unauthorized commitment made and to prevent more from occurring in the future, we make the following recommendations.

Recommendation 10. *We recommend that USAID/Mexico review the unauthorized commitment and ratify it or take other action as deemed necessary, and document the deposition.*

Recommendation 11. *We recommend that USAID/Mexico implement procedures and issue instructions that all communication regarding changes that directly affect the award*

⁷ A mortgage is defined as a claim on future resources, the difference between the total planned level of funding and the cumulative total amount of funds obligated.

amount or other budgetary changes to the associate award, and the subawards under it, come directly from the agreement officer.

Recommendation 12. *We recommend that USAID/Mexico implement procedures for the agreement officer to improve his or her supervision over the agreement officer's technical representative.*

Recommendation 13. *We recommend that USAID/Mexico counsel staff members involved in providing inaccurate guidance to the implementer on the extent of their authority and the risks involved if that authority is exceeded.*

Recommendation 14. *We recommend that USAID/Mexico assess the training needs of agreement and contracting officers' technical representatives and implement a plan to provide them and their alternates with refresher training as necessary to increase awareness of their roles and responsibilities.*

EVALUATION OF MANAGEMENT COMMENTS

In their responses to the draft report, USAID/EGAT agreed with Recommendations 1 through 8, and USAID/Mexico agreed with Recommendations 9 through 14. On the basis of information provided, we determined that final actions have been taken on Recommendations 9, 11, and 13 and that management decisions have been reached on the remaining 11 recommendations. The Audit Performance and Compliance Division of USAID's Office of the Chief Financial Officer will determine whether final actions have been achieved once the planned corrective actions are completed. Our evaluation of management comments on the 14 recommendations is shown below.

Recommendation 1. USAID/EGAT agreed to develop a PMP in accordance with USAID guidelines. ACE submitted a draft PMP that includes a newly approved set of 12 standard performance indicators. Given these actions and supporting documents received, we determined that a management decision has been reached. Final action will happen when USAID/EGAT approves the final PMP by June 30, 2012.

Recommendation 2. USAID/EGAT agreed to review and revise the targets and communicate with partners regarding established targets. The draft PMP that ACE submitted included a procedure and rationale for setting targets as well as a communication process to its partners. In particular, USAID/EGAT and ACE will jointly review and revise targets accordingly during the November review of partner data submissions. After reviewing these actions and supporting documents received, we determined that a management decision has been reached. Final action will happen when USAID/EGAT approves the final PMP by June 30, 2012.

Recommendation 3. USAID/EGAT agreed to conduct a more thorough, rigorous DQA, verifying source data and data acquisition methodologies on all standard performance indicators that HED is required to report on. USAID/EGAT and ACE established the HED Data Quality Verification and Assessment Policy, which provides a framework for a more robust DQA process. In addition, USAID/EGAT and ACE jointly developed PRIME (Partnership Results and Information Management Engine), a comprehensive Web-based system for managing and reporting results that was scheduled to be launched in April 2012. PRIME will have the ability to capture and organize source documentation to support and verify reported data. Each ACE managed partnership will be required to use PRIME for performance management planning, data reporting, data quality verifications, baseline data documentation, and DQAs. Given these actions and supporting documents received, we determined that a management decision has been reached. USAID/EGAT plans to complete final action by June 30, 2012.

Recommendation 4. USAID/EGAT agreed to work with OAA to establish a plan to transfer any Washington-based awards to the mission where the activity is occurring or to devise a plan to help monitor the activities. USAID/EGAT and OAA have successfully transferred three of the six associate awards to field missions. The remaining three awards were not transferred. Two were not because they ended on December 31, 2011, and February 29, 2012, respectively. For the third award, scheduled to end in February 2013, since the only remaining activity is a training that takes place at the University of South Carolina, USAID/EGAT, and OAA determined that it would be "managerially much easier" for USAID/EGAT to monitor the award. Given these

actions and supporting documents received, we determined that a management decision has been reached. USAID/EGAT plans to complete final action by August 2, 2012.

Recommendation 5. USAID/EGAT agreed to work with ACE to develop and implement procedures for regular monitoring of HED activities, data acquisition methods, and verification of data quality. In addition to its response to Recommendation 2, USAID/EGAT and ACE will implement data quality reviews that include monitoring ACE data acquisition methods and verification of data quality. Moreover, USAID/EGAT and ACE established a template that staff members are required to fill out with information such as details of data, financial information, success stories, and lessons learned when conducting monitoring visits. Given these actions and supporting documents received, we determined that a management decision has been reached. USAID/EGAT plans to complete final action by June 30, 2012.

Recommendation 6. USAID/EGAT agreed to work with ACE to develop a more realistic reporting time frame for reporting data on HED's performance indicators and to minimize the need for estimates. USAID/EGAT reached an agreement to move ACE's reporting deadline from the first week of November to December 7 of each fiscal year. This date gives USAID/EGAT and ACE more time to conduct all the reviews necessary to minimize the need for estimates. Given these actions and supporting documents received, we determined that a management decision has been reached. USAID/EGAT plans to complete final action by June 30, 2012.

Recommendation 7. USAID/EGAT agreed to develop and implement procedures to verify data included in the education sector's Performance Plan and Reports and USAID's Performance Accountability Report. As discussed in Recommendations 2 and 5 above, the procedures to verify data that USAID/EGAT and ACE developed are to be applied to the data included in these reports. Given these actions and supporting documents received, we determined that a management decision has been reached. USAID/EGAT plans to complete final action by June 30, 2012.

Recommendation 8. USAID/EGAT agreed to fully disclose any data limitations in its formal reporting process. Specifically, any data submissions from ACE that are in USAID's formal reports will include a full disclosure on all data limitations and their resulting implications for assessing the measurement and achievement of intended results. Based on these actions, we determined that a management decision has been reached. USAID/EGAT plans to complete final action by June 30, 2012.

Recommendation 9. USAID/Mexico agreed to develop procedures to better communicate with USAID/EGAT and to seek its participation in jointly evaluating HED problems and devising ways to solve them. USAID/Mexico has improved communication with USAID/EGAT and has implemented procedures that now require USAID/EGAT's AOTR of the leader award to be copied on substantive correspondence related to HED. Also, USAID/Mexico is in direct communication with USAID/EGAT on the status of HED and has collaborated with USAID/EGAT's AOTR to jointly review the planned closeout of HED. As a result, ACE is getting consistent guidance from USAID/EGAT and USAID/Mexico for managing the closeout process, including how to handle partnerships funded by both the leader and associate awards. Based on these actions and supporting documents received, we conclude that final action has been taken on this recommendation.

Recommendation 10. USAID/Mexico agreed to review and ratify the unauthorized commitment accordingly. However, since the mission decided to terminate its associate award

with HED approximately 3 years earlier than originally expected (November 2012 rather than September 2015), the total amount of funds currently projected to be spent under the agreement is within the existing agreement ceiling amount. Therefore, ratification action is no longer necessary. Given these actions and supporting documents received, we determined that a management decision has been reached. USAID/Mexico plans to complete final action by April 30, 2012, upon execution of a modification to the agreement to terminate early.

Recommendation 11. USAID/Mexico agreed to implement procedures and issue instructions that all communication regarding changes that directly affect the award amount or other budgetary changes to the associate award and the subawards under it come directly from the agreement officer. USAID/Mexico designated a new AOTR in December 2011. The AOTR designation letter that the new AOTR signed includes clear instructions regarding the roles and responsibilities of the AOTR and agreement officer. Specifically, this letter states that all communication regarding changes that directly affect the award amount or other budgetary changes to the associate award and the subawards under it come directly from the agreement officer. Given these actions and supporting documents received, we conclude that final action has been taken on this recommendation.

Recommendation 12. USAID/Mexico agreed to implement procedures for the agreement officer to improve its supervision of the AOTR. A new AOTR has been designated, and the agreement officer provided clear instructions and authority limitations through the AOTR designation letter. In addition, the agreement officer will provide refresher training to all USAID/Mexico's agreement and contracting officers' technical representatives in May 2012 to further reinforce the instructions included in the designation letter. The training will include a discussion of roles and responsibilities as well as authority limitations and risks involved if authorities are exceeded. Given these actions and supporting documents received, we determined that a management decision has been reached. USAID/Mexico plans to complete final action by June 30, 2012.

Recommendation 13. USAID/Mexico agreed to counsel the staff members involved in providing inaccurate guidance to ACE on the extent of their authority and the risks involved if they exceed it. However, those staff members are no longer employed by USAID/Mexico. As a result, this recommendation is no longer necessary. We consider this recommendation closed.

Recommendation 14. USAID/Mexico agreed with the recommendation to assess training needs of agreement and contracting officers' technical representatives and implement a plan to provide them and their alternates with refresher training as necessary to increase awareness of their roles and responsibilities. In particular, as mentioned in Recommendation 12, the agreement officer will provide such refresher training to all USAID/Mexico's agreement and contracting officers' technical representatives in May 2012. Given these actions and supporting documents received, we determined that a management decision has been reached. USAID/Mexico plans to complete final action by June 30, 2012.

SCOPE AND METHODOLOGY

Scope

We conducted this 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 in accordance with our audit objective. We believe the evidence obtained provides that reasonable basis.

The objective of the audit was to determine whether USAID adequately monitored its HED program to ensure that it achieved intended results. We conducted audit fieldwork at USAID/EGAT's office and at the implementing partner's office in Washington, D.C. We also conducted site visits at three U.S. higher education institutions (two located in Atlanta, Georgia, and one in El Paso, Texas), three foreign institutions located in Mexico, and USAID/Mexico. We conducted audit fieldwork from September 6, 2011, through November 28, 2011. The audit covered activities implemented from FY 2008 through 2010, which included testing the reported results for all nine of HED's performance indicators in Appendix III.

In planning and performing our audit, we assessed USAID/EGAT's internal controls. Specifically, we obtained an understanding of and evaluated USAID/EGAT's organizational structure, assistance processes, monitoring and evaluation procedures, and reporting processes. We also assessed management controls, proper execution of transactions, and review of performance measure and indicators. Specifically, we reviewed and evaluated the following:

- ACE's agreements (including the subagreements between the implementer and the U.S. institutions, and the agreements between the U.S. institutions and the foreign institutions)
- ACE's semiannual and annual progress reports
- ACE's supporting documentation for data reported on all nine HED performance indicators
- Targets and actual performance results
- Site visit reports from USAID/EGAT, mission staff, ACE, and its subimplementers
- Data quality assessments
- Financial reports and other financial information reported by ACE
- E-mails and memos that documented decisions reached between USAID and ACE

We examined USAID/EGAT's self-certifications for FYs 2009 and 2010 required by the Federal Managers' Financial Integrity Act⁸ to determine whether the bureau reported any relevant weaknesses.

Methodology

To answer the audit objective, we gained an understanding of what USAID/EGAT intended to accomplish through HED and its expected results as of the end of the audit period. We interviewed key USAID/EGAT officials, including the AOTR, the agreement officer, and other staff members involved in managing HED. We also interviewed key officials at the implementing partner's office, including the chief of party, program specialists, financial management/grant officers, and monitoring and evaluation specialists. We conducted these meetings to gain an understanding of HED's controls and compliance with USAID requirements.

HED is implemented primarily through partnerships between U.S. higher education institutions and host-country institutions. Therefore, we judgmentally selected 13 of 69 (19 percent) active partnerships⁹ to include in our audit scope. Eleven of the selected partnerships were funded and managed by associate awards granted by four USAID missions: USAID/Haiti, USAID/Mexico, USAID/Senegal, and USAID/Sudan. The remaining two selected partnerships were funded and managed by USAID/EGAT under the leader award.

Most of the partnerships are in the Latin America and Caribbean Region, and USAID/Mexico has the largest associate award, TIES, which is \$20.2 million. Therefore, we selected 3 of 13 partnerships under TIES to visit and assess HED's results achieved. From October 3 to 14, 2011, we conducted site visits at the U.S. institution, the foreign institution, and the responsible mission for the three selected partnerships. Specifically, we visited Emory University, Georgia State University, and University of Texas at El Paso. In Mexico, we visited the Universidad Autonoma de Ciudad Juarez, Universidad Panamericana, and Universidad Pedagogica Nacional. We also visited USAID/Mexico, which funds and manages the TIES associate award. We had telephone discussions with the regional contracting officer and the agreement officer at USAID/El Salvador.

For the remaining 10 of 13 partnerships included in our audit scope, we sent out audit questionnaires to HED implementers. Specifically, questionnaires went to two USAID missions, seven U.S. institutions, and one foreign institution. They included inquiries in the areas of (1) program design and development, (2) monitoring, evaluation, and reporting, and (3) technical support and advisory support on various activities. These questionnaires were used to evaluate how USAID/EGAT and the implementers provided monitoring and oversight of HED and to assess how the partners were meeting its goals.

Given the nature of the audit objective, no materiality threshold was established. Because the results of our testing cannot be projected to the entire population of 69 active partnerships, we limited our conclusions to the 13 active partnerships tested.

⁸ Public Law 97-255, as codified in 31 U.S.C. 1105, 1113, and 3512.

⁹ As of March 31, 2011, HED had 69 active partnerships.

MANAGEMENT COMMENTS



TO: IG/A/PA, Director, Steven Ramonas

FROM: Eric Postel, AA/EGAT

SUBJECT: Audit of USAID's Higher Education for Development Program (Report Number 9-000-12-00X-P)

Thank you for the opportunity to respond to the Audit of USAID's Higher Education for Development Program (Report 9-000-12-00X-P). This memorandum transmits my comments.

The Bureau for Economic Growth, Agriculture and Trade (EGAT) concurs with the recommendations in this report, has already identified a number of performance concerns related to the recommendations, and has made significant progress toward addressing them. Throughout this process the American Council on Education/Higher Education for Development (ACE/HED) has been completely involved and we believe they also concur with the recommendations.

Recommendation 1: *Develop a performance management plan (PMP) in accordance with USAID guidelines that includes the new performance indicators*

Management Response: EGAT agrees with the recommendation.

The Leader Cooperative Agreement signed with ACE/HED in 2006 and covering FY 2006-2010 required an annual Implementation Management and Evaluation Plan. In January 2012, EGAT Office of Education (EGAT/ED) initiated a review process with ACE/HED to incorporate performance information from the EGAT/ED Annual Portfolio Review. As a part of the review process, EGAT/ED and ACE/HED developed ACE/HED's FY2012 PMP in accordance with ADS 203.3.5 as of the last policy update, January 17, 2012. A draft ACE/HED FY2012 PMP is attached (see *Attachment 1a - HED FY2012 Performance Management Plan* and *Attachment 1b - HED FY2012 Performance Management Plan - Evaluation Plan*). The final PMP will be approved by EGAT/ED by June 30, 2012.

In addition to the ACE/HED program PMP, as of FY2011, and pursuant to the provisions of Modification 10 to the Leader Award (including the revised program description for FY11-15), ACE/HED requires each new higher education partnership to establish a PMP and conduct

baseline data collection. The requirement stands whether the partnership is funded through the LWA or an Associate Award.

Target Date for Completion of Recommendation: June 30, 2012

Recommendation 2: *Review and revise targets as appropriate, and communicate with partners regarding established targets.*

Management Response: EGAT agrees with the recommendation.

On November 8, 2011, ACE/HED and EGAT/ED established a procedure and rationale for setting targets for the newly approved set of 12 standard indicators, and set targets for FY 2012 (see *Attachment 1a – HED FY2012 Performance Management Plan, Tab 2 – Targets, Objectives 3 and 4*). Targets are reviewed and revised during the November review of partner results data submissions by ACE/HED and then jointly by ACE/HED and EGAT/ED. Results varying more than 10 percent above or below targets are reviewed in detail. EGAT/ED is working with ACE/HED to integrate target setting and review of targets into performance management systems (see Recommendation 3).

Target Date for Completion of Recommendation: June 30, 2012

Recommendation 3: *Conduct a more thorough, rigorous data quality assessment; specifically verify source data and data acquisition methodologies on all standard performance indicators that HED is required to report on.*

Management Response: EGAT agrees with the recommendation.

EGAT/ED is working with ACE/HED to develop a comprehensive system for managing and reporting results, called PRIME (Partnership Results and Information Management Engine). PRIME provides a web-based platform for results based management and collaboration of all implementing partners. PRIME integrates data entry and verification (both by partners and ACE/HED) and reporting (to ACE/HED and from ACE/HED to USAID). PRIME is designed to systematically integrate all mandatory provisions of ADS 203 Assessing and Learning. Each ACE/HED managed partnership will be required to use PRIME for performance management planning, data reporting, data quality verifications (DQVs), data quality assessments (DQAs), and baseline data documentation. PRIME will be launched in early April 2012. One of the unique features of PRIME is its ability to capture and organize source documentation to support and verify reported data.

The ACE/HED program will be subject to three types of data review: (1) a DQA conducted by HED or EGAT/ED at least once every three years, (2) semi-annual DQVs conducted by ACE/HED in June and November, and (3) an annual Pre-Reporting DQV conducted by EGAT/ED in the first week of December.

The policy for DQAs and semi-annual DQVs was established by EGAT/ED and ACE/HED on March 12, 2012 (see *Attachment 2 - HED Data Quality Verification and Assessment – Policy* and, on page four of this memo, Figure 1: Summary of Data Review Types). A DQA will be conducted for each HED partnership at least once every three years. As part of the DQA, ACE/HED will assess the validity, integrity, precision, reliability, and timeliness of data in accordance with ADS 203.3.5. In some cases, as part of the DQA, ACE/HED or EGAT/ED will conduct Monitoring Visits to domestic and overseas partners (See Recommendation 6 for a full description of Monitoring Visits).

In June and November, ACE/HED will conduct DQVs to verify the accuracy, consistency, and completeness of performance indicator data and documentation. Upon concluding its November DQV, ACE/HED will submit its data report to EGAT/ED. In the first week of December, EGAT/ED will conduct a Pre-Reporting DQV to check the data reported by ACE/HED for consistency and completeness. EGAT/ED is currently working on developing a Pre-Reporting DQV policy; the policy will be finalized and approved by EGAT/ED management by June 30, 2012.

Target Date for Completion: June 30, 2012

Recommendation 4: *Work with USAID’s Office of Acquisition and Assistance to establish a plan to transfer any Washington-based awards to the mission where the activity is occurring or to devise a plan to help monitor the activities*

Management Response: EGAT agrees with the recommendation.

EGAT/ED and OAA have successfully transferred three of the six Associate Awards to field Missions (See *Attachment 3 - EGAT-ED Associate Award Transfers*). Three awards were not transferred - two because they ended on December 31, 2011 and February 29, 2012. For the third award, EGAT/ED was asked by the USAID/Burundi Mission to retain the COR role. The only remaining element of the award is training taking place at the University of South Carolina. Due to the location of the training, the USAID/Burundi Mission Director indicated that it would be “managerially much easier” for the EGAT/ED office to monitor the award, rather than the USAID/ Burundi office (See *Attachment 4 - EGAT-ED and Burundi Email Correspondence*). EGAT/ED will continue to pursue transferring responsibility to USAID/Burundi, but, in the interim, EGAT/ED will review and approve annual work plans, monitoring and evaluation plans, and quarterly accruals. EGAT/ED and the Mission will conduct an orderly closeout when the agreement ends on February 28, 2013.

Target Date for Completion: Plan to transfer awards and transfers completed August 2, 2012

Recommendation 5: *Work with the American Council on Education (ACE) to develop and implement procedures for regular monitoring of HED activities and data acquisition methods and verification of data quality.*

Management Response: EGAT agrees with the recommendation.

The recommendation addresses monitoring ACE/HED data quality and acquisition methodology, and monitoring HED activities.

As discussed in the response to Recommendation 3, EGAT/ED and ACE/HED, will implement three data quality reviews. All three reviews include monitoring of ACE/HED data acquisition methods and/or verification of data quality.

Monitoring of HED activities will occur through Monitoring Visits. Besides reviewing partners' performance data, ACE/HED will substantiate that documentation matches activities in the field. EGAT/ED and ACE/HED established a template for Monitoring Visits (See *Attachment 5-Monitoring Visits FY2012 - Template*). EGAT/ED and ACE/HED staff will fill out the template to monitor data, activities, financials and results, and record success stories and lessons learned. Frequency of Monitoring Visits will be determined by availability of funds.

Target Date for Completion: June 30, 2012

Recommendation 6: *Work with ACE to develop a more realistic reporting timeframe for reporting data on HED's performance indicators and to minimize the need for estimates.*

Management Response: EGAT agrees with the recommendation.

On February 24, 2012 EGAT/ED reached an agreement with EGAT/PAICO to submit ACE/HED reporting data by December 7. This date provides a realistic deadline for EGAT/ED and ACE/HED to conduct all the reviews necessary to minimize the need for estimates.

As discussed in the response to Recommendation 3, prior to reporting data on ACE/HED's performance indicators ACE/HED will conduct a DQV and EGAT/ED will conduct a Pre-Reporting DQV. ACE/HED has informed EGAT/ED that the earliest feasible date for ACE/HED to obtain performance data from higher education institutions on the previous academic year is the end of October of each year. ACE/HED will receive performance data from partners at that time. During the month of November of each year, ACE/HED will conduct DQVs to minimize the need for estimates (see *Attachment 2 - HED Data Quality Verification and Assessment - Policy*). EGAT/ED will receive the report data from ACE/HED at the beginning of December and perform a Pre-Reporting DQV in the first week of December, as discussed in Recommendation 3. Having completed this final review, EGAT/ED will submit the reporting data to EGAT/PAICO on or before the end of the first week of December of each year. (For a timeline, see *Attachment 6 - HED Data Quality Verification - Flow Chart*).

Target Date for Completion: June 30, 2012

Recommendation 7: *Develop and implement procedures to verify data included in [the education] sector's Performance Plan and Reports and USAID's Performance Accountability Report*

Management Response: EGAT agrees with the recommendation.

As outlined in the response to Recommendation 3, EGAT/ED and ACE/HED will perform three types of data review (See Figure 1: Summary of Data Review Types).

Figure 1: Summary of Data Review Types

Type	Description	Time Period	Responsibility
DQA	Assessment of the validity, integrity, precision, reliability and timeliness of data	Once every three years	ACE/HED and EGAT
Semi-Annual DQV	Verification of the accuracy, consistency, and completeness of data	May and November	ACE/HED
Annual Pre-Reporting DQV	Verification of the consistency and completeness of data	First week of December	EGAT

Target Date for Completion: June 30, 2012

Recommendation 8: *Fully disclose any data limitations in its Performance Plan and Reports and USAID's Performance Accountability Reports and the resulting implications for assessing the measurement and achievement of intended results.*

Management Response: EGAT agrees with the recommendation.

Any data submissions from ACE/HED that are ultimately included in a Performance Plan and Report (PPR) and Performance Accountability Report (PAR) will include a full disclosure of all data limitations and their resulting implications for assessing the measurement and achievement of intended results. Information on data limitations will be recorded during performance management planning, data collection, and data review.

Target Date for Completion: June 30, 2012

ATTACHMENTS:

Attachment 1a - HED FY 2012 Performance Management Plan

Attachment 1b - HED FY 2012 Performance Management Plan - Evaluation Plan

Attachment 2 - HED Data Quality Verification and Assessment - Policy

Attachment 3 - EGAT-ED Associate Award Transfers

Attachment 4 - EGAT-ED and Burundi Email Correspondence

Attachment 5 - Monitoring Visits - FY2012 Template

Attachment 6 - HED Data Quality Verification - Flow Chart



MEMORANDUM

DATE: March 2, 2012

TO: IG/A/PA, Director, Steven Ramonas

FROM: USAID/Mexico, Mission Director, Thomas R. Delaney /s/

SUBJECT: Management response to the draft audit report of USAID's Higher Education for Development (HED) Program (Report Number 9-000-12-00X-P)

This memorandum transmits USAID/Mexico's response to the above referenced audit report, with a focus on those recommendations (number 9-14) applicable to USAID/Mexico's associate award with the American Council on Education (ACE) for the HED Program.

The audit report recommendations outline weaknesses in USAID/Mexico's internal oversight of the ACE HED associate award (hereinafter referred to as the HED award). Because of USAID/Mexico's decision to end the HED associate award approximately three years earlier than expected (by November 2012 rather than September 2015), and because the USAID/Mexico staff that provided incorrect advice to HED are no longer employed by the Mission, the Mission is confident that the recommendations outlined below already have been addressed to a great extent. In addition, the Mission has changed its internal management of the HED award, naming a new AOTR and ensuring closer ongoing communication both with USAID/EGAT and with the Regional Agreement Officer.

The actions already taken and planned are further discussed below and constitute the basis for our management decision for each recommendation.

Recommendation 9 *Develop procedures to better communicate with USAID/EGAT and seek participation to jointly evaluate problems or progress of HED and come up with steps to address those problems.*

Response: The Mission concurs with and has implemented this recommendation. Under the terms of the agreement, the USAID/Mexico Mission is fully responsible for and directly manages the HED associate award. USAID/Mexico has improved communication with USAID/EGAT and procedures now call for the USAID/EGAT AOTR of the leader award to be copied on substantive correspondence related to the USAID/Mexico associate award. As a result, the Mission is in direct communication with USAID/EGAT on the status of the HED associate award and has collaborated with the AOTR of the HED leader award to jointly review the planned close-out of the USAID/Mexico HED associate award. Based on this communication and coordination, the USAID/EGAT AOTR and the USAID/Mexico AOTR have provided similar guidance to HED for managing the close-out process, including how to handle partnerships funded by both the leader and associate award with Mexican beneficiaries that extend into summer 2012.

Based upon the implementation of this recommendation, we request that this recommendation be closed upon report issuance.

Recommendation 10 *Review the unauthorized commitment and ratify it or take other action as deemed necessary, and document the deposition.*

Response: The Mission concurs with the following actions. Because of the Mission determination to terminate its associate award with HED approximately three years earlier than originally expected (in November 2012 rather than September 2015), the total amount of funds currently projected to be spent under the agreement is within the existing agreement ceiling and a specific ratification action is not necessary. Documentation provided by HED on February 9, 2012 as part of their close-out plan (see copy attached as Annex 1) shows total estimated expenses under the agreement through November 2012 of \$16,043,628. This amount is well below the original estimated agreement amount of \$20.2 million.

The Agreement Officer officially communicated the early termination of the associate award to HED on October 27, 2011 (see copy attached as Annex 2), and will be executing an agreement modification to adjust the program end date and total amount by April 1, 2012. Based on the Agreement Officer's October 27, 2011 communication and subsequent discussions between HED and USAID/Mexico, HED is amending all sub-agreements to reflect the revised overall associate award end date, and revised sub-agreement timeframes and amounts.

Accordingly, and based on the plans to execute the agreement modification by April 1, 2012, the Mission believes that the target closure date for this recommendation should be April 30, 2012.

Recommendation 11 *Implement procedures and issue instructions that all communication regarding changes that directly affect the award amount or other budgetary changes to the associate award and the sub-awards under it come directly from the agreement officer.*

Response: The Mission agrees with this recommendation. The Mission agreement officer designated a new AOTR for the HED associate award in December 2011. The AOTR designation letter for the HED associate award includes clear instructions regarding the authority of the AOTR and of the agreement officer related to award amount or other budgetary changes to the associate award and the sub-awards under it (see Annex 3).

Based on the action already taken, we request that this recommendation be closed upon issuance of the final report.

Recommendation 12 *Implement procedures for the agreement officer to improve its supervision over the agreement officer's technical representative.*

Response: The Mission concurs with this recommendation. The agreement officer's technical representative who provided incorrect guidance to HED is no longer with USAID/Mexico. A new AOTR

has been named as noted above, and clear instructions and authority limitations have been provided to the AOTR by the agreement officer through the AOTR designation letter. The USAID prescribed procedure for conveying instructions to AOTRs is the AOTR designation letter which includes roles and responsibilities, authorities and lines of communication. In order to reinforce the instructions included in the designation letter, and as mentioned under recommendation No. 14, the Agreement Officer will provide refresher training to all USAID/Mexico AOTRs and COTRs during May 2012.

Based on the actions taken and planned, the target closure date for this recommendation should be set for June 30, 2012.

Recommendation 13 *Counsel the staff members involved in providing inaccurate guidance to American Council on Education on the extent of their authority and the risks involved if they exceed it.*

Response: It is not feasible to implement the recommendation. As noted under recommendation 12, the USAID/Mexico staff members who provided inaccurate guidance to HED are no longer employed by USAID/Mexico. As a result, it is impractical to counsel them on their past performance. A new AOTR has been named, and has received clear instructions on the extent of their authority and the risks involved if they exceed it. These instructions will be further reinforced during the refresher course planned for May 2012 (see Recommendation 14).

Based on the action already taken, we request that this recommendation be closed upon issuance of the final report.

Recommendation 14 *Assess the training needs of agreement and contracting officers' technical representatives, and implement a plan to provide them and their alternates with refresher training as necessary to increase awareness of their roles and responsibilities.*

Response: The Mission agrees with this recommendation as a good management practice. Based on staff rotations and turnover, most Mission AOTRs and COTRs have had AOTR/COTR training within the last year. However, to further enhance the skills of Mission staff, the regional agreement officer will provide refresher training to all USAID/Mexico AOTRs and COTRs during May 2012. The training will include discussion of roles and responsibilities as well as authority limitations and risks involved if authorities are exceeded.

The target closure date for this recommendation is June 30, 2012.

Annexes

Annex 1 – HED close-out budget

Annex 2 – Notification of HED agreement termination

Annex 3 – AOTR designation letter

Results of Audit Testing of Performance Indicators

Table III-1. Variances Between Reported Results and Actual Achievements

No.	Performance Indicator	OIG Testing	FY 2008	FY 2009	FY 2010
1	Number of higher education partnerships	Reported	66	78	86
		Actual	70	78	86
		Variance	-4	-	-
2	Number of host-country individuals completing USG funded exchange programs conducted through higher education institutions	Reported	479	431	191
		Actual	285	357	102
		Variance	194	74	89
3	Number of USG-funded scholarships to attend higher education institutions	Reported	256	147	165
		Actual	249	211	153
		Variance	7	-64	12
4	Number of host-country individuals trained as a result of USG investments involving higher education institutions (includes degree and nondegree programs)	Reported	10,365	8,151	9,950
		Actual	9,689	10,218	9,639
		Variance	676	-2,067	311
5	Number of host-country institutions with increased management capacity as a result of USG investments involving higher educational institutions	Reported	66	59	73
		Actual	62	75	73
		Variance	4	-16	-
6	Number of USG-assisted higher education activities that address development needs	Variance	208	208	332
		Actual	114	102	294
		Variance	94	106	38
7	Number of USG-assisted host-country policy development and reform activities utilizing host country higher education institutions	Reported	42	50	37
		Actual	35	34	37
		Variance	7	16	-
8	Number of USG-funded scholarship and exchange programs conducted through higher education institutions	Reported	66	78	81
		Actual	70	78	86
		Variance	-4	-	-5
9	Number of USG-supported organizational improvements that strengthen institutional capacity	Reported	290	244	304
		Actual	236	243	612
		Variance	54	1	-308

Note: Variances shown are differences between USAID's reported results and HED's actual achievements per its database.

Table III-2. Reported Targets and Actual Achievements

No.	Indicator	FY 2008			FY 2009			FY 2010		
		Target	Actual	%	Target	Actual	%	Target	Actual	%
1	Number of higher education partnerships	75	70	93	58	78	134	80	86	108
2	Number of host-country individuals completing USG-funded exchange programs conducted through higher education institutions	520	285	55	300	357	119	300	102	34
3	Number of USG-funded scholarships to attend higher education institutions	93	249	268	200	211	106	150	153	102
4	Number of host-country individuals trained as a result of USG investments involving higher education institutions (includes degree and nondegree programs)	2,800	9,689	346	8,000	10,218	128	8,000	9,639	120
5	Number of host-country institutions with increased management capacity as a result of USG investments involving higher educational institutions	55	62	113	58	75	129	65	73	112
6	Number of USG-assisted higher education activities that address development needs	80	114	143	175	102	58	200	294	147
7	Number of USG-assisted host-country policy development and reform activities utilizing host-country higher education institutions	25	35	140	38	34	89	36	37	103
8	Number of USG-funded scholarship and exchange programs conducted through higher education institutions	62	70	113	58	78	134	70	86	123
9	Number of USG-supported organizational improvements that strengthen institutional capacity	106	236	223%	275	243	88	225	612	272

Table III-3. Differences Between Reported Estimates and Actual Achievements

No.	Indicator	FY 2008			FY 2009			FY 2010		
		Est.	Actual	Dif.	Est.	Actual	Dif.	Est.	Actual	Dif.
3	Number of USG-funded scholarships to attend higher education institutions	256	249	7	147	211	-64	165	153	12
4	Number of host-country individuals trained as a result of USG investments involving higher education institutions (includes degree and nondegree programs)	10,365	9,689	676	8,151	10,218	-2,067	9,950	9,639	311
5	Number of host-country institutions with increased management capacity as a result of USG investments involving higher educational institutions	66	62	4	59	75	-16	73	73	0
8	Number of USG-funded scholarship and exchange programs conducted through higher education institutions	66	70	-4	78	78	0	81	86	-5
9	Number of USG-supported organizational improvements that strengthen institutional capacity	290	236	54	244	243	1	304	612	-308

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